SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Annual Financial Report

For the Years Ended June 30, 2016 and 2015

Certified Public Accountants

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
ANNUAL FINANCIAL REPORT
For the Years Ended June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the San Francisco
Bay Area Rapid Transit District
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund and the Retiree Health Benefit Trust Fund of the San Francisco Bay Area Rapid Transit District (the District) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the Enterprise Fund and the Retiree Health Benefit Trust Fund of the District as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of employer pension contributions, and the schedules of funding progress – other postemployment benefits identified in the accompanying 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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Oakland, California
November 23, 2016

Introduction

The following discussion and analysis of the financial performance and activity of the San Francisco Bay Area Rapid Transit District (the District) provide an introduction and understanding of the basic financial statements of the District for the years ended June 30, 2016 and 2015. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The District is an independent agency created in 1957 by the legislature of the State of California for the purpose of providing an adequate, modern, interurban mass rapid transit system in the various portions of the metropolitan area surrounding the San Francisco Bay. The District started its revenue operations in September 1972. It presently owns a 108-mile, 45-station system serving the four counties of Alameda, Contra Costa, San Francisco and San Mateo. The governance of the District is vested in a Board of Directors composed of nine members, each representing an election district within the District.

The Financial Statements

The basic financial statements provide information about the District's Enterprise Fund and the Retiree Health Benefit Trust. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

Overview of the Enterprise Fund Financial Statements

The *Statements of Net Position* reports assets, deferred outflows of resources, liabilities, deferred inflows of resources and the difference as *net position*. The entire equity section is combined to report total *net position* and is displayed in three components - *net investment in capital assets; restricted net position; and unrestricted net position*.

The net position component *net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position consists of assets where constraints on their use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of restricted or net investment in capital assets. This net position component includes net position that has been designated by management for specific purposes, which in the case of the District include allocations to fund capital projects, and other liabilities, which indicate that management does not consider them to be available for general operations.

The *Statements of Revenues, Expenses and Changes in Net Position* consist of operating and nonoperating revenues and expenses based upon definitions provided by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus.* Accordingly, significant recurring sources of the District's revenues, such as capital contributions, are reported separately, after nonoperating revenues and expenses.

Statements of Cash Flows are presented using the direct method and include a reconciliation of operating loss to net cash used in operating activities.

Financial Highlights

In fiscal year 2015, the District implemented required changes to accounting and reporting for pensions. Due to the limited available information, fiscal year 2014 amounts have not been restated for GASB Statements Nos. 68 and 71.

Statements of Revenues, Expenses and Changes in Net Position

A summary of the District's *Statements of Revenues, Expenses and Changes in Net Position* for fiscal years 2016, 2015 and 2014 is as follows (dollar amounts in thousands):

	2016	2015	2014
Operating revenues	$ 545,800	$ 514,541	$ 463,160
Operating expenses, net	(834,746)	(767,141)	(718,952)
Operating loss	(288,946)	(252,600)	(255,792)
Nonoperating revenues, net	292,586	303,214	282,507
Capital contributions	328,123	256,231	326,690
Special item - settlement of loans	-	-	88,500
Change in net position	331,763	306,845	441,905
Net position, beginning of year, as restated	6,017,192	5,710,347	5,767,598
Net position, end of year	$ 6,348,955	$ 6,017,192	$ 6,209,503

Operating Revenues

In fiscal year 2016, operating revenues increased by $31,259,000 primarily due to (1) an increase of $25,949,000 in passenger fares accounted for by a half year fare increase of 3.4% implemented on January 1, 2016, and a slight increase in ridership; average weekday ridership in fiscal year 2016 was 433,394 trips, an increase of 2.4% over the prior fiscal year; and (2) an increase of $5,139,000 in parking revenue due to higher parking rates implemented in January 2016 at several stations.

In fiscal year 2015, operating revenues increased by $51,381,000 primarily due to (1) an increase of $47,061,000 in passenger fares due to a full year fare increase of 5.2% implemented on January 1, 2014, compared to a half year fare increase in fiscal year 2014, and an increase in ridership; average weekday ridership in fiscal year 2015 was 423,120 trips, an 8.77% increase over the prior fiscal year; (2) an increase of $8,354,000 in parking revenue due to higher parking rates implemented effective January 2015 at several stations; and offset by (3) a decrease of $4,485,000 in ground lease revenue due to a one time lump-sum recognition of revenue recorded in fiscal year 2014 from the reassignment of ground lease at the West Dublin Station to a new lessee.

