TRANSBAY JOINT POWERS AUTHORITY

Annual Financial Report

For the Year Ended June 30, 2015

TRANSBAY JOINT POWERS AUTHORITY
For the Year Ended June 30, 2015

Table of Contents

Page(s)

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Transbay Joint Powers Authority
San Francisco, California

Report on the Financial Statements
We have audited the accompanying basic financial statements of the Transbay Joint Powers Authority (TJPA), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TJPA as of June 30, 2015 and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

260 Sheridan Avenue, Suite 440, Palo Alto, CA 94306 Tel: 650.462.0400 Fax: 650.462.0500 www.vtdcpa.com

FRESNO • LAGUNA • PALO ALTO • PLEASANTON • SACRAMENTO • RANCHO CUCAMONGA

Other Matters

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

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the TJPA's financial statements as a whole. The schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015 on our consideration of the TJPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TJPA's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 25, 2015

THIS PAGE INTENTIONALLY LEFT BLANK.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis provides an overview of the Transbay Joint Powers Authority's ("TJPA") financial activities for the year ended June 30, 2015 with comparative information for the year ended June 30, 2014. Please read it in conjunction with the TJPA's basic financial statements, which follow this section.

Financial Highlights

During the year ended June 30, 2015:

- The TJPA received $103,664,908 in capital contributions. All contributions were used for the Transbay Transit Center Program (the "Program"), which consists of both the Transbay Transit Center ("TTC") and the Caltrain Downtown Extension ("DTX") projects.
- A direct senior secured term loan in the amount of $171,000,000 was negotiated with Goldman Sachs Bank USA and Wells Fargo Securities LLC, and closed on January 22, 2015. The loan provides interim bridge financing until such time as TJPA draws down on its federal Transportation Infrastructure Finance and Innovation Act ("TIFIA") loan and thus is referred to as the bridge loan.
- Land sales proceeds totaled $43,651,000 for the fiscal year, primarily from the sale for residential development of formerly State-owned Parcel S, comprising Redevelopment Block 9, which closed on February 17, 2015. These proceeds will be used for Phase 1 construction of the TTC, and the future property tax increment from the development is a source of repayment of TJPA's federal TIFIA loan. Right-of-way acquisition was completed in fiscal year 2015.
- At the close of the fiscal year, assets and deferred outflows of the TJPA exceeded its liabilities and deferred inflows by $1,318,593,305.

Construction Highlights

- The TTC construction work continued, with 1,557,886 craft hours completed through June 2015. The below-grade structure work has continued with wall, column, and deck concrete pours. The first concrete pours of the train box lid also began before the end of the fiscal year. Fabrication of steel cast nodes continued and structural steel erection commenced.
- Construction of the bus ramps began. Design work for the bus storage facility continued.
- Five of six utility relocation packages are complete. The remaining trade package is not on the critical path, and is scheduled to be completed in fiscal year 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the TJPA's basic financial statements. The annual financial report for the TJPA includes this management's discussion and analysis ("MD&A"), the basic financial statements and notes to the basic financial statements.

The TJPA is reported as an *enterprise fund*. Enterprise funds are a type of proprietary fund that is used to report information in a manner similar to a private-sector business. An enterprise fund is used to account for functions that are intended to recover all or a significant portion of their costs through user fees and charges. Under the Joint Powers Agreement creating the TJPA, dated April 4, 2001, the new transit terminal and related facilities will be managed and operated upon their completion as an enterprise operation.

The basic financial statements include the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Fund Net Position; and Statement of Cash Flows. Following is a brief explanation of the use of each of the statements.

> The *Statement of Net Position* presents information on all of the TJPA's assets, deferred outflows of resources, deferred inflows of resources, and liabilities, with the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the TJPA is improving or deteriorating.
>
> The *Statement of Revenues, Expenses and Changes in Fund Net Position* presents information showing how the TJPA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.
>
> The *Statement of Cash Flows* presents the cash inflows and outflows and the resulting cash position at fiscal year-end.

Notes to the Basic Financial Statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Statement Analysis

The TJPA has applied Governmental Accounting Standards Board ("GASB") Statement No. 34. In accordance with GASB, a comparative analysis of financial data is presented.

TJPA'S CONDENSED STATEMENTS OF NET POSITION

	2015	2014	Dollar Change	Percent Change
Assets:				
Current and other assets	$ 51,998,029	$ 65,661,551	$ (13,663,522)	-21%
Restricted assets	236,628,426	190,685,601	45,942,825	24%
Capital assets	1,310,456,841	1,009,989,107	300,467,734	30%
Total assets	1,599,083,296	1,266,336,259	332,747,037	26%
Deferred outflows of resources:				
Pension related	381,477	-	381,477	n/a
Derivative instrument-interest rate cap	585,962	-	585,962	n/a
Total deferred outflows of resources	967,439	-	967,439	n/a
Liabilities:				
Current and other liabilities	82,623,520	70,718,257	11,905,263	17%
Notes payable	171,000,000	-	171,000,000	n/a
Intergovernmental liability to the City for re-conveyance of State transferred land	27,584,421	27,584,421	-	0%
Total liabilities	281,207,941	98,302,678	182,905,263	186%
Deferred inflows of resources:				
Pension related	249,489	-	249,489	n/a
Net Position:				
Net investment in capital assets	1,208,382,376	982,404,686	225,977,690	23%
Restricted				
O&M Reserve for Transbay Transit Center	4,281,615	3,874,952	406,663	10%
Construction of Transbay Transit Center	76,952,748	178,674,905	(101,722,157)	-57%
Debt service	22,863,847	-	22,863,847	n/a
Unrestricted	6,112,720	3,079,037	3,033,683	99%
Total net position	$ 1,318,593,306	$ 1,168,033,580	$ 150,559,726	13%

Total net position at June 30, 2015 includes invested in capital assets, net of related debt, which is comprised of construction in progress of $1,096,605,536, land scheduled to be permanently and temporarily retained by the TJPA of $186,129,510, and permanent easements of $137,374. The construction in progress includes construction, construction management, program management, and administrative costs necessary to support the development of the TTC and DTX, as well as information technology costs for website development and labor compliance software.

$22,863,847 of current year net position is restricted for debt service, primarily quarterly interest payments on the bridge loan. A $4,281,615 restriction of total current year net position results from the restriction of the net position of Temporary Terminal operations for an Operating and Maintenance Reserve. The Operating and Maintenance Reserve can only be used for the operations and maintenance of Program facilities, including the Temporary Terminal, the future TTC, or the future DTX. The $406,663 increase in restricted assets for the operating and maintenance reserve resulted from operating revenues.

In addition, $76,952,748 is restricted for construction of the TTC as a result of land sales proceeds (see Note 4 for additional information). Total current year net position also includes $6,112,720 in unrestricted net position which is derived from TJPA's non-operating revenues and is to be used for acquisition of capital assets.

The $13,663,522 net decrease in current and other assets resulted primarily from a $17,299,782 decrease in grantor receivables outstanding at fiscal year-end, plus a net increase of $3,813,028 in cash and cash equivalents. The $45,942,825 net increase in restricted assets resulted primarily from higher investment balances, given the receipt of debt proceeds and land sales revenue. The introduction of deferred outflows of resources and deferred inflows of resources is due to the TJPA's implementation of a pension-related change in accounting principles and the purchase of a derivative instrument to protect against rising interest rates under the bridge loan.

The net increase of $11,905,263 in current and other liabilities resulted primarily from a $12,744,960 increase in accounts and intergovernmental payables, offset by a $2,517,127 decrease in retainage payable. A net pension liability was also recorded as a result of change in accounting principles. In addition, liabilities increased by $171,000,000 with the close of the bridge loan during the fiscal year.

TJPA'S CONDENSED STATEMENTS OF CHANGES IN NET POSITION

	2015	2014	Dollar Change	Percent Change
Temporary Terminal operating income				
Operating revenues	$ 406,662	$ 362,976	$ 43,686	12%
Operating expenses	-	-	-	0%
Operating income	406,662	362,976	43,686	12%
Nonoperating revenues (expenses)				
Operating grant for Temporary Terminal				
Revenue	3,644,073	3,716,381	(72,308)	-2%
Expenses	(3,644,073)	(3,716,381)	72,308	-2%
Net operating grant	-	-	-	0%
Contribution from AC Transit for O&M reserve	-	870,941	(870,941)	-100%
Investment income	292,357	227,735	64,622	28%
Rental revenues	96,906	97,600	(694)	-1%
Miscellaneous revenues	27,912	3,699	24,213	655%
Net tax increment revenue	2,419,979	-	2,419,979	n/a
Gain on conveyance of land	43,651,000	30,554,336	13,096,664	43%
Total nonoperating revenues	46,488,154	31,754,311	14,733,843	-46%
Income before capital contributions	46,894,816	32,117,287	14,777,529	-46%
Capital contributions				
Federal government capital grants	38,393,123	63,883,324	(25,490,201)	-40%
State government capital grants	5,585,732	3,850,123	1,735,609	45%
Local government capital grants	55,218,072	101,661,891	(46,443,819)	-46%
Other capital contributions	4,467,981	806,176	3,661,805	454%
Total capital contributions	103,664,908	170,201,514	(66,536,606)	-39%
Change in net position	150,559,724	202,318,801	(51,759,077)	-26%
Net position- beginning	1,168,033,580	965,714,779	202,318,801	21%
Net position- ending	$ 1,318,593,304	$ 1,168,033,580	$ 150,559,724	13%

Operating revenues

Operation of the Temporary Terminal commenced on August 7, 2010. The source of fiscal year 2015 operating revenues of $406,662 was lease and advertising revenues. The increase in operating revenues of $43,686 is due to CPI increases in Temporary Terminal rental and advertising contracts, as well as commencement of an additional Temporary Terminal lease. No operating expenses were funded from operating revenues.

Nonoperating revenues

The TJPA funds Temporary Terminal facility management and related operating expenses from a Metropolitan Transportation Commission ("MTC") Regional Measure 2 ("RM-2") operating grant. Total fiscal year 2015 operating grant revenues and expenses were $3,644,073. AC Transit elected not to make a contribution for the operations and maintenance reserve in fiscal year 2015.

The fiscal year 2015 increase in investment income of $64,622 is attributable to investment balances of land sales and debt proceeds. The increase in miscellaneous revenues is attributable to the inherent variability of revenues earned in this category. The increase in the gain on the conveyance of land of $13,096,664 is due to the higher sales price for the sale of formerly State-owned Parcel S (Redevelopment Block 9) compared to the sale of Parcels P, P' and P" (Redevelopment Block 6) in the prior fiscal year.

In fiscal year 2015 net tax increment revenue began to flow to the TJPA, in the amount of $2,419,979. Net tax increment revenue is pledged to repay debt, and will increase over time.

