



# Metropolitan Transportation Commission

Bay Area Metro Center  
375 Beale Street  
San Francisco, CA 94105

## Meeting Agenda

### MTC Audit Committee

*Committee Members:*

*Dave Cortese, Chair*

*Scott Haggerty, Adrienne Tissier, Amy R. Worth*

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Wednesday, October 26, 2016

10:30 AM

Board Room - 1st Floor

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This meeting is scheduled to be webcast live on the Metropolitan Transportation Commission's Website: <http://mtc.ca.gov/whats-happening/meetings> and will take place at 10:30 a.m. or immediately following the 10:25 a.m. Bay Area Headquarters Authority meeting.

#### 1. Roll Call/Confirm Quorum

*Quorum: A quorum of this committee shall be a majority of its regular non-ex-officio voting members (3).*

#### Committee Approval

2a. [15-1959](#) MTC Report to the Audit Committee FY 2015-16

A report by PricewaterhouseCoopers LLP (PWC) staff on the status of the FY 2015-16 audit and related matters to the Committee.

**Action:** Committee Approval

**Presenter:** Joan Murphy

**Attachments:** [2a\\_MTC\\_Audit\\_Committee\\_Report\\_2016.pdf](#)

2b. [15-1960](#) MTC Internal Controls Report FY 2015-16

A report made by PWC staff on MTC's Internal Controls to the Committee.

**Action:** Committee Approval

**Presenter:** Joan Murphy

**Attachments:** [2b\\_MTC\\_Internal\\_Control\\_Report\\_FY2016.pdf](#)

- 2c. [15-1961](#) MTC Reports on Federal Awards in Accordance with OMB Uniform Guidance for FY 2015-16
- A report made by PWC staff on the Uniform Guidance Report covering MTC and MTC SAFE's federal award programs.
- Action:** Committee Approval
- Presenter:** Joan Murphy
- Attachments:** [2c MTC Reports On Federal Awards in Accordance w-OMB Uniform Guid](#)
3. [15-1962](#) MTC Comprehensive Annual Financial Report for FY 2015-16
- A presentation from staff of MTC's audit report.
- Action:** Committee Approval
- Presenter:** Brian Mayhew
- Attachments:** [3 MTC Comprehensive Annual Financial Report FY2015-16.pdf](#)
4. [15-1963](#) Bay Area Headquarters Authority Financial Statements for FY 2015-16
- A presentation from staff on the standalone audit for BAHA.
- Action:** Committee Approval
- Presenter:** Eva Sun
- Attachments:** [4 BAHA Financial Statements FY2015-16.pdf](#)
5. [15-1964](#) Contract Amendment - Comprehensive Financial and Compliance Audit Services for the FY 2016-17: PricewaterhouseCoopers LLP (PWC) (\$1,119,200)
- A request from staff that the Committee refer to the Administration Committee for approval an amendment to MTC's contract with PWC to fund FY 2016-17 audit services.
- Action:** Refer to the Administration Committee for Approval
- Presenter:** Brian Mayhew
- Attachments:** [5 Contract Amendment PricewaterhouseCoopers.pdf](#)

## 6. Public Comment / Other Business

## 7. Adjournment / Next Meeting

The next meeting of the Audit Committee will be determined at a later date.

**Public Comment:** The public is encouraged to comment on agenda items at Commission meetings by completing a request-to-speak card (available from staff) and passing it to the Commission secretary. Public comment may be limited by any of the procedures set forth in Section 3.09 of MTC's Procedures Manual (Resolution No. 1058, Revised) if, in the chair's judgment, it is necessary to maintain the orderly flow of business.

**Meeting Conduct:** If this meeting is willfully interrupted or disrupted by one or more persons rendering orderly conduct of the meeting unfeasible, the Chair may order the removal of individuals who are willfully disrupting the meeting. Such individuals may be arrested. If order cannot be restored by such removal, the members of the Commission may direct that the meeting room be cleared (except for representatives of the press or other news media not participating in the disturbance), and the session may continue.

**Record of Meeting:** Commission meetings are recorded. Copies of recordings are available at a nominal charge, or recordings may be listened to at MTC offices by appointment. Audiocasts are maintained on MTC's Web site ([mtc.ca.gov](http://mtc.ca.gov)) for public review for at least one year.

**Accessibility and Title VI:** MTC provides services/accommodations upon request to persons with disabilities and individuals who are limited-English proficient who wish to address Commission matters. For accommodations or translations assistance, please call 415.778.6757 or 415.778.6769 for TDD/TTY. We require three working days' notice to accommodate your request.

**可及性和法令第六章:** MTC 根據要求向希望來委員會討論有關事宜的殘疾人士及英語有限者提供服務/方便。需要便利設施或翻譯協助者，請致電 415.778.6757 或 415.778.6769 TDD / TTY。我們要求您在三個工作日前告知，以滿足您的要求。

**Acceso y el Titulo VI:** La MTC puede proveer asistencia/facilitar la comunicación a las personas discapacitadas y los individuos con conocimiento limitado del inglés quienes quieran dirigirse a la Comisión. Para solicitar asistencia, por favor llame al número 415.778.6757 o al 415.778.6769 para TDD/TTY. Requerimos que solicite asistencia con tres días hábiles de anticipación para poderle proveer asistencia.

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Attachments are sent to Commission members, key staff and others as appropriate. Copies will be available at the meeting.

All items on the agenda are subject to action and/or change by the Commission. Actions recommended by staff are subject to change by the Commission.



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

**File #:** 15-1959      **Version:** 1      **Name:**  
**Type:** Report      **Status:** Committee Approval  
**File created:** 9/22/2016      **In control:** MTC Audit Committee  
**On agenda:** 10/26/2016      **Final action:**  
**Title:** MTC Report to the Audit Committee FY 2015-16

A report by PricewaterhouseCoopers LLP (PWC) staff on the status of the FY 2015-16 audit and related matters to the Committee.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [2a\\_MTC\\_Audit\\_Committee\\_Report\\_2016.pdf](#)

Date	Ver.	Action By	Action	Result
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**Subject:**

MTC Report to the Audit Committee FY 2015-16

*A report by PricewaterhouseCoopers LLP (PWC) staff on the status of the FY 2015-16 audit and related matters to the Committee.*

**Presenter:**

Joan Murphy

**Recommended Action:**

Committee Approval

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***Metropolitan  
Transportation  
Commission***  
Report to the  
Audit Committee

October 26, 2016





October 26, 2016

Members of the Audit Committee of the  
Metropolitan Transportation Commission  
Bay Area Metro Center  
375 Beale Street  
San Francisco, CA 94105

Dear Members of the Audit Committee:

We have substantially completed our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the fiduciary funds and the aggregate remaining fund information of the Metropolitan Transportation Commission ("MTC"), which collectively comprise MTC's basic financial statements for the year ended June 30, 2016. As part of our audit, we evaluated MTC's system of internal accounting control, to the extent we considered necessary to evaluate those controls as required by auditing standards generally accepted in the United States of America. Concurrently with this report, we are submitting to management an "Internal Control Report", with recommendations designed to help MTC make improvements to its system of internal accounting control and achieve operational efficiencies. Our audit was not designed to provide assurance on MTC's internal control structure.

We have included in this letter the status of the audit, and communications with you as required by professional auditing standards.

This communication of matters includes only those audit matters of governance interest that have come to our attention as a result of the performance of the audit. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

The accompanying report is intended solely for the information and use of the Audit Committee, the Commissioners, management and others within MTC.



We appreciate the opportunity to serve you and MTC. Should you have any questions or comments, please contact Joan Murphy, Engagement Partner, at (415) 498-7690. We look forward to being of continued service to you and MTC.

Yours truly,

Cc: Steve Heminger, Executive Director  
Brian Mayhew, Chief Financial Officer  
Eva Sun, Deputy Finance Officer  
Susan Woo, Deputy Treasurer  
Suzanne Bode, Accounting Manager

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THIS REPORT AND THE INFORMATION THAT IT CONTAINS ARE SOLELY FOR THE BENEFIT AND RESTRICTED USE OF THE AUDIT COMMITTEE, THE COMMISSIONERS, MANAGEMENT AND OTHERS WITHIN MTC AND ARE NOT INTENDED TO BE USED OR RELIED UPON BY ANY OTHER PARTIES.

## ***Status of Audit***

We have substantially completed our audit of the financial statements of MTC and MTC's Schedule of Expenditures of Federal Awards (OMB Uniform Guidance audit) for the year ended June 30, 2016 pending the completion of the items noted below. Our audit has been performed substantially in accordance with the plan and timeline previously communicated in our Audit and Communications Plan dated September 2, 2016.

## **Remaining Items to Complete**

The following items will need to be completed prior to issuance of our opinions:

- Keeping current procedures
- Receipt of management representation letters

## ***Significant Accounting and Auditing Matters***

We have summarized below significant accounting and auditing matters related to MTC's financial statements and our audit of those financial statements for the year ended June 30, 2016.

### **Implementation of GASB 72**

In fiscal year 2016, MTC adopted GASB Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). GASB 72 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and requires enhanced disclosures for assets and liabilities that are required to be measured utilizing fair value (rather than historical cost). Similar to non-governmental entities, GASB 72 requires a disclosure for the degree of certainty around the underlying investment fair value using a three level system. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under GASB are described as follows:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

**Level 2:** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

MTC presents its investments in a fair value levelling table for both June 30, 2016 and 2015 with all investments classified as Level 2. Furthermore, all MTC investment derivatives are classified as Level 2 presented at fair value as of June 30, 2016. GASB 72 provides an exception not to restate prior year information if it is impractical to do so. MTC determined it was impractical to do so given the time and resources required to determine the July 1, 2014 and June 30, 2015 fair values. However, MTC did restate its opening net position as of July 1, 2015 to reflect the cumulative effect of the adjustment as per GASB 72 requirements.

While the effect of the adoption was principally expanded levelling disclosures surrounding investments, there was an impact to MTC's opening net position for fiscal 2016 related to the revised fair value measurement of MTC's investment derivatives. The amount of the opening net position impact of \$57.2 million was estimated by management based upon data used to measure the fair value of the investment derivatives as of June 30, 2016. Notes 3.B and 5 discuss the details about all valuations of MTC's investments.

## **Implementation of Uniform Guidance**

The Office of Management and Budget's ("OMB") *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (commonly called "Uniform Guidance") was officially implemented in December 2014 by the Council on Financial Assistance Reform ("COFAR"). MTC implemented the requirements as required and the fiscal year 2016 federal awards audit was conducted under these new guidelines for the first time. While implementation did not have a significant impact on the Comprehensive Annual Financial Report ("CAFR") nor on MTC's Schedule of Expenditure of Federal Awards, it did have a significant impact to the audit team's compliance auditing procedures as MTC is a recipient of federal grants and funds.

## ***Other Required Audit Committee Communications***

### **Independence**

With respect to MTC, as of the date of this report, we confirm that we are independent accountants within the meaning of Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants (“AICPA”). Our quality control processes are established to ensure our continuing independence.

We were not engaged to perform any non-audit services other than those reported to the Audit Committee in our September 2, 2016 audit plan.

### **Relationships between PwC (or any Affiliates of the Firm) and MTC (and its Affiliates) and Other Matters that Might Reasonably Be Thought to Bear on Independence**

There were no relationships or other matters identified that might reasonably be thought to bear on our independence.

### **Fraud and Illegal Acts**

In order to fulfill our responsibilities related to fraud, we have performed the following audit procedures:

- Inquiries of management, the Audit Committee Chair and others at MTC related to their knowledge of fraud or suspected fraud, the fraud risk assessment process and how fraud risks are addressed by MTC.
- Considered the fraud risk factors present for the Commissioners, management and employees to commit fraud, including key incentives, pressures and opportunities.
- Disaggregated analytical procedures, primarily over revenue.
- Incorporated an element of unpredictability in the selection of the nature, timing and extent of audit procedures performed.
- Identified and selected journal entries and other adjustments for testing.

No irregularities, fraud or illegal acts involving senior management, or that would cause a material misstatement to the financial statements, came to our attention as a result of our auditing procedures.

### **Changes to the Planned Audit Strategy**

There were no significant changes to the planned audit strategy or the significant risks initially identified and reported to the Audit Committee in our September 2, 2016 report.

## Areas of Audit Emphasis

We emphasize certain areas in our audit on a recurring basis because of their potential significant impact on MTC's financial results. We have outlined below the key areas of audit focus, based on our cumulative knowledge of MTC, used in determining risk, materiality and the significance of various judgments.

### *Critical Accounting Policies and Significant Judgments and Estimates*

We have identified certain audit areas as subject to significant judgment, based on our prior knowledge and current year audit of MTC. Such audit areas are subject to critical accounting policies and/or significant judgments and estimates, and were key considerations in performing our audit:

- Valuation of pensions and other postemployment benefit ("OPEB") liability/assets
- Fair value of Certificate of Participation ("COP")
- Valuation of interest rate swaps
- Impact of interest rate swaps' Credit Valuation Adjustment ("CVA") on opening net position (under GASB 72)

### *Other Areas of Emphasis*

Based on our understanding of the business and our discussions with management and the Audit Committee, during our audit we considered the following:

- Capitalized costs related to the new Bay Area Metro Center and any new tenant arrangements
- Toll Revenue Recognition (including deferred revenue)
- Adoption of GASB 72 regarding the fair value measurement of investments
- Inter-fund balances
- Federal state and local government grant expenditures

## Quality of MTC's Financial Reporting

We are responsible for discussing with the Audit Committee our judgments about the quality, not just the acceptability, of MTC's accounting principles and underlying estimates in its financial statements. We believe MTC has made appropriate disclosures in its financial statements, consistent with materiality standards and the applicable financial reporting framework, and that these disclosures are clear. In addition, we noted no instances of bias in regards to critical accounting estimates.

## Alternative Accounting Treatments

There were no significant changes in accounting policies from the prior year with the exception of the adoption of GASB 72 *Fair Value Measurement and Application* noted above. We did not identify any alternative treatments permissible under US GAAP for accounting policies and practices related to material items, including recognition, measurement, and presentation and disclosure.

## Management's Representation and Identified Misstatements

During our audit, there were several adjustments proposed to the financial statements. The attachment to the Management Representation Letter in Appendix A contains any uncorrected misstatements which have been deemed immaterial by management and not adjusted.

Through the course of the audit, we also discussed with management several items that ultimately were adjusted. These included:

- In determining the appropriate implementation of GASB 72, management adjusted the opening net position by \$57m in accordance with the pronouncement and disclosed the cumulative effect of the accounting change.
- As a result of discussions about the appropriate treatment of certain costs related to the construction of the Bay Area Metro Center, management booked an adjustment in order to appropriately add \$10m to the BAHA capital assets and liability balances.

## Material Uncertainties Related to Events and Conditions (Specifically Going Concern)

We noted that MTC has a net position deficit, however management concluded, and we concurred, that this does not represent a going concern issue. We are not aware of any material uncertainties that cast doubt on MTC's ability to continue as a going concern. The deficit is addressed in Note 2 of the CAFR and is a function of the timing of BATA's expenditures to Caltrans for bridge repairs, maintenance and capital projects - which are all expensed, since the bridges are the property of the State of California.

## Related Party Transactions

Management uses an informal process to identify related party transactions. MTC's relationship with RAFC (of which MTC, BART, and ABAG are members) is discussed in Note 12 of the CAFR. In addition, disclosure of significant transactions with other public agencies is included elsewhere in the notes to the financial statements.

## **Other Information in Documents Containing Audited Financial Statements**

Our responsibility with respect to other information in documents containing audited financial statements is to read the information and consider whether the information or the manner of its presentation is materially inconsistent with information appearing in the basic financial statements.

The audited financial statements are included in the CAFR. We have read the MD&A and the Required Supplementary Information and supplementary information contained in the CAFR and considered whether its content or manner of presentation is materially inconsistent with the financial information covered by our report or whether it contains a material misstatement of fact.

Based on our reading, we noted no instances of inconsistent content or presentation or material misstatement of fact.

## **Disagreements with Management**

During our audit, we received full cooperation from management and had no disagreements about matters that individually or in the aggregate were significant to MTC's financial statements, the effectiveness of internal control or our audit report.

## **Consultation with Other Accountants**

Management has advised us that they have not consulted with other accounting firms regarding any significant accounting or auditing matters in fiscal 2016.

## **Difficulties Encountered During the Audit**

No significant difficulties were encountered while performing the audit that require the attention of the Audit Committee.

## **Internal Control Recommendations**

As a result of our audit, we noted certain recommendations pertaining to MTC's business processes and internal controls. See our Internal Control Report issued to management.

## **Departure from Standard Report**

We expect to issue unmodified opinions on the MTC financial statements. The CAFR and BAHA financial statement opinions will include an emphasis of a matter paragraph related to the adoption of GASB 72.

## **Other Matters**

There were no other matters arising from the audit that are significant to the oversight of MTC's financial reporting process.

# Appendix A

# ***Management Representation Letter***

[MTC Letterhead]

October 26, 2016

PricewaterhouseCoopers LLP  
3 Embarcadero Center  
San Francisco, CA 94111  
Attn: Joan Murphy

We are providing this letter in connection with your audits of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the fiduciary funds of the Metropolitan Transportation Commission ("MTC") as of and for the years ended June 30, 2016 and 2015 and the related notes to the financial statements, which collectively comprise MTC's financial statements for the purpose of expressing opinions as to whether such financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the fiduciary funds of MTC at June 30 2016 and 2015, and, where applicable, the respective changes in financial position and cash flows thereof and for the years then ended in conformity with accounting principles generally accepted in the United States of America. We also are also providing this letter in connection with your audits of the standalone financial statements for MTC's discretely presented component unit, Bay Area Headquarters Authority ("BAHA") as of and for the years ended June 30, 2016 and 2015 and the related notes to the financial statements which comprise BAHA's financial statements for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position of BAHA at June 30, 2016 and 2015 and the changes in financial position and cash flows thereof and for the years then ended in conformity with accounting principles generally accepted in the United States of America. We acknowledge and confirm that we have fulfilled our responsibility, as set out in our engagement letter of May 10, 2016, for the preparation and fair presentation in the individual financial statements of financial position, and, where applicable, changes in financial position and cash flows in conformity with generally accepted accounting principles, including the appropriate selection and application of accounting policies.

References to generally accepted accounting principles in this letter include Accounting Standards Codification ("ASC") and Governmental Accounting Standards Board ("GASB") Statements.

Certain representations in this letter are described as being limited to those matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. Materiality used for purposes of this letter is enclosed in Appendix 1.

We confirm, to the best of our knowledge and belief, as of October 26, 2016, the date of your reports, the following representations made to you during your audit(s):

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America ("GAAP"), and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which the MTC and BAHA are subject. We have prepared the financial statements on the basis that MTC and BAHA are able to continue as a going concern, including to meet its obligations in the ordinary course of business, and we are not aware of any significant information to the contrary.

2. We have made available to you:
  - a. All financial records and related data.
  - b. Unconditional access to persons within the entity from whom you have requested audit evidence.
  - c. All minutes of the meetings of the Commission and committees of the Commission and summaries of actions of recent meetings for which minutes have not yet been prepared through the date of this letter. The most recent meeting of the Commission was on September 28, 2016 and the most recent meetings of the committees of the Commission occurred between the dates of September 8, 2016 and October 14, 2016.
3. We have appropriately reconciled our books and records (e.g., general ledger accounts) underlying the financial statements to their related supporting information (e.g., sub ledger or third-party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements, as necessary. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to an income statement account and vice versa. All intra-agency accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements. The effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation.
4. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices. We have shared with you the Government Finance Officers' Association's comments on MTC's financial statements for the fiscal year ended June 30, 2015.
5. There are no material transactions, agreements or accounts that have not been properly recorded in the accounting records underlying the financial statements.
6. The effects of the uncorrected financial statement misstatements and out-of-period adjustments summarized in the accompanying Appendix 2 are immaterial to the financial statements taken as a whole.
7. We acknowledge and confirm that we have fulfilled our responsibility, as set out in our engagement letter of May 10, 2016, for 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 and we have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware. We have also disclosed to you which of these deficiencies we believe are significant deficiencies or material weaknesses in internal control over financial reporting.
8. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
9. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud and we have no knowledge of any fraud or suspected fraud affecting the MTC or BAHA involving:
  - a. Management,
  - b. Employees who have significant roles in internal control over financial reporting, or
  - c. Others where the fraud could have a material effect on the financial statements.

10. Other than as communicated to you, we have no knowledge of any allegations of fraud or suspected fraud affecting the MTC or BAHA received in communications from employees, former employees, analysts, regulators, or others.

(As to items 8, 9 and 10, we understand the term "fraud" to mean those matters described in Statement of Auditing Standards 2401)

11. There have been no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
12. MTC and BAHA have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities. BAHA's continued plans to sell/lease condominium interests in 375 Beale Street to the Bay Area Air Quality Management District ("BAAQMD") and the Association of Bay Area Governments ("ABAG") are disclosed in Note 10 to MTC's financial statements and Note 6 to BAHA's financial statements.
13. We have disclosed to you the identity of MTC's and BAHA's related parties and all the related party relationships and transactions of which we are aware.
14. The following, if material, have been properly recorded or disclosed in the financial statements:
  - a. Relationships and transactions with related-parties, as described in GASB Codification Section 2250 - *Additional Financial Reporting Considerations*, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b. Significant changes in estimates in accordance with GASB Codification Section 2250 - *Additional Financial Reporting Considerations*
16. There are no guarantees, whether written or oral, under which MTC or BAHA is contingently liable.
17. MTC and BAHA has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the financial statements.
18. MTC and BAHA have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
19. Receivables recorded in the financial statements represent bona fide claims against debtors for sales or other charges arising on or before the balance sheet dates and are not subject to discount except for normal cash discounts. Receivables classified as current do not include any material amounts which are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.
20. All liabilities of MTC and BAHA of which we are aware are included in the financial statements at the balance sheet dates. There are no other liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC 450, *Contingencies*, and no unasserted claims or assessments that our legal counsel has advised us are probable of assertion and required to be disclosed in accordance with that Statement.
21. We have not violated any covenants of our debt instruments during any of the periods presented, and we disclosed to you all covenants and information related to how we determined compliance with the covenants.

22. We are responsible for all significant estimates and judgments affecting the financial statements. Significant estimates and judgments and their underlying assumptions, methods, procedures and the source and reliability of supporting data are reasonable and based on applicable guidance, are completely and appropriately disclosed in the financial statements, and appropriately reflect management's intent and ability to carry out specific courses of action, where relevant. The procedures and methods utilized in developing assumptions, estimates and judgments are appropriate and have been consistently applied in the periods presented. Other than as disclosed to you, there have been no subsequent events which would require the adjustment of any significant estimate and related disclosures.
23. MTC and BAHA have no unpaid claims of risks not covered by an insurer that should either be recorded as a liability or reported as a contingency.
24. Expenditure by external transit agencies is an eligibility requirement of the AB664 fund.
25. The Service Authority for Freeways and Expressways ("SAFE") revenue is a fee and not a tax and therefore this entity is appropriately classified as an enterprise fund.
26. Management has determined in consultation with counsel that the contract between the Bay Area Toll Authority ("BATA") and the patron for prepaid FasTrak toll monies establishes a legal restriction on the use of the patron's monies such that the monies may not be used by BATA for operating purposes.
27. Management has determined in conclusion with counsel that the contract between BATA and the Golden Gate Bridge Highway and Transportation District relating to the collection of FasTrak toll monies establishes a legal restriction on the use of the monies such that the monies may not be used by BATA for operating purposes.
28. The Memorandum of Understanding Regarding the Operation and Maintenance of Clipper Fare Collection System ("MOU") is a validly executed arrangement and is the basis by which MTC and the parties to the MOU are operating the Clipper Fare Collection System.
29. The discretely presented component unit, BAHA, has mostly completed the developing the new office space and facilities at 375 Beale Street, San Francisco and plans to rent out or sell the remaining parcels to regional government agencies as well as third parties, at market prices.
30. Management has followed applicable laws and regulations in adopting, approving, and amending budgets.
31. The financial statements of MTC and BAHA properly classify all funds and activities.
32. The financial statements of MTC include all component units and properly disclose all other related organizations.
33. All funds that meet the quantitative criteria in GASB Codification Section 2200 – *Comprehensive Annual Financial Report*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered to be important to financial statement users, and therefore presented accordingly.
34. Net position components (restricted, assigned, committed, unassigned, nonexpendable, invested in capital assets, net of related debt; and unrestricted and fund balance reserves and designations are properly classified and, if applicable, approved.

35. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities and the statement of revenues, expenses and changes in fund balances/net position, and allocations have been made on a reasonable basis.
36. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
37. Deposits and investment securities are properly classified in a category of custodial credit risk.
38. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
39. We acknowledge our responsibility for the presentation of the *Required Supplementary Information, Other Supplementary Information and Statistical Section* in accordance with the prescribed guidelines. We believe such information, including its form and content, is fairly presented in accordance with applicable criteria. The methods of measurement or presentation have not changed from those used in the prior period. We have informed you about any significant assumptions or interpretations underlying the measurement or presentation of the information.
40. Assets and liabilities required to be measured at fair value were measured both on a recurring and nonrecurring basis at fair value in accordance with GASB 72, *Fair value measurement and application*. The valuation was determined using an acceptable methodology applied on a consistent basis and taking into account reasonable assumptions, including highest and best use, non-performance risk and credit and liquidity risk adjustments. We classified and disclosed financial assets and liabilities in the financial statements as Level 1, Level 2 and Level 3 in accordance with GASB 72, including a description of inputs and information used to develop valuation techniques.
41. Special items are appropriately classified and reported
42. Tax-exempt bonds issued have retained their tax-exempt status.
43. The actuarial valuations of the Miscellaneous Plan of Metropolitan Transportation Commission and MTC's defined-benefit other post-employment benefits healthcare plan obligations were determined using acceptable methodologies applied on a consistent basis and taking into account the individual characteristics of the plans and reasonable assumptions, including those for the discount rates, rates of return on plan assets, mortality rates and other demographic assumptions.

With respect to the federal awards program applicable to MTC, MTC-Clipper and MTC-SAFE:

- I. We are responsible for complying, and have complied, with the requirements of the Uniform Guidance.
- II. We are responsible for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs.
- III. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on our federal programs.

- IV. We acknowledge and understand our responsibility for the presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance and we believe such information, including its form and content, is fairly presented in accordance with the Uniform Guidance. We have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance. The methods of measurement or presentation have not changed from those used in the prior period. We have informed you about any significant assumptions or interpretations underlying the measurement or presentation of the information.
- V. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit.
- VI. We have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- VII. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
- VIII. We have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or stated that there was no such noncompliance.
- IX. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by your report or stating that there were no such known instances.
- X. We believe that we have complied with the direct and material compliance requirements (except for noncompliance we have disclosed to you).
- XI. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- XII. We have provided to you our interpretations of any compliance requirements that are subject to varying interpretations.
- XIII. We have disclosed to you any communications from federal awarding agencies (grantors) and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- XIV. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- XV. We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- XVI. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

- XVII. We have disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
- XVIII. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.
- XIX. We have charged costs to federal awards in accordance with applicable cost principles.
- XX. We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- XXI. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- XXII. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
- XXIII. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance.
- XXIV. The reporting package does not contain protected personally identifiable information.
- XXV. We have accurately completed the appropriate sections of the data collection form.
- XXVI. We have disclosed any known noncompliance occurring subsequent to the period for which compliance is audited or stated that there were no such known instances.
- XXVII. We have issued management decisions for audit findings that relate to federal awards we make to subrecipients and that such management decisions are issued within six months of acceptance of the audit report by the FAC. Additionally, we have followed-up ensuring that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from us.
- XXVIII. We have considered the results of subrecipient audits and have made any necessary adjustments to our own books and records.
- XXIX. We have disclosed all contracts or other agreements with service organizations.
- XXX. We have disclosed to you all communications from service organizations relating to noncompliance at those service organizations

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

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Steve Heminger – Executive Director

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Brian Mayhew – Chief Financial Officer

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Eva Sun - Deputy Finance Officer

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Suzanne Bode - Accounting Manager

## Materiality Levels

Fund	Materiality (\$)
MTC General	153,000
AB 664 Net Toll Revenue Reserve	461,000
STA	216,000
Rail Reserves	234,000
BART Car Exchange	654,000
Non-Major Governmental Funds	8,000
BATA	736,000
MTC Clipper	88,000
MTC SAFE	20,000
BAHA	579,000
Fiduciary Agency Fund	171,000
Governmental Activities	474,000
Business Type Activities	1,521,000

SUM Items																							
		Funds affected																					
Entries	Reason	MTC General		STA	Rail Reserves		Non-Major		GW		Clipper		BATA		SAFE		BTA		Fiduciary		BAHA		
DR	Expenses	686,381		287,549		550,543		10,234		1,534,707		217,695		2,524,773		20,444		2,762,912		27,608	337,074		
CR	AP/Liabilities		686,381		287,549		550,543		10,234		1,534,707		217,695		2,524,773		20,444		2,762,912		27,608	337,074	
DR	Accounts Receivables	512,433						10,235		522,668		157,712							157,712		0	0	
CR	Revenue		512,433					10,235		522,668		157,712							157,712		0	0	
DR	Due From BATA/STA/Minor	90,585								90,585		59,983							59,983		0	0	
CR	Transfers		90,585							90,585		59,983							59,983		0	0	
DR/CR	Benefits, vacation & sick expenses									260,122		63,216		151,000		16,928			231,144				
DR/CR	Net opening position									1,516,078		232,172		1,124,776		72,173			1,429,121				
CR/DR	Compensated Absences liability									1,776,200		295,388		1,275,776		89,101			1,660,265				
DR/CR	Pension Liability									577,339												577,339	
DR/CR	Net position									540,849												540,849	
DR/CR	Deferred Outflows									215,736												215,736	
DR/CR	Expenses									37,347												37,347	
DR/CR	Deferred inflows									141,899												141,899	
	Total Check	1,289,399	1,289,399	287,549	287,549	550,543	550,543	20,469	20,469	4,680,745	4,680,745	730,778	730,778	3,800,549	3,800,549	109,545	109,545	4,640,872	4,640,872	27,608	27,608	1,093,659	1,093,659

**Out of Period Adjustments (prior period adjustments booked in current year financials)**

**Funds affected**

Entries		Reason	MTC General		Rail Reserves		GW		MTC Clipper		BATA		BTA		Fiduciary		
DR	Net Position (June 30, 2015)	Correction on expenditures recognized in FY2016 but related to FY 2015	199,194		195,935		<b>395,129</b>		7,527		1,219,164		<b>1,226,691</b>		321,553		
CR	Expenses/Transfer out			199,194		195,935		<b>395,129</b>		7,527		1,219,164		<b>1,226,691</b>		321,553	
DR	Federal Revenue	Correction of reimbursement revenue related to the expenditures corrected above	153,069				<b>153,069</b>		6,664				<b>6,664</b>				
CR	Net Position (June 30, 2015)			153,069			<b>153,069</b>		6,664					<b>6,664</b>			
DR	Transfer In			2,375			<b>2,375</b>		863					<b>863</b>			
DR	Net Position (June 30, 2015)				2,375		<b>2,375</b>		863					<b>863</b>			
Total Check			354,638	354,638	195,935	195,935	550,573	550,573	15,054	15,054	1,219,164	1,219,164	1,234,218	1,234,218	321,553	321,553	





# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

**File #:** 15-1960      **Version:** 1      **Name:**  
**Type:** Report      **Status:** Committee Approval  
**File created:** 9/22/2016      **In control:** MTC Audit Committee  
**On agenda:** 10/26/2016      **Final action:**  
**Title:** MTC Internal Controls Report FY 2015-16

A report made by PWC staff on MTC's Internal Controls to the Committee.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [2b\\_MTC\\_Internal\\_Control\\_Report\\_FY2016.pdf](#)

Date	Ver.	Action By	Action	Result
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**Subject:**

MTC Internal Controls Report FY 2015-16

*A report made by PWC staff on MTC's Internal Controls to the Committee.*

**Presenter:**

Joan Murphy

**Recommended Action:**

Committee Approval

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***Metropolitan  
Transportation  
Commission***  
**Internal Controls Report**

*October 26, 2016*

DRAFT





October 26, 2016

Brian Mayhew  
Chief Financial Officer  
Metropolitan Transportation Commission  
375 Beale Street  
San Francisco, CA 94105

Dear Brian:

In planning and performing our audit of the financial statements of Metropolitan Transportation Commission ("MTC") as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing 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 Company's internal control over financial reporting. Accordingly, we do not express an opinion on the Company's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

AICPA AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*, of the AICPA Professional Standards includes the following definitions of a deficiency, a significant deficiency and a material weakness:

**Deficiency** - 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.

**Significant deficiency** - a deficiency, or 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.

**Material weakness** - 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.

Based on prior years' practice, we are providing you with a full detail report of all deficiencies.



This letter is intended solely for the information and use of the Commissioners, management, others within MTC and governmental granting agencies and is not intended to be and should not be used by anyone other than these specified parties.

If you would like any further information or would like to discuss any of the issues raised, please contact Joan Murphy at (415) 498-7690.

Very truly yours,

cc: Steve Heminger, Executive Director  
Eva Sun, Deputy Finance Officer  
Susan Woo, Deputy Treasurer  
Suzanne Bode, Accounting Manager

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## ***Current Year Recommendations***

### **A. Business Process Controls**

#### **1. Ensuring Purchase Requisitions Obtain the Proper Level of Approval**

##### **Observation**

Per MTC's Purchase Requisition Approval policy, General Requisition in an amount under \$25,000 may be signed and approved by the relevant Section Director. Purchase requisitions between \$25,001 and \$200,000 must be signed by the Deputy Executive Director and Requisitions over \$200,001 must be approved by Committee and signed by the Executive Director. Additional approval may need to be acquired from Office of General Counsel, Manager of Administrative Technology Services, or Administration Committee depending on the type of purchase.

As part of our testing of internal controls, we observed a purchase requisition in the amount of \$32,420 which lacked required approval by a Deputy Executive Director.

##### **Impact**

If the purchase requisition approval process is not adhered to, there is a risk that unauthorized or inappropriate purchase requisitions could be approved which could lead to the inappropriate expenditure of funds.

##### **Recommendation**

We recommend that MTC re-emphasize the importance of adhering to approval requirements in internal communication/training and implement monitoring controls to ensure the policies and procedures are complied with. Some examples of safeguards are manual reviews or system based workflow restrictions.

##### **Management Response**

MTC's Contracts unit will implement electronic routing of requisitions to ensure that all required approvals are obtained. Implementation is expected to be completed prior to June 30, 2017.

## B. Information Technology General Controls

### 1. Improve Change Management Processes (IFAS/OneSolution and ATCAS II)

#### **Observation**

As part of our audit, testing was performed over a sample of application changes in IFAS/OneSolution and ATCAS II. We discovered that some changes were not reviewed or approved and/or formal documentation was not maintained of the review/approval.

As a result, we were required to perform additional manual substantive testing to support the fiscal 2016 financial statement audit.

As of the time of our testing and through to the conclusion of our year-end fieldwork, no documentation of MTC's formal change management policy had been provided; however, a system wide change management policy was provided after testing had concluded. Accordingly, we were unable to perform testing of adherence to MTC's policy.

#### **Impact**

We believe a formal change policy is vital to a mature IT control environment. Clearly communicated policies can provide guidance on the nature and extent of testing and review performed in a test or production environment depending on the assessed risk. In addition, such policies, when adhered to, can ensure that all changes are reviewed and approved as desired. A lack of effectively operating change management controls increases the risk that inappropriate or erroneous changes could be made without detection.

#### **Recommendation**

We recommend that the Organization ensure that application changes are reviewed and approved and that such review and approval is formally documented. Building specificity around the level of review needed for different types of changes would aid the Organization in appropriately executing change management controls.

#### **Management Response**

Management will review its current system-wide change management policy as it applies to IFAS/OS and make any necessary changes and/or clarifications with regards to this application.

BATA follows change management processes for changes to the ATCAS production environment. BATA will apply these processes consistently for all changes. These processes are audited yearly, and management believes they are right-sized for the ATCAS financial system.

## 2. Domain Password Policy (IFAS/OneSolution)

### **Observation**

Per MTC policy, procedures exist and are followed to maintain the effectiveness of authentication and access mechanism for application - authentication mechanism requires each user to log on using a username and password. Minimum password quality requirements are enforced by the application.

PwC noted that the MTC Network policy did not include a clear requirement for password changes and additionally noted that the MTC Active Directory password configurations do not require users to change their passwords. Because the IFAS/OneSolution application relies on the MTC Active Directory for authentication, IFAS/OneSolution users are not required to change passwords at certain intervals.

### **Impact**

An absence of regular password changes can lead to a greater risk of inappropriate access to key systems.

### **Recommendation**

It is recommended that MTC implement a program whereby routine password changes are required within the MTC Active Directory.

### **Management Response**

Management agrees with this comment and will work with the Executive office to create a policy for regularly changing passwords meeting strength criteria.

## 3. User Provisioning and Access Review (IFAS/OneSolution)

### **Observation**

PwC noted that two users added to the IFAS/OneSolution application during the FY 2016 were provisioned roles that were not formally requested or approved on the Access Request forms. For one user, PwC noted that the user was requested to have accounts payable report access but instead was provisioned accounts receivable report access. For another selected individual, the user was requested to have access to create purchase orders for Dept. 18, but was instead provisioned access to create purchase orders for Dept. 1.

Further PwC noted that the annual review of user access to IFAS/OneSolution is performed by the ERP Analyst by examining access levels of each user within the system for what they currently have to what their access was set at the end of the prior fiscal year. The review is a lookback procedure to note if a user's access has changed during the fiscal year and to note that there is a valid form to track the change in access; however the two instances noted above were not identified by this review. As such PwC noted both a design deficiency with the control as well as a deficiency in the operating effectiveness of the control.

**Impact**

As the ERP Analyst is a member of the IT organization and not the business/finance organization, he is not presumed to have the ability to determine if a user's current access is appropriate per his/her current functional business role. For example, for an accounts payable clerk, the ERP Analyst would not necessarily be aware of the access required for the individual's current role such as whether the employee needs access to run reports, view certain GL accounts, etc. Inappropriate access to key systems has the potential to lead to a breakdown of segregation of duties.

**Recommendation**

It is recommended that the review be performed by a knowledgeable individual and that the individual also ensures that data was input accurately into the system as part of his/her review of the change request form. For example, there should be a check that all changes made in the system are in accordance with the approved request forms/provisions.

**Management Response**

Management acknowledges the issue stated in this comment. In order to address this issue, the accounting manager will also perform an annual review in conjunction with IT to ensure that data entry is correct and levels of authorization are still appropriate.

#### 4. Developer Access to Production (ATCAS II)

**Observation**

PwC identified multiple contracting developers with access to the production operating system and database. PwC additionally noted one user from a third party provider who has access to the production environment.

**Impact**

Developer access to the production environment creates a risk of inappropriate system changes with a limited possibility of being able to log those changes. This creates the opportunity for fraud and increases the risk of undiscovered errors.

**Recommendation**

It is recommended that developers not be given access to production. If developer access is deemed vital for efficient operating procedures, the goal of segregation of duties can be achieved by allowing developer changes to be made to the production environment only after the change has been appropriately reviewed and approved by IT Operations.

**Management Response**

Management is currently working with the ATCAS II developer and its subcontractor to limit production access. Restriction considerations may include read only access, read/write access for specific maintenance windows as approved by BATA IT, and implementation of an access tracking system.

## *Prior Years' Recommendations*

### **A. Business Process Controls**

#### **1. Ensuring the Physical Existence of Fixed Assets (Open)**

##### **Observation**

We observed that management currently does not have a formal procedure to monitor the existence and usage of non-IT assets individually below \$5,000 and used for more than one year as these assets are not capitalized in MTC's fixed asset ledger and therefore tracked. Furthermore the process to track the existence of IT assets (laptops, phones, tablets etc.) is performed by the IT department but this process is not formalized or reconciled to the fixed asset ledger records maintained by Finance.

##### **Impact**

Management has limited capability to ensure that purchased items valued individually less than \$5,000 are still in the possession of the entity as these assets are not identified in formal records and therefore their existence is not monitored. There is a risk/possibility of asset misappropriation/theft and the entity incurring additional expenses to then replace the asset.

##### **Recommendation**

We recommend that management a) re-consider the capitalization threshold of \$5,000 as this amount is relatively high compared to the price of certain items typically included in MTC's fixed assets and b) consider whether this is an optimal threshold of fixed assets to track for existence. The process of ensuring the physical existence of assets will become more crucial as MTC moves to its new headquarters and purchases a significant amount of fixed assets.

##### **Management Response from 2015**

Management will work on implementing a new inventory tracking system in conjunction with the move to the new office at Beale Street. Management has already purchased the software and this system will be maintained by the Administrative Services section.

##### **PwC Update for 2016**

MTC is in possession of AssetTrak ARS by BMI Systems, a fixed asset scanning system that would integrate with One Solution, MTC's existing financial accounting application. However, the AssetTrak system was not installed due to issues with the One Solution application which were resolved with the One Solution upgrade that took place in May 2016. Due to resource constraints management decided to delay installation until December 2016. Management's goal is that this new system will be utilized within the fixed assets and inventory processes in the second half of FY 2017.

## 2. Timely Recording of SAFE Callbox Disposals and Depreciation (Closed)

### **Observation**

Per MTC SAFE's fixed asset policy, disposals of capital assets are to be recorded in the general ledger ("GL") during the period in which the transactions occur. Furthermore, depreciation should begin when an asset is placed into service. We observed that in FY2015, there were callbox disposals recorded in the GL that were actually disposed of in FY2011, FY2012, FY2013 and FY2014. We also noted that there were other callboxes that began depreciating in FY2015 although those callboxes had been placed into service in FY2011, FY2012, FY2013 and FY2014.

These transactions were not recorded timely in the GL because the service operator performing the annual count of the callboxes miscounted the number of callboxes and reported the incorrect number of callboxes to MTC SAFE's accounting department.

### **Impact**

Recording the callbox disposals in the wrong period resulted in an overstatement of both the cost and related accumulated depreciation of capital assets in FY2011-FY2014.

### **Recommendation**

We recommend that management re-evaluate the physical count and reconciliation procedures related to callbox annual counts, so that accurate additions or disposals will be timely communicated to MTC SAFE accounting department to update its records.

### **Management Response from 2015**

Effective July 2, 2015, management hired a new contractor, Case Systems Inc. This contractor has a better maintenance and inventory tracking system. In addition, MTC staff will also participate along with the contractor when they perform the annual inventory counts.

### **PwC Update for 2016**

In December 2015, MTC staff performed a site visit with the contractor and conducted an inventory count. It was confirmed that the inventory reconciled with the record. As such, this item is considered closed.

### 3. Approval of Travel Expenses (Closed)

**Observation**

MTC's preferred travel service vendor is Great Escapes. Employees who are required to travel can book their airfares through Great Escapes, who will then issue an invoice to MTC requesting payment. Since the expenditure gets paid via the accounts payable invoice payment process instead of getting charged on a corporate credit card, such items could be omitted from the travel expenditure authorization form, which typically lists all travel related expenses including corporate credit card expenses; travel expenses that are not paid via credit card are manually added onto the list, and the authorization form gets submitted for approval.

In January 2015, MTC updated its policy and procedures with regards to travel expenses, to improve the submission and approval of travel expenses.

**Impact**

If the travel authorization process is not robust enough, then there is risk that inappropriate or unauthorized travel could occur and get paid for by MTC.

**Recommendation**

We recommend that management ensure appropriate policies and procedures are in place for approving travel expenses, and implement monitoring controls to ensure the policies and procedures are complied with.

Management should also review and identify whether there are other travel service vendors that are paid through the invoice payment process, such that they could unintentionally be excluded from the travel authorization process.

**Management Response from 2015**

Management will have all employees submit a complete travel expenditure authorization form for approval. This form incorporates the total budget request for the travel which includes the airfare, hotel, conference fees, local travel, and per diem.

**PwC Update for 2016**

Employees prepare a travel authorization form. The form can include expenses incurred by the employee as well as items included on a corporate charge card as well as air fare booked through the travel service vendor, Great Escapes. Approval for airfare booked through Great Escapes is provided on the invoice or via the travel authorization form. As such, this finding is considered closed.

#### 4. Reviewing Create and Post Journal Entries (Closed)

**Observation**

On a monthly basis, a system administrator identifies all people with journal entry create and post rights and then independently reviews the transaction listings for all these employees and identifies all entries where system create and post identifiers match i.e. the same person is the creator and poster (approver) of the journal entry. These entries are reported to the General Accounting Manager who ensures all these entries have been reviewed and approved by an independent reviewer evidenced by a wet signature on the journal document. However, in most cases the entries created and posted are by the General Accounting Manager and therefore the review performed is not an effective control procedure as the General Accounting Manager is reviewing his/her own work.

**Impact**

Without an effective process for reviewing journal entries that have been created and posted by the same person there is a risk of inappropriate journal entries being recorded and an entity's assets mismanaged. Segregation of duties is critical to such a process.

**Recommendation**

We recommend that the review of journal entries that have been created and posted by the same person be performed by someone who does not have the ability to create and post their own journal entries. We also recommended that the report used for this control be generated from the system by the reviewer and not from IT.

**Management Response from 2015**

Finance management will generate the report that identifies users that have created and posted the same journal entry rather than IT as IT has all system access. The report will be run monthly and reviewed by Finance management that does not have the ability to create and post journals. This task will be incorporated into the monthly close schedule.

**PwC Update for 2016**

A report generated from IFAS used to identify users that have created and posted the same journal entry is now run and reviewed by a member of finance management that does not have the ability to create and post journals. As such, this finding is considered closed.

## 5. Verifying Completeness and Accuracy of Census Data Used by CalPERS for Pension Valuations (Closed)

### Observation

Management performed procedures to check the completeness and accuracy of the census data file used by CalPERS' actuary to determine MTC's net liability and pension expense for its pension plan under GASB Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"). Management identified matters for further investigation with CalPERS, related to certain inactive members, which were resolved. Following completion of management's verification procedures, we tested a sample of active members in the census data file and noted the following differences between management's data and CalPERS' data which required management to perform additional investigation relating to:

- Date of hire – differences between management's records and CalPERS' for five members of the plan
- Pensionable compensation - differences between management's records and CalPERS' for one member of the plan

Management investigated these items (finding that the CalPERS amounts were accurate) and reperformed their validation of date of hire and pensionable compensation amounts for other members of the plan. After management completed this re-validation of the data, we selected an additional sample of active members in the census data file and noted no exceptions from our testing.

### Impact

Census data underpins the calculation of MTC's net pension liability and pension expense under GASB 68 and therefore inaccurate or incomplete census data may result in a misstatement of those amounts.

### Recommendation

We recommended that management formalize procedures related to census data checks by documenting the process and controls to be followed by staff performing the census data checks, so that such checks are more easily performed. In subsequent years management may also consider obtaining from CalPERS a roll forward of the census data from one year to the next and review a reconciliation for any significant differences for which support is required.

### Management Response from 2015

This was the first year management has received a file with information from CalPERS regarding eligible employees and retirees. With this first year experience with the census data completed, management will formalize procedures to verify and confirm census data for the next year.

### PwC Update for 2016

MTC's Human Resources department has developed a set of procedures to validate the information in the census data sent by CalPERS and applied the procedures to the census data file used for the FY 2016 audit. As part of the FY 2016 financial statement audit PwC did not note any census data issues. This finding is considered closed.

## B. Information Technology General Controls

### 1. Definition of the Roles and Responsibilities for ATCAS II System Support (Open)

#### Observation

There is an established contractual relationship with the ATCAS II system vendor (the “Contractor”) that provides a high-level overview into the responsibilities and roles played by the Contractor with respect to the administration and operation of ATCAS II.

Additionally, there are detailed manuals developed for the ATCAS II support personnel detailing the procedural guidance for maintenance and operation of the ATCAS II system by BATA and Caltrans Toll Operations.

However, there is currently no formal documentation outlining the responsibility for every-day activities such as those related to managing ATCAS II access, change management and infrastructure support, to delineate between the Contractor and BATA (IT, Finance, Operations) and establish a formal Service Level Agreement (“SLA”) for the system operations support. Specifically, we noted the following:

- a) The Contractor’s developers have access to ATCAS II production databases and we noted that a number of changes were migrated to production by development personnel. Even though a change management process is followed, currently there is no detective review performed by BATA Management to ensure that the version approved during testing is consistent (unchanged) from the version promoted into production.
- b) The Contractor provides BATA management with the ATCAS II application backup status reports on a monthly basis. We noted instances of incomplete and/or missed backups earlier in the year noted on the status reports. Even though there is a monetary penalty enforced for the unsuccessful backup completion cases, and the backups were noted to complete successfully later in the year, there is currently no process in place to track and resolve the root cause of the incomplete backups to ensure full remediation.

#### Impact

Without a complete and accurate set of ATCAS II roles and responsibilities, including a detailed SLA with the third party service provider, there is an increased opportunity for misunderstanding of the roles and responsibilities, as well as expectations of Management.

As it relates to developer access to production, without segregating the developer and promote-to-production functions, there is an increased risk that changes will be made to the ATCAS II system without sufficient testing or approval, leading to a potential for incomplete/inaccurate transactions processing, inaccurate data, or fraud.

Without reliable backups, there is an increased risk of data loss, interruptions to user service, inability to restore in the event of an emergency leading to an inability to process transactions systematically, and increased costs associated with manually taking tolls.

**Recommendation**

BATA Management (Finance, IT, Operations) and the Contractor should evaluate responsibilities and document expectations for each group, including a formal SLA with the service provider. Potential areas for consideration include:

- Change Management roles and responsibilities, including segregating or monitoring of developer access to production; and
- Computer operations roles and responsibilities, including performing backups, monitoring backup success/failure, researching/resolving backup failures, monitoring interfaces between systems, researching/resolving failed interfaces, performing recovery tests, approving recovery tests, retaining documentation, prox card administration, user configurable settings, etc.

**Management Response from 2015**

Following the completion of ATCAS II system acceptance and before the next fiscal year end, BATA will complete an ATCAS II operations and maintenance responsibilities matrix. The matrix will draw from ATCAS II contract documents as well as best practices for system management. Functional areas covered will include software development and release, operating system and firmware upgrades, user configurable settings management, prox card administration, business continuity, system interfaces, and access management.

**PwC Update for 2016**

MTC had a drafted responsibility matrix which had yet to be finalized as of the date of this report. PwC will review the roles, responsibilities and service levels defined in the matrix which is expected to be finalized in FY 2017 as part of the FY 2017 audit. Note that part a) of this finding which relates to developer access to production is recurring in FY 2016 and is discussed as part of current year recommendation B.4.

## 2. Application Access Management (Open)

### Observation

MTC has established controls for user access management activities for its financially significant applications and systems. However, during our audit procedures we noted that the following access-related controls were not operating effectively:

- a) Access to the ATCAS II application was not deprovisioned timely for one employee separated from BATA. Even though the access was not removed timely, the termination was identified and access disabled by IT based on the execution of the quarterly access review.
- b) Even though there is a process in place to periodically review the user access matrix (“UAM”) for the ATCAS II application, the frequency of the review is not clearly defined, and the last review was performed in FY14. While a comparison of the current, point in time UAM to the one reviewed in FY2014, indicated that the changes identified were appropriately approved, the periodic review was not performed consistently.

### Impact

Without consistent adherence to user access management activities, such as timely revoking separated user access and effectively performing periodic user access appropriateness reviews, there is an increased risk of unauthorized or inappropriate access to financially significant applications. Specifically for the UAM review, changes to the role access potentially affect all users assigned the role being modified and as a result pose an elevated risk of unauthorized access should changes not be appropriately approved. This, in turn, can lead to inappropriate transaction processing, erroneous transaction processing, inaccurate financial data, loss of financial data, or fraudulent activity.

### Recommendation

We recommend that Management implement a means to ensure access management controls are operating effectively and consistently on a continuous basis for safeguarding appropriate restriction of access to financially significant data and applications. In particular, we recommend the following:

- a) Access for separated employees should be removed in a timely manner for all application layers; definition of timeliness should be incorporated into formal policies to provide formal guidelines and requirements in this area, including timely notification of terminations to IT; and
- b) A periodic monitoring review over the UAM changes should be established to identify the changes to the access roles and ensure that all the role changes followed an established change management and approval process.

### Management Response from 2015

Management agrees with observation “a”.

For observation “b”, ATCAS II User Access Matrix (UAM) review will be conducted annually by a committee comprised of BATA IT Manager, BATA ATCAS II Project Manager, and BATA Finance Manager.

**MTC Update for 2016**

The UAM committee completed an annual review of ATCAS II roles and permission levels in June 2016. Current ATCAS II permission settings and changes to permission settings since the last UAM review in 2014 were reviewed. The UAM committee will convene again in early 2017 to complete another annual review.