Operating Expenses, Net

In fiscal year 2016, operating expenses, net, increased by $67,605,000, primarily due to (1) an increase of $41,100,000 in salaries and benefits principally from (a) an increase of $19,820,000 in employee wages from an additional 177 net positions hired in fiscal year 2016 and wage increases per contractual labor agreements; (b) an increase of $10,653,000 in overtime for increase operational needs, including major track maintenance involving closures of some stations; (c) an increase of $4,279,000 in health insurance expense primarily due to increase of about 9% in insurance premium rates; (d) increase of $3,045,000 in other postemployment benefit contributions required per actuarially determined valuation, particularly related to the District's Retiree Health Benefit Plan; (e) increase of $4,622,000 in pension expense; and offset by (f) decrease of $1,760,000 in workers compensation expense as actual claims have stabilized in recent years; (2) an increase of $3,629,000 in maintenance and repairs to keep the system in a good state of repairs; (3) an increase of $2,386,000 for full year recognition of purchased transportation costs for the Oakland Airport Connector; (4) an increase of $26,427,000 in depreciation expense due to capitalization of recently completed projects, which include among others the Oakland Airport Connector and a portion of the Seismic Upgrade Project; (5) increase of $1,099,000 in public liability insurance costs due to higher claims; (6) increase of $1,677,000 in traction and power costs due to increase in passenger miles; and offset by (7) a decrease in expenses of $11,795,000 from increase in labor reimbursements charged to capital grants.

In fiscal year 2015, operating expenses, net, increased by $48,189,000, primarily due to (1) an increase of $21,502,000 in salaries and benefits principally from (a) an increase of $19,923,000 in employee wages from an additional 87 net positions hired in fiscal year 2015, wage increases per contractual labor agreements, and increases associated with revaluation of unused leave benefits earned; (b) a lump sum payment of $3,367,000 paid to majority of the employees in fiscal year 2015 for meeting the criteria related to the District's operations as defined in the labor agreements; (c) an increase of $8,842,000 in overtime for increased operational needs; (d) an increase of $2,689,000 in health insurance expense due to a weighted average increase of 4.48% in insurance premiums; offset by (e) a net decrease of $10,997,000 in pension expense from adoption of GASB 68 ($16,487,000), offset by a $5,490,000 increase in pension contribution due to increase in contribution rates; and (f) a decrease of $3,451,000 in postemployment benefit expenses, as actuarially determined; (2) an increase of $7,242,000 in maintenance and repairs to keep the system in a good state of repairs; (3) an increase of $3,543,000 in purchase transportation costs for operating the new Oakland Airport Connector; (4) an increase of $3,240,000 in feeder agreement paid to AC Transit due to shortfall in state transit assistance; (5) an increase of $22,373,000 in depreciation expense due to capitalization of recently completed projects, which include among others the Oakland Airport Connector and a portion of the Seismic Upgrade Project; and (6) a decrease in expenses of $11,401,000 from increase in labor reimbursements charged to capital grants.

Nonoperating Revenues, Net

In fiscal year 2016, nonoperating revenues, net, decreased by $10,628,000 primarily from (1) a decrease of $34,513,000 in operating financial assistance principally from (a) decline of $31,471,000 in Federal Financial Assistance from the Federal Transit Administration (FTA) related to operating preventive maintenance project; (b) decrease of $6,507,000 in State Transit Assistance due to continued decline in diesel fuel prices; offset by (c) increase of $2,108,000 in Measure BB grants representing 9 more months of additional revenue compared to fiscal year 2015; and (d) increase of $1,596,000 in financial assistance from the State of California from Low Carbon Transit Operations Program (LCTOP) allocation (see Note 9); (2) a decrease of $10,307,000 in earmarked property tax revenue based on required debt service payments for the General Obligation Bonds, reduced by an increase of $3,762,000 in property tax revenue for general operations due to continued increase in property valuations in the San Francisco Bay Area; (3) decrease of $5,121,000 due to absence of revenue from donated assets recognized in fiscal year 2015; (4) decrease of $1,169,000 associated with the debt issuance costs incurred in fiscal year 2016 from the General Obligation Bonds and Sales Tax Revenue Bonds refunding (see Note 6); and offset by (5) an increase of $8,398,000 or about 3.6% in sales tax revenue as the economy in the San Francisco Bay Area continues to expand; (6) increase of $1,271,000 in gain from exchange of property arising from the land swap between the District and the City of Livermore; (7) an increase of $2,871,000 due to decrease in interest expense principally from lower outstanding Sales Tax Revenue Bonds and from lower interest rates due to refunding; and (8) an increase of $23,992,000 due to lower payments to the Metropolitan Transportation Commission (MTC) for restricted account established to fund the District's rail car replacement project (see Note 8).