Capital contributions (See Note 2 for additional information)

For the year ended June 30, 2015, the TJPA received $103,664,908 in capital contributions. The decrease in capital contributions from the prior fiscal year reflects the shifting nature of TJPA's funding sources from capital grants to land sales proceeds and debt. Capital contributions were expended on the Transbay Transit Center Program, which includes a new Transit Center building, new bus storage facility, bus ramps, and a 1.95 mile extension of rail lines for Caltrain and future California High Speed Rail to the Transit Center. At June 30, 2015, the TJPA had capital project contract commitments of $473,984,625 for construction, design, engineering, planning and administrative costs. Additional information on the TJPA's capital assets can be found in Note 4 to the financial statements.

Economic Factors and Next Year's Budget

The TJPA Board approved the fiscal year 2016 Capital Budget on September 10, 2015. The main component of the TJPA's fiscal year 2016 $354,341,200 Capital Budget is the continuation of construction of the new TTC. Approximately $302.2 million is budgeted for construction activities and $16 million for construction management. The TJPA has budgeted approximately $9.4 million for the TTC building architecture and engineering contract in fiscal year 2016.

The TJPA's fiscal year 2016 budget anticipates that most of the revenues to pay for these expenditures will be provided by the following sources: the funding identified in the expenditure plan approved by the voters for the half cent sales tax for transportation in San Francisco ("Prop K"), the bridge toll increases approved in Regional Measure 1 and 2 and AB1171 ("RM-1", "RM-2" and "AB1171"), federal and state grants passed through from AC Transit, grants from the Federal Transit Administration ("FTA"), an American Recovery and Reinvestment Act ("ARRA") grant from the Federal Railroad Administration ("FRA"), land sales proceeds, and proceeds from the bridge loan.

The approved fiscal year 2016 Capital Budget shows revenues in two categories–committed and planned. Committed revenues are those planned expenditures of grants that were allocated, or land sales and debt proceeds already received, at the time the TJPA Board approved the 2016 fiscal year budget, and planned revenues include sources that have pending applications with funding partners or applications that are anticipated to be submitted and approved during the fiscal year. Throughout the 2016 fiscal year, TJPA will work with the funding agencies to secure grants and financing as any additional funding needs are identified. This is explained in detail in the staff report which was submitted with the fiscal year 2016 budget and can be found on the TJPA website for the September 10, 2015 TJPA Board meeting.

The fiscal year 2016 Operating Budget was approved June 19, 2015, and consists of $5,015,605 in revenues and expenditures. Expenditures include a facility management contract, security, operating support for AC Transit, and parking control officers. The majority of the revenues will be provided by the RM-2 operating grant.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Transbay Joint Powers Authority, 201 Mission Street, Suite 2100, San Francisco, California 94105.

THIS PAGE INTENTIONALLY LEFT BLANK.

BASIC FINANCIAL STATEMENTS

TRANSBAY JOINT POWERS AUTHORITY
Statement of Net Position
June 30, 2015

Assets:	
Current assets:	
Cash and cash equivalents:	
Cash in bank	$ 2,194,959
Restricted cash for operations and maintenance of the Transbay Transit Center	279,701
Restricted cash for construction of the Transbay Transit Center	533,176
Equity in pooled cash and investments with the City and County of San Francisco	5,273,003
Equity in pooled cash and investments with the City and County of San Francisco - restricted for operations and maintenance of the Transbay Transit Center	4,049,265
Total cash and cash equivalents	12,330,104
Receivables:	
Federal government	16,603,766
Metropolitan Transportation Commission	16,437,030
San Francisco County Transportation Authority	3,775,890
Alameda-Contra Costa Transit District	2,545,753
Accounts receivable	242,736
Total receivables	39,605,173
Other current assets:	
Prepaid items	55,000
Security deposits held by others	7,751
Total other current assets:	62,751
Total current assets	51,998,029
Noncurrent assets:	
Restricted assets:	
Cash	795
Equity in pooled cash and investments with the City and County of San Francisco	7,841,808
Investments	222,972,832
Interest receivable	158,953
Derivative instrument-interest rate cap	5,654,038
Total restricted assets	236,628,426
Capital assets, nondepreciable:	
Land	186,129,510
Permanent easements	137,374
State transferred land to be re-conveyed to the City and County of San Francisco	27,584,421
Construction in progress:	
Information technology	155,965
Transbay Transit Center	1,041,360,754
Caltrain Downtown Extension	55,088,817
Total nondepreciable capital assets	1,310,456,841
Total noncurrent assets	1,547,085,267
Total Assets	**1,599,083,295**

(Continued)

TRANSBAY JOINT POWERS AUTHORITY
Statement of Net Position (Continued)
June 30, 2015

Deferred Outflows of Resources:	
Pension related	381,477
Derivative instrument-interest rate cap	585,962
Total Deferred Outflows of Resources	**967,439**
Liabilities:	
Current liabilities:	
Accounts, contracts and intergovernmental payables	51,258,163
Accrued payroll	97,276
Relocation assistance payable	57,891
Retainage payable	27,792,318
Intergovernmental payables-related parties	
Caltrans	62,586
City and County of San Francisco	267,929
AC Transit	1,339,564
Accrued interest payable	815,898
Unearned revenue	87,109
Deposits payable	40,085
Total current liabilities	81,818,818
Noncurrent liabilities:	
Notes payable	171,000,000
Intergovernmental liability to the City and County of San Francisco for re-conveyance of State transferred land	27,584,421
Compensated absences, accrued vacation	175,510
Net pension liability	423,397
Net other postemployment benefit obligation	205,795
Total noncurrent liabilities	199,389,123
Total Liabilities	**281,207,941**
Deferred Inflows of Resources:	
Pension related	249,489
Total Deferred Inflows of Resources	**249,489**
Net Position:	
Net investment in capital assets	1,208,382,376
Restricted	
Operations and maintenance of Transbay Transit Center	4,281,615
Construction of Transbay Transit Center	76,952,748
Debt Service	22,863,847
Unrestricted	6,112,720
Total Net Position	**$ 1,318,593,305**

TRANSBAY JOINT POWERS AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2015

Operating Revenues - Temporary Terminal:	
Lease revenue	$ 353,880
Advertising revenue	52,782
Total operating revenues	406,662
Operating Expenses - Temporary Terminal:	
Total operating expenses	-
Operating Income - Temporary Terminal	406,662
Nonoperating Revenues and Expenses:	
Operating grant (MTC) for Temporary Terminal	
Operating grant revenue	3,644,073
Operating grant expenses:	
AC Transit incremental operating and maintenance costs	2,393,378
Facility Management	1,037,834
Utilities	36,507
Parking Control Officers	127,508
Insurance	48,845
Total operating grant expenses	3,644,073
Net operating grant revenues (expenses)	-
Contribution from AC Transit for O&M reserve	-
Investment income	292,357
Rental revenues	96,906
Miscellaneous revenues	27,912
Net tax increment revenue	2,419,979
Gain (Loss) on sale of land	43,651,000
Total nonoperating revenues	46,488,154
Income Before Capital Contributions	46,894,817
Capital Contributions:	
Federal government capital grants	38,393,123
State government capital grants	5,585,732
Local government capital grants:	
Regional Measures, bridge tolls	34,450,108
Proposition K, half cent sales tax	20,767,965
Other capital contributions	4,467,981
Total Capital Contributions	103,664,908
Change in Net Position	150,559,725
Net Position, Beginning of Year	1,168,033,580
Net Position, End of Year	**$ 1,318,593,305**

TRANSBAY JOINT POWERS AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2015

Cash Flows from Operating Activities:	
Temporary Terminal:	
Cash receipts from lease revenue	$ 354,648
Cash receipts from advertising revenue	52,782
Net cash provided by operating activities	407,430
Cash Flows from Noncapital Financing Activities:	
Operating grant, net	117
Cash receipts from rental revenues	103,006
Other noncapital increases (decreases)	15,813
Net cash provided by noncapital financing activities	118,937
Cash Flows from Capital and Related Financing Activities:	
Proceeds from capital debt	171,000,000
Purchase of derivative instrument-interest rate cap	(6,240,000)
Federal government capital grants received	45,090,703
State government capital grants received	3,039,979
Local government capital grants received	69,195,493
Other capital contributions received	4,713,472
Net tax increment revenue received	2,419,979
Proceeds from sale of land	43,651,000
Acquisition of capital assets	(289,587,537)
Net cash provided by capital and related financing activities	43,283,091
Cash Flows from Investing Activities:	
Purchases of investment securities	(676,356,660)
Proceeds from maturities of investment securities	643,853,112
Investment income received	286,282
Net cash used in investing activities	(32,217,266)
Net Increase in Cash and Cash Equivalents	11,592,192
Cash and Cash Equivalents, Beginning of Year	8,580,515
Cash and Cash Equivalents, End of Year	**$ 20,172,707**
Cash and Cash Equivalents, End of Year:	
Cash and cash equivalents, unrestricted	$ 12,330,104
Cash and cash equivalents, restricted	7,842,603
Cash and cash equivalents, end of year	**$ 20,172,707**

(Continued)

TRANSBAY JOINT POWERS AUTHORITY
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2015

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income-Temporary Terminal	$	406,662
Adjustments to reconcile operating income to net cash provided by operating activities		
Increase in unearned revenue		768
Net cash provided by operating activities	$	407,430
Supplemental disclosures of cash flow information		
Noncash capital financing activities:		
Acquisition of capital assets on accounts payable, contracts payable, intergovernmental payables, retainage payable and accrued liabilities	$	80,417,068
Acquisition of capital assets from capital debt	$	74,490,044

NOTE 1 - ORGANIZATION

In April 2001, the City and County of San Francisco ("City"), Alameda-Contra Costa Transit District ("AC Transit"), and the Peninsula Corridor Joint Powers Board ("PCJPB") (collectively, "Member Agencies") entered into an agreement creating the Transbay Joint Powers Authority ("TJPA") to design, build, develop, operate and maintain a new transportation terminal known as the Transbay Transit Center ("TTC" or "Transit Center") and associated facilities in San Francisco (collectively, the "Program").

The TJPA Board of Directors ("TJPA Board") is composed of one director appointed by each of the following agencies:

Alameda-Contra Costa Transit District
City and County of San Francisco, Board of Supervisors
City and County of San Francisco, Mayor's Office
San Francisco Municipal Transportation Agency
Peninsula Corridor Joint Powers Board
State of California Department of Transportation (ex-officio)

The State of California ("State") has granted the TJPA primary jurisdiction with respect to all matters pertaining to the financing, design, development, construction, and operation of the new Transit Center. The Member Agencies of the TJPA have granted to the TJPA most of their jointly held powers, including the authority to buy and sell property, to enter into contracts, and to accept and expend grants of cash and property. The TJPA's management functions include contract oversight, policy direction, financing, investment supervision, and coordinating and collaborating with, among others, the U.S. Department of Transportation, the State, and local entities including the Member Agencies.

