TRANSBAY JOINT
POWERS AUTHORITY

Annual Financial Report

For the Year Ended June 30, 2013

TRANSBAY JOINT POWERS AUTHORITY
For the Year Ended June 30, 2013

Table of Contents

INDEPENDENT AUDITORS' 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, 2013, 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 respective financial position of the TJPA as of June 30, 2013 and the respective 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 HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

Emphasis of Matter

The TJPA adopted new accounting guidance, Governmental Accounting Standard Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* effective July 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other post-employment benefits schedule of funding progress, 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 December 4, 2013 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
December 4, 2013

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, 2013 with comparative information for the year ended June 30, 2012. Please read it in conjunction with the TJPA's basic financial statements, which follow this section.

Financial Highlights

During the year ended June 30, 2013:

- At the close of the fiscal year, assets of the TJPA exceeded its liabilities by $965,714,779.
- The TJPA received $141,175,735 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.
- The TJPA completed the sale of formerly State-owned Parcel T for $191,816,197 for the development of the Transbay Transit Tower. The proceeds from the sale will be used for Phase 1 construction of the TTC.

Construction Highlights

- The TTC buttress, shoring and excavation construction work continued, with 793,091 craft hours completed through June 2013. The shoring wall was completed and all of the shafts that comprise the buttress were finished in February 2013.
- Five of six utility relocation packages were substantially completed. The remaining trade package is not on the critical path, and is scheduled to be completed in fiscal year 2014. The design for the utility relocations required to facilitate bus ramp construction was initiated.
- The below-grade structure package was awarded in October 2012 and work has commenced, including geothermal, grounding, waterproofing and mat slab pours. Following a re-bid to attract more competition and lower cost, the structural steel superstructure package was awarded in July 2013.

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 and liabilities, with the difference between the two 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

	2013	2012	Dollar Change	Percent Change
Assets:				
Current and other assets	$ 49,995,528	$ 53,330,013	$ (3,334,485)	-6%
Restricted assets with trustee	191,751,921	69,281	191,682,640	276674%
Capital assets	803,305,771	667,999,687	135,306,084	20%
Total assets	1,045,053,220	721,398,981	323,654,239	45%
Liabilities:				
Current and other liabilities	43,566,322	47,644,301	(4,077,979)	-9%
Liabilities payable from restricted assets with trustee	267,698	-	267,698	n/a
Intergovernmental liability to the City for re-conveyance of State transferred land	35,504,421	35,504,421	-	0%
Total liabilities	79,338,441	83,148,722	(3,810,281)	-5%
Net Position:				
Net investment in capital assets	767,801,350	632,495,266	135,306,084	21%
Restricted				
O&M Reserve for Transbay Transit Center	2,641,035	1,291,708	1,349,327	104%
Construction of Transbay Transit Center	191,484,223	69,280	191,414,943	276292%
Unrestricted	3,788,171	4,394,003	(605,832)	-14%
Total net position	$ 965,714,779	$ 638,250,257	$ 327,464,522	51%

Total net position at June 30, 2013 include net investment in capital assets, which is comprised of construction in progress of $582,431,351, land scheduled to be permanently retained by the TJPA of $163,717,367, and permanent easements of $137,374. The construction in progress includes engineering and design, construction, program consulting and management, environmental and planning, and administrative costs necessary to support the development of the TTC and DTX. Construction in progress also includes information technology costs for website development and labor compliance software.

The $2,641,035 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 $1,349,327 increase in restricted assets for the operating and maintenance reserve resulted from operating revenues and Alameda-Contra Costa Transit District ("AC Transit") contributions to build up the reserve.

In addition, $191,484,223 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 $3,788,171 in unrestricted net position which is derived from TJPA's non-operating revenues and is to be used for acquisition of capital assets.

The $3,334,485 net decrease in current and other assets resulted primarily from a $3,804,329 decrease in grantor receivables outstanding at fiscal year-end, partially offset by an increase of $604,078 in cash and cash equivalents. The $191,682,640 net increase in restricted cash with trustee resulted primarily from the receipt of cash from the sale of Parcel T for the development of the Transbay Transit Tower. The net decrease of $4,077,979 in current and other liabilities resulted primarily from a $7,429,211 reduction in accounts and intergovernmental payables and a $1,263,955 reduction in intergovernmental payable to AC Transit, partially offset by a $5,172,213 increase in retainage payable due to increased construction activity. The $267,698 increase in liabilities payable from restricted assets with trustee resulted from project costs incurred but not paid from the trust account as of fiscal year end.

