STAFF REPORT FOR CALENDAR ITEM NO.: 7
FOR THE MEETING OF: December 13, 2012

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:

Presentation of the audited Annual Financial Report of the Transbay Joint Powers Authority (TJPA) for the fiscal year ended June 30, 2012 and the Report to the Board of Directors.

SUMMARY:

Vavrinek, Trine, Day & Co (VTD) conducted an audit of the TJPA's financial statements for fiscal year ended June 30, 2012 according to Government Auditing Standards. These financial statements are the ninth audited financial statements of the TPJA and fairly represent the financial position of the TJPA for the period of July 1, 2011 to June 30, 2012.

The Annual Financial Report includes the following sections:

1) Independent Auditor's Report—this report was prepared by the independent auditors, who rendered an unqualified opinion, which is the most favorable opinion an agency can receive in an audit. An unqualified opinion means that the financial statements are presented fairly and in accordance with accounting principles generally accepted in the United States of America.

2) Management's Discussion and Analysis—this section provides management's overview of TJPA's financial activities.

3) Basic Financial Statements—the basic financial statements include a statement of net assets; statement of revenues, expenses and changes in fund net assets; statement of cash flows; and notes to the statements, which are essential to a full understanding of the data provided.

4) Required Supplementary Information—TJPA's only Required Supplementary Information is a funding schedule related to other post-employment benefits

5) Supplementary and Other Information—this includes the Schedule of Expenditures of Federal Awards, and the required Reports on Compliance and on Internal Control.

In addition, VTD issued a report addressed to the Board of Directors which is intended solely for the information of TJPA's Board of Directors and management. A representative of VTD will address the Board at the December 13 meeting and be available to answer any questions.

Information only.

December 3, 2012

The Board of Directors of the
Transbay Joint Powers Authority
San Francisco, California

We have audited the basic financial statements of the Transbay Joint Powers Authority (TJPA) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 3, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated in the engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by TJPA are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The disclosures in the financial statements are neutral, consistent, and clear.

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

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Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not propose adjustments to the financial statements during the audit.

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

Management Representations
We have requested certain representations from management that are included in the management representation letter dated December 3, 2012.

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

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

This information is intended solely for the use of Board of Directors and management of TJPA and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 3, 2012

TRANSBAY JOINT POWERS AUTHORITY

Annual Financial Report

For the Year Ended June 30, 2012

TRANSBAY JOINT POWERS AUTHORITY
For the Year Ended June 30, 2012

Table of Contents

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Transbay Joint Powers Authority
San Francisco, California

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, 2012, as listed in the table of contents. These financial statements are the responsibility of the TJPA's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TJPA as of June 30, 2012 and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 3, 2012, on our consideration of the TJPA's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the TJPA's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the *Office of Management and Budget Circular A-133, Audits of Sates, Local Governments, and Non-Profit Organizations (Circular A-133),* is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 3, 2012

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, 2012 with comparative information for the year ended June 30, 2011. Please read it in conjunction with the TJPA's basic financial statements, which follow this section.

Financial Highlights

During the year ended June 30, 2012:

- At the close of the fiscal year, assets of the TJPA exceeded its liabilities by $638,250,257.
- The TJPA received $145,547,450 in capital contributions. All contributions were used for the Transbay Transit Center Program (the "Program"), which consists of both the Transbay Transit Center and the Caltrain Downtown Extension ("DTX") projects.
- The TJPA reached voluntary settlements for four right-of-way properties necessary for DTX, and eminent domain litigation related to these properties was dismissed.

Construction Highlights

- The demolition of the former Transbay Terminal, bus ramps, and adjacent buildings was completed.
- The new Transbay Transit Center buttress, shoring and excavation construction work continued, with 413,490 craft hours completed through the end of fiscal year 2012. Four of six utility relocation packages were substantially completed. The underground geothermal and grounding packages were awarded, and the below-grade structure package was issued for bid.
- The TJPA entered into an historic Project Labor Agreement with 28 signatory unions to ensure labor peace and standardized working conditions and wages throughout construction of the Transbay Transit Center and Downtown Extension.

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 Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and Statement of Cash Flows. Following is a brief explanation of the use of each of the statements.