The Program will provide expanded bus and rail service in a new Transit Center building on the site of the former Transbay Terminal in downtown San Francisco at First and Mission Streets. Also included in the Program is a ramp linking the new Transit Center to the Bay Bridge and to off-site bus storage facilities; a below-grade extension of Caltrain to the new Transit Center building, including the construction of a new subsurface station in the vicinity of Fourth and Townsend Streets; modifications to the existing Fourth and Townsend surface station; a temporary terminal for use by buses during construction of the new Transit Center; and a new permanent off-site bus storage facility. The new Transit Center will eventually accommodate not only buses and commuter trains but also California High-Speed Rail.

Based upon the TJPA Board's adopted implementation plan, the Project is divided into two phases: the design and construction of the Transit Center Building and Train Box as Phase 1, and the design and construction of the DTX as Phase 2. Phase 1 has completed major milestones including commencement of construction, and the majority is funded with committed revenues. Phase 2 is at a 30 percent design level; final design and construction will commence when the required revenues and financing have been secured.

The TJPA is legally separate and financially independent and is not a component unit of the State, City, AC Transit, or the PCJPB. Therefore, these financial statements represent solely the activities, transactions and status of the TJPA.

NOTE 1 - ORGANIZATION (Continued)

The TJPA currently has six major funding sources including grants from the Federal government; grants of local revenue sharing ("Capital and Operating Grants") from AC Transit, MTC, and the San Francisco County Transportation Authority ("SFCTA"); proceeds from sale of land parcels formerly owned by the State; and a direct loan from Goldman Sachs Bank USA and Wells Fargo Securities LLC providing interim bridge financing until such time as TJPA draws down on its $171 million TIFIA loan. The federal TIFIA program provides loans and loan guarantees to transportation infrastructure projects throughout the country. TJPA closed on a loan in January 2010 for Phase 1 Transbay Transit Center construction which is to be repaid primarily with net tax increment revenues allocated to the project. The net tax increment revenues allocated to the project are committed to the TJPA pursuant to an agreement with the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The TJPA is a single enterprise fund. The activities of the TJPA are reported using the economic resources measurement focus and its records are maintained on the accrual basis of accounting. Under this method, revenues are recorded when earned and Program capital outlay and Temporary Terminal expenses are recorded when the related liability is incurred.

The TJPA distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and operating expenses result from the operation of the Temporary Terminal. Any excess of actual Temporary Terminal revenues over expenses is restricted for the Operating and Maintenance Reserve. Expenses funded by an operating grant are also incurred in the operation of the Temporary Terminal. The TJPA will generate Transit Center operating revenues and operating expenses once the Transit Center is complete and placed into service.

Nonoperating revenues result from a Temporary Terminal operating grant, investment income, miscellaneous, and rental revenue from tenants other than Temporary Terminal operators.

All active TJPA capital grants are expenditure-driven restricted grants. Restricted grant revenue is recognized only when qualifying expenditures are incurred. That is, restricted grant revenue recognition is driven by restricted grant-related expenditures being incurred.

Under the terms of grant and revenue sharing agreements, the TJPA funds Program costs on a cost-reimbursement basis. When Program costs are incurred, and if there is both restricted and unrestricted net position available to finance the costs, it is the TJPA's policy to first apply restricted cost-reimbursement grant and revenue sharing resources to such Program costs.

Cash Equivalents

The TJPA considers all highly liquid investments with a maturity of twelve months or less when purchased to be cash equivalents or money market investments reported at cost. The deposits in the City's cash and investments pool are considered to be cash equivalents as the pool functions as a demand deposit account (see Note 3).

Investments

Non-money market investments are stated at fair value. The fair value of investments is derived from the market value on the monthly investment trustee statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items

Resource outflows that do not yet meet the criteria for expenditure recognition, in that they benefit a future fiscal period, are recorded as prepaid items. At June 30, 2015, the total amount of prepaid items is $55,000.

Deposits Payable

The TJPA may require deposits from tenants of TJPA-owned rental property and the Temporary Terminal, as well as from developers during negotiations. At June 30, 2015, the TJPA had a deposit payable for a rental property totaling $8,900, a deposit payable for a sub-lessee totaling $7,185, as well as a deposit payable of $24,000 for a Temporary Terminal operating lease.

Unearned Revenue

Resource inflows that do not yet meet the criteria for revenue recognition are recorded as unearned revenue. Capital contribution revenue from the TJPA's expenditure-driven grants and from other contributors such as adjacent property developers is recognized only when qualifying expenditures are incurred. At June 30, 2015, the total amount of unearned revenue is $87,109.

Compensated Absences

It is the policy of TJPA to permit employees to accumulate earned but unused vacation and sick pay benefits. Each employee is assigned an accrual rate and allowed to accrue up to two years' worth of vacation benefits. There is no liability for unpaid accumulated sick leave since TJPA does not have a policy to pay any amounts for sick leave when employees separate from service. Vacation pay is accrued when earned. At June 30, 2015 the amount of accrued vacation payable is $175,510.

Capital Assets

The TJPA defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Land, including land transferred by the State that may be re-conveyed to the City or the Office of Community Investment and Infrastructure ("OCII"), and permanent easements are recorded as non-depreciable capital assets. Information technology, TTC, and DTX capital asset costs are classified as construction in progress until such assets are completed and placed in service, at which time the TJPA will commence recording depreciation expense on depreciable capital assets.

All construction in progress costs associated with the planning and construction of the Program that are not directly associated with either the TTC or the DTX are accumulated as indirect program-wide costs. The annual increase in accumulated indirect program-wide costs is allocated to the annual increase in direct costs of the TTC and DTX based on the percent increase of annual direct costs of the TTC and DTX.

Non-depreciable land capital assets include the cost of the land and associated acquisition costs. Under the TJPA's capital asset policy, land costs include the following in addition to the actual acquisition costs: title and closing costs; relocation services, consultation and assistance; appraisal services; environmental consulting; land surveys; and site preparation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Contributions

The TJPA receives expenditure-driven restricted capital grants from the Federal government. Details for the various active Federal government direct and pass-through capital grants are presented in the "Schedule of Expenditures of Federal Awards" ("SEFA"). In addition to the grants listed in the SEFA, during the fiscal years ended June 30, 2002 through 2008, $8,795,355 in Federal Transit Formula Grants were passed through from the San Francisco Municipal Transportation Agency to the TJPA and disbursed. Other FTA, FRA and Federal Emergency Management Agency ("FEMA") grants now closed and not included in the SEFA total $20,390,863, which was spent on Program capital expenditures in prior fiscal years.

The State provides direct and pass-through expenditure-driven restricted capital grants, the details for which are presented in Note 8, Local and State Revenue Funding Agreements. Land transferred (conveyed) from the State and scheduled to be permanently retained by the TJPA is recorded as a capital contribution. Land transferred (conveyed) from the State which is scheduled to be re-conveyed to the City or OCII during or at the end of the interim construction period is recorded as an intergovernmental liability. See Note 4, Capital Assets, for details regarding State-conveyed land.

Grants from local agency expenditure-driven restricted shared revenues and pass-through grants for the TJPA Capital Program are provided from:

AC Transit	Federal and State pass through grants
MTC	State-owned bridge tolls
SFCTA	Sales and use tax
SMCTA	Sales tax

See Note 8, Local and State Revenue Funding Agreements, for details regarding the local government capital grants from AC Transit, MTC, SFCTA, and San Mateo County Transportation Authority ("SMCTA").

Contributions of donated noncash, nonland assets are recorded at fair value in the period received as in-kind contributions. The TJPA recorded donated materials and survey and planning services during the two-year period ended June 30, 2004 from the former San Francisco Redevelopment Agency (now OCII) in the amount of $798,689.

Capital grants and contributions from external sources are recognized as capital contributions earned when the related allowable expenditures are incurred.

Federal and State grants, State-conveyed land scheduled to be retained by the TJPA, grants from local agency shared revenues, and in-kind contributions for the TJPA Capital Program are reported in the Statement of Revenues, Expenses, and Changes in Fund Net Position as capital contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Contributions (Continued)

The table below summarizes the current year and life-to-date capital contributions for each of TJPA's funding partners.

Funding Partner	Current Fiscal Year Actual	Life-To-Date Actual Approved Award	Life-To-Date Actual Actual	Life-To-Date Actual Unexpended Award
Federal government				
Capital grants	$ 38,393,123	$ 469,779,260	$ 458,106,973	$ 11,672,287
Total Federal government	38,393,123	469,779,260	458,106,973	11,672,287
State government				
Capital grants	5,585,732	39,916,425	22,187,571	17,728,854
Total State government	5,585,732	39,916,425	22,187,571	17,728,854
Local agencies				
MTC	34,450,108	353,200,327	341,601,838	11,598,489
SFCTA	20,767,965	173,755,322	140,331,057	33,424,265
SMCTA	Completed	23,359,514	23,359,514	-
SFRA in-kind contribution	Completed	798,689	798,689	-
Total local agencies	55,218,073	551,113,852	506,091,098	45,022,754
Total grantor contributions	99,196,928	$ 1,060,809,537	986,385,642	$ 74,423,895
Other capital contributions	4,467,981		5,906,734	
Total capital contributions	$ 103,664,909		$ 992,292,376	

Percent of the total life-to-date actual grantor contributions made by funding partners:

	Federal	State	Local	Total
Amount	$ 458,106,973	$ 22,187,571	$ 506,091,098	$ 986,385,642
Percent	46%	2%	51%	100%

Net Position

The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the Statement of Net Position is classified as Net Position and is subdivided into the following three categories:

Net Position-Net investment in capital assets

This component of net position consists of capital assets, net of related debt and of accumulated depreciation (when applicable), reduced by obligations to re-convey State-transferred land. At June 30, 2015, the TJPA has $74,490,044 in debt related to acquisition of capital assets, and $27,584,421 recorded as an intergovernmental liability to the City for re-conveyance of State-transferred land. Total invested in capital assets net of related debt is $1,208,382,376.

Net Position-Restricted

Restricted net position has external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restrict the use of net position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted net position at June 30, 2015 is as follows:

Restricted for operations and maintenance of TTC	$	4,281,615
Restricted for construction		76,952,748
Restricted for debt service		22,863,847
Total restricted net position	$	104,098,210

Net Position-Unrestricted
This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets". At June 30, 2015, unrestricted net position is $6,112,720.

Temporary Terminal Operating and Nonoperating Revenues and Operating and Maintenance Reserve
The Transbay Temporary Terminal provides temporary bus terminal facilities while construction of the new multi-modal TTC takes place. Located minutes from the former Terminal on the block bounded by Main, Folsom, Beale and Howard Streets, the Temporary Terminal serves AC Transit, WestCAT Lynx, SF Muni, Golden Gate Transit, SamTrans and Greyhound passengers. Temporary Terminal construction began in 2008 and was completed in 2010, with operations commencing in August 2010. The Temporary Terminal will serve commuters until the new TTC opens in 2017.