TJPA'S CONDENSED STATEMENTS OF CHANGES IN NET POSITION

	2013	2012	Dollar Change	Percent Change
Temporary Terminal operating income				
Operating revenues	$ 354,019	$ 308,156	$ 45,863	15%
Operating expenses	-	-	-	n/a
Operating income	354,019	308,156	45,863	15%
Nonoperating revenues (expenses)				
Operating grant for Temporary Terminal				
Revenue	3,491,022	3,740,989	(249,967)	-7%
Expenses	(3,491,022)	(3,740,989)	249,967	-7%
Net operating grant	-	-	-	n/a
Contribution from AC Transit for				
O&M reserve	995,308	719,552	275,756	n/a
Investment income	49,448	23,585	25,863	110%
Rental revenues	61,675	61,675	-	0%
Miscellaneous revenues	10,583	15,314	(4,731)	-31%
Gain on conveyance of land	184,817,754	69,277	184,748,477	n/a
Total nonoperating revenues	185,934,769	889,403	185,045,365	-20806%
Income before capital contributions	186,288,788	1,197,559	185,091,228	-15456%
Capital contributions				
Federal government capital grants	117,916,690	124,806,964	(6,890,274)	-6%
State government capital grants	2,605,836	2,588,681	17,155	1%
Local government capital grants	20,411,730	17,760,707	2,651,023	15%
Other capital contributions	241,479	391,098	(149,619)	n/a
Total capital contributions	141,175,735	145,547,450	(4,371,715)	-3%
Change in net position	327,464,523	146,745,009	180,719,513	123%
Net position- beginning	638,250,256	491,505,247	146,745,009	30%
Net position- ending	$ 965,714,779	$ 638,250,256	$ 327,464,523	51%

Operating revenues

Operation of the Temporary Terminal commenced on August 7, 2010. The source of fiscal year 2013 operating revenues of $354,019 was provided by lease and advertising revenues. The increase in operating revenues of $45,863 is due to the receipt of an entire year's advertising revenues; in fiscal year 2012, only three months of advertising revenue was received based on the April start date of the contract. 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") operating grant. Total fiscal year 2013 operating grant revenues and expenses were $3,491,022. The decrease in fiscal year 2013 is due to lower actual expenses for AC Transit incremental operating and maintenance costs.

The contribution from AC Transit for the operations and maintenance reserve increased in fiscal year 2013 based on the operating budget for the Temporary Terminal. The fiscal year 2013 increase in investment income is primarily attributable to higher average balances for assets held in the City and County of San Francisco cash and investment pool, as well as investing the proceeds of the Parcel T land sale. The decrease in miscellaneous revenues is attributable to the variability of revenues earned in association with acquired properties. The increase in the gain on the sale of land is due to the sale of Parcel T for the development of the Transbay Transit Tower.

Capital contributions (See Note 2 for additional information)
For the year ended June 30, 2013, the TJPA received $141,175,735 in capital contributions and expended the full amount 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, 2013, the TJPA had capital project contract commitments of $286,080,854 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 2014 Capital and Operating Budgets on July 1, 2013. The main component of the TJPA's fiscal year 2014 $282,964,000 Capital Budget is the continuation of construction of the new TTC. Approximately $222.2 million is budgeted for construction activities and $8.6 million for construction management. The TJPA has budgeted approximately $11.8 million for the TTC building architecture and engineering contract in fiscal year 2014, and $1.2 million for bus storage facility engineering and design. While the TJPA took possession of all properties required for the completion of Phase 1 of the Transbay Program in fiscal year 2011, expenditures associated with the eminent domain process as well as relocation consultation and assistance, goodwill loss assistance and other miscellaneous costs will be incurred in fiscal year 2014. The fiscal year 2014 budget includes approximately $10.4 million for these right of way acquisition expenditures.

The TJPA's fiscal year 2014 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 security-related 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"), and land sales proceeds from the sale of Parcel T, and the sale of Parcels P, P' and P", which closed in October 2013.

The approved fiscal year 2014 Capital Budget shows revenues in two categories – committed and planned. Committed revenues are those planned expenditures of grants that were allocated at the time the TJPA Board approved the 2014 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 2014 fiscal year, TJPA will work with the funding agencies to secure grants as any additional funding needs are identified. This is explained in detail in the staff report which was submitted with the fiscal year 2014 budget and can be found on the TJPA website for the July 1, 2013 TJPA Board meeting.

The fiscal year 2014 Operating Budget was approved July 1, 2013, and consists of $5,612,895 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 an 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, 2013

Assets:		
Current assets:		
Cash and cash equivalents:		
Cash in bank	$	1,095,685
Restricted cash for operations and maintenance of the Transbay Transit Center		266,851
Restricted cash for construction of the Transbay Transit Center		137,972
Equity in pooled cash and investments with the City and County of San Francisco		2,997,760
Equity in pooled cash and investments with the City and County of San Francisco - restricted for operations and maintenance of the Transbay Transit Center		2,423,552
Total cash and cash equivalents		6,921,820
Receivables:		
Federal government		35,555,946
California State Transportation Improvement Program		42,924
Metropolitan Transportation Commission		5,929,918
San Francisco County Transportation Authority		928,085
Alameda-Contra Costa Transit District		178,340
Accounts receivable		313,075
Total receivables		42,948,287
Other current assets:		
Prepaid items		20,000
Due from Local Government Services		105,171
Security deposits held by others		250
Total other current assets:		125,421
Total current assets		49,995,528
Noncurrent assets:		
Restricted assets with trustee:		
Investments		190,422,116
Interest receivable		1,329,805
Total restricted assets		191,751,921
Capital assets, nondepreciable:		
Land		185,232,626
Permanent easements		137,374
State transferred land to be re-conveyed to the City and County of San Francisco		35,504,421
Construction in progress:		
Information technology		137,965
Transbay Transit Center		527,945,569
Caltrain Downtown Extension		54,347,817
Total nondepreciable capital assets		803,305,771
Total noncurrent assets		995,057,692
Total Assets		**1,045,053,220**

(Continued)

See accompanying notes to the basic financial statements.