The *Statement of Net Assets* presents information on all of the TJPA's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 Assets* presents information showing how the TJPA's net assets changed during the most recent fiscal year. All changes in net assets 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 ASSETS

	2012	2011	Dollar Change	Percent Change
Assets:				
Current and other assets	$ 53,399,292	$ 56,086,624	$ (2,687,332)	-5%
Capital assets	667,999,687	522,526,213	145,473,474	28%
Total assets	721,398,979	578,612,837	142,786,142	25%
Liabilities:				
Current and other liabilities	47,644,301	51,603,169	(3,958,868)	-8%
Intergovernmental liability to the City for re-conveyance of State transferred land	35,504,421	35,504,421	-	0%
Total liabilities	83,148,722	87,107,590	(3,958,868)	-5%
Net Assets:				
Invested in capital assets, net of related obligations	632,495,266	487,021,792	145,473,474	30%
Restricted				
O&M Reserve for Transbay Transit Center	1,291,708	264,000	1,027,708	389%
Construction of Transbay Transit Center	69,280	-	69,280	n/a
Unrestricted	4,394,003	4,219,455	174,548	4%
Total net assets	$ 638,250,257	$ 491,505,247	$ 146,745,010	30%

Total net assets at June 30, 2012 include invested in capital assets, net of related obligations, which is comprised of construction in progress of $443,137,541, land scheduled to be permanently retained by the TJPA of $167,729,092, 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 Transbay Transit Center and Caltrain Downtown Extension. Construction in progress also includes information technology costs for website development and labor compliance software.

The $1,291,708 restriction of total current year net assets results from the restriction of the net assets 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 Transbay Transit Center, or the future DTX. The $1,027,708 increase in restricted assets for the operating and maintenance reserve resulted primarily from realizing a new funding source to build up the reserve. Alameda-Contra Costa Transit District ("AC Transit") is now making contributions to the reserve.

In addition, $69,280 is restricted for construction of the Transit Center, as a result of land sales proceeds (see Note 4 for additional information). Total current year net assets also include $4,394,003 in unrestricted net assets which are derived from TJPA's non-operating revenues and are to be used for acquisition of capital assets.

The $2,687,332 net decrease in current and other assets resulted primarily from an $11,414,216 disbursement of cash occurring on the first day of the fiscal year related to a capital contribution from fiscal year 2011, partially offset by $6,767,018 net increase in grantor receivables. The net decrease of $3,958,868 in current and other liabilities resulted primarily from a $10,945,510 reduction in accounts and intergovernmental payables, partially offset by an $8,535,420 increase in retainage payable due to increased construction activity.

TRANSBAY JOINT POWERS AUTHORITY
Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
For the Year Ended June 30, 2012

TJPA'S CONDENSED STATEMENTS OF CHANGES IN NET ASSETS

	2012	2011	Dollar Change	Percent Change
Temporary Terminal operating income				
Operating revenues	$ 308,156	$ 264,000	$ 44,156	17%
Operating expenses	-	-	-	n/a
Operating income	308,156	264,000	44,156	17%
Nonoperating revenues (expenses)				
Operating grant for Temporary Terminal				
Revenue	3,740,989	3,001,398	739,591	25%
Expenses	(3,740,989)	(3,001,398)	(739,591)	25%
Net operating grant	-	-	-	n/a
Contribution from AC Transit for				
O&M reserve	719,552	-	719,552	n/a
Investment income	23,585	90,363	(66,778)	-74%
Rental revenues	61,675	138,152	(76,477)	-55%
Miscellaneous revenues	15,314	1,504	13,810	918%
Gain on conveyance of land	69,277	-	69,277	n/a
Total nonoperating revenues	889,403	230,019	659,384	-287%
Income before capital contributions	1,197,559	494,019	703,540	-142%
Capital contributions				
Federal government capital grants	124,806,964	89,236,268	35,570,696	40%
State government capital grants	2,588,681	166,964	2,421,717	1450%
State conveyed land to be retained	-	53,186,468	(53,186,468)	-100%
Local government capital grants	17,760,707	45,298,511	(27,537,804)	-61%
Other capital contributions	391,098	-	391,098	n/a
Total capital contributions	145,547,450	187,888,211	(42,340,761)	-23%
Change in net assets	146,745,009	188,382,230	(41,637,221)	-22%
Net assets- beginning	491,505,247	303,123,017	188,382,230	62%
Net assets- ending	$ 638,250,256	$ 491,505,247	$ 146,745,009	30%

Operating revenues

Operation of the Temporary Terminal commenced on August 7, 2010. The source of fiscal year 2012 operating revenues of $308,156 was provided by lease and advertising revenue. No operating expenses were funded from operating revenues.

Nonoperating revenues

The TJPA funds Temporary Terminal facility management and related operating expenses from an MTC operating grant. Total fiscal year 2012 operating grant revenues and expenses were $3,740,989, for a full year of Temporary Terminal operations; the Temporary Terminal had opened subsequent to the beginning of fiscal year 2011.