Temporary Terminal Operating Revenue
Temporary Terminal operating revenues consist of lease and advertising revenue. For the fiscal year ended June 30, 2015, total operating revenue was $406,662 and no operating and maintenance expenses were funded from operating revenues.

Temporary Terminal Nonoperating Revenue
Restricted operating assistance from local shared revenues (operating grants) is classified as nonoperating revenue and recorded as earned revenue when the related expenses are incurred. The TJPA receives an operating grant from MTC RM-2 state-owned bridge tolls to fund Temporary Terminal facility management expenses, including utilities, security, and primary tenant AC Transit's increased costs to operate from the Temporary Terminal.

For the year ended June 30, 2015, the MTC-approved RM-2 operating grant allocation total is $4,379,909 of which $3,644,073 was expended leaving an unexpended balance of $735,836. The unexpended operating grants do not carry over to the following fiscal year. MTC approves a new operating grant for each fiscal year.

Temporary Terminal Operating and Maintenance Reserve
The net position of the Temporary Terminal is restricted pursuant to the September 29, 2008 TJPA Board of Directors-approved comprehensive Lease and Use Agreement that controls AC Transit's bus operations in the Temporary Terminal and future operations in the Transit Center. The net position of the Temporary Terminal is restricted for the Operating and Maintenance Reserve for Program facilities and is not available for construction of the TTC or the DTX. At June 30, 2015, net position of $4,281,615 is restricted for the Operating and Maintenance Reserve.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The purpose of the Operating and Maintenance Reserve is to ensure that sufficient operating and maintenance funds are available in the event of unanticipated revenue shortfalls and unavoidable costs. Disbursements from restricted Operating and Maintenance Reserve funds must meet at least one of the following criteria:

- Necessary for the safety or security of the public or the facility;
- Required by the Lease and Use Agreements with operators or other agreements or contracts entered into by the TJPA;
- Authorized under the annual Operating and Maintenance budget approved by the Board; or
- Other unforeseen circumstances wherein the use of the reserve funds is deemed necessary by the Executive Director, designee, or by the Board of Directors.

In addition to the criteria described above, the TJPA may use funds in the TTC Operating and Maintenance Reserve as working capital to fulfill contractual or other obligations, for payment to vendors or contractors prior to the receipt of funds from funding partners. A commitment from the funding partners must be in place prior to the temporary "borrowing" of cash from this reserve. To the extent possible, the use of these funds as working capital should not result in the Operating and Maintenance Reserve balance dropping below two months of current fiscal year Temporary Terminal or TTC (as applicable) direct operating and maintenance costs. The use of the Operating and Maintenance Reserve funds as working capital must be authorized by the Executive Director or designee.

Pensions

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

Derivative Instruments

TJPA's interest rate cap is accounted for in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"), which requires TJPA to report its interest rate cap at fair value. The change in fair value of the hedging derivative instrument is reported as a deferral in the Statement of Net Position. See Note 10 for further discussion of TJPA's interest rate cap.

Rounding

One-dollar differences within and between statements and schedules are due to rounding.

Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The TJPA's investment policy allows the TJPA to invest cash balances in insured savings or money market accounts in a qualified public depository as established by California state law, the City Treasurer's cash and investments pool, or through trust accounts required by agreements, such as the 2003 Cooperative Agreement with the State, the TIFIA loan agreement with the USDOT, and the agreements associated with the bridge loan, for the deposit of various types of revenues and debt proceeds.

TJPA's cash held in the City Treasurer's cash and investments pool is considered to be cash and cash equivalents because it has the same characteristics as a demand deposit. The TJPA's investments in the pool may be deposited or withdrawn without notice or penalty. Investments made by the City Treasurer are regulated by the California Government Code and by a City investment policy approved annually by the City Treasury Oversight Committee. Adherence to the statutes and policies is monitored by the City Board of Supervisors and by the Treasury Oversight Committee via monthly reports and an annual audit.

Redeemed or sold shares are priced at book value, which includes realized investment earnings such as interest income, realized gains or losses upon sale of investments, and amortized premiums and discounts. This number may differ from the shares' fair value, which would include unrealized gains or losses based on market conditions. Because the TJPA's short-term position in the City Treasurer's cash and investment pool is considered to be a demand deposit, the TJPA does not record its allocated share of unrealized gains or losses as reported by the City Treasurer. TJPA cash held in the City's cash and investments pool on June 30, 2015 is $17,164,075 and is classified in the statement of net position as follows:

Account Name	Amount
Restricted cash for the operations and maintenance of the Transbay Transit Center	$ 4,049,265
Restricted cash for the construction of the Transbay Transit Center	7,841,808
Equity in pooled cash and investments with the City and County of San Francisco	5,273,003
Total	$ 17,164,075

TJPA participation in the City Treasurer's cash and investments pool is voluntary. Additional information regarding the pool is presented in the notes of the City's basic financial statements.

As of June 30, 2015, the TJPA had investments of $222,972,832 in U.S. Treasury Notes, U.S. Treasury Bills, commercial paper, negotiable certificates of deposit and money market funds. These investments are held in various trustee accounts. Under the 2003 Cooperative Agreement, gross sales proceeds from the former State-owned parcels are to be placed in a trust account for the benefit of the TJPA and used solely for capital construction costs of the Transbay Program. Collateral Agency agreements related to TJPA debt also required establishment of trust accounts for various purposes. As of June 30, 2015, the TJPA had the following investments with the trustee (across all accounts):

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Type	Value	Maturities: Less than 1 year	Maturities: 1 to 5 years	Credit Ratings S&P	Percent of Total Portfolio
Cash Equivalents					
Commercial paper	$ 97,829,369	$ 97,829,369	$ -	A-1	40%
Negotiable certificates of deposit	3,320,000	3,320,000	-	N/A	1%
Money market mutual funds	18,559,182	18,559,182	-	AAAm	8%
Investments					
U.S. Treasury notes	89,731,751	89,731,751	-	N/A	37%
U.S. Treasury bills	13,532,529	13,532,529	-	N/A	6%
Total investments	222,972,832	222,972,832	-		92%
Cash & equity in pool	20,172,707	20,172,707	-	N/A	8%
Total Portfolio	$ 243,145,539	$ 243,145,539	$ -		100%

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Obligations of the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. Certificates of deposit are insured by the Federal Deposit Insurance Corporation up to $250,000; all TJPA certificates of deposit are $250,000 or less in value. The credit ratings of other TJPA investments are disclosed above.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The issuer and amount of investments representing 5 percent or more of total investments are disclosed in the table below:

Issuer	Type	Amount	Percent of Total Portfolio
Bank of Tokyo (US)	commercial paper	$ 24,980,754	10%
ING Funding	commercial paper	12,912,724	5%
ING US Funding	commercial paper	20,972,205	9%
MUFG Union Bank	commercial paper	12,488,618	5%
Natixis NY	commercial paper	19,976,822	8%
Fidelity	money market	14,480,911	6%
U.S. Treasury	notes and bills	103,264,280	43%

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. California Government Code limits investments in U.S. Treasury Obligations, commercial paper, and negotiable certificates of deposit to a maximum maturity of five years, 270 days, and five years, respectively, which helps to mitigate this risk since the prices of fixed-income securities with a longer time to maturity tend to be more sensitive to changes in interest rates. At June 30, 2015, TJPA had a series of investments in U.S. Treasury Notes and Bills, commercial paper, and negotiable certificates of deposit that all mature by January 15, 2016.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. TJPA investment policy limits deposits to qualified public depositories as established by state law. The amounts placed on deposit with the bank were covered by federal depository insurance and were collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code. Such collateral is held by the pledging financial institutions' trust department or agent but not in the TJPA's name.

Custodial credit risk for investments is the risk that, in the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2015, the following investment types were held by the same broker-dealer (counterparty) that was used to purchase the securities:

Investment Type	Reported Amount
US Treasury securities	$ 103,264,280
Commercial paper	97,829,369

NOTE 4 - CAPITAL ASSETS

The TJPA's capital assets consist of land, including land transferred by the State that may be re-conveyed to the City, permanent easements, and accumulated construction in progress related to the Transbay Transit Center and Caltrain Downtown Extension. Construction in progress also includes intangible assets that are recorded as Information Technology in the statement of net position, which consists of costs to develop the TJPA's website and labor compliance software licensing. Capital assets are recorded at historical cost if purchased or constructed. Capital assets not purchased or constructed are recorded at estimated fair value at the time of acquisition.

Capital Asset Activity for the Fiscal Year Ended June 30, 2015

	Beginning of Fiscal Year	Current Year Acquisitions	Current Year Dispositions	End of Fiscal Year
Capital assets not being depreciated:				
Land	$ 185,329,844	$ 799,666	$ -	$ 186,129,510
Permanent easements	137,374	-	-	137,374
State transferred land to be				
re-conveyed to the City	27,584,421	-	-	27,584,421
Construction in progress:				
Information technology	149,965	6,000	-	155,965
Transbay Transit Center	741,968,295	299,392,459	-	1,041,360,754
Caltrain Downtown Extension	54,819,208	269,609	-	55,088,817
Total capital assets not				
being depreciated	1,009,989,107	300,467,734	-	1,310,456,841
Less outstanding capital related obligation:				
Intergovernmental liability to the City for				
re-conveyance of State transferred land	(27,584,421)	-	-	(27,584,421)
Invested in capital assets,				
net of related obligations	982,404,686	300,467,734	-	1,282,872,420
Capital assets acquired with debt proceeds	-	(74,490,044)	-	(74,490,044)
Invested in capital assets, net of related debt	**$ 982,404,686**	**$ 225,977,690**	**$ -**	**$ 1,208,382,376**

Land Acquisition Summary

Scheduled Disposition:	**Parcels**	**Land Value**	**Additional Costs**	**Total Land Value**
Retained for:				
Transbay Transit Center	18	$ 125,387,245	$ 21,658,717	$ 147,045,962
Downtown Extension	11	15,691,890	1,886,957	17,578,847
Total to be retained	29	141,079,135	23,545,674	164,624,809
Transfer to the City or OCII	3	20,628,720	875,981	21,504,701
Total Value	32	$ 161,707,855	$ 24,421,655	$ 186,129,510

NOTE 4 - CAPITAL ASSETS (Continued)

The total land value at June 30, 2015 of $186,129,510 is made up of thirty-two parcels of land acquired by purchase, eminent domain, or transfer from the State over the life of the Program. The additional costs included in the land value are primarily for demolition of the old terminal and bus ramps, relocation and loss of goodwill for relocated businesses, appraisals, surveying, environmental remediation and monitoring, garage easement interests, and title and closing costs.