**PwC Update for 2016**

We noted during our audit procedures that the ATCAS II annual roles and responsibilities review by the UAM Committee took place in June 2016 and there were no exceptions noted. Also, we noted that MTC's definition of timeliness was incorporated into formal policies to provide formal guidelines and requirements in relation to removing access. However, as noted in recommendation B.3 of the Current Year Recommendations, there was inappropriate access granted which was not identified by a review performed. Therefore, we conclude that in FY2016, this control was not operating effectively and accordingly this comment is included as part of current year recommendation B.3.

**3. Formalize Change Management Policy and Processes (Open)****Observation**

There has been a number of changes and upgrades to the systems at MTC and BATA in the recent few years. The organization also plans to move its offices to the new building in the next fiscal year. The move will lead to additional IT changes that need to be managed in tandem with other system changes.

Formalizing the change management policy and processes can lead to improving the maturity of controls within MTC and BATA.

Currently, MTC and BATA do not have an overarching change and configuration management policy covering all their financial reporting systems. Consequently, some practices are informal and not documented, such as assessing the risk and determining the extent of testing to be performed on a change.

In addition, program changes for each system are managed separately. A Change Advisory Board (CAB) or equivalent that oversees all changes is currently not present.

To illustrate:

- a. BATA conducts regular "Punch list" change management meetings only covering ATCAS changes. Similar meetings are not conducted for other BATA changes.
- b. Each change to MTC's financial reporting applications is separately managed. There is no readily available consolidated view of changes that are planned, requested or in-progress.

**Impact**

Formal policies provide a foundation or baseline for the control activities surrounding a process. For example, policies can provide guidance on the nature and extent of testing performed in a test or production environment depending on the assessed risk. Without

these policies, the guidelines for deciding on the operation of the control can be more fluid and may not represent management's intention.

In addition, having a centralized view of all changes made to financial reporting systems allows an organization to better schedule releases or changes. This also provides for a centralized committee to approve the changes and to have visibility of the dependencies and impact of the multiple changes that are occurring.

**Recommendation**

We recommend that the organization consider establishing a formal change management policy. This policy can include control requirements for initiating, testing, implementing and reviewing changes to the organization's financial reporting systems.

In addition, we recommend the organization consider setting up a CAB or equivalent to have a forum to discuss and approve all changes that are occurring.

**Management Response from 2015**

MTC is currently assessing its Technology Strategy from an enterprise perspective. As a part of this analysis, the agency will determine the appropriate level of formal change management to implement.

**PwC Update for 2016**

This finding is included as current year recommendation B.1.





# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

**File #:** 15-1961      **Version:** 1      **Name:**

**Type:** Report      **Status:** Committee Approval

**File created:** 9/22/2016      **In control:** MTC Audit Committee

**On agenda:** 10/26/2016      **Final action:**

**Title:** MTC Reports on Federal Awards in Accordance with OMB Uniform Guidance for FY 2015-16

A report made by PWC staff on the Uniform Guidance Report covering MTC and MTC SAFE's federal award programs.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [2c\\_MTC\\_Reports\\_On\\_Federal\\_Awards\\_in\\_Accordance\\_w-OMB\\_Uniform\\_Guidance.pdf](#)

Date	Ver.	Action By	Action	Result
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**Subject:**

MTC Reports on Federal Awards in Accordance with OMB Uniform Guidance for FY 2015-16

*A report made by PWC staff on the Uniform Guidance Report covering MTC and MTC SAFE's federal award programs.*

**Presenter:**

Joan Murphy

**Recommended Action:**

Committee Approval

# Metropolitan Transportation Commission

Reports on Federal Awards in Accordance  
With OMB Uniform Guidance  
For the Year Ended June 30, 2016

Component Unit

Metropolitan Transportation Commission  
MTC Service Authority for Freeways  
and Expressways

EIN

94-1749911

94-3196169

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# Metropolitan Transportation Commission

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Year ended June 30, 2016

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**Report of Independent Auditors 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***

To the Commissioners of  
the Metropolitan Transportation Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and fiduciary funds of the Metropolitan Transportation Commission ("MTC") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise MTC's basic financial statements, and have issued our report thereon dated October 26, 2016 which included a matter of emphasis paragraph concerning the manner in which MTC measures the fair value of certain investments and additional disclosures related to all fair value measurements. Our opinion is not modified with respect to this matter.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 MTC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

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

**[PricewaterhouseCoopers LLP (signed)]**

San Francisco, California

October 26, 2016



**Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance**

To the Commissioners of  
the Metropolitan Transportation Commission

***Report on Compliance for Each Major Federal Program***

We have audited Metropolitan Transportation Commission (“MTC”)’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MTC’s major federal programs for the year ended June 30, 2016. MTC’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of MTC’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MTC’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of MTC’s compliance.

***Opinion on Each Major Federal Program***

In our opinion, MTC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.



MTC's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. MTC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control Over Compliance***

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

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

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

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

**[PricewaterhouseCoopers LLP (signed)]**

San Francisco, California

October 26, 2016

**Metropolitan Transportation Commission  
Schedule of Expenditures of Federal Awards  
For the Year ended June 30, 2016**

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed-Through to Sub-Recipients
<b>Federal Highway Administration (FHWA)</b>				
Highway Research and Development Program				
Department of Transportation				
Pass Through from the California Department of Transportation				
Highway Research and Development Program				
	20.200	ATF5512L 6084 (184)	\$ 8,157	8,157
	20.200	SHRP2L-6084 (192)	\$ 135,560	120,240
<b>Total Highway Research and Development Program</b>			<b>143,717</b>	<b>128,397</b>
Highway Planning and Construction Cluster				
Department of Transportation				
Pass Through from the California Department of Transportation				
Highway Planning and Construction				
	20.205	STPL-6084 (146)	863,508	863,508
	20.205	CML-6084 (160)	1,364,534	41,076
	20.205	CML-6084 (164)	1,028,417	260,000
	20.205	CML-6084 (165)	380,187	-
	20.205	VPPL-6084 (182)	118,506	-
	20.205	CML 6160 (020)	371,358	(25,000)
	20.205	STPL-6084 (175)	11,155,846	10,022,829
	20.205	STPL-6084 (178)	393,031	-
	20.205	STPL-6084 (179)	1,249,741	-
	20.205	STPL-6084 (180)	708,394	-
	20.205	STPL-6084 (187)	659,927	659,927
	20.205	STPL-6084 (186)	1,085,627	379,520
	20.205	CML-6084 (188)	66,605	-
	20.205	CML-6084 (190)	5,345,165	-
	20.205	STPCML-6160 (018)	2,006,088	51,640
	20.205	STPCML-6084 (177)	6,150,077	-
	20.205	STPCML-6084 (176)	15,029,668	450,000
	20.205	STPL-6084 (193)	106,928	55,062
<b>Total Highway and Planning and Construction Cluster - MTC</b>			<b>48,083,607</b>	<b>12,758,562</b>
	20.205	STPL 6160 (025)	2,047,267	-
<b>Total Highway and Planning and Construction Cluster - SAFE</b>			<b>2,047,267</b>	<b>-</b>
<b>Total Highway Planning and Construction Cluster</b>			<b>50,130,874</b>	<b>12,758,562</b>
<b>Total Federal Highway Administration (FHWA)</b>			<b>50,274,591</b>	<b>12,886,959</b>

**Metropolitan Transportation Commission  
Schedule of Expenditures of Federal Awards  
For the Year ended June 30, 2016**

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed-Through to Sub-Recipients
<b>Federal Transit Administration (FTA)</b>				
<b>Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research Program</b>				
<b>Pass Through from the California Department of Transportation Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research</b>				
	20.505	04 OWPMTCM (FHWA TC)	7,511,222	1,014,968
	20.505	04 OWPMTCM (FTA 5303 TC)	2,330,002	440,162
<b>Total Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research Program</b>			<b>9,841,224</b>	<b>1,455,130</b>
<b>Federal Transit Cluster</b>				
<b>Department of Transportation</b>				
<b>Federal Transit_Formula Grants</b>				
<b>Direct Awards</b>				
CA-90-Y555-00	20.507		4,549	-
<b>Pass-Through From City of Fairfield</b>	20.507	CA-90-X977-00	98,873	-
<b>Subtotal: CFDA 20.507</b>			<b>103,422</b>	<b>-</b>
<b>Bus and Bus Facilities Formula Program</b>				
<b>Direct Awards</b>				
CA-34-0024-00 (FTA 5339)	20.526		432,386	432,386
CA-34-0032-00 (FTA 5339)	20.526		197,701	197,701
<b>Subtotal: CFDA 20.526</b>			<b>630,087</b>	<b>630,087</b>
<b>Total Federal Transit Cluster</b>			<b>733,509</b>	<b>630,087</b>

**Metropolitan Transportation Commission  
Schedule of Expenditures of Federal Awards  
For the Year ended June 30, 2016**

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed-Through to Sub-Recipients
<b>Transit Services Program Cluster</b>				
Department of Transportation				
Direct Awards				
<b>Job Access And Reverse Commute Program</b>				
CA-37-X133-00 (JARC)	20.516		115,268	115,268
CA-37-X164-00 (JARC)	20.516		203,313	187,787
CA-37-X177-00 (JARC)	20.516		454,448	454,448
<b>Subtotal: CFDA 20.516</b>			<b>773,029</b>	<b>757,503</b>
<b>New Freedom Program</b>				
CA-57-X023-00 (New Freedom)	20.521		16,106	16,106
CA-57-X032-00 (New Freedom Cycle 2)	20.521		7,093	7,093
CA-57-X050-00 (New Freedom, Cycle 3)	20.521		148,508	148,508
CA-57-X074-00 (New Freedom)	20.521		111,889	111,889
CA-57-X109-00 (New Freedom)	20.521		258,738	258,738
<b>Subtotal: CFDA 20.521</b>			<b>542,334</b>	<b>542,334</b>
<b>Total Transit Services Program Cluster</b>			<b>1,315,363</b>	<b>1,299,837</b>
<b>National Infrastructure Investments</b>				
Department of Transportation				
Direct Award				
National Infrastructure Investments				
CA-79-1001 (FTA TIGER VI)	20.933		427,051	-
<b>Total National Infrastructure Investments</b>			<b>427,051</b>	<b>-</b>
<b>Total Federal Transit Administration (FTA)</b>			<b>12,317,147</b>	<b>3,385,054</b>
<b>Total Expenditures for Federal Awards</b>			<b>\$ 62,591,738</b>	<b>\$ 16,272,013</b>

**Metropolitan Transportation Commission  
Reports on Federal Award Programs in Accordance With OMB Uniform Guidance  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016**

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**1. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all expenditures of federal awards of the Metropolitan Transportation Commission ("MTC"). MTC's reporting entity is defined in Note 1 to MTC's financial statements. The MTC Service Authority for Freeways & Expressways ("SAFE") is a blended component unit of MTC.

The Schedule is presented using the modified accrual basis of accounting. MTC's financial statements are prepared on the accrual basis for proprietary and fiduciary activities and modified accrual basis for governmental activities, which are described in Note 1 of the notes to MTC's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance"). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in preparation of, the financial statements. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**2. Indirect Cost Rate**

MTC applies its predetermined approved indirect cost rate when charging indirect costs to federal awards rather than the 10% de minimis indirect cost rate as described in Section 200.414 of the Uniform Guidance. MTC's indirect cost rate is approved by their cognizant agency, the California Department of Transportation.

**Metropolitan Transportation Commission  
 Reports on Federal Award Programs in Accordance With OMB Uniform Guidance  
 Summary of Auditor's Results  
 For the Year Ended June 30, 2016**

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**Section I—Summary of Auditors' Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major programs: CFDA Number(s) <u>20.205 MTC &amp; SAFE</u> <u>20.507 &amp; 20.526</u>	Name of Federal Program or Cluster: <u>Highway Planning and Construction Cluster</u> <u>Federal Transit Cluster</u>
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Dollar threshold used to distinguish between type A and type B programs: \$1,877,752

Auditee qualified as low-risk auditee? Yes

**Metropolitan Transportation Commission**  
**Reports on Federal Award Programs in Accordance With OMB Uniform Guidance**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2016**

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**Section II – Financial Statement Findings**

There were no financial statement findings for the year ended June 30, 2016.

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**Metropolitan Transportation Commission  
Reports on Federal Award Programs in Accordance With OMB Uniform Guidance  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

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**Section III – Federal Award Findings and Questioned Costs**

**Finding 2016-001: Annual reporting requirements**

National Infrastructure Investments  
Federal Awarding Agency: Department of Transportation  
CFDA #: 20.933  
Program Name: National Infrastructure Investments  
Award #: CA-79-1001  
Award Year: 2014 - 2017

**Criteria**

The terms and conditions of the award requires the annual submission of a Budget Review and Program Plan, which is due sixty days prior to the end of each Agreement year as defined by the award.

**Condition**

One required report was neither prepared nor submitted within sixty days of the Agreement year ending during the audit period.

**Questioned Cost**

There are no questioned costs associated with this finding.

**Cause**

MTC did not enforce its established policies which require project teams to follow the reporting requirements on awards.

**Effect**

Lack of consistent financial reporting limits the ability of awarding agencies to monitor MTC's progress and compliance with regulations.

**Recommendation**

In order to address the issue of non-compliance with reporting requirements, MTC should enforce its policies and implement monitoring procedures in order to ensure award reporting requirements are followed.

**Management's Views and Corrective Action Plan**

Management's responses are reported in "Management's Views and Corrective Action Plan" and are considered part of this report.

**Metropolitan Transportation Commission  
Reports on Federal Award Programs in Accordance With OMB Uniform Guidance  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2016**

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**Finding 2015-001: Quarterly Reporting Requirements**

Management implemented the following additional procedures as part of the Corrective Action Plan for Finding No. 2015-001

MTC Finance notifies project managers and section directors of pending reporting deadlines and confirms that reports have been entered into TEAM on a timely basis.

MTC has established a central control point within the Budget Section of our Finance department to monitor and enforce MTC's compliance with grant reporting requirements. Currently, MTC project managers prepare and report data directly to grant agencies via TEAM (Transportation Electronic Award Management System). MTC Finance department oversees submission by project managers to ensure that the amounts are correctly reported and that they meet reporting requirements and established deadlines. MTC Finance currently maintains a schedule of grants awards and tracks grant reporting requirements, including frequency and format. Additionally, a copy of the report submitted by project manager into TEAM is retained in the Finance department.

**Management considers Finding 2015-001 closed.**

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TRANSPORTATION  
COMMISSION

Bay Area Metro Center  
375 Beale Street, Suite 800  
San Francisco, CA 94105  
415.778.6700  
www.mtc.ca.gov

October 13, 2016

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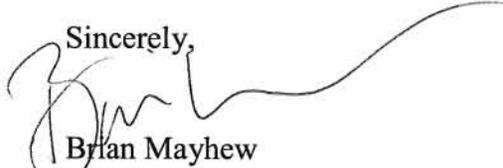
The management of MTC concurs with the finding No. 2016-001, Annual Reporting Requirements, as stated within this report. We present the following corrective action plan.

Currently, the Budget Section of our Finance department ensures that MTC project managers prepare and report data directly to grant agencies via TrAMS (Transit Award Management System), formerly TEAM (Transportation Electronic Award Management System), on a timely basis in accordance with grant reporting requirements.

MTC will expand this procedure to include grants that may have alternative grant reporting requirements. The current schedule of grant awards will be modified to include these additional reporting variations and deadlines. The Budget Section will oversee submission of these reports by project managers and ensure they prepare and submit reports within established deadlines. Copies of these reports will be retained by the Finance department.

The contact person for this corrective action plan is Brian Mayhew. I can be reached at 415-778-6730.

Sincerely,



Brian Mayhew  
Chief Financial Officer

BM: SB



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

**File #:** 15-1962      **Version:** 1      **Name:**  
**Type:** Report      **Status:** Committee Approval  
**File created:** 9/22/2016      **In control:** MTC Audit Committee  
**On agenda:** 10/26/2016      **Final action:**  
**Title:** MTC Comprehensive Annual Financial Report for FY 2015-16

A presentation from staff of MTC's audit report.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [3\\_MTC\\_Comprehensive\\_Annual\\_Financial\\_Report\\_FY2015-16.pdf](#)

Date	Ver.	Action By	Action	Result
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**Subject:**

MTC Comprehensive Annual Financial Report for FY 2015-16

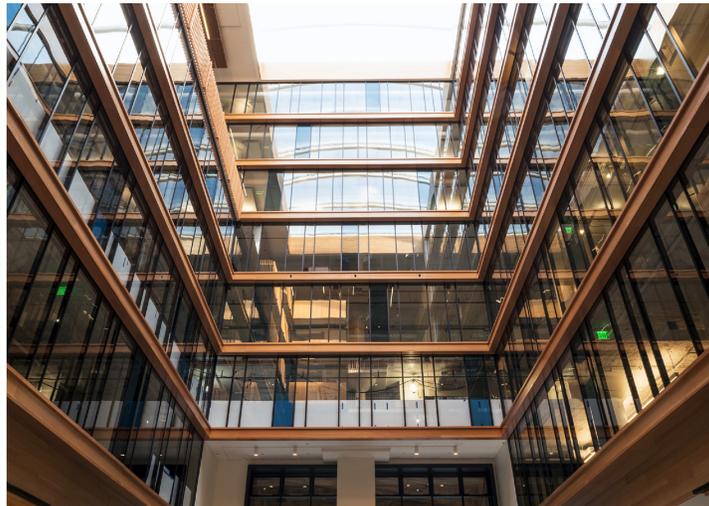
A presentation from staff of MTC's audit report.

**Presenter:**

Brian Mayhew

**Recommended Action:**

Committee Approval



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended  
June 30, 2016 and June 30, 2015

Prepared by the  
MTC Finance Section

State of California



Metropolitan Transportation Commission

**Front cover photo credits**

**Top (left to right)** Bay Area Metro Center board room: *Sharon Beals*; Bay Area Metro Center foyer: *Sharon Beals*

**Bottom (right)** I-580 Express Lane: *Noah Berger*



METROPOLITAN  
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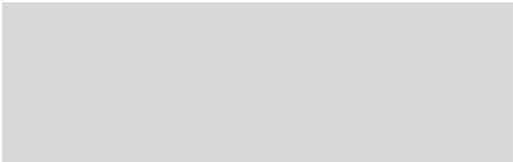
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# COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Years  
Ended June 30, 2016 and  
June 30, 2015**

Prepared by the  
MTC Finance Section

State of California





# Metropolitan Transportation Commission

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# Metropolitan Transportation Commission

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Executive Director

*Alix Bockelman*  
Deputy Executive Director, Policy

*Andrew B. Fremier*  
Deputy Executive Director, Operations

October 27, 2016

Honorable Chairman  
Members of the Metropolitan Transportation Commission

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Metropolitan Transportation Commission (MTC), its blended and discretely presented component units and fiduciary funds for the fiscal year ended June 30, 2016. State law requires that MTC and its component units publish a complete audited financial statement within six months of the close of each fiscal year.

Responsibility for both accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with the management and staff of MTC. To the best of our knowledge, we believe this report to be complete and reliable in all material respects. To provide a reasonable basis for making these representations, management of MTC has established a comprehensive system of internal controls designed to both protect the government's assets from loss or misuse and to compile the information necessary to produce financial statements in conformity with Generally Accepted Accounting Principles (GAAP) and reported in a manner that presents fairly the financial position and operating results of MTC, its blended and discretely presented component units and fiduciary funds as of June 30, 2016. Because the cost of internal controls should not outweigh their benefits, MTC's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

The goal of the independent audit is to provide reasonable assurance that the financial statements presented here for the fiscal year ended June 30, 2016, are free of material misstatement. In addition, MTC is required to undergo a Single Audit of Federal programs conducted under the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The agency's independent auditors, PricewaterhouseCoopers LLP, have issued an unmodified opinion on the Metropolitan Transportation Commission's financial statements for the year ended June 30, 2016. The report of independent auditors is located in the front of the financial section of this report.

GAAP also requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements. This narrative is presented in the form of Management's Discussion and Analysis (MD&A) which can be found immediately following the report of independent auditors.

The CAFR for the fiscal year ended June 30, 2016 includes financial information for all funds, accounts and fiduciary activities for which MTC has financial accountability. MTC also participates in numerous boards, groups and associations. While MTC participates in such

activities, MTC does not have an ongoing financial interest or administrative control over such entities and, as such, information related to these outside groups and associations are excluded from this report.

MTC is also a member of the Regional Administrative Facility Corporation (RAFC), which is a joint powers facility management association, consisting of MTC, the Association of Bay Area Governments (ABAG), and the Bay Area Rapid Transit District (BART). The MTC Commission does not have financial accountability for RAFC or its expenses and as such, RAFC is excluded from this report. See discussion on Related Party Transactions in the Notes to the Financial Statements, Note 12.

Profile of the Government:

MTC was established under the laws of the State of California in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area: Alameda, Contra Costa, Marin, Napa, the City and County of San Francisco, San Mateo, Santa Clara, Solano and Sonoma. The Commission consists of eighteen voting and three non-voting members representing the following:

<b>Agency</b>	<b>Voting Members</b>	<b>Non-Voting Members</b>
Alameda County	3	
Contra Costa County	2	
Marin County	1	
Napa County	1	
City & County of San Francisco	2	
San Mateo County	2	
Santa Clara County	3	
Solano County	1	
Sonoma County	1	
Association of Bay Area Governments (ABAG)	1	
San Francisco Bay Conservation & Development Commission	1	
U.S. Department of Transportation		1
U.S. Department of Housing & Urban Development		1
State Business, Transportation & Housing Agency		1
Total:	18	3

Each Commissioner's term of office is four years or until a successor is appointed.

MTC commissioners also serve as the governing authority for MTC Service Authority for Freeway & Expressways (MTC SAFE), and the Bay Area Toll Authority (BATA). The Commission is responsible for adopting budgets for operating and project costs, as well as setting general policy direction. An Executive Director appointed by the Commission is responsible for carrying out Commission direction and day-to-day administration of MTC and its employees. Some of the Commissioners are also members of the Bay Area Headquarters Authority (BAHA) and Bay Area Infrastructure Financing Authority (BAIFA). These are two Joint Powers Authorities exercising joint powers between MTC and BATA.

The 2016 fiscal year continued to be another challenging year. There were significant accomplishments made by MTC as indicated in the Management's Discussion and Analysis highlights.

Awards and Acknowledgments:

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Transportation Commission for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. This was the thirteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, MTC had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the dedicated service of the finance staff. I thank the MTC finance staff for their hard work and dedication in producing this report in an accurate and timely manner.

Sincerely,

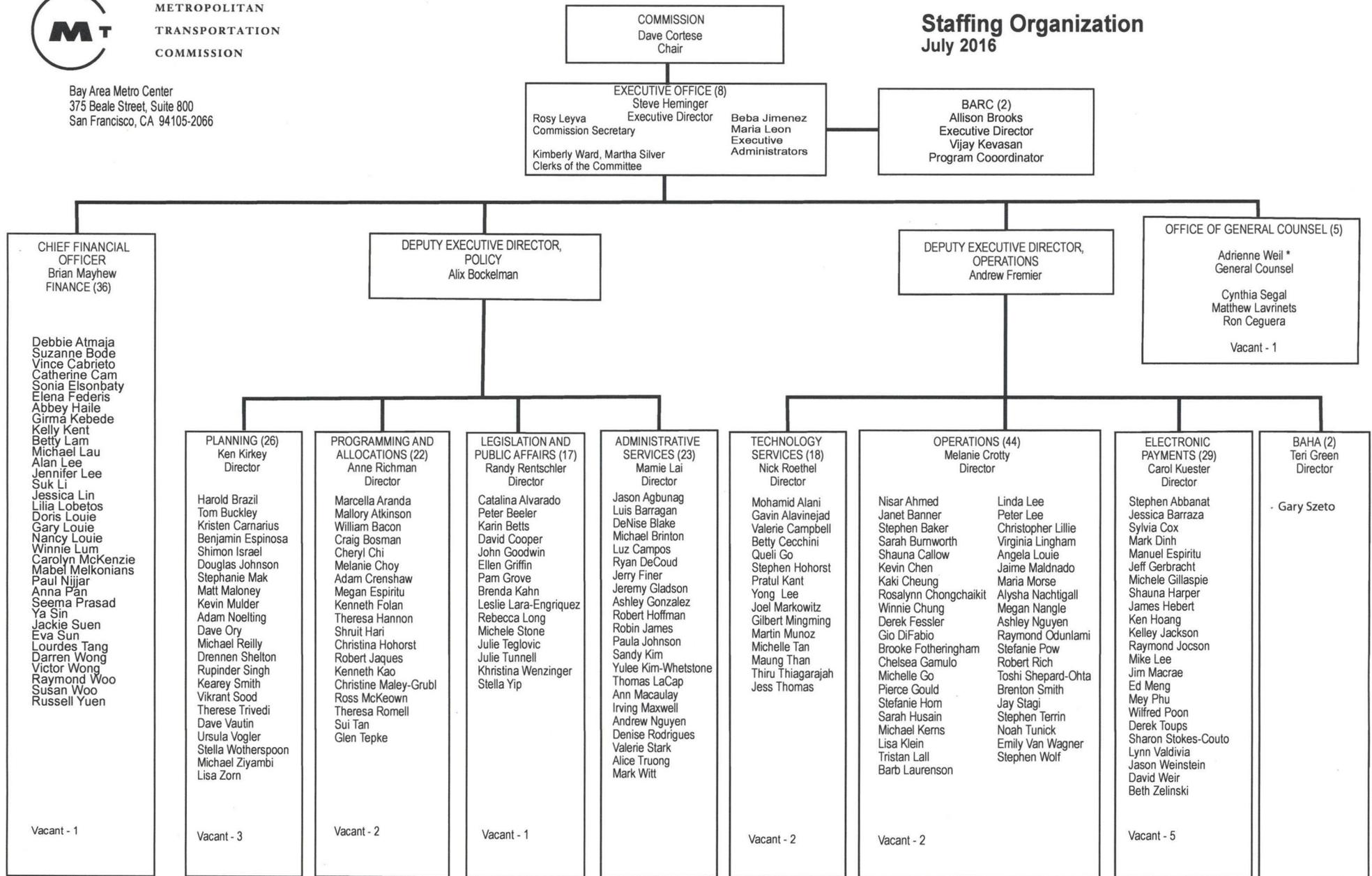
Brian Mayhew  
Chief Financial Officer





Bay Area Metro Center  
375 Beale Street, Suite 800  
San Francisco, CA 94105-2066

# Staffing Organization July 2016



232 Positions

\* Advises Commission Directly

  
Steve Heminger  
Executive Director

## COMMISSIONERS

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Jake Mackenzie, Vice Chair	Sonoma County and Cities
Alicia C. Aguirre	Cities of San Mateo County
Tom Azumbrado	US Department of Housing and Urban Development
Jason Baker	Cities of Santa Clara County
Tom Bates	Cities of Alameda County
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James P. Spering	Solano County and Cities
Adrienne J. Tissier	San Mateo County
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## APPOINTED OFFICIALS

Steve Heminger	Executive Director
Adrienne Weil	Legal Counsel



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For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO



## **Report of Independent Auditors**

To the Commissioners of the Metropolitan Transportation Commission:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the fiduciary funds of the Metropolitan Transportation Commission (“MTC” or “Commission”) as of and for the years ended June 30, 2016 and 2015 and the related notes to the financial statements, which collectively comprise the Commission’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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors’ Responsibility***

Our responsibility is to express opinions on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Commission’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 Commission’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the fiduciary funds of the Metropolitan Transportation Commission at June 30, 2016 and 2015 and, where applicable, the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



***Emphasis of Matter***

As discussed in Notes 3. B and 5 to the financial statements, in the year ended June 30, 2016 the Commission changed the manner in which it measures the fair value of certain investments and presents certain fair value hierarchy disclosures related to investments. Our opinions are not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

The accompanying management’s discussion and analysis (“MD&A”) on pages [ ] through [ ] and other required supplementary information (“RSI”) on pages [ ] through [ ] are required by accounting principles generally accepted in the United States of America 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Supplementary Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission’s basic financial statements. The supplementary schedules identified in the table of contents under Other Supplementary Information and appearing on pages [ ] through [ ] are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, these supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

***Statistical Section***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission’s basic financial statements. The charts, schedules and other information identified in the table of contents under Statistical Section and appearing on pages [ ]



through [ ] are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

San Francisco, California  
October [ ], 2016

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2016 and 2015**

### **Management's Discussion and Analysis (unaudited)**

---

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

This section presents an overview of the financial activities of the Metropolitan Transportation Commission (MTC), as well as its blended and discretely presented component units as discussed separately below for the years ended June 30, 2016 and 2015. Except as otherwise stated, all amounts described below are expressed in thousands of dollars.

#### **A. Financial Highlights**

Fiscal year 2016 was another busy and productive year for MTC and for the nine-county region. Sales tax and toll revenue continued to increase as the economy showed signs of improvement from the previous year. The following are some of the highlights from fiscal year 2016:

- Sales tax revenue in the region has rebounded for five straight years, increasing by 45.2% since fiscal year 2010.
- The renovation of BAHAs office building, Bay Area Metro Center (BAMC) at 375 Beale Street, San Francisco, which serves as the Regional Agency Headquarters Facility, was completed in fiscal year 2016. In May 2016, MTC along with its partner agencies, the Association of Bay Area Governments (ABAG), and Bay Area Air Quality Management District (BAAQMD) moved their headquarters to the new building.
- FasTrak<sup>®</sup> Customer Service moved their operation center to the BAMC at the end of April 2016.
- Clipper<sup>®</sup>, the region's smart card program for public transit, expanded to three more Sonoma county bus services in February 2016 and saw weekday boardings increase from 760,000 in fiscal year 2015 to 790,000 in fiscal year 2016, with 1.79 million active cards in use.
- In April 2016, Fitch Ratings upgraded BATA's senior lien revenue bonds to 'AA' from 'AA-', with "Stable" rating outlook.
- MTC began the construction of its first Express Lane project on I-680 Southbound between Walnut Creek and San Ramon. The Express Lane is scheduled to open in fiscal year 2017.

MTC and its operating units continue to provide regional resources for seismic and transportation projects. All MTC operating units, MTC, BATA and MTC Service Authority for Freeways and Expressways (MTC SAFE) adopted FY 2015-2016 balanced budgets.

#### **B. Overview of the Financial Statements**

The government-wide financial statements provide an overview of MTC, as well as its blended and discretely presented component units. The government-wide financial statements comprise a Statement of Net Position, a Statement of Activities and accompanying notes. The Statement of Net Position presents financial information on the government-wide net position of MTC at the end of the 2016 and 2015 fiscal years. The difference between the assets plus deferred outflows and liabilities plus deferred inflows is reported as "Net Position." The Statement

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2016 and 2015**

### **Management's Discussion and Analysis (unaudited)**

---

of Activities presents government-wide information showing the change in net position resulting from revenues earned and expenses incurred during the 2016 and 2015 fiscal years. All changes in net position are recorded as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

MTC is composed of governmental and business-type funds and activities as well as two discretely presented component units. The governmental funds are comprised of the general fund, the special revenue funds and the capital project funds. The business or proprietary funds are MTC Clipper<sup>®</sup>, BATA, MTC SAFE, the Bay Area Infrastructure Authority (BAIFA), and the Bay Area Headquarters Authority (BAHA).

MTC Clipper<sup>®</sup> is an enterprise fund that oversees the region's smartcard program. BATA and MTC SAFE are blended component units (legally separate) whose transactions are presented as business-type funds. BAIFA and BAHA are discretely presented component units on the government-wide financial statements. There is no activity for BAIFA in both fiscal years 2016 and 2015, nor assets, liabilities, nor net position at either June 30, 2016 or 2015. MTC also holds and administers three fiduciary funds further described in Section C below and in Note 1.B to the financial statements.

The government-wide Statement of Net Position and Statement of Activities are presented on pages 19 - 22 of this report with the accompanying notes being presented on pages 39 - 91.

### **C. Overview of the Fund Financial Statements**

#### *i.) Governmental Funds*

Governmental funds are used to account for MTC activities and are supported primarily by grants, sales taxes, and intergovernmental revenue sources. Governmental funds financial statements provide additional information not provided in the government-wide statements in that they focus on the annual inflows and outflows of resources as well as on the balance of resources available to be spent at fiscal year-end rather than the longer term focus of governmental activities as seen in the government-wide financial statements. The governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison of governmental funds to governmental activities.

MTC's governmental funds include a general fund, four major special revenue funds and other non-major funds. The financial statements of the governmental funds, prepared under the modified accrual basis of accounting are on pages 23 - 29 of this report. A schedule detailing the non-major special revenue funds is included on pages 102 - 103 of this report.

MTC adopts annual budgets for all funds. However, a comparison of budget-to-actual is required only for certain governmental funds (major funds) and these are presented on pages 93 - 97 of this report. A comparison of budget to actual is also presented for non-major funds on pages 104 - 107.

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2016 and 2015**

### **Management's Discussion and Analysis (unaudited)**

---

#### *ii.) Proprietary Funds*

Proprietary funds are used to report business-type activities. MTC has three proprietary funds, MTC Clipper<sup>®</sup>, BATA and MTC SAFE. BATA and MTC SAFE are presented as blended component units of MTC as proprietary funds on the government-wide and fund financial statements. MTC administers the Clipper<sup>®</sup> program which handles the implementation and ongoing operations of the Bay Area smart card. This system allows transit riders to pay fares throughout the Bay Area utilizing a single "smart" fare card when boarding bus, light rail, train or ferry transportation. BATA is responsible for collection and administration of all toll funds and has funding oversight responsibility for Caltrans maintenance activities for the seven state-owned bridges in the San Francisco Bay Area. BATA also has funding and administrative oversight responsibilities for the Regional Measure 1 (RM 1) and Regional Measure 2 (RM 2) programs approved by the voters in 1988 and 2004, respectively as well as the \$8.8 billion seismic retrofit program. MTC SAFE administers a freeway motorist aid system providing tow truck and call box services to stranded motorists in the nine Bay Area counties.

The financial statements of the proprietary funds are prepared on an accrual basis and are on pages 30 - 37.

#### *iii.) Fiduciary Funds*

Fiduciary funds are used to account for resources held in a trust or agent capacity for the benefit of parties outside MTC. These funds are not reflected in the government-wide financial statements, as the resources cannot be used to support the programs of MTC or those of its component units. The fiduciary funds of MTC use the economic resources measurement focus and the accrual basis of accounting.

MTC has three fiduciary funds, Transportation Development Act (TDA), BART Half-Cent Sales Tax (AB 1107), and the Clipper<sup>®</sup> funds. Revenue for the first two of these funds is derived from sales tax revenues. The revenue for the TDA fund is deposited in MTC's name as fiduciary with the respective treasurer in each of the nine counties in the region. Revenue for the AB 1107 fund is deposited with the State of California. MTC has administrative oversight for the allocation of these funds. The Clipper<sup>®</sup> fiduciary fund, used for the Clipper<sup>®</sup> smart card program, tracks the cash balances and receivables held on behalf of the Clipper<sup>®</sup> program, as well as the patron liability for the prepaid card balance.

The fiduciary funds financial statements are presented on page 38 of this report.

#### *iv.) Discretely Presented Component Unit*

The Bay Area Headquarters Authority (BAHA) was established in September 2011 as a separate public entity pursuant to the California Joint Exercise of Power Act, to plan, acquire, and develop the new MTC/BATA office space and facilities and undertake related activities on behalf of MTC and BATA.

BAHA is presented as a proprietary fund in the discretely presented component unit column of the government-wide financial statements because BAHA does not meet the criteria for blending under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61.

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**D. Notes to the Financial Statements**

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

**E. Government-Wide Financial Analysis**

Total government-wide liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources for fiscal year 2016 by \$6,177,816 and for fiscal year 2015 by \$5,941,148 as illustrated in the following table. This represents decreases in net position for fiscal year 2016 of \$236,668 and \$497,520 for fiscal year 2015. The cause of the net position deficit for both years is mainly from the impact of BATA financing of the bridges' toll projects while Caltrans and the State of California own title to the bridges. As such, the asset value of the bridges is recorded at the State of California and not on BATA's books. In fiscal year 2015, the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment to GASB Statement No. 27*, contributed to the decrease in the government-wide net position by \$28,867. Refer to Note 1.K to the financial statements for further information. In fiscal year 2016, the implementation of GASB Statement No. 72, *Fair Value Measurement and Application*, resulted in a decrease in the government-wide, business-type activities beginning net position by \$57,193. Refer to Note 5 to the financial statements for further information.

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*i.) Statement of Net Position*

The following table shows a summary of MTC's government-wide statements of net position for the last three years:

<u>Metropolitan Transportation Commission's Statement of Net Position (\$000)</u>									
	Governmental Activities			Business-Type Activities			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Cash and investments	\$ 835,265	\$ 902,925	\$ 859,714	\$ 2,791,326	\$ 2,975,610	\$ 2,726,472	\$ 3,626,591	\$ 3,878,535	\$ 3,586,186
Receivables	83,332	68,103	63,955	53,313	46,072	39,398	136,645	114,175	103,353
Other assets	8,689	8,712	8,608	1,371	1,122	6,422	10,060	9,834	15,030
Capital assets	5,359	5,104	5,819	56,525	28,516	27,033	61,884	33,620	32,852
Total assets	932,645	984,844	938,096	2,902,535	3,051,320	2,799,325	3,835,180	4,036,164	3,737,421
Deferred outflows	5,907	2,564	-	342,414	357,793	397,431	348,321	360,357	397,431
Other liabilities	78,966	133,017	110,297	387,747	376,520	429,951	466,713	509,537	540,248
Long term liabilities	21,260	18,463	2,340	9,866,264	9,802,658	9,035,892	9,887,524	9,821,121	9,038,232
Total liabilities	100,226	151,480	112,637	10,254,011	10,179,178	9,465,843	10,354,237	10,330,658	9,578,480
Deferred inflows	385,146	404,145	419,262	(378,065)	(397,134)	(419,262)	7,081	7,011	-
Net position:									
Net investment in capital assets	5,072	5,080	5,737	56,525	28,516	27,033	61,597	33,596	32,770
Restricted	472,323	392,812	372,455	203,559	200,000	200,000	675,882	592,812	572,455
Unrestricted (deficit)	(24,214)	33,891	28,005	(6,891,081)	(6,601,447)	(6,076,858)	(6,915,295)	(6,567,556)	(6,048,853)
Total net position	\$ 453,181	\$ 431,783	\$ 406,197	\$ (6,630,997)	\$ (6,372,931)	\$ (5,849,825)	\$ (6,177,816)	\$ (5,941,148)	\$ (5,443,628)

Total cash and investments decreased by \$251,944 from fiscal year 2015 to fiscal year 2016 and increased by \$292,349 from fiscal year 2014 to fiscal year 2015. The decrease in fiscal year 2016 for the business-type activities of \$184,284 is due to the drawdowns for project expenses. The decrease in the governmental funds of \$67,660 is mainly due to payments of \$87,965 from Rail Reserves for the Warm Spring BART station and \$22,033 from AB664 for BART capital projects offset by receipts from BART of \$50,176 for the BART Car Exchange project less the security trade payable of \$10,000. The increase in fiscal year 2015 for the business-type activities of \$249,138 is mainly due to the \$500 million new bond issuance less drawdowns of bond proceeds for project expenses. The increase in the governmental funds of \$43,211 in fiscal year 2015 is mainly due to receipts from BART for BART Car Exchange project of \$74,610 offset primarily by payments of \$47,722 in Rail Reserves mainly associated with the Warm Springs BART station.

Deferred outflows decreased by \$12,036 or 3.3 percent in fiscal year 2016 following a decrease of \$37,074 or 9.3 percent in fiscal year 2015. The decrease in fiscal year 2016 is due to the amortization of the deferred amount of refunding of \$17,205 offset by the increase in the deferred outflow from pension of \$ 5,170. The decrease in fiscal year 2015 is due to a decrease of \$228,933 in deferred outflows on derivative instruments as the balance of the swaps were no longer effective, offset by the increases of \$188,040 in the deferred amount of refunding due to the two bond refundings and \$3,819 in deferred outflow from pension due to the adoption of GASB Statement 68.

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Long-term liabilities increased by \$66,403 or 0.7 percent in fiscal year 2016 after an increase of \$782,889 or 8.7 percent in fiscal year 2015. The increase in fiscal year 2016 is due to the increase in the valuation of derivative instruments of \$130,193, pension liability of \$3,544, compensated absences of \$522 and patron deposits of \$1,800 offset by the decrease in long term bonds payable of \$69,656. The increase in fiscal year 2015 is due to the increase in long term bonds payable of \$708,386 (new bonds issuances), the valuation of derivative instruments of \$50,973 and the recognition of a net pension liability in accordance with GASB Statement No.68 of \$23,850. Refer to Note 8.D of the financial statements for further net pension liability information.

Other liabilities decreased by \$42,824 and \$30,711 in fiscal years 2016 and 2015 respectively. The decrease in fiscal year 2016 is due to the decrease in accounts payables, securities payable and accrued interest payables of \$42,318, the decrease in the amounts due to Caltrans of \$3,663, the decrease in the debt payable of \$2,080, offset by the increase in unearned revenue of \$5,002 and due to other funds of \$234. The decrease in fiscal year 2015 is due to the decrease in accounts payable of \$54,830 as a result of fewer outstanding invoices, a decrease in accrued interest payable of \$6,405 and the amount due to Caltrans of \$4,877, offset by the increase in securities payable of \$19,000, the unearned revenue of \$7,923 and the long term debt payable due within one year of \$8,720.

The net position decreased by \$236,668 or 4.0 percent in fiscal year 2016 following a decrease of \$497,520 or 9.1 percent in fiscal year 2015. The decrease in the net position of the business-type activities by \$258,066 and \$523,106 for fiscal years 2016 and 2015 respectively, is mainly due to the drawdowns of funds related to the Seismic Retrofit, Regional Measure 2 (RM 2) and rehabilitation capital programs. BATA is the financing arm for the RM 2, Seismic Retrofit and rehabilitation programs. The bond proceeds from BATA's debt obligations are used to reimburse Caltrans for capital construction costs on the seven state-owned toll bridges. Since the bridges are not capitalized under BATA and title remains with Caltrans, the combination of distributions to Caltrans and increased debt to pay for project expenditures creates a negative asset, or deficit. The deficit will be eliminated by future toll revenues as projects are completed and debt service payments retire the outstanding bonds. The increase in the net position of governmental activities of \$21,398 in 2016 is mainly due to STA receivables due from the State for the third and fourth quarter. The increase in the net position of \$25,586 in 2015 is mainly due to the increase in Exchange and BART Car Exchange revenues less expenditures in the Rail and Transit Reserves funds.

#### *ii.) Statement of Activities*

The net position for governmental activities increased in both fiscal year 2016 and fiscal year 2015 and the net position for business-type activities decreased in both fiscal years 2016 and 2015. The increase in net position in governmental activities in 2016 is due to the decrease in expenditures resulting from a decrease in STA allocations, a decrease in rail expenditures and additional payments from BART for the BART Car Replacement project while the increase in net position for governmental activities in 2015 is mainly due to the decrease in expenditures resulting from a decrease in STA Allocations.

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The decrease in net position for business-type activities for both fiscal years, is the result of increases in BATA project financing and expense activities. In addition, the implementation of GASB Statement Nos. 68 and 72 contributed to the change in net position. A breakdown of this activity is illustrated in the table below:

Metropolitan Transportation Commission's Statement of Activities (\$000)									
	Governmental Activities			Business-Type Activities			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>Revenues:</b>									
<b>Program Revenues:</b>									
Charges for service	\$ -	\$ -	\$ -	\$ 760,872	\$ 740,511	\$ 713,147	\$ 760,872	\$ 740,511	\$ 713,147
Operating grants and contributions	233,919	303,823	301,254	102,705	95,622	393,471	336,624	399,445	694,725
Capital grants and contributions	-	-	-	3,559	-	81,209	3,559	-	81,209
<b>General revenues:</b>									
Investment earnings	2,877	2,013	1,935	(175,358)	(277,337)	(1,256)	(172,481)	(275,324)	679
Total revenues	236,796	305,836	303,189	691,778	558,796	1,186,571	928,574	864,632	1,489,760
<b>Expenses:</b>									
General government	77,038	81,168	78,763	-	-	-	77,038	81,168	78,763
Allocation to other agencies	155,345	195,039	237,098	-	-	-	155,345	195,039	237,098
Toll bridge activities	-	-	-	935,544	1,008,115	1,586,156	935,544	1,008,115	1,586,156
Clipper® smart card	-	-	-	44,090	37,265	37,393	44,090	37,265	37,393
Congestion relief	-	-	-	10,419	11,697	12,742	10,419	11,697	12,742
Total expenses	232,383	276,207	315,861	990,053	1,057,077	1,636,291	1,222,436	1,333,284	1,952,152
Change in net position before transfers	4,413	29,629	(12,672)	(298,275)	558,796	(449,720)	(293,862)	(468,652)	(462,392)
Transfers in/(out)	16,984	15,336	12,409	(16,984)	(15,336)	(12,409)	-	-	-
Changes in net position	21,397	44,965	(263)	(315,259)	(513,617)	(462,129)	(293,862)	(468,652)	(462,392)
Net position - Beginning	431,783	386,818 *	406,460	(6,315,738)**	(5,859,314) *	(5,387,696)	(5,883,955) **	(5,472,496) *	(4,981,236)
Net position - Ending	\$ 453,180	\$ 431,783	\$ 406,197	\$(6,630,997)	\$(6,372,931)	\$(5,849,825)	\$(6,177,817)	\$(5,941,148)	\$(5,443,628)

\* In fiscal year 2015, beginning balance was restated due to the adoption of GASB Statement No. 68. See note 1.K to the financial statements for further information.  
\*\* In fiscal year 2016, beginning balance was restated due to the adoption of GASB Statement No. 72. See note 5 to the financial statements for further information.

Management does not believe that Governmental Funds and Business-Type Activities are comparable for analytical purposes. While the combined schedules show a total picture of MTC responsibilities, the two activities must be viewed in their respective parts to evaluate MTC's financial results. State and federal laws restrict MTC's various funding sources to specific responsibilities that cannot be combined or commingled. Additional explanation is included in the discussion of business-type activities as well as the schedule of governmental funds.

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**F. Financial Analysis of Business-Type Activities**

The following table shows the results of operations for the last three years:

	<u>Business-Type Activities (\$000)</u>								
	Bay Area Toll Authority			MTC SAFE			MTC Clipper		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>Revenues:</b>									
Toll revenues	\$ 714,132	\$ 694,955	\$ 671,507	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other operating revenues	22,830	22,384	19,417	6,590	6,420	6,356	17,319	16,752	15,867
<b>Total revenues</b>	<b>736,962</b>	<b>717,339</b>	<b>690,924</b>	<b>6,590</b>	<b>6,420</b>	<b>6,356</b>	<b>17,319</b>	<b>16,752</b>	<b>15,867</b>
<b>Operating expenses:</b>									
Operating expenses incurred by Caltrans/Transbay JPA	30,193	30,561	29,860	-	-	-	-	-	-
Other operating expenses	119,461	120,114	119,523	10,371	11,534	12,732	33,157	31,418	30,269
<b>Total operating expenses</b>	<b>149,654</b>	<b>150,675</b>	<b>149,383</b>	<b>10,371</b>	<b>11,534</b>	<b>12,732</b>	<b>33,157</b>	<b>31,418</b>	<b>30,269</b>
<b>Operating income/(loss)</b>	<b>587,308</b>	<b>566,664</b>	<b>541,541</b>	<b>(3,781)</b>	<b>(5,114)</b>	<b>(6,376)</b>	<b>(15,838)</b>	<b>(14,666)</b>	<b>(14,402)</b>
<b>Nonoperating revenues/(expenses)</b>									
Investment income/(charges)	(175,381)	(277,339)	(1,261)	14	2	4	9	-	1
BABs interest subsidy	71,260	70,992	70,762	-	-	-	-	-	-
Interest expense	(443,036)	(431,384)	(444,492)	-	-	-	-	-	-
Financing fees	(3,248)	(4,520)	(5,228)	-	-	-	-	-	-
Other nonoperating expense	(710)	(19,621)	(12,244)	(1)	(113)	(10)	-	-	-
Operating grants	8,920	8,180	307,978	6,948	8,439	8,402	15,261	4,819	1,647
Distributions to other agencies for capital purposes	(337,970)	(363,293)	(722,900)	(47)	-	-	(10,933)	(5,847)	(7,124)
Capital contribution to BAHA/BAIFA	(926)	(38,623)	(251,910)	-	(50)	-	-	-	-
Other nonoperating revenues	2,200	1,702	3,165	-	-	-	1,675	1,491	1,517
<b>Total nonoperating revenues/(expenses)</b>	<b>(878,891)</b>	<b>(1,053,906)</b>	<b>(1,056,130)</b>	<b>6,914</b>	<b>8,278</b>	<b>8,396</b>	<b>6,012</b>	<b>463</b>	<b>(3,959)</b>
<b>Change in net position before contribution and transfers</b>	<b>(291,583)</b>	<b>(487,242)</b>	<b>(514,589)</b>	<b>3,133</b>	<b>3,164</b>	<b>2,020</b>	<b>(9,826)</b>	<b>(14,203)</b>	<b>(18,361)</b>
Capital Contribution from BAIFA	-	-	81,209	-	-	-	-	-	-
Transfers	(31,244)	(30,401)	(31,138)	(904)	(727)	(1,154)	15,164	15,792	19,883
<b>Change in net position</b>	<b>(322,827)</b>	<b>(517,643)</b>	<b>(464,518)</b>	<b>2,229</b>	<b>2,437</b>	<b>866</b>	<b>5,338</b>	<b>1,589</b>	<b>1,522</b>
Net position - Beginning	(6,339,530) **	(5,879,081) *	(5,407,095)	20,889	18,452 *	18,065	2,904	1,315 *	1,334
<b>Net position - Ending</b>	<b>\$ (6,662,357)</b>	<b>\$ (6,396,724)</b>	<b>\$ (5,871,613)</b>	<b>\$ 23,118</b>	<b>\$ 20,889</b>	<b>\$ 18,931</b>	<b>\$ 8,242</b>	<b>\$ 2,904</b>	<b>\$ 2,856</b>

\* In fiscal year 2015, beginning balance was restated due to the adoption of GASB Statement No. 68. See Note 1.K to the financial statements for further information.  
\*\* In fiscal year 2016, beginning balance was restated due to the adoption of GASB Statement No. 72. See Note 5 to the financial statements for further information.

BATA is the largest of MTC's business-type activities and one of the highest-rated toll enterprises in the country,

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rated by Standard and Poor's, and Moody's and Fitch.

BATA's toll revenue increased by \$19,177 and \$23,448 in fiscal years 2016 and 2015 respectively. The total number of paid toll vehicles for all bridges increased by 3.1 percent in fiscal year 2016 and 3.8 percent in fiscal year 2015. The economy and jobs are improving as the revenues increased for both fiscal years mainly as a result of increased paid traffic from two-axle vehicles of 2.7% and 3.5% and the vehicles that used the carpool lanes of 10.9% and 9.9% for fiscal years 2016 and 2015 respectively. Detailed traffic count is available in the Statistical Section, Table 8.

BATA's other operating revenues, consisting primarily of toll violation payments, increased by \$446 in fiscal year 2016 compared to an increase of \$2,967 in fiscal year 2015. The violation revenues increase for fiscal year 2016 was due to increased traffic and a new and more efficient toll collection system.

BATA's total operating expenses fell by \$1,021 or 0.7 percent in fiscal year 2016 and rose by \$1,292 or 0.9 percent for fiscal year 2015. The decrease in fiscal year 2016 is due to the decrease in consultant/professional fees and allocation to agencies expenses of \$5,283 and \$1,875 respectively, offset by the increases in toll tag purchase of \$3,098, FasTrak<sup>®</sup> operating costs of \$1,732 and bank service charges of \$516, RAFC assessments of \$244, collection agency fees of \$315 and other operating costs of \$198. The increase in fiscal year 2015 is due to the increase in operating expenses incurred by Caltrans of \$773, increases in the allocation to others of \$541, other operating expenses of \$171, depreciation of \$426 and a decrease in toll tag purchase of \$633.

BATA's investment charge decreased by \$101,958 and increased by \$276,078 in fiscal years 2016 and 2015, respectively. In fiscal year 2016, investment charges were comprised of \$12,005 of investment income and \$187,387 of unrealized loss on derivative instruments. In fiscal year 2015, investment charges were comprised of \$8,230 of investment income and \$285,569 of unrealized loss on derivative instruments. The balance of the swaps became ineffective in fiscal year 2015 and accounted for \$250,217 of \$285,569. The \$187,387 and \$285,569 loss on derivative instruments in fiscal years 2016 and 2015 respectively, represents a charge for the change in the market valuation of certain interest rate swaps that do not qualify for hedge accounting. The investment income increased in fiscal year 2016 from fiscal year 2015 mainly due to slightly higher interest rates.