In fiscal year 2015, nonoperating revenues, net, increased by $20,707,000 primarily from (1) an increase of $11,999,000 or about 5.4% in sales tax revenue as the economy in the San Francisco Bay Area continues to expand; (2) an increase of $13,329,000 in operating financial assistance received primarily from FTA related to operating preventive maintenance project, offset by a decrease of $2,333,000 in State Transit Assistance due to decline in diesel fuel prices; (3) an increase of $2,470,000 in investment income as more funds are channeled to investments and also from the fluctuation in market value of investments; (4) a gain of $6,012,000 from exchange of property between the District and the Richmond Transit, LLC (see Note 14); (5) donated income of $5,121,000 recognized from receipt of two parcels of land from Oakland Redevelopment Agency (see Note 14); offset by (6) a decrease of $12,127,000 in earmarked property tax revenue based on required debt service payments for the General Obligation Bonds, reduced by an increase of $2,270,000 in property tax revenue for general operations due to increase in property valuations in the San Francisco Bay Area; (7) a decrease of $4,498,000 due to increase in interest expense from the full year recognition of interest expense for the General Obligation Bonds issued in November 2013; and (8) a decrease of $2,168,000 due to higher payments to MTC for restricted account established to fund the District's rail car replacement project (see Note 8).

Capital Contributions

The revenues from capital contributions relate to grants and other financial assistance received by the District from federal, state and local agencies to fund capital projects. The District receives mostly reimbursement-type grants of which the District has to first incur eligible costs under the provider's program before qualifying for the grant resources. Revenues from capital contributions are recognized at the time when the eligible project costs are incurred.

In fiscal year 2016, revenue from capital contributions increased by $71,892,000 primarily from (1) a net increase in revenue of $5,817,000 from grants received from the State of California mostly due to (a) increase of $20,122,000 in High Speed Passenger Train Bond Funds grants received for the rail car procurement and Hayward Maintenance Complex projects; (b) increase of $19,289,000 from various projects funded by Proposition 1B Public Transportation, Modernization, Improvement, and Service Enhancement Account (PTMISEA); offset by (c) a $17,339,000 decrease in realized revenue associated with reduction in Proposition 1B State Local Partnership Program (SLPP) grants for the Warm Springs Extension; (d) a decrease of $4,293,000 in security related grants funded by the State; (e) $7,926,000 reduction for the Union City Phase 2 Intermodal project ; and (f) a decrease of 4,036,000 in other grants received from the California Department of Transportation mostly for the Warm Springs Extension project as it gets closer to completion; (2) a net increase of $85,994,000 from federal fund sources primarily due to (a) reduction in federal grants revenue booked in fiscal year 2015 from recognizing a revenue offset of $43,900,000 for Port facility fees earned in prior years as a result of transfer of capital assets to the Port of Oakland, in conformity with the development agreement, upon completion of the Oakland Connector Project in November 2014; (b) increase of $32,642,000 mostly from higher utilization of federal funds as part of the current initiative undertaken by the District to spend down old FTA grants; and (c) increase of $9,452,000 in Department of Homeland Security grants revenue for security related projects; (3) an increase of $52,628,000 from a combination of funds received from MTC, Contra Costa Transportation Authority (CCTA) Measure J funds and City of Pittsburg primarily for the eBART extension project; (4) increase of $6,131,000 from Union City for the Phase 2 Intermodal project; and offset by (5) a decrease of $77,641,000 for funds received from Alameda County Transportation Commission (ACTC) from Measure B funds as the Warm Springs Extension project gets closer to completion.

In fiscal year 2015, revenue from capital contributions decreased by $70,459,000 primarily from (1) a net decrease in revenue of $79,964,000 from grants received from the State of California mostly due to (a) $27,932,000 reduction in funds utilized in fiscal year 2015 for the Warm Springs Extension project as funds received in prior years are fully expended; (b) a $59,148,000 decrease in grants received for the rail car procurement project; offset by (c) a $5,164,000 increase in revenue realized associated with security related grants; (2) a net decrease of $38,536,000 from federal fund sources primarily due to recognition of revenue offset of $43,900,000 associated with Port facility fees earned in prior years as a result of transfer of capital assets to the Port of Oakland upon completion of the Oakland Connector Project in conformity with the development agreement, offset by $5,364,000 increased utilization in FTA grants; (3) an increase of $1,289,000 from funds received from Union City for the Phase 2 intermodal project; (4) an increase of $27,256,000 for funds received from ACTC from Measure B funds ($21,512,000) for the Warm Springs Extension project and from CCTA Measure J funds ($5,744,000) for the eBart project; (5) an increase of $14,858,000 from Santa Clara Valley Transportation Authority (VTA) for the Hayward Maintenance Complex project and for the VTA extension project; and (6) an increase of $4,472,000 from MTC for the Warm Springs Extension project.