TJPA is scheduled to permanently retain title to twenty-nine parcels valued at $164,624,808. The TJPA will hold title to the remaining three parcels with a land value of $20,628,720 for a temporary period. These three parcels are needed only during the construction of the TTC and the operation of the Temporary Terminal and then will be conveyed to the City or OCII, along with an additional seven parcels transferred by the State, with a total value of $27,584,421, when no longer needed for construction or Temporary Terminal operations. In the fiscal year the TJPA transfers parcels to the City or OCII, the TJPA will record a loss on conveyance of land for the total land value of the three parcels, plus the additional costs of $875,981 associated with the three parcels and the seven former State-owned parcels to be conveyed.

Land Acquisition Current Fiscal Year Activity-Scheduled to be Retained
No property was acquired during the year ended June 30, 2015. Additional net land costs total $799,666 incurred during the fiscal year.

Summary of Land transferred to TJPA from the State by fiscal year and Land scheduled to be transferred to the City
The TJPA is applying one of two valuation methods for each land parcel transferred from the State to the TJPA. Parcels that the State was leasing to third parties prior to transfer to the TJPA are valued by the TJPA using the lease rate. For parcels that were not being leased by the State at or near the date of transfer, the TJPA is using the sale price of comparable parcel(s) sold in the vicinity of the Transbay Transit Center. This valuation is for purposes of compliance with GASB Statement No. 34 accounting and reporting requirements only, and should not be construed as market value for the parcels.

On February 17, 2015 the sale of formerly State-owned Parcel S, comprising Redevelopment Block 9, closed. TJPA received $43,630,000 in proceeds. The proceeds from the sale will be used for Phase 1 construction of the TTC, and the future property tax increment from the development is a source of repayment of TJPA’s federal TIFIA loan. This sale did not change the number of State parcels held by TJPA, as Parcel S did not transfer to TJPA prior to sale to the developer. In addition, $21,000 was received from PG&E for relocation of utilities related to the sale of Block 6 which occurred in fiscal year 2014.

	Total Transferred From the State			Scheduled To be Retained			Scheduled To be Transferred To City/OCII		
	#		Value	#		Value	#		Value
FY 2009	4	$	16,683,315	0	$	-	4	$	16,683,315
FY 2010	0		-	0		-	0		-
FY 2011	14		72,007,574	9		53,186,468	5		18,821,106
FY 2012	0		-	0		-	0		-
FY 2013	0		(6,985,999)	0		(6,985,999)	0		-
FY 2014	1		7,476,962	0		-	1		7,476,962
FY 2015	0		-	0		-	0		-
Total Transferred	19	$	89,181,852	9	$	46,200,469	10		42,981,383
Total State Parcels transferred to the City/OCII							(3)		(15,396,962)
Remaining State Parcels to be transferred to the City/OCII							7		27,584,421
TJPA acquired land scheduled to be transferred to the City/OCII							3		20,628,720
Additional costs for all parcels scheduled to be transferred to the City/OCII									875,981
Total land scheduled to be transferred to the City/OCII							10	$	49,089,122

Land parcels transferred from the State which are scheduled to be retained by the TJPA are recorded as a capital contribution and included as a component of the land capital asset account. At June 30, 2015, the value of the land transferred from the State which is scheduled to be retained by the TJPA is $46,200,469 according to the described valuation methodology.

At June 30, 2015, the TJPA held title to ten land parcels valued at $49,089,122 which are temporarily needed by the TJPA only for the construction of the Transbay Program—three acquired by purchase and seven via transfer from the State. Upon completion of the construction period, these parcels are scheduled to be transferred to the City or OCII.

Land parcels transferred from the State which are scheduled to be re-conveyed to the City or OCII upon completion of the new TTC are recorded as an intergovernmental liability to the City and as State-transferred land to be re-conveyed to City capital asset account. At June 30, 2015, the total value of the land to be re-conveyed to the City recorded in these liability and capital asset accounts is $27,584,421.

In the fiscal year the TJPA transfers the parcels to be re-conveyed to the City or OCII, the TJPA will record the liquidation of the intergovernmental liability to the City and accordingly reduce the State-transferred land capital asset account.

Future Transfers of State Parcels

One remaining State parcel is scheduled to be transferred to the TJPA when required for construction purposes or development. Three parcels are scheduled to be transferred directly from the State to the City or OCII and will not be recorded in the TJPA's accounting records. However, one or more of these four parcels could potentially come to the TJPA first on an interim basis and then be re-conveyed from TJPA to the City or OCII.

NOTE 4 - CAPITAL ASSETS (Continued)

Eminent Domain Proceedings

In December 2010, the City, a member agency of the TJPA acting for the benefit of the TJPA and the Transbay Program, initiated condemnation actions to acquire by eminent domain eleven properties and thirteen garage easement interests for the TTC and DTX projects. The City filed motions for immediate possession of the properties and garage easement interests with the court, so that TJPA could secure possession of the properties and garage easement interests and move forward with construction while the court considered the value of the properties and easements. As required by law, TJPA deposited with the State Treasurer the amount of probable compensation for the properties and garage easement interests at the time the TJPA filed the motions for immediate possession. As of June 30, 2011, the court had granted the motions and issued the orders by which the TJPA acquired full and exclusive right to possess the properties and garage easement interests. Demolition of properties acquired by eminent domain proceedings commenced and was completed in 2011.

The probable compensation for the properties and garage easement interests was based on the TJPA's appraisal of the fair value of the properties and easements. The TJPA appraised the properties and easements, determined the amount of probable compensation, and funds were deposited with the State Treasurer. MTC, SFCTA, and SMCTA remitted deposits to the State Treasurer on behalf of TJPA totaling $18,350,000 during the fiscal year ended June 30, 2011. Based on the court orders awarding TJPA full and exclusive right to possess the properties and easements, the TJPA recorded the $18,350,000 deposited with the State as contributed capital revenue in fiscal year 2011. In fiscal year 2013, SFCTA remitted an additional $1,725,000 in deposits to the State Treasurer based on updated appraisals for two properties. Any interest earned on the deposits prior to the property owner's withdrawal was paid by the State to the City to the TJPA and then refunded to the appropriate funding agency.

As of June 30, 2015, all litigation was concluded. TJPA acquired title to ten of the properties and the thirteen garage easement interests via voluntary settlements with the owners. The judgment in condemnation and the final order of condemnation for the final property was issued by the court in May 2015 and recorded in June 2015.

Contract Commitments

At year end, the TJPA had contract commitments of $473,984,625 for construction, design, engineering, planning and administrative costs.

NOTE 5 - RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS

A. Pension Plan

Plan Description and Benefits Provided

All full-time employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined-Benefit Pension Plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement, disability, and death benefits based upon the employee's years of service, age, and final compensation. Benefit provisions under the Plan are established by State statute and TJPA resolution. Employees vest after five years of service.

TJPA contracted with CalPERS effective January 1, 2012. Until that date, full-time employees participated in the CalPERS pension plan via Local Government Services ("LGS"), previously TJPA's employer of record under contract. CalPERS processed a merger, transferring TJPA employees from LGS' plan to TJPA's plan. TJPA's plan for current employees at June 30, 2015 is in the CalPERS Miscellaneous Employee "2% at 55" risk pool. Under the California Public Employees' Pension Reform Act legislation adopted during Fiscal Year 2012-2013, future employees hired by TJPA who are new to CalPERS will be members of CalPERS Miscellaneous Employee "2% at 62" risk pool.

Detailed information about the pension plan's fiduciary net position is publicly available in separately issued CalPERS reports. The reports and other details referenced below may be obtained from CalPERS, www.calpers.ca.gov.

Contributions

The contribution requirements of plan members are established by State statute, and the employer contribution rate is actuarially established and may be amended by CalPERS. Active members in the plan are required to contribute 7% of their annual covered salary. TJPA pays this required contribution on behalf of current employees, amounting to $154,632 for the year ended June 30, 2015. The actuarially determined employer contribution rate is currently 8.512% of covered payroll costs. The employer contribution, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, TJPA employer contributions, which are included in the calculation of net pension expense, were $254,524.

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

TJPA has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* ("GASB 68") in fiscal year 2015. GASB 68 requires employers that participate in a defined benefit pension plan administered as a trust or equivalent arrangement to record the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position. Net pension liability is the plan's total pension liability based on entry age normal actuarial cost method less the plan's fiduciary net position. Pension expense is the change in net pension liability from the previous fiscal year to the current fiscal year less adjustments. Deferred outflows and deferred inflows of resources related to pensions are certain changes in total pension liabilities and fiduciary net position that are to be recognized in future pension expense.

NOTE 5 - RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

A. Pension Plan (Continued)

Under GASB 68, each participating cost-sharing employer, such as TJPA, is required to report its proportionate share of the collective net pension liability, pension expense, and deferred outflows/deferred inflows of resources in their financial statements. The disclosures below are thus based on an actuarial valuation provided by CalPERS.

At June 30, 2015, TJPA reported a liability of $423,397 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. TJPA's proportion of the net pension liability was based on a projection of TJPA's long-term share of contributions to the pension plan relative to the projected contributions of all participating local governments, actuarially determined. TJPA's proportionate share of the net pension liability for the plan as of June 30, 2013 and 2014 was as follows:

Proportion - June 30, 2013	0.0177%
Proportion - June 30, 2014	0.0171%
Change - Increase (Decrease)	-0.0006%

The annual pension expense under GASB 68 is now equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for the deferred recognition of actual contributions and items such as investment gains and losses, changes in actuarial assumptions, and changes in plan benefits. For the year ended June 30, 2015, TJPA recognized net pension expense of $545,933. At June 30, 2015, TJPA also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
TJPA contributions subsequent to the measurement date	$ 254,524	$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Contributions in excess of employer share	126,953	-
Changes in TJPA proportion and differences between actual TJPA contributions and proportionate share of contributions	-	(107,209)
Net differences between projected and actual earnings on pension plan investments	-	(142,280)
Total	$ 381,477	$ (249,489)

Of the $381,477 total deferred outflows of resources, $254,524 resulting from TJPA employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 5 - RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

A. Pension Plan (Continued)

Year Ended June 30:	Contributions in excess of TJPA share	Investment differences	Change in proportion	Total
2016	$ (38,289)	$ (35,570)	$ 45,341	$ (28,518)
2017	(38,289)	(35,570)	45,341	(28,518)
2018	(30,631)	(35,570)	36,271	(29,930)
2019	-	(35,570)	-	(35,570)
Total	$ (107,209)	$ (142,280)	$ 126,953	$ (122,536)

Actuarial Assumptions
The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.50%
Mortality Rate Table	Derived using CalPERS Membership Data

The mortality table was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. The experience study, which also includes more detail on the mortality table, can be found on the CalPERS website.