TRANSBAY JOINT POWERS AUTHORITY

Statement of Net Position (Continued)

June 30, 2013

Liabilities:	
Current liabilities:	
Accounts, contracts and intergovernmental payables	23,501,319
Accrued payroll	116,426
Relocation assistance payable	367,440
Retainage payable	18,114,557
Intergovernmental payables-related parties	
Caltrans	4,950
City and County of San Francisco	313,540
AC Transit	677,518
Liabilities payable from restricted assets	161,972
Liabilities payable from restricted assets with trustee	267,698
Unearned revenue	20,000
Unearned revenue for the operations and maintenance of the Transbay Transit Center	25,368
Deposits payable	6,500
	43,577,289
Noncurrent liabilities:	
Intergovernmental liability to the City and County of San Francisco for re-conveyance of State transferred land	35,504,421
Compensated absences, accrued vacation	147,172
Other postemployment benefit obligation	109,559
Total noncurrent liabilities	35,761,152
Total Liabilities	**79,338,441**
Net Position:	
Net investment in capital assets	767,801,350
Restricted	
Operations and maintenance of Transbay Transit Center	2,641,035
Construction of Transbay Transit Center	191,484,223
Unrestricted	3,788,171
Total Net Position	**$ 965,714,779**

See accompanying notes to the basic financial statements.

TRANSBAY JOINT POWERS AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2013

Operating Revenues - Temporary Terminal:	
Lease revenue	$ 303,744
Advertising revenue	50,275
Total operating revenues	354,019
Operating Expenses - Temporary Terminal:	
Total operating expenses	-
Operating Income - Temporary Terminal	354,019
Nonoperating Revenues and Expenses:	
Operating grant (MTC) for Temporary Terminal	
Operating grant revenue	3,491,022
Operating grant expenses:	
AC Transit incremental operating and maintenance costs	2,309,172
Facility Management	970,025
Utilities	37,374
Parking Control Officers	128,916
Insurance	45,535
Total operating grant expenses	3,491,022
Net operating grant revenues (expenses)	-
Contribution from AC Transit for O&M reserve	995,308
Investment income	49,448
Rental revenues	61,675
Miscellaneous revenues	10,583
Gain (Loss) on sale of land	184,817,754
Total nonoperating revenues	185,934,769
Income Before Capital Contributions	186,288,788
Capital Contributions:	
Federal government capital grants	117,916,690
State government capital grants	2,605,836
Local government capital grants:	
Regional Measure, bridge tolls	15,189,532
Proposition K, half cent sales tax	4,908,050
San Mateo County, sales tax	314,148
Other capital contributions	241,479
Total Capital Contributions	141,175,735
Change in Net Position	327,464,522
Net Position, Beginning of Year	638,250,257
Net Position, End of Year	**$ 965,714,779**

See accompanying notes to the basic financial statements.

TRANSBAY JOINT POWERS AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2013

Cash Flows from Operating Activities:		
Temporary Terminal:		
Cash receipts from lease revenue	$	303,744
Cash receipts from advertising revenue		50,275
Net cash provided by operating activities		354,019
Cash Flows from Noncapital Financing Activities:		
Operating grant, net		164
Contribution from AC Transit for O&M reserve		995,308
Cash receipts from rental revenues		87,043
Receipts from (payments on behalf of) private utilities for franchise work		(9,613)
Retainage held (released) related to private utility work		(41,968)
Deposits held for others increases (decreases)		(431,262)
Other noncapital increases (decreases)		10,388
Net cash provided by noncapital financing activities		610,061
Cash Flows from Capital and Related Financing Activities:		
Federal government capital grants received		121,264,470
State government capital grants received		3,083,378
Local government capital grants received		19,062,748
Other capital contributions received		241,479
Proceeds from sale of land		191,816,197
Retainage held (released) related to capital assets		(3,784,367)
Acquisition of capital assets		(140,410,714)
Net cash provided by capital and related financing activities		191,273,191
Cash Flows from Investing Activities:		
Purchases of investment securities		(191,993,432)
Proceeds from maturities of investment securities		209,636
Investment income received		149,685
Net cash used in investing activities		(191,634,112)
Net Increase in Cash and Cash Equivalents		603,159
Cash and Cash Equivalents, Beginning of Year		6,318,661
Cash and Cash Equivalents, End of Year	**$**	**6,921,820**

(Continued)

See accompanying notes to the basic financial statements.

TRANSBAY JOINT POWERS AUTHORITY
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2013

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income-Temporary Terminal	$	354,019
Adjustments to reconcile operating income to net cash provided by operating activities		-
Net cash provided by operating activities	$	354,019
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	$	46,350,307

See accompanying notes to the basic financial statements.

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 are ramps 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 DTXas Phase 2. Phase 1 is primarily funded with committed revenues, and has completed major milestones including commencement of construction. Phase 2 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 five 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"); and proceeds from sale of land parcels formerly owned by the State.