The fiscal year 2012 decrease in investment income is primarily attributable to the temporary available short-term working capital from the previous fiscal year no longer being available. The decrease in rental revenues is due to properties being required for construction and no longer available for leasing. The increase in miscellaneous revenues is attributable to the receipt of homeowners' association assets and sale of salvaged appliances from one of the properties acquired and demolished by TJPA.

During fiscal year 2012 the City and County of San Francisco ("City") engaged in a land swap involving a former State-owned parcel with a private developer. Under the Cooperative Agreement between the State of California, the City, and the TJPA, the proceeds from the swap were deposited into a TJPA trust account to be used for construction, resulting in the $69,277 gain on sale of land.

Capital contributions (See Note 2 for additional information)
For the year ended June 30, 2012, the TJPA received $145,547,450 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 1.3 mile extension of rail lines from the existing Caltrain station at Fourth and Townsend streets to the Transit Center. At June 30, 2012, the TJPA had capital project contract commitments of $254,664,149 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 2013 Capital and Operating Budgets on June 14, 2012. The main component of the TJPA's fiscal year 2013 $223,671,000 Capital Budget is the continuation of construction of the new Transbay Transit Center building. Approximately $150.9 million is budgeted for construction activities and approximately $6.4 million for construction management. The TJPA has budgeted $15.1 million for the Transbay Transit Center building architecture and engineering contract in fiscal year 2013, 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 2013. The fiscal year 2013 budget includes approximately $5.3 million for these right of way acquisition expenditures.

The TJPA's fiscal year 2013 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"), funds from the State of California via the Regional Transportation Improvement Program ("RTIP"), federal and state security-related grants passed through from the Alameda-Contra Costa Transit District ("AC Transit"), grants from the Federal Transit Administration ("FTA"), and an American Recovery and Reinvestment Act ("ARRA") grant from the Federal Railroad Administration ("FRA").

The approved fiscal year 2013 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 2013 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 2013 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 2013 budget and can be found on the TJPA website for the June 14, 2012 TJPA Board meeting.

The fiscal year 2013 Operating Budget was approved June 14, 2012, amended September 13, 2012, and consists of $5,227,000 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.

BASIC FINANCIAL STATEMENTS

TRANSBAY JOINT POWERS AUTHORITY

Statement of Net Assets

June 30, 2012

Assets:	
Current assets:	
Cash and cash equivalents:	
Cash in bank	$ 1,860,590
Restricted cash with fiscal agent	278,998
Equity in pooled cash and investments with the City and County of San Francisco	4,178,154
Total cash and cash equivalents	6,317,742
Receivables:	
Federal government	36,699,882
California State Transportation Improvement Program	382,227
Metropolitan Transportation Commission	5,578,396
San Francisco County Transportation Authority	1,258,614
Alameda-Contra Costa Transit District	2,520,424
Accounts receivable	312,478
Total receivables	46,752,019
Other current assets:	
Prepaid items	20,000
Deposit with Local Government Services	240,000
Security deposits held by others	250
Total other current assets:	260,250
Total current assets	53,330,012
Restricted assets with trustee:	
Cash and cash equivalents	919
Investments	68,149
Interest receivable	213
Total restricted assets	69,280
Noncurrent assets:	
Capital assets, nondepreciable:	
Land	189,220,351
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	125,965
Transbay Transit Center	389,166,606
Caltrain Downtown Extension	53,844,970
Total nondepreciable capital assets	667,999,687
Total Assets	**721,398,978**

(Continued)

See accompanying notes to the basic financial statements.

TRANSBAY JOINT POWERS AUTHORITY
Statement of Net Assets (Continued)
June 30, 2012

Liabilities:	
Current liabilities:	
Accounts, contracts and intergovernmental payables	30,930,779
Accrued payroll	90,211
Relocation assistance payable	715,023
Retainage payable	12,942,344
Intergovernmental payables-related parties	
Caltrans	5,163
City and County of San Francisco	349,886
AC Transit	1,941,473
Unearned revenue	37,514
Deposits payable	461,762
Total current liabilities	47,474,156
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	115,310
Other postemployment benefit obligation	54,835
Total noncurrent liabilities	35,674,566
Total Liabilities	**83,148,722**
Net Assets:	
Invested in capital assets, net of related obligations	632,495,266
Restricted	
Operations and maintenance of Transbay Transit Center	1,291,708
Construction of Transbay Transit Center	69,280
Unrestricted	4,394,003
Total Net Assets	**$ 638,250,257**

See accompanying notes to the basic financial statements.