Discount Rate
The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in the "GASB Crossover Testing Report" available on the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the

NOTE 5 - RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

A. Pension Plan (Continued)

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 this calculated single equivalent rate and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Yrs 1-10[1]	Real Return Yrs 11+[2]
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure & Forest	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
	100%		

[1]An expected inflation of 2.5% used for this period

[2]An expected inflation of 3.0% used for this period

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

The following presents TJPA's proportionate share of the net pension liability for the plan, calculated using the discount rate of 7.50%, as well as what TJPA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount Rate - 1 (6.50%)	Discount Rate (7.50%)	Discount Rate +1 (8.50%)
TJPA's net pension liability	$ 754,360	$ 423,396	$ 148,727

Payable to the Pension Plan

At June 30, 2015, TJPA reported a payable of $17,174 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTE 5 - RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

B. Defined Contribution Retirement Plan

TJPA participates in the California Public Agencies Self-Directed Tax-Advantaged Retirement System Plan (the "STARS Plan"), which provides retirement benefits for employees of the member public agencies. The STARS Plan includes a deferred compensation plan in accordance with Internal Revenue Code Section 457(b), whereby employees may elect to defer portions of their compensation in a self-directed investment plan for retirement, and a defined contribution plan in accordance with Internal Revenue Code Section 401(a), whereby TJPA matches employee contributions up to two percent of the employee's base annual salary. All employees are eligible for plan participation. Plan assets are invested in each individual's name with a deferred compensation plan provider. Employer contributions vest immediately. Each of the STARS Plan's participants directs the investments of their separate accounts. Distributions are made upon the participant's termination, retirement, death or total disability.

The STARS Plan deferred compensation and defined contribution assets are not reflected in these financial statements. During the year ended June 30, 2015, the TJPA and participating employees made contributions to the STARS Plan totaling $36,786 and $133,155, respectively. At June 30, 2015, TJPA had a payable of $8,034 for the outstanding amount of contributions to the defined contribution plan required for the year ended June 30, 2015.

C. Other Post-Employment Benefits

Plan Description and Funding Policy
TJPA has a program in place to partially pay medical insurance premiums for eligible retiring employees. TJPA currently has no retirees, but contracts with CalPERS under the Public Employees' Medical and Hospital Care Act ("PEMHCA"), which provides healthcare insurance programs for both active and retired employees of public employer contracting agencies. TJPA's agent multi-employer defined benefit retiree health plan allows eligible retirees to receive employer-paid medical insurance benefits through CalPERS. Retiree benefit provisions are established and amended through agreements between TJPA and its employees; at a minimum TJPA will contribute the amount required by PEMHCA, which was $122 per month per employee in 2015. Medical insurance premiums for retiree's spouses or dependents are not covered under these agreements, nor are dental or vision premiums. The plan does not issue a separate financial report.

Annual OPEB Cost and Net OPEB Obligation
TJPA's annual other postemployment benefit ("OPEB") cost is calculated based on the annual required contribution of the employer ("ARC"). The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. An actuarial valuation has been performed as of January 1, 2015 to calculate the ARC and related information.

The following table shows the components of TJPA's annual OPEB cost, the amount actually contributed to the plan, and changes in TJPA's net OPEB obligation to the plan:

NOTE 5 - RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

C. Other Post-Employment Benefits (Continued)

Annual required contribution	$ 41,581
Interest on net OPEB obligation	6,567
Adjustment to annual required contribution	(6,524)
Annual OPEB cost	41,624
Contributions made	-
Change in net OPEB obligation	41,624
Net OPEB obligation - beginning of year	164,171
Net OPEB obligation - end of year	$ 205,795

TJPA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013, 2014 and 2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	$ 54,724	0%	$ 109,559
6/30/2014	54,612	0%	164,171
6/30/2015	41,624	0%	205,795

Funded Status and Funding Progress
The funded status of the plan as of January 1, 2015, the most recent actuarial valuation, was as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
$ -	$ 286,702	$ 286,702	0%	$ 2,101,029	13.6%

In this fourth year of recognizing OPEB, TJPA has continued to record a liability for the ARC against its unrestricted assets. TJPA is researching options to participate in an OPEB trust prior to any eligible TJPA employees retiring.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information is designed to present trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 5 - RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

C. Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between TJPA and the plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The 2015 actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Discount Rate	4.0%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.25%, used only to allocate cost of benefits between service years
Investment Rate of Return	7.50%

The underlying mortality assumptions and all other demographic actuarial assumptions used in the valuation were based on the results of the January 2014 CalPERS actuarial experience study for the period 1997 to 2011, except for a different basis used to project future mortality improvements.

Healthcare cost trend rate – Medical plan premiums are assumed to increase once each year, at levels varying from 4.5% to 8.0%. The PEMHCA minimum required contribution is assumed to increase annually by 4.5%.

NOTE 6 - LEASES

The TJPA leases office space under an operating lease which expires during fiscal year 2021. Total costs for this lease were $700,128 for the year ended June 30, 2015. These costs represent direct Program management costs related to the TTC and DTX and as such are capitalized as part of accumulated Program costs. In the event that the TJPA terminates a contract held with the Program Management & Program Control consultant, the TJPA will assume the AECOM lease of office trailers, or cover any termination costs associated with early termination of the lease. That lease expires during fiscal year 2018. The future minimum lease payments for both leases are as follows:

	TJPA Lease	AECOM Lease
2016	$ 464,825	$ 53,393
2017	689,814	71,191
2018	710,509	35,596
2019	731,824	-
2020	753,779	-
2021	579,909	-
	$ 3,930,660	$ 160,180

NOTE 7 - RISK MANAGEMENT

The TJPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The TJPA participates in the Special District Risk Management Authority ("SDRMA"), a joint powers agency (risk-sharing pool) established in 1986 to provide pooled joint protection programs among the members of SDRMA. The purpose of SDRMA is to reduce the amount and frequency of losses and to decrease the cost incurred by its members in the handling and litigation of claims and to purchase excess or re-insurance as a group, thereby reducing costs. The TJPA's deductibles and maximum coverages under the SDRMA pool are as follows:

Coverage Description	Deductibles	Commercial Insurance Coverage
General Liability	$500	$10,000,000
Auto Liability	$1,000	$10,000,000
Property Coverage	$1,000	$1,000,000,000
Boiler and Machinery Coverage	$1,000	$100,000,000
Errors and Omissions Liability	$0	$10,000,000
Employee Dishonesty	$0	$400,000
Personal Liability for Board	$500	$500,000

There were no reductions in insurance coverage from the previous year. The TJPA pays an annual contribution, determined by the Board of Directors of SDRMA, and any additional amounts which the SDRMA Board of Directors deems necessary in accordance with bylaws of SDRMA. The TJPA's annual contribution for the fiscal year ended June 30, 2015 was $78,865 and no insurance claims were filed for the thirteen years ended June 30, 2015.

In addition, the TJPA purchased an excess liability policy to provide additional coverage of $10,000,000. The premium for the fiscal year ended June 30, 2015 for this policy was $46,062. There is no deductible under this policy. The TJPA does not maintain earthquake insurance coverage.

The TJPA maintains workers' compensation insurance in compliance with statutory limits. The premium for the fiscal year ended June 30, 2015 for this coverage was $22,609. TJPA also carries business travel accident insurance with an annual premium of $1,240, and a public officials bond purchased for $613 for a two year term.

During the year ended June 30, 2010, the TJPA received a payment and performance bond from Webcor Builders/Obayashi Corporation, the joint venture awarded the Construction Manager/General Contractor ("CM/GC") contract. The bond provides a $600 million guarantee that the CM/GC will complete the Transit Center and Related Structures in accordance with its contract and that it will pay its subcontractors, labor and suppliers. The TJPA reimbursed the CM/GC $5.4 million for the original bond premium. In fiscal year 2014, the bond amount was increased to $653 million, for a premium of $475,728. During the year ended June 30, 2015, the TJPA reimbursed the CM/GC $2,118,336 for multiple riders that increase the bond amount to $889 million.

NOTE 8 - LOCAL AND STATE CAPITAL REVENUE FUNDING AGREEMENTS

A. <u>MTC Revenues</u>

RM-1

The RM-1 funds from MTC are derived from Regional Measure 1, approved by California voters in 1989, which authorized toll increases on all state-owned bridges in the northern and southern bay area bridge groups. In June 2001, the San Francisco Municipal Transportation Agency received two RM-1 funding allocations totaling $1,400,000 on the TJPA's behalf to provide preliminary planning and preliminary design services for the Transbay Terminal and Caltrain Downtown Extension project. The SFMTA passed through the $1,400,000 to TJPA and the funds were disbursed during the fiscal years ended June 30, 2002 through 2005.

The MTC-approved RM-1 allocations direct to TJPA total $53,000,000 of which $52,998,792 has been expended leaving an unexpended balance of $1,208 which was appropriated for the fiscal year ending June 30, 2016.

RM-2

On March 2, 2004, voters approved RM-2, which increased the state-owned bridge toll in the San Francisco Bay Area by $1.00 for each vehicle. RM-2 assigns the administrative duties and responsibilities associated with this additional toll revenue to the MTC. The additional toll revenues are earmarked for transportation projects within the region that have been determined to reduce congestion or to make improvements to travel in the toll bridge corridors and are incorporated into the Regional Traffic Relief Plan, which is also administered by the MTC.

The MTC-approved RM-2 allocations total $150,000,000 of which $146,992,231 has been expended leaving an unexpended balance of $3,007,769 which was appropriated for the fiscal year ending June 30, 2016.

AB 1171

MTC's Resolution 3434 includes AB 1171 funds for the Transit Center Program. This source results from the adoption of AB 1171 Bridge Toll Funds by the California legislature for a plan to fund the cost of seismic retrofit of Bay Area toll bridges. The Transbay program is eligible for these funds under a provision that makes the money available to projects consistent with the purposes of the voter-approved RM-1 program.

The MTC-approved AB 1171 allocations total $148,800,327 of which $140,210,815 has been expended leaving an unexpended balance of $8,589,512 which was appropriated for the fiscal year ending June 30, 2016.

Summary of MTC Allocations Life-To-Date

	Allocations	Expended	Unexpended
RM-1 Direct	$ 53,000,000	$ 52,998,792	$ 1,208
RM-1 Pass Through	1,400,000	1,400,000	-
RM-2	150,000,000	146,992,231	3,007,769
AB 1171	148,800,327	140,210,815	8,589,512
Life-To-Date Total	$ 353,200,327	$ 341,601,838	$ 11,598,489

NOTE 8 - LOCAL AND STATE CAPITAL REVENUE FUNDING AGREEMENTS (Continued)

B. SFCTA Prop K Revenues

On November 4, 2003, the voters approved Prop K, which imposes one-half of one percent of additional sales and use tax to be used for the planning, maintenance and rehabilitation of, and improvement to, the City's multi-modal transportation system. The SFCTA is responsible for allocating, administering and overseeing the expenditures of Prop K.