In fiscal year 2010, TJPA closed on a $171 million Transportation Infrastructure Finance and Innovations Act ("TIFIA") loan. This federal program provides loans and loan guarantees to transportation infrastructure projects throughout the country. The loan is for Phase 1 Transbay Transit Center construction and is to be repaid primarily with tax increment revenues allocated to the project. The tax increment revenues allocated to the project are committed to the TJPA pursuant to an agreement with the City. The loan has not yet been drawn on.

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 three months or less when purchased to be cash equivalents. 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

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, 2013, the total amount of prepaid items is $20,000.

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, 2013, the TJPA had a deposit payable for a rental property totaling $6,500, as well as a deposit payable of $24,000 for a Temporary Terminal operating lease that is included in the liabilities payable from restricted assets for Operations and Maintenance of the Transbay Transit Center.

Unearned Revenue

Resource inflows that do not yet meet the criteria for revenue recognition are recorded as unearned revenue. Capital grant contribution revenue for the TJPA's expenditure-driven grants is recognized only when qualifying expenditures are incurred. At June 30, 2013, the total amount of unearned revenue is $45,368.

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, 2013 the amount of accrued vacation payable is $147,172.

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, 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 which are not directly associated with either the TTC or the DTX are accumulated as indirect Programwide costs. The annual increase in accumulated indirect Programwide 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 $9,399,751, 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 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 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 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. In addition, the table includes TJPA nonoperating revenues used to acquire capital assets and other transactions required to provide a complete accounting of TJPA's capital assets.

	Current Fiscal Year	Life-To-Date Actual		
Funding Partner	**Actual**	**Approved Award**	**Actual**	**Unexpended Award**
Federal government				
Capital grants	$ 117,916,690	$ 469,779,260	$ 355,830,526	$ 113,948,734
Total Federal government	117,916,690	469,779,260	355,830,526	113,948,734
State government				
Capital grants	2,605,836	16,598,430	12,751,716	3,846,714
Total State government	2,605,836	16,598,430	12,751,716	3,846,714
Local agencies				
MTC	15,189,532	352,076,000	207,979,188	144,096,812
SFCTA	4,908,050	125,740,382	117,073,743	8,666,639
SMCTA	314,148	23,359,514	23,359,514	-
SFRA in-kind contribution	Completed	798,689	798,689	-
Total local agencies	20,411,730	501,974,585	349,211,134	152,763,451
Total grantor contributions	140,934,256	$ 988,352,275	717,793,376	$ 270,558,899
Other capital contributions	241,479		632,577	
Total capital contributions	141,175,735		718,425,953	
State conveyed land scheduled to be retained by TJPA	-	53,186,468	53,186,468	
TJPA nonoperating revenues used to acquire capital assets	719,458		3,468,579	
Construction trust fund revenues used to acquire capital assets	409,333		409,333	
Net value of land conveyed	(6,998,442)		(7,688,983)	
Net investment in capital assets	$ 135,306,084		$ 767,801,350	

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

	Federal	State	Local	Total
Amount	$ 355,830,526	$ 12,751,716	$ 349,211,134	$ 717,793,376
Percent	50%	2%	49%	100%

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The difference between assets and liabilities 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 accumulated depreciation (when applicable) reduced by obligations to re-convey State-transferred land. At June 30, 2013, the TJPA has $35,504,421 in outstanding capital-related obligations, recorded as an intergovernmental liability to the City for re-conveyance of State-transferred land.

Net Position-Restricted

Restricted net position consists of 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.

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.”

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, 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, 2013, total operating revenue was $354,019 and no operating and maintenance expenses were funded from operating revenues.

Temporary Terminal Nonoperating Revenue

Restricted operating assistance from local shared revenues (operating grants) are classified as nonoperating revenue and are 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, 2013, the MTC-approved RM-2 operating grant allocation total is $4,088,692 of which $3,491,022 was expended leaving an unexpended balance of $597,670. The unexpended operating grants do not carry over to the following fiscal year. MTC approves a new operating grant for each fiscal year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2013, net position of $2,641,035 is restricted for the Operating and Maintenance Reserve.

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 expenditure needs. Expenditures 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 expenditures 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.

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

Reclassifications
Several accounts and amounts previously reported at June 30, 2012 have been reclassified to conform to the June 30, 2013 presentation. These reclassifications do not have any impact on the change in net position previously reported at June 30, 2012.

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 for the deposit of various types of revenues.

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, 2013 is $5,421,312 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	$ 2,423,552
Equity in pooled cash and investments with the City and County of San Francisco	2,997,760
Total	$ 5,421,312

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, 2013, the TJPA had investments of $190,422,116 in U.S. Treasury Notes and Bills. 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. The increase in investments compared to the prior fiscal year is from the proceeds of the sale of Parcel T.

As of June 30, 2013, the TJPA had the following investments with the trustee:

		Investment Maturities	
Investment type	**Fair value**	**Less than 1 year**	**1 to 5 years**
U.S. Treasury Notes	$ 190,353,117	$ 190,353,117	$ -
U.S. Treasury Bills	68,999	68,999	-
Total	$ 190,422,116	$ 190,422,116	$ -

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

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.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The California Government Code limits investments in U.S. Treasury Obligations to a maximum maturity of five years. TJPA has a series of investments in U.S. Treasury Notes and Bills that all mature by January 31, 2014.