TRANSBAY JOINT POWERS AUTHORITY

Statement of Revenues, Expenses and Changes in Fund Net Assets

For the Year Ended June 30, 2012

Operating Revenues - Temporary Terminal:	
Lease revenue	$ 295,656
Advertising revenue	12,500
Total operating revenues	308,156
Operating Expenses - Temporary Terminal:	
Total operating expenses	-
Operating Income - Temporary Terminal	308,156
Nonoperating Revenues and Expenses:	
Operating grant (MTC) for Temporary Terminal	
Operating grant revenue	3,740,989
Operating grant expenses:	
AC Transit incremental operating and maintenance costs	2,604,469
Facility management	960,731
Utilities	35,974
Parking control officers	139,815
Total operating grant expenses	3,740,989
Net operating grant revenues (expenses)	-
Contribution from AC Transit for O&M reserve	719,552
Investment income	23,585
Rental revenues	61,675
Miscellaneous revenues	15,314
Gain (Loss) on sale of land	69,277
Total nonoperating revenues	889,403
Income Before Capital Contributions	1,197,559
Capital Contributions:	
Federal government capital grants	124,806,964
State government capital grants	2,588,681
Local government capital grants:	
Regional Measure, bridge tolls	13,127,852
Proposition K, half cent sales tax	4,160,531
San Mateo County, sales tax	472,325
Other capital contributions	391,098
Total Capital Contributions	145,547,450
Net Increase in Net Assets	146,745,009
Net Assets, Beginning of Year	491,505,248
Net Assets, End of Year	**$ 638,250,257**

See accompanying notes to the basic financial statements.

TRANSBAY JOINT POWERS AUTHORITY

Statement of Cash Flows

For the Year Ended June 30, 2012

Cash Flows from Operating Activities:		
Temporary Terminal:		
Cash receipts from lease revenue	$	295,656
Cash receipts from advertising revenue		12,500
Net cash provided by operating activities		308,156
Cash Flows from Noncapital Financing Activities:		
Operating grant, net		(399)
Contribution from AC Transit for O&M reserve		719,552
Cash receipts from rental revenues		61,538
Receipts from repayment of loan by San Francisco Redevelopment Agency		35,394
Receipts from (payments on behalf of) private utilities for franchise work		43,134
Retainage held (released) related to private utility work		(41,056)
Deposits held for others increases (decreases)		431,262
Other noncapital increases (decreases)		15,314
Net cash provided by noncapital financing activities		1,264,740
Cash Flows from Capital and Related Financing Activities:		
Federal government capital grants received		113,304,646
State government capital grants received		2,056,074
Local government capital grants received		23,021,018
Other capital contributions received		391,098
Proceeds from sale of land		69,277
Retainage held (released) related to capital assets		309,811
Acquisition of capital assets		(150,105,467)
Net cash used in capital and related financing activities		(10,953,544)
Cash Flows from Investing Activities:		
Net proceeds (purchases) of investment securities		(68,444)
Investment income received		23,668
Net cash used in investing activities		(44,776)
Net Change in Cash and Cash Equivalents		(9,425,425)
Cash and Cash Equivalents, Beginning of Year		15,744,086
Cash and Cash Equivalents, End of Year	**$**	**6,318,661**

(Continued)

See accompanying notes to the basic financial statements.

TRANSBAY JOINT POWERS AUTHORITY
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2012

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income-Temporary Terminal	$	308,156
Adjustments to reconcile operating income to net cash provided by operating activities		-
Net cash provided by operating activities	$	308,156
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	$	45,405,716

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 ("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's 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 Caltrain Downtown Extension ("DTX") as Phase 2. Phase 1 is funded fully 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 six major funding sources including grants from the Federal government, State government, and grants of local revenue sharing ("Capital and Operating Grants") from AC Transit, Metropolitan Transportation Commission ("MTC"), San Francisco County Transportation Authority ("SFCTA") and San Mateo County Transportation Authority ("SMCTA").

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 first draw on the loan is not planned until fiscal year 2017.

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 operating 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 also generate 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 are both restricted and unrestricted net assets 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the TJPA applies all applicable GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The TJPA has elected not to apply private-sector guidance issued after November 30, 1989.

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.

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, 2012, 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, 2012, the various components of deposits payable are as follows:

Security Deposits Held for Others:	
Temporary Terminal Operating Lease	$ 24,000
Deposits on rental property	6,500
	30,500
Developer Deposit for Transaction Costs	431,262
Total	$ 461,762

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, 2012, the total amount of unearned revenue is $37,514.

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, 2012 the amount of accrued vacation payable is $115,310.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, Transbay Transit Center (TTC), and Caltrain Downtown Extension (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.