The SFCTA-approved allocations total $173,755,322 of which $140,331,057 has been expended leaving an unexpended balance of $33,424,264. The unexpended balance was appropriated for the fiscal year ending June 30, 2016.

C. SMCTA Measure A Revenues

In June of 1988, San Mateo County voters approved Measure A, which established a program to fund transportation projects by an increase in sales tax of 0.5%. The SMCTA is an independent agency formed to administer the proceeds of the sales tax increase.

The SMCTA-approved sales tax allocations total $23,359,514 and the funds were disbursed during the fiscal years ending June 30, 2006 through June 30, 2013.

D. AC Transit Revenues

In September 2011, AC Transit passed through two security grants from the Federal Emergency Management Agency and two security grants from the California Emergency Management Agency ("Cal-EMA") totaling $7,697,323. In January 2013, AC Transit passed through an additional security grant from Cal-EMA totaling $2,149,588. In February 2014, AC Transit passed through another security grant from Cal-EMA totaling $2,149,596. In February 2015, a Proposition 1B, or Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Program grant from Caltrans in the amount of $21,164,990 was passed through as well. These pass-throughs are being credited towards AC Transit's required capital contribution under the Lease and Use Agreement (see Note 10) and are for construction.

Of the $33,161,497 allocated thus far, $15,432,643 has been expended leaving an unexpended balance of $17,728,854 which was appropriated for the fiscal year ending June 30, 2016. Because these grants are pass throughs from the federal and state governments, they are not included as local agency contributions in Note 2, Capital Contributions (see also below).

E. State of California Revenues

RTIP

In January 2007, the State and the TJPA entered into a Program Master Agreement for future planned State financial allocations of Regional Transportation Improvement Program ("RTIP") funds for locally administered rail and transit projects. Pursuant to the Master Agreement, program supplements are entered into subject to all of the terms and conditions of the Master Agreement.

The State-approved program supplements total $10,153,000, and the funds were disbursed during the fiscal years ending June 30, 2008 through June 30, 2013.

NOTE 8 - LOCAL AND STATE CAPITAL REVENUE FUNDING AGREEMENTS (Continued)

E. State of California Revenues (Continued)

Cal-EMA

A portion of the AC Transit revenue discussed above is four grants totaling $8,598,435 being passed through from Cal-EMA. The total amount has been expended as of June 30, 2015.

PTMISEA

A portion of the AC Transit revenue discussed above is for a grant totaling $21,164,990 being passed through from Caltrans. $3,436,136 has been expended, leaving an unexpended balance of $17,728,854 which was appropriated for the fiscal year ending June 30, 2016.

NOTE 9 - RELOCATION ASSISTANCE AND LOSS OF GOODWILL COMPENSATION

The TJPA has acquired real property for the implementation of the Transbay Transit Center Program, affecting various business and residential occupants of those properties.

Recipients of federal and state financial assistance such as TJPA are required to provide relocation assistance to eligible occupants in accordance with the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act ("Uniform Act"), 42 U.S.C. Sections 4601 et seq., and its implementing regulations, 49 CFR Part 24; and the California Relocation Act, Govt. Code Sections 7260 et seq., and its implementing regulations, 25 Cal. Code Regs. Sections 6000 et seq.

Relocation assistance costs were estimated for eligible businesses and residents, and the estimates periodically revised, by Associated Right of Way Services, Inc. ("ARWS"), under contract with the TJPA. The total estimated relocation liability is $1,590,266 of which $57,891 remained unpaid at June 30, 2015.

	Estimated Liability
Total Liability Estimate	$ 1,590,266
Disbursed through June 30, 2015	(1,532,375)
Balance at June 30, 2015	$ 57,891

The TJPA is also required under the State Code of Civil Procedure (Title 7, Chapter 9, Article 6, Sections 1263.510 et seq.) to provide compensation for the loss of business goodwill if the business owner proves that the loss is caused by the TJPA's acquisition of the property. The business owner has the burden of proof for loss of goodwill, and TJPA engaged appraisers to complete its own loss of goodwill valuations for affected businesses. As of June 30, 2014, TJPA had capitalized $1,248,383 of loss of business goodwill payments to five business owners, and no additional claims were received in fiscal year 2015.

NOTE 10 - NOTES PAYABLE AND DERIVATIVE INSTRUMENT

Notes Payable

In January 2015, TJPA executed two Notes Payable under a Credit Agreement for a direct bridge loan from Goldman Sachs Bank USA and Wells Fargo Securities LLC totaling $171,000,000. The bridge loan provides cash in the interim until TJPA draws down on its TIFIA loan. The bridge loan will mature by December 31, 2018, with bullet repayment in full at maturity, and prepayment, in part or in full without penalty, at the option of TJPA at any point during the term of the loan that is at least one year after close. The bridge loan was issued at a variable rate based on the three-month London Interbank Offer Rate ("LIBOR") plus an applicable margin. The three-month LIBOR rate is the rate in effect each quarter, and is set at the end of the prior quarterly interest period. TJPA was required by the lenders to enter into an interest rate cap that caps the 3-month LIBOR portion of the variable interest rate (excluding the margin) at 50 basis points (0.50%). The debt service requirements for TJPA's note payable are as follows, based on an assumed 3-month LIBOR at the cap rate of 50 basis points for all quarterly interest payments, except for the first two quarterly interest payments in fiscal year 2016, the actual rates for which are known:

Year Ending	Bridge Loan	
June 30	Principal	Interest
2016	$ -	$ 4,810,591
2017	-	5,884,063
2018	-	6,720,063
2019	171,000,000	5,067,063
Total	$ 171,000,000	$ 22,481,780

Actual future interest payments may be less than the amounts shown above to the extent that 3-month LIBOR is less than 50 basis points. The 3-month LIBOR rate in effect for the quarter April 22, 2015 through July 21, 2015 was 0.276%. Rates are calculated for each interest period in accordance with the Credit Agreement. TJPA capitalized interest expense of $1,887,512 for the fiscal year ended June 30, 2015. Capitalized interest equaled interest expense for the period because the bridge loan proceeds were used exclusively to fund the construction of the TTC.

Pledged Revenues

The revenues pledged under the Credit Agreement are the net tax increment revenues allocated to the project pursuant to an agreement with the City, pledged on a parity basis with the TIFIA loan. The net tax increment revenue that is received by TJPA, together with, to a much lesser extent, certain AC Transit contributions, and income derived from permitted investments from these two sources (together "Pledged Revenues") is pledged as security under the Credit Agreement for the bridge loan on a parity basis with the TIFIA loan. This revenue is not expected to be available for other purposes until the TIFIA loan is repaid in full, currently forecast for February 1, 2050. Tax increment in California has a 20% mandated set-aside for affordable housing. The net tax increment revenue assumed to flow to TJPA is net of this set-aside as well as 21% statutory pass-through payments to other taxing entities including school districts. In accordance with the Transbay Development Project Tax Increment Allocation and Sales Proceeds Pledge Agreement, TJPA is to receive net tax increment revenue until March 31, 2050.

Pledged Revenues are not forecast to be sufficient to pay interest on the bridge loan during the term of the bridge loan, and as a result, TJPA was required under the terms of the Credit Agreement to set up and fund at close, with proceeds of the bridge loan, a capitalized interest account. The capitalized interest account was sized at loan close such that the funds in it would be sufficient to cover interest payments at

NOTE 10 - NOTES PAYABLE AND DERIVATIVE INSTRUMENT (Continued)

an assumed 3-month LIBOR capped rate of 50 basis points. Funds remaining in the capitalized interest account at prepayment or repayment of the bridge loan would be released to TJPA at such time. If the note payable has not been repaid in full by the maturity date, TJPA has agreed to commence the process for and diligently pursue issuing debt secured by its net tax increment revenues in an amount at least sufficient to repay the bridge loan in full.

Derivative Instrument - Interest Rate Cap

TJPA has an interest rate cap that is employed as a hedge against rising interest rates for the bridge loan. TJPA entered into the Interest Rate Cap Agreement on January 22, 2015 following a competitive bidding process in order to limit its exposure to potential increases in interest rates. The Interest Rate Cap Agreement limits TJPA's variable interest rate exposure by providing that Goldman Sachs Bank USA, as cap provider counterparty, will make quarterly payments to TJPA to the extent that the three-month LIBOR rate exceeds 50 basis points. The interest rate cap has a notional amount of $171 million and it is in effect through December 31, 2018.

TJPA paid $6,240,000 for the interest rate cap and the fair value was $5,654,038 at June 30, 2015. The fair value of the cap is derived from the Dodd Frank Regulatory Daily Mark value provided by Goldman Sachs Bank; the change in the fair value for the fiscal year was $585,962, which was recorded as a deferred outflow of resources on the statement of net position. The interest rate cap was determined to be effective, meaning that the derivative significantly reduces an identified financial risk and hedge accounting is used.

Credit Risk

Credit risk is the risk that a counterparty will not fulfill its obligations. The maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted is $5,654,038, which is the fair value of the interest rate cap at year-end. To minimize TJPA's exposure to credit risk, the Interest Rate Cap Agreement requires the difference between the termination value of the interest rate cap and certain negotiated threshold levels for certain counterparty rating levels set forth in a credit support annex be collateralized by the counterparty with cash or U.S. Treasury Securities should the counterparty's credit rating decrease to negotiated trigger points. Collateral would be posted with a third-party custodian. At June 30, 2015, there is no requirement for collateral posting for the interest rate cap as the counterparty is rated A/A2/A+.

Termination Risk

Termination risk is the possibility that a derivative may end earlier than expected, depriving TJPA of the protection from interest rate risk. TJPA or its counterparty may terminate the interest rate cap in accordance with the terms of the Interest Rate Cap Agreement. The Interest Rate Cap Agreement was entered into under the International Swaps and Derivatives Association, Inc. Master Agreement ("ISDA Master Agreement"). The ISDA Master Agreement together with the Confirmation of the Interest Rate Cap Agreement provide the terms and conditions upon which each party may terminate the Interest Rate Cap Agreement. Included in such terms and conditions is the right of TJPA to terminate the Interest Rate Cap Agreement on any business day and the right of TJPA to terminate the Interest Rate Cap Agreement if the counterparty's senior, unsecured, unenhanced debt rating is withdrawn, suspended or reduced below BBB in the case of Standard & Poor's or Baa2 in the case of Moody's, and the right of the counterparty to terminate the Interest Rate Cap Agreement upon the failure of TJPA to comply with the terms of the Credit Support Annex or upon the bankruptcy of TJPA. No payment would be due from TJPA to the counterparty in any instance of termination.

NOTE 11 - RELATED PARTY TRANSACTIONS

Note 11 identifies agencies of State and local government that appoint members to the TJPA Board of Directors. The TJPA also purchases goods and services from these TJPA Board Member Agencies and these Agencies are therefore considered to be related parties to the TJPA. Below is a summary of goods and services purchased by the TJPA from these related parties during the fiscal year ended June 30, 2015.