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.

Capital Asset Activity for the Fiscal Year Ended June 30, 2013

	Beginning of Fiscal Year	Current Year Acquisitions	Current Year Dispositions	End of Fiscal Year
Capital assets not being depreciated:				
Land	$ 189,220,351	$ 3,010,717	$ (6,998,442)	$ 185,232,626
Permanent easements	137,374	-	-	137,374
State transferred land to be re-conveyed to the City	35,504,421	-	-	35,504,421
Construction in progress:				
Information technology	125,965	12,000	-	137,965
Transbay Transit Center	389,166,606	138,778,963	-	527,945,569
Caltrain Downtown Extension	53,844,970	502,847	-	54,347,817
Total capital assets not being depreciated	667,999,687	142,304,527	(6,998,442)	803,305,772
Less outstanding capital related obligation:				
Intergovernmental liability to the City for re-conveyance of State transferred land	(35,504,421)	-	-	(35,504,421)
Net position, net investment in capital assets	$ 632,495,266	$ 142,304,527	$ (6,998,442)	$ 767,801,351

The disposal of $6,998,442 is due to the sale of formerly State-owned Parcel T for the development of the Transbay Transit Tower. The proceeds from the sale will be used for Phase 1 construction of the TTC.

NOTE 4 – CAPITAL ASSETS (Continued)

Land Acquisition Summary

Scheduled Disposition:	Parcels	Land Value	Additional Costs	Total Land Value
Retained for:				
Transbay Transit Center	18	$ 124,940,928	$ 21,475,151	$ 146,416,079
Downtown Extension	11	15,691,890	1,609,398	17,301,288
Total to be retained	29	140,632,818	23,084,549	163,717,367
Transfer to the City	3	20,628,720	886,539	21,515,259
Total Value	32	$ 161,261,538	$ 23,971,088	$ 185,232,626

The total land value at June 30, 2013 of $185,232,626 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 $163,717,367. 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 then will be conveyed to the City, along with an additional nine parcels transferred by the State, with a total value of $35,504,421, upon completion of the new TTC. In the fiscal year the TJPA transfers parcels to the City, the TJPA will record a loss on conveyance of land for the total land value of the three parcels, plus the additional costs of $886,539 associated with the three parcels and the nine 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, 2013; however, the TJPA reached settlement agreements for three of the parcels previously acquired through eminent domain. The settlements plus additional land costs total $3,010,717 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.

NOTE 4 – CAPITAL ASSETS (Continued)

	Total Transferred From the State		Scheduled To be Retained		Scheduled to be Transferred To City	
	#	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	-
Total Transferred	18	$ 81,704,890	9	$ 46,200,469	9	35,504,421
TJPA acquired land scheduled to be transferred to the City					3	20,628,720
Additional costs for all parcels scheduled to be transferred to the City						886,539
Total land scheduled to be transferred to the City					12	$ 57,019,680

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, 2013, 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. A portion of Parcel T was sold to a private developer for construction of the Transit Tower adjacent to the TTC.

At June 30, 2013, the TJPA held title to twelve land parcels valued at $57,019,680 which are temporarily needed by the TJPA only for the construction of the Transbay Program—three acquired by purchase and nine via transfer from the State. Upon completion of the construction period, these parcels are scheduled to be transferred to the City.

Land parcels transferred from the State which are scheduled to be re-conveyed to the City 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, 2013, the total value of the land to be re-conveyed to the City recorded in these liability and capital asset accounts is $35,504,421.

In the fiscal year the TJPA transfers the parcels to be re-conveyed to the City, 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. Four parcels are scheduled to be transferred directly from the State to the City 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.

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 new 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 considers 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 in June 2011 and was completed during September 2011.

The probable compensation for the properties and garage easement interests is 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.

When litigation concludes, funds may be required to pay the court judgment. This represents the difference, if any, between the initial deposit and the final determination of compensation. Alternatively, an owner could choose to settle with the TJPA, in which case additional funds may be required from the TJPA to cover the title and closing costs associated with a standard purchase and sale agreement. Relocation claims may be made up to 18 months after occupants vacate the premises. (See Note 9, Relocation Assistance and Loss of Goodwill Compensation)

Through June 30, 2013, TJPA has acquired title to nine properties that were the subject of the eminent domain actions via voluntary settlements with the owners. TJPA had also negotiated a settlement with the owner of the garage easement interests, with the remaining two properties awaiting final judgment. In fiscal year 2013, TJPA provided additional funds to pay settlement and final closing costs for the three properties purchased during the fiscal year. The amount, if any, of future expenditures for additional final court judgments and closing costs on the remaining two properties cannot be determined at this time; however, the TJPA has included contingency for additional amounts in its right of way acquisition budget.

Contract Commitments

At year-end, the TJPA had contract commitments of $286,080,854 for construction, design, engineering, planning and administrative costs. The TJPA has unexpended approved allocations from existing sources as well as committed revenues in its funding plan to cover the costs of these contract commitments.