BATA's Build America Bonds interest subsidy is the federal subsidy from the U. S. Government. The increase of \$268 in fiscal year 2016 is due to a lower subsidy rate reduction compared to fiscal year 2015. As a result of the federal budget sequestration, the subsidy payments were reduced by 7.3% for the first quarter and 6.8% for the last three quarters in fiscal year 2016 compared to a reduction of 7.2% in the first quarter and 7.3% for the last three quarters in fiscal year 2015.

BATA's interest expense increased by \$11,652 in fiscal year 2016 compared to a decrease of \$13,108 in fiscal year 2015. The increase in fiscal year 2016 is mainly due to the interest payments from the four cancellable fixed-receiver interest rate swaps being temporarily suspended through April 1, 2018. See Note 5 to the financial statements for more information. The decrease in interest expense in fiscal year 2015 by \$18,877 is due to lower interest rates from bond refundings and an increase in the amortization of deferred charges by \$5,769.

BATA's financing fees and other nonoperating expenses decreased by \$20,183 in fiscal year 2016 and increased by \$6,669 in fiscal year 2015. The decrease in fiscal year 2016 is because BATA did not issue or refinance any bonds during the year. The financing fees in fiscal year 2016 were for remarketing fees, trustees' fees, and rating agency fees related to investments. The increase in fiscal year 2015 is due to higher costs in bond issuance of

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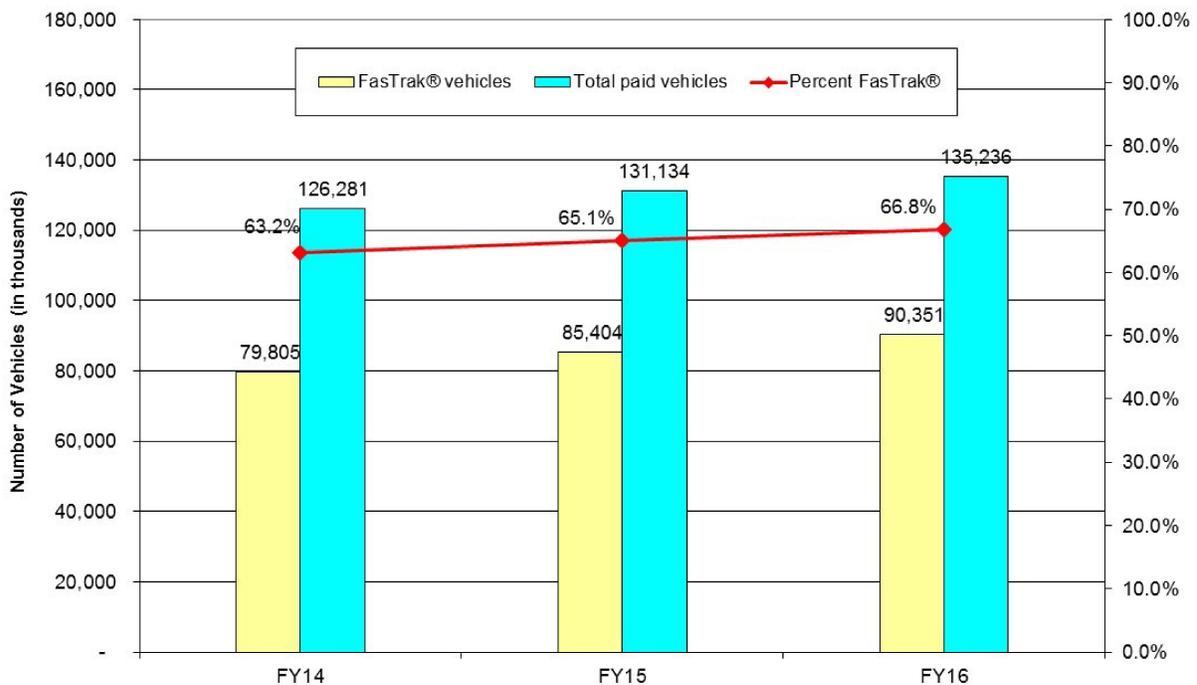
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\$10,159 and remarketing fees of \$856 and lower costs in FasTrak® Customer Service Center relocation of \$2,782 and financing fees of \$1,564.

BATA's operating grants increased by \$740 in fiscal year 2016 and decreased by \$299,798 in fiscal year 2015. The increase in fiscal year 2016 is due to an increase in the revenue from Alameda County Transportation Commission from the reimbursement of maintenance fees, monthly direct fees, banking fees, and transaction costs. The decrease in fiscal year 2015 is mainly due to the lower scheduled payments from the State of California to BATA for the 2006 State Payment Acceleration Notes (SPANs) issuance.

Revenues from the FasTrak® electronic toll collection (ETC) program continue to increase. ETC revenue comprised 66.8 percent of the total paid vehicles in fiscal year 2016 compared to 65.1 percent in the prior fiscal year. The graph below illustrates the increase in FasTrak® usage for the last three years.

**FasTrak® Usage by Fiscal Year**



MTC SAFE's operating revenues (mainly DMV fees) increased by \$170 or 2.6 percent in fiscal year 2016 and increased by \$64 or 1.0 percent in fiscal year 2015. In fiscal year 2016, all counties had an increase in revenues. In fiscal year 2015, except for Marin and San Francisco, the seven other counties had an increase in DMV revenues.

Operating expenses for MTC SAFE decreased by \$1,163 or 10.1 percent in fiscal year 2016 and decreased by

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\$1,198 or 9.4 percent in 2015. The decrease in fiscal year 2016 is due to the reductions in towing contract expenses of \$1,030, lower call box program and freeway performance initiative expenses of \$432, offset by the increases in advertising and overhead costs of \$252. The decrease in 2015 is due to the decreases in towing contracts of \$554, professional fees of \$362, other operating expenses of \$163 and repairs and maintenance of \$145.

MTC SAFE's interest income increased by \$12 in fiscal year 2016 and decreased by \$2 in fiscal year 2015. The increase in fiscal year 2016 is due to a higher cash balance from the previous year and the decrease in fiscal year 2015 is due to lower cash balance from fiscal year 2014.

MTC Clipper® operating revenues increased by \$567 in fiscal year 2016 and increased by \$885 in fiscal year 2015. Operating revenues consist of reimbursements provided by transportation operators to offset Clipper® operations. Operating expenditures increased by \$1,739 in fiscal year 2016 and increased by \$1,149 in fiscal year 2015. The increase in 2016 was largely due to increases in professional fees of \$1,054 and salaries and benefits of \$369. The increase in 2015 was largely due to an increase in professional fees of \$1,420 offset by a decrease in salaries and benefits of \$194. Nonoperating revenues consist of federal, state and local grants. Nonoperating revenues increased by \$10,442 in 2016 largely due to an increase in federal grants of \$7,405. Nonoperating revenues increased by \$3,172 in fiscal year 2015 largely due to an increase in federal grants of \$2,766. Transfers decreased by \$628 in fiscal year 2016 and decreased by \$4,091 in fiscal year 2015.

#### **G. Financial Analysis of Governmental Funds**

The fund balance of the MTC governmental funds was \$461,071 and \$439,172 as of June 30, 2016 and 2015, respectively, as reported under the modified accrual basis of accounting. The fund balance includes nonspendable amounts of \$1,305 and \$1,328 for prepaid items in fiscal years 2016 and 2015, respectively as well as amounts of \$432,873 and \$385,428 restricted for transportation and rail projects for fiscal years 2016 and 2015, respectively. The committed amounts of \$34,999 and \$31,157 for fiscal years 2016 and 2015, respectively, represent amounts designated by the Commission for specific purposes. The unassigned fund balances were \$(8,105) and \$21,260 for fiscal years 2016 and 2015, respectively.

The fund balance of the STA fund decreased by \$12,005 in fiscal year 2016 and increased by \$9,330 in fiscal year 2015. The decrease in fund balance from the prior year is primarily due to a decrease in STA revenues of \$34,769 offset by a decrease in expenditures of \$12,451 in fiscal year 2016. The fund balance for the Rail Reserves fund decreased by \$30,553 in fiscal year 2016 and decreased by \$51,410 in fiscal year 2015. The decrease in fund balance from the prior year is due to an increase in project expenditures for the BART Warm Springs Extension while project funding remained the same as prior year. The fund balance for the AB 664 fund increased by \$5,132 and \$4,916 in fiscal years 2016 and 2015 respectively. The increase in fund balance from the prior year is due to a decrease in expenditures for BART capital projects in fiscal year 2016. The fund balance for the BART Car Exchange fund increased by \$51,343 and \$ 74,657 in fiscal years 2016 and 2015. The increase in fund balance from the prior year is due to an increase in revenue resulting from funding from BART for the BART Car Replacement capital project. The fund balance of the Non-Major funds increased by \$4,290 and \$4,358 in fiscal years 2016 and 2015, respectively. The non-major funds increase of \$4,290 was due to an increase in the Transit Reserve Fund of \$3,722 and Exchange Fund of \$961 offset by a decrease of \$393 in Prop 1B funds.

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The following table illustrates the revenues and expenditures for the past three fiscal years. Refer to page 29 for the reconciliation of the governmental funds to the Statement of Activities.

	<u>Governmental Funds (\$000)</u>		
	2016	2015	2014
<b>Revenues:</b>			
Sales taxes	\$ 12,812	\$ 12,374	\$ 11,735
Grants - Federal	48,951	56,491	52,831
Grants - State	115,262	148,032	151,915
Local agencies revenues and refunds	57,917	86,553	88,713
Investment income	2,878	2,013	1,935
Total revenues	237,820	305,463	307,129
<b>Expenditures:</b>			
<b>Current:</b>			
General government	63,439	68,463	70,387
Allocations to other agencies	168,826	207,804	249,435
Capital outlay	639	180	496
Total expenditures	232,904	276,447	320,318
Other financing sources (uses)	16,984	15,336	12,409
Net change in fund balance	21,899	44,352	(780)
Fund balance - beginning	439,172	394,820	395,600
Fund balance - ending	\$ 461,071	\$ 439,172	\$ 394,820

Total revenues decreased by \$67,643 or 22.1 percent in fiscal year 2016 and decreased by \$1,666 or 0.5 percent in fiscal year 2015. The decrease in revenues for fiscal 2016 is mainly due to the decrease in STA revenues of \$34,769, a decrease of \$23,313 for the BART Car Exchange, a decrease of \$5,608 for the Exchange fund and a decrease of \$4,244 for the General fund. Overall, governmental fund expenditures decreased by \$43,543 in fiscal year 2016 and decreased by \$43,871 in fiscal year 2015. General governmental expenditures decreased by \$5,024 in fiscal year 2016 and decreased by \$1,924 in fiscal year 2015. Allocations to other agencies decreased by \$38,978 or 18.8 percent for fiscal year 2016 compared to a decrease of \$41,631 or 16.7 percent for fiscal year 2015. The decrease in allocations to other agencies in fiscal year 2016 is mainly due to the decrease in expenditures for Rail of \$21,178, for STA of \$12,451 and for Non-Major of \$5,711.

The \$639 capital outlay expenditures in fiscal year 2016 is principally due to \$552 of capital improvements to the heating, ventilation and air conditioning system at the Joseph P. Bort Metro Center.

Other financing sources (uses) increased by \$1,648 in fiscal year 2016 and increased by \$2,927 in fiscal year 2015.

The change in net position presented in the Statement of Activities for governmental activities increased by \$21,397 in fiscal year 2016 and increased by \$44,965 in fiscal year 2015. Net position for governmental funds was \$453,180 and \$431,783 for fiscal years 2016 and 2015, respectively. Program revenues decreased by \$69,904 or 23.01 percent in fiscal year 2016, and increased by \$2,569 or 0.85 percent in fiscal year 2015.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2016 and 2015**  
**Management's Discussion and Analysis (unaudited)**

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The decrease in fiscal year 2016 was due to a decrease in General Fund revenue from federal programs of \$7,541, a decrease in STA revenue of \$32,870 and decrease in BART Car Exchange and Exchange Fund revenue of \$23,992 and \$5,443, respectively. The increase in fiscal year 2015 was due to increases in General Fund revenue from federal and local programs of \$3,660 and \$1,027, respectively, and an increase in BART Car Exchange revenue of \$2,168 offset by a decrease in STA revenue of \$3,922.

**H. General Fund Budget**

The MTC general fund budget for fiscal year 2016 was amended from the adopted budget by \$8.8 million in decreased revenues, \$11 million in decreased transfers in and \$19.6 million in decreased expenditures. The actual revenues-to-expenditures balance for fiscal year 2016 reflects a surplus of \$3,693. The positive surplus budget variance of \$9,147 is due to several differences in revenues and expenditures, including an underestimate in local, State, and Investment revenues by \$1 million and the transfer in from BATA by \$0.4 million. The expenditures variance includes \$1 million in general operations savings, and \$5.6 million budgeted for contracts that were not spent and capital outlay was under spent by \$1 million.

The deficit in both budget versions reflects encumbrances carried over from the prior fiscal year that were covered by the prior year's general fund balance.

The following provides a condensed view of the final budgeted results compared to actual results for the year ended June 30, 2016.

<b>General Fund</b>				
	<b>(\$000)</b>			
	Adopted Budget	Final Budget	Actual	Variance
Revenues	\$ 170,317	\$ 161,525	\$ 69,036	\$ (92,489)
Expenditures	207,481	187,848	77,078	110,770
Excess/(Deficiency)	(37,164)	(26,323)	(8,042)	18,281
Transfers in	31,869	20,869	11,735	(9,134)
Net change in fund balance	(5,295)	(5,454)	3,693	9,147
Fund balance - beginning	36,677	36,677	36,677	-
Fund balance - ending	<u>\$ 31,382</u>	<u>\$ 31,223</u>	<u>\$ 40,370</u>	<u>\$ 9,147</u>

MTC's federal and state funding sources are on a reimbursement basis, so it is not unusual for actual revenues to lag behind the adopted budget. Actual expenditures were also well below budget because several major programs were budgeted, but were not completed during the fiscal year.

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2016 and 2015**

### **Management's Discussion and Analysis (unaudited)**

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#### **I. Capital Asset Administration**

MTC's investment in capital assets for all funds, governmental and proprietary, is \$61,884 for fiscal year 2016 and \$33,620 for fiscal year 2015 as reported under the accrual basis of accounting. The increase of \$28,264 in fiscal year 2016 is primarily due to the development costs of the Express Lane project, which is scheduled to open in late fiscal year 2017. The increase of \$768 in fiscal year 2015 is mainly from the development of the Express Lane project. Additional information on MTC's capital assets is disclosed in Note 4 to the financial statements. Assets relating to the seven state-owned bridges administered by BATA are recognized by Caltrans.

#### **J. Long-Term Debt Administration**

BATA did not issue or refinance any bonds during fiscal year 2016. BATA administers a debt portfolio of \$9,186 billion. All BATA's swaps were ineffective for accounting purposes in fiscal years 2016 and 2015. The fair value of swaps decreased by \$187,387 in fiscal year 2016 and \$56,636 in fiscal year 2015. BATA's interest expense on the \$3,275 billion of federally taxable Build America Bonds was \$218,747 and the federal subsidy was \$71,260 for a net interest expense of \$147,487.

Additional information on MTC's long-term debt can be found in Note 5 to the financial statements.

#### **K. Economic Factors Impacting MTC**

The Bay Area economy continues to recover. The unemployment rate continues to decrease, and sales taxes continue to increase from prior years. These impacts include:

- Sales tax revenues increased for the sixth straight fiscal year, increasing by 3.5 percent and 5.4 percent for fiscal years 2016 and 2015 respectively, after declining from fiscal years 2008 to 2010. Sales tax revenues for fiscal year 2017 are also projected to be slightly higher than fiscal year 2016.
- Unemployment in the Bay Area was 4.2 percent as of June 2016, which was substantially unchanged from the prior year.
- Building construction and housing is up, and demand for consumer goods is also up.

#### **L. Future Developments Affecting MTC**

- In May 2016, the Commission approved a potential plan to consolidate MTC and ABAG staff. The Commission authorized management to undertake financial and legal due diligence studies related to the proposed consolidation. The findings of the respective studies are expected to be presented to the Commission by December 2016.
- In May 2016, MTC moved out of the Joseph P. Bort Metro Center building in Oakland. The building was marketed for sale. BART, one of the owners of a condominium interest in the building, exercised its right of first refusal to purchase the building. The transaction is expected to be closed in early 2017.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2016 and 2015**  
**Management's Discussion and Analysis (unaudited)**

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**Requests for information**

This financial report is designed to provide a general overview of the Metropolitan Transportation Commission's financial position for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Metropolitan Transportation Commission, 375 Beale Street, Suite 800, CA 94105.

**Metropolitan Transportation Commission**  
**Statement of Net Position**  
**June 30, 2016**

	Primary Government			BAHA
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash - unrestricted	\$ 172,090,338	\$ 261,749,839	\$ 433,840,177	\$ -
Cash - restricted	136,441	103,794,641	103,931,082	27,725,768
Investments - unrestricted	336,229,912	912,159,296	1,248,389,208	-
Investments - restricted	326,807,822	1,513,622,661	1,840,430,483	30,000,000
Receivables:				
Accounts receivable	2,108,387	21,122,140	23,230,527	541,858
Interest	848,802	20,397,478	21,246,280	32,127
Funding due from State/ Caltrans	56,154,430	5,253,649	61,408,079	-
Funding due from Federal	24,220,387	6,539,651	30,760,038	-
Prepaid items and other assets	1,304,973	1,333,085	2,638,058	689,961
Bond prepaid insurance/ interest	-	37,568	37,568	-
Net OPEB asset	7,384,385	-	7,384,385	-
Land	-	-	-	33,933,809
Capital assets not being depreciated	3,912,654	35,428,344	39,340,998	111,805
Capital assets net of accumulated depreciation/ amortization	1,446,049	21,096,671	22,542,720	215,208,865
<b>TOTAL ASSETS</b>	<b>932,644,580</b>	<b>2,902,535,023</b>	<b>3,835,179,603</b>	<b>308,244,193</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount of refunding	-	339,332,432	339,332,432	-
Deferred outflows from pension	5,907,566	3,081,427	8,988,993	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,907,566</b>	<b>342,413,859</b>	<b>348,321,425</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	70,416,271	87,208,890	157,625,161	34,113,794
Security trade payable	-	45,000,000	45,000,000	-
Accrued interest payable	-	100,799,323	100,799,323	-
Unearned revenue	81,477	80,885,198	80,966,675	655,381
Deposit payable	-	-	-	800,000
Due to Caltrans	-	25,331,790	25,331,790	-
Noncurrent liabilities				
Net pension liability				
Due in more than one year	18,286,012	9,108,343	27,394,355	-
Long term debt				
Due within one year	-	54,835,000	54,835,000	-
Due in more than one year	-	9,301,640,813	9,301,640,813	-
Due to / (from) other funds				
Due within one year	6,313,533	(6,313,533)	-	-
Other noncurrent liabilities				
Derivative instruments	-	546,320,887	546,320,887	-
Due within one year	2,154,908	-	2,154,908	-
Due in more than one year	2,974,182	9,194,424	12,168,606	160,452
<b>TOTAL LIABILITIES</b>	<b>100,226,383</b>	<b>10,254,011,135</b>	<b>10,354,237,518</b>	<b>35,729,627</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension	4,752,458	2,328,495	7,080,953	-
Deferred revenues/Deferred charges	380,393,353	(380,393,353)	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>385,145,811</b>	<b>(378,064,858)</b>	<b>7,080,953</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	5,072,036	56,525,015	61,597,051	249,254,479
Restricted for:				
Capital projects	464,780,671	3,559,290	468,339,961	23,260,087
Operations & Maintenance, under debt covenant	-	150,000,000	150,000,000	-
Extraordinary loss reserve, under Caltrans Coop	-	50,000,000	50,000,000	-
Net OPEB asset	7,384,385	-	7,384,385	-
STA reserve	158,050	-	158,050	-
Unrestricted	(24,215,190)	(6,891,081,700)	(6,915,296,890)	-
<b>TOTAL NET POSITION</b>	<b>\$ 453,179,952</b>	<b>\$ (6,630,997,395)</b>	<b>\$ (6,177,817,443)</b>	<b>\$ 272,514,566</b>

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

**Metropolitan Transportation Commission**  
**Statement of Net Position**  
**June 30, 2015**

	Primary Government			BAHA
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash - unrestricted	\$ 178,940,093	\$ 465,038,995	\$ 643,979,088	\$ -
Cash - restricted	134,985	147,790,781	147,925,766	19,723,668
Investments - unrestricted	438,072,416	813,389,333	1,251,461,749	-
Investments - restricted	285,777,196	1,549,390,709	1,835,167,905	87,488,217
Receivables:				
Accounts receivable	1,519,433	15,349,604	16,869,037	367,584
Interest	302,578	23,181,078	23,483,656	10,869
Funding due from State/ Caltrans	40,179,235	3,313,402	43,492,637	-
Funding due from Federal	26,101,787	4,227,994	30,329,781	-
Prepaid items and other assets	1,327,705	1,023,500	2,351,205	615,752
Bond prepaid insurance	-	98,996	98,996	-
Net OPEB asset	7,384,385	-	7,384,385	-
Land	-	-	-	33,933,809
Capital assets not being depreciated	-	4,302,943	4,302,943	151,754,689
Capital assets net of accumulated depreciation/ amortization	5,104,434	24,213,106	29,317,540	-
<b>TOTAL ASSETS</b>	<b>984,844,247</b>	<b>3,051,320,441</b>	<b>4,036,164,688</b>	<b>293,894,588</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount of refunding	-	356,538,071	356,538,071	-
Deferred outflows from pension	2,563,707	1,255,311	3,819,018	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,563,707</b>	<b>357,793,382</b>	<b>360,357,089</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	96,245,171	92,094,907	188,340,078	13,358,915
Security trade payable	36,000,000	20,000,000	56,000,000	-
Accrued interest payable	-	101,402,582	101,402,582	-
Unearned revenue	791,536	75,173,071	75,964,607	53,075
Deposit payable	-	-	-	800,000
Due to Caltrans	-	28,994,667	28,994,667	-
Noncurrent liabilities				
Net pension liability				
Due in more than one year	16,010,789	7,839,635	23,850,424	-
Long term debt				
Due within one year	-	56,915,000	56,915,000	-
Due in more than one year	-	9,371,296,727	9,371,296,727	-
Due to / (from) other funds				
Due within one year	(1,940,380)	1,940,380	-	-
Other noncurrent liabilities				
Derivative instruments	-	416,127,433	416,127,433	-
Due within one year	1,920,685	-	1,920,685	-
Due in more than one year	2,451,805	7,394,704	9,846,509	56,822
<b>TOTAL LIABILITIES</b>	<b>151,479,606</b>	<b>10,179,179,106</b>	<b>10,330,658,712</b>	<b>14,268,812</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension	4,706,515	2,304,531	7,011,046	-
Deferred revenues/Deferred charges	399,438,783	(399,438,783)	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>404,145,298</b>	<b>(397,134,252)</b>	<b>7,011,046</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	5,079,745	28,516,049	33,595,794	185,688,498
Restricted for:				
Capital projects	384,916,044	-	384,916,044	93,937,278
Operations & Maintenance, under debt covenant	-	150,000,000	150,000,000	-
Extraordinary loss reserve, under Caltrans Coop	-	50,000,000	50,000,000	-
Net OPEB asset	7,384,385	-	7,384,385	-
STA Reserve	511,807	-	511,807	-
Unrestricted	33,891,069	(6,601,447,080)	(6,567,556,011)	-
<b>TOTAL NET POSITION</b>	<b>\$ 431,783,050</b>	<b>\$ (6,372,931,031)</b>	<b>\$ (5,941,147,981)</b>	<b>\$ 279,625,776</b>

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

**Metropolitan Transportation Commission**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

	Program Revenues					Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Primary Government			BAHA
						Governmental Activities	Business-type Activities	Total	
<b>Functions:</b>									
<b>Primary Government:</b>									
Governmental Activities:									
General Government	\$ 77,038,765	\$ -	\$ 118,657,185	\$ -	\$ 118,657,185	\$ 41,618,420	\$ -	41,618,420	\$ -
Transportation	155,345,044	-	115,261,812	-	115,261,812	(40,083,232)	-	(40,083,232)	-
<b>Total Governmental Activities</b>	<b>232,383,809</b>	<b>-</b>	<b>233,918,997</b>	<b>-</b>	<b>233,918,997</b>	<b>1,535,188</b>	<b>-</b>	<b>1,535,188</b>	<b>-</b>
Business-type Activities:									
MTC Clipper® smart card	44,090,317	17,319,246	13,377,502	3,559,290	34,256,038	-	(9,834,279)	(9,834,279)	-
Toll bridge activities	935,543,616	736,962,061	82,379,678	-	819,341,739	-	(116,201,877)	(116,201,877)	-
Congestion relief	10,418,605	6,590,383	6,947,729	-	13,538,112	-	3,119,507	3,119,507	-
<b>Total Business-Type Activities</b>	<b>990,052,538</b>	<b>760,871,690</b>	<b>102,704,909</b>	<b>3,559,290</b>	<b>867,135,889</b>	<b>-</b>	<b>(122,916,649)</b>	<b>(122,916,649)</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 1,222,436,347</b>	<b>\$ 760,871,690</b>	<b>\$ 336,623,906</b>	<b>\$ 3,559,290</b>	<b>\$ 1,101,054,886</b>	<b>1,535,188</b>	<b>(122,916,649)</b>	<b>(121,381,461)</b>	<b>-</b>
<b>Component Units:</b>									
BAHA	8,905,815	218,334	518,694	925,937	1,662,965				(7,242,850)
<b>Total Component Units</b>	<b>\$ 8,905,815</b>	<b>\$ 218,334</b>	<b>\$ 518,694</b>	<b>\$ 925,937</b>	<b>\$ 1,662,965</b>				<b>\$ (7,242,850)</b>
<b>General Revenues:</b>									
Restricted investment earnings						1,172,944	-	1,172,944	131,640
Unrestricted investment earnings / changes						1,704,508	(175,358,794)	(173,654,286)	-
Transfers						16,984,262	(16,984,262)	-	-
<b>Total General Revenues and Transfers</b>						<b>19,861,714</b>	<b>(192,343,056)</b>	<b>(172,481,342)</b>	<b>131,640</b>
<b>Change in Net Position</b>						<b>21,396,902</b>	<b>(315,259,705)</b>	<b>(293,862,803)</b>	<b>(7,111,210)</b>
<b>Net Position - Beginning, as restated (note 5)</b>						<b>431,783,050</b>	<b>(6,315,737,690)</b>	<b>(5,883,954,640)</b>	<b>279,625,776</b>
<b>Net Position - Ending</b>						<b>\$ 453,179,952</b>	<b>\$ (6,630,997,395)</b>	<b>\$ (6,177,817,443)</b>	<b>\$ 272,514,566</b>

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

**Metropolitan Transportation Commission**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Primary Government			BAHA
						Governmental Activities	Business-type Activities	Total	
<b>Functions:</b>									
<b>Primary Government:</b>									
Governmental Activities:									
General Government	\$ 81,168,440	\$ -	\$ 155,791,521	\$ -	\$ 155,791,521	\$ 74,623,081	\$ -	74,623,081	\$ -
Transportation	195,038,682	-	148,031,845	-	148,031,845	(47,006,837)	-	(47,006,837)	-
<b>Total Governmental Activities</b>	<b>276,207,122</b>	<b>-</b>	<b>303,823,366</b>	<b>-</b>	<b>303,823,366</b>	<b>27,616,244</b>	<b>-</b>	<b>27,616,244</b>	<b>-</b>
Business-type Activities:									
MTC Clipper® smart card	37,264,816	16,751,996	6,309,610	-	23,061,606	-	(14,203,210)	(14,203,210)	-
Toll bridge activities	1,008,115,070	717,338,514	80,873,630	-	798,212,144	-	(209,902,926)	(209,902,926)	-
Congestion relief	11,696,862	6,420,146	8,438,514	-	14,858,660	-	3,161,798	3,161,798	-
<b>Total Business-Type Activities</b>	<b>1,057,076,748</b>	<b>740,510,656</b>	<b>95,621,754</b>	<b>-</b>	<b>836,132,410</b>	<b>-</b>	<b>(220,944,338)</b>	<b>(220,944,338)</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 1,333,283,870</b>	<b>\$ 740,510,656</b>	<b>\$ 399,445,120</b>	<b>\$ -</b>	<b>\$ 1,139,955,776</b>	<b>27,616,244</b>	<b>(220,944,338)</b>	<b>(193,328,094)</b>	<b>-</b>
<b>Component Units:</b>									
BAHA	4,033,737	1,103,834	679,322	38,922,586	40,705,742				36,672,005
<b>Total Component Units</b>	<b>\$ 4,033,737</b>	<b>\$ 1,103,834</b>	<b>\$ 679,322</b>	<b>\$ 38,922,586</b>	<b>\$ 40,705,742</b>				<b>\$ 36,672,005</b>
<b>General Revenues:</b>									
Restricted investment earnings						493,439	-	493,439	131,029
Unrestricted investment earnings / changes						1,519,819	(277,337,013)	(275,817,194)	-
Transfers						15,335,595	(15,335,595)	-	-
<b>Total General Revenues and Transfers</b>						<b>17,348,853</b>	<b>(292,672,608)</b>	<b>(275,323,755)</b>	<b>131,029</b>
<b>Change in Net Position</b>						<b>44,965,097</b>	<b>(513,616,946)</b>	<b>(468,651,849)</b>	<b>36,803,034</b>
<b>Net Position - Beginning, as restated (note 1K)</b>						<b>386,817,953</b>	<b>(5,859,314,085)</b>	<b>(5,472,496,132)</b>	<b>242,822,742</b>
<b>Net Position - Ending</b>						<b>\$ 431,783,050</b>	<b>\$ (6,372,931,031)</b>	<b>\$ (5,941,147,981)</b>	<b>\$ 279,625,776</b>

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

# Metropolitan Transportation Commission

## Balance Sheet - Governmental Funds

June 30, 2016

	General	AB 664 Net Toll Revenue Reserve	STA	Rail Reserves	BART Car Exchange	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash - unrestricted	\$ 35,448,918	\$ 27,817,618	\$ 40,271,225	\$ 17,929,234	\$ -	\$ 50,623,343	\$ 172,090,338
Cash - restricted	-	-	-	-	136,441	-	136,441
Investment - unrestricted	217,756	202,914,699	-	99,326,000	-	33,771,457	336,229,912
Investment - restricted	-	-	-	-	326,807,822	-	326,807,822
Receivables							
Accounts	2,108,387	-	-	-	-	-	2,108,387
Interest	50,542	207,887	53,396	111,330	411,495	14,152	848,802
State/ Caltrans funding	967,137	-	55,187,293	-	-	-	56,154,430
Federal funding	24,220,387	-	-	-	-	-	24,220,387
Due from other funds	1,399,520	-	1,137,857	-	-	499,769	3,037,146
Prepaid items and other assets	1,304,973	-	-	-	-	-	1,304,973
<b>TOTAL ASSETS</b>	<b>\$ 65,717,620</b>	<b>\$ 230,940,204</b>	<b>\$ 96,649,771</b>	<b>\$ 117,366,564</b>	<b>\$ 327,355,758</b>	<b>\$ 84,908,721</b>	<b>\$ 922,938,638</b>
<b>LIABILITIES</b>							
Accounts payable and accrued expenditures	\$ 14,785,404	\$ 4,833,385	\$ 41,528,658	\$ 8,360,588	\$ 6,380	\$ 900,817	\$ 70,415,232
Unearned revenue	1,706,601	-	-	-	-	-	1,706,601
Retention payable	1,039	-	-	-	-	-	1,039
Due to other funds	8,854,781	-	467,846	-	-	28,052	9,350,679
<b>TOTAL LIABILITIES</b>	<b>25,347,825</b>	<b>4,833,385</b>	<b>41,996,504</b>	<b>8,360,588</b>	<b>6,380</b>	<b>928,869</b>	<b>81,473,551</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred revenue	-	186,226,211	-	150,003,748	-	44,163,394	380,393,353
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>186,226,211</b>	<b>-</b>	<b>150,003,748</b>	<b>-</b>	<b>44,163,394</b>	<b>380,393,353</b>
<b>FUND BALANCES</b>							
Nonspendable							
Prepaid items	1,304,973	-	-	-	-	-	1,304,973
Restricted for:							
Transportation projects	158,050	39,880,608	54,653,267	-	-	10,831,214	105,523,139
Rail projects	-	-	-	-	327,349,378	-	327,349,378
Committed to:							
Benefits reserve	1,468,652	-	-	-	-	-	1,468,652
Building reserve	-	-	-	-	-	499,769	499,769
Liability reserve	964,580	-	-	-	-	-	964,580
Transportation projects	3,580,727	-	-	-	-	28,485,475	32,066,202
Unassigned:							
Unassigned	32,892,813	-	-	(40,997,772)	-	-	(8,104,959)
<b>TOTAL FUND BALANCES</b>	<b>40,369,795</b>	<b>39,880,608</b>	<b>54,653,267</b>	<b>(40,997,772)</b>	<b>327,349,378</b>	<b>39,816,458</b>	<b>461,071,734</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 65,717,620</b>	<b>\$ 230,940,204</b>	<b>\$ 96,649,771</b>	<b>\$ 117,366,564</b>	<b>\$ 327,355,758</b>	<b>\$ 84,908,721</b>	<b>\$ 922,938,638</b>

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

**Metropolitan Transportation Commission**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2016**

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Governmental funds balance	\$ 461,071,734
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,358,703
Other Post Employment Benefit (OPEB) assets are not current financial resources and, therefore, are not reported in the funds	7,384,385
Underabsorption of applied overhead is recorded as unearned revenue as it is not available in the current period and, therefore, not reported in the funds	1,625,124
Capital leases are not due and payable in the current period and, therefore, are not reported in the funds	(286,668)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	(4,842,422)
Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds	(18,286,012)
Deferred outflows/inflows - pension is not due and payable in the current period and, therefore, is not reported in the funds	<u>1,155,108</u>
Net position of governmental activities	<u><u>\$ 453,179,952</u></u>

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

**Metropolitan Transportation Commission**  
**Balance Sheet - Governmental Funds**  
**June 30, 2015**

	General	AB 664 Net Toll Revenue Reserve	STA	Rail Reserves	BART Car Exchange	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash - unrestricted	\$ 26,460,873	\$ 33,794,393	\$ 50,587,969	\$ 19,351,340	\$ -	\$ 48,745,518	\$ 178,940,093
Cash - restricted	-	-	-	-	134,985	-	134,985
Investment - unrestricted	216,922	218,234,129	-	185,514,427	-	34,106,938	438,072,416
Investment - restricted	-	-	-	-	285,777,196	-	285,777,196
Receivables							
Accounts	1,519,433	-	-	-	-	-	1,519,433
Interest	154	78,328	42,947	48,998	94,512	37,639	302,578
State/ Caltrans funding	1,013,792	-	39,165,443	-	-	-	40,179,235
Federal funding	26,101,787	-	-	-	-	-	26,101,787
Due from other funds	2,841,964	-	3,494,470	-	-	499,769	6,836,203
Prepaid items and other assets	1,327,705	-	-	-	-	-	1,327,705
<b>TOTAL ASSETS</b>	<b>\$ 59,482,630</b>	<b>\$ 252,106,850</b>	<b>\$ 93,290,829</b>	<b>\$ 204,914,765</b>	<b>\$ 286,006,693</b>	<b>\$ 83,389,864</b>	<b>\$ 979,191,631</b>
<b>LIABILITIES</b>							
Accounts payable and accrued expenditures	\$ 15,185,694	\$ 5,827,202	\$ 25,918,408	\$ 43,023,984	\$ -	\$ 1,450,405	\$ 91,405,693
Unearned revenue	3,439,477	-	-	-	-	-	3,439,477
Retention payable	59,599	-	-	4,779,879	-	-	4,839,478
Security trade payable	-	16,000,000	-	10,000,000	10,000,000	-	36,000,000
Due to other funds	4,120,864	3,551	713,981	-	-	57,427	4,895,823
<b>TOTAL LIABILITIES</b>	<b>22,805,634</b>	<b>21,830,753</b>	<b>26,632,389</b>	<b>57,803,863</b>	<b>10,000,000</b>	<b>1,507,832</b>	<b>140,580,471</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred revenue	-	195,527,260	-	157,555,664	-	46,355,859	399,438,783
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>195,527,260</b>	<b>-</b>	<b>157,555,664</b>	<b>-</b>	<b>46,355,859</b>	<b>399,438,783</b>
<b>FUND BALANCES</b>							
Nonspendable							
Prepaid items	1,327,705	-	-	-	-	-	1,327,705
Restricted for:							
Transportation projects	511,807	34,748,837	66,658,440	-	-	7,502,074	109,421,158
Rail projects	-	-	-	-	276,006,693	-	276,006,693
Committed to:							
Benefits reserve	1,500,308	-	-	-	-	-	1,500,308
Building reserve	-	-	-	-	-	499,769	499,769
Liability reserve	234,040	-	-	-	-	-	234,040
Transportation projects	1,398,076	-	-	-	-	27,524,330	28,922,406
Unassigned:							
Unrestricted/Unassigned	31,705,060	-	-	(10,444,762)	-	-	21,260,298
<b>TOTAL FUND BALANCES</b>	<b>36,676,996</b>	<b>34,748,837</b>	<b>66,658,440</b>	<b>(10,444,762)</b>	<b>276,006,693</b>	<b>35,526,173</b>	<b>439,172,377</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 59,482,630</b>	<b>\$ 252,106,850</b>	<b>\$ 93,290,829</b>	<b>\$ 204,914,765</b>	<b>\$ 286,006,693</b>	<b>\$ 83,389,864</b>	<b>\$ 979,191,631</b>

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

**Metropolitan Transportation Commission**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2015**

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Governmental funds balance	\$ 439,172,377
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,104,434
Other Post Employment Benefit (OPEB) assets are not current financial resources and, therefore, are not reported in the funds	7,384,385
Unearned revenue is reported as revenue on Statement of Activities	2,647,941
Capital leases are not due and payable in the current period and, therefore, are not reported in the funds	(24,689)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	(4,347,801)
Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds	(16,010,789)
Deferred outflows/inflows - pension is not due and payable in the current period and, therefore, is not reported in the funds	<u>(2,142,808)</u>
Net position of governmental activities	<u><u>\$ 431,783,050</u></u>

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

**Metropolitan Transportation Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	General	AB 664 Net Toll Revenue Reserve	STA	Rail Reserves	BART Car Exchange	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Sales tax	\$ 12,812,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,812,330
Grants - Federal	48,950,356	-	-	-	-	-	48,950,356
Grants - State	436,155	-	111,614,765	-	-	3,210,892	115,261,812
Local agencies revenues and refunds	6,752,581	-	34,759	-	50,176,121	953,854	57,917,315
Investment income - unrestricted	84,481	768,768	258,196	434,978	-	158,085	1,704,508
Investment income - restricted	-	-	-	-	1,172,944	-	1,172,944
<b>TOTAL REVENUES</b>	<b>69,035,903</b>	<b>768,768</b>	<b>111,907,720</b>	<b>434,978</b>	<b>51,349,065</b>	<b>4,322,831</b>	<b>237,819,265</b>
<b>EXPENDITURES</b>							
Current:							
General government	62,957,957	20,292	-	15,681	6,380	438,959	63,439,269
Allocations to other agencies	13,481,273	4,866,229	110,214,521	38,524,223	-	1,740,071	168,826,317
Capital outlay	638,584	-	-	-	-	-	638,584
<b>TOTAL EXPENDITURES</b>	<b>77,077,814</b>	<b>4,886,521</b>	<b>110,214,521</b>	<b>38,539,904</b>	<b>6,380</b>	<b>2,179,030</b>	<b>232,904,170</b>
<b>EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES</b>	<b>(8,041,911)</b>	<b>(4,117,753)</b>	<b>1,693,199</b>	<b>(38,104,926)</b>	<b>51,342,685</b>	<b>2,143,801</b>	<b>4,915,095</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	11,888,942	9,301,049	1,137,857	7,551,916	-	2,202,465	32,082,229
Transfers out	(154,232)	(51,525)	(14,836,229)	-	-	(55,981)	(15,097,967)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>11,734,710</b>	<b>9,249,524</b>	<b>(13,698,372)</b>	<b>7,551,916</b>	<b>-</b>	<b>2,146,484</b>	<b>16,984,262</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,692,799</b>	<b>5,131,771</b>	<b>(12,005,173)</b>	<b>(30,553,010)</b>	<b>51,342,685</b>	<b>4,290,285</b>	<b>21,899,357</b>
Fund balances - beginning	36,676,996	34,748,837	66,658,440	(10,444,762)	276,006,693	35,526,173	439,172,377
Fund balances - ending	\$ 40,369,795	\$ 39,880,608	\$ 54,653,267	\$ (40,997,772)	\$ 327,349,378	\$ 39,816,458	\$ 461,071,734

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

**Metropolitan Transportation Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	General	AB 664 Net Toll Revenue Reserve	STA	Rail Reserves	BART Car Exchange	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Sales tax	\$ 12,373,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,373,864
Grants - Federal	56,491,443	-	-	-	-	-	56,491,443
Grants - State	367,100	-	144,485,644	-	-	3,179,101	148,031,845
Local agencies revenues and refunds	4,040,280	-	1,948,698	-	74,168,150	6,396,308	86,553,436
Investment income - unrestricted	7,151	479,139	242,315	452,608	-	338,606	1,519,819
Investment income - restricted	-	-	-	-	493,439	-	493,439
<b>TOTAL REVENUES</b>	<b>73,279,838</b>	<b>479,139</b>	<b>146,676,657</b>	<b>452,608</b>	<b>74,661,589</b>	<b>9,914,015</b>	<b>305,463,846</b>
<b>EXPENDITURES</b>							
Current:							
General government	67,790,809	21,295	-	21,014	4,455	625,885	68,463,458
Allocations to other agencies	12,765,087	5,219,588	122,665,610	59,702,316	-	7,451,168	207,803,769
Capital outlay	179,984	-	-	-	-	-	179,984
<b>TOTAL EXPENDITURES</b>	<b>80,735,880</b>	<b>5,240,883</b>	<b>122,665,610</b>	<b>59,723,330</b>	<b>4,455</b>	<b>8,077,053</b>	<b>276,447,211</b>
<b>EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES</b>	<b>(7,456,042)</b>	<b>(4,761,744)</b>	<b>24,011,047</b>	<b>(59,270,722)</b>	<b>74,657,134</b>	<b>1,836,962</b>	<b>29,016,635</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	9,996,374	9,680,853	3,068,344	7,860,296	-	2,583,662	33,189,529
Transfers out	(38,459)	(3,551)	(17,749,636)	-	-	(62,288)	(17,853,934)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>9,957,915</b>	<b>9,677,302</b>	<b>(14,681,292)</b>	<b>7,860,296</b>	<b>-</b>	<b>2,521,374</b>	<b>15,335,595</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,501,873</b>	<b>4,915,558</b>	<b>9,329,755</b>	<b>(51,410,426)</b>	<b>74,657,134</b>	<b>4,358,336</b>	<b>44,352,230</b>
Fund balances - beginning	34,175,123	29,833,279	57,328,685	40,965,664	201,349,559	31,167,837	394,820,147
Fund balances - ending	\$ 36,676,996	\$ 34,748,837	\$ 66,658,440	\$ (10,444,762)	\$ 276,006,693	\$ 35,526,173	\$ 439,172,377

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

**Metropolitan Transportation Commission**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Governmental Funds to the Statement of Activities**  
**For the Years Ended June 30, 2016 and 2015**

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	2016	2015
<b>Net change in fund balances - total governmental funds (per Statement of Revenues, Expenditures and Changes in Fund Balances)</b>	\$ 21,899,357	\$ 44,352,230
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeds (does not exceed) non capital lease capital outlays in the current period. See Note 1.N.	(55,291)	(714,402)
Principal repayment on capital leases is not an expenditure in the governmental funds; however, the principal element of the repayment reduces long-term liabilities in the Statement of Net Position. The amount is the effect of the differing treatment of capital lease principal repayment.	47,581	57,318
Governmental funds report under absorption of applied overhead as unearned revenue; however in the Statement of Activities, the underabsorption is reported as revenue.	(1,022,815)	372,778
Some items do not require the use of current financial resources and, therefore, are not reported in the governmental funds:		
Compensated absences	(494,621)	(327,852)
Pension liability	<u>1,022,691</u>	<u>1,225,025</u>
<b>Change in net position of governmental activities (per Statement of Activities)</b>	<u>\$ 21,396,902</u>	<u>\$ 44,965,097</u>

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

**Metropolitan Transportation Commission**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2016**

	Business-Type Activities -Enterprise Funds			
	MTC-Clipper®	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total Enterprise Funds
<b>ASSETS</b>				
Current assets:				
Cash - unrestricted	\$ 1,557,870	\$ 247,624,637	\$ 12,567,332	\$ 261,749,839
Cash - restricted	3,559,290	90,623,403	-	94,182,693
Short term investments - unrestricted	-	912,051,856	107,440	912,159,296
Due from other funds	5,491,114	-	4,015,495	9,506,609
Accounts receivable	4,547,408	16,574,732	-	21,122,140
Accrued interest	-	20,397,332	146	20,397,478
Prepaid expenses and other assets	70,350	727,183	535,552	1,333,085
Funding due from State/ Caltrans	51,346	1,413,232	3,789,071	5,253,649
Funding due from Federal	5,997,049	-	542,602	6,539,651
<b>Total current assets</b>	<b>21,274,427</b>	<b>1,289,412,375</b>	<b>21,557,638</b>	<b>1,332,244,440</b>
Non-current assets:				
Cash - restricted	-	9,611,948	-	9,611,948
Investments - restricted	-	1,513,622,661	-	1,513,622,661
Bond prepaid insurance	-	37,568	-	37,568
Capital assets, net of accumulated depreciation/ amortization	-	53,581,222	2,943,793	56,525,015
<b>Total non-current assets</b>	<b>-</b>	<b>1,576,853,399</b>	<b>2,943,793</b>	<b>1,579,797,192</b>
<b>TOTAL ASSETS</b>	<b>21,274,427</b>	<b>2,866,265,774</b>	<b>24,501,431</b>	<b>2,912,041,632</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges	-	719,725,785	-	719,725,785
Deferred outflows from pension	548,328	2,367,701	165,398	3,081,427
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>548,328</b>	<b>722,093,486</b>	<b>165,398</b>	<b>722,807,212</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	10,638,474	74,190,439	927,510	85,756,423
Accrued interest payable	-	100,799,323	-	100,799,323
Security trade payable	-	45,000,000	-	45,000,000
Due to other funds	979,807	2,177,339	35,930	3,193,076
Unearned revenue	-	80,885,198	-	80,885,198
Retention payable	65,140	1,387,327	-	1,452,467
Long term debt - current	-	54,835,000	-	54,835,000
Due to Caltrans	-	25,331,790	-	25,331,790
<b>Total current liabilities</b>	<b>11,683,421</b>	<b>384,606,416</b>	<b>963,440</b>	<b>397,253,277</b>
Non-current liabilities:				
Unearned revenue/ Patron deposits	-	9,194,424	-	9,194,424
Long term debt, net	-	9,301,640,813	-	9,301,640,813
Derivative instruments	-	546,320,887	-	546,320,887
Net pension liability	1,518,818	7,121,526	467,999	9,108,343
<b>Total non-current liabilities</b>	<b>1,518,818</b>	<b>9,864,277,650</b>	<b>467,999</b>	<b>9,866,264,467</b>
<b>TOTAL LIABILITIES</b>	<b>13,202,239</b>	<b>10,248,884,066</b>	<b>1,431,439</b>	<b>10,263,517,744</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension	378,654	1,832,171	117,670	2,328,495
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>378,654</b>	<b>1,832,171</b>	<b>117,670</b>	<b>2,328,495</b>
<b>NET POSITION</b>				
Net investment in capital assets	-	53,581,222	2,943,793	56,525,015
Restricted for:				
Capital Projects	3,559,290	-	-	3,559,290
Operations & Maintenance, under debt covenant	-	150,000,000	-	150,000,000
Extraordinary loss reserve, under Caltrans Coop	-	50,000,000	-	50,000,000
Unrestricted	4,682,572	(6,915,938,199)	20,173,927	(6,891,081,700)
<b>TOTAL NET POSITION</b>	<b>\$ 8,241,862</b>	<b>\$ (6,662,356,977)</b>	<b>\$ 23,117,720</b>	<b>\$ (6,630,997,395)</b>

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

**Metropolitan Transportation Commission**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2015**

	Business-Type Activities -Enterprise Funds			
	MTC-Clipper®	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total Enterprise Funds
<b>ASSETS</b>				
Current assets:				
Cash - unrestricted	\$ 8,145,980	\$ 445,008,844	\$ 11,884,171	\$ 465,038,995
Cash - restricted	-	83,277,891	-	83,277,891
Short term investments - unrestricted	-	813,282,305	107,028	813,389,333
Short term investments - restricted	-	95,698,330	-	95,698,330
Due from other funds	1,332,661	-	3,156,510	4,489,171
Accounts receivable	3,696,350	11,652,730	524	15,349,604
Accrued interest	-	23,181,002	76	23,181,078
Prepaid expenses and other assets	-	746,499	277,001	1,023,500
Funding due from State/ Caltrans	36,758	1,109,939	2,166,705	3,313,402
Funding due from Federal	2,636,587	-	1,591,407	4,227,994
<b>Total current assets</b>	<b>15,848,336</b>	<b>1,473,957,540</b>	<b>19,183,422</b>	<b>1,508,989,298</b>
Non-current assets:				
Cash - restricted	-	64,512,890	-	64,512,890
Investments - restricted	-	1,453,692,379	-	1,453,692,379
Bond prepaid insurance	-	98,996	-	98,996
Capital assets, net of accumulated depreciation/ amortization	-	25,307,663	3,208,386	28,516,049
<b>Total non-current assets</b>	<b>-</b>	<b>1,543,611,928</b>	<b>3,208,386</b>	<b>1,546,820,314</b>
<b>TOTAL ASSETS</b>	<b>15,848,336</b>	<b>3,017,569,468</b>	<b>22,391,808</b>	<b>3,055,809,612</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges	-	755,976,854	-	755,976,854
Deferred outflows from pension	203,935	987,980	63,396	1,255,311
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>203,935</b>	<b>756,964,834</b>	<b>63,396</b>	<b>757,232,165</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	6,372,718	84,073,380	1,054,179	91,500,277
Accrued interest payable	-	101,402,582	-	101,402,582
Security trade payable	-	20,000,000	-	20,000,000
Due to other funds	5,025,671	1,403,880	-	6,429,551
Unearned revenue	-	75,173,071	-	75,173,071
Retention payable	101,941	492,689	-	594,630
Long term debt - current	-	56,915,000	-	56,915,000
Due to Caltrans	-	28,994,667	-	28,994,667
<b>Total current liabilities</b>	<b>11,500,330</b>	<b>368,455,269</b>	<b>1,054,179</b>	<b>381,009,778</b>
Non-current liabilities:				
Unearned revenue/ Patron deposits	-	7,394,704	-	7,394,704
Long term debt, net	-	9,371,296,727	-	9,371,296,727
Derivative instruments	-	416,127,433	-	416,127,433
Net pension liability	1,273,613	6,170,105	395,917	7,839,635
<b>Total non-current liabilities</b>	<b>1,273,613</b>	<b>9,800,988,969</b>	<b>395,917</b>	<b>9,802,658,499</b>
<b>TOTAL LIABILITIES</b>	<b>12,773,943</b>	<b>10,169,444,238</b>	<b>1,450,096</b>	<b>10,183,668,277</b>
Deferred inflows from pension	374,390	1,813,758	116,383	2,304,531
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>374,390</b>	<b>1,813,758</b>	<b>116,383</b>	<b>2,304,531</b>
<b>NET POSITION</b>				
Net investment in capital assets	-	25,307,663	3,208,386	28,516,049
Restricted for:				
Operations & Maintenance, under debt covenant	-	150,000,000	-	150,000,000
Extraordinary loss reserve, under Caltrans Coop	-	50,000,000	-	50,000,000
Unrestricted	2,903,938	(6,622,031,357)	17,680,339	(6,601,447,080)
<b>TOTAL NET POSITION</b>	<b>\$ 2,903,938</b>	<b>\$ (6,396,723,694)</b>	<b>\$ 20,888,725</b>	<b>\$ (6,372,931,031)</b>