A. City and County of San Francisco

During the year ended June 30, 2015, the City provided legal, project planning and review services including construction administration and inspection to the TJPA. Such services totaled $636,316 and were provided by the following organizations/departments:

Office of the City Attorney	$	58,955
Office of Community Investment and Infrastructure		154,349
Department of Public Works		8,983
Department of Technology		8,918
Municipal Transportation Agency		245,007
Public Utilities Commission		75,627
San Francisco Arts Commission		82,787
San Francisco Tax Collector		1,690
Total	$	636,316

At June 30, 2015, the TJPA reported $267,929 due to the City. Also at June 30, 2015, the TJPA held title to land parcels which are temporarily needed by the TJPA only for the construction of the Transbay Program. Upon completion of the construction period, these parcels will be transferred to the City (see Note 4).

B. Alameda-Contra Costa Transit District (AC Transit)

AC Transit provides bus services between Alameda and Contra Costa counties and the City and County of San Francisco. Under the Program, the Temporary Terminal and the future TTC are the point of destination/departure for AC Transit's bus services in San Francisco. AC Transit is the TJPA's only Primary Tenant in the Temporary Terminal, for the life of the Temporary Terminal, and will be the Primary Tenant in the Transit Center from its planned opening until Caltrain begins service.

On September 29, 2008, the TJPA Board of Directors approved a comprehensive Lease and Use Agreement that will control AC Transit's bus operations in the Temporary Terminal and the Transit Center through at least the year 2050. The Agreement sets forth all the rights and obligations of the parties with respect to the two facilities. It addresses payments AC Transit will make for its share of operating and maintenance costs in the Temporary Terminal and in the TTC should operating expenses exceed revenues, as well as its contribution in the sum of $57,000,000 (discounted to 2011 dollars) to the capital cost of the new Transit Center (see Note 8). The Agreement allows for subtenant agreements, where subtenants can be allocated a share of the primary tenant's operating and maintenance costs.

For the fiscal year ended June 30, 2015, expenses incurred by the TJPA to reimburse AC Transit for its incremental operating and maintenance costs in the Temporary Terminal totaled $2,393,378 and the TJPA reported $1,339,564 due to AC Transit at June 30, 2015.

NOTE 11 - RELATED PARTY TRANSACTIONS (Continued)

C. State of California (State) Department of Transportation (Caltrans)

Caltrans provides design review and construction support services to the TJPA. Such services totaled $130,404 during the year ended June 30, 2015, and the TJPA reported $62,586 due to Caltrans at June 30, 2015. The agreements with Caltrans require the TJPA to provide, within the total agreement amounts, payment for revolving invoice reserves. The payment of these deposits totals $55,000, which the TJPA has recorded as prepaid items.

For the fiscal year ended June 30, 2015 the TJPA expended $47,520 for Caltrans attorney parking for displaced parking formerly located in the Transbay Terminal, as required by the 2003 Cooperative Agreement. Caltrans' attorneys relocated to office space out of the immediate vicinity and TJPA's obligation to pay for parking consequently ended in January 2015.

See also Note 4, Capital Assets, for State-conveyed land to be retained by the TJPA and re-conveyed to the City.

NOTE 12 - CONTINGENT LIABILITIES

A. Due from Grantors

Amounts received or receivable from federal, state, and local funders are subject to audit and adjustment by these agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by these agencies cannot be determined at this time although the TJPA expects such amounts, if any, to be immaterial.

B. Pollution Remediation

TJPA has conducted pollution remediation activities as a matter of course in its demolition and construction. The expenditures associated with these activities are capitalized as costs to prepare property for use. As such, the TJPA capitalizes remediation outlays as incurred and does not record a pollution remediation liability. Life-to-date remediation expenditures through June 30, 2015 total $15,990,313 and are associated with the following project components:

Temporary Terminal	$	948,283
Transbay Transit Center		15,041,022
Caltrain Downtown Extension		1,008
Total	$	15,990,313

NOTE 13 - SUBSEQUENT EVENTS

On July 28, 2015, the SFCTA approved a $14.22 million Prop K grant request, for construction management oversight and program management/program controls work on the Program. On September 25, 2015, the FTA approved a $6 million grant of Congestion Mitigation and Air Quality funds through the OneBayArea Grant program, to be used towards construction of bicycle and pedestrian elements of the TTC. In addition, AC Transit notified the TJPA of two additional Cal-EMA grants, each in the amount of $2,148,388, and both to be used towards the superstructure trade package.

THIS PAGE INTENTIONALLY LEFT BLANK.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF TJPA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

CalPERS Public Agency Cost-Sharing Multiple-Employer Plan

	June 30, 2014[1]
TJPA's proportion of the net pension liability	0.0068%
TJPA's proportionate share of the net pension liability	$423,396
TJPA's covered-employee payroll	$2,087,405
TJPA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	20.28%
Plan fiduciary net position as a percentage of the total pension liability	83.03%

[1] Historical information is required only for measurement periods for which GASB 68 is applicable. TJPA currently has only one year of data to present in the schedule. As future years' data is calculated, it will be added to the schedule until ten years of data is presented.

SCHEDULE OF TJPA PENSION CONTRIBUTIONS

	FY 2015[1]	FY 2014	FY 2013
Actuarially determined contribution	$ 254,524	$ 228,308	$ 194,665
Contributions in relation to the actuarially determined contribution	(254,524)	(228,308)	(194,665)
Contribution deficiency (excess)	$ -	$ -	$ -
TJPA's covered-employee payroll	$ 2,215,123	$ 2,125,171	$1,976,776
Contributions as a percentage of covered-employee payroll	11.49%	10.74%	9.85%

[1] Historical information is required only for measurement periods for which GASB 68 is applicable. TJPA currently has three years of data to present in the schedule. As future years' data is calculated, it will be added to the schedule until ten years of data is presented.

Changes of Benefit Terms
The figures in the schedule of contributions above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes of Assumptions
None.

TRANSBAY JOINT POWERS AUTHORITY
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

SCHEDULE OF FUNDING PROGRESS FOR OPEB

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2012	$ -	$ 253,655	$ 253,655	0%	$ 1,760,761	14.4%
1/1/2015	-	286,702	286,702	0%	2,101,029	13.6%

THIS PAGE INTENTIONALLY LEFT BLANK.

SUPPLEMENTARY INFORMATION

TRANSBAY JOINT POWERS AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

				EXPENDITURES - FEDERAL SHARE			REVENUES - FEDERAL SHARE		
Program Description	Federal CFDA Number	Grant Number	Program Award	Cumulative through June 30, 2014	July 1, 2014 through June 30, 2015	Cumulative through June 30, 2015	Cumulative through June 30, 2014	July 1, 2014 through June 30, 2015	Cumulative through June 30, 2015
U.S. DEPARTMENT OF TRANSPORTATION									
Federal Transit - Capital Investment Grants:									
Federal Transit Formula Grants:									
General Capital Assistance	20.522	CA-39-0009	$ 1,240,000	$ 604,988	$ 187,153	$ 792,141	$ 604,988	$ 187,153	$ 792,141
General Capital Assistance	20.500	CA-04-0040	7,008,960	6,990,259	18,701	7,008,960	6,990,259	18,701	7,008,960
General Capital Assistance	20.500	CA-04-0140	7,885,080	5,258,547	244,133	5,502,680	5,258,547	244,133	5,502,680
Total Federal Transit - Capital Investment Grants			16,134,040	12,853,794	449,986	13,303,780	12,853,794	449,986	13,303,780
Federal Railroad Administration (FRA) Capital Grants:									
American Recovery and Reinvestment Act (ARRA)	20.319	FR-HSR-0007-10-01-00	400,000,000	360,435,546	33,145,588	393,581,134	360,435,546	33,145,588	393,581,134
Highway Planning and Construction Grant:									
General Capital Assistance	20.205	CA-70-X011	24,459,002	17,238,291	4,797,549	22,035,840	17,238,291	4,797,549	22,035,840
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			440,593,042	390,527,631	38,393,123	428,920,754	390,527,631	38,393,123	428,920,754
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			$ 440,593,042	$ 390,527,631	$ 38,393,123	$ 428,920,754	$ 390,527,631	$ 38,393,123	$ 428,920,754

TRANSBAY JOINT POWERS AUTHORITY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

NOTE 1 – GENERAL

The Schedule of Expenditures of Federal Awards (the “Schedule”) presents the current fiscal year and life-to-date activity of all direct and pass-through federal award programs of the Transbay Joint Powers Authority (the “TJPA”) that were active or closed out during fiscal year 2015.

NOTE 2 – BASIS OF ACCOUNTING

The Schedule is presented using the accrual basis of accounting.

NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

NOTE 4 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award and expenditures agree to or can be reconciled with the amounts reported in the TJPA’s basic financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK.

OTHER REPORTS

THIS PAGE INTENTIONALLY LEFT BLANK.

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

Board of Directors
Transbay Joint Powers Authority
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transbay Joint Powers Authority (TJPA), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the TJPA's basic financial statements, and have issued our report thereon dated November 25, 2015.

Internal Control over Financial Reporting

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

260 Sheridan Avenue, Suite 440, Palo Alto, CA 94306 Tel: 650.462.0400 Fax: 650.462.0500 www.vtdcpa.com

FRESNO • LAGUNA • PALO ALTO • PLEASANTON • SACRAMENTO • RANCHO CUCAMONGA

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the TJPA'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.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 25, 2015

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

Board of Directors
Transbay Joint Powers Authority
San Francisco, California

Report on Compliance for Each Major Federal Program
We have audited the Transbay Joint Powers Authority's (TJPA) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the TJPA's major federal programs for the year ended June 30, 2015. The TJPA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the TJPA'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the TJPA'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 the TJPA's compliance.

Opinion on Each Major Federal Program
In our opinion, the TJPA 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, 2015.

260 Sheridan Avenue, Suite 440, Palo Alto, CA 94306 Tel: 650.462.0400 Fax: 650.462.0500 www.vtdcpa.com

FRESNO • LAGUNA • PALO ALTO • PLEASANTON • SACRAMENTO • RANCHO CUCAMONGA

Report on Internal Control Over Compliance

Management of the TJPA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the TJPA'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the TJPA's internal control over compliance.

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

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

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

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 25, 2015

TRANSBAY JOINT POWERS AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies 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 weaknesses identified?	No
• Significant deficiencies 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 section 510(a) of Circular A-133?	No
Identification of major programs:	
CFDA No. 20.319 - ARRA	High-Speed Rail Corridors and Intercity Passenger Rail Service
CFDA No. 20.205	Highway Planning and Construction
Dollar threshold used to distinguish between Type A and Type B programs	$1,151,794
Auditee qualified as low-risk auditee?	Yes

Section II Financial Statement Findings

No matters were reported.

Section III Federal Award Findings and Questioned Costs

No matters were reported.