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 Assets 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	$ 124,806,964	$ 468,539,260	$ 237,913,836	$ 230,625,424
Total Federal government	124,806,964	468,539,260	237,913,836	230,625,424
State government				
Capital grants	2,588,681	14,449,776	10,145,881	4,303,895
Total State government	2,588,681	14,449,776	10,145,881	4,303,895
Local agencies				
MTC	13,127,852	304,276,000	192,789,657	111,486,343
SFCTA	4,160,531	125,740,385	112,165,693	13,574,692
SMCTA	472,325	23,359,514	23,045,366	314,148
SFRA in-kind contribution	Completed	798,689	798,689	-
Total local agencies	17,760,707	454,174,588	328,799,405	125,375,183
Total grantor contributions	145,156,352	$ 937,163,624	576,859,122	$ 360,304,502
Other capital contributions	391,098		391,098	
Total capital contributions	145,547,450		577,250,219	
State conveyed land scheduled to be retained by TJPA	-	53,186,468	53,186,468	
TJPA nonoperating revenues used to acquire capital assets	(73,976)		2,749,120	
Gain (Loss) on sale of land	-		(690,541)	
Net assets invested in capital assets, net of related obligations	$ 145,473,473		$ 632,495,266	

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

	Federal	State	Local	Total
Amount	$ 237,913,836	$ 10,145,881	$ 328,799,405	$ 576,859,122
Percent	41%	2%	57%	100%

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The difference between assets and liabilities in the Statement of Net Assets is classified as Net Assets and is subdivided into the following three categories:

Net Assets-Invested in capital assets, net of related obligations

This component of net assets consists of capital assets, net of accumulated depreciation (when applicable) reduced by obligations to re-convey State-transferred land. At June 30, 2012, 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 Assets-Restricted

Restricted net assets consist 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 assets.

Net Assets-Unrestricted

This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related obligations."

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 Transbay Transit Center 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 Transit Center opens in 2017.

Temporary Terminal Operating Revenue

Temporary Terminal operating revenues consist of lease and advertising revenue. For the fiscal year ended June 30, 2012, total operating revenue was $308,156 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, 2012, the MTC-approved RM-2 operating grant allocation total is $3,950,426 of which $3,740,989 was expended leaving an unexpended balance of $209,437. 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 assets of the Temporary Terminal are 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 assets of the Temporary Terminal are restricted for the Operating and Maintenance Reserve for Program facilities and are not available for construction of the Transbay Transit Center or the DTX. At June 30, 2012, net assets of $1,291,708 are 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 Transbay Transit Center 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 Transbay Transit Center (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.

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 Cooperative Agreement with the State of California 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, 2012 is $4,178,154.

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, 2012, the TJPA had an investment of $68,149 in U.S. Treasury Notes. Under the 2003 Cooperative Agreement, gross sales proceeds from the former State-owned parcels are to be placed in a trustee account for the benefit of the TJPA and used solely for capital construction costs of the Transbay Program. "Parcel B" was not transferred to TJPA as it is slated for development of affordable housing by the City, and as such would have generated no gross sales proceeds. However, pursuant to an agreement between the City and an adjacent property owner, a land swap was negotiated to create regularly-shaped parcels for both parties. The adjacent property owner received a piece of land with a greater value than the land transferred to the City, and the difference was deposited into the TJPA's trust account as gross sales proceeds on October 12, 2011.

As of June 30, 2012, the TJPA had the following investment with the trustee:

Investment type	Fair value	Less than 1 Year
U.S. Treasury Notes	$ 68,149	$ 68,149

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.

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

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's only investment is in U.S. Treasury Notes that mature on December 31, 2012.

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 assets, 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, 2012

	Beginning of Fiscal Year	Current Year Acquisitions	End of Fiscal Year
Capital assets not being depreciated:			
Land	$ 186,259,863	$ 2,960,488	$ 189,220,351
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	112,165	13,800	125,965
Transbay Transit Center	247,187,575	141,979,031	389,166,606
Caltrain Downtown Extension	53,324,815	520,155	53,844,970
Total capital assets not being depreciated	522,526,213	145,473,473	667,999,686
Less outstanding capital related obligation:			
Intergovernmental liability to the City for re-conveyance of State transferred land	(35,504,421)	-	(35,504,421)
Net assets, invested in capital assets, net of related obligations	$ 487,021,792	$ 145,473,473	$ 632,495,265

No capital assets were disposed of during the fiscal year ended June 30, 2012.