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

**Metropolitan Transportation Commission**  
**Statement of Revenues, Expenses and Changes in Net Position -**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	MTC-Clipper®	Bay Area Toll Authority	Service Authority for Freeways and Expressways	
<b>OPERATING REVENUES</b>				
Toll revenues collected	\$ -	\$ 714,132,356	\$ -	\$ 714,132,356
Department of Motor Vehicles registration fees	-	-	6,582,736	6,582,736
Revenues from operators	17,319,246	-	-	17,319,246
Other operating revenues	-	22,829,705	7,647	22,837,352
<b>TOTAL OPERATING REVENUES</b>	<b>17,319,246</b>	<b>736,962,061</b>	<b>6,590,383</b>	<b>760,871,690</b>
<b>OPERATING EXPENSES</b>				
Operating expenses incurred by Caltrans	-	26,375,592	-	26,375,592
Operating expenses - Transbay JPA	-	3,817,607	-	3,817,607
Towing contracts	-	-	7,240,168	7,240,168
Professional fees	29,432,812	49,823,753	509,702	79,766,267
Allocations to other agencies	-	36,522,647	-	36,522,647
Salaries and benefits	2,191,202	9,909,270	894,820	12,995,292
Repairs and maintenance	-	12,928	406,776	419,704
Communication charges	60	211,250	110,949	322,259
Depreciation and amortization	-	4,978,533	459,750	5,438,283
Other operating expenses	1,533,418	18,002,480	748,533	20,284,431
<b>TOTAL OPERATING EXPENSES</b>	<b>33,157,492</b>	<b>149,654,060</b>	<b>10,370,698</b>	<b>193,182,250</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(15,838,246)</b>	<b>587,308,001</b>	<b>(3,780,315)</b>	<b>567,689,440</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income (charge)	8,526	(175,381,004)	13,684	(175,358,794)
Build America Bonds (BABs) interest subsidy	-	71,259,651	-	71,259,651
Interest expense	-	(443,036,331)	-	(443,036,331)
Financing fees	-	(3,248,348)	-	(3,248,348)
Other nonoperating expense	-	(709,614)	(752)	(710,366)
Caltrans/ other agency grants	3,667,493	8,919,824	4,900,462	17,487,779
Federal grants	11,594,115	-	2,047,267	13,641,382
Distributions to other agencies for their capital purposes	(10,932,825)	(154,895,786)	(47,155)	(165,875,766)
Distributions to Caltrans for their capital purposes	-	(183,073,540)	-	(183,073,540)
Capital contribution to Bay Area Headquarters Authority	-	(925,937)	-	(925,937)
Other nonoperating revenues	1,675,184	2,200,203	-	3,875,387
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>6,012,493</b>	<b>(878,890,882)</b>	<b>6,913,506</b>	<b>(865,964,883)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(9,825,753)</b>	<b>(291,582,881)</b>	<b>3,133,191</b>	<b>(298,275,443)</b>
<b>TRANSFERS</b>				
Transfers to Metropolitan Transportation Commission	(979,807)	(28,438,660)	(1,204,196)	(30,622,663)
Transfers from Metropolitan Transportation Commission	13,638,401	-	-	13,638,401
Transfer between programs	2,505,083	(2,805,083)	300,000	-
<b>TOTAL TRANSFERS</b>	<b>15,163,677</b>	<b>(31,243,743)</b>	<b>(904,196)</b>	<b>(16,984,262)</b>
<b>CHANGE IN NET POSITION</b>	<b>5,337,924</b>	<b>(322,826,624)</b>	<b>2,228,995</b>	<b>(315,259,705)</b>
<b>Total net position - beginning, as restated (note 5)</b>	<b>2,903,938</b>	<b>(6,339,530,353)</b>	<b>20,888,725</b>	<b>(6,315,737,690)</b>
<b>Total net position - ending</b>	<b>\$ 8,241,862</b>	<b>\$ (6,662,356,977)</b>	<b>\$ 23,117,720</b>	<b>\$ (6,630,997,395)</b>

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

**Metropolitan Transportation Commission**  
**Statement of Revenues, Expenses and Changes in Net Position-**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Business-Type Activities - Enterprise Funds			Total Enterprise Funds
	MTC-Clipper®	Bay Area Toll Authority	Service Authority for Freeways and Expressways	
<b>OPERATING REVENUES</b>				
Toll revenues collected	\$ -	\$ 694,954,852	\$ -	\$ 694,954,852
Department of Motor Vehicles registration fees	-	-	6,414,208	6,414,208
Revenues from operators	16,751,996	-	-	16,751,996
Other operating revenues	-	22,383,662	5,938	22,389,600
<b>TOTAL OPERATING REVENUES</b>	<b>16,751,996</b>	<b>717,338,514</b>	<b>6,420,146</b>	<b>740,510,656</b>
<b>OPERATING EXPENSES</b>				
Operating expenses incurred by Caltrans	-	26,916,607	-	26,916,607
Operating expenses - Transbay JPA	-	3,644,073	-	3,644,073
Towing contracts	-	-	8,269,888	8,269,888
Professional fees	28,378,744	50,185,914	939,743	79,504,401
Allocations to other agencies	-	38,398,116	-	38,398,116
Salaries and benefits	1,822,118	9,933,228	796,413	12,551,759
Repairs and maintenance	-	10,873	542,105	552,978
Communication charges	120	70,113	108,020	178,253
Depreciation and amortization	-	4,769,136	366,839	5,135,975
Other operating expenses	1,217,254	16,746,300	511,132	18,474,686
<b>TOTAL OPERATING EXPENSES</b>	<b>31,418,236</b>	<b>150,674,360</b>	<b>11,534,140</b>	<b>193,626,736</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(14,666,240)</b>	<b>566,664,154</b>	<b>(5,113,994)</b>	<b>546,883,920</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income (charge)	408	(277,339,230)	1,809	(277,337,013)
Build America Bonds (BABs) interest subsidy	-	70,991,686	-	70,991,686
Interest expense	-	(431,383,619)	-	(431,383,619)
Financing fees	-	(4,520,083)	-	(4,520,083)
Other nonoperating expense	-	(19,621,210)	(112,722)	(19,733,932)
Caltrans/ other agency operating grants	629,579	8,180,400	4,354,604	13,164,583
Federal grants	4,188,918	-	4,083,910	8,272,828
Distributions to other agencies for their capital purposes	(5,846,580)	(123,882,405)	-	(129,728,985)
Distributions to Caltrans for their capital purposes	-	(239,410,807)	-	(239,410,807)
Capital contribution to Bay Area Headquarters Authority	-	(38,622,586)	(50,000)	(38,672,586)
Other nonoperating revenues	1,491,113	1,701,544	-	3,192,657
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>463,438</b>	<b>(1,053,906,310)</b>	<b>8,277,601</b>	<b>(1,045,165,271)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(14,202,802)</b>	<b>(487,242,156)</b>	<b>3,163,607</b>	<b>(498,281,351)</b>
<b>TRANSFERS</b>				
Transfers to Metropolitan Transportation Commission	(2,982,663)	(28,061,331)	(926,901)	(31,970,895)
Transfers from Metropolitan Transportation Commission	16,635,300	-	-	16,635,300
Transfer between programs	2,139,132	(2,339,132)	200,000	-
<b>TOTAL TRANSFERS</b>	<b>15,791,769</b>	<b>(30,400,463)</b>	<b>(726,901)</b>	<b>(15,335,595)</b>
<b>CHANGE IN NET POSITION</b>	<b>1,588,967</b>	<b>(517,642,619)</b>	<b>2,436,706</b>	<b>(513,616,946)</b>
<b>Total net position - beginning, as restated (note 1K)</b>	<b>1,314,971</b>	<b>(5,879,081,075)</b>	<b>18,452,019</b>	<b>(5,859,314,085)</b>
<b>Total net position - ending</b>	<b>\$ 2,903,938</b>	<b>\$ (6,396,723,694)</b>	<b>\$ 20,888,725</b>	<b>\$ (6,372,931,031)</b>

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

**Metropolitan Transportation Commission**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-Type Activities - Enterprise Funds			Total
	MTC-Clipper <sup>®</sup>	Bay Area Toll Authority	Service Authority for Freeways and Expressways	
<b>Cash flows from operating activities</b>				
Cash receipts from users and others	\$ 18,160,860	\$ 742,936,791	\$ 6,482,312	\$ 767,579,963
Cash payments to suppliers and employees for services	(30,750,343)	(142,019,890)	(11,226,345)	(183,996,578)
<b>Net cash provided by/(used in) operating activities</b>	<b>(12,589,483)</b>	<b>600,916,901</b>	<b>(4,744,033)</b>	<b>583,583,385</b>
<b>Cash flows from non-capital financing activities</b>				
Caltrans and other state and local agency grants	3,635,417	6,259,218	3,386,166	13,280,801
Build America Bonds interest subsidy	-	71,163,950	-	71,163,950
Interest paid on bonds	-	(437,260,417)	-	(437,260,417)
Financing fees	-	(3,454,198)	-	(3,454,198)
Federal grants	8,233,653	-	3,096,072	11,329,725
Transfers (to)/from MTC and SAFE	11,005,224	(11,424,854)	(626,901)	(1,046,531)
Bond principal payments	-	(56,915,000)	-	(56,915,000)
Distributions to Caltrans	-	(189,211,883)	-	(189,211,883)
Distributions to other agencies	(13,322,157)	(168,275,244)	-	(181,597,401)
Capital contribution to BAHA	-	(925,937)	-	(925,937)
<b>Net cash provided by/(used in) non-capital financing activities</b>	<b>9,552,137</b>	<b>(790,044,365)</b>	<b>5,855,337</b>	<b>(774,636,891)</b>
<b>Cash flows from capital and related financing activities</b>				
Acquisition of capital assets	-	(28,766,387)	(441,345)	(29,207,732)
<b>Net cash provided by/(used in) capital and related financing activities</b>	<b>-</b>	<b>(28,766,387)</b>	<b>(441,345)</b>	<b>(29,207,732)</b>
<b>Cash flows from investing activities</b>				
Proceeds from maturities of investments	-	5,800,951,144	-	5,800,951,144
Purchase of investments	-	(5,838,658,629)	(385)	(5,838,659,014)
Interest and dividends received	8,526	10,661,699	13,587	10,683,812
<b>Net cash provided by/(used in) investing activities</b>	<b>8,526</b>	<b>(27,045,786)</b>	<b>13,202</b>	<b>(27,024,058)</b>
<b>Net increase/(decrease) in cash</b>	<b>(3,028,820)</b>	<b>(244,939,637)</b>	<b>683,161</b>	<b>(247,285,296)</b>
<b>Balances - beginning of year</b>	<b>8,145,980</b>	<b>592,799,625</b>	<b>11,884,171</b>	<b>612,829,776</b>
<b>Balances - end of year</b>	<b>\$ 5,117,160</b>	<b>\$ 347,859,988</b>	<b>\$ 12,567,332</b>	<b>\$ 365,544,480</b>

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

**Metropolitan Transportation Commission**  
**Statement of Cash Flows - Proprietary Funds, *continued***  
**For the Year Ended June 30, 2016**

	Business-Type Activities - Enterprise Funds			Total
	MTC-Clipper <sup>®</sup>	Bay Area Toll Authority	Service Authority for Freeways and Expressways	
<b>Reconciliation of operating income to net cash provided by/(used in) operating activities</b>				
Operating income (loss)	\$ (15,838,246)	\$ 587,308,001	\$ (3,780,315)	\$ 567,689,440
Adjustments to reconcile operating net cash provided by/(used in) operating activities:				
Depreciation and amortization	-	4,978,533	459,750	5,438,283
Other revenues	1,675,184	2,775,242	-	4,450,426
Other expenses	-	(667,773)	-	(667,773)
Net effect of changes in:				
Due (to)/from MTC	97,716	-	(1,100,351)	(1,002,635)
Accounts receivable	(833,570)	(2,261,396)	524	(3,094,442)
Prepaid expenses and other assets	(70,350)	(45,684)	(13,114)	(129,148)
Due to Caltrans	-	2,475,466	-	2,475,466
Accounts payable and accrued expenses	2,474,707	1,303,514	(173,824)	3,604,397
Unearned revenue	-	5,712,127	-	5,712,127
Patron deposits	-	627,090	-	627,090
State funding due	-	(878,332)	(108,070)	(986,402)
Deferred outflows from pension	(344,393)	(1,379,721)	(102,002)	(1,826,116)
Net pension liability	245,205	951,421	72,082	1,268,708
Deferred inflows from pension	4,264	18,413	1,287	23,964
<b>Net cash provided by operating activities</b>	<b>\$ (12,589,483)</b>	<b>\$ 600,916,901</b>	<b>\$ (4,744,033)</b>	<b>\$ 583,583,385</b>

**Significant Noncash Investing, Capital, and Financing Activities**

Acquisition of furniture and equipment under accounts payable/acrued liabilities	\$	-	\$ 6,737,439	\$	-	\$ 6,737,439
Acquisition of intangibles under accounts payable/acrued liabilities	\$	-	\$ 2,417,796	\$	-	\$ 2,417,796

**Metropolitan Transportation Commission**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2015**

	<u>Business-Type Activities - Enterprise Funds</u>			
			Service Authority for	
	MTC-Clipper®	Bay Area Toll Authority	Freeways and Expressways	Total
<b>Cash flows from operating activities</b>				
Cash receipts from users and others	\$ 17,349,073	\$ 723,294,069	\$ 6,405,144	\$ 747,048,286
Cash payments to suppliers and employees for services	(36,197,365)	(148,860,045)	(12,847,672)	(197,905,082)
<b>Net cash provided by/(used in) operating activities</b>	<u>(18,848,292)</u>	<u>574,434,024</u>	<u>(6,442,528)</u>	<u>549,143,204</u>
<b>Cash flows from non-capital financing activities</b>				
Caltrans and other state and local agency grants	796,513	8,930,514	4,516,253	14,243,280
Proceeds from issuance of revenue bonds	-	540,291,273	-	540,291,273
Build America Bonds interest subsidy	-	71,010,826	-	71,010,826
Interest paid on bonds	-	(419,524,506)	-	(419,524,506)
Financing fees	-	(5,286,232)	-	(5,286,232)
Federal grants	2,395,860	-	3,015,216	5,411,076
Transfers (to)/from MTC and SAFE	17,309,382	(10,548,095)	(1,196,662)	5,564,625
Bond principal payments	-	(48,195,000)	-	(48,195,000)
Distributions to Caltrans	-	(241,669,544)	-	(241,669,544)
Distributions to other agencies	(2,407,202)	(175,747,035)	-	(178,154,237)
Capital contribution to BAHA	-	(38,622,586)	(50,000)	(38,672,586)
<b>Net cash provided by/(used in) non-capital financing activities</b>	<u>18,094,553</u>	<u>(319,360,385)</u>	<u>6,284,807</u>	<u>(294,981,025)</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition of capital assets	-	(4,936,549)	(440,277)	(5,376,826)
<b>Net cash provided by/(used in) capital and related financing activities</b>	<u>-</u>	<u>(4,936,549)</u>	<u>(440,277)</u>	<u>(5,376,826)</u>
<b>Cash flows from investing activities</b>				
Proceeds from maturities of investments	-	5,761,834,044	-	5,761,834,044
Purchase of investments	-	(6,089,389,289)	(261)	(6,089,389,550)
Interest and dividends received	408	7,752,573	1,784	7,754,765
<b>Net cash provided by/(used in) investing activities</b>	<u>408</u>	<u>(319,802,672)</u>	<u>1,523</u>	<u>(319,800,741)</u>
<b>Decrease in cash</b>	<u>(753,331)</u>	<u>(69,665,582)</u>	<u>(596,475)</u>	<u>(71,015,388)</u>
<b>Balances - beginning of year</b>	<u>8,899,311</u>	<u>662,465,207</u>	<u>12,480,646</u>	<u>683,845,164</u>
<b>Balances - end of year</b>	<u>\$ 8,145,980</u>	<u>\$ 592,799,625</u>	<u>\$ 11,884,171</u>	<u>\$ 612,829,776</u>

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

**Metropolitan Transportation Commission**  
**Statement of Cash Flows - Proprietary Funds, *continued***  
**For the Year Ended June 30, 2015**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>MTC-Clipper®</u>	<u>Bay Area Toll Authority</u>	<u>Service Authority for Freeways and Expressways</u>	
<b>Reconciliation of operating income to net cash provided by/(used in) operating activities</b>				
Operating income/(loss)	\$ (14,666,240)	\$ 566,664,154	\$ (5,113,994)	\$ 546,883,920
Adjustments to reconcile operating income to net cash provided by/(used in) operating activities:				
Depreciation and amortization	-	4,769,136	366,839	5,135,975
Other revenues	1,491,114	1,126,505	-	2,617,619
Other expenses	-	(2,543,609)	-	(2,543,609)
Net effect of changes in:				
Due (to)/from MTC	(4,983,722)	-	(1,411,086)	(6,394,808)
Accounts receivable	(894,036)	(2,550,936)	(524)	(3,445,496)
Prepaid expenses and other assets	25,465	18,359	(166,042)	(122,218)
Due to Caltrans	-	(2,618,469)	-	(2,618,469)
Accounts payable and accrued expenses	276,573	2,660,987	(72,426)	2,865,134
Unearned revenue	-	7,897,282	-	7,897,282
Patron deposits	-	(470,764)	-	(470,764)
State funding due	-	(46,532)	(15,003)	(61,535)
Deferred outflows from pension	(203,935)	(987,980)	(63,395)	(1,255,310)
Net pension liability	(267,901)	(1,297,867)	(83,280)	(1,649,048)
Deferred inflows from pension	374,390	1,813,758	116,383	2,304,531
<b>Net cash provided by/(used in) operating activities</b>	<u>\$ (18,848,292)</u>	<u>\$ 574,434,024</u>	<u>\$ (6,442,528)</u>	<u>\$ 549,143,204</u>

**Significant Noncash Investing, Capital, and Financing Activities**

Refunding bond proceeds received in escrow trust fund	\$	-	\$ 1,714,141,938	\$	-	\$ 1,714,141,938
Debt refunded through escrow trust fund	-	(1,476,450,000)	-	-	(1,476,450,000)	-
Acquisition of furniture and equipment under accounts payable/accrued liabilities	-	1,650,000	-	-	1,650,000	-
Acquisition of intangibles under accounts payable/accrued liabilities	\$	-	\$ 3,019,528	\$	-	\$ 3,019,528

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

**Metropolitan Transportation Commission**  
**Statement of Fiduciary Assets and Liabilities - Agency Funds**  
**June 30, 2016 and 2015**

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	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investments	\$ 181,034,595	\$ 170,909,793
Accounts receivable	8,366,348	9,694,161
Interest receivable	<u>18,499</u>	<u>23,601</u>
<b>TOTAL ASSETS</b>	<u>\$ 189,419,442</u>	<u>\$ 180,627,555</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 88,033,891	\$ 95,618,735
Due to other governments	<u>101,385,551</u>	<u>85,008,820</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 189,419,442</u>	<u>\$ 180,627,555</u>

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

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2016 and 2015

### Notes to Financial Statements

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **A. Reporting Entity**

The Metropolitan Transportation Commission (MTC) was established under the laws of the State of California in Government Code Section 66500 et seq. in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area, which includes the City and County of San Francisco and the counties of Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

MTC's principal sources of revenue to fund its governmental operations include state grants, a percentage of the sales tax revenues collected in the nine Bay Area counties under the State Transportation Development Act of 1971 (TDA) and grants from the U.S. Department of Transportation, Office of the Secretary of Transportation (U.S. DOT), including the Federal Highway Administration (FHWA), Federal Transit Administration (FTA) and other federal, state and local agencies. These are the principal sources of revenues susceptible to accrual under the modified accrual method described later within this note. Fees are the primary source of revenue for the proprietary funds described in this note.

The accompanying financial statements present MTC, its blended component units, and its discretely presented component unit. MTC is the primary government as defined in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended. Its governing board is separately appointed and it is fiscally independent of other governments. The blended component units discussed below are included as part of the reporting entity because their boards are substantially the same as the primary government's board, and the management of the primary government has the operational responsibility for the component units. The blended component units, although legally separate entities are, in substance, part of MTC's operations, and financial data from these units are combined with financial data of MTC in preparing the government-wide financial statements. The Commission serves as the governing body for MTC and all its blended component units.

MTC has two discretely presented component units – Bay Area Infrastructure Financing Authority (BAIFA) and Bay Area Headquarters Authority (BAHA). There was no activity in BAIFA for both fiscal years 2016 and 2015, nor assets, liabilities, nor net position at either June 30, 2016 or 2015. Accordingly, only BAHA is presented in a separate column on the face of the government-wide financial statements in the far right column.

##### ***Blended component units***

##### **i.) Bay Area Toll Authority**

The Bay Area Toll Authority (BATA) is a public agency created by Senate Bill 226 effective January 1, 1998 with responsibilities for the disposition of toll revenues collected from the seven State owned toll bridges in the San Francisco Bay Area. The bridges are the Antioch Bridge, Benicia-Martinez Bridge, Carquinez Bridge, Dumbarton Bridge, Richmond-San Rafael Bridge, San Francisco-Oakland Bay Bridge and San Mateo-Hayward Bridge. BATA is a proprietary fund as it generates revenue from toll bridge receipts and its debt is collateralized solely by toll revenue as more fully described in Note 5, Long-Term Debt.

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2016 and 2015**

### **Notes to Financial Statements**

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Pursuant to Senate Bill 226, a five year Cooperative Agreement was signed on March 2, 1998 defining the roles and responsibilities of BATA and Caltrans with respect to the collection and disposition of toll bridge revenues. The current ten-year agreement was signed in 2006 and amended and restated in June 2011 with an expiration of July, 2020.

Under the terms of the Cooperative Agreement, BATA has responsibility for cash management and electronic toll collection while Caltrans' responsibilities include the ownership, operation and maintenance of the bridges. See Note 1S for information on Caltrans' operating expenditures.

#### **ii.) MTC Service Authority for Freeways and Expressways (MTC SAFE)**

In June 1988, MTC SAFE was created to receive fees collected by the Department of Motor Vehicles pursuant to Streets and Highways Code Section 2555 et seq., which permits the collection of up to \$1 per registered vehicle in participating counties. These fees represent charges for services rendered to external users. MTC SAFE is responsible for administering a freeway motorist aid system in the participating counties, referred to as the Call Box program. The following counties are participants in the MTC SAFE: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma.

In 1993, MTC SAFE's responsibilities were expanded, pursuant to a jointly adopted Memorandum of Understanding between MTC SAFE, Caltrans, and the California Highway Patrol (CHP), to participate in the development and implementation of a Freeway Service Patrol (FSP) program in the San Francisco Bay Area. The three principal sources of funding for the FSP program are state-legislated grants, federal grants, and funding from federal traffic mitigation programs.

#### ***Discretely presented component units***

A component unit is a legally separate organization for which elected officials of the primary government are financially accountable. It can also be an organization whose relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. MTC has two discretely presented component units, BAIFA and BAHA.

#### **iii.) Bay Area Infrastructure Financing Authority (BAIFA)**

BAIFA was established in August 2006 pursuant to the California Joint Exercise of Powers Act (Act), consisting of Sections 6500 through 6599.2 of the California Government Code which authorizes to BAIFA the joint exercise powers common to MTC and BATA. There are six Commissioners on the governing board for BAIFA. BAIFA's board consists of MTC and BATA Oversight Committee chairs and four Commissioners. BAIFA is authorized to plan, obtain funding, issue debt and apply funds received to pay debt service on bonds issued by BAIFA to finance or refinance public transportation and related capital improvements projects. There was no activity in BAIFA for both fiscal years 2016 and 2015, nor assets, liabilities, nor net position at either June 30, 2016 or 2015.

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2016 and 2015

### Notes to Financial Statements

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#### iv.) Bay Area Headquarters Authority (BAHA)

BAHA was established in September 2011 pursuant to the California Joint Exercise of Powers Act, consisting of Sections 6500 through 6599.2 of the California Government Code which authorizes BAHA to exercise powers common to MTC and BATA. There are six Commissioners on the governing board for BAHA. BAHA's board consists of four MTC Commissioners and two BATA Commissioners. BAHA is authorized to plan, acquire, and develop its office space and facilities, directly or through contract. On October 14, 2011 BAHA acquired property located at 375 Beale Street, San Francisco, California for the purpose of establishing a Bay Area Regional Headquarters for MTC, the Bay Area Air Quality Management District, and the Association of Bay Area Governments. The three agencies moved to the new building, Bay Area Metro Center (BAMC), in fiscal year 2016. BAHA is presented as a proprietary fund in the discretely presented component unit column of the government-wide financial statements because it does not meet the criteria for blending under the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus- an amendment of GASB Statements No. 14 and No. 39*. Requests for separately issued financial statements for BAHA should be addressed to the Treasurer and Auditor, Bay Area Headquarters Authority, 375 Beale Street, San Francisco, CA 94105.

#### **B. Government-Wide and Fund Financial Statements**

##### *Basis of presentation - government-wide statements*

The government-wide financial statements (i.e. Statement of Net Position and Statement of Activities) report information on all non-fiduciary activities of MTC and its component units. The effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

##### *Basis of presentation - fund financial statements*

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following funds:

#### **i.) MTC General Fund**

MTC General Fund is used to account for financial resources not accounted for or reported in another fund.

#### **ii.) MTC Special Revenue Funds**

Special revenue funds are used to account for specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. MTC maintains various special revenue funds as follows:

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2016 and 2015

### Notes to Financial Statements

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#### Major Funds

**AB 664 Net Toll Revenue Reserve Fund** – Under Section 30884 (a) of the Streets and Highways Code, the AB 664 Net Toll Revenue Fund receives 16 percent of the base toll revenues collected on the three southern bridges, San Francisco-Oakland Bay Bridge, Dumbarton Bridge and San Mateo-Hayward Bridge. These funds are allocated by policy, 70 percent to East Bay and 30 percent to West Bay, to agency capital projects that further the development of public transit in the vicinity of the three southern bridges.

**State Transit Assistance (STA) Fund** – State Transit Assistance Funds are used for transit and paratransit operating assistance, transit capital projects, and regional transit coordination. STA funds are derived from the state sales tax on fuel and apportioned by state statute between population-based and revenue-based accounts. PUC Section 99313 defines population-based funds and PUC Section 99314 defines revenue-based funds.

**Rail Reserves Fund** – Under Section 30914 (a.4) of the Streets and Highways Code, the Rail Reserves Fund receives 21 percent of base toll revenues collected on the San Francisco-Oakland Bay Bridge. These funds are allocated exclusively for rail transit capital extension and improvement projects that are designed to reduce vehicular traffic congestion on the San Francisco-Oakland Bay Bridge. 70 percent of the Rail Reserves are allocated for East Bay rail improvements and the remaining 30 percent for West Bay rail improvements.

**BART Car Exchange Fund** – Funds deposited are restricted to the purpose of BART car replacement projects. MTC and BART established the funding exchange program whereby MTC will program Federal Funds for current BART projects with BART depositing an equal amount of local funds into an account set aside for the BART car fleet replacement. The project began in fiscal year 2013.

#### Non-major Funds

**Transit Reserve Fund** – MTC maintains a Transit Reserve Fund pursuant to Regional Measure 1. The calculation of the transit reserves is set forth in Section 30913 (b) of the Streets and Highways Code as one third of two percent of base toll revenues collected on all seven Bay Area state-owned bridges.

Caltrans also has a Cooperative Agreement with BATA and MTC whereby Caltrans transfers state funding to MTC for ferry operations and other transit/bicycle projects.

**Exchange Fund** – Exchange Funds are used for MTC projects adopted as part of its Surface Transportation Program (STP) and Congestion Mitigation and Air Quality Improvement (CMAQ) program. The restriction is established by Commission resolution.

**Feeder Bus Fund** – Funds from local agencies are used to reimburse various transit operators for operating the BART Express Bus Program.

**Proposition 1B Fund** – This fund includes revenue from the Caltrans Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) grant. This is a grant funded by Proposition 1B Regional Transit Connectivity Program funds. MTC's Hub Signage Project, which improves signage at major transportation hubs, is the only project in this fund for fiscal years 2016 and 2015.

**MTC Capital Projects Fund** – MTC Capital Projects Fund, which includes the building improvement reserve, is used to account for and report the financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition and development of capital facilities and other capital assets.

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2016 and 2015

### Notes to Financial Statements

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In fiscal years 2016 and 2015, the following funds are considered non-major: Transit Reserve Fund, Exchange Fund, Feeder Bus Fund, Proposition 1B Fund and Capital Projects Fund. The following funds are considered major governmental funds: MTC General Fund, STA Fund, Rail Reserves Fund, AB 664 Net Toll Revenue Reserve Fund, and BART Car Exchange Fund.

The balance sheet and statements of revenues, expenditures and changes in fund balances and budget to actual statements of revenues and change in fund balances are presented for these funds.

#### iii.) MTC Enterprise Fund - Clipper<sup>®</sup>

In July 2010, MTC assumed responsibility for operating the Clipper<sup>®</sup> smart card program under the Memorandum of Understanding with seven Bay Area transit organizations. Clipper<sup>®</sup> smart card operating and capital costs are incurred by MTC's Clipper<sup>®</sup> fund. MTC Clipper<sup>®</sup> seeks payment from participating transit operators for service provided related to the operations and capital expenditures of this program. The cash account and patron liability is held as an agency fund. See Note 1.B (iv) for information on the Clipper<sup>®</sup> program agency fund.

#### iv.) MTC Fiduciary Funds

MTC reports the following fiduciary funds to account for assets held by MTC in a trustee capacity or as an agent. These agency funds are custodial in nature, do not have a measurement of results of operations and they are on the accrual basis of accounting.

**AB 1107 Fund** – BART Half-Cent Sales Tax (AB 1107) funds are used to account for the activities of the AB 1107 Program. AB 1107 funds are sales tax revenue collected under the ordinance adopted pursuant to Section 29140 of the Public Utilities Code. These funds are administered by MTC for allocation to the Alameda-Contra Costa Transit District (AC Transit) and the City and County of San Francisco for its municipal railway system (MUNI) on the basis of regional priorities established by MTC.

**Transportation Development Act (TDA) Program fund** – Funds are used to account for the activities of the TDA Program. In accordance with state regulations and memoranda of understanding with operators and local municipalities, MTC is responsible for the administration of sales tax revenue derived from the TDA.

**Clipper<sup>®</sup> Program Fund** – These agency funds are used to reimburse transit operators for rides taken by patrons using the Clipper<sup>®</sup> smart card.

#### C. Measurement Focus, Basis of Accounting and Financial Statements Presentation

The government-wide and proprietary financial statements are reported using the *economic resources measurement focus* and *the accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or soon enough afterwards to pay liabilities

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2016 and 2015**

### **Notes to Financial Statements**

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of the current period. All revenue sources included in the governmental funds, namely federal, state and local grants as well as sales tax revenue, utilize this revenue recognition methodology.

#### *New Accounting Pronouncements*

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment to GASB Statement No. 27*, requires governments providing defined benefit pensions through pension plans administered as trusts or similar arrangements that meet certain criteria to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This standard was issued in June 2012 and was effective for periods beginning after June 15, 2014. The standard was adopted by MTC for fiscal year ended June 30, 2015. The adoption of this standard resulted in the recognition of a pension benefit obligation as a pension liability in the financial statements as of July 1, 2014, with no restatement of periods prior to that date. For additional information on the impact of adoption of GASB Statement No. 68, see Notes 1.K and 8.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflows of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68. This standard was issued in November 2013 and was effective for reporting periods beginning after June 15, 2014. This standard was adopted by MTC for fiscal year ended June 30, 2015. The adoption of this standard recognized the pension contributions made subsequent to the measurement date as a beginning balance of the deferred outflows of resources.

GASB Statement No. 72, *Fair Value Measurement and Application*, provides guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. This standard was issued in February 2015 and is effective for reporting periods beginning after June 15, 2015. The standard was adopted by MTC for fiscal year ended June 30, 2016. The adoption of this standard by MTC resulted in a change to the methodology used by management to calculate the fair value of investments derivatives to incorporate a credit valuation adjustment at June 30, 2016 and additional disclosures. For additional information on the impact of adoption of GASB Statement No. 72 on the financial statements, see Notes 3.B and 5.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, extends the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also clarifies the application of certain provisions of Statements No. 67 and 68. This standard was issued in June 2015 and is effective for reporting periods beginning after June 15, 2015. This standard did not have any impact on MTC's financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and Statement No. 57, *Other Post Employment Benefit (OPEB) Measurements*

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2016 and 2015

### Notes to Financial Statements

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by *Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. This standard establishes new accounting and financial reporting requirements for OPEB plans. This standard was issued in June 2015 and is effective for reporting periods beginning after June 15, 2016. Management is currently evaluating the effect of this standard on MTC's financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This standard establishes new accounting and financial reporting requirements for those governments whose employees are provided with other post employment benefits (OPEB), as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This standard was issued in June 2015 and is effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the effect of this standard on MTC's financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This standard was issued in June 2015 and is effective for reporting periods beginning after June 15, 2015 and should be applied retroactively. The standard was adopted by MTC for fiscal year ended June 30, 2016. The adoption of this standard did not have any impact on MTC's financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by abatement recipients, 2) the gross dollar amount of taxes abated during the period, and 3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this Statement are effective for fiscal years beginning after December 15, 2015. This standard is not expected to have any impact on MTC's financial statements.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-employer Defined Benefit Pension Plans*, amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: 1) is not a state or local governmental pension plan, 2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and 3) has no predominant state or local governmental employer (either individual or collectively with other states or local governmental employers that provide pensions through the pension plan). This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2016 and 2015**

### **Notes to Financial Statements**

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this statement are effective for fiscal years beginning after December 15, 2015. This standard is not expected to have any impact on MTC's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this statement. This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The requirements of this statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The parts of the standard effective in fiscal year 2016 had no impact on MTC's financial statements. The remaining parts of this standard, which are effective for fiscal years beginning after December 15, 2015, are not expected to have a material impact on MTC's financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this statement are effective for reporting periods beginning after June 15, 2016. Management is currently evaluating the effect of this standard on MTC's financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The requirements of this statement are effective for reporting periods beginning after December 15, 2016. Management is currently evaluating the effect of this standard on MTC's financial statements.

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statement No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information (RSI), (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This standard was adopted early by MTC for fiscal year ended June 30, 2016. The adoption of this standard changed the presentation of payroll-related measures from covered-employee payroll to covered payroll in the required supplementary information (RSI).

#### **D. Budgetary Accounting**

Enabling legislation and adopted policies and procedures provide that MTC and its operating entities approve an annual budget by June 30 of each year. Annual budgets are adopted on a basis consistent with

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2016 and 2015**  
**Notes to Financial Statements**

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accounting principles generally accepted in the United States of America for all governmental and proprietary funds. MTC also approves a life-to-date project budget whenever new projects are approved. MTC presents a preliminary budget in May and a final budget in June. MTC conducts hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but not later than June 30, adopts the final budget for the following fiscal year. The appropriated budget is prepared by fund, project and expense type. The legal level of control is at the fund level and the governing body must approve additional appropriations. Budget amendments are recommended when needed. Operating appropriations lapse at fiscal year-end.

MTC employs the following practices and procedures in establishing budgetary data as reflected in the basic financial statements:

- Annual budgets are adopted on the modified accrual basis of accounting for governmental fund types. These include the general fund, plus major and non-major special revenue funds. Capital budgets are adopted on a project life-to-date basis.
- Annual budgets are adopted on the accrual basis for the proprietary fund types.

**E. Encumbrances**

Encumbrance accounting is employed in the general, capital project and special revenue funds. Under this method, purchase orders, contracts, memoranda of understanding and other commitments outstanding at year-end do not constitute expenditures or liabilities. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides additional guidance on the classification within the fund balances section of amounts that have been encumbered. Encumbrances of balances within the general and capital project funds are classified as committed and are included in the "transportation projects" category. These encumbrances, along with encumbrances of balances in funds that are restricted, committed or assigned, are not separately classified in the financial statements, and are summarized as follows:

	<u>2016</u>	<u>2015</u>
General Fund	\$ 3,580,727	\$ 1,398,076
AB 664 Net Toll Revenue	56,906,468	33,704,386
State Transit Assistance Funds	3,520,065	791,525
Rail Reserves	80,694,418	102,714,590
Non-major Governmental Funds	3,826,082	5,917,684

**F. Net Position**

Net position, presented in the government-wide financial statements, represents the residual interest in assets plus deferred outflows after liabilities and deferred inflows are deducted. MTC's net position consists of three sections: Net investment in capital assets, as well as restricted and unrestricted. Net position is reported as restricted when constraints are imposed by creditors, grantors, contributors, laws or regulations or other governments or enabling legislation.

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2016 and 2015**  
**Notes to Financial Statements**

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Restricted net position consists of amounts restricted for capital projects and other purposes as follows:

	2016	2015
Capital Projects	<u>\$468,339,961</u>	<u>\$384,916,044</u>
Other Purposes:		
Operations & Maintenance reserve, under debt covenant	\$150,000,000	\$150,000,000
Extraordinary loss reserve, under Caltrans Cooperation Agreement	50,000,000	50,000,000
Net OPEB asset	7,384,385	7,384,385
STA reserve	<u>158,050</u>	<u>511,807</u>
Total Other Purposes	<u>\$207,542,435</u>	<u>\$207,896,192</u>

**G. Fund Balances**

Fund balances, presented in the governmental fund financial statements, represent the difference between assets, liabilities and deferred inflows and outflows reported in a governmental fund. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. GASB Statement No. 54 requires that the fund balances be classified into categories based upon the type of restrictions imposed on the use of funds.

MTC evaluated each of its funds at June 30, 2016 and 2015 and classified fund balances into the following five categories:

- Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items, are reported in the general fund.
- Restricted – Items that are restricted by external parties such as creditors or imposed by grants, law or legislation. MTC has legislative restrictions on amounts collected for various transportation and rail projects included in the AB 664 Toll Revenue, STA, BART Car Exchange, Transit Reserve, Feeder Bus, Rail Reserves, Proposition 1B and Capital Projects funds.
- Committed – Items that have been committed by formal action by the entity's highest level of decision-making authority, which MTC considers to be Commission resolutions. This level of approval has been reported in the general fund, capital projects fund and the exchange fund.
- Assigned – Items that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. MTC considers this level of authority to be the Administration Committee. This restriction is currently not used on MTC's fund balances.
- Unassigned – This category is the residual classification for the general fund. This category represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures exceed amounts

# **Metropolitan Transportation Commission**

## **Financial Statements for the years ended June 30, 2016 and 2015**

### **Notes to Financial Statements**

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restricted, committed, or assigned, it may be necessary to report a negative unassigned fund balance.

MTC reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. MTC reduces committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

GASB Statement No. 54 also clarifies definitions for governmental fund types. MTC evaluated each of its funds at June 30, 2016 and 2015 and provides additional disclosure information with respect to the purpose of each fund (see Note 1.B.). This evaluation did not result in a reclassification of funds within the governmental fund types for fiscal years 2016 and 2015.

#### **H. Cash and Investments**

MTC applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, as amended (including by GASB Statement No. 72), which generally requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. Investments are stated at fair value based upon quoted market prices. MTC reports its money market investments and securities at amortized cost. This is permissible under this standard provided those investments have a remaining maturity at the time of purchase of one year or less and that the fair value of those investments is not significantly affected by the credit standing of the issuer or other factors. Net increases or decreases in the fair value of investments are shown in the Statements of Revenues, Expenditures and Changes in Fund Balance for all governmental fund types and in the Statements of Revenues, Expenditures and Changes in Net Position for the proprietary funds. Accounting for derivative investments is described in Note 1.T. Investments purchased, but not yet settled in cash, are included in security trade payables in the statement of net position.

MTC invests its available cash under the prudent investor rule. The prudent investor rule states, in essence, that “in investing ... property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs.” This policy affords MTC a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq. Investments allowed under MTC investment policy include the following:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit issued by a nationally or state chartered bank
- Authorized pooled investment programs
- Commercial paper – Rated “A1” or “P1”
- Corporate notes – Rated “A” or better
- Municipal bonds
- Mutual funds – Rated “AAA”

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- Other investment types authorized by state law and not prohibited in MTC's investment policy.

***Cash***

MTC considers all balances in demand deposit accounts to be cash. Deposits in the cash management pool of the County of Alameda are presented as cash as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is no significant risk of principal. MTC classifies all other highly liquid cash equivalents as short-term investments.

***Restricted Cash***

Certain cash is restricted as these assets are either for a specific purpose, escrow accounts with the balance being refunded upon project completion, prepaid customer deposits for the FasTrak<sup>®</sup> program or funds restricted for debt service, or other legal restrictions.

***Restricted Investments***

Certain investments are classified as restricted on the Statement of Net Position because they are either for a specific purpose, or their use is limited externally by applicable bond covenants, laws or regulations or there exists an imposed restriction through enabling legislation.

***Non-current Cash and Investments***

Certain cash and investments are non-current as these funds are not available to be expended for current operations with the next fiscal year.

**I. Prepaid Items**

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items based on the consumption method.

**J. Capital Assets**

Capital assets, which include buildings and improvements, office furniture and equipment, leased equipment, automobiles and call boxes and software, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital asset acquisitions are recorded at historical cost. MTC's intangible assets consist of purchased and licensed commercially available computer software and internally developed software. Depreciation and amortization expenses for the governmental activities are charged against general government function.

Capital assets are defined by MTC as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. However, capital assets that do not meet the threshold on an individual basis but are material collectively are capitalized. MTC follows the guidance in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion & Analysis - for State and Local Governments* and GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* for recording capital assets.

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset service lives are not capitalized.

Depreciation and amortization are computed using the straight-line method that is based upon the estimated useful lives of individual capital assets. The estimated useful lives of capital assets are as follows:

Depreciation and amortization ceases when the use of capital assets is discontinued or a decision has been made to sell assets and the assets are not continuing to be used. Such assets are also evaluated for impairment.

	<u>Years</u>
Buildings and improvements	7-45
Office furniture and equipment	3-10
Intangible assets	5-7
Leased equipment	5
Automobiles	3
Call boxes	10

**K. Retirement Plans**

MTC provides a defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission (the “Plan”) which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees’ Retirement System (CalPERS).

In fiscal year 2015, MTC adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment to GASB Statement No. 27, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB 68). For practical purposes, MTC elected, as permitted by GASB 68, to report the prior periods' cumulative effect of applying GASB 68 as a restatement of the beginning balance for the period in which GASB 68 is first applied. Prior to the adoption of GASB 68, MTC reported a pension liability only for the cumulative amount of unfunded actuarially required contributions, consistent with prior accounting standards. Under GASB 68, the entire unfunded pension liability is required to be recognized and reported as an obligation in the financial statements of MTC. GASB 68 has no impact on the financial statements of MTC's individual governmental funds under the modified accrual basis of accounting. Such funds continue to recognize their share of the actuarially determined contribution paid by MTC to the Plan as an expense. However, the GASB 68 amounts are recognized in the governmental and business-type activities of the government-wide financial statements. The cumulative prior periods' pension liability in the amount of \$32,180,345 was recognized in fiscal year 2015 with the corresponding reduction to beginning net position balance of \$28,867,305, and to deferred outflows of \$3,313,040.

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GASB 68 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

GASB 68 allows use of a measurement date up to 12 months before the employer's fiscal year end. Accordingly, for financial reporting purposes, MTC's total pension liability was determined by CalPERS using a valuation date of June 30, 2014. CalPERS then rolled forward the total pension liability to June 30, 2015, and this is the basis for measuring MTC's net pension liability at June 30, 2016.

For additional information on the Plan, refer to Note 8.

**L. Post Employment Healthcare Benefits**

MTC pays certain health care insurance premiums for retired employees. These costs are not recorded in a fiduciary fund by MTC as the assets underlying these future benefits are not managed by MTC. Funds have been deposited into an irrevocable trust currently administered by Public Agency Retirement Services (PARS). The annual required contribution is recorded in salaries and benefits expense. See Note 9 for further detail on the cost and obligations associated with these other post employment benefits (OPEB).

**M. Compensated Absences**

MTC's regular staff employees accumulate vacation pay and sick leave pay based on the agreement with the Committee for Staff Representation pursuant to the Meyers-Milius-Brown Act. A liability exists for accumulated vacation and sick leave. The compensated absences liability presented in government-wide governmental activities accounts payable and accrued liabilities, totals \$4,842,422 and \$4,347,801 at June 30, 2016 and 2015, respectively. Unused accumulated sick and vacation leave is paid at the time of employment termination up to a maximum of 240 hours for sick leave as well as the total accumulated vacation leave (a maximum of 500 hours) per employee. A summary of changes in compensated absences for the year ended June 30, 2016 is as follows:

	<b>Beginning Balance July 1, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2016</b>	<b>Due Within One Year</b>
Compensated Absences	\$ 4,347,801	\$ 3,102,966	\$ (2,608,345)	\$ 4,842,422	\$ 2,096,847

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A summary of changes in compensated absences for the year ended June 30, 2015 is as follows:

	<b>Beginning Balance July 1, 2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2015</b>	<b>Due Within One Year</b>
Compensated Absences	\$ 4,019,949	\$ 2,795,470	\$ (2,467,618)	\$ 4,347,801	\$ 1,895,996

**N. Reconciliation of Government-Wide and Fund Financial Statements**

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net change in fund balance – total governmental funds and changes in net position of governmental activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures.” However, in the Statement of Activities the cost of those assets is allocated over their estimated useful life and reported as depreciation expense.

The details of the fiscal years 2016 and 2015 reconciling items are as follows:

	<b>2016</b>	<b>2015</b>
Capital outlay	\$ 638,583	\$ 179,994
Depreciation expense	<u>(693,874)</u>	<u>(894,386)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at change in net position of governmental activities	<u>\$ (55,291)</u>	<u>\$ (714,402)</u>

**O. Unearned Revenue**

The unearned revenue in BATA consists of the funds collected by the Regional Customer Service Center (RCSC). The funds collected by RCSC are prepayments for tolls or represent a deposit from patrons. The patrons are issued transponders with the prepaid amounts for usage against tolls on the California bridges.

**P. Deferred inflows/outflows - revenue, charges and refundings**

Deferred revenue includes the unamortized portion of a lump sum payment from BATA to MTC. Details of the transaction are described below.

Streets and Highways codes sections 30890, 30911 and 30914 require BATA to transfer a specific percentage of the net base toll collection to MTC annually. The transfers are called AB 664 Net Toll Revenue Reserve, Transit Reserve, and Rail Reserves transfers. In April 2010, MTC entered into a funding agreement with BATA, whereby BATA would make a lump sum payment of \$506,986,537 equal to the present value of the next 50 years of these funds transfers. The funds were transferred on September 30, 2010. MTC and BATA agreed that the payment would fulfill BATA's entire responsibility to make AB 664 Net Toll Reserve, Transit Reserve, and Rail Reserves fund transfers for the next 50 years. MTC is

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using the payment to fund the planned essential regional transportation projects.

GASB Statement No. 48, *Sales and Pledges of Receivables and Intra-Entity Transfers of Assets and Future Revenues*, as amended by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes the criteria to account for the above transactions. The lump sum payment from BATA to MTC met the criteria of the intra-entity sale of future revenues for fiscal year June 30, 2011. GASB Statement No. 48 requires the intra-entity sale of future revenue to be accounted for as a deferred charge and deferred revenue and amortized over the life of the agreement. The balances in the deferred revenue and deferred charge are reported under Deferred Inflows of Resources in accordance with GASB Statement No. 65. The amortization charges were \$19,045,430 and \$19,823,143 for fiscal years 2016 and 2015, respectively.

Deferred charge includes deferred amounts from bond refundings.

#### **Q. Deferred Outflows/Inflows on Pensions**

Deferred outflows of resources and deferred inflows of resources are recognized for:

- Changes in the total pension liability arising from differences between expected and actual experience with regard to economic or demographic factors.\*
- The effects of changes of assumptions about future economic or demographic factors or of other inputs.\*
- Difference between projected and actual investment earnings on defined benefit pension plan investments.\*\*

\*The balances on these accounts are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of employees determined as of the beginning of the measurement period.

\*\*This amount is recognized in pension expense using a systematic and rational method over a closed five-year period.

Deferred outflows of resources are also used to report MTC's contribution to CalPERS subsequent to the measurement date of the net pension liability and before the end of the reporting period. See Note 8 for additional information.

#### **R. Toll Revenues Collected**

BATA accounts for the electronic tolls and cash collected from the operation of the bridges as revenue. BATA recognizes toll revenue as amounts are collected from vehicle utilization of the toll bridges.

#### **S. Operating Expenditures Incurred by Caltrans**

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for certain costs incurred for bridge operating expenditures. These expenses include maintenance, administration, operations and overhead costs.

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**T. Investment Income and Derivative Instruments**

Investment income (charge) is comprised of interest income from investments and the changes in the fair value of investment derivative instruments. The investment derivative instrument component is in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, which requires the change in fair value of derivative instruments which are not effective hedge for accounting purposes, to be reported in investment income. Derivative instruments used by BATA are swap contracts that have a variable or fixed payment based on the price of an underlying interest rate or index. The fair value of derivative instruments is an asset or liability on the Statement of Net Position. The following table shows the breakdown of investment income for the fiscal years ended June 30, 2016 and 2015:

	<b>Governmental Activities</b>	<b>BATA</b>	<b>MTC Clipper/ SAFE</b>	<b>Total Business-Type Activities</b>	<b>Total 2016</b>	<b>Total 2015</b>
Investment income	\$ 2,877,452	\$ 12,005,791	\$ 22,210	\$ 12,028,001	\$ 14,905,453	\$ 10,245,299
Investment derivatives	-	(187,386,795)	-	(187,386,795)	(187,386,795)	(285,569,054)
	<u>\$ 2,877,452</u>	<u>\$ (175,381,004)</u>	<u>\$ 22,210</u>	<u>\$ (175,358,794)</u>	<u>\$ (172,481,342)</u>	<u>\$(275,323,755)</u>

**U. Distributions to Caltrans for their Capital Purposes**

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for bridge capital expenses. Expenses are reflected to the extent Caltrans bills are presented to MTC that relate to the period through the end of the fiscal year. See Note 2 for further details.

**V. Distributions to Others for their Capital Purposes / Allocation to Other Agencies**

Expenses are recorded or accrued to the extent of the invoices presented to MTC that relate to the fiscal year.

**W. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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**X. Build America Bonds (BABs) Interest Subsidy**

The interest subsidy on the BABs was \$71,259,651 for fiscal year 2016. Of this amount, \$17,838,838 was not received as of June 30, 2016, therefore it is included as a year-end accrual. The Federal government makes a semiannual payment to MTC on April 1 and October 1 of each year. The two interest subsidy payments in fiscal year 2016 were short due to the Federal budget and sequestration constraints. The payments were impacted by a reduction of 7.3% of the subsidy amount for the first quarter and 6.8% for the last three quarters. In fiscal year 2017, the reduction will be 6.9%.

**Y. Operating and Nonoperating Revenues and Expenses**

Operating revenues are those necessary for principal operations of the entity. Operating expenses are those related to user service activities. Nonoperating revenues and expenses are all other revenues and expenses not related to user service activities.

**2. NET POSITION**

MTC's negative net position arises from its business-type activities. For the business-type activities, BATA is responsible for providing Caltrans funding for bridge construction and repairs related to the seven state-owned bridges. Expenses related to these payments to Caltrans are treated as expenses since BATA does not own or maintain title to the bridges. This deficit will be reduced through operating income earned in the future as the toll revenue debt is retired and projects are completed.

**3. CASH AND INVESTMENTS**

A. A summary of Cash and Investments as shown on the Statement of Net Position for all funds at June 30, 2016 and 2015 is as follows:

	<b>2016</b>	<b>2015</b>
Unrestricted cash	\$ 433,840,177	\$ 643,979,088
Unrestricted investments	<u>1,248,389,208</u>	<u>1,251,461,749</u>
Total unrestricted cash and investments	<u>1,682,229,385</u>	<u>1,895,440,837</u>
Restricted cash	103,931,082	147,925,766
Restricted investments	<u>1,840,430,483</u>	<u>1,835,167,905</u>
Total restricted cash and investments	<u>1,944,361,565</u>	<u>1,983,093,671</u>
Total cash and investments	<u>\$ 3,626,590,950</u>	<u>\$ 3,878,534,508</u>

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The details of restricted cash and investments are as follows:

	<b>2016</b>	<b>2015</b>
FasTrak® program	\$ 90,087,971	\$ 83,209,971
Escrow account	606,893	-
Bond proceeds for capital projects	7,870,952	103,137,729
Debt service reserve	515,292,195	510,833,790
Operations & maintenance reserve	150,000,000	150,000,000
Extraordinary loss reserve	50,000,000	50,000,000
Rehabilitation reserve	120,000,000	120,000,000
Projects/ self insurance reserves	580,000,000	580,000,000
Variable rate risk reserve	100,000,000	100,000,000
Capital projects	3,559,290	-
BART car exchange project	326,944,264	285,912,181
Total restricted cash and investments	<u>\$ 1,944,361,565</u>	<u>\$ 1,983,093,671</u>

Restricted cash on the FasTrak® program consists of customer prepaid tolls and deposits from patrons. The patrons are issued transponders with the prepaid amounts for usage against tolls on the California bridges. Tolls are deducted from customers' prepaid toll accounts as customers cross a bridge. Operations & maintenance reserve, Debt service reserve, Extraordinary loss reserve, Rehabilitation reserve, Projects/Operating reserve as well as the Variable rate risk reserve are described in Note 5. The BART car exchange project is described in Note 1.B.ii.