NOTE 5 – RETIREMENT AND OTHER POST-EMPLOYMENT BENEFITS

A. Pension Plan

Plan Description
All full-time employees are eligible to participate in a cost-sharing multiple-employer defined-benefit pension plan offered by the California Public Employees Retirement System ("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. 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 is in the CalPERS Miscellaneous Employee "2% at 55" risk pool. Under the California Public Employees' Pension Reform Act legislation adopted during the fiscal year, future employees hired by TJPA who are new to CalPERS will be members of CalPERS Miscellaneous Employee "2% at 62" risk pool.

Funding Policy
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 $132,845 for the year ended June 30, 2013. The actuarially determined employer rate is currently 10.8% of covered payroll costs. The TJPA's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation as of June 30, 2012 and 2013 were as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of Pension Cost Contributed	Net Pension Obligation
6/30/2012	$ 89,780	100%	-
6/30/2013	194,665	100%	-

CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained from the CalPERS Executive Office, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811.

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.

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

B. Defined Contribution Retirement Plan (Continued)

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, 2013, the TJPA and participating employees made contributions to the STARS Plan totaling $30,856 and $118,849, respectively.

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 $115 per month per employee in 2013. 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"). TJPA has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 and amended by GASB Statement 57 for agent employers that have individual-employer OPEB plans with fewer than 100 total plan members. 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. TJPA calculated the ARC in fiscal year 2012 and is required to update the calculation triennially. In the interim years, adjustments are made to the ARC calculation. For June 30, 2013, 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:

Annual required contribution	$ 54,835
Interest on net OPEB obligation	2,468
Adjustment to annual required contribution	(2,579)
Annual OPEB cost	54,724
Contributions made	-
Change in net OPEB obligation	54,724
Net OPEB obligation - beginning of year	54,835
Net OPEB obligation - end of year	$ 109,559

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

C. Other Post-Employment Benefits (Continued)

TJPA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012 and 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	$ 54,835	0%	$ 54,835
6/30/2013	54,724	0%	109,559

Funded Status and Funding Progress
The funded status of the plan as of June 30, 2012, 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)
$ -	$ 253,655	$ 253,655	0%	$ 1,760,761	14%

In this second 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 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.

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.

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

C. Other Post-Employment Benefits (Continued)

When TJPA calculated the ARC in fiscal year 2012, the following simplifying assumptions were made:

Retirement age for active employees – Based on the expected average retirement age for the covered group, active plan members were assumed to retire at age 62. If an employee has reached the retirement age but not yet retired, the retirement age is assumed to be the next five-year milestone after their current age.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2007 U.S. Life Tables for non-Hispanic and Hispanic white males and females were used. Life expectancies that included partial years were rounded to the nearest whole year.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services, *National Health Care Expenditures Projections: 2010-2020*, Table 3, National Health Expenditures, Aggregate & Per Capita Amounts, Percent Distribution and Annual Percentage Change. A rate of 4.8 percent initially, increased to an ultimate rate of 5.9 percent after six years, was used.

Health insurance premiums – 2012 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3.0 percent is based on the CalPERS OPEB Assumption Model published by CalPERS for the California Employers' Retiree Benefit Trust.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the CalPERS OPEB Assumption Model and historical and expected returns of TJPA's short-term investment portfolio, a discount rate of 4.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 was 30 years.

NOTE 6 – OFFICE LEASE

The TJPA leases office space under an operating lease which expires during fiscal year 2016. Total costs for this lease were $664,467 for the year ended June 30, 2013. These costs represent direct Program management costs related to the TTC and DTX and as such are capitalized as part of accumulated Program costs. The future minimum lease payments are as follows:

2014	$	679,879
2015		700,256
2016		295,338
	$	1,675,473

In the event that the TJPA terminates a contract held with URS Corporation, the Program Management & Program Control consultants, the TJPA will assume the URS Corporation lease, or cover any termination costs associated with early termination of the lease. The lease expires during fiscal year 2016 and the future minimum lease payments are as follows:

2014	$	266,266
2015		273,182
2016		115,267
	$	654,715

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	$2,000	$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, 2013 was $74,826 and no insurance claims were filed for the eleven years ended June 30, 2013.

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, 2013 for this policy was $39,382. 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, 2013 for this coverage was $9,342. TJPA also carries business travel accident insurance with an annual premium of $1,500, and a public officials bond purchased for $350.

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 bond premium.

NOTE 8 – LOCAL AND STATE CAPITAL REVENUE FUNDING AGREEMENTS

A. MTC Revenues

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.

In June 2009, MTC approved a $5,200,000 RM-1 allocation to TJPA to be used for program management and project control services for the TTC and DTX projects. The TJPA has expended the entire $5,200,000 allocation.

In January 2013, MTC approved a $47,800,000 allocation from the RM-1 Rail Extension Reserves West Bridge Toll Revenues to TJPA to be used for the structural steel superstructure package and ancillary logistics packages. No funds had been expended as of June 30, 2013, thus the full amount of the allocation was appropriated for the fiscal year ending June 30, 2014.