NOTE 4 – CAPITAL ASSETS (Continued)

Land Acquisition Summary

Scheduled Disposition:	Parcels	Land Value	Additional Costs	Total Land Value
Retained for:				
Transbay Transit Center	18	$ 129,769,427	$ 21,597,259	$ 151,366,686
Downtown Extension	11	14,727,000	1,635,406	16,362,406
Total to be retained	29	144,496,427	23,232,665	167,729,092
Transfer to the City	3	20,628,720	862,539	21,491,259
Total Value	32	$ 165,125,147	$ 24,095,204	$ 189,220,351

The total land value at June 30, 2012 of $189,220,351 is made up of thirty-two parcels of land acquired by purchase, eminent domain, or transfer from the State of California 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 $167,729,092. 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 Transbay Transit Center and then will be conveyed to the City, along with an additional nine parcels transferred by the State of California, with a total value of $35,504,421, upon completion of the new Transbay Transit Center. 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 $862,539 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, 2012; however, the TJPA reached settlement agreements for four of the parcels previously acquired through eminent domain. The settlements plus additional land costs of $2,960,488 were 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	-
Total Transferred	18	$ 88,690,889	9	$ 53,186,468	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						862,539
Total land scheduled to be transferred to the City					12	$ 56,995,680

Land parcels transferred from the State of California 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, 2012, the value of the land transferred from the State which is scheduled to be retained by the TJPA is $53,186,468 according to the described valuation methodology. A portion of one of the nine retained parcels transferred from the State in fiscal year 2011 will be sold to a private developer for construction of the Transit Tower adjacent to the Transbay Transit Center.

At June 30, 2012, the TJPA held title to twelve land parcels valued at $56,995,680 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 of California which are scheduled to be re-conveyed to the City upon completion of the new Transbay Transit Center 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, 2012, 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. Six 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 six 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 Transbay Transit Center and the Caltrain Downtown Extension 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.

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, 2012, TJPA has acquired title to six properties that were the subject of the eminent domain actions via voluntary settlements with the owners, with the remaining five properties and garage easement interests awaiting final judgment. In fiscal year 2012, TJPA provided additional funds to pay settlement and final closing costs for the four units purchased during the fiscal year. The amount, if any, of future expenditures for additional final court judgments and closing costs on the remaining five properties and garage easement interests 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 $254,664,149 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 is in the CalPERS Miscellaneous Employee "2% at 55" 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 employees, amounting to $61,016 for the year ended June 30, 2012. The actuarially determined employer rate is currently 10.3% of covered payroll costs. The TJPA's employer contribution for the year ended June 30, 2012, was $89,780, equal to the required contribution for the year and resulting in no net pension obligation.

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. 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, 2012, the TJPA and participating employees made contributions to the STARS Plan totaling $18,380 and $50,881, respectively.

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

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 $112 per month per employee in 2012. 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. For June 30, 2012, 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
Contributions made	-
Change in net OPEB obligation	54,835
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	$ 54,835

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 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

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

C. Other Post-Employment Benefits (Continued)

Funded Status and Funding Progress
The funded status of the plan as of June 30, 2012 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 first year of recognizing OPEB, TJPA has recorded 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.

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.

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

C. Other Post-Employment Benefits (Continued)

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 (CERBT).

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 $644,119 for the year ended June 30, 2012. These costs represent direct Program management costs related to the Transbay Transit Center and Caltrain Downtown Extension and as such are capitalized as part of accumulated Program costs. The future minimum lease payments are as follows:

2013	$	660,029
2014		679,879
2015		700,256
2016		295,338
	$	2,335,502

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:

2013	$	259,350
2014		266,266
2015		273,182
2016		115,267
	$	914,065

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, 2012 was $63,358 and no insurance claims were filed for the ten years ended June 30, 2012.

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, 2012 for this policy was $20,650. 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, 2012 for this coverage was $24,109. 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 their contract and that they will pay their 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. On June 24, 2009, MTC approved a $5,200,000 allocation from the RM-1 Rail Extension Reserves West Bridge Toll Revenues to TJPA to be used for program management and project control services for the Transbay Terminal and Caltrain Downtown Extension project. The TJPA has expended the entire $5,200,000 allocation.

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.

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 $142,299,477 has been expended leaving an unexpended balance of $7,700,523 which was appropriated for the fiscal year ending June 30, 2013.

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 $43,890,180 has been expended leaving an unexpended balance of $103,785,820 which was appropriated for the fiscal year ending June 30, 2013.

Summary of MTC Allocations Life-To-Date

	Allocations	Expended	Unexpended
RM-1 Direct	$ 5,200,000	$ 5,200,000	$ -
RM-1 Pass Through	1,400,000	1,400,000	-
RM-2	150,000,000	142,299,477	7,700,523
AB 1171	147,676,000	43,890,180	103,785,820
Life-To-Date Total	$ 304,276,000	$ 192,789,657	$ 111,486,343

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

B. SFCTA Prop K Revenues

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

The SFCTA-approved allocations total $125,740,385 of which $112,165,693 has been expended leaving an unexpended balance of $13,574,692. The unexpended balance was appropriated for the fiscal year ending June 30, 2013.