**B.** The composition of cash and investments at June 30, 2016 and 2015 is as follows:

**Cash and cash equivalents**

	<b>2016</b>	<b>2015</b>
Cash at banks	\$ 286,000,868	\$ 262,080,675
Money market mutual funds	210,660,788	478,477,527
County of Alameda	41,109,603	51,346,653
Total cash and cash equivalents	<u>\$ 537,771,259</u>	<u>\$ 791,904,855</u>

MTC holds a position in the investment pool of County of Alameda in the amount of \$41,109,603 and \$51,346,653 at June 30, 2016 and 2015, respectively. The Transportation Development Act (TDA) requires that STA and local TDA funds be deposited with the respective County Treasury. Deposits with the County of Alameda are available for immediate withdrawal.

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MTC’s portfolio includes five money market mutual fund investments at June 30, 2016 and six money market mutual fund investments at June 30, 2015. The mutual fund investments in MTC’s investment portfolio are expressed as a percentage of MTC’s total cash and investments as follows:

	2016	2015
BlackRock T-Fund Institutional	1%	1%
Morgan Stanley Government Portfolio	3%	0%
California Asset Management Program	less than 1%	1%
CalTRUST Heritage Money Market	1%	8%
BlackRock Federal Trust Fund	2%	0%
BofA Government Reserves Adviser	0%	2%
Dreyfus Government Cash Management Institutional	0%	less than 1%
Federated Government Obligations Tax-Managed	0%	1%

The BlackRock T-Fund Institutional fund is part of the overnight sweep fund utilized by Union Bank trustee accounts, and invests primarily in money market instruments including U.S. Treasury bills, notes, obligations guaranteed by the U.S. Treasury and repurchase agreements fully collateralized by such obligations. The fund is rated “AAA/Aaa” by Standard & Poor’s and Moody’s, respectively.

The Morgan Stanley Government Portfolio is part of the overnight sweep fund utilized by Bank of New York trustee and custodial accounts and Union Bank custodial accounts. The fund invests in obligations issued or guaranteed by the U.S. Government and its agencies and instrumentalities and in repurchase agreements collateralized by such securities. The fund is rated "AAA/Aaa" by Standard and Poor's and Moody's, respectively.

The California Asset Management Program (CAMP) fund is a joint powers authority and common law trust. The Trust’s Cash Reserve Portfolio is a short-term money market portfolio, which seeks to preserve principal, provide daily liquidity and earn a high level of income consistent with its objectives of preserving principal. CAMP’s money market portfolio is rated “AAA” by Standard & Poor’s.

The CalTRUST Heritage Money Market Fund is an investment through the CalTRUST joint powers authority. The Heritage Money Market Fund seeks current income while preserving capital and liquidity by investing in high-quality, short-term, U.S. dollar-denominated money market instruments of domestic and foreign issuers. The fund is rated "AAA/Aaa" by Standard and Poor's and Moody's, respectively.

The BlackRock Federal Trust Fund is part of the overnight sweep fund utilized by Bank of America checking accounts and invests in cash, U.S. Treasury bills, notes and other obligations issued or guaranteed by the U.S. Government or by its agencies or instrumentalities. The fund is rated "AAA/Aaa" by Standard and Poor's and Moody's, respectively.

State law and MTC policy limit mutual fund investments to 20 percent of the portfolio, with no more than 10 percent of the portfolio in any single fund. All the mutual fund holdings are highly rated by Standard & Poor’s and Moody’s.

**Investments**

GASB Statement No. 72 sets forth the framework for measuring fair value. That framework provides a fair

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value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

**Level 2:** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2016 and 2015 (the fair value of all such assets is categorized in Level 2):

**Corporate bonds, commercial paper, government sponsored enterprises notes, municipal bonds and certificates of deposits:** These investments are valued on the basis of prices provided by Interactive Data Pricing and Reference Data LLC. In determining the value of a particular investment at bid, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices and market transactions in comparable investments and various relationships between investments.

**Local Agency Investment Fund:** The position in the California State Local Agency Investment Fund is determined by the fair value of the pool's underlying portfolio.

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The following tables set forth by level, within the fair value hierarchy, MTC's investments at fair value.

<b>Investments by fair value level at June 30, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Government-Sponsored Enterprises:				
Federal Home Loan Bank Notes	\$ -	\$ 2,173,765,683	\$ -	\$ 2,173,765,683
Federal Home Loan Mortgage Corporation Notes	-	544,265,248	-	544,265,248
Federal National Mortgage Association Notes	-	186,278,869	-	186,278,869
Federal Farm Credit Bank Notes	-	83,058,761	-	83,058,761
Total	-	<u>2,987,368,561</u>	-	<u>2,987,368,561</u>
Certificates of Deposit	-	91,000,000	-	91,000,000
Corporate Bonds	-	10,125,700	-	10,125,700
Government Pool Investments:				
Local Agency Investment Fund	-	<u>325,430</u>	-	<u>325,430</u>
Total Investments Measured at Fair Value	<u>\$ -</u>	<u>\$ 3,088,819,691</u>	<u>\$ -</u>	<u>\$ 3,088,819,691</u>

<b>Investments by fair value level at June 30, 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Government-Sponsored Enterprises:				
Federal Home Loan Bank Notes	\$ -	\$ 1,769,729,084	\$ -	\$ 1,769,729,084
Federal Home Loan Mortgage Corporation Notes	-	693,790,052	-	693,790,052
Federal National Mortgage Association Notes	-	348,599,624	-	348,599,624
Federal Farm Credit Bank Notes	-	<u>30,402,324</u>	-	<u>30,402,324</u>
Total	-	<u>2,842,521,084</u>	-	<u>2,842,521,084</u>
Municipal Bonds	-	79,678,850	-	79,678,850
Certificates of Deposit	-	93,000,000	-	93,000,000
Corporate Bonds	-	35,634,015	-	35,634,015
Commercial Paper	-	35,471,521	-	35,471,521
Government Pool Investments:				
Local Agency Investment Fund	-	<u>324,184</u>	-	<u>324,184</u>
Total Investments Measured at Fair Value	<u>\$ -</u>	<u>\$ 3,086,629,654</u>	<u>\$ -</u>	<u>\$ 3,086,629,654</u>

Refer to Note 5 for the investment derivative instruments valuations.

MTC holds \$325,430 and \$324,184 at June 30, 2016 and 2015 respectively in the Local Agency Investment Fund (LAIF). MTC's investment policy allows investment in LAIF as authorized by Government Code section 16429. LAIF is a program created by state statute as an investment alternative for California's local governments and special districts. LAIF funds are available for immediate withdrawal.

The Government-Sponsored Enterprises (GSE) holdings carry "AA+/Aaa/AAA" ratings from Standard & Poor's, Moody's and Fitch, respectively. Neither state law nor MTC policy imposes a limit to the amount of GSE debt securities that can be held in the portfolio. The GSE holdings include notes issued by the Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National

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Mortgage Association (FNMA), and Federal Farm Credit Bank (FFCB).

#### C. Deposit and Investment Risk Factors

There are many factors that can affect the value of investments. MTC invests substantially in fixed income securities, which are affected by credit risk, custodial credit risk, concentration of credit risk, and interest rate risk. The credit ratings of MTC's income securities holdings are discussed in Note 1.H.

##### i.) Credit Risk

Fixed income securities are subject to credit risk, which is the possibility that the security issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline.

A bond's credit quality is an assessment of the issuer's ability to pay principal and interest on the bond. Credit quality may be evaluated by a nationally recognized independent credit-rating agency. The lower the rating is, the greater the chance (in the opinion of the rating agency) that the bond issuer will fail to meet its obligations or potentially default. See credit ratings in B. above.

##### ii.) Custodial Credit Risk

Custodial credit risk is the risk that securities held by the custodian and in the custodian's name may be lost and not be recovered. All MTC securities are held in independent safekeeping accounts maintained with Union Bank or Bank of New York Mellon (BONY) and are held under MTC's name. As a result, custodial credit risk is remote.

##### iii.) Concentration of Credit Risk

Concentration of credit risk is the risk associated with lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory or credit developments. Investments in issuers that represent 5 percent or more of total cash and investments at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Federal Home Loan Bank (FHLB)	60%	46%
Federal National Mortgage Association	5%	9%
Federal Home Loan Mortgage Corporation	15%	18%

##### iv.) Interest Rate Risk

Interest rate risk is the risk that the market value of fixed-income securities will decline because of rising interest rates. The prices of fixed-income securities with a longer time to maturity, measured by duration in years, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Since MTC's policy is to buy and hold investments to maturity, marked-to-market will always equal par value when they mature.

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MTC holds \$102.2 million in investments tied to floating rate benchmarks. The rate on the investments will reset based on the LIBOR (London Interbank Offered Rate) index.

<u>Investment</u>	<u>Par Value</u>	<u>Structure</u>	<u>Final Maturity</u>
FFCB	\$10 million	1 mo LIBOR+(net) 2 bps to maturity	11/16
FFCB	\$10 million	1 mo LIBOR+(net) 12 bps to maturity	11/17
FFCB	\$15 million	1 mo LIBOR +(net) 4.5 bps to maturity	04/18
FFCB	\$8.2 million	1 mo LIBOR +(net) 12 bps to maturity	11/18
FNMA	\$39 million	1 mo LIBOR+(net) 2 bps to maturity	08/16
FFCB	\$20 million*	1 mo LIBOR + (net) 14 bps to maturity	07/18

\* Trade date for this investment is 6/27/2016 for settlement on 7/6/2016.

The weighted average maturities of MTC's Government Sponsored Enterprises (GSE) securities (expressed in number of years) at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Government-sponsored enterprises		
Federal Home Loan Bank	0.29	0.51
Federal Farm Credit Bank	1.48	0.63
Federal Home Loan Mortgage Corporation	1.11	1.63
Federal National Mortgage Association	0.13	0.95

**Metropolitan Transportation Commission**  
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**4. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2016 is as follows:

	<b>Beginning Balance July 1, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance June 30, 2016</b>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Building and improvements	\$ -	\$ 3,871,334	\$ -	\$ 3,871,334 *
Intangible assets	-	41,320	-	41,320
<b>Total capital assets, not being depreciated</b>	<b>-</b>	<b>3,912,654</b>	<b>-</b>	<b>3,912,654</b>
Capital assets, being depreciated:				
Building and improvements	12,774,203	552,329	(3,871,334)	9,455,198
Office furniture and equipment	3,002,824	30,662	(1,337,135)	1,696,351
Intangible assets	-	14,272	-	14,272
Leased equipment	266,638	309,560	(266,638)	309,560
Automobiles	58,037	-	-	58,037
<b>Total capital assets being depreciated</b>	<b>16,101,702</b>	<b>906,823</b>	<b>(5,475,107)</b>	<b>11,533,418</b>
Less accumulated depreciation for:				
Building and improvements	8,303,846	415,433	-	8,719,279
Office furniture and equipment	2,390,967	230,895	(1,337,135)	1,284,727
Intangible assets	-	238	-	238
Leased equipment	244,418	47,308	(266,638)	25,088
Automobiles	58,037	-	-	58,037
<b>Total accumulated depreciation</b>	<b>10,997,268</b>	<b>693,874</b>	<b>(1,603,773)</b>	<b>10,087,369</b>
<b>Total capital assets, being depreciated, net</b>	<b>5,104,434</b>	<b>212,949</b>	<b>(3,871,334)</b>	<b>1,446,049</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 5,104,434</b>	<b>\$ 4,125,603</b>	<b>\$ (3,871,334)</b>	<b>\$ 5,358,703</b>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Office furniture and equipment	\$ -	\$ 24,235,309	\$ -	\$ 24,235,309
Building and improvements	-	1,755,000	-	1,755,000 *
Intangible assets	4,287,213	5,631,821	(480,999)	9,438,035
Call boxes	15,730	-	(15,730)	-
<b>Total capital assets, not being depreciated</b>	<b>4,302,943</b>	<b>31,622,130</b>	<b>(496,729)</b>	<b>35,428,344</b>
Capital assets, being depreciated:				
Office furniture and equipment	17,640,945	(958,109)	(1,877,579)	14,805,257
Building and improvements	3,134,200	4,559,736	(1,755,000)	5,938,936
Automobiles	147,431	-	-	147,431
Intangible assets	22,309,897	475,972	(6,739)	22,779,130
Call boxes	10,860,202	-	(792,238)	10,067,964
<b>Total capital assets being depreciated</b>	<b>54,092,675</b>	<b>4,077,599</b>	<b>(4,431,556)</b>	<b>53,738,718</b>
Less accumulated depreciation for:				
Office furniture and equipment	9,471,513	1,703,658	(1,877,579)	9,297,592
Building and improvements	1,261,052	325,409	-	1,586,461
Automobiles	147,431	-	-	147,431
Intangible assets	9,958,334	3,090,753	(6,739)	13,042,348
Call boxes	9,041,239	318,463	(791,487)	8,568,215
<b>Total accumulated depreciation</b>	<b>29,879,569</b>	<b>5,438,283</b>	<b>(2,675,805)</b>	<b>32,642,047</b>
<b>Total capital assets, being depreciated, net</b>	<b>24,213,106</b>	<b>(1,360,684)</b>	<b>(1,755,751)</b>	<b>21,096,671</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 28,516,049</b>	<b>\$ 30,261,446</b>	<b>\$ (2,252,480)</b>	<b>\$ 56,525,015</b>

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2016 and 2015

### Notes to Financial Statements

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\* In May 2016, MTC moved out of the Joseph P. Bort Metro Center building in Oakland. At that time, MTC ceased the depreciation of the building. The building was being actively marketed for sale in early 2016. As of June 30, 2016, the carrying amount of the building is \$5,626,334. BART, one of the owners of a condominium interest in the building, exercised its right of first refusal to purchase the building. The net expected sale price is \$19,400,000. The estimated gain from the sale of the building is \$13,773,666. The transaction is expected to be closed in early 2017.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 693,874
Total depreciation expense - governmental activities	<u>\$ 693,874</u>
Business-type activities:	
Toll bridge	\$ 4,978,533
Congestion relief	459,750
Total depreciation expense - business-type activities	<u>\$ 5,438,283</u>

**Metropolitan Transportation Commission**  
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A summary of changes in capital assets for the year ended June 30, 2015 is as follows:

<b>Governmental activities</b>	<b>Beginning Balance July, 1 2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance June 30, 2015</b>
Capital assets, being depreciated:				
Buildings and improvements	\$ 12,774,203	\$ -	\$ -	\$ 12,774,203
Office furniture and equipment	2,822,840	179,984	-	3,002,824
Leased equipment	266,638	-	-	266,638
Automobiles	58,037	-	-	58,037
<b>Total capital assets being depreciated</b>	<b>15,921,718</b>	<b>179,984</b>	<b>-</b>	<b>16,101,702</b>
Less accumulated depreciation for:				
Buildings and improvements	7,663,742	640,104	-	8,303,846
Office furniture and equipment	2,190,012	200,955	-	2,390,967
Leased equipment	191,091	53,327	-	244,418
Automobiles	58,037	-	-	58,037
<b>Total accumulated depreciation</b>	<b>10,102,882</b>	<b>894,386</b>	<b>-</b>	<b>10,997,268</b>
<b>Total capital assets being depreciated, net</b>	<b>5,818,836</b>	<b>(714,402)</b>	<b>-</b>	<b>5,104,434</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 5,818,836</b>	<b>\$ (714,402)</b>	<b>\$ -</b>	<b>\$ 5,104,434</b>
<b>Business-type activities</b>	<b>Beginning Balance July, 1 2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance June 30, 2015</b>
Capital assets, not being depreciated:				
Office furniture and equipment	\$ 2,091,616	\$ 269,554	\$ (2,361,170)	\$ -
Intangible assets	4,528,476	5,577,713	(5,818,976)	4,287,213
Call boxes	826,359	-	(810,629)	15,730
<b>Total capital assets, not being depreciated</b>	<b>7,446,451</b>	<b>5,847,267</b>	<b>(8,990,775)</b>	<b>4,302,943</b>
Capital assets, being depreciated:				
Office furniture and equipment	15,771,892	1,869,053	-	17,640,945
Building and improvements	3,134,200	-	-	3,134,200
Automobiles	147,431	-	-	147,431
Intangible assets	15,114,171	7,195,726	-	22,309,897
Call boxes	10,463,781	810,629	(414,208)	10,860,202
<b>Total capital assets being depreciated</b>	<b>44,631,475</b>	<b>9,875,408</b>	<b>(414,208)</b>	<b>54,092,675</b>
Less accumulated depreciation for:				
Office furniture and equipment	7,498,062	1,973,451	-	9,471,513
Building and improvements	1,130,632	130,420	-	1,261,052
Automobiles	138,258	9,173	-	147,431
Intangible assets	7,241,242	2,717,092	-	9,958,334
Call boxes	9,036,887	305,839	(301,487)	9,041,239
<b>Total accumulated depreciation</b>	<b>25,045,081</b>	<b>5,135,975</b>	<b>(301,487)</b>	<b>29,879,569</b>
<b>Total capital assets, being depreciated, net</b>	<b>19,586,394</b>	<b>4,739,433</b>	<b>(112,721)</b>	<b>24,213,106</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 27,032,845</b>	<b>\$ 10,586,700</b>	<b>\$ (9,103,496)</b>	<b>\$ 28,516,049</b>

**Metropolitan Transportation Commission**  
**Financial Statements for the years ended June 30, 2016 and 2015**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 894,386
Total depreciation expense - governmental activities	<u>\$ 894,386</u>
Business-type activities:	
Toll bridge	\$ 4,769,136
Congestion relief	366,839
Total depreciation expense-business-type activities	<u>\$ 5,135,975</u>

# Metropolitan Transportation Commission

## Financial Statements for the years ended June 30, 2016 and 2015

### Notes to Financial Statements

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#### 5. LONG-TERM DEBT

BATA issued Toll Revenue Bonds in August 2014 and December 2014 to (i) fund capital projects, (ii) make a cash deposit to the Reserve fund, (iii) pay costs incurred with the issuance of the bonds and (iv) defease or refund bonds.

In August 2014, BATA completed an advance refunding of \$1,401,635,000. The 2014 Series A, B, C, and F-1 bond transaction consisted of a defeasance of \$707,730,000 of the 2008 Series F bonds and a partial defeasance of \$317,520,000 of the 2009 Series F-1 bonds. The majority of the proceeds from the transaction were deposited into the Escrow fund held by the Trustee. The Trustee used the funds on deposit to purchase certain non-callable senior Government Obligations to be used to pay the interest and redemption of the refunded bonds on or prior to the redemption dates. The transaction provided a net cash flow of \$262,447,580 and an economic gain of \$224,017,912.

Each of the 2014 Series A, B and C bonds with a Term Rate Period of April 2017, April 2018 and April 2019 respectively, bear interest at the stated Term Rate. At the end of each respective Term Rate Period, BATA can change the Interest Rate Mode associated with the bonds. Depending on the interest rate environment, the interest rate on the bonds may be higher than the initial Term Rate when the bonds are remarketed.

In December 2014, BATA issued \$511,435,000 of senior bonds and \$300,000,000 of subordinate bonds, the 2014 series D, E, G, H, F-2, S-5 and S-6. The majority of the proceeds were used to defease the remaining 2009 F-1 Bonds. The funds for the defeasance of the 2009 Series F-1 bonds were deposited into the Escrow account held by the Trustee. The Trustee used the funds on deposit to purchase certain non-callable senior Government Obligations to be used to pay the interest and redemption of the refunded bonds on or prior to the redemption dates. The transaction provided a net cash flow of \$56,227,449 and an economic gain of \$51,778,425.

Each of the 2014 Series D and E bonds with a Term Rate Period of April 2020 and April 2021 respectively, bear interest at the stated Term Rate. Each of the 2014 Series G and H bonds with an Index Rate Period of April 2020 and April 2021 respectively, bear interest at the stated Index Rate. At the end of each respective Term Rate Period or Index Rate Period, BATA can change the Interest Rate Mode associated with the bonds. Depending on the interest rate environment, the interest rate on the bonds may be higher than initial Term Rate and Index Rate when the bonds are remarketed.

Both of the 2014 refunding transactions were recorded as an advance refunding in-substance defeasance in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, as amended by paragraph 5 and 6 of Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

#### **Term/ Index Rate Bonds:**

BATA has a principal balance of \$2,682,735,000 in term/index rate bonds. The term/index rate bond series are detailed as follows:

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<u>Series</u>	<u>Par</u>	<u>Term/ Index Rate</u>	<u>Effective Date</u>	<u>Maturity Date</u>
2006 Series C2	\$100,000,000	1.45%	9/4/2012	8/1/2017
2006 Series C3	\$25,000,000	1.45%	9/4/2012	8/1/2017
2006 Series C4	\$25,000,000	1.45%	9/4/2012	8/1/2017
2008 Series D1	\$155,000,000	67% of 3 month LIBOR plus 0.80%	9/4/2012	8/1/2017
2007 Series A1	\$50,000,000	SIFMA Swap Index plus 0.70%	12/20/2012	10/1/2019
2007 Series E3	\$100,000,000	SIFMA Swap Index plus 0.70%	12/20/2012	10/1/2019
2008 Series B1	\$110,000,000	SIFMA Swap Index plus 1.10%	12/20/2012	4/1/2024
2008 Series G1	\$50,000,000	SIFMA Swap Index plus 1.10%	12/20/2012	4/1/2024
2001 Series A	\$150,000,000	SIFMA Swap Index plus 1.25%	1/10/2013	4/1/2027
2006 Series C1	\$125,000,000	SIFMA Swap Index plus 0.90%	5/1/2013	5/1/2023
2008 Series A1	\$110,000,000	SIFMA Swap Index plus 0.90%	5/1/2013	5/1/2023
2007 Series C1	\$50,000,000	SIFMA Swap Index plus 0.90%	6/3/2013	5/1/2023
2014 Series A	\$247,445,000	1.00%	8/5/2014	4/3/2017
2014 Series B	\$552,085,000	1.50%	8/5/2014	4/2/2018
2014 Series C	\$402,105,000	1.875%	8/5/2014	4/1/2019
2014 Series D	\$143,730,000	1.875%	12/18/2014	4/1/2020
2014 Series E	\$143,675,000	2.00%	12/18/2014	4/1/2021
2014 Series G	\$71,865,000	SIFMA Swap Index plus 0.60%	12/18/2014	4/1/2020
2014 Series H	\$71,830,000	SIFMA Swap Index plus 0.70%	12/18/2014	4/1/2021

**Variable Rate Demand Bonds:**

BATA has a principal balance of \$400,000,000 in Variable Rate Demand Bonds. The Variable Rate Demand Bonds are backed by various Letter of Credit providers and are reset at a Weekly Rate by various remarketing agents. The Variable Rate Demand Bonds series are detailed as follows:

<u>Series</u>	<u>Par Amount</u>	<u>Letter of Credit Providers</u>	<u>Short Term Rating</u> (S&P, Moody's /Fitch)	<u>Letter of Credit Expiration</u> <u>Date</u>	<u>Remarketing Agents</u>
2007 Series A2	\$75,000,000	Bank of Tokyo-Mitsubishi	A1/P1/F1	10/16/2019	JP Morgan Securities, LLC
2007 Series B2	\$75,000,000	Sumitomo Mitsui Banking	A1/P1/F1	10/16/2019	Citigroup Global Markets Inc.
2007 Series C2	\$25,000,000	Bank of Tokyo - Mitsubishi	A1/P1/F1	10/16/2019	Stifel, Nicolaus & Co. Inc.
2007 Series D2	\$100,000,000	Bank of America, N.A.	A1/P1/F1+	10/16/2019	Merrill Lynch, Pierce, Fenner & Smith Inc.
2007 Series G1	\$50,000,000	U.S. Bank N.A.	A1+/P1/F1+	10/16/2017	Barclays Capital Inc.
2008 Series C1	\$25,000,000	Sumitomo Mitsui Banking	A1/P1/F1	10/16/2019	Morgan Stanley & Co. LLC.
2008 Series E1	\$50,000,000	Bank of Tokyo - Mitsubishi	A1/P1/F1	10/16/2019	Morgan Stanley & Co. LLC.

As of June 30, 2016, there were no outstanding draws. Commitment fees are paid quarterly to the Letter of Credit Providers. In the event the bonds covered under the Reimbursement Agreement become bank bonds, the maximum interest rate on the bonds would be 15%.

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A summary of changes in long-term debt for the year ended June 30, 2016 is as follows:

Business-type activities	Issue Date	Interest Rate		Calendar Year Maturity	Original Amount	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Due Within One Year
2001 Revenue Bond Series A	5/24/2001	3.31%	(2)	2036	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -	\$ 150,000,000	\$ -
2006 Revenue Bond Series C	2/8/2006	3.60%	(2)	2045	275,000,000	275,000,000	-	-	275,000,000	-
2006 Revenue Bond Series F	4/25/2006		(6)	2016	1,149,205,000	37,375,000	-	(37,375,000) <sup>(5)</sup>	-	-
2007 Revenue Bond Series F	5/15/2007	4.96%	(1)	2018	310,950,000	50,040,000	-	(19,540,000) <sup>(5)</sup>	30,500,000	20,565,000
2007 Revenue Bond Series (A1, C1, G1)	5/15/2007	3.60%	(2)	2047	150,000,000	150,000,000	-	-	150,000,000	-
2007 Revenue Bond Series (A2-D2, E3)	10/25/2007	3.60%	(2)	2047	375,000,000	375,000,000	-	-	375,000,000	-
2008 Revenue Bond Series (A1- E1, G1)	6/5/2008	3.60%	(2)	2045	507,760,000	500,000,000	-	-	500,000,000	-
2009 Revenue Bond Series F2 (BABs)	11/5/2009	4.07%	(1,3)	2049	1,300,000,000	1,300,000,000	-	-	1,300,000,000	-
2010 Revenue Bond Series S1 (BABs)	7/1/2010	4.53%	(1,3)	2050	1,500,000,000	1,500,000,000	-	-	1,500,000,000	-
2010 Revenue Bond Series S2	11/4/2010	4.98%	(1)	2050	410,000,000	410,000,000	-	-	410,000,000	-
2010 Revenue Bond Series S3 (BABs)	11/4/2010	4.49%	(1,3)	2050	475,000,000	475,000,000	-	-	475,000,000	-
2012 Revenue Bond Series F1	10/23/2012	4.65%	(1)	2031	907,525,000	907,525,000	-	-	907,525,000	34,270,000
2013 Revenue Bond Series S4	8/6/2013	5.11%	(1)	2053	900,000,000	900,000,000	-	-	900,000,000	-
2014 Revenue Bond Series (A,B,C)	8/5/2014	1.52%	(1)	2047	1,201,635,000	1,201,635,000	-	-	1,201,635,000	-
2014 Revenue Bond Series F1	8/5/2014	5.00%	(1)	2054	200,000,000	200,000,000	-	-	200,000,000	-
2014 Revenue Bond Series (D,E)	12/18/2014	1.94%	(1)	2034	287,405,000	287,405,000	-	-	287,405,000	-
2014 Revenue Bond Series G	12/18/2014	1.01%	(4)	2034	71,865,000	71,865,000	-	-	71,865,000	-
2014 Revenue Bond Series H	12/18/2014	1.11%	(4)	2034	71,830,000	71,830,000	-	-	71,830,000	-
2014 Revenue Bond Series F2	12/18/2014	3.93%	(1)	2021	80,335,000	80,335,000	-	-	80,335,000	-
2014 Revenue Bond Series S5,S6	12/18/2014	4.79%	(1)	2054	300,000,000	300,000,000	-	-	300,000,000	-
					<u>\$ 10,623,510,000</u>	<u>\$ 9,243,010,000</u>	<u>\$ -</u>	<u>\$ (56,915,000)</u>	<u>\$ 9,186,095,000</u>	<u>\$ 54,835,000</u>
Net unamortized bond premium /(discount)						185,201,727	-	(14,820,914)	170,380,813	
Net long-term debt as of June 30, 2016						<u>\$ 9,428,211,727</u>	<u>\$ -</u>	<u>\$ (71,735,914)</u>	<u>\$ 9,356,475,813</u>	

(1) Interest rates on fixed rate bonds/term rate bonds are calculated on weighted outstanding coupon rates.

(2) Total variable rate bonds (VRDBs) of \$1,450,000,000 hedged with \$1,440,000,000 notional swaps; as such the weighted swap rate is presented. VRDBs are presented as long term debt in accordance with GASB Interpretation No. 1 because MTC has liquidity commitments.

(3) Federal Taxable Build America Bonds.

(4) The interest rate presented is the 6/30/2016 SIFMA rate plus the spread related to the bonds.

(5) Scheduled payments.

(6) The 2006 Series F bonds reached its final maturity on April 1, 2016 and was fully repaid as of that date.

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A summary of changes in long-term debt for the year ended June 30, 2015 is as follows:

Business-type activities	Issue Date	Interest Rate	Calendar Year Maturity	Original Amount	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015	Due Within One Year
2001 Revenue Bond Series A	5/24/2001	3.72%	(2) 2036	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -	\$ 150,000,000	\$ -
2006 Revenue Bond Series C	2/8/2006	3.71%	(2) 2045	275,000,000	275,000,000	-	-	275,000,000	-
2006 Revenue Bond Series F	4/25/2006	4.48%	(1) 2016	1,149,205,000	73,050,000	-	(35,675,000) <sup>(5)</sup>	37,375,000	37,375,000
2007 Revenue Bond Series F	5/15/2007	4.93%	(1) 2018	310,950,000	58,620,000	-	(8,580,000) <sup>(5)</sup>	50,040,000	19,540,000
2007 Revenue Bond Series (A1,C1,G1)	5/15/2007	3.71%	(2) 2047	150,000,000	150,000,000	-	-	150,000,000	-
2007 Revenue Bond Series (A2-D2,E3)	10/25/2007	3.71%	(2) 2047	375,000,000	375,000,000	-	-	375,000,000	-
2008 Revenue Bond Series (A1-E1, G1)	6/5/2008	3.71%	(2) 2045	507,760,000	503,940,000	-	(3,940,000) <sup>(6)</sup>	500,000,000	-
2008 Revenue Bond Series F1	8/28/2008		2047	707,730,000	707,730,000	-	(707,730,000) <sup>(7)</sup>	-	-
2009 Revenue Bond Series F1	8/20/2009		2044	768,720,000	768,720,000	-	(768,720,000) <sup>(7,9)</sup>	-	-
2009 Revenue Bond Series F2 (BABs)	11/5/2009	4.07%	(1,3) 2049	1,300,000,000	1,300,000,000	-	-	1,300,000,000	-
2010 Revenue Bond Series S1 (BABs)	7/1/2010	4.53%	(1,3) 2050	1,500,000,000	1,500,000,000	-	-	1,500,000,000	-
2010 Revenue Bond Series S2	11/4/2010	4.98%	(1) 2050	410,000,000	410,000,000	-	-	410,000,000	-
2010 Revenue Bond Series S3 (BABs)	11/4/2010	4.49%	(1,3) 2050	475,000,000	475,000,000	-	-	475,000,000	-
2012 Revenue Bond Series F1	10/23/2012	4.65%	(1) 2031	907,525,000	907,525,000	-	-	907,525,000	-
2013 Revenue Bond Series S4	8/6/2013	5.11%	(1) 2053	900,000,000	900,000,000	-	-	900,000,000	-
2014 Revenue Bond Series (A,B,C)	8/5/2014	1.52%	(1) 2047	1,201,635,000	-	1,201,635,000 <sup>(7)</sup>	-	1,201,635,000	-
2014 Revenue Bond Series F1	8/5/2014	5.00%	(1) 2054	200,000,000	-	200,000,000 <sup>(8)</sup>	-	200,000,000	-
2014 Revenue Bond Series (D,E)	12/18/2014	1.94%	(1) 2034	287,405,000	-	287,405,000 <sup>(9)</sup>	-	287,405,000	-
2014 Revenue Bond Series G	12/18/2014	0.67%	(4) 2034	71,865,000	-	71,865,000 <sup>(9)</sup>	-	71,865,000	-
2014 Revenue Bond Series H	12/18/2014	0.77%	(4) 2034	71,830,000	-	71,830,000 <sup>(9)</sup>	-	71,830,000	-
2014 Revenue Bond Series F2	12/18/2014	3.93%	(1) 2021	80,335,000	-	80,335,000 <sup>(9)</sup>	-	80,335,000	-
2014 Revenue Bond Series S5,S6	12/18/2014	4.79%	(1) 2054	300,000,000	-	300,000,000 <sup>(10)</sup>	-	300,000,000	-
				<u>\$ 12,099,960,000</u>	<u>\$ 8,554,585,000</u>	<u>\$ 2,213,070,000</u>	<u>\$ (1,524,645,000)</u>	<u>\$ 9,243,010,000</u>	<u>\$ 56,915,000</u>
Net unamortized bond premium /(discount)					156,520,575	55,002,827	(26,321,675)	185,201,727	
Net long-term debt as of June 30, 2015					<u>\$ 8,711,105,575</u>	<u>\$ 2,268,072,827</u>	<u>\$ (1,550,966,675)</u>	<u>\$ 9,428,211,727</u>	

(1) Interest rates on fixed rate bonds/term rate bonds are calculated on weighted outstanding coupon rates.

(2) Total variable rate bonds (VRDBs) of \$1,450,000,000 hedged with \$1,440,000,000 notional swaps; as such the weighted swap rate is presented. VRDBs are presented as long term debt in accordance with GASB Interpretation No. 1 because MTC has liquidity commitments.

(3) Federal Taxable Build America Bonds.

(4) The interest rate presented is the 6/30/2015 SIFMA rate plus the spread related to the bonds.

(5) Scheduled payments.

(6) Optional Redemption Payment of \$3,940,000 was made on 08/01/2014 on the note maturing on 04/01/2015.

(7) The 2014 Series A,B,C bonds were issued as senior term rate bonds on 08/05/2014 to fully refund \$707,730,000 of the 2008 series F1 bonds and partially refund \$317,520,000 of the 2009 Series F1 bonds.

(8) The 2014 Series F1 bonds was issued as senior fixed rate bonds with final maturity of 2054.

(9) The 2014 Series D,E,G,H,F2 bonds were issued as senior term rate bonds, SIFMA index rate bonds, and fixed rate bonds on 12/18/2014 to refund the remaining portion \$451,200,000 of 2009 Series F1 bonds.

(10) The 2014 Series S5 and S6 bonds were issued as subordinated fixed rate bonds with final maturity of 2054.

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**Annual funding requirements**

The annual funding requirements for the debt and swap outstanding of the business-type activities at June 30, 2016 are as follows:

**Business-type activities**

<b>Fiscal Year Ending</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total Payments</b>
2017	\$ 54,835,000	\$ 372,538,275	\$ 427,373,275
2018	55,760,000	364,913,120	420,673,120
2019	53,280,000	358,153,819	411,433,819
2020	107,375,000	351,978,574	459,353,574
2021	108,540,000	346,016,659	454,556,659
2022-2026	620,825,000	1,653,273,987	2,274,098,987
2027-2031	967,905,000	1,509,556,260	2,477,461,260
2032-2036	1,239,260,000	1,318,436,799	2,557,696,799
2037-2041	1,540,860,000	1,104,895,777	2,645,755,777
2042-2046	1,849,390,000	801,593,132	2,650,983,132
2047-2051	2,008,820,000	399,491,305	2,408,311,305
2052-2055	579,245,000	72,977,845	652,222,845
	<u>\$ 9,186,095,000</u>	<u>\$ 8,653,825,552</u>	<u>\$ 17,839,920,552</u>

**Bond Covenants – BATA**

The Bay Area Toll Authority Senior Toll Bridge Revenue Bonds are payable solely from pledged "Revenue" and all amounts held by the trustee in each fund and account (with exclusions) established under the Master Indenture dated as of May 1, 2001 (the 2001 "Master Indenture"). Pledged "Revenue" and exclusions to the trustee funds and accounts are defined within the Master Indenture. BATA established a Reserve fund under the 2001 Master Indenture.

BATA covenanted in the Master Indenture that no additional bonds shall be issued, unless Net Revenue is greater than 1.5 times of the combined Maximum Annual Debt Service of all outstanding parity bonds. Parity bonds have the same priority of claim or lien against pledged Revenue.

In the fifth supplemental indenture dated February 2006, BATA covenanted to maintain toll revenue at levels that result in Net Revenue greater than 1.2 times Annual Debt Service costs as defined in the Master Indenture. In addition, BATA agreed to maintain tolls at a level where Net Revenue plus the balance in the Operations and Maintenance Fund is at least 1.25 times total "Fixed Costs". BATA also has the legal requirement of maintaining tolls at a level exceeding 1.0 times all fixed costs.

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The senior lien bonds issued by BATA are secured by a first lien on all toll revenue.

The Bay Area Toll Authority's Subordinate Toll Bridge Revenue Bonds are payable solely from pledged "Revenue" and all amounts held by the trustee in each fund and account (with exclusions) established under the Subordinate Indenture dated June 1, 2010 (the "2010 Subordinate Indenture"). "Pledged Revenue" and exclusions to the trustee funds and accounts are defined within the 2010 Subordinate Indenture. BATA has established a Reserve fund account under the 2010 Subordinate Indenture.

BATA covenanted in the 2010 Subordinate Indenture that no additional bonds shall be issued unless the Available Revenue equates to greater than 1.2 times of the combined Maximum Annual Debt Service costs of all outstanding parity bonds.

In the first supplemental indenture dated June 2010, BATA covenanted to maintain toll revenue at levels that result in Available Revenue greater than 1.2 times Annual Debt Service costs.

As of June 30, 2016, the current Reserve Requirement and the market valuation of the investment securities in the Debt Service reserves are as follows:

	<u>Reserve Requirement</u>	<u>Market Valuation of Securities</u>
Senior Debt	\$334,392,152	\$340,342,406
Subordinate Debt	\$170,835,039	\$174,949,789

The investments in the reserve accounts are valued on April 1 of each year.

BATA maintains certain designated reserves:

<u>Designation</u>	<u>Requirement</u>	<u>Required Amount</u>	<u>June 30, 2016</u>
External Designation:			
O & M	2x Caltrans budgeted O&M costs	\$62 million	\$150 million
Extraordinary loss	BATA/Caltrans Coop Agreement	\$50 million	\$50 million
BATA designation:			
Rehab reserve	2x Rehab budget (\$60m/yr)	\$120 million	\$120 million
Variable rate risk reserve	BATA designation	\$100 million	\$100 million
Project/ Self Insurance Reserves	BATA designation	\$580 million	\$580 million

**Derivative Instruments**

Investment derivatives fair value in a payable to the counterparty position was \$546,320,887 and \$416,127,433 at June 30, 2016 and June 30, 2015 respectively, and recorded in the Statement of Net Position as a liability. Upon adoption of GASB Statement No. 72 as of July 1, 2015, the investment derivatives fair value in a payable to the counterparty position was \$358,934,092, reflecting a \$57,193,341 decrease to the June 30, 2015 payable. The decrease resulted from incorporation of a credit valuation adjustment on the investment derivatives as prescribed by GASB Statement No. 72. The change in fair

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value of investment derivatives, was \$187,386,795 and \$56,636,120 for fiscal years 2016 and 2015, respectively, and was recorded as an offset to investment income. See Note 1.T for further details.

Voluntary cancellation of any or all of the swap transactions is subject to a valuation calculation at the time of termination. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2016 classified by type, and the changes in fair value of such derivative instruments since June 30, 2015 as reported in the financial statements are as follows:

Business-type Activities	Decrease in Fair Value since June 30, 2015		Fair Value at June 30, 2016		
	Classification	Amount	Classification	Amount	Notional
Pay-fixed interest rate swap	Investment Income	\$ (144,308,897)	Noncurrent Liabilities	\$ (545,246,472)	\$ 1,440,000,000
Receive-fixed interest rate swap	Investment Income	14,115,443	Noncurrent Liabilities	(1,074,415)	477,845,000

**Objective and Terms of Hedging Derivative Instruments**

BATA entered into interest rate swaps to manage exposure to fluctuations in interest rates and interest expenses. Management is aware that swap transactions contain certain associated risks not traditionally associated with fixed-rate issues, particularly the risk of counterparty default. However, management has structured the transactions with reasonable safeguards, including downgrade and collateral provisions required of all counterparties, as well as management's unilateral ability to cancel any transaction with 15 days' notice.

The following tables display the terms of the derivative instruments outstanding along with the credit rating as of June 30, 2016 of the associated counterparty as well as the fair value and measurement level of the derivative instruments.

	Standard & Poor's	Moody's
Bank of America, N.A.	A	A1
The Bank of New York Mellon	AA-	Aa2
Citibank, N.A., New York	A	A1
Wells Fargo Bank, N.A.	AA-	Aa2
Goldman Sachs Mitsui Marine Derivative Products LP	AA-	Aa2
JP Morgan Chase Bank, N.A.	A+	Aa3
Morgan Stanley Capital Services LLC	BBB+	A3

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**Investment Derivative Instruments at June 30, 2016:**

Amortized Notional Value	Counterparty	Fixed Payer Rate <sup>(A)</sup>	Fair Value due from / (to) Counterparty			
			Level 1	Level 2	Level 3	Total
\$75 million	Wells Fargo Bank, N.A.	3.29%	\$ -	\$ (23,774,342)	\$ -	\$ (23,774,342)
\$75 million	Morgan Stanley Capital Services LLC.	3.34% <sup>(D)</sup>	-	(31,717,433)	-	(31,717,433)
\$110 million	Wells Fargo Bank, N.A.	3.64%	-	(36,498,997)	-	(36,498,997)
\$30 million	Bank of America, N.A.	3.63%	-	(12,503,996)	-	(12,503,996)
\$115 million	Citibank Bank, N.A., New York	3.64%	-	(38,157,924)	-	(38,157,924)
\$245 million	JP Morgan Chase Bank, N.A.	4.00%	-	(112,291,501)	-	(112,291,501)
\$50 million	Bank of America, N.A.	3.63%	-	(21,344,391)	-	(21,344,391)
\$260 million	Citibank Bank, N.A. New York	3.64%	-	(88,550,875)	-	(88,550,875)
\$125 million	Bank of America, N.A.	2.96%	-	(38,333,889)	-	(38,333,889)
\$60 million	Goldman Sachs Mitsui Marine Derivative Products, L.P.	3.64%	-	(25,095,981)	-	(25,095,981)
\$85 million	Goldman Sachs Mitsui Marine Derivative Products, L.P.	3.64%	-	(36,435,281)	-	(36,435,281)
\$170 million	The Bank of New York Mellon	3.64%	-	(72,870,023)	-	(72,870,023)
\$40 million	The Bank of New York Mellon	2.22%	-	(7,671,839)	-	(7,671,839)
	Total Fixed Payer Swaps		-	(545,246,472)	-	(545,246,472)
		<b>Fixed Receiver Rate<sup>(B)</sup></b>				
\$131.4 million <sup>(G)</sup>	Wells Fargo Bank, N.A.	3.10% <sup>(H)</sup>	-	(349,657)	-	(349,657)
\$146.4 million	The Bank of New York Mellon	3.25% <sup>(H)</sup>	-	(351,656)	-	(351,656)
\$40 million	Bank of America, N.A.	3.55% <sup>(H)</sup>	-	(58,806)	-	(58,806)
\$160 million	Bank of America, N.A.	3.40% <sup>(H)</sup>	-	(314,296)	-	(314,296)
	Total Fixed Receiver Swaps		-	(1,074,415)	-	(1,074,415)
	Total Derivative Instrument - Fair Value		\$ -	\$ (546,320,887)	\$ -	\$ (546,320,887)

Inputs to the valuation methodology are observable pursuant to the fair value hierarchy under GASB 72. Refer to Note 3B for the description of hierarchy levels.

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**Investment Derivative Instruments at June 30, 2015:**

GASB Statement No.72 provides an exception not to restate prior year information if it is impractical to do so. Therefore, investment derivatives as of June 30, 2015 were not restated in accordance with GASB Statement No.72, but the cumulative effect of applying GASB Statement No.72 was reported as a restatement of beginning net position on July 1, 2015. The beginning net position of BATA, as previously reported in the statement of revenues, expenses and changes in net position – proprietary funds of \$(6,396,723,694) was decreased by \$57,193,341 to \$(6,339,530,353). The government-wide statement of activities, business-type activities beginning net position of \$(6,372,931,031) was decreased to \$(6,315,737,690).

<b>Amortized Notional Value</b>	<b>Counterparty</b>	<b>Fixed Payer Rate<sup>(A)</sup></b>	<b>Value due from / (to) Counterparty June 30, 2015</b>
\$75 million	Wells Fargo Bank, N.A.	3.29% <sup>(C)</sup>	\$ (16,774,485)
\$75 million	Morgan Stanley Capital Services LLC	3.34% <sup>(D)</sup>	(24,826,649)
\$110 million	Wells Fargo Bank, N.A.	3.64%	(27,393,698)
\$30 million	Bank of America, N.A.	3.63%	(9,359,884)
\$115 million	Citibank, N.A., New York	3.64%	(28,638,765)
\$245 million	JP Morgan Chase Bank, N.A.	4.00%	(83,887,822)
\$50 million	Bank of America, N.A.	3.63%	(16,021,649)
\$260 million	Citibank, N.A., New York	3.64%	(66,713,311)
\$125 million	Bank of America, N.A.	2.96% <sup>(E)</sup>	(23,807,255)
\$60 million	Goldman Sachs Mitsui Marine Derivative Products, L.P.	3.64%	(18,814,238)
\$85 million	Goldman Sachs Mitsui Marine Derivative Products, L.P.	3.64%	(27,398,448)
\$170 million	The Bank of New York Mellon	3.64%	(54,796,445)
\$40 million	The Bank of New York Mellon	2.22% <sup>(F)</sup>	(2,504,926)
	<b>Total Fixed Payer Swaps</b>		<b>(400,937,575)</b>
		<b>Fixed Receiver Rate<sup>(B)</sup></b>	
\$131.4 million <sup>(G)</sup>	Wells Fargo Bank, N.A.	3.10% <sup>(H)</sup>	(4,593,730)
\$146.4 million	The Bank of New York Mellon	3.25% <sup>(H)</sup>	(4,983,911)
\$40 million	Bank of America, N.A.	3.55% <sup>(H)</sup>	(1,151,104)
\$160 million	Bank of America, N.A.	3.40% <sup>(H)</sup>	(4,461,113)
	<b>Total Fixed Receiver Swaps</b>		<b>(15,189,858)</b>
	<b>Total Derivative Instrument</b>		<b>\$ (416,127,433)</b>

(A) Authority paying fixed rate receiving variable rate based on LIBOR index.

(B) Authority receiving fixed rate paying variable rate based on SIFMA index.

(C) Fixed rate amended from 4.10% to 3.29% on 6/26/15. New rate is effective on 7/1/2015.

(D) Fixed rate is 3.34% effective from 1/1/2014 thru 12/31/2016. Fixed rate will change to 4.09% thereafter thru maturity.

(E) Fixed rate amended from 3.64% to 2.96% on 6/26/2015. New rate is effective on 7/1/2015.

(F) Fixed rate amended from 3.64% to 2.22% on 6/26/2015. New rate is effective on 7/1/2015.

(G) Wells Fargo notional reflects amortized balance as of 4/1/2018.

(H) Swap amended on 6/26/2015 to temporarily suspend payments until 4/1/2018. Rate indicated will be effective 4/1/2018.

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The termination value, or fair market value, BATA would pay to terminate all swaps on a voluntary basis is \$546 million and \$416 million on June 30, 2016 and June 30, 2015, respectively. The fair value was determined by an independent outside pricing service. BATA's intent, however, is to maintain the swap transactions for the life of the related financings, notwithstanding market opportunities to restructure.

In June 2015, BATA partially terminated a total of four existing cancellable fixed-receiver interest rate swaps. The counterparties to the swaps were Bank of America, N.A. for \$160 million and \$40 million, The Bank of New York Mellon for \$146.4 million and Wells Fargo Bank N.A. for \$136.2 million. The partial termination included a suspension of payments from July 1, 2015 through April 1, 2018 and resulted in a total net payment of \$34,020,000 to BATA. The payment was recorded as investment income by BATA. BATA used the proceeds to reduce the fixed rates on three existing fixed-payer swaps associated with the same counterparties. The fixed-payer swaps included Bank of America, N.A. swap of \$125 million with a rate reduction from 3.64% to 2.96%; The Bank of New York Mellon swap of \$40 million with a rate reduction from 3.64% to 2.22%; and Wells Fargo Bank N.A. swap of \$75 million with a rate reduction from 4.10% to 3.29%. The \$34 million payment was recorded as a charge to investment income. The amended fixed rates were effective July 1, 2015 and classified as a modification of an event that resulted in the termination of hedged accounting. Therefore, the balance in the deferred outflows was removed and reported in investment income.

A ratings-related termination was triggered in June 2012 when Morgan Stanley Capital Services LLC's (MSCS) long term rating was downgraded to Baa1 by Moody. In January 2014, BATA entered into an agreement with MSCS to revise the ratings trigger for termination to a reduction in MSCS rating below "BBB-/Baa3" as determined by S&P/ Moody's respectively, in exchange for a fixed reduction in the interest payment payable by BATA. The reduced rate of 3.34% from 4.09% is effective for a three-year period from January 1, 2014 to, but excluding, January 1, 2017. Effective January 1, 2017, the fixed rate will revert to 4.09% for the remainder of the term.

Swaps are subject to credit risk, which is the possibility that the counterparty will fail to make interest payment in a timely manner or that there are negative perceptions of the issuer's ability to make these interest payments.

A swap's credit quality is an assessment of the counterparty's ability to pay the interest on the swap. Credit quality may be evaluated by a national recognized independent credit-rating agency. The lower the rating is, the greater the chance (in the opinion of the rating agency) that the counterparty will fail to meet its obligations or potentially default.

The swap contracts address credit risk by requiring the counterparties to post collateral if: 1) a counterparty's credit rating is equal to "A-", "A", or "A+" as determined by S&P or is equal to "A3", "A2", or "A1" by Moody's and the termination value of its swaps exceeds \$10 million, payable to BATA; or 2) a counterparty's credit rating is below "A-" as determined by S&P or "A3" as determined by Moody's.

As of June 30, 2016, none of the counterparties was required to post collateral with a third party safekeeping agent.

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**6. LEASES**

**Capital Leases**

MTC's copier equipment is under a capital lease which will expire in fiscal year 2021. The liabilities under this capital lease are recorded at the present value of the minimum lease payments and presented in the government-wide governmental activities under non-current liabilities. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

**Governmental Activities**

<b>Year Ending June 30</b>	<b>Amount</b>
2017	\$ 68,304
2018	68,304
2019	68,304
2020	68,304
2021	<u>40,630</u>
Total	313,846
Less interest amounts	<u>(27,179)</u>
Present value of net minimum lease payments	<u><u>\$ 286,667</u></u>

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**7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

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

Transfer In:								
Transfer Out:	General	AB 664 Net Toll Revenue Reserve	STA	Rail Reserves	Non-Major Governmental Funds	MTC Clipper®	SAFE	Total
Non-Major	\$ 52,163	\$ -	\$ 3,818	\$ -	\$ -	\$ -	\$ -	\$ 55,981
STA	1,187,828	-	-	-	10,000	13,638,401	-	14,836,229
AB 664	51,525	-	-	-	-	-	-	51,525
General	-	-	154,232	-	-	-	-	154,232
MTC Clipper®	-	-	979,807	-	-	-	-	979,807
BATA	9,393,230	9,301,049	-	7,551,916	2,192,465	2,505,083	300,000	31,243,743
SAFE	1,204,196	-	-	-	-	-	-	1,204,196
Total	<u>\$ 11,888,942</u>	<u>\$ 9,301,049</u>	<u>\$ 1,137,857</u>	<u>\$ 7,551,916</u>	<u>\$ 2,202,465</u>	<u>\$ 16,143,484</u>	<u>\$ 300,000</u>	<u>\$ 48,525,713</u>

Transfers are used to move revenues from the fund with collection authority to the program fund that accounts for the various projects. These interfund transfers have been eliminated in the government-wide financial statements. The significant transfers are described below:

An amount of \$13,638,401 was transferred from STA to MTC-Clipper® to support their operations. An amount of \$7,470,382 transferred from BATA to the General fund represents an annual 1% transfer for administration expenditures. The transfer amount from BATA to AB 664, Rail Reserves and Non-Major funds totaling \$19,045,430 is the amortization of the deferred revenue for these funds. See Note 1.P for further details.