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 $143,192,186 has been expended leaving an unexpended balance of $6,807,814 which was appropriated for the fiscal year ending June 30, 2014. (See Note 12, Subsequent Events)

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 $147,676,000 of which $58,187,002 has been expended leaving an unexpended balance of $89,488,998 which was appropriated for the fiscal year ending June 30, 2014.

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

Summary of MTC Allocations Life-To-Date

	Allocations	Expended	Unexpended
RM-1 Direct	$ 53,000,000	$ 5,200,000	$ 47,800,000
RM-1 Pass Through	1,400,000	1,400,000	-
RM-2	150,000,000	143,192,186	6,807,814
AB 1171	147,676,000	58,187,002	89,488,998
Life-To-Date Total	$ 352,076,000	$ 207,979,188	$ 144,096,812

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 $125,740,382 of which $117,073,743 has been expended leaving an unexpended balance of $8,666,639. The unexpended balance was appropriated for the fiscal year ending June 30, 2014.

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 $7,695,114. In January 2013, AC Transit passed through an additional security grant from Cal-EMA totaling $2,148,388. These pass-throughs will be credited towards AC Transit's required capital contribution under the Lease and Use Agreement (see Note 10) and are for security-related scope, including site protection and final design and construction of elements related to security.

Of the $9,843,502 allocated thus far, $5,996,788 has been expended leaving an unexpended balance of $3,846,714 which was appropriated for the fiscal year ending June 30, 2014. 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).

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

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.

Cal-EMA

A portion of the AC Transit revenue discussed above is three grants totaling $6,445,430 being passed through from Cal-EMA. $2,598,716 has been expended, leaving an unexpended balance of $3,846,714 which was appropriated for the fiscal year ending June 30, 2014.

NOTE 9 – RELOCATION ASSISTANCE AND LOSS OF GOODWILL COMPENSATION

The TJPA is in the process of acquiring real property for the implementation of the Transbay Transit Center Program. Property acquisitions will potentially affect various business and residential occupants of those properties.

The TJPA receives federal and state financial assistance, and is therefore 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.

As stated in 49 CFR Part 24, Section 24.203(b) Notice of relocation eligibility, "Eligibility for relocation assistance shall begin on the date of a notice of intent to acquire (described in Section 24.203(d)), the initiation of negotiations (defined in Section 24.2(a)(15)), or actual acquisition, whichever occurs first." The TJPA issued notices of intent to acquire real estate to multiple property owners, and at the end of fiscal year 2011 had acquired all properties for which notices of intent to acquire had been issued. Thus, the TJPA has a financial liability for relocation assistance costs related to these properties.

Relocation assistance costs are estimated by Associated Right of Way Services, Inc. ("ARWS"), under contract with the TJPA. Estimates are revised as additional occupant-specific data is collected by ARWS. The total estimated relocation liability is $1,899,816 of which $367,440 remained unpaid at June 30, 2013.

	Estimated Liability
Total Liability Estimate	$ 1,899,816
Disbursed through June 30, 2013	(1,532,376)
Balance at June 30, 2013	$ 367,440

NOTE 9 – RELOCATION ASSISTANCE AND LOSS OF GOODWILL COMPENSATION (Continued)

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. The TJPA has engaged appraisers to complete loss of goodwill valuations for affected businesses and that work is ongoing. As of June 30, 2013, TJPA has capitalized $1,009,063 of loss of business goodwill payments to five business owners.

NOTE 10 – RELATED PARTY TRANSACTIONS

Note 10 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, 2013.

A. City and County of San Francisco

During the year ended June 30, 2013, the City provided legal, project planning and review services including construction administration and inspection to the TJPA. Such services totaled $997,978 and were provided by the following organizations/ departments:

Office of Community Investment and Infrastructure	$	131,074
Office of the City Attorney		87,596
Department of Public Health		5,032
Department of Public Works		49,355
Department of Technology		6,664
Municipal Transportation Agency		398,899
Planning Department		25,735
Public Utilities Commission		191,125
San Francisco Arts Commission		100,450
San Francisco Tax Collector		2,048
Total	$	997,978

At June 30, 2013, the TJPA reported $313,540 due to the City.

At June 30, 2013, 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, Capital Assets, for more information.

NOTE 10 – RELATED PARTY TRANSACTIONS (Continued)

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, 2013, expenses incurred by the TJPA to reimburse AC Transit for its incremental operating and maintenance costs in the Temporary Terminal totaled $2,309,172 and the TJPA reported $677,518 due to AC Transit.

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

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

For the fiscal year ended June 30, 2013 the TJPA expended $91,080 for Caltrans attorney parking for displaced parking formerly located in the Transbay Terminal, as required by the 2003 Cooperative Agreement.

The TJPA has also entered into an agreement with Caltrans for their design review of the bus storage, bus ramps and DTX projects for a total of $300,000. The agreement requires the TJPA to provide, within the total agreement amount, payment for a revolving invoice reserve of $20,000 which the TJPA has recorded as a prepaid item. The total life-to-date-payments made by the TJPA to Caltrans for the cost of these services is $142,456 and the remaining unexpended contract balance at June 30, 2013 is $157,544. At June 30, 2013, the TJPA reported $4,950 due to Caltrans.