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 of which $23,045,366 has been expended leaving an unexpended balance of $314,148 which was appropriated for the fiscal year ending June 30, 2013.

D. AC Transit Revenues

In September 2011, AC Transit passed through four security grants from the Federal Emergency Management Agency and the California Emergency Management Agency totaling $7,694,848. 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 $7,694,848 allocated thus far, $2,561,078 has been expended leaving an unexpended balance of $5,133,770 which was appropriated for the fiscal year ending June 30, 2013. Because these grants are pass throughs from the federal and state governments, they are not included as local agency contributions in Note 2, Capital Contributions (see also below).

E. State of California Revenues

RTIP

In January 2007, the State and the TJPA entered into a Program Master Agreement for future planned State financial allocations of Regional Transportation Improvement (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, of which $9,829,300 has been expended leaving an unexpended balance of $323,700 which was appropriated for the fiscal year ending June 30, 2013.

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

Cal-EMA

A portion of the AC Transit revenue discussed above is two grants totaling $4,296,776 being passed through from the California Emergency Management Agency. $316,580 has been expended, leaving an unexpended balance of $3,980,196 which was appropriated for the fiscal year ending June 30, 2013.

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 $2,145,101 of which $715,023 remained unpaid at June 30, 2012.

	Estimated Liability
Total Liability Estimate	$ 2,145,101
Disbursed through June 30, 2012	(1,430,078)
Balance at June 30, 2012	$ 715,023

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, 2012, TJPA has capitalized $998,383 of loss of business goodwill payments to four 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, 2012.

A. City and County of San Francisco

During the year ended June 30, 2012, the City provided legal, project planning and review services including construction administration and inspection to the TJPA. Such services totaled $3,726,532 and were provided by the following organizations/ departments:

City Administrator	$ 8,340
Office of the City Attorney	120,431
Department of Building & Inspections	2,550,691
Department of Public Works	219,532
Department of Technology	7,150
San Francisco Fire Department	4,785
Mayor's Office on Disability	16,000
Municipal Transportation Agency	411,833
Planning Department	238,183
Public Utilities Commission	71,511
San Francisco Arts Commission	76,438
San Francisco Tax Collector	1,638
Total	$ 3,726,532

At June 30, 2012, the TJPA reported $349,886 due to the City.

In addition, in fiscal year 2006 the TJPA agreed to loan the former SFRA up to $2,500,000 over three fiscal years for costs related to the planning of public infrastructure. The SFRA borrowed $283,155, and the loan did not accrue interest. As of December 31, 2009, the SFRA was obligated to begin repaying the $283,155 loan in eight quarterly payments. During the year ended June 30, 2012, the SFRA made the final required payment and the loan is now closed.

At June 30, 2012, 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, AC Transit will make the Temporary Terminal and the Transbay Transit Center the point of destination/departure for its bus services in San Francisco. AC Transit will be 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 Transbay Transit Center 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, 2012, expenses incurred by the TJPA to reimburse AC Transit for its incremental operating and maintenance costs in the Temporary Terminal totaled $2,604,469 and the TJPA reported $1,941,473 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, 2012 the TJPA expended $90,720 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 $95,943 and the remaining unexpended contract balance at June 30, 2012 is $204,057. At June 30, 2012, the TJPA reported $5,163 due to Caltrans.

NOTE 11 – CONTINGENT LIABILITIES

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.

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 require 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, 2012 total $9,420,764 and are associated with the following project components:

Temporary Terminal	$ 948,283
Transbay Transit Center	8,471,473
Caltrain Downtown Extension	1,008
Total	$ 9,420,764

NOTE 12 – SUBSEQUENT EVENTS

A. New Grant Awards

On September 18, 2012, a grant agreement with the Federal Transit Administration was executed for the award of $1.24 million in Alternatives Analysis funds, which TJPA will use for supplemental environmental work related to Phase 2 of the Transit Center Program.

B. Impact of California Pension Reform

On August 31, 2012, the California Public Employees' Pension Reform Act (PEPRA) was adopted, and signed by Governor Brown on September 12, 2012, with an effective date of January 1, 2013. Under the PEPRA legislation, employees hired by TJPA after January 1, 2013 who are new to CalPERS will be members of CalPERS Miscellaneous Employee "2% at 62" risk pool. Current employees' benefit formula and contributions are unaffected by PEPRA.