**Due to/from other funds**

Receivable Fund	Payable Fund	Amount
General	SAFE	\$ 35,930
General	STA	226,234
General	Non-Major	24,234
General	BATA	1,113,122
STA	General	154,232
STA	Non-Major	3,818
STA	MTC Clipper®	979,807
Non-Major	General	499,769
MTC Clipper®	General	4,185,285
MTC Clipper®	STA	241,612
MTC Clipper®	BATA	1,064,217
SAFE	General	4,015,495

Interfund receivables and payables between funds are due to timing differences resulting from when expenditures are incurred and payments are made. These interfund balances have been eliminated in the government-wide financial statement. The significant interfund balances at June 30, 2016 are as follows: an amount of \$4,015,495 represents an advance the General fund received from SAFE to support the 511, Emergency Operations, Traffic Management System and Freeway Initiative projects; \$4,185,285 represents an advance from General to MTC-Clipper® until the project gets reimbursed for its expenses; \$1,113,122 represents expenses incurred for the 511 and rideshare projects, but not yet reimbursed from BATA; and

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\$1,064,217 represents expenses incurred for MTC-Clipper® capital projects, but not yet reimbursed from BATA.

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

Transfer In:								
Transfer Out:	General	AB 664 Net Toll Revenue Reserve	Rail Reserves	Non-Major Governmental Funds	MTC Clipper®	STA	SAFE	Total
Non-Major	\$ 15,066	\$ -	\$ -	\$ -	\$ -	\$ 47,222	\$ -	\$ 62,288
STA	812,668	-	-	301,668	16,635,300	-	-	17,749,636
AB 664	3,551	-	-	-	-	-	-	3,551
General	-	-	-	-	-	38,459	-	38,459
MTC Clipper®	-	-	-	-	-	2,982,663	-	2,982,663
BATA	8,238,188	9,680,853	7,860,296	2,281,994	2,139,132	-	200,000	30,400,463
SAFE	926,901	-	-	-	-	-	-	926,901
<b>Total</b>	<b>\$ 9,996,374</b>	<b>\$ 9,680,853</b>	<b>\$ 7,860,296</b>	<b>\$ 2,583,662</b>	<b>\$ 18,774,432</b>	<b>\$ 3,068,344</b>	<b>\$ 200,000</b>	<b>\$ 52,163,961</b>

Transfers are used to move revenues from the fund with collection authority to the program fund that accounts for the various projects. These interfund transfers have been eliminated in the government-wide financial statement. The significant transfers are described below:

An amount of \$16,635,300 was transferred from STA to MTC-Clipper® to support their operations. An amount of \$7,247,839 transferred from BATA to the General fund represents an annual 1% transfer for administration expenditures. The transfer amount from BATA to AB 664, Rail Reserves and Non-Major funds totaling \$19,823,143 is the amortization of the deferred revenue for these funds. See Note 1.P for further details.

**Due to/from other funds**

Receivable Fund	Payable Fund	Amount
General	MTC Clipper®	\$ 2,043,008
General	AB664	3,551
General	STA	17,903
General	Non-Major	10,205
General	BATA	767,297
STA	General	464,585
STA	Non-Major	47,222
STA	MTC Clipper®	2,982,663
Non-Major	General	499,769
MTC Clipper®	STA	696,078
MTC Clipper®	BATA	636,583
SAFE	General	3,156,510

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The significant interfund balances at June 30, 2015 are as follows: an amount of \$3,156,510 represents an advance the General fund received from SAFE to support 511, Arterial, Emergency Operations, Traffic Management System and Freeway Initiative projects; \$2,982,663 represents an advance MTC-Clipper<sup>®</sup> received from STA to support their capital project; and \$2,043,008 represents an advance from General fund to MTC-Clipper<sup>®</sup> until the project gets reimbursed for its expenses.

## **8. EMPLOYEES' RETIREMENT PLAN**

### **A. General Information about the Pension Plan**

#### ***Plan Description***

The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. An agent multiple-employer plan is one in which the assets of multiple employers are pooled for investment purposes, but separate accounts are maintained for each individual employer. A menu of benefit provisions as well as other requirements are established by state statutes within the Public Employees' Retirement Law. MTC selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS website or by writing to CalPERS Fiscal Services Division, PO Box 942703, Sacramento, California 94229.

#### ***Benefits Provided***

MTC's defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission ("the Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic members (hired before January 1, 2013) with five years of total service are eligible to retire at age 50 with statutory reduced benefits. New members (hired after January 1, 2013) with five years of total service are eligible to retire at age 52 with statutory reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the third Level, 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 62
Monthly benefit as a % of eligible compensation	2% - 2.5%	1% - 2%

**Employees Covered at the measurement date of June 30, 2015 are as follows:**

Active employees	178
Inactive employees or beneficiaries currently receiving benefits	124
Inactive employees entitled to but not yet receiving benefits	100

***Contribution Description***

Section 20814(C) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer (MTC) is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. For the measurement period ended June 30, 2015, MTC's retirement contributions are allocated as follows:

- Tier 1 - The total Public Employees' Retirement System (PERS) contribution rate is 25.185 percent (consisting of 17.185 percent employer rate and 8.0 percent member rate). Per MTC and employee agreement, the shared contribution effective July 1, 2014 is 19.585 percent by MTC and 5.60 percent by members.
- Tier 2 - The total PERS contribution rate is 23.685 percent (consisting of 17.185 percent employer rate and 6.5 percent member rate). Per MTC and employee agreement, the shared contribution effective July 1, 2014 is 17.185 percent by MTC and 6.5 percent by members.

The employer actuarially determined contribution is charged to the governmental and enterprise funds based on their share of MTC's payroll cost for the relevant year.

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**B. Net Pension Liability**

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

MTC's net pension liability is measured as the total pension liability, less the Plan's fiduciary net position. For the measurement period ended June 30, 2015, the total pension liability was determined using the annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The June 30, 2014 pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65%
Mortality Rate Table <sup>1</sup>	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

<sup>1</sup>The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to CalPERS Experience Study 2014 report, which can be obtained at CalPERS' website under Forms and Publications.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The experience Study report can be obtained at CalPERS' website under Forms and Publications.

***Change of Assumptions***

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

***Discount Rate***

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan as required by GASB 68, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are

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presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

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

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

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

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> An expected inflation of 3.0% used for this period

**C. Pension Plan Fiduciary Net Position**

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

**D. Changes in the Net Pension Liability**

The following table shows the changes in net pension liability recognized over the measurement period.

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	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2014	\$ 126,542,119	\$ 102,691,695	\$ 23,850,424
Changes Recognized for the Measurement Period:			
Service Cost	3,699,768	-	3,699,768
Interest on Total Pension Liability	9,499,032	-	9,499,032
Changes of Assumptions	(2,410,626)	-	(2,410,626)
Difference between Expected and Actual Experience	515,758	-	515,758
Contributions from Employers	-	3,819,020	(3,819,020)
Contributions from Employees	-	1,755,442	(1,755,442)
Net Investment Income	-	2,304,601	(2,304,601)
Benefit Payments, incl. Refunds of Employee Contributions	(4,653,536)	(4,653,536)	-
Administrative Expense	-	(119,062)	119,062
Net changes during 2014-15	<u>6,650,396</u>	<u>3,106,465</u>	<u>3,543,931</u>
Balance at June 30, 2015	<u>\$ 133,192,515</u>	<u>\$ 105,798,160</u>	<u>\$ 27,394,355</u>

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

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate.

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability/ (Asset)	\$ 46,090,933	\$ 27,394,355	\$ 11,972,670

***Recognition of Gains and Losses***

Under GASB Statement 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

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The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings on investments	Five year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the Plan for the June 30, 2015 measurement date is 4.1 years, which was obtained by dividing the total service years of 1,655 (the sum of remaining service lifetimes of the active employees) by 402 (the total number of participants: active, inactive and retired). Note that inactive employees and retirees have remaining service lifetime equal to zero years. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

**E. Pension Expenses and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

MTC incurred a pension expense of \$2,580,963 for fiscal year 2016 based on the measurement period ending June 30, 2015. The pension expense is allocated to the governmental and enterprise funds as follows:

	Governmental Funds	Enterprise Funds			Total
		Bay Area Toll Authority	MTC SAFE	MTC Clipper	
Pension expense for fiscal year 2016	\$ 1,696,209	\$ 679,825	\$ 47,490	\$ 157,439	\$ 2,580,963

As of June 30, 2016, MTC has deferred outflows and inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ (1,822,668)
Difference between expected and actual experience	389,963	-
Net difference between projected and actual earnings on pension plan investments	4,461,932	(5,258,285)
Employer contributions for fiscal year 2016	4,137,098	-
Total	\$ 8,988,993	\$ (7,080,953)

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The \$4,137,098 in the preceding table is reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

The deferred outflows and deferred inflows of resources related to pensions will be recognized as a reduction of future pension expense in the following years and amounts:

<u>Year ended</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2017	\$ (1,099,441)
2018	(1,099,441)
2019	(1,099,443)
2020	1,069,267
2021	-
Thereafter	\$ -

**9. POST EMPLOYMENT HEALTHCARE BENEFITS**

**Plan Description**

MTC’s defined-benefit other post employment benefits (OPEB) healthcare plan, or MTC’s California Employer’s Retirement Benefit Trust (CERBT) account, provides health plan coverage through the CalPERS Health Plan to eligible retired employees and their eligible dependents. MTC maintains the same medical plans for its retirees as for its active employees, with the general exception that once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer. Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 with 5 years of service to MTC. Benefits are paid for the lifetime of the retiree, spouse or surviving spouse, and dependents up to the age of 26. The number of participants eligible to receive benefits was 82 for the year ended June 30, 2016.

MTC is a contracting agency under the Public Employees’ Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for provision of healthcare insurance programs for both active and retired employees. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS website or by writing to CalPERS Fiscal Services Division, PO Box 942703, Sacramento, California 94229.

**Funding Policy**

MTC contributions are based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting of Post Employment Benefits Other Than Benefits*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any

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unfunded accrued actuarial liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The ARC is based on separate actuarial computations for the active and retiree employee groups. MTC's payments of monthly retiree premiums of \$763,647 and \$743,290 for the years ended 2016 and 2015, respectively, were applied toward the required annual employer contribution of \$3,084,567 for each of the fiscal years ended 2016 and 2015. Since 2008, MTC has fully funded the ARC and the net OPEB. The net OPEB asset at June 30, 2016 and June 30, 2015 has remained at \$7,384,385 as MTC fully funded its OPEB obligation in fiscal years 2016 and 2015. The interest earned on this asset will reduce the OPEB cost in future years.

**Annual OPEB Cost, Funded Status and Funding Progress**

MTC's annual OPEB cost is based on the ARC of the employer less healthcare costs paid on behalf of its retirees as well as any other contributions made to the plan during the year. The OPEB cost is based on a bi-annual actuarial valuation. The following table represents annual OPEB cost for the year, the percentage of costs contributed to the plan, and changes in the net OPEB obligation. Governmental and Business-Type Activities funded 100 percent of the ARC attributable to them. Any net OPEB asset resulted solely from Governmental Activities.

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Asset</b>
June 30, 2014	\$ 2,658,672	100%	\$ 7,384,385
June 30, 2015	3,084,567	100%	7,384,385
June 30, 2016	3,084,567	100%	7,384,385

The funded status of the plan as of July 1, 2016 was as follows:

Annual required contribution (ARC)	\$	2,994,752
Interest on net OPEB obligation		(332,297)
Adjustment to ARC		422,112
Annual OPEB Cost		3,084,567
Less contributions made		(3,084,567)
Change in net OPEB asset		-
Net OPEB asset - beginning of year		7,384,385
Net OPEB asset - end of year	\$	7,384,385

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MTC obtains actuarial valuations bi-annually, with the exception of January 2009 when an additional valuation was obtained in conjunction with the change in OPEB Trustees. MTC's funding progress as of January 1, 2016, the most recent available actuarial valuation date, is as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
January 1, 2012	\$ 13,124,584	\$ 24,735,009	\$11,610,425	53.1 %	\$ 17,799,482	65.2 %
January 1, 2014	17,705,619	29,092,241	11,386,622	60.9 %	20,191,937	56.4 %
January 1, 2016	22,479,761	35,790,094	13,310,333	62.8 %	23,713,316	56.1 %

Actuarial valuations must make certain assumptions regarding the probability of occurrence of certain events such as employment turnover, retirement and mortality, as well as economic assumptions regarding future healthcare costs and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress on Schedule VI, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

MTC has funded its OPEB liability by contributing to an irrevocable trust currently administered by Public Agency Retirement Services (PARS). MTC transferred its OPEB trust fund assets from CalPERS to PARS in March 2010. The actuarial cost method and assumptions described below is one of several acceptable cost methods described in GASB Statement No. 45. The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. In determining the Annual Required Contribution, the Unfunded Actuarial Accrued Liability (UAAL) is amortized as a level percentage of payroll over 20 years, on an open basis. The Actuarial Value of Assets is equal to the Market Value of Assets as of the valuation date. The interest rate used to discount future benefit payments is based on the expected rate of return on investments set aside to pay for these benefits. In conjunction with the transfer to PARS, MTC selected a conservative investment policy to fund assets. A discount rate of 4.50 percent was used to reflect the current investment policy. Salary increases are determined using the Entry Age Normal (EAN) Actuarial Cost Method. Annual healthcare cost increases were based upon the healthcare cost inflation trend derived from the Getzen Model, a model used for developing long-term

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medical cost trends. The Getzen Model uses an underlying general inflation assumption of 2.50 percent. The Getzen Model was updated to reflect the latest economic growth factors and adjusted to reflect the value of an expected excise tax payable in 2018. Starting 2018, medical premiums above a certain threshold will be subject to an excise tax of 40% on the amount above the threshold. The tax will be charged to insurers and is expected to be included in medical premiums.

Actuarial standards now require measurement of an implicit rate subsidy for all community rated health plans. This includes all health plans sponsored by CalPERS. Public Employees Medical and Hospital Care Act (PEMHCA) health plans charge the same premiums for retirees who are not yet eligible for Medicare as for active employees. Therefore, the retiree premium rates are being subsidized by the inclusion of active lives in setting rates. Premiums calculated only based on retiree health claims experience would have resulted in higher retiree premiums. GASB Statement No. 45 requires that the value of this subsidy be recognized as a liability in valuation of OPEB costs.

Demographic assumptions regarding retirement and withdrawal are based on statistics taken from the CalPERS Pension for MTC. Retirement rates for employees hired prior to 1/1/2013 are based on a 2.5% @ 55 formula and on a 2.0% @ 62 formula for those hired on or after 1/1/2013. MTC employees participate in CalPERS and accrue post employment healthcare benefits under these formulas. Termination rates were updated to reflect MTC's recent experience and the mortality rates were based upon the latest CalPERS experience and reflect an improvement in future mortality.

The Actuarial Accrued Liability (AAL) presented in the January 1, 2016 valuation, MTC's most recent valuation, increased by approximately \$6.7 million over the previous valuation dated January 1, 2014. The cost of benefit accruals less benefit payments made since the last valuation date contributed to the change in the AAL of \$2.9 million. The inclusion of the implicit rate subsidy increased the AAL by \$3.8 million. The combined impact of these factors was an increase in the AAL of approximately \$6.7 million. Copies of PARS' annual financial report may be obtained by writing to PARS, 4350 Von Karman Avenue, Suite 100, Newport Beach, California 92660.

## **10. COMMITMENTS AND CONTINGENCIES**

MTC's grant funded projects are subject to audit by the respective grantors. The final determination of allowable project costs can be made only after the grantor's audits are completed and final rulings by the grantor's administrative departments are obtained. Disallowed expenditures, if any, must be borne by nonfederal funds. In the opinion of MTC's management, such disallowances, if any, would not have a material adverse effect on the accompanying government-wide financial statements.

MTC is involved in various claims and litigation that are considered normal to MTC's regional planning activities. MTC's Board has committed \$1,250,000 and \$1,140,000 for fiscal years ended June 30, 2016 and 2015, respectively, for future expenses for these contingencies. In the opinion of MTC's management, the ultimate resolution of these matters will not have a material adverse effect on MTC's government-wide financial position.

### **BAHA - Discretely Presented Component Unit**

BAHA has entered into contracts with multiple external parties to perform the design, seismic retrofitting, renovation and working space of BAHA's building, Bay Area Metro Center (BAMC) at 375 Beale Street,

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San Francisco. The renovation was completed for a move-in date of May 2016 for the MTC, Bay Area Air Quality Management District (BAAQMD) and the Association of Bay Area Governments (ABAG). As of June 30, 2016, there is approximately \$2,900,000 future capital expenditure commitments, which includes \$900,000 for the construction of the sidewalks abutting BAMC (expected to be completed in early 2017).

In 2012, BAHA entered into an office lease agreement with the BAAQMD to occupy space in BAMC. The lease agreement grants BAAQMD the option to purchase office space (in the form of a condominium interest) in BAMC (the "Purchase Option").

On November 7, 2013, BAAQMD issued a Certificate of Participation (COP) in the amount of \$30 million to secure an ownership interest in BAMC. BAHA purchased the COP and entered into a site and facilities lease and sublease agreement with BAAQMD in relation to the condominium interest. The lease term is 30 years. The effective date of these leases will commence from the date BAAQMD exercises its Purchase Option for the premises. The proceeds of the COP are being held by a trustee in escrow on behalf of BAAQMD, and are expected to be released to BAHA at the time the Purchase Option is exercised. At the same time the Purchase Option is exercised, BAAQMD will deposit \$8.5 million to the trustee to be used to pay BAHA as a prepayment for the COP. Rental payments under the site and facilities lease and sublease have been assigned to a trustee who will use these funds to pay principal and interest to BAHA under the COP.

In 2013, BAHA and ABAG signed a Memorandum of Understanding, under which ABAG intends to enter into a purchase and sale agreement with BAHA to purchase a condominium interest in BAMC from BAHA. ABAG's purchase price for the condominium interest shall be the transfer to BAHA of ABAG's condominium ownership interest in its previous headquarters, the Joseph P. Bort MetroCenter, located at 101 Eighth Street, Oakland, CA 94607. In addition, ABAG paid BAHA \$800,000 for capital tenant improvements to BAMC. ABAG's budget funding for the capital tenant improvements was provided by MTC.

On May 19, 2016, BAHA entered into an office lease agreement with ABAG. The agreement allowed ABAG to take occupancy of ABAG's condominium interest in BAMC prior to the purchase of BAMC's agency space. The agreement stipulates that ABAG pays no base rent, but will pay a portion of the operating expenses of BAMC as an additional rent starting July 2016.

In May 2016, BAAQMD and ABAG moved their offices to BAMC. BAAQMD's monthly lease payment begins in July 2016, which is to be applied toward the payment of the purchase price option. BAAQMD pays a portion of BAMC's operating expenses starting July 2016.

Both BAAQMD and ABAG are expected to exercise their respective purchase options once the condominium map for BAMC is recorded by the City of San Francisco.

## **11. RISK MANAGEMENT**

MTC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. MTC purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by MTC from insurance companies. To date, there have been no significant reductions in any of MTC's insurance coverage, and no settlement amounts have exceeded commercial insurance coverage for the past three years.

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**12. RELATED PARTY TRANSACTIONS**

The Regional Administrative Facility Corporation (RAFC) was incorporated in the State of California on March 23, 1983, for the purpose of administering, operating and maintaining common areas and certain easements of the property which consists solely of the Joseph P. Bort Metro Center facility.

The RAFC Condominium Plan establishes the following three owner occupants: BART, MTC and ABAG. RAFC exercises a custodial responsibility on behalf of the owner occupants and assesses sufficient amounts to meet all required expenditures of the common areas and easements. MTC provides management and other staff functions to RAFC through management fees. Fees billed to RAFC were \$531,769 and \$300,000 for fiscal years ended June 30, 2016 and 2015, respectively. MTC has a prepaid asset of \$453,861 and \$804,543 as of June 30, 2016 and 2015, respectively, for funding capital improvement projects of the property.

In May 2016, MTC and ABAG, two of the owner occupants, moved out from the Joseph P. Bort Metro Center facility. See Note 4 for details of the expected disposal of the Joseph P. Bort Metro Center facility.

In May 2016, the Commission approved a potential consolidation of MTC and ABAG staff. The Commission authorized management to undertake financial and legal due diligence studies. The respective reports are expected to be presented to the Commission by December 2016. At this point management is still evaluating the financial implications on MTC.

**13. SUBSEQUENT EVENTS**

MTC has evaluated subsequent events for the period from June 30, 2016 through October 26, 2016, the date the financial statements were available to be issued, and no material subsequent events have been identified.

# **REQUIRED SUPPLEMENTARY INFORMATION**

**Metropolitan Transportation Commission**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and**  
**Actual - General Fund (unaudited)**  
**For the Year Ended June 30, 2016**

**Schedule I**

	<u>Original Budget <sup>(1)</sup></u>	<u>Final Budget <sup>(1)</sup></u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Sales tax	\$ 12,300,000	\$ 12,300,000	\$ 12,812,330	\$ 512,330
Grants - Federal	152,242,134	141,715,828	48,950,356	(92,765,472)
Grants - State	1,142,067	1,142,067	436,155	(705,912)
Local agencies revenues and refunds	4,613,189	6,347,587	6,752,581	404,994
Investment income - unrestricted	20,000	20,000	84,481	64,481
<b>TOTAL REVENUES</b>	<u>170,317,390</u>	<u>161,525,482</u>	<u>69,035,903</u>	<u>(92,489,579)</u>
<b>EXPENDITURES</b>				
General government	187,890,535	168,094,325	62,957,957	105,136,368
Allocations to other agencies	18,008,364	18,171,972	13,481,273	4,690,699
Capital outlay	1,581,873	1,581,873	638,584	943,289
<b>TOTAL EXPENDITURES</b>	<u>207,480,772</u>	<u>187,848,170</u>	<u>77,077,814</u>	<u>110,770,356</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(37,163,382)</u>	<u>(26,322,688)</u>	<u>(8,041,911)</u>	<u>18,280,777</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	31,869,294	20,869,294	11,888,942	(8,980,352)
Transfers out	-	-	(154,232)	(154,232)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>31,869,294</u>	<u>20,869,294</u>	<u>11,734,710</u>	<u>(9,134,584)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(5,294,088)</u>	<u>(5,453,394)</u>	<u>3,692,799</u>	<u>9,146,193</u>
Fund balances - beginning	<u>36,676,996</u>	<u>36,676,996</u>	<u>36,676,996</u>	<u>-</u>
Fund balances - ending	<u>\$ 31,382,908</u>	<u>\$ 31,223,602</u>	<u>\$ 40,369,795</u>	<u>\$ 9,146,193</u>

<sup>(1)</sup> Budget prepared in accordance with GAAP.

See accompanying Report of Independent Auditors.

**Metropolitan Transportation Commission**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and**  
**Actual - AB 664 Net Toll Revenue Reserve (unaudited)**  
**For the Year Ended June 30, 2016**

**Schedule II**

	Original Budget <sup>(1)</sup>	Final Budget <sup>(1)</sup>	Actual	Variance from Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Investment income - unrestricted	\$ -	\$ -	\$ 768,768	\$ 768,768
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>768,768</b>	<b>768,768</b>
<b>EXPENDITURES</b>				
General government	-	-	20,292	(20,292)
Allocations to other agencies	84,911,091	84,911,091	4,866,229	80,044,862
<b>TOTAL EXPENDITURES</b>	<b>84,911,091</b>	<b>84,911,091</b>	<b>4,886,521</b>	<b>80,024,570</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>(84,911,091)</b>	<b>(84,911,091)</b>	<b>(4,117,753)</b>	<b>80,793,338</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	84,911,091	84,911,091	9,301,049	(75,610,042)
Transfers out	-	-	(51,525)	(51,525)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>84,911,091</b>	<b>84,911,091</b>	<b>9,249,524</b>	<b>(75,661,567)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>5,131,771</b>	<b>5,131,771</b>
Fund balances - beginning	34,748,837	34,748,837	34,748,837	-
Fund balances - ending	<u>\$ 34,748,837</u>	<u>\$ 34,748,837</u>	<u>\$ 39,880,608</u>	<u>\$ 5,131,771</u>

<sup>(1)</sup> Budget prepared in accordance with GAAP.

See accompanying Report of Independent Auditors.

**Metropolitan Transportation Commission**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and**  
**Actual - State Transit Assistance Fund (unaudited)**  
**For the Year Ended June 30, 2016**

**Schedule III**

	<u>Original Budget <sup>(1)</sup></u>	<u>Final Budget <sup>(1)</sup></u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Grants - State	\$ 142,624,186	\$ 111,488,431	\$111,614,765	\$ 126,334
Local agencies revenues and refunds	-	-	34,759	34,759
Investment income - unrestricted	-	-	258,196	258,196
<b>TOTAL REVENUES</b>	<u>142,624,186</u>	<u>111,488,431</u>	<u>111,907,720</u>	<u>419,289</u>
<b>EXPENDITURES</b>				
Allocations to other agencies	<u>209,206,354</u>	<u>178,070,599</u>	<u>110,214,521</u>	<u>67,856,078</u>
<b>TOTAL EXPENDITURES</b>	<u>209,206,354</u>	<u>178,070,599</u>	<u>110,214,521</u>	<u>67,856,078</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(66,582,168)	(66,582,168)	1,693,199	68,275,367
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	66,582,168	66,582,168	1,137,857	(65,444,311)
Transfers out	-	-	(14,836,229)	(14,836,229)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>66,582,168</u>	<u>66,582,168</u>	<u>(13,698,372)</u>	<u>(80,280,540)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	(12,005,173)	(12,005,173)
Fund balances - beginning	<u>66,658,440</u>	<u>66,658,440</u>	<u>66,658,440</u>	<u>-</u>
Fund balances - ending	<u>\$ 66,658,440</u>	<u>\$ 66,658,440</u>	<u>\$ 54,653,267</u>	<u>\$ (12,005,173)</u>

<sup>(1)</sup> Budget prepared in accordance with GAAP.

See accompanying Report of Independent Auditors.

# Metropolitan Transportation Commission

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and

### Actual - Rail Reserves Fund (unaudited)

For the Year Ended June 30, 2016

Schedule IV

	Original Budget <sup>(1)</sup>	Final Budget <sup>(1)</sup>	Actual	Variance from Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Investment income - unrestricted	\$ -	\$ -	\$ 434,978	\$ 434,978
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>434,978</u>	<u>434,978</u>
<b>EXPENDITURES</b>				
General government	-	-	15,681	(15,681)
Allocations to other agencies	7,551,916	7,551,916	38,524,223	(30,972,307)
<b>TOTAL EXPENDITURES</b>	<u>7,551,916</u>	<u>7,551,916</u>	<u>38,539,904</u>	<u>(30,987,988)</u>
<b>REVENUES UNDER EXPENDITURES</b>	(7,551,916)	(7,551,916)	(38,104,926)	(30,553,010)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	7,551,916	7,551,916	7,551,916	-
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>(30,553,010)</u>	<u>(30,553,010)</u>
Fund balances - beginning	(10,444,762)	(10,444,762)	(10,444,762)	-
Fund balances - ending	<u>\$ (10,444,762)</u>	<u>\$ (10,444,762)</u>	<u>\$ (40,997,772)</u>	<u>\$ (30,553,010)</u>

<sup>(1)</sup> Budget prepared in accordance with GAAP.

See accompanying Report of Independent Auditors.

# Metropolitan Transportation Commission

## Schedule of Revenues, Expenses and Changes in Fund Balances - Budget and Actual - BART Car Exchange Fund (unaudited) For the Year Ended June 30, 2016

Schedule V

	Original Budget <sup>(1)</sup>	Final Budget <sup>(1)</sup>	Actual	Variance from Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Local agencies revenues and refunds	\$ 52,671,798	\$ 55,503,648	\$ 50,176,121	\$ (5,327,527)
Investment income - restricted	-	-	1,172,944	1,172,944
<b>TOTAL REVENUES</b>	<u>52,671,798</u>	<u>55,503,648</u>	<u>51,349,065</u>	<u>(4,154,583)</u>
<b>EXPENDITURES</b>				
General government	-	-	6,380	(6,380)
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>6,380</u>	<u>(6,380)</u>
<b>NET CHANGE IN FUND BALANCES</b>	52,671,798	55,503,648	51,342,685	(4,160,963)
Fund balances - beginning	<u>276,006,693</u>	<u>276,006,693</u>	<u>276,006,693</u>	<u>-</u>
Fund balances - ending	<u>\$ 328,678,491</u>	<u>\$ 331,510,341</u>	<u>\$ 327,349,378</u>	<u>\$ (4,160,963)</u>

<sup>(1)</sup> Budget prepared in accordance with GAAP.

See accompanying Report of Independent Auditors.

**Metropolitan Transportation Commission**  
**Schedules of Funding Progress (unaudited)**  
**For the Year Ended June 30, 2016**

**Schedule VI**

**Other Post Employment Benefits**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
January 1, 2012	\$ 13,124,584	\$ 24,735,009	\$ 11,610,425	53.1 %	\$ 17,799,482	65.2 %
January 1, 2014	17,705,619	29,092,241	11,386,622	60.9 %	20,191,937	56.4 %
January 1, 2016	22,479,761	35,790,094	13,310,333	62.8 %	23,713,136	56.1 %

**Metropolitan Transportation Commission**  
**Schedule of Changes in the Net Pension Liability**  
**For the Measurement Periods Ended June 30**  
**Last Ten Years**

**Schedule VII**

	2016*	2015*
<b>Total Pension Liability</b>		
Service cost	\$ 3,699,768	\$ 3,710,617
Interest	9,499,032	8,852,738
Changes of assumptions	(2,410,626)	-
Difference between expected and actual experience	515,758	-
Benefit payments and refunds of contribution	<u>(4,653,536)</u>	<u>(4,404,877)</u>
<b>Net change in total pension liability</b>	6,650,396	8,158,478
<b>Total pension liability - beginning</b>	<u>126,542,119</u>	<u>118,383,641</u>
<b>Total pension liability - ending</b>	<u><u>\$133,192,515</u></u>	<u><u>\$ 126,542,119</u></u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 3,819,020	\$ 3,313,040
Contributions - member	1,755,442	2,310,147
Net investment income	2,304,601	15,270,089
Benefit payments and refunds of contributions	(4,653,536)	(4,404,877)
Administrative expenses	<u>(119,062)</u>	<u>-</u>
<b>Net change in plan fiduciary net position</b>	3,106,465	16,488,399
<b>Plan Fiduciary Net Position - beginning</b>	<u>102,691,695</u>	<u>86,203,296</u>
<b>Plan Fiduciary Net Position - ending</b>	<u><u>\$105,798,160</u></u>	<u><u>\$ 102,691,695</u></u>
<b>Net Pension Liability - ending</b>	<u><u>\$ 27,394,355</u></u>	<u><u>\$ 23,850,424</u></u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	79.43%	81.15%
<b>Covered Payroll<sup>1</sup></b>	\$ 23,713,316	\$ 22,111,218
<b>Plan Net Pension Liability as a Percentage of Covered Payroll<sup>1</sup></b>	115.52%	107.86%

<sup>1</sup> Fiscal year 2015 covered-employee payroll has been revised to covered payroll in accordance with the implementation guidance in GASB Statement 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*.

\* Only two years' data is available. The amounts for 2016 and 2015 are determined as of the measurement dates of June 30, 2015 and June 30, 2014, respectively.

**Metropolitan Transportation Commission**  
**Schedule of Employer Contributions**  
**As of June 30, 2016**  
**Last Ten Years**

**Schedule VIII**

Fiscal Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actuarially Determined Contribution	\$ 1,849,320	\$ 2,072,929	\$ 2,190,076	\$ 2,214,238	\$ 2,281,381	\$ 2,892,933	\$ 3,103,791	\$ 3,311,675	\$ 3,819,020	\$ 4,137,098
Contributions in Relation to the Actuarially Determined Contribution	<u>(1,849,320)</u>	<u>(2,072,929)</u>	<u>(2,190,076)</u>	<u>(2,214,238)</u>	<u>(2,281,381)</u>	<u>(2,892,933)</u>	<u>(3,103,791)</u>	<u>(3,311,675)</u>	<u>(3,819,020)</u>	<u>(4,137,098)</u>
Covered payroll <sup>(1)</sup>	<u>\$ 15,193,161</u>	<u>\$ 16,122,962</u>	<u>\$ 16,711,761</u>	<u>\$ 17,011,660</u>	<u>\$ 17,417,779</u>	<u>\$ 17,799,482</u>	<u>\$ 18,966,022</u>	<u>\$ 20,191,937</u>	<u>\$ 22,111,218</u>	<u>\$ 23,713,316</u>
Actual contributions as a percentage of covered payroll	12.17%	12.86%	13.10%	13.02%	13.10%	16.25%	16.36%	16.40%	17.27%	17.45%

<sup>(1)</sup> Covered-employee payroll numbers have been revised to covered payroll numbers in accordance with the implementation guidance in GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*.

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year 2014-15 were derived from the June 30, 2012 funding valuation report.

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method / Period	For details, see June 30, 2012 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation.
Retirement Age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include five years of projected mortality improvement using Scale AA published by the Society of Actuaries.

## **OTHER SUPPLEMENTARY INFORMATION**

**Metropolitan Transportation Commission**  
**Combining Balance Sheet - Non-Major Governmental Funds**  
**June 30, 2016**

**Schedule 1**

	Transit Reserves	Exchange	Feeder Bus	Prop 1B Fund	Capital Projects	Total Non-Major Governmental Funds
<b>ASSETS</b>						
Cash - unrestricted	\$ 20,329,043	\$28,500,112	\$ 168,403	\$ 1,625,785	\$ -	\$ 50,623,343
Investment - unrestricted	33,771,457	-	-	-	-	33,771,457
Receivables						
Interest	14,152	-	-	-	-	14,152
Due from other funds	-	-	-	-	499,769	499,769
<b>TOTAL ASSETS</b>	<b>\$ 54,114,652</b>	<b>\$28,500,112</b>	<b>\$ 168,403</b>	<b>\$ 1,625,785</b>	<b>\$ 499,769</b>	<b>\$ 84,908,721</b>
<b>LIABILITIES</b>						
Accounts payable and accrued expenditures	\$ 776,458	\$ 14,637	\$ -	\$ 109,722	\$ -	\$ 900,817
Due to other funds	24,234	-	-	3,818	-	28,052
<b>TOTAL LIABILITIES</b>	<b>800,692</b>	<b>14,637</b>	<b>-</b>	<b>113,540</b>	<b>-</b>	<b>928,869</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenues	44,163,394	-	-	-	-	44,163,394
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>44,163,394</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,163,394</b>
<b>FUND BALANCES</b>						
Restricted for:						
Transportation projects	9,150,566	-	168,403	1,512,245	-	10,831,214
Committed to:						
Building reserve	-	-	-	-	499,769	499,769
Transportation projects	-	28,485,475	-	-	-	28,485,475
<b>TOTAL FUND BALANCES</b>	<b>9,150,566</b>	<b>28,485,475</b>	<b>168,403</b>	<b>1,512,245</b>	<b>499,769</b>	<b>39,816,458</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 54,114,652</b>	<b>\$28,500,112</b>	<b>\$ 168,403</b>	<b>\$ 1,625,785</b>	<b>\$ 499,769</b>	<b>\$ 84,908,721</b>

**Metropolitan Transportation Commission**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2016**

**Schedule 2**

	Transit Reserves	Exchange	Feeder Bus	Prop 1B Fund	Capital Projects	Total Non-Major Governmental Funds
<b>REVENUES</b>						
Grants - State	\$ 3,210,892	\$ -	\$ -	\$ -	\$ -	\$ 3,210,892
Local agencies revenues and refunds	-	953,854	-	-	-	953,854
Investment income - unrestricted	111,211	44,844	180	1,850	-	158,085
<b>TOTAL REVENUES</b>	<b>3,322,103</b>	<b>998,698</b>	<b>180</b>	<b>1,850</b>	<b>-</b>	<b>4,322,831</b>
<b>Expenditures</b>						
Current:						
General government	-	37,553	-	401,406	-	438,959
Allocations to other agencies	1,740,071	-	-	-	-	1,740,071
<b>TOTAL EXPENDITURES</b>	<b>1,740,071</b>	<b>37,553</b>	<b>-</b>	<b>401,406</b>	<b>-</b>	<b>2,179,030</b>
<b>EXCESS/(DEFICIENCY) OF REVENUES OVER/ (UNDER) EXPENDITURES</b>	<b>1,582,032</b>	<b>961,145</b>	<b>180</b>	<b>(399,556)</b>	<b>-</b>	<b>2,143,801</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	2,192,465	-	-	10,000	-	2,202,465
Transfers out	(52,163)	-	-	(3,818)	-	(55,981)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>2,140,302</b>	<b>-</b>	<b>-</b>	<b>6,182</b>	<b>-</b>	<b>2,146,484</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,722,334</b>	<b>961,145</b>	<b>180</b>	<b>(393,374)</b>	<b>-</b>	<b>4,290,285</b>
Fund balances - beginning	5,428,232	27,524,330	168,223	1,905,619	499,769	35,526,173
Fund balances - ending	\$ 9,150,566	\$ 28,485,475	\$ 168,403	\$ 1,512,245	\$ 499,769	\$ 39,816,458

# Metropolitan Transportation Commission

## Schedule of Revenues, Expenses and Changes in Fund Balances - Budget and Actual - Transit Reserves Fund

For the Year Ended June 30, 2016

Schedule 3

	Original Budget <sup>(1)</sup>	Final Budget <sup>(1)</sup>	Actual	Variance from Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Grants - State	\$ 3,210,892	\$ 3,210,892	\$ 3,210,892	\$ -
Investment income - unrestricted	-	-	111,211	111,211
<b>TOTAL REVENUES</b>	<b>3,210,892</b>	<b>3,210,892</b>	<b>3,322,103</b>	<b>111,211</b>
<b>EXPENDITURES</b>				
Allocations to other agencies	18,966,410	18,966,410	1,740,071	17,226,339
<b>TOTAL EXPENDITURES</b>	<b>18,966,410</b>	<b>18,966,410</b>	<b>1,740,071</b>	<b>17,226,339</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>(15,755,518)</b>	<b>(15,755,518)</b>	<b>1,582,032</b>	<b>17,337,550</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	15,755,518	15,755,518	2,192,465	(13,563,053)
Transfers out	-	-	(52,163)	(52,163)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>15,755,518</b>	<b>15,755,518</b>	<b>2,140,302</b>	<b>(13,615,216)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>3,722,334</b>	<b>3,722,334</b>
Fund balances - beginning	5,428,232	5,428,232	5,428,232	-
Fund balances - ending	<u>\$ 5,428,232</u>	<u>\$ 5,428,232</u>	<u>\$ 9,150,566</u>	<u>\$ 3,722,334</u>

<sup>(1)</sup> Budget prepared in accordance with GAAP.

# Metropolitan Transportation Commission

## Schedule of Revenues, Expenses and Changes in Fund Balances - Budget and Actual - Exchange Fund

For the Year Ended June 30, 2016

Schedule 4

	Original Budget <sup>(1)</sup>	Final Budget <sup>(1)</sup>	Actual	Variance from Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Local agencies revenues and refunds	\$ 953,854	\$ 953,854	\$ 953,854	\$ -
Investment income - unrestricted	-	-	44,844	44,844
<b>TOTAL REVENUES</b>	<b>953,854</b>	<b>953,854</b>	<b>998,698</b>	<b>44,844</b>
<b>EXPENDITURES</b>				
General government	91,462	91,462	37,553	53,909
<b>TOTAL EXPENDITURES</b>	<b>91,462</b>	<b>91,462</b>	<b>37,553</b>	<b>53,909</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>862,392</b>	<b>862,392</b>	<b>961,145</b>	<b>98,753</b>
<b>OTHER FINANCING USES</b>				
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING USES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>862,392</b>	<b>862,392</b>	<b>961,145</b>	<b>98,753</b>
Fund balances - beginning	27,524,330	27,524,330	27,524,330	-
Fund balances - ending	<u>\$ 28,386,722</u>	<u>\$ 28,386,722</u>	<u>\$ 28,485,475</u>	<u>\$ 98,753</u>

<sup>(1)</sup> Budget prepared in accordance with GAAP.

# Metropolitan Transportation Commission

## Schedule of Revenues, Expenses and Changes in Fund Balances - Budget and Actual - Feeder Bus Fund

For the Year Ended June 30, 2016

Schedule 5

	<u>Original Budget<sup>(1)</sup></u>	<u>Final Budget<sup>(1)</sup></u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Investment income - unrestricted	\$ -	\$ -	\$ 180	\$ 180
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>180</u>	<u>180</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	180	180
Fund balances - beginning	<u>168,223</u>	<u>168,223</u>	<u>168,223</u>	<u>-</u>
Fund balances - ending	<u>\$ 168,223</u>	<u>\$ 168,223</u>	<u>\$ 168,403</u>	<u>\$ 180</u>

<sup>(1)</sup> Budget prepared in accordance with GAAP.

# Metropolitan Transportation Commission

## Schedule of Revenues, Expenses and Changes in Fund Balances - Budget and Actual -

### Prop 1B Fund

For the Year Ended June 30, 2016

Schedule 6

	Original Budget <sup>(1)</sup>	Final Budget <sup>(1)</sup>	Actual	Variance from Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Investment income - unrestricted	\$ -	\$ -	\$ 1,850	\$ 1,850
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>1,850</u>	<u>1,850</u>
<b>EXPENDITURES</b>				
General government	<u>1,935,919</u>	<u>1,935,919</u>	<u>401,406</u>	<u>1,534,513</u>
<b>TOTAL EXPENDITURES</b>	<u>1,935,919</u>	<u>1,935,919</u>	<u>401,406</u>	<u>1,534,513</u>
<b>REVENUES UNDER EXPENDITURES</b>	(1,935,919)	(1,935,919)	(399,556)	1,536,363
<b>OTHER FINANCING SOURCES</b>				
Transfers in	30,300	30,300	10,000	(20,300)
Transfers out	<u>-</u>	<u>-</u>	<u>(3,818)</u>	<u>(3,818)</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>30,300</u>	<u>30,300</u>	<u>6,182</u>	<u>(24,118)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,905,619)	(1,905,619)	(393,374)	1,512,245
Fund balances - beginning	<u>1,905,619</u>	<u>1,905,619</u>	<u>1,905,619</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,512,245</u>	<u>\$ 1,512,245</u>

<sup>(1)</sup> Budget prepared in accordance with GAAP.

**Metropolitan Transportation Commission**  
**Schedule of Expenditures by Natural Classification**  
**For the Year Ended June 30, 2016**

**Schedule 7**

Expenditures by natural classification

Salaries & benefits	\$ 23,631,761
Travel	111,430
Professional fees	35,112,552
Overhead	4,139,315
Printing & reproduction	72,992
Other	<u>291,313</u>

Reported as general government expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds <sup>(1)</sup>	<u>\$ 63,359,363</u>
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Salaries & benefits - MTC Governmental	\$ 23,631,761
Salaries & benefits - MTC Clipper <sup>®</sup>	2,286,126
Salaries & benefits - BATA	9,887,923
Salaries & benefits - SAFE	693,412
Salaries & benefits - BAHA	900,682
Total salaries & benefits	<u>\$ 37,399,904</u>

Indirect Cost - MTC Governmental	\$ 4,139,315
Indirect Cost - MTC Clipper <sup>®</sup>	1,440,259
Indirect Cost - SAFE	436,850
Indirect Cost - BAHA	567,430
Total Indirect Cost	<u>\$ 6,583,854</u>

<sup>(1)</sup> General government expenditures - by Fund	
General Fund	\$ 62,957,957
Special Revenue - Prop 1B	401,406
Total general government expenditures	<u>\$ 63,359,363</u>

**Metropolitan Transportation Commission**  
**Schedule of Overhead, Salaries and Benefits Expenditures -**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

**Schedule 8**

	Direct Costs*	Allowable Indirect Costs	Unallowable Costs	Total
Salaries	\$ 15,310,611	\$ 5,490,095	\$ -	\$ 20,800,706
Benefits	12,406,021	4,193,177	-	16,599,198
Total salaries and benefits	<u>\$ 27,716,632</u>	<u>\$ 9,683,272</u>	<u>\$ -</u>	<u>\$ 37,399,904</u>
Reimbursable overhead:**				
Agency temps		\$ 1,337,718	\$ -	\$ 1,337,718
Training		155,095	56,760	211,855
Personnel recruitment		47,331	-	47,331
Public hearing		2,800	-	2,800
Advertising		51,364	-	51,364
Communications		105,227	-	105,227
Utilities		225,937	-	225,937
Meeting room rental		32,909	-	32,909
Equipment rental		123,717	-	123,717
Parking rental		1,168	-	1,168
Storage rental		63,984	-	63,984
Computer maintenance & repair		104,208	-	104,208
Auto expense		42,487	-	42,487
General maintenance		42,810	-	42,810
Janitorial service		117,583	-	117,583
Office supplies		217,920	1,262	219,182
Printing & graphics supplies		4,796	-	4,796
Computer supplies		41,277	-	41,277
Computer software		1,026,631	-	1,026,631
Computer hardware		519,080	-	519,080
Furniture & fixtures		36,750	-	36,750
Postage & mailing		13,343	-	13,343
Memberships		28,241	54,275	82,516
Library acquisitions & subscriptions		52,416	450	52,866
Law library		32,866	-	32,866
Hosted services		28,269	-	28,269
Advisory member stipend		19,850	64,100	83,950
Audit fees		396,987	-	396,987
Newswire service		8,911	-	8,911
Insurance		257,858	-	257,858
Other		49,478	101,044	150,522
Miscellaneous		-	34,757	34,757
Travel		39,035	198,143	237,178
Professional fees		479,094	-	479,094
Building maintenance		365,923	-	365,923
Subtotal indirect costs		6,073,063	510,791	6,583,854
Carry forward provision for fiscal June 30, 2014		1,911,609	-	1,911,609
Depreciation expense		682,329	26,775	709,104
Total indirect costs including depreciation expense		<u>\$ 8,667,001</u>	<u>\$ 537,566</u>	<u>\$ 9,204,567</u>
Indirect costs recovered***		<u>\$ 17,461,479</u>		
Indirect (over)/under absorbed		<u>\$ 888,794</u>		

\*Direct costs include MTC, BATA, SAFE, and BAHA salaries and benefits per Indirect Cost Plan for fiscal year 2016.

\*\* Overhead distributed to MTC, BATA, SAFE, and BAHA per Indirect Cost Plan for fiscal year 2016.

\*\*\* Indirect costs recovered at 63.00% per Indirect Cost Plan for fiscal year 2016.

**Metropolitan Transportation Commission**  
**Schedule of Expenditures - Federal Highway Administration Grant**  
**FY2016 OWPMTC**  
**For the Year Ended June 30, 2016**

**Schedule 9**

	ABAG	MTC	Total
<b>Authorized Expenditures</b>			
Federal	\$ 1,015,000	\$ 7,182,123	\$ 8,197,123
Total authorized expenditures	<u>1,015,000</u>	<u>7,182,123</u>	<u>8,197,123</u>
<b>Actual Expenditures *</b>			
<i>Program No. Program Name</i>			
Association of Bay Area Governments (ABAG)			
1611 Develop Community Projects	1,014,969	-	1,014,969
MTC			
1112 Public Information Program	-	2,100,000	2,100,000
1113 Support Partnership Board	-	74,088	74,088
1114 Support Advisory Committees	-	106,404	106,404
1121 Develop/Produce the 2001 RTP	-	420,000	420,000
1122 Dev/Anlyz Travel Models & Data	-	1,189,849	1,189,849
1125 Non-Motorized Transportation	-	50,000	50,000
1156 Library Services	-	230,000	230,000
1212 Dev MTS Performance Measures	-	50,000	50,000
1229 Refine Regional Transport ERP	-	105,396	105,396
1311 Dev/Imp Welfare to Work Prgms	-	300,000	300,000
1412 Air Quality Conformity	-	100,000	100,000
1511 Conduct Fin Analy of RTP/Plng	-	150,000	150,000
1512 Implement Federal Transp Legisln	-	1,620,516	1,620,516
Total Expenditures	<u>1,014,969</u>	<u>6,496,253</u>	<u>7,511,222</u>
Balance of Federal Highway Administration Grant	<u>\$ 31</u>	<u>\$ 685,870</u>	<u>\$ 685,901</u>

\*Toll credit match rate (88.53%)

**Metropolitan Transportation Commission**  
**Toll Bridge Rate Schedule**  
**By Fiscal Year**

**Schedule 10**

Number of Axles Per Vehicle	Toll Rate for Fiscal Year Ending June 30,		
	2014	2015	2016
2 axles	\$ 5.00 *	\$ 5.00 *	\$ 5.00 *
3 axles	15.00	15.00	15.00
4 axles	20.00	20.00	20.00
5 axles	25.00	25.00	25.00
6 axles	30.00	30.00	30.00
7 axles or more	35.00	35.00	35.00

\* During peak hours on all bridges, a reduced-rate toll of \$2.50 is collected on high-occupancy and inherently-low-emission two-axle vehicles. On the San Francisco-Oakland Bay Bridge, a weekday toll of \$6.00 is collected on all other two-axle vehicles during peak hours, and a weekday toll of \$4.00 is collected on all two-axle vehicles during non-peak hours.

**Metropolitan Transportation Commission**  
**Schedule of Computations Demonstrating**  
**Bond Covenant Compliance - BATA Proprietary Fund**  
**For the Year Ended June 30, 2016**

**Schedule 11**

	<b>2016</b>
<b>Revenues</b>	
Toll revenues collected	\$ 714,132,356
Investment income	12,005,791
Other operating revenues	22,829,705
Revenues subtotal	<u>748,967,852</u>
BABs interest subsidy	71,259,651
Derivative investment charge	<u>(187,386,795)</u>
Total revenues	<u>632,840,708</u>
<b>Operating expenses</b>	
Operating expenses incurred by Caltrans	26,375,592
Services and charges - BATA	48,954,419
Transbay Terminal JPA operations	<u>3,817,607</u>
Total operating expenses before depreciation and amortization	79,147,618
Depreciation and amortization	<u>4,978,533</u>
Total operating expenses	<u>84,126,151</u>
Net operating income	548,714,557
<b>Nonoperating expenses (revenues)</b>	
Interest expense	443,036,331
Financing fees and bond issuance costs	3,309,777
Other nonoperating expenses	648,185
Caltrans/other agency operating grants	(8,919,824)
Other nonoperating revenues	<u>(2,200,203)</u>
Total nonoperating expenses	<u>435,874,266</u>
Income before operating transfers	112,840,291
<b>Operating transfers</b>	
MTC/ SAFE/ CLIPPER administrative & operating transfers	10,788,617
MTC transit transfers:	
AB 664 expenses	9,301,049
90% rail expenses	7,551,916
2% transit expenses	2,192,465
Allocations to other agencies (RM2)	<u>36,522,647</u>
Total operating transfers	<u>66,356,694</u>
Net income before capital transfers	46,483,597
<b>Capital project expenses (revenues)</b>	
Capital expenses	29,005,262
Distribution to Caltrans for their capital purposes	183,073,540
Distributions to other agencies for their capital purposes	154,895,786
Distributions to MTC	1,409,696
Contributions to BAHA	<u>925,937</u>
Total capital project expenses	<u>369,310,221</u>
<b>Change in net position</b>	<u>(322,826,624)</u>
<b>Total net position - beginning</b>	<u>(6,339,530,353)</u>
<b>Total net position - ending</b>	<u>\$ (6,662,356,977)</u>

**Metropolitan Transportation Commission**  
**Schedule of Computations Demonstrating**  
**Bond Covenant Compliance - BATA Proprietary Fund, *continued***  
**June 30, 2016**

**Schedule 11**

	<b>2016</b>
<b>Senior Bond - Debt Service Covenant</b>	
Net revenue <sup>1</sup>	\$ 722,592,260
Debt service <sup>2</sup>	255,562,717
Debt service coverage <sup>4</sup>	2.83
Debt service coverage - bond covenant requirement	1.20
Net revenue <sup>1</sup> plus operations & maintenance reserve	\$ 872,592,260
Fixed charges <sup>5</sup> , operating transfer and costs <sup>7</sup>	306,691,589
Fixed charges coverage	2.85
Fixed charges coverage - bond covenant requirement	1.25
<b>Combined Bonds - Debt Service Covenant</b>	
Net revenue <sup>1</sup>	\$ 722,592,260
Debt service <sup>3,10</sup> , operating transfer and costs <sup>7,11</sup>	487,507,892
Sum sufficient coverage	1.48
Sum sufficient coverage - bond covenant requirement	1.00
Net revenue <sup>1,6</sup>	\$ 678,180,102
Debt service <sup>3</sup>	428,691,680
Subordinate debt service coverage	1.58
Subordinate debt service coverage - bond covenant requirement	1.20
Self insurance reserve - Caltrans Cooperative Agreement <sup>9</sup>	\$ 50,000,000
Operations & maintenance reserve <sup>8,9</sup>	150,000,000
Rehabilitation reserve <sup>9</sup>	120,000,000
Project/operating reserves & variable rate risk reserve <sup>9</sup>	\$ 680,000,000

<sup>1</sup> Revenues subtotal less Caltrans operating expenses.

<sup>2</sup> Senior debt service expense less BABs interest subsidy on senior bonds plus principal retirement of \$56,915,000.

<sup>3</sup> Total debt service expense less BABs interest subsidy plus principal retirement of \$56,915,000.