NOTE 11 – CONTINGENT LIABILITIES

A. Due from Grantors

Amounts received or receivable from the Federal and State governments, AC Transit, MTC, SFCTA and SMCTA 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 been and will conduct pollution remediation activities as a matter of course in the demolition required to prepare the various project sites for construction. The expenditures associated with these activities are capitalized as costs to prepare for use property acquired with suspected pollution that requires remediation. 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, 2013 total $12,077,919 and are associated with the following project components:

Temporary Terminal	$ 948,283
Transbay Transit Center	11,128,628
Caltrain Downtown Extension	1,008
Total	$ 12,077,919

NOTE 12 – SUBSEQUENT EVENTS

A. Grant Awards

On July 24, 2013, at the TJPA's request MTC approved rescissions of unneeded funds of $850,000 from RM-2 Grant Allocation No. 07365106; $1,000,000 from RM-2 Grant Allocation No. 09365113; and $525,673 from RM-2 Grant Allocation No. 0936114. These amounts will be reallocated as part of future MTC grant allocations.

On October 22, 2013, the SFCTA approved a $4.2 million Prop K grant request, for right-of-way and DTX engineering costs.

B. Property Acquisition and Sale

On July 11, 2013, the TJPA Board approved a settlement for the acquisition of the easements at 580 Howard Street for the Program. Close is expected in October or November 2013, and the associated eminent domain litigation will be dismissed post-close.

On October 10, 2013, TJPA closed on the sale of State Parcels P, P', and P", also known as Block 6 and Block 7, for gross proceeds of $30,571,000. TJPA sold this property so that it may be redeveloped for residential housing by the City's Office of Community Investment and Infrastructure, with the proceeds to be spent on construction of the TTC.

THIS PAGE INTENTIONALLY LEFT BLANK.

REQUIRED SUPPLEMENTARY INFORMATION

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%

SUPPLEMENTARY INFORMATION

TRANSBAY JOINT POWERS AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Program Description	Federal CFDA Number	Grant Number	Program Award	EXPENDITURES - FEDERAL SHARE Cumulative through June 30, 2012	July 1, 2012 through June 30, 2013	Cumulative through June 30, 2013	REVENUES - FEDERAL SHARE Cumulative through June 30, 2012	July 1, 2012 through June 30, 2013	Cumulative through June 30, 2013
U.S. DEPARTMENT OF TRANSPORTATION									
Federal Transit - Capital Investment Grants:									
Federal Transit Formula Grants:									
General Capital Assistance	20.500	CA-04-0040	$ 7,008,960	$ 6,849,591	$ 42,660	$ 6,892,251	$ 6,849,591	$ 42,660	$ 6,892,251
General Capital Assistance	20.500	CA-04-0087	7,593,040	7,555,096	37,944	7,593,040	7,555,096	37,944	7,593,040
General Capital Assistance	20.500	CA-04-0140	7,885,080	3,296,183	-	3,296,183	3,296,183	-	3,296,183
General Capital Assistance	20.522	CA-39-0009	1,240,000	-	98,764	98,764	-	98,764	98,764
Total Federal Transit - Capital Investment Grants			23,727,080	17,700,870	179,368	17,880,239	17,700,870	179,368	17,880,239
Federal Railroad Administration (FRA) Capital Grants:									
High-Speed Rail Corridors and Intercity Passenger Rail Service - American Recovery and Reinvestment Act (ARRA)	20.319	FR-HSR-0007-10-01-00	400,000,000	194,848,510	109,933,036	304,781,546	194,848,510	109,933,036	304,781,546
Highway Planning and Construction Grant:									
General Capital Assistance	20.205	CA-70-X011	24,459,002	4,924,851	6,650,712	11,575,563	4,924,851	6,650,712	11,575,563
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			448,186,082	217,474,232	116,763,116	334,237,348	217,474,232	116,763,116	334,237,348
U.S. DEPARTMENT OF HOMELAND SECURITY									
Federal Emergency Management Agency (FEMA)									
Rail and Transit Security Grant Program:									
Capital Grants Passed Through from AC Transit									
FY2008 Transit Security Grant Program (F0018)	97.075	2008-RL-T8-K018	1,461,930	469,782	992,148	1,461,930	469,782	992,148	1,461,930
FY2009 Transit Security Grant Program (F0017)	97.075	2009-RA-T9-K002	1,936,142	1,774,716	161,426	1,936,142	1,774,716	161,426	1,936,142
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			3,398,072	2,244,498	1,153,574	3,398,072	2,244,498	1,153,574	3,398,072
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			$ 451,584,154	$ 219,718,730	$ 117,916,690	$ 337,635,420	$ 219,718,730	$ 117,916,690	$ 337,635,420

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 2013.

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

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

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

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, 2013, and the related notes to the financial statements, which collectively comprise the TJPA's basic financial statements, and have issued our report thereon dated December 4, 2013. Our report includes an emphasis of matter describing the TJPA's implementation of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012.

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 HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

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
December 4, 2013

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE 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, 2013. 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, 2013.

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

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

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
December 4, 2013

TRANSBAY JOINT POWERS AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

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
Dollar threshold used to distinguish between Type A and Type B programs	$3,000,000
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.

Section IV Prior Audit Findings

No matters were reported.