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REQUIRED SUPPLEMENTARY INFORMATION

TRANSBAY JOINT POWERS AUTHORITY
Required Supplementary Information
For the Year Ended June 30, 2012

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, 2012

Program Description	Federal CFDA Number	Grant Number	Program Award	EXPENDITURES - FEDERAL SHARE Cumulative through June 30, 2011	EXPENDITURES - FEDERAL SHARE July 1, 2011 through June 30, 2012	EXPENDITURES - FEDERAL SHARE Cumulative through June 30, 2012	REVENUES - FEDERAL SHARE Cumulative through June 30, 2011	REVENUES - FEDERAL SHARE July 1, 2011 through June 30, 2012	REVENUES - FEDERAL SHARE Cumulative through June 30, 2012
U.S. DEPARTMENT OF TRANSPORTATION									
Federal Transit - Capital Investment Grants:									
Federal Transit Formula Grants:									
General Capital Assistance	20.500	CA-04-0010	$ 6,649,751	$ 6,649,751	$ -	$ 6,649,751	$ 6,649,751	$ -	$ 6,649,751
General Capital Assistance	20.500	CA-04-0040	7,008,960	6,762,049	87,542	6,849,591	6,762,049	87,542	6,849,591
General Capital Assistance	20.500	CA-04-0087	7,593,040	6,928,678	626,418	7,555,096	6,928,678	626,418	7,555,096
General Capital Assistance	20.500	CA-04-0140	7,885,080	1,851,733	1,444,450	3,296,183	1,851,733	1,444,450	3,296,183
Total Federal Transit - Capital Investment Grants			29,136,831	22,192,211	2,158,411	24,350,621	22,192,211	2,158,411	24,350,621
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	79,762,395	115,086,115	194,848,510	79,762,395	115,086,115	194,848,510
Rail Line Relocation and Improvement	20.320	FR-LR1-0021-11-01-00	2,650,000	2,229,622	420,378	2,650,000	2,229,622	420,378	2,650,000
Total Federal Railroad Administration Grants			402,650,000	81,992,016	115,506,494	197,498,510	81,992,016	115,506,494	197,498,510
Highway Planning and Construction Grant:									
General Capital Assistance	20.205	CA-70-X011	24,459,002	42,290	4,882,561	4,924,851	42,290	4,882,561	4,924,851
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			456,245,833	104,226,517	122,547,466	226,773,983	104,226,517	122,547,466	226,773,983
U.S. DEPARTMENT OF HOMELAND SECURITY									
Federal Emergency Management Agency (FEMA)									
Rail and Transit Security Grant Program:									
Capital Grant									
FY2009 Transit Security Grant Program	97.075	2009-RA-T9-K021	100,000	85,000	15,000	100,000	85,000	15,000	100,000
Capital Grants Passed Through from AC Transit									
FY2008 Transit Security Grant Program (F0018)	97.075	2008-RL-T8-K018	1,461,930	-	469,782	469,782	-	469,782	469,782
FY2009 Transit Security Grant Program (F0017)	97.075	2009-RA-T9-K002	1,936,142	-	1,774,716	1,774,716	-	1,774,716	1,774,716
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			3,498,072	85,000	2,259,498	2,344,498	85,000	2,259,498	2,344,498
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			$ 459,743,905	$ 104,311,517	$ 124,806,964	$ 229,118,481	$ 104,311,517	$ 124,806,964	$ 229,118,481

TRANSBAY JOINT POWERS AUTHORITY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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 2012.

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.

OTHER REPORTS

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

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

Board of Directors
Transbay Joint Powers Authority
San Francisco, California

We have audited the financial statements of the Transbay Joint Powers Authority (TJPA) as of and for the year ended June 30, 2012, and have issued our report thereon, dated November 23, 2012. 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.

Internal Control over Financial Reporting

Management of TJPA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered TJPA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TJPA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the TJPA's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the TJPA's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, management, federal granting agencies and the Controller of the State of California, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 3, 2012

INDEPENDENT AUDITOR'SREPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Board of Directors
Transbay Joint Powers Authority
San Francisco, California

Compliance

We have audited the compliance of the Transbay Joint Powers Authority (TJPA) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of TJPA's major Federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of TJPA's management. Our responsibility is to express an opinion on TJPA's compliance based on our audit.

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 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. Our audit does not provide a legal determination on TJPA's compliance with those requirements.

In our opinion, the TJPA complied, in all material respects, with the 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, 2012.

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Internal Control Over Compliance

The management of the TJPA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the TJPA's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for purposes of expressing an opinion on the effectiveness of the effectiveness of the 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
D3, 2012

TRANSBAY JOINT POWERS AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section I Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
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:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of major programs:	
CFDA No. 20.319 - ARRA	High-Speed Rail Corridors and Intercity Passenger Rail Service
CFDA No. 20.205	Highway Planning & Construction
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.