<sup>4</sup> Based on debt outstanding from May 24, 2001 to December 18, 2014.

<sup>5</sup> Fixed charges comprise debt service and operating transfers.

<sup>6</sup> Net revenues less Maintenance A transfer and BATA service charges.

<sup>7</sup> Operating transfer and costs include RM 2 operating costs less amortization of Transit Transfer to MTC (Transit Transfer obligation for the next 45 years was fulfilled in early September 2010).

<sup>8</sup> Minimum required operation & maintenance reserve is \$62 million, but currently maintained at \$150 million.

<sup>9</sup> Designated reserves through BATA resolution.

<sup>10</sup> Debt service includes Maintenance A transfer.

<sup>11</sup> Financing costs.

# Metropolitan Transportation Commission

## Schedule of Operating Revenues and Expenses - BATA Proprietary Fund - By Bridge

For the Year Ended June 30, 2016

Schedule 12

	Carquinez Bridge	Benicia - Martinez Bridge	Antioch Bridge	Richmond - San Rafael Bridge	San Francisco - Oakland Bay Bridge	San Mateo - Hayward Bridge	Dumbarton Bridge	Total
<b>Operating revenues</b>								
Toll revenues collected	\$ 121,273,703	\$ 114,971,355	\$ 13,874,933	\$ 77,382,940	\$ 229,130,963	\$ 98,997,392	\$ 58,501,070	\$ 714,132,356 *
Other operating revenues	3,738,188	4,100,337	375,074	2,606,645	7,614,621	2,814,898	1,579,942	22,829,705
Total operating revenues	<u>125,011,891</u>	<u>119,071,692</u>	<u>14,250,007</u>	<u>79,989,585</u>	<u>236,745,584</u>	<u>101,812,290</u>	<u>60,081,012</u>	<u>736,962,061</u>
<b>Operating expenses</b>								
Operating expenditures-by Caltrans & Transbay JPA	4,097,612	3,957,030	1,673,925	2,542,766	11,773,925	3,470,235	2,677,706	30,193,199
Services and charges	13,239,085	12,551,077	1,514,685	8,447,663	25,013,538	10,807,247	6,386,386	77,959,681
Allocations to other agencies	6,202,263	5,879,944	709,601	3,957,571	11,718,373	5,062,993	2,991,902	36,522,647
Depreciation	844,515	804,387	96,266	540,368	1,599,330	687,791	405,876	4,978,533
Total operating expenses	<u>24,383,475</u>	<u>23,192,438</u>	<u>3,994,477</u>	<u>15,488,368</u>	<u>50,105,166</u>	<u>20,028,266</u>	<u>12,461,870</u>	<u>149,654,060</u>
<b>Operating income</b>	<u>\$ 100,628,416</u>	<u>\$ 95,879,254</u>	<u>\$ 10,255,530</u>	<u>\$ 64,501,217</u>	<u>\$ 186,640,418</u>	<u>\$ 81,784,024</u>	<u>\$ 47,619,142</u>	<u>\$ 587,308,001</u>
*Toll revenues by Program								
Regional Measure 1 (RM 1)	26,949,207	24,776,839	3,120,171	16,595,445	49,410,580	21,516,710	12,438,886	154,807,838
Regional Measure 2 (RM 2)	20,587,757	20,325,971	2,255,885	13,874,536	42,542,512	17,518,486	10,704,950	127,810,097
Seismic Program	73,736,739	69,868,545	8,498,877	46,912,959	137,177,871	59,962,196	35,357,234	431,514,421
Total toll revenues	<u>\$ 121,273,703</u>	<u>\$ 114,971,355</u>	<u>\$ 13,874,933</u>	<u>\$ 77,382,940</u>	<u>\$ 229,130,963</u>	<u>\$ 98,997,392</u>	<u>\$ 58,501,070</u>	<u>\$ 714,132,356</u>

**Metropolitan Transportation Commission**  
**Combining Statement of Changes in Assets and Liabilities by Participant -**  
**Agency Funds**  
**For the Year Ended June 30, 2016**

**Schedule 13**

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2016</b>
<b><u>County of Alameda</u></b>				
Assets				
Cash and investments	\$ 18,860,932	\$ 84,003,170	\$ 77,219,937	\$ 25,644,165
Interest receivables	14,352	16,974	14,352	16,974
Total Assets	<u>\$ 18,875,284</u>	<u>\$ 84,020,144</u>	<u>\$ 77,234,289</u>	<u>\$ 25,661,139</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,063,733	\$ 71,297,418	\$ 71,259,955	\$ 1,101,196
Due to other governments	17,811,551	12,722,726	5,974,334	24,559,943
Total Liabilities	<u>\$ 18,875,284</u>	<u>\$ 84,020,144</u>	<u>\$ 77,234,289</u>	<u>\$ 25,661,139</u>
<b><u>County of Contra Costa</u></b>				
Assets				
Cash and investments	\$ 18,861,806	\$ 43,080,659	\$ 43,384,349	\$ 18,558,116
Receivables-interest	\$ 163	\$ -	\$ 163	\$ -
Total Assets	<u>\$ 18,861,969</u>	<u>\$ 43,080,659</u>	<u>\$ 43,384,512</u>	<u>\$ 18,558,116</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,696,695	\$ 39,701,659	\$ 40,875,654	\$ 522,700
Due to other governments	17,165,274	3,379,000	2,508,858	18,035,416
Total Liabilities	<u>\$ 18,861,969</u>	<u>\$ 43,080,659</u>	<u>\$ 43,384,512</u>	<u>\$ 18,558,116</u>
<b><u>County of Marin</u></b>				
Assets				
Cash and investments	\$ 1,643,110	\$ 12,698,580	\$ 13,500,508	\$ 841,182
Interest receivables	-	1,525	-	1,525
Total Assets	<u>\$ 1,643,110</u>	<u>\$ 12,700,105</u>	<u>\$ 13,500,508</u>	<u>\$ 842,707</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 799,524	\$ 12,644,682	\$ 12,990,969	\$ 453,237
Due to other governments	843,586	55,423	509,539	389,470
Total Liabilities	<u>\$ 1,643,110</u>	<u>\$ 12,700,105</u>	<u>\$ 13,500,508</u>	<u>\$ 842,707</u>
<b><u>County of Napa</u></b>				
Assets				
Cash and investments	\$ 13,054,614	\$ 9,628,870	\$ 14,574,052	\$ 8,109,432
Total Assets	<u>\$ 13,054,614</u>	<u>\$ 9,628,870</u>	<u>\$ 14,574,052</u>	<u>\$ 8,109,432</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,043,800	\$ 13,544,768	\$ 14,291,780	\$ 296,788
Due to other governments	12,010,814	(3,915,898)	282,272	7,812,644
Total Liabilities	<u>\$ 13,054,614</u>	<u>\$ 9,628,870</u>	<u>\$ 14,574,052</u>	<u>\$ 8,109,432</u>

**Metropolitan Transportation Commission**  
**Combining Statement of Changes in Assets and Liabilities by Participant -**  
**Agency Funds, *continued***  
**For the Year Ended June 30, 2016**

**Schedule 13**

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2016</b>
<b><u>County of San Francisco</u></b>				
Assets				
Cash and investments	\$ 5,329,837	\$ 49,360,881	\$ 53,450,021	\$ 1,240,697
Interest receivables	2,137	-	2,137	-
Total Assets	<u>\$ 5,331,974</u>	<u>\$ 49,360,881</u>	<u>\$ 53,452,158</u>	<u>\$ 1,240,697</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 4,583,955	\$ 45,119,607	\$ 49,345,241	\$ 358,321
Due to other governments	748,019	4,241,274	4,106,917	882,376
Total Liabilities	<u>\$ 5,331,974</u>	<u>\$ 49,360,881</u>	<u>\$ 53,452,158</u>	<u>\$ 1,240,697</u>
<b><u>County of San Mateo</u></b>				
Assets				
Cash and investments	\$ 6,706,066	\$ 39,201,921	\$ 37,365,831	\$ 8,542,156
Interest receivables	6,949	-	6,949	-
Total Assets	<u>\$ 6,713,015</u>	<u>\$ 39,201,921</u>	<u>\$ 37,372,780</u>	<u>\$ 8,542,156</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,292,947	\$ 35,592,031	\$ 35,807,428	\$ 1,077,550
Due to other governments	5,420,068	3,609,890	1,565,352	7,464,606
Total Liabilities	<u>\$ 6,713,015</u>	<u>\$ 39,201,921</u>	<u>\$ 37,372,780</u>	<u>\$ 8,542,156</u>
<b><u>County of Santa Clara</u></b>				
Assets				
Cash and investments	\$ 16,045,468	\$ 110,168,497	\$ 116,069,921	\$ 10,144,044
Total Assets	<u>\$ 16,045,468</u>	<u>\$ 110,168,497</u>	<u>\$ 116,069,921</u>	<u>\$ 10,144,044</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 9,819,012	\$ 97,848,576	\$ 106,954,362	\$ 713,226
Due to other governments	6,226,456	12,319,921	9,115,559	9,430,818
Total Liabilities	<u>\$ 16,045,468</u>	<u>\$ 110,168,497</u>	<u>\$ 116,069,921</u>	<u>\$ 10,144,044</u>
<b><u>County of Solano</u></b>				
Assets				
Cash and investments	\$ 15,647,247	\$ 22,945,263	\$ 15,650,984	\$ 22,941,526
Total Assets	<u>\$ 15,647,247</u>	<u>\$ 22,945,263</u>	<u>\$ 15,650,984</u>	<u>\$ 22,941,526</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 859,073	\$ 16,041,974	\$ 15,027,544	\$ 1,873,503
Due to other governments	14,788,174	6,903,289	623,440	21,068,023
Total Liabilities	<u>\$ 15,647,247</u>	<u>\$ 22,945,263</u>	<u>\$ 15,650,984</u>	<u>\$ 22,941,526</u>

**Metropolitan Transportation Commission**  
**Combining Statement of Changes in Assets and Liabilities by Participant -**  
**Agency Funds, *continued***  
**For the Year Ended June 30, 2016**

**Schedule 13**

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2016</b>
<b><u>County of Sonoma</u></b>				
Assets				
Cash and investments	\$ 17,283,212	\$ 26,270,827	\$ 30,514,788	\$ 13,039,251
Total Assets	<u>\$ 17,283,212</u>	<u>\$ 26,270,827</u>	<u>\$ 30,514,788</u>	<u>\$ 13,039,251</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 7,288,334	\$ 23,698,659	\$ 29,689,997	\$ 1,296,996
Due to other governments	9,994,878	2,572,168	824,791	11,742,255
Total Liabilities	<u>\$ 17,283,212</u>	<u>\$ 26,270,827</u>	<u>\$ 30,514,788</u>	<u>\$ 13,039,251</u>
<b><u>AB1107</u></b>				
Assets				
Cash	\$ -	\$ 80,524,838	\$ 80,524,838	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 80,524,838</u>	<u>\$ 80,524,838</u>	<u>\$ -</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 80,524,838	\$ 80,524,838	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 80,524,838</u>	<u>\$ 80,524,838</u>	<u>\$ -</u>
<b><u>Clipper®</u></b>				
Assets				
Cash	\$ 57,477,501	\$ 410,736,046	\$ 396,239,521	\$ 71,974,026
Accounts receivable	9,694,161	1,006,063,475	1,007,391,288	8,366,348
Total Assets	<u>\$ 67,171,662</u>	<u>\$ 1,416,799,521</u>	<u>\$ 1,403,630,809</u>	<u>\$ 80,340,374</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 67,171,662	\$ 1,004,153,740	\$ 990,985,028	\$ 80,340,374
Total Liabilities	<u>\$ 67,171,662</u>	<u>\$ 1,004,153,740</u>	<u>\$ 990,985,028</u>	<u>\$ 80,340,374</u>
<b><u>Total - All Agency Funds</u></b>				
Assets				
Cash and investments	170,909,793	\$ 888,619,552	\$ 878,494,750	\$ 181,034,595
Interest receivable	23,601	18,499	23,601	18,499
Accounts receivable	9,694,161	1,006,063,475	1,007,391,288	8,366,348
Total Assets	<u>\$ 180,627,555</u>	<u>\$ 1,894,701,526</u>	<u>\$ 1,885,909,639</u>	<u>\$ 189,419,442</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 95,618,735	\$ 1,440,167,952	\$ 1,447,752,796	\$ 88,033,891
Due to other governments	85,008,820	41,887,793	25,511,062	101,385,551
Total Liabilities	<u>\$ 180,627,555</u>	<u>\$ 1,482,055,745</u>	<u>\$ 1,473,263,858</u>	<u>\$ 189,419,442</u>

**Metropolitan Transportation Commission**  
**Statement of Cash Collections and Disbursements - Agency Fund**  
**Clipper® Program**  
**For the Year Ended June 30, 2016**

**Schedule 14**

**Cash Collections**

Autoload and remote add value	\$	232,785,949
Third party		171,272,608
Other receipts		6,677,489
<b>Total Cash Collections</b>		<u>410,736,046</u>

**Cash Disbursements**

Disbursements to operator		382,983,771
Patron refunds		6,398,395
Other disbursements		6,857,355
<b>Total Cash Disbursements</b>		<u>396,239,521</u>

**Net Increase in Cash**

		14,496,525
Cash - beginning balance		57,477,501
Cash - ending balance	\$	<u><u>71,974,026</u></u>

**Metropolitan Transportation Commission**  
**Schedule of Interest Rate Swaps Summary-BATA Proprietary Fund**  
**For the Year Ended June 30, 2016**

**Schedule 15**

Counterparty	Series 2001	Series 2006	Series 2007	Series 2008 F-1	Total	Percentage by counterparty	Ratings (S&P/Moodys)
Citibank, N.A., New York	\$ -	\$ 115,000,000	\$ 260,000,000	\$ -	\$ 375,000,000	20%	A/A1
Wells Fargo Bank, N.A.	75,000,000	110,000,000	-	131,400,000	316,400,000	16%	AA-/Aa2
JP Morgan Chase Bank, N.A.	-	245,000,000	-	-	245,000,000	13%	A+/Aa3
Bank of America, N.A.	-	155,000,000	50,000,000	200,000,000	405,000,000	21%	A/A1
Goldman Sachs Mitsui Marine Derivative Products LP	-	60,000,000	85,000,000	-	145,000,000	8%	AA-/Aa2
The Bank of New York Mellon	-	-	210,000,000	146,445,000	356,445,000	18%	AA-/Aa2
Morgan Stanley Capital Services LLC	75,000,000	-	-	-	75,000,000	4%	BBB+/A3
Total swap notional	\$ 150,000,000	\$ 685,000,000	\$ 605,000,000	\$ 477,845,000	\$ 1,917,845,000		
Fair value	\$ (55,491,775)	\$ (262,882,288)	\$ (226,872,409)	\$ (1,074,415)	\$ (546,320,887)		

**Metropolitan Transportation Commission**  
**Schedule of Interest Rate Swaps for Series 2001 - BATA Proprietary Fund**  
**For the Year Ended June 30, 2016**

**Schedule 16**

	Series 2001 A	Series 2001 A	Total
Notional amount	\$75,000,000	\$75,000,000	\$150,000,000
Trade date	1/22/2014 <sup>(4)</sup>	6/26/2015 <sup>(6)</sup>	
Effective date	1/1/2014	7/1/2015 <sup>(7)</sup>	
Swap mode	65% One Mth LIBOR	65% One Mth LIBOR	
Maturity	4/1/2036	4/1/2036	
Swap rate	3.34% <sup>(5)</sup>	3.29% <sup>(7)</sup>	
Counterparty (CP)	Morgan Stanley Capital Services LLC	Wells Fargo Bank, N.A.	
S&P/Moody's ratings	BBB+/A3	AA-/Aa2	
Ratings outlook/(or) watch	Stable/Stable	Stable/Stable	
Fair value due from/ (to) CP <sup>(1)</sup>	\$(31,717,433)	\$(23,774,342)	\$(55,491,775)
Credit risk			
CP Collateral Posting <sup>(2)</sup>			
1a) CP = "A-", "A", or "A+" (S&P) or	No	No	
1b) CP = "A3", "A2", or "A1" (Moody's) and	Yes	No	
2) Termination value >\$10 million	No	No	
or			
CP Collateral Posting <sup>(2)</sup>			
1c) CP < A- (S&P) or	Yes	No	
1d) CP < A3 (Moody's) and	No	No	
2) Termination value > \$0	No	No	
Ratings termination risk <sup>(3)</sup>			
CP can terminate if BATA's Sr bond ratings (S&P or Moody's) is below	BBB-/Baa3	BBB+/Baa1	

<sup>(1)</sup>Fair value is presented in accordance with GASB Statement No. 72.

<sup>(2)</sup>Unilateral collateral posting by counterparty.

<sup>(3)</sup>Unilateral termination at BATA's discretion unless ratings fall below the levels as listed in the table above.

<sup>(4)</sup>Amended and restated on 1/22/14. Original trade date was 01/10/2002.

<sup>(5)</sup>Fixed rate of 3.34% effective from 01/01/2014 through 12/31/2016. Fixed rate will change to 4.09% effective from 01/01/2017 through maturity.

<sup>(6)</sup>Amended and restated on 06/26/2015. Original trade date was 05/20/2011.

<sup>(7)</sup>Fixed rate amended from 4.10% to 3.29% on 06/26/2015. New rate is effective on 07/01/2015.

**Metropolitan Transportation Commission**  
**Schedule of Interest Rate Swaps for Series 2006 - BATA Proprietary Fund**  
**For the Year Ended June 30, 2016**

**Schedule 17**

	Series 2006	Series 2006	Series 2006	Series 2006	Series 2006	Series2006	Total
Notional amount	\$245,000,000	\$115,000,000	\$30,000,000	\$110,000,000	\$60,000,000	\$125,000,000	\$685,000,000
Trade date	4/1/2011 <sup>(4)</sup>	3/20/2012 <sup>(5)</sup>	5/25/2006 <sup>(6)</sup>	3/20/2012	8/28/2008	6/26/2015 <sup>(7)</sup>	
Effective date	4/1/2011	2/8/2006	2/8/2006	3/1/2012	8/1/2008	7/1/2015 <sup>(8)</sup>	
Swap mode	75.105% One Mth LIBOR	53.8% One Mth LIBOR+0.74%	68% One Mth LIBOR	53.8% One Mth LIBOR+0.74%	68% One Mth LIBOR	68% One Mth LIBOR	
Maturity	4/1/2045	4/1/2045	4/1/2045	4/1/2045	4/1/2045	4/1/2045	
Swap rate	4.00%	3.64%	3.63%	3.64%	3.64%	2.96% <sup>(8)</sup>	
Counterparty (CP)	JP Morgan Chase Bank, N.A.	Citibank, N.A., New York	Bank of America, N.A.	Wells Fargo Bank, N.A.	Goldman Sachs Mitsui Marine Derivative Products LP	Bank of America, N.A.	
S&P/Moody's ratings	A+/Aa3	A/A1	A/A1	AA-/Aa2	AA-/Aa2	A/A1	
Ratings outlook/(or) watch	Stable/Stable	Positive on watch/Stable	Positive on watch/Stable	Stable/ Stable	Stable/Not on Watch	Positive on watch/Stable	
Fair value due from/ (to) CP <sup>(1)</sup>	\$(112,291,501)	\$(38,157,924)	\$(12,503,996)	\$(36,498,997)	\$(25,095,981)	\$(38,333,889)	\$(262,882,288)
Credit risk							
CP Collateral Posting <sup>(2)</sup>							
1a) CP = "A-", "A", or "A+" (S&P) or	Yes	Yes	Yes	No	No	Yes	
1b) CP = "A3", "A2", or "A1" (Moody's) and	No	Yes	Yes	No	No	Yes	
2) Termination value > \$10 million	No	No	No	No	No	No	
or							
CP Collateral Posting <sup>(2)</sup>							
1c) CP < A- (S&P) or	No	No	No	No	No	No	
1d) CP < A3 (Moody's) and	No	No	No	No	No	No	
2) Termination value > \$0	No	No	No	No	No	No	
Ratings termination risk <sup>(3)</sup>							
CP can terminate if BATA's Sr bond ratings (S&P or Moody's) is below	BBB-/Baa3	BBB-/Baa3	BBB/Baa2(Insured)	BBB+/Baa1	BBB+/Baa1	BBB+/Baa1	

(1) Fair value is presented in accordance with GASB Statement No. 72.

(2) Unilateral collateral posting by counterparty.

(3) Unilateral termination at BATA's discretion unless ratings fall below the levels as listed in the table above.

(4) Amended and restated on 04/01/2011. Original trade date was 11/15/2005.

(5) Amended and restated for novation. Original trade date was 11/15/2005.

(6) Amended and restated on 05/25/2006. Original trade date was 11/15/2005.

(7) Amended and restated on 06/26/2015. Original trade date was 09/02/2008.

(8) Fixed rate amended from 3.64% to 2.96% on 6/26/2015. New rate is effective on 7/1/2015.

**Metropolitan Transportation Commission**  
**Schedule of Interest Rate Swaps for Series 2007 - BATA Proprietary Fund**  
**For the Year Ended June 30, 2016**

**Schedule 18**

	Series 2007	Series 2007	Series 2007	Series 2007	Series 2007	Total
Notional amount	\$260,000,000	\$50,000,000	\$85,000,000	\$170,000,000	\$40,000,000	\$605,000,000
Trade date	1/2/2009 <sup>(4)</sup>	5/25/2006 <sup>(5)</sup>	8/28/2008	9/2/2008	6/26/2015 <sup>(6)</sup>	
Effective date	11/1/2007	11/1/2007	8/1/2008	9/2/2008	7/1/2015 <sup>(7)</sup>	
Swap mode	53.8% One Mth Libor + 0.74%	68% One Mth LIBOR	68% One Mth LIBOR	68% One Mth LIBOR	68% One Mth LIBOR	
Maturity	4/1/2047	4/1/2047	4/1/2047	4/1/2047	4/1/2047	
Swap rate	3.64%	3.63%	3.64%	3.64%	2.22% <sup>(7)</sup>	
Counterparty (CP)	Citibank, N.A., New York	Bank of America, N.A.	Goldman Sachs Mitsui Marine Derivative Products LP	The Bank of New York Mellon	The Bank of New York Mellon	
S&P/Moody's ratings	A/A1	A/A1	AA-/Aa2	AA-/Aa2	AA-/Aa2	
Ratings outlook/(or) watch	Positive on watch/Stable	Positive on watch/Stable	Stable/Not on Watch	Stable/Stable	Stable/Stable	
Fair value due from/(to) CP <sup>(1)</sup>	\$(88,550,875)	\$(21,344,391)	\$(36,435,281)	\$(72,870,023)	\$(7,671,839)	\$ (226,872,409)
Credit risk						
CP Collateral Posting <sup>(2)</sup>						
1a) CP = "A-", "A", or "A+" (S&P) or	Yes	Yes	No	No	No	
1b) CP = "A3", "A2", or "A1" (Moody's) and	Yes	Yes	No	No	No	
2) Termination value > \$10 million or	No	No	No	No	No	
CP Collateral Posting <sup>(2)</sup>						
1c) CP <A- (S&P) or	No	No	No	No	No	
1d) CP <A3 (Moody's) and	No	No	No	No	No	
2) Termination value >\$0	No	No	No	No	No	
Ratings termination risk <sup>(3)</sup>						
CP can terminate if BATA's Sr bond ratings (S&P or Moody's) is below	BBB-/Baa3	BBB/Baa2 (Insured)	BBB+/Baa1	BBB+/Baa1	BBB+/Baa1	

(1) Fair value is presented in accordance with GASB Statement No. 72.

(2) Unilateral collateral posting by counterparty.

(3) Unilateral termination at BATA's discretion unless ratings fall below the levels as listed in the table above.

(4) Amended and restated on 1/2/2009. Original trade date was 11/30/2005.

(5) Amended and restated on 5/25/2006. Original trade date was 11/30/2005.

(6) Amended and restated on 6/26/2015. Original trade date was 9/2/2008.

(7) Fixed rate amended from 3.64% to 2.22% on 6/26/2015. New rate is effective on 7/1/2015.

**Metropolitan Transportation Commission**  
**Schedule of SIFMA Rate Swaps for Series 2008 F-1 - BATA Proprietary Fund**  
**For the Year Ended June 30, 2016**

**Schedule 19**

	Series 2008 F-1	Series 2008 F-1	Series 2008 F-1	Series 2008 F-1	Total
Notional amount	\$131,400,000 <sup>(4)</sup>	\$146,445,000	\$40,000,000	\$160,000,000	\$477,845,000
Trade date	6/26/2015 <sup>(5)</sup>	6/26/2015 <sup>(6)</sup>	6/26/2015 <sup>(7)</sup>	6/26/2015 <sup>(8)</sup>	
Effective date	7/1/2015 <sup>(5)</sup>	7/1/2015 <sup>(6)</sup>	7/1/2015 <sup>(7)</sup>	7/1/2015 <sup>(8)</sup>	
Swap fix receiver rate	3.10%	3.25%	3.55%	3.40%	
Maturity	4/1/2047	4/1/2047	4/1/2047	4/1/2045	
Swap payer index	SIFMA	SIFMA	SIFMA	SIFMA	
Counterparty (CP)	Wells Fargo Bank, N.A.	The Bank of New York Mellon	Bank of America, N.A.	Bank of America, N.A.	
S&P/Moody's ratings	AA-/Aa2	AA-/Aa2	A/A1	A/A1	
Ratings outlook/(or) watch	Stable/Stable	Stable/Stable	Positive on watch/Stable	Positive on watch/Stable	
Fair value due from/(to) CP <sup>(1)</sup>	\$(349,657)	\$(351,656)	\$(58,806)	\$(314,296)	\$(1,074,415)
Credit risk					
CP Collateral Posting <sup>(2)</sup>					
1a) CP = "A-", "A", or "A+" (S&P) or	No	No	Yes	Yes	
1b) CP = "A3", "A2", or "A1" (Moody's) and	No	No	Yes	Yes	
2) Termination value > \$10 million	No	No	No	No	
or					
CP Collateral Posting <sup>(2)</sup>					
1c) CP <A- (S&P) or	No	No	No	No	
1d) CP <A3 (Moody's) and	No	No	No	No	
2) Termination value > \$0	No	No	No	No	
Ratings termination risk <sup>(3)</sup>					
CP can terminate if BATA's Sr bond ratings (S&P or Moody's) is below	BBB+/Baa1	BBB+/Baa1	BBB+/Baa1	BBB+/Baa1	

(1) Fair value is presented in accordance with GASB Statement No. 72.

(2) Unilateral collateral posting by counterparty.

(3) Unilateral termination at BATA's discretion with 15 days notice unless ratings fall below the levels as listed in the table above; CP has one time termination option on 4/1/2018.

(4) Wells Fargo notional reflects amortized balance as of 4/1/2018.

(5) Amended and restated on 6/26/2015. Original trade date was 3/31/2014. Effective on 7/1/2015, trade is suspended until 4/1/2018.

(6) Amended and restated on 6/26/2015. Original trade date was 8/28/2008. Effective on 7/1/2015, trade is suspended until 4/1/2018.

(7) Amended and restated on 6/26/2015. Original trade date was 3/30/2011. Effective on 7/1/2015, trade is suspended until 4/1/2018.

(8) Amended and restated on 6/26/2015. Original trade date was 8/28/2008. Effective on 7/1/2015, trade is suspended until 4/1/2018.

# STATISTICAL SECTION

This part of MTC's comprehensive annual financial report presents detailed information to aid in understanding information contained in the financial statements, note disclosures, and required supplementary information. Some tables are not presented with ten years of data as the information was not available for these periods.

<b>Contents</b>	<b>Page</b>
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<b>Financial Trends</b>	<b>125</b>
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These schedules provide trend information to assist the reader in understanding the change in MTC's financial performance over time.

<b>Revenue Capacity</b>	<b>130</b>
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These schedules include information to help the reader assess MTC's most significant local revenue source, toll bridge revenues.

<b>Debt Capacity</b>	<b>135</b>
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These schedules provide information to help the reader assess the affordability of MTC's current levels of outstanding debt and its ability to issue additional debt in the future.

<b>Demographic and Economic Information</b>	<b>137</b>
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These schedules offer demographic and economic indicators to help the reader understand the environment in which MTC's financial activities take place.

<b>Operating Information</b>	<b>140</b>
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These schedules contain service and infrastructure data to help the reader understand how the information in MTC's financial report relates to the services provided and the activities performed.

**Metropolitan Transportation Commission**  
**Net Position by Component (\$000) (unaudited)**  
**By Fiscal Year**

**Table 1**

	<b>FISCAL YEAR</b>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010*</u>	<u>2011*</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities										
Net investment in capital assets	\$ 6,015	\$ 8,768	\$ 8,393	\$ 7,936	\$ 7,277	\$ 6,712	\$ 6,134	\$ 5,737	\$ 5,080	\$ 5,072
Restricted	157,234	337,420	329,243	467,544	332,378	406,868	376,343	372,455	392,812	472,323
Unrestricted	130,205	(33,269)	(29,911)	(21,259)	(6,534)	(3,388)	23,983	28,005	33,891	(24,214)
Total governmental activities net position	<u>293,454</u>	<u>312,919</u>	<u>307,725</u>	<u>454,221</u>	<u>333,121</u>	<u>410,192</u>	<u>406,460</u>	<u>406,197</u>	<u>431,783</u>	<u>453,181</u>
Business-type activities										
Net investment in capital assets	\$ 5,596	\$ 8,206	\$ 12,779	\$ 18,199	\$ 17,825	\$ 19,192	\$ 23,112	\$ 27,033	\$ 28,516	\$ 56,525
Restricted	691,735	338,458	293,873	200,000	200,000	200,000	200,000	200,000	200,000	203,559
Unrestricted	(2,347,410)	(2,549,520)	(3,304,407)	(4,014,079)	(4,744,006)	(5,329,066)	(5,585,985)	(6,076,858)	(6,601,447)	(6,891,081)
Total business-type activities net position	<u>(1,650,079)</u>	<u>(2,202,856)</u>	<u>(2,997,755)</u>	<u>(3,795,880)</u>	<u>(4,526,181)</u>	<u>(5,109,874)</u>	<u>(5,362,873)</u>	<u>(5,849,825)</u>	<u>(6,372,931)</u>	<u>(6,630,997)</u>
Total primary government										
Net investment in capital assets	\$ 11,611	\$ 16,974	\$ 21,172	\$ 26,135	\$ 25,102	\$ 25,904	\$ 29,246	\$ 32,770	\$ 33,596	\$ 61,597
Restricted	848,969	675,878	623,116	667,544	532,378	606,868	576,343	572,455	592,812	675,881
Unrestricted	(2,217,205)	(2,582,789)	(3,334,318)	(4,035,338)	(4,750,540)	(5,332,454)	(5,562,002)	(6,048,853)	(6,567,556)	(6,915,296)
Total primary government net position	<u>\$(1,356,625)</u>	<u>\$(1,889,937)</u>	<u>\$(2,690,030)</u>	<u>\$(3,341,659)</u>	<u>\$(4,193,060)</u>	<u>\$(4,699,682)</u>	<u>\$(4,956,413)</u>	<u>\$(5,443,628)</u>	<u>\$(5,941,148)</u>	<u>\$(6,177,818)</u>

\*Fiscal years 2010 and 2011 have been revised in accordance with the implementation guidance in GASB Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Fiscal years 2007 through 2009 have not been restated as permitted by the standards.

**Metropolitan Transportation Commission**  
**Changes in Net Position (\$000) (unaudited)**  
**By Fiscal Year**

**Table 2**

	FISCAL YEAR									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010*</u>	<u>2011*</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Expenses</b>										
Governmental activities:										
General government	\$ 93,884	\$ 85,203	\$ 86,672	\$ 97,260	\$ 78,611	\$ 77,165	\$ 69,123	\$ 78,763	\$ 81,168	\$ 77,038
Transportation	145,647	152,999	99,154	54,852	149,092	124,269	210,916	237,098	195,039	155,345
Total governmental activities expenses	<u>239,531</u>	<u>238,202</u>	<u>185,826</u>	<u>152,112</u>	<u>227,703</u>	<u>201,434</u>	<u>280,039</u>	<u>315,861</u>	<u>276,207</u>	<u>232,383</u>
Business-type activities:										
Clipper smart card	-	-	-	-	52,048	34,846	38,319	37,393	37,264	44,090
Toll bridge activities	1,155,916	1,234,968	1,299,135	1,300,850	1,569,444	1,352,120	1,189,447	1,586,156	1,008,115	935,544
Congestion relief	16,892	13,675	14,363	17,309	17,939	18,693	17,763	12,742	11,697	10,419
Total business-type activities expenses	<u>1,172,808</u>	<u>1,248,643</u>	<u>1,313,498</u>	<u>1,318,159</u>	<u>1,639,431</u>	<u>1,405,659</u>	<u>1,245,529</u>	<u>1,636,291</u>	<u>1,057,076</u>	<u>990,053</u>
Total primary government expenses	<u>\$ 1,412,339</u>	<u>\$ 1,486,845</u>	<u>\$ 1,499,324</u>	<u>\$ 1,470,271</u>	<u>\$ 1,867,134</u>	<u>\$ 1,607,093</u>	<u>\$ 1,525,568</u>	<u>\$ 1,952,152</u>	<u>\$ 1,333,283</u>	<u>\$ 1,222,436</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
Operating grants and contributions	\$ 320,311	\$ 207,496	\$ 85,048	\$ 249,436	\$ 74,274	\$ 245,171	\$ 250,529	\$ 301,254	\$ 303,823	\$ 233,919
Capital grants and contributions	-	9,858	61,796	10,673	-	-	-	-	-	-
Total governmental activities program revenues	<u>320,311</u>	<u>217,354</u>	<u>146,844</u>	<u>260,109</u>	<u>74,274</u>	<u>245,171</u>	<u>250,529</u>	<u>301,254</u>	<u>303,823</u>	<u>233,919</u>
Business-type activities:										
Charges for services	434,341	497,712	492,963	486,889	622,906	660,156	690,181	713,147	740,510	760,872
Operating grants and contributions	283,082	110,372	53,490	131,872	281,918	263,080	272,281	393,471	95,622	102,705
Capital grants and contributions	1,235	-	-	-	327	-	-	81,209	-	3,559
Total business-type activities program revenues	<u>718,658</u>	<u>608,084</u>	<u>546,453</u>	<u>618,761</u>	<u>905,151</u>	<u>923,236</u>	<u>962,462</u>	<u>1,187,827</u>	<u>836,132</u>	<u>867,136</u>
Total primary government program revenues	<u>\$ 1,038,969</u>	<u>\$ 825,438</u>	<u>\$ 693,297</u>	<u>\$ 878,870</u>	<u>\$ 979,425</u>	<u>\$ 1,168,407</u>	<u>\$ 1,212,991</u>	<u>\$ 1,489,081</u>	<u>\$ 1,139,955</u>	<u>\$ 1,101,055</u>
Net (expense)/revenue										
Governmental activities	\$ 80,780	\$ (20,848)	\$ (38,982)	\$ 107,997	\$ (153,429)	\$ 43,737	\$ (29,510)	\$ (14,607)	\$ 27,616	\$ 1,536
Business-type activities	(454,150)	(640,559)	(767,045)	(699,398)	(734,280)	(482,423)	(283,067)	(448,464)	(220,944)	(122,917)
Total primary government net expense	<u>\$ (373,370)</u>	<u>\$ (661,407)</u>	<u>\$ (806,027)</u>	<u>\$ (591,401)</u>	<u>\$ (887,709)</u>	<u>\$ (438,686)</u>	<u>\$ (312,577)</u>	<u>\$ (463,071)</u>	<u>\$ (193,328)</u>	<u>\$ (121,381)</u>

\*Fiscal years 2010 and 2011 have been revised in accordance with the implementation guidance in GASB Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Fiscal years 2007 through 2009 have not been restated as permitted by the standards.

**Metropolitan Transportation Commission**  
**Changes in Net Position (\$000) (unaudited), *continued***  
**By Fiscal Year**

**Table 2**

	FISCAL YEAR									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010*</u>	<u>2011*</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Restricted investment earnings	\$ 9,498	\$ 1,454	\$ 784	\$ 222	\$ 408	\$ 204	\$ 144	\$ 285	\$ 493	\$ 1,172
Unrestricted investment earnings	1,410	9,936	5,002	1,963	2,448	2,416	1,988	1,650	1,520	1,705
Transfers	<u>27,852</u>	<u>28,922</u>	<u>28,003</u>	<u>36,314</u>	<u>29,473</u>	<u>30,714</u>	<u>23,645</u>	<u>12,409</u>	<u>15,336</u>	<u>16,984</u>
Total governmental activities	<u>38,760</u>	<u>40,312</u>	<u>33,789</u>	<u>38,499</u>	<u>32,329</u>	<u>33,334</u>	<u>25,777</u>	<u>14,344</u>	<u>17,349</u>	<u>19,861</u>
Business-type activities:										
Unrestricted investment earnings	97,280	116,704	149	(14,866)	33,452	(70,557)	53,714	(1,256)	(277,337)	(175,359)
Transfers	<u>(27,852)</u>	<u>(28,922)</u>	<u>(28,003)</u>	<u>(36,314)</u>	<u>(29,473)</u>	<u>(30,714)</u>	<u>(23,645)</u>	<u>(12,409)</u>	<u>(15,336)</u>	<u>(16,984)</u>
Total business-type activities	<u>69,428</u>	<u>87,782</u>	<u>(27,854)</u>	<u>(51,180)</u>	<u>3,979</u>	<u>(101,271)</u>	<u>30,069</u>	<u>(13,665)</u>	<u>(292,673)</u>	<u>(192,343)</u>
Total primary government	<u>\$ 108,188</u>	<u>\$ 128,094</u>	<u>\$ 5,935</u>	<u>\$ (12,681)</u>	<u>\$ 36,308</u>	<u>\$ (67,937)</u>	<u>\$ 55,846</u>	<u>\$ 679</u>	<u>\$ (275,324)</u>	<u>\$ (172,482)</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 119,540	\$ 19,465	\$ (5,194)	\$ 146,496	\$ (121,100)	\$ 77,072	\$ (3,733)	\$ (263)	\$ 44,965	\$ 21,397
Business-type activities	<u>(384,722)</u>	<u>(552,777)</u>	<u>(794,899)</u>	<u>(750,578)</u>	<u>(730,301)</u>	<u>(583,694)</u>	<u>(252,998)</u>	<u>(462,129)</u>	<u>(513,617)</u>	<u>(315,260)</u>
Total primary government	<u>\$ (265,182)</u>	<u>\$ (533,312)</u>	<u>\$ (800,093)</u>	<u>\$ (604,082)</u>	<u>\$ (851,401)</u>	<u>\$ (506,622)</u>	<u>\$ (256,731)</u>	<u>\$ (462,392)</u>	<u>\$ (468,652)</u>	<u>\$ (293,863)</u>

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**Metropolitan Transportation Commission**  
**Fund Balances of Governmental Funds (\$000) (unaudited)**  
**By Fiscal Year**

**Table 3**

	FISCAL YEAR									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General fund										
Reserved	\$ 13,949	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	12,870	-	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 26,819</u>	<u>\$ -</u>								
All other governmental funds										
Reserved	\$ 97,455	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Capital projects fund	96	-	-	-	-	-	-	-	-	-
Special revenue funds	117,239	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 214,790</u>	<u>\$ -</u>								
General fund										
Nonspendable	\$ -	\$ 408	\$ 593	\$ 763	\$ 918	\$ 1,037	\$ 1,033	\$ 1,209	\$ 1,328	\$ 1,305
Restricted for*	-	4,175	5,086	2,734	1,954	2,389	1,254	528	512	158
Committed to	-	3,002	3,836	4,960	2,855	3,992	1,961	2,688	3,132	6,014
Unassigned	-	11,676	10,210	11,009	17,834	20,363	26,641	29,750	31,705	32,893
Total general fund	<u>\$ -</u>	<u>\$ 19,261</u>	<u>\$ 19,725</u>	<u>\$ 19,466</u>	<u>\$ 23,561</u>	<u>\$ 27,781</u>	<u>\$ 30,889</u>	<u>\$ 34,175</u>	<u>\$ 36,677</u>	<u>\$ 40,370</u>
All other governmental funds										
Restricted for*	\$ -	\$ 272,730	\$ 268,794	\$ 415,129	\$ 290,757	\$ 362,492	\$ 349,615	\$ 339,144	\$ 384,916	\$ 432,715
Committed to	-	7,372	6,550	7,573	7,509	8,573	15,096	21,501	28,024	28,985
Unassigned	-	-	-	-	-	-	-	-	(10,445)	(40,998)
Total all other governmental funds	<u>\$ -</u>	<u>\$ 280,102</u>	<u>\$ 275,344</u>	<u>\$ 422,702</u>	<u>\$ 298,266</u>	<u>\$ 371,065</u>	<u>\$ 364,711</u>	<u>\$ 360,645</u>	<u>\$ 402,495</u>	<u>\$ 420,702</u>

\* Reclassification of Fund Balances in accordance with the implementation of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*.

\*\* The increases in total fund balance of the general fund and the other governmental funds in fiscal year 2016 are explained in Management's Discussion and Analysis.

**Metropolitan Transportation Commission**  
**Changes in Fund Balances of Governmental Funds (\$000) (unaudited)**  
**By Fiscal Year**

**Table 4**

	<b>FISCAL YEAR</b>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Revenues</b>										
Sales taxes	\$ 10,626	\$ 10,800	\$ 9,848	\$ 8,824	\$ 9,644	\$ 10,504	\$ 11,162	\$ 11,735	\$ 12,374	\$ 12,812
Grants - Federal	44,211	50,727	41,426	63,559	48,819	50,022	45,795	52,831	56,491	48,950
Grants - State	227,809	127,565	61,796	148,976	5,392	145,788	160,060	151,916	148,032	115,262
Local agencies revenues and refunds	37,666	33,039	33,774	46,755	18,419	46,022	41,148	88,712	86,553	57,917
Investment income - unrestricted	9,498	11,346	5,002	1,963	2,448	2,416	1,988	1,650	1,520	1,705
Investment income - restricted	-	1,454	783	222	408	204	144	285	493	1,173
<b>Total revenues</b>	<u>329,810</u>	<u>234,931</u>	<u>152,629</u>	<u>270,299</u>	<u>85,130</u>	<u>254,956</u>	<u>260,297</u>	<u>307,129</u>	<u>305,463</u>	<u>237,819</u>
<b>Expenditures</b>										
General government	59,182	74,153	64,358	70,100	72,612	70,376	65,175	70,387	68,463	63,439
Allocation to other agencies	156,210	163,201	107,027	66,875	162,266	138,105	221,642	249,434	207,804	168,826
Capital outlay	14,166	15,744	13,542	22,538	66	170	372	496	180	639
<b>Total expenditures</b>	<u>229,558</u>	<u>253,098</u>	<u>184,927</u>	<u>159,513</u>	<u>234,944</u>	<u>208,651</u>	<u>287,189</u>	<u>320,317</u>	<u>276,447</u>	<u>232,904</u>
Excess of revenues over (under) expenditures	100,252	(18,167)	(32,298)	110,786	(149,814)	46,305	(26,892)	(13,188)	29,016	4,915
<b>Other financing sources (uses)</b>										
Other financing source	-	47,000	-	-	-	-	-	-	-	-
Transfer in	42,543	49,778	57,683	44,195	35,310	34,468	30,666	31,249	33,190	32,082
Transfer out	(14,691)	(20,856)	(29,680)	(7,881)	(5,838)	(3,754)	(7,021)	(18,841)	(17,854)	(15,098)
<b>Total other financing sources (uses)</b>	<u>27,852</u>	<u>75,922</u>	<u>28,003</u>	<u>36,314</u>	<u>29,472</u>	<u>30,714</u>	<u>23,645</u>	<u>12,408</u>	<u>15,336</u>	<u>16,984</u>
<b>Net change in fund balances</b>	<u>\$ 128,104</u>	<u>\$ 57,755</u>	<u>\$ (4,295)</u>	<u>\$ 147,100</u>	<u>\$ (120,342)</u>	<u>\$ 77,019</u>	<u>\$ (3,247)</u>	<u>\$ (780)</u>	<u>\$ 44,352</u>	<u>\$ 21,899</u>

**Metropolitan Transportation Commission**  
**Primary Government Revenues (unaudited)**  
**By Fiscal Year**

**Table 5**

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Restricted Investment Earnings	Unrestricted Investment Earnings/Charges	Total
2007	<sup>1</sup> \$ 434,341,478	\$ 603,392,696	\$ 1,234,760	\$ 1,410,000	\$ 106,778,738	\$ 1,147,157,672
2008	<sup>2</sup> 497,712,304	317,868,256	9,858,000	1,454,256	126,640,261	953,533,077
2009	<sup>3</sup> 492,963,040	200,334,018	-	783,516	5,150,515	699,231,089
2010	<sup>4</sup> 486,888,891	381,308,169	10,672,699	221,925	(12,903,019)	866,188,665
2011	<sup>5</sup> 622,905,920	356,192,046	327,301	408,234	35,900,213	1,015,733,714
2012	660,156,182	508,251,355	-	203,961	(68,140,306)	1,100,471,192
2013	<sup>6</sup> 690,180,714	522,809,673	-	144,217	55,701,920	1,268,836,524
2014	<sup>7</sup> 713,146,710	694,725,536	81,209,050	284,620	394,366	1,489,760,282
2015	<sup>8</sup> 740,510,656	399,445,120	-	493,439	(275,817,194)	864,632,021
2016	\$ 760,871,690	\$ 336,623,906	\$ 3,559,290	\$ 1,172,944	\$ (173,654,286)	\$ 928,573,544

1 Excludes \$811 million bond proceeds  
2 Excludes \$1.008 billion bond proceeds  
3 Excludes \$708 million bond proceeds  
4 Excludes \$2.069 billion bond proceeds  
5 Excludes \$2.385 billion bond proceeds  
6 Excludes \$908 million bond proceeds  
7 Excludes \$900 million bond proceeds  
8 Excludes \$2.213 billion bond proceeds

**Metropolitan Transportation Commission**  
**Primary Government Expenses by Function (unaudited)**  
**By Fiscal Year**

**Table 6**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Transportation</b>	<b>Toll Bridge Activities</b>	<b>Congestion Relief</b>	<b>Clipper<sup>®</sup></b>	<b>Total</b>
2007	\$ 93,884,140	\$ 145,646,986	\$ 1,155,916,387	\$ 16,891,976	-	\$ 1,412,339,489
2008	85,202,758	152,998,857	1,234,968,178	13,675,326	-	1,486,845,119
2009	86,671,886	99,153,429	1,299,135,147	14,363,137	-	1,499,323,599
2010*	97,259,761	54,851,617	1,300,850,028	17,309,069	-	1,470,270,475
2011*	78,610,828	149,092,421	1,569,444,305	17,938,280	52,047,730	1,867,133,564
2012	77,165,020	124,269,186	1,352,120,141	18,692,766	34,846,108	1,607,093,221
2013	69,122,603	210,915,679	1,189,447,185	17,762,774	38,319,247	1,525,567,488
2014	78,763,519	237,097,812	1,586,156,184	12,742,160	37,392,814	1,952,152,489
2015	81,168,440	195,038,682	1,008,115,070	11,696,862	37,264,816	1,333,283,870
2016	\$ 77,038,765	\$ 155,345,044	\$ 935,543,616	\$ 10,418,605	\$ 44,090,317	\$ 1,222,436,347

\*Fiscal years 2010 and 2011 have been revised in accordance with the implementation guidance in GASB Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance contained in Pre- November 30, 1989 FASB and AICPA Pronouncements and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Fiscal years 2007 through 2009 have not been restated as permitted by the standards.

**Metropolitan Transportation Commission**  
**Toll Revenues - By Bridge (unaudited)**  
**By Fiscal Year**

**Table 7**

<b>Fiscal Year</b>	<b>San Francisco-Oakland Bay Bridge</b>	<b>San Mateo-Hayward Bridge</b>	<b>Dumbarton Bridge</b>	<b>Carquinez Bridge</b>	<b>Benicia-Martinez Bridge</b>	<b>Antioch Bridge</b>	<b>Richmond-San Rafael Bridge</b>	<b>Total Revenue</b>
2007	\$ 141,806,435	\$ 53,621,361	\$ 33,662,371	\$ 77,320,278	\$ 62,637,940	\$ 9,905,926	\$ 43,400,541	\$ 422,354,852
2008	161,335,048	59,628,110	37,589,986	85,225,636	73,663,301	10,545,060	49,389,963	477,377,104
2009	163,424,734	56,451,232	35,491,342	83,121,692	73,535,614	9,848,575	48,263,187	470,136,376
2010	157,455,482	58,242,972	35,674,460	81,501,610	74,627,628	9,498,837	49,084,593	466,085,582
2011	210,190,214	75,064,299	46,782,024	100,918,100	92,268,264	11,080,910	61,058,136	597,361,947
2012	215,612,429	81,627,375	48,539,902	106,862,308	95,967,433	11,982,407	65,271,303	625,863,157
2013	221,544,298	85,968,027	50,626,212	112,580,359	101,036,856	12,449,046	68,770,541	652,975,339
2014	222,048,270	91,087,608	54,087,642	113,605,892	105,084,694	13,033,474	72,559,357	671,506,937
2015	228,421,032	93,335,417	57,162,481	117,429,187	109,471,720	13,611,031	75,523,984	694,954,852
2016	\$ 229,130,964	\$ 98,997,393	\$ 58,501,070	\$ 121,273,702	\$ 114,971,355	\$ 13,874,932	\$ 77,382,940	\$ 714,132,356

**Metropolitan Transportation Commission**  
**Paid and Free Vehicles - By Bridge (in Number of Vehicles) (unaudited)**  
**By Fiscal Year**

**Table 8**

<b>Fiscal Year</b>	<b>San Francisco-Oakland Bay Bridge</b>	<b>San Mateo-Hayward Bridge</b>	<b>Dumbarton Bridge</b>	<b>Carquinez Bridge</b>	<b>Benicia-Martinez Bridge</b>	<b>Antioch Bridge</b>	<b>Richmond-San Rafael Bridge</b>	<b>Total Traffic</b>
2007	45,568,951	16,901,880	11,108,116	22,762,879	18,230,344	2,729,276	12,664,782	129,966,228
2008	45,139,513	16,376,583	10,767,813	21,795,287	18,508,003	2,559,936	12,528,248	127,675,383
2009	45,568,253	15,466,520	10,214,522	21,091,173	18,295,365	2,345,007	12,215,518	125,196,358
2010	43,579,404	15,808,435	10,135,134	20,517,470	18,581,186	2,263,717	12,383,708	123,269,054
2011	44,317,350	15,407,582	9,777,172	20,026,368	18,308,458	2,168,699	12,177,540	122,183,169
2012	44,460,209	16,241,002	9,929,399	20,065,557	18,266,053	2,181,315	12,523,905	123,667,440
2013	45,071,936	16,692,221	10,205,793	20,176,369	18,531,052	2,128,525	12,785,217	125,591,113
2014	45,332,246	17,758,098	10,909,076	20,397,621	19,237,717	2,193,962	13,561,516	129,390,236
2015	46,994,056	18,240,477	11,591,256	21,123,039	20,055,430	2,347,039	14,201,661	134,552,958
2016	47,754,079	19,502,252	11,889,024	22,002,165	21,210,960	2,411,138	14,606,825	139,376,443

**Metropolitan Transportation Commission**  
**Average Toll Rate Revenues (\$000) - By Bridge (unaudited)**  
**By Fiscal Year**

**Table 9**

<b>Fiscal Year</b>	<b>Antioch Bridge</b>	<b>Benicia- Martinez Bridge</b>	<b>Carquinez Bridge</b>	<b>Richmond Bridge</b>	<b>San Mateo - Hayward Bridge</b>	<b>Dumbarton Bridge</b>	<b>San Francisco - Oakland Bay Bridge</b>
<b>2007</b>							
No. of paid vehicles ('000s)	2,517	16,975	20,722	11,913	14,881	9,516	40,134
Average toll rate	\$ 3.94	\$ 3.69	\$ 3.73	\$ 3.64	\$ 3.60	\$ 3.54	\$ 3.53
Total revenues	\$ 9,906	\$ 62,638	\$ 77,320	\$ 43,401	\$ 53,621	\$ 33,662	\$ 141,807
<b>2008</b>							
No. of paid vehicles ('000s)	2,366	17,440	19,875	11,782	14,358	9,194	39,555
Average toll rate	\$ 4.46	\$ 4.22	\$ 4.29	\$ 4.19	\$ 4.15	\$ 4.09	\$ 4.08
Total revenues	\$ 10,545	\$ 73,663	\$ 85,226	\$ 49,390	\$ 59,628	\$ 37,590	\$ 161,335
<b>2009</b>							
No. of paid vehicles ('000s)	2,208	17,426	19,441	11,542	13,629	8,708	40,118
Average toll rate	\$ 4.46	\$ 4.22	\$ 4.28	\$ 4.18	\$ 4.14	\$ 4.08	\$ 4.07
Total revenues	\$ 9,849	\$ 73,536	\$ 83,122	\$ 48,263	\$ 56,451	\$ 35,491	\$ 163,425
<b>2010</b>							
No. of paid vehicles ('000s)	2,136	17,715	19,057	11,752	14,058	8,746	38,649
Average toll rate	\$ 4.45	\$ 4.21	\$ 4.28	\$ 4.18	\$ 4.14	\$ 4.08	\$ 4.07
Total revenues	\$ 9,499	\$ 74,628	\$ 81,502	\$ 49,085	\$ 58,243	\$ 35,674	\$ 157,455
<b>2011</b>							
No. of paid vehicles ('000s)	2,118	17,987	19,593	11,987	15,209	9,634	43,282
Average toll rate	\$ 5.23	\$ 5.13	\$ 5.15	\$ 5.09	\$ 4.94	\$ 4.86	\$ 4.86
Total revenues	\$ 11,081	\$ 92,268	\$ 100,918	\$ 61,058	\$ 75,064	\$ 46,782	\$ 210,190
<b>2012</b>							
No. of paid vehicles ('000s)	2,124	17,908	19,613	12,320	16,016	9,777	43,382
Average toll rate	\$ 5.64	\$ 5.36	\$ 5.45	\$ 5.30	\$ 5.10	\$ 4.96	\$ 4.97
Total revenues	\$ 11,982	\$ 95,967	\$ 106,862	\$ 65,271	\$ 81,627	\$ 48,540	\$ 215,612
<b>2013</b>							
No. of paid vehicles ('000s)	2,078	18,101	19,685	12,558	16,426	10,010	43,872
Average toll rate	\$ 5.99	\$ 5.58	\$ 5.72	\$ 5.48	\$ 5.23	\$ 5.06	\$ 5.05
Total revenues	\$ 12,449	\$ 101,037	\$ 112,580	\$ 68,771	\$ 85,968	\$ 50,626	\$ 221,544
<b>2014</b>							
No. of paid vehicles ('000s)	2,142	18,791	19,856	13,309	17,434	10,712	44,037
Average toll rate	\$ 6.08	\$ 5.59	\$ 5.72	\$ 5.45	\$ 5.22	\$ 5.05	\$ 5.04
Total revenues	\$ 13,033	\$ 105,085	\$ 113,606	\$ 72,559	\$ 91,088	\$ 54,088	\$ 222,048
<b>2015</b>							
No. of paid vehicles ('000s)	2,289	19,586	20,529	13,914	17,902	11,379	45,535
Average toll rate	\$ 5.95	\$ 5.59	\$ 5.72	\$ 5.43	\$ 5.21	\$ 5.02	\$ 5.02
Total revenues	\$ 13,611	\$ 109,472	\$ 117,429	\$ 75,524	\$ 93,335	\$ 57,163	\$ 228,421
<b>2016</b>							
No. of paid vehicles ('000s)	2,346	20,637	21,241	14,267	19,079	11,648	46,038
Average toll rate	\$ 5.91	\$ 5.57	\$ 5.71	\$ 5.42	\$ 5.19	\$ 5.02	\$ 4.98
Total revenues	\$ 13,875	\$ 114,971	\$ 121,274	\$ 77,383	\$ 98,997	\$ 58,501	\$ 229,131

**Metropolitan Transportation Commission**  
**Ratios of General Bonded Debt Outstanding (unaudited)**  
**By Fiscal Year**

**Table 10**

<b>Fiscal Year</b>	<b>Toll Revenue Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Toll Revenues</b>	<b>Per Toll Vehicle</b>
2007	\$ 3,863,250,000	\$ 24,148,268	\$ 3,839,101,732	422,354,852	30
2008	4,328,390,000	238,449,821	4,089,940,179	477,377,104	32
2009	4,338,155,000	282,727,772	4,055,427,228	470,136,376	32
2010	5,595,125,000	358,975,732	5,236,149,268	466,085,582	42
2011	7,943,135,000	456,507,625	7,486,627,375	597,361,947	61
2012	7,904,440,000	455,624,170	7,448,815,830	625,863,157	60
2013	7,700,750,000	427,025,751	7,273,724,249	652,975,339	58
2014	8,554,585,000	475,439,245	8,079,145,755	671,506,937	62
2015	9,243,010,000	510,833,790	8,732,176,210	694,954,852	65
2016	9,186,095,000	515,292,195	8,670,802,805	714,132,356	62

**Metropolitan Transportation Commission**  
**Pledged-Revenue Coverage (unaudited)**  
**By Fiscal Year**

**Table 11**

<b>Toll Revenue Bonds</b>						
<b>Fiscal Year</b>				<b><u>Debt Service</u></b>		
	<b>Toll Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Principal</b>	<b>Interest **</b>	<b>Coverage</b>
2007	\$ 422,354,852	\$ 100,926,883	\$ 321,427,969	\$ 29,705,000	\$ 131,438,684	1.99
2008	477,377,104	101,090,539	376,286,565	42,620,000	191,859,414	1.60
2009	470,136,376	101,572,555	368,563,821	40,865,000	197,742,351	1.54
2010*	466,085,582	105,760,787	360,324,795	35,345,000	243,502,281	1.29
2011*	597,361,947	117,390,258	479,971,689	36,990,000	322,072,699	1.34
2012	625,863,157	119,167,770	506,695,387	38,695,000	333,551,860	1.36
2013	652,975,339	136,394,953	516,580,386	40,540,000	328,418,435	1.40
2014	671,506,937	149,382,450	522,124,487	46,165,000	373,729,994	1.24
2015	694,954,852	150,674,360	544,280,492	48,195,000	360,391,933	1.74
2016	\$ 714,132,356	\$ 149,654,060	\$ 564,478,296	\$ 56,915,000	\$ 371,776,680	1.79

\* Fiscal years 2010 and 2011 have been revised in accordance with the implementation guidance in GASB Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance contained in Pre November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Fiscal years 2007 through 2009 have not been restated as permitted by the standards.

\*\*Net of Build America Bonds (BABs) interest subsidy (starting from fiscal year 2010).

**Metropolitan Transportation Commission**  
**Miscellaneous Statistics (unaudited)**  
**June 30, 2016**

**Table 12**

Date of Incorporation	1970
Form of Government	Commissioners with Appointed Executive Director
Number of Commissioners	18 Voting and 3 Non-Voting Members
Number of Employees (Approved Positions)	229
Type of Tax Support	3.5% of TDA Sales Tax
Region in Which Commission Operates	San Francisco Bay Area San Jose, San Francisco & Oakland Combined Statistical Area including San Benito & Santa Cruz
Number of Counties in the Region	9
Area of Authority in Square Miles	6,980
Population of Region in Which Commission Operates	7,649,565
Number of Toll Bridges in the Region	8
Traffic for All Toll Bridges - Number of Vehicles (excluding Golden Gate Bridge, Highway and Transportation District)	139,376,443
Toll Revenues (excluding Golden Gate Bridge, Highway and Transportation District)	\$714,132,356
Number of Call Boxes in the Region	1,495

**Metropolitan Transportation Commission**  
**Demographic Statistics for Nine San Francisco Bay Area Counties (unaudited)**  
**Last Ten Calendar Years**

**Table 13**

<b>Year</b>	<b>Population</b> <sup>1</sup>	<b>Per Capita Income</b> <sup>2, 5</sup>	<b>Median Age</b> <sup>2, 5</sup>	<b>School Enrollment</b> <sup>3</sup>	<b>Unemployment Rate</b> <sup>4</sup>
2007	7,204,492	N/A	N/A	970,721	4.19 %
2008	7,301,080	N/A	N/A	974,089	5.81 %
2009	7,375,678	N/A	N/A	978,117	10.58 %
2010	7,459,858	31,076	39	979,876	10.77 %
2011	7,150,739	N/A	N/A	985,964	10.17 %
2012	7,249,563	N/A	N/A	994,207	8.69 %
2013	7,327,626	N/A	N/A	1,004,436	6.69 %
2014	7,420,453	N/A	N/A	1,013,055	5.34 %
2015	7,510,942	N/A	N/A	1,019,853	4.20 %
2016	7,649,565	N/A	N/A	1,021,840	4.24 %

Data Sources

<sup>1</sup> State of California, Dept. of Finance, Demographic Research Unit

<sup>2</sup> Bureau of Census

<sup>3</sup> California Department of Education

<sup>4</sup> State of California, Employment Development Department

<sup>5</sup> Bureau of Census conducts survey every ten years for the Median Age and Per Capita Income of the nine-county region as a whole.

N/A - Not Available

**Metropolitan Transportation Commission**  
**Ten Largest Employers (unaudited)**  
**Fiscal Years 2016 and 2007**

**Table 14**

<u>2016<sup>1</sup></u>			<u>2007<sup>2</sup></u>		
<b>Employer</b>	<b>Employees</b>	<b>Rank</b>	<b>Employer</b>	<b>Employees</b>	<b>Rank</b>
Kaiser Permanente	30,350	1	Kaiser Permanente	33,784	1
City and County of San Francisco	27,667	2	City and County of San Francisco	26,665	2
University of California, Berkeley	26,829	3	University of California, Berkeley	20,576	3
University of California, San Francisco	21,120	4	State of California	18,133	4
State of California	15,482	5	University of California, San Francisco	17,500	5
Safeway Inc.	15,199	6	US Postal Service	16,216	6
Wells Fargo Bank	13,580	7	Wells Fargo Bank	13,794	7
Stanford University	13,387	8	Safeway Inc.	13,370	8
Stanford Health Care	10,012	9	AT&T, Inc.	12,760	9
United Airlines, Inc.	10,000	10	Stanford University	10,855	10

Data Sources

<sup>1</sup>2016 Book of Lists, San Francisco Business Times

<sup>2</sup>2007 Book of Lists, San Francisco Business Times

**Metropolitan Transportation Commission**  
**Full-Time Equivalent Employees by Function (unaudited)**  
**Last Ten Fiscal Years**

**Table 15**

Functions	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental Activities										
General government	65	66	66	63	64	74	68	69	64	77
Transportation	68	67	67	67	67	64	73	76	76	83
Business-type Activities										
Toll bridge activities	30	33	33	33	34	33	34	41	54	58
Congestion relief	6	4	4	5	5	5	5	5	4	5
BAHA	-	-	-	-	-	-	-	-	3	6
	<u>169</u>	<u>170</u>	<u>170</u>	<u>168</u>	<u>170</u>	<u>176</u>	<u>180</u>	<u>191</u>	<u>201</u>	<u>229</u>

**Metropolitan Transportation Commission**  
**Ratio of Retiree Medical Premium to Covered Payroll (unaudited)**  
**By Fiscal Year**

**Table 16**

<b>Fiscal Year</b>	<b>Retiree Premiums</b>	<b>Covered Payroll*</b>	<b>% of Covered Payroll</b>
2007	\$ 353,378	\$15,193,161	2.33%
2008	428,810	16,122,962	2.66%
2009	452,003	16,711,761	2.70%
2010	501,102	17,011,660	2.95%
2011	562,678	17,417,779	3.23%
2012	632,904	17,799,482	3.56%
2013	679,688	18,966,022	3.58%
2014	658,421	20,191,937	3.26%
2015	743,290	22,111,218	3.36%
2016	763,647	23,713,316	3.22%

\* From MTC records



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

**File #:** 15-1963      **Version:** 1      **Name:**

**Type:** Report      **Status:** Committee Approval

**File created:** 9/22/2016      **In control:** MTC Audit Committee

**On agenda:** 10/26/2016      **Final action:**

**Title:** Bay Area Headquarters Authority Financial Statements for FY 2015-16

A presentation from staff on the standalone audit for BAHA.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [4 BAHA Financial Statements FY2015-16.pdf](#)

Date	Ver.	Action By	Action	Result
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**Subject:**

Bay Area Headquarters Authority Financial Statements for FY 2015-16

*A presentation from staff on the standalone audit for BAHA.*

**Presenter:**

Eva Sun

**Recommended Action:**

Committee Approval

# **Bay Area Headquarters Authority**

**Financial Statements**

**As of and for the Years Ended June 30, 2016 and 2015**

**Bay Area Headquarters Authority**  
**Table of Contents**  
**As of and for the Years Ended June 30, 2016 and 2015**

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Statements of Revenues, Expenses, and Changes in Net Position	8
Statements of Cash Flows	9
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## **Report of Independent Auditors**

To the Governing Body of the Bay Area Headquarters Authority:

We have audited the accompanying statements of net position and the related statements of revenues, expenses and changes in net position and cash flows of the Bay Area Headquarters Authority (BAHA), a discretely presented component unit of the Metropolitan Transportation Commission as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise BAHA's basic financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to BAHA'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 BAHA'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of BAHA at June 30, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



***Emphasis of Matter***

As discussed in Note 2 to the financial statements, BAHA changed the manner in which it presents certain fair value hierarchy disclosures related to investments in the year ended June 30, 2016. Our opinion is not modified with respect to this matter.

***Other Matter***

The accompanying management’s discussion and analysis (“MD&A”) on pages 3 through 6 are required by accounting principles generally accepted in the United States of America 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 audits 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.

San Francisco, California  
October [ ], 2016

**Bay Area Headquarters Authority**  
**Financial Statements as of and for the Years Ended June 30, 2016 and 2015**  
**Management's Discussion and Analysis (unaudited)**

---

**Management's Discussion and Analysis**

This financial report is designed to provide a general overview of the Bay Area Headquarters Authority's (BAHA) proprietary fund, a discretely presented component unit of the Metropolitan Transportation Commission (MTC). This Management's Discussion and Analysis presents an overview of the financial activities of BAHA for the years ended June 30, 2016 and 2015. The discussion has been prepared by management and should be read in conjunction with the financial statements and the notes which follow.

MTC and the Bay Area Toll Authority (BATA) executed a Joint Exercise of Power Agreement on September 28, 2011 to establish BAHA. BAHA is authorized to take all actions necessary to plan, acquire, develop, operate, and maintain BAHA's office space and facilities. However, BAHA may not issue bonds or other forms of indebtedness. On October 14, 2011, BAHA acquired the property located on 375 Beale Street, San Francisco, California (the "Building") for the purpose of establishing a Bay Area regional headquarters for MTC, Bay Area Air Quality Management District (BAAQMD), and the Association of Bay Area Governments (ABAG). The Building is named Bay Area Metro Center (BAMC).

There are six members on the governing board of BAHA. BAHA's board consists of four MTC Commissioners and two BATA Commissioners: the MTC Commission chair and vice chair, BATA Oversight Committee's chair and vice chair as well as the MTC Administration Committee's chair and vice chair. Neither MTC nor BATA is responsible for any liabilities or obligations of BAHA.

**A. Financial Highlights**

- 1) The renovation of BAMC was substantially completed in April 2016.
- 2) The Fastrak® Customer Service Center relocated to BAMC and opened its operations at the end of April, 2016.
- 3) In May 2016, MTC along with its partner agencies, BAAQMD and ABAG, moved into BAMC.
- 4) BAHA has leased out 97 percent of the commercial and retail space in BAMC.
- 5) BAHA's second tenant, Rutherford + Chekene (R+C), moved into BAMC in June, 2016.

**B. Overview of the BAHA Financial Statements**

BAHA's basic financial statements include *Statements of Net Position*, *Statements of Revenues, Expenses and Changes in Net Position*, and *Statements of Cash Flows*. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

*Statements of Net Position* report assets, liabilities and the difference as net position. *Statements of Revenues, Expenses, and Changes in Net Position* consist of operating revenues and expenses and nonoperating revenues and expenses. *Statements of Cash Flows* are presented using the direct method.

*Statements of Net Position*, *Statements of Revenues, Expenses and Changes in Net Position*, and *Statements of Cash Flows* are presented on pages 7 – 9 of this report.

**Bay Area Headquarters Authority**  
**Financial Statements as of and for the Years Ended June 30, 2016 and 2015**  
**Management's Discussion and Analysis (unaudited)**

---

**C. Financial Analysis**

*Statements of Net Position*

The following table is a summary of BAHA's statement of net position as of June 30 for the last three fiscal years:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash and investments	\$ 57,725,768	\$ 107,211,885	\$ 119,459,990
Receivables	541,858	367,584	122,600
Other assets	722,088	626,621	118,515
Due from other fund	-	-	400,000
Capital assets	<u>249,254,479</u>	<u>185,688,498</u>	<u>131,881,565</u>
Total assets	308,244,193	293,894,588	251,982,670
Other liabilities	35,569,175	14,211,990	8,759,928
Long term liabilities	<u>160,452</u>	<u>56,822</u>	<u>400,000</u>
Total liabilities	35,729,627	14,268,812	9,159,928
Net position			
Net investment in capital assets	249,254,479	185,688,498	131,881,565
Restricted for capital projects	<u>23,260,087</u>	<u>93,937,278</u>	<u>110,941,177</u>
Total net position	<u>\$ 272,514,566</u>	<u>\$ 279,625,776</u>	<u>\$ 242,822,742</u>

Cash and investments decreased by \$49,486,117 and \$12,248,105 in fiscal years 2016 and 2015 respectively. The decrease in fiscal year 2016 is mainly due to payments for the final phase of the BAMC renovation and purchase of furniture and equipment. The decrease in fiscal year 2015 is a result of expenditures for construction, equipment installation, and network configuration.

The receivables increased by \$174,274 and \$244,984 in fiscal years 2016 and 2015, respectively. The \$541,858 fees receivable from occupants of BAMC at June 30, 2016 consists of a \$153,781 security deposit and \$388,077 fee charges to occupants for shared services in BAMC. The \$367,584 receivable at June 30, 2015 is for shared services on enterprise technology integration at BAMC.

Other assets increased by \$95,467 and \$508,106 in fiscal years 2016 and 2015, respectively. The increase in fiscal year 2016 is due to \$21,258 in accrued interest and \$74,209 in prepaid expenses mostly for insurance. The increase in fiscal year 2015 is a result of purchases of equipment warranties and software licenses.

Capital assets increased by \$63,565,981 and \$53,806,933 in fiscal years 2016 and 2015, respectively. The increase in fiscal year 2016 is a result of increases in renovation expenditures and the purchase of furniture and equipment. The increase in fiscal year 2015 is due to increases in construction, new equipment installation, and network configuration costs for BAMC.

**Bay Area Headquarters Authority**  
**Financial Statements as of and for the Years Ended June 30, 2016 and 2015**  
**Management's Discussion and Analysis (unaudited)**

---

Other liabilities increased by \$21,357,185 and \$5,452,062 in fiscal years 2016 and 2015 respectively. The increase in fiscal year 2016 is a result of increases of \$26 million in accrued liabilities and \$2 million in retention liabilities for construction work for BAMC, and \$602,306 in unearned revenue from tenants' prepaid rent, offset by a decrease of \$7 million in accounts payable. The increase in fiscal year 2015 is mainly due to \$4.6 million increase in accounts payable and accrued liabilities of construction work for BAMC, \$53,075 of prepaid rent, and \$800,000 deposit payable.

Long term liabilities increased by \$103,630 in fiscal year 2016 and decreased by \$343,178 in fiscal year 2015. The increase in fiscal year 2016 is due to increases in security deposits paid by tenants of BAMC. The decrease in fiscal year 2015 is a result of the reclassification of a \$400,000 deposit payable from non-current to current liability because the moving date was within one year from June 30, 2015 offset by a security deposit of \$56,822.

Statements of Revenues, Expenses, and Changes in Net Position

The following table is a summary of BAHA's statement of revenues, expenses, and changes in net position for the last three fiscal years ended June 30:

	2016	2015	2014
Operating revenue			
Rental income	\$ 218,334	\$ 1,103,834	\$ 1,477,082
Total operating revenue	218,334	1,103,834	1,477,082
Operating expenses			
Property management	317,636	101,494	104,462
Other expenses	8,588,179	3,932,243	3,445,060
Total operating expenses	8,905,815	4,033,737	3,549,522
Nonoperating revenues			
Interest and miscellaneous income	650,334	810,351	108,814
Total nonoperating revenues	650,334	810,351	108,814
Capital contributions	925,937	38,922,586	30,000,000
Increase (Decrease) in net assets	(7,111,210)	36,803,034	28,036,374
Net position - beginning	279,625,776	242,822,742	214,786,368
Net position - ending	\$ 272,514,566	\$ 279,625,776	\$ 242,822,742

BAHA's operating revenues decreased by \$885,500 and \$373,248 in fiscal years 2016 and 2015, respectively. The decrease in fiscal year 2016 is a result of only two months of rent collected from BAMC's new tenants. The decrease in fiscal year 2015 is due to receiving nine months of rent from the tenant, instead of a whole year, as a result of the lease termination.

Total operating expenses increased by \$4,872,078 and \$484,215 in fiscal years 2016 and 2015, respectively. The \$4.9 million increase in fiscal year 2016 mainly is a result of operating costs for the three agencies occupying BAMC since May 2016. The increase is due to \$1.4 million in commissions for lease transactions, \$216,142 in property management services, \$582,066 in salaries and benefits,

**Bay Area Headquarters Authority**  
**Financial Statements as of and for the Years Ended June 30, 2016 and 2015**  
**Management's Discussion and Analysis (unaudited)**

---

\$484,284 in repair and maintenance, \$140,096 in cleaning services, \$324,319 in utilities, \$487,020 in computer maintenance and services, \$308,129 in supplies and equipment rental, \$403,465 in depreciation, \$229,814 in overhead, and \$270,527 in other operating expenses. The increase in fiscal year 2015 mostly is due to \$439,854 in professional fees for the network and relocation consulting services.

BAHA's nonoperating revenues decreased by \$160,017 in fiscal year 2016 and increased by \$701,537 in fiscal year 2015. The decrease in fiscal year 2016 is due to decreases in billings to BAAQMD and ABAG for the shared services at BAMC. The increase in fiscal year 2015 reflects the reimbursement of shared services by BAAQMD and ABAG for the cost of the enterprise technology integration at BAMC and insurance proceeds paid to BAHA.

BAHA received \$925,937 capital contribution from BATA for staff costs for the renovation of BAMC in fiscal year 2016. BAHA's \$39 million capital contributions in fiscal year 2015 are mainly from BATA's transfer of certain savings from the defeasance of the State Payment Acceleration Notes (SPANs).

**D. Notes to the Financial Statements**

The notes to the financial statements, beginning on page 10, provide additional information that is essential to a full understanding of the data provided in this management discussion and analysis and the financial statements.

**E. Economic Factors**

The Bay Area economy continues to recover. The region's unemployment rate remains low, and sales taxes have increased from the prior years. General factors include:

- The unemployment rate in the Bay Area has been maintained at 4.2 percent as of June in both 2016 and 2015 based on the data from State of California, Employment Development Department.
- Sales tax revenues increased for the sixth straight fiscal year by 3.5 percent and 5.4 percent in fiscal years 2016 and 2015, respectively.
- Building construction and permitting activity has increased as has the demand for consumer goods according to an industrial consultant's report.

**Requests for information**

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer and Auditor, Bay Area Headquarters Authority, 375 Beale Street, Suite 800, San Francisco, CA 94105.

**Bay Area Headquarters Authority**  
**Statements of Net Position**  
**June 30, 2016 and 2015**

---

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Current assets:		
Cash - restricted	\$ 27,725,768	\$ 19,723,668
Short term investments - restricted	-	57,488,217
Accounts receivable	541,858	367,584
Accrued interest	32,127	10,869
Prepaid expenses	689,961	615,752
	<u>28,989,714</u>	<u>78,206,090</u>
Non-current assets:		
Long term investments - restricted	30,000,000	30,000,000
Capital assets, not being depreciated	34,045,614	185,688,498
Capital assets, net of accumulated depreciation	215,208,865	-
	<u>279,254,479</u>	<u>215,688,498</u>
<b>TOTAL ASSETS</b>	<u>308,244,193</u>	<u>293,894,588</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	2,442,579	9,503,624
Retention payable	5,730,780	3,760,437
Accrued liabilities	25,887,784	94,854
Unearned revenue	655,381	53,075
Tenants' security deposits	52,651	-
Deposit payable	800,000	800,000
	<u>35,569,175</u>	<u>14,211,990</u>
Non-current liabilities:		
Tenants' security deposits	160,452	56,822
	<u>160,452</u>	<u>56,822</u>
<b>TOTAL LIABILITIES</b>	<u>35,729,627</u>	<u>14,268,812</u>
<b>NET POSITION</b>		
Net investment in capital assets	249,254,479	185,688,498
Restricted for capital projects	23,260,087	93,937,278
<b>TOTAL NET POSITION</b>	<u>\$ 272,514,566</u>	<u>\$ 279,625,776</u>

**Bay Area Headquarters Authority**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended June 30, 2016 and 2015**

---

	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUE</b>		
Rental income	\$ 218,334	\$ 1,103,834
<b>TOTAL OPERATING REVENUE</b>	<u>218,334</u>	<u>1,103,834</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	1,623,998	1,041,932
Professional fees	2,510,015	1,102,756
Repairs and maintenance	902,729	418,445
Property management service	317,636	101,494
Insurance	212,402	245,034
Security	141,181	164,082
Cleaning service	197,950	57,854
Communication charges	90,780	16,290
Utilities	626,142	301,823
Computer maintenance and services	487,020	-
Supplies and equipment rental	308,129	-
Depreciation	462,598	59,133
Overhead	676,396	446,582
Other	348,839	78,312
<b>TOTAL OPERATING EXPENSES</b>	<u>8,905,815</u>	<u>4,033,737</u>
<b>OPERATING LOSS</b>	<u>(8,687,481)</u>	<u>(2,929,903)</u>
<b>NONOPERATING REVENUES</b>		
Interest income	131,640	131,029
Other nonoperating revenues	517,710	679,322
Miscellaneous income	984	-
<b>TOTAL NONOPERATING REVENUES</b>	<u>650,334</u>	<u>810,351</u>
<b>LOSS BEFORE CAPITAL CONTRIBUTION</b>	(8,037,147)	(2,119,552)
Capital contribution from BATA/MTC/SAFE	<u>925,937</u>	<u>38,922,586</u>
<b>CHANGE IN NET POSITION</b>	(7,111,210)	36,803,034
<b>Net position - Beginning of year</b>	<u>279,625,776</u>	<u>242,822,742</u>
<b>Net position - Ending of year</b>	<u>\$ 272,514,566</u>	<u>\$ 279,625,776</u>

**Bay Area Headquarters Authority**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Cash receipts from tenants and others	\$ 1,321,342	\$ 2,448,070
Cash payments to suppliers	(7,417,637)	(4,180,110)
<b>Net cash used in operating activities</b>	<u>(6,096,295)</u>	<u>(1,732,040)</u>
<b>Cash flows from capital and related financing activities</b>		
Contributions from BATA/MTC/SAFE	925,937	38,922,586
Acquisition of capital assets	(44,426,141)	(49,575,665)
<b>Net cash used in capital and related financing activities</b>	<u>(43,500,204)</u>	<u>(10,653,079)</u>
<b>Cash flows from investing activities</b>		
Proceeds from maturities of investments	189,447,806	228,938,491
Purchase of investments	(131,959,589)	(210,046,981)
Interest received	110,382	137,014
<b>Net cash provided by investing activities</b>	<u>57,598,599</u>	<u>19,028,524</u>
<b>Net increase in cash</b>	8,002,100	6,643,405
<b>Balances - Beginning of year</b>	<u>19,723,668</u>	<u>13,080,263</u>
<b>Balances - End of year</b>	<u>\$ 27,725,768</u>	<u>\$ 19,723,668</u>

**Reconciliation of operating income to net cash used in operating activities**

	<b>2016</b>	<b>2015</b>
Operating loss	\$ (8,687,481)	\$ (2,929,903)
Adjustments to reconcile operating loss to net cash provided by/(used in) operating activities:		
Depreciation	462,598	59,133
Other revenues	498,201	679,322
Net effect of changes in:		
Accounts receivable	-	(244,984)
Prepaid expenses	(74,209)	(514,091)
Due from MTC	-	400,000
Accounts payable	852,872	418,679
Accrued liabilities	246,918	(110,093)
Unearned revenue	602,306	53,075
Tenants' security deposits	2,500	56,822
Deposit payable	-	400,000
<b>Net cash used in operating activities</b>	<u>\$ (6,096,295)</u>	<u>\$ (1,732,040)</u>

**Significant Noncash Investing, Capital, and Financing Activities**

Building improvements included in accounts payable and accrued liabilities	\$ 32,319,857	\$ 12,717,418
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**Bay Area Headquarters Authority**  
**Notes to the Basic Financial Statements**  
**As of and for the Years Ended June 30, 2016 and 2015**

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**1. Reporting Entity and Operations**

The Bay Area Headquarters Authority (BAHA) was established on September 28, 2011 pursuant to the California Joint Exercise of Powers Act, consisting of Sections 6500 through 6599.2 of the California Government Code to provide for the joint exercise powers common to Metropolitan Transportation Commission (MTC) and the Bay Area Toll Authority (BATA) where two or more public agencies may enter into an agreement to establish an agency to exercise any power common to the contracting parties. BAHA is authorized to plan, acquire and develop BAHA's office space and facilities; to employ agents and employees; to acquire, construct, provide for maintenance and operation of, or maintain and operate, any buildings, works or improvements; to acquire, hold or dispose of property wherever located, including the lease or rental of property; to receive gifts, contributions and donations of property, funds, services and other forms of assistance from persons, firms, corporation and any governmental entity. There are six members on the governing board of BAHA. BAHA's board consists of four MTC Commissioners and two BATA Commissioners: the MTC Commission chair and vice chair, BATA Oversight Committee's chair and vice chair as well as the MTC Administration Committee's chair and vice chair.

MTC was established under Government Code Section 66500 et seq. of the laws of the State of California (the State) in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area, which includes the City and County of San Francisco and the Counties of Alameda; Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

BATA was established pursuant to Chapter 4.3 of Division 17 of the California Streets and Highways Code Section 30950 et seq with the power under California Streets and Highways Code section 30951 to apply for, accept, receive, and disburse grants, loans, and other assistance from any agency of the United States or of the State and to plan projects within its jurisdiction under California Streets and Highways Code Section 30950.3. BATA is a blended component unit of MTC because the two governing boards have the same Commissioners.

BAHA is a discretely presented component unit of MTC because it does not qualify for blending under the provisions of GASB Statement No. 61, *The Financial Reporting Entity*. As such, it is presented as a proprietary fund in the component unit column of the government-wide financial statements of MTC. Neither MTC nor BATA have any obligations for BAHA's liabilities or other obligations.

These standalone financial statements are for the benefit of the users of BAHA's financial statements who need more disclosure of information and to see the financial information segregated for this entity.

**BAHA's Operations**

On October 14, 2011, BAHA acquired the office facility at 375 Beale Street, San Francisco, California, now named Bay Area Metro Center (BAMC). BATA's board authorized contributions of \$167,026,515 and \$48,423,485 to BAHA to acquire the property in October 2011 and April 2013, respectively. The October 2011 acquisition cost of BAMC was \$92,168,317. The difference between BATA's contribution and the cost of BAMC was to be used towards renovating BAMC. In October 2013, BATA's board authorized a contribution of \$30 million to BAHA to purchase a Certificate of

**Bay Area Headquarters Authority**  
**Notes to the Basic Financial Statements**  
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Participation (COP) issued by the Bay Area Air Quality Management District (BAAQMD). In December 2014, BATA's board authorized an additional contribution of \$33 million to BAHA to cover the construction costs incurred from the delayed relocation of the last remaining tenant, as well as to pay for additional agency and tenant space improvements. In addition, BAHA also received contributions of \$250,000 from MTC, \$50,000 from MTC Service Authority for Freeway & Expressways (SAFE), and \$5,622,586 from BATA in fiscal year 2015 for the move coordination and staff costs to prepare BAMC for occupancy. In fiscal year 2016, BATA contributed \$925,937 to BAHA for staff costs for the capital project.

BAHA is responsible for the management and operation of BAMC, including sales (of condominium interests in BAMC) and leasing activity, and maintaining BAMC. See Note 5 for further information in relation to leasing activities and management of BAMC. In addition, see Note 6 for details of other contractual activity with BAAQMD and ABAG in relation to BAMC.

## **2. Summary of Significant Accounting Policies**

### **Basis of Presentation**

The financial statements for BAHA have been prepared in accordance with accounting principles generally accepted in the United States of America using the economic resources measurement focus and the accrual basis of accounting.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

BAHA follows Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion & Analysis – for State and Local Governments* as amended.

### **New Accounting Standards**

GASB Statement No. 72, *Fair Value Measurement and Application*, provides guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. This standard was issued in February 2015 and is effective for reporting periods beginning after June 15, 2015. This standard was adopted by BAHA for fiscal year ended June 30, 2016. The standard has resulted in additional disclosures related to fair value measurements. For additional information on the impact of adoption on BAHA's financial statements of GASB Statement No. 72, see the Cash and Investments section of this Note 2.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*, extends the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also clarifies the application of certain provisions of Statements No. 67 and 68. This standard was issued in June 2015 and is effective for reporting periods

**Bay Area Headquarters Authority**  
**Notes to the Basic Financial Statements**  
**As of and for the Years Ended June 30, 2016 and 2015**

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beginning after June 15, 2015. This standard did not have any impact on BAHA's financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. This standard establishes new accounting and financial reporting requirements for OPEB plans. This standard was issued in June 2015 and is effective for reporting periods beginning after June 15, 2016. This standard is not expected to have any impact on BAHA's financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for other post employment benefits (OPEB). This standard establishes new accounting and financial reporting requirements for governmental entities whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This standard was issued in June 2015 and is effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the effect of this standard on BAHA's financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This standard was issued in June 2015 and is effective for reporting periods beginning after June 15, 2015. The standard was adopted by BAHA for fiscal year ended June 30, 2016. The adoption of this standard did not have any impact on BAHA's financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by abatement recipients, (2) the gross dollar amount of taxes abated during the period, and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this statement are effective for fiscal years beginning after December 15, 2015. This standard is not expected to have any impact on BAHA's financial statements.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-employer Defined Benefit Pension Plans*, amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local government employers through a cost-sharing multiple-

**Bay Area Headquarters Authority**  
**Notes to the Basic Financial Statements**  
**As of and for the Years Ended June 30, 2016 and 2015**

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employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individual or collectively with other states or local governmental employers that provide pensions through the pension plan). This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this statement are effective for fiscal years beginning after December 15, 2015. This standard is not expected to have any impact on BAHA's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this statement. This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The requirements of this statement are effective for fiscal years beginning after December 15, 2015. This standard is not expected to have any impact on BAHA's financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this statement are effective for reporting periods beginning after June 15, 2016. Management is currently evaluating the effect of this standard on BAHA's financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The requirements of this statement are effective for reporting periods beginning after December 15, 2016. Management is currently evaluating the effect of this standard on BAHA's financial statements.

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statement No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information (RSI), (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016. This standard was adopted early by BAHA in the fiscal year ended June 30, 2016. The adoption of the standard had no impact on BAHA's financial statements.

**Bay Area Headquarters Authority**  
**Notes to the Basic Financial Statements**  
**As of and for the Years Ended June 30, 2016 and 2015**

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**Cash and Investments**

*Cash and Cash Equivalents - restricted*

The composition of cash and cash equivalents at June 30, 2016 and 2015 is as follows:

	2016	2015
Cash and cash deposits	\$ 13,636,693	\$ 19,715,805
Money market mutual funds	14,089,075	7,863
Total cash and cash equivalents	<u>\$ 27,725,768</u>	<u>\$ 19,723,668</u>

*Investments*

BAHA applies the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which sets forth the framework for measuring fair value. BAHA reports its money market investments and securities at amortized cost. This is permissible under this standard provided those investments have a remaining maturity at time of purchase of one year or less and that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

GASB Statement No. 72 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities, and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

**Level 2:** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**Bay Area Headquarters Authority**  
**Notes to the Basic Financial Statements**  
**As of and for the Years Ended June 30, 2016 and 2015**

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The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2016 and 2015:

**Government sponsored enterprises notes (included in short term investments – restricted):** These investments are valued on the basis of prices provided by Interactive Data Pricing and Reference Data LLC. In determining the value of a particular investment at bid, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices and market transactions in comparable investments and various relationships between investments.

**Bay Area Air Quality Management District Certificates of Participation (COP) (included in long term investments – restricted):** The fair value of this instrument is determined by inputs to the valuation methodologies that are unobservable and significant to the fair value measurement.

The following tables set forth, by level within the fair value hierarchy, BAHA’s investments at fair value:

<b>Investments by fair value level at June 30, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Municipal Bonds				
Bay Area Air Quality Management District COP	\$ -	\$ -	\$ 30,000,000	\$ 30,000,000
Total investments measured at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,000,000</u>	<u>\$ 30,000,000</u>

<b>Investments by fair value level at June 30, 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Government-Sponsored Enterprises:				
Federal Home Loan Bank notes	\$ -	\$ 51,991,186	\$ -	\$ 51,991,186
Federal Home Loan Mortgage Corporation notes	-	5,497,031	-	5,497,031
Total	-	57,488,217	-	57,488,217
Municipal Bonds				
Bay Area Air Quality Management District COP	-	-	30,000,000	30,000,000
Total investments measured at fair value	<u>\$ -</u>	<u>\$ 57,488,217</u>	<u>\$ 30,000,000</u>	<u>\$ 87,488,217</u>

**Restricted Cash and Investments**

Cash and investments are restricted as these assets are to be used for a specific purpose. BAHA’s sources of funds are contributions from BATA/MTC/SAFE and such funds are mainly restricted for use on the building renovation and tenant improvements.

**Bay Area Headquarters Authority**  
**Notes to the Basic Financial Statements**  
**As of and for the Years Ended June 30, 2016 and 2015**

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**Capital Assets**

Capital assets, consisting of land, building and improvements, office furniture and equipment, and intangible assets, are reported at historical cost. Capital assets are defined by BAHA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. BAHA's intangible assets consist of purchased or licensed commercially available computer software.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Land is not depreciated. The other assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and improvements	7-45
Office furniture and equipment	3-15
Intangible assets	5-7

Only part of BAMC when acquired was occupied by a tenant, and that tenant moved out in March 2015. The occupied portion was depreciated up to March 2015. BAHA completed BAMC renovation in fiscal year 2016. Depreciation of BAMC and the assets therein commenced upon BAMC being available for occupation in May 2016.

**Net Position**

Net position represents residual interest in assets after liabilities are deducted. Net position consists of three sections: Net investment in capital assets, as well as restricted and unrestricted assets, if applicable.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. Deposit and Investment Risk Factors**

There are many factors that can affect the value of investments. BAHA invests substantially in fixed income securities, which are affected by credit risk, custodial credit risk, concentration of credit risk, and interest rate risk.

**Bay Area Headquarters Authority**  
**Notes to the Basic Financial Statements**  
**As of and for the Years Ended June 30, 2016 and 2015**

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**i) Credit Risk**

Fixed income securities are subject to credit risk, which is the possibility that the security issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline.

A bond's credit quality is an assessment of the issuer's ability to pay principal and interest on the bond. Credit quality may be evaluated by a nationally recognized independent credit-rating agency.

The lower the rating is, the greater the chance (in the opinion of the rating agency) that the bond issuer will fail to meet its obligations or potentially default. See part iii) of this Note 3 for further details on credit ratings.

**ii) Custodial Credit Risk**

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be recovered. All securities are held in an independent depository account maintained with the Bank of New York Mellon (BONY) Bank and held in the name of BAHA. As a result, BAHA believes custodial credit risk is remote.

**iii) Concentration of Credit Risk**

Concentration of credit risk is the risk associated with lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory or credit developments.

The weighted average maturity of each of BAHA's securities expressed in days at June 30, 2016 and 2015 is as follows:

	<b>2016</b>	<b>2015</b>
Federal Home Loan Bank (FHLB)	-	35
Federal National Mortgage Association (FNMA)	-	59
Bay Area Air Quality Management District	13,638	14,004

Investments in issuers that represent five percent or more of total cash and investments at June 30, 2016 and 2015 are as follows:

	<b>2016</b>	<b>2015</b>	<b>Rating*</b>
FHLB	-	48%	AA+
Federal Home Loan Mortgage Corporation (FHLMC)	-	5%	AA+
Bay Area Air Quality Management District	52%	28%	Not rated

\*Independent agency credit-rating is the same in both fiscal years 2016 and 2015.

**Bay Area Headquarters Authority**  
**Notes to the Basic Financial Statements**  
**As of and for the Years Ended June 30, 2016 and 2015**

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**4. Capital Assets**

A summary of capital assets for the period ended June 30, 2016 is as follows:

	<b>Beginning Balance June 30, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance June 30, 2016</b>
Capital assets, not being depreciated:				
Land	\$ 33,933,809	\$ -	\$ -	\$ 33,933,809
Building and improvements	150,176,403	-	(150,176,403)	-
Furniture and equipment	1,578,286	111,805	(1,578,286)	111,805
Total capital assets, not being depreciated	<u>185,688,498</u>	<u>111,805</u>	<u>(151,754,689)</u>	<u>34,045,614</u>
Capital assets, being depreciated:				
Building and improvements	275,953	206,942,635	-	207,218,588
Furniture and equipment	-	6,317,511	-	6,317,511
Tenant improvements	-	1,057,536	-	1,057,536
Intangible assets	-	1,353,781	-	1,353,781
Total capital assets being depreciated	<u>275,953</u>	<u>215,671,463</u>	<u>-</u>	<u>215,947,416</u>
Less accumulated depreciation for:				
Building and improvements	275,953	365,219	-	641,172
Furniture and equipment	-	64,132	-	64,132
Tenant improvements	-	10,684	-	10,684
Intangible assets	-	22,563	-	22,563
Total accumulated depreciation	<u>275,953</u>	<u>462,598</u>	<u>-</u>	<u>738,551</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>215,208,865</u>	<u>-</u>	<u>215,208,865</u>
BAHA capital assets, net	<u>\$ 185,688,498</u>	<u>\$ 215,320,670</u>	<u>\$ (151,754,689)</u>	<u>\$ 249,254,479</u>

**Bay Area Headquarters Authority**  
**Notes to the Basic Financial Statements**  
**As of and for the Years Ended June 30, 2016 and 2015**

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A summary of capital assets for the period ended June 30, 2015 is as follows:

	<b>Beginning Balance June 30, 2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance June 30, 2015</b>
Capital assets, not being depreciated:				
Land	\$ 33,933,809	\$ -	\$ -	\$ 33,933,809
Building and improvements	94,670,510	55,505,893	-	150,176,403
Furniture and equipment	-	1,578,286	-	1,578,286
Total capital assets, not being depreciated	<u>128,604,319</u>	<u>57,084,179</u>	<u>-</u>	<u>185,688,498</u>
Capital assets, being depreciated:				
Building	3,494,066	-	(3,218,113)	275,953
Total capital assets being depreciated	<u>3,494,066</u>	<u>-</u>	<u>(3,218,113)</u>	<u>275,953</u>
Less accumulated depreciation for:				
Building	216,820	59,133	-	275,953
Total accumulated depreciation	<u>216,820</u>	<u>59,133</u>	<u>-</u>	<u>275,953</u>
Total capital assets, being depreciated, net	<u>3,277,246</u>	<u>(59,133)</u>	<u>(3,218,113)</u>	<u>-</u>
BAHA capital assets, net	<u>\$ 131,881,565</u>	<u>\$ 57,025,046</u>	<u>\$ (3,218,113)</u>	<u>\$ 185,688,498</u>

**5. Lease**

**Operating Lease**

In fiscal year 2012, in connection with the purchase of BAMC, BAHA assumed the seller's lease agreements with the U.S. Government. The real property lease agreement with the U.S. Government was a five-year agreement which expired on June 30, 2015. The lease amount was \$1,460,386 a year and was adjusted annually by multiplying the base rate by the annual change in the Cost of Living Index, measured by the Department of Labor Consumer Price Index. BAHA collected nine months' rent from the U.S. Government in fiscal year 2015.

BAHA contracted Cushman & Wakefield of California, Inc. (C&W) as its sole agent and granted to C&W the exclusive right to lease non-agency space on levels one to five of BAMC to commercial and retail tenants. In March 2015, BAHA signed its first lease agreement with Rutherford + Chekene (R+C). The lease term is seven years and three months with the commencement date on June 1, 2016 and expiration date on August 31, 2023. The first three months after the commencement date is the rent abatement period. The base rent is \$53,075 per month for the first 12 months and increases by an average of 2.2% every 12 months through the lease term.

In October 2015, BAHA signed a lease agreement with BATA. This lease agreement authorized BATA to sublease an area at BAMC to Xerox State and Local Solutions, Inc. (Xerox) who operates the FasTrak® Customer Service Center for BATA. The lease term is 44 months with the commencement date on May 1, 2016 and expiration date on December 31, 2019. The base rent is \$101,967 per month for the first six months and increases by an average of 3% every 12 months through the lease term.

**Bay Area Headquarters Authority**  
**Notes to the Basic Financial Statements**  
**As of and for the Years Ended June 30, 2016 and 2015**

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In November 2015, BAHA signed a lease agreement with Degenkolb Engineers (Degenkolb). The lease term is 120 months with an anticipated commencement date on February 1, 2017. The base rent is \$87,134 per month for the first 12 months and increases by an average of 1.9% every 12 months through the lease term.

In December 2015, BAHA signed a concession agreement with Ada’s Café. Ada’s Café will provide food and beverage services at the ground floor retail space in BAMC. No rent will be collected from Ada’s Café, however Ada’s Café will pay its share of shared service costs as well as parking costs. The agreement is automatically extended every 12 months for an aggregate extension of not to exceed five years.

In January 2016, BAHA signed a lease agreement with Twilio, Inc. (Twilio). The lease term is 96 months with the commencement date in mid-October 2016. The base rent is \$413,204 per month for the first 12 months and increases by an average of 1.7% every 12 months through the lease term.

Minimum future rentals of the operating leases are as follows:

<b>Year Ending June 30</b>	<b>Rutherford + Chekene</b>	<b>BATA</b>	<b>Degenkolb</b>	<b>Twilio</b>	<b>Total</b>
2017	\$ 443,849	\$ 1,146,109	\$ 348,536	\$ 2,892,425	\$ 4,830,919
2018	606,247	1,285,520	1,054,594	5,017,209	7,963,570
2019	619,583	1,324,084	1,076,153	5,112,705	8,132,525
2020	633,058	668,532	1,097,712	5,204,528	7,603,830
2021	647,923	-	1,119,271	5,292,678	7,059,872
After June 2021	1,450,742	-	6,642,867	18,302,160	26,395,769
<b>Total</b>	<b>\$ 4,401,402</b>	<b>\$ 4,424,245</b>	<b>\$ 11,339,133</b>	<b>\$ 41,821,705</b>	<b>\$ 61,986,485</b>

**6. Commitment and Contingencies**

BAHA has entered into contracts with multiple external parties to perform the design, seismic retrofitting, renovation and working space of BAMC. The renovation was completed for a move-in date of May 2016 for MTC, the Bay Area Air Quality Management District (BAAQMD), and the Association of Bay Area Governments (ABAG). As of June 30, 2016, there is approximately \$2,900,000 future capital expenditure commitments, which includes \$900,000 for the construction of the sidewalks abutting BAMC (expected to be completed in early 2017).

In 2012, BAHA entered into an office lease agreement with BAAQMD to occupy space in BAMC. The lease agreement grants BAAQMD the option to purchase office space (in the form of a condominium interest) in BAMC (the “Purchase Option”).

On November 7, 2013, BAAQMD issued a Certificate of Participation (COP) in the amount of \$30 million to secure an ownership interest in BAMC. BAHA purchased the COP and entered into a site and facilities lease and sublease agreement in relation to the condominium interest. The lease term is 30 years. The effective date of these leases will commence from the date BAAQMD exercises its Purchase Option for the premises. The proceeds of the COP are being held by a trustee in escrow on behalf of BAAQMD, and are expected to be released to BAHA at the time the Purchase Option is exercised. At the same time the Purchase Option is exercised, BAAQMD will deposit \$8.5 million to

**Bay Area Headquarters Authority**  
**Notes to the Basic Financial Statements**  
**As of and for the Years Ended June 30, 2016 and 2015**

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the trustee to be used to pay BAHA as a prepayment of the COP. Rental payments under the site and facilities lease and sublease have been assigned to a trustee who will use these funds to pay principal and interest to BAHA under the COP.

In 2013, BAHA and ABAG signed a Memorandum of Understanding, under which ABAG intends to enter into a purchase and sale agreement with BAHA to purchase a condominium interest in BAMC from BAHA. ABAG's purchase price for the condominium interest shall be the transfer to BAHA of ABAG's condominium ownership interest in its previous headquarters, the Joseph P. Bort Metro Center, located at 101 Eighth Street, Oakland, CA 94607. In addition, ABAG paid BAHA \$800,000 for capital tenant improvements to BAMC. ABAG's budget funding for the capital tenant improvements was provided by MTC.

On May 19, 2016, BAHA entered into an office lease agreement with ABAG. The agreement allowed ABAG to take occupancy of ABAG's condominium interest in BAMC prior to the purchase of BAMC's agency space. The agreement stipulates that ABAG pays no base rent, but will pay a portion of operating expenses as an additional rent starting July 2016.

In May 2016, BAAQMD and ABAG moved their offices to BAMC. BAAQMD's monthly lease payment begins in July 2016, which is to be applied toward the payment of the purchase price option. BAAQMD pays a portion of BAMC's operating expenses starting July 2016.

Both BAAQMD and ABAG are expected to exercise their respective purchase options once the condominium map for BAMC is recorded by the City of San Francisco.

## **7. Subsequent Events**

BAHA has evaluated subsequent events for the period from June 30, 2016 through October 26, 2016, the date the financial statements were available to be issued, and no material subsequent events have been identified.



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

**File #:** 15-1964      **Version:** 1      **Name:**

**Type:** Report      **Status:** Committee Approval

**File created:** 9/22/2016      **In control:** MTC Audit Committee

**On agenda:** 10/26/2016      **Final action:**

**Title:** Contract Amendment - Comprehensive Financial and Compliance Audit Services for the FY 2016-17: PricewaterhouseCoopers LLP (PWC) (\$1,119,200)

A request from staff that the Committee refer to the Administration Committee for approval an amendment to MTC's contract with PWC to fund FY 2016-17 audit services.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [5 Contract Amendment PricewaterhouseCoopers.pdf](#)

Date	Ver.	Action By	Action	Result
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**Subject:**

Contract Amendment - Comprehensive Financial and Compliance Audit Services for the FY 2016-17: PricewaterhouseCoopers LLP (PWC) (\$1,119,200)

A request from staff that the Committee refer to the Administration Committee for approval an amendment to MTC's contract with PWC to fund FY 2016-17 audit services.

**Presenter:**

Brian Mayhew

**Recommended Action:**

Refer to the Administration Committee for Approval



METROPOLITAN  
TRANSPORTATION  
COMMISSION

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Agenda Item 5

## Memorandum

TO: MTC Audit Committee

DATE: October 20, 2016

FR: Executive Director

W.I. 1152

RE: Contract Amendment – Comprehensive Financial and Compliance Audit Services for the FY 2016-17: PricewaterhouseCoopers LLP (PWC) (\$1,119,200)

Staff requests that this Committee refer to the Administration Committee for approval an amendment increasing the amount of the MTC contract with PWC by \$1,119,200 to fund PWC's services for the FY 2016-17 audit.

### Background

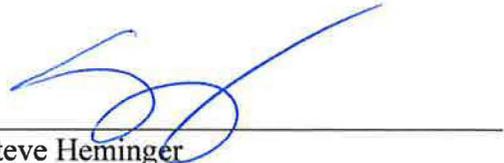
In January 2011, following a competitive procurement, the Commission approved a four-year contract with two one-year options to extend with PWC to perform comprehensive financial and compliance audit services starting with the fiscal year ending June 30, 2012. The following schedule provides a list of professional services provided by PWC since contract inception.

Year – Total	Audit Services	Other Services
1 - \$740,516	FY 2011-12 \$740,516	
2 - \$792,885	FY 2012-13 \$792,885	
3 - \$1,109,520	FY 2013-14 \$809,520	Vector System Upgrade and RCSC Relocation Assessment (\$280,000), ATCAS II Report Review (\$20,000)
4 - \$1,350,863	FY 2014-15 \$900,863	ABAG Interagency Agreement expense review (\$150,000), RCSC system upgrade (\$300,000)
5 - \$1,030,906	FY 2015-16 \$1,030,906	RCSC Controls Review (\$300,000) and Internal Controls Review (\$300,000)
6 - \$1,119,200	FY 2016-17 \$1,119,200	GASB 75 Implementation

The base amount for audit services for the sixth fiscal year will be \$1,119,200 under the current PWC contract.

**Recommendation**

Staff requests that this Committee refer to the Administration Committee for approval an amendment increasing the amount of the MTC contract with PWC by \$1,119,200 to fund PWC's services for the FY 2016-17 audit.



Steve Heminger

BM:ES

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