The major additions in fiscal years 2016 and 2015 to capital projects are detailed on page 11.

Statements of Net Position

A comparison of the District's *Statements of Net Position* as of June 30, 2016, 2015 and 2014 is as follows (dollar amounts in thousands):

	2016	2015	2014
Current assets	$ 1,452,232	$ 1,368,679	$ 1,148,987
Noncurrent assets - capital assets, net	7,378,033	7,129,693	6,894,032
Noncurrent assets - other	11,485	31,301	164,589
Total assets	8,841,750	8,529,673	8,207,608
Deferred outflow of resources	70,894	60,645	19,434
Current liabilities	339,134	305,811	262,830
Noncurrent liabilities	2,178,331	2,139,843	1,754,709
Total liabilities	2,517,465	2,445,654	2,017,539
Deferred inflow of resources	46,224	127,472	-
Net position			
Net investment in capital assets	6,055,965	5,816,753	5,611,108
Restricted	214,849	193,944	237,694
Unrestricted	78,141	6,495	360,701
Total net position	$ 6,348,955	$ 6,017,192	$ 6,209,503

Current Assets

In fiscal year 2016, current assets increased by $83,553,000 principally from (1) an offsetting increase of $53,137,000 in cash and cash equivalents and decrease in grants receivable from payments received from the granting agencies; (2) a net increase of $18,667,000 in cash and cash equivalents primarily from additional cash advances received, classified as current, for projects funded by Proposition 1B funds; (3) an increase of $6,894,000 primarily for advance payment of premium for medical insurance, traction power and rent; (4) an increase of $4,292,000 in materials and supplies inventory due to timing in the usage of supplies; offset by (5) a decrease of $14,379,000 from cash and cash equivalents held by the Operating Fund reinvested to noncurrent investments; (6) a decrease of $7,494,000 in unrestricted and restricted cash and current investment due to timing of payment of vendor invoices; (7) a decrease of $22,664,000 in cash and cash equivalents from the proceeds of the General Obligation Bonds for payments of seismic upgrade related expenses ($6,838,000) and reduction in the balance of the debt service funds ($15,826,000), as determined by debt service requirements; (8) a decrease of $7,910,000 in cash and cash equivalents from the proceeds of the 2012 Sales Tax Revenue Bonds for payment of expenses related to the Oakland Airport Connector project; (9) a decrease of $14,894,000 in the debt service funds for various Sales Tax Revenue Bonds, as determined by debt service requirements; and (10) increase of $122,233,000 in current investments from amounts reclassified from noncurrent investments due to length of maturity of investments from the end of fiscal year 2016.

In fiscal year 2015, current assets increased by $219,692,000 principally from (1) an increase of $56,417,000 in cash and cash equivalents from collections of grants receivable as the billing process improved; (2) a net increase of $48,380,000 from additions to operating reserves and unexpended net earnings set aside to fund capital projects; (3) an increase of $24,731,000 in unrestricted and restricted cash and current investment due to timing of payment of vendor invoices; (4) an increase of $36,575,000 from noncurrent investments reinvested in cash and cash equivalents; (5) an increase of $6,471,000 for advance payment of premium for medical insurance; (6) an increase of $3,453,000 in materials and supplies inventory due to timing in the usage of supplies; offset by (7) a decrease of $48,129,000 in cash and cash equivalents from the proceeds of the General Obligation Bonds for payments of seismic upgrade related expenses; (8) a decrease of $15,001,000 in cash and cash equivalents from the proceeds of the 2012 Sales Tax Revenue Bonds for payment of expenses related to the Oakland Airport Connector project; (9) a net decrease of $9,046,000 in cash and cash equivalents from usage of cash advances received for projects funded by Proposition 1B funds; (10) a decrease of $1,298,000 in accrued property tax receivable for general operations due to timing in receipts; and (11) increase of $115,237,000 in current investments from amounts reclassified from noncurrent investments due to length of maturity of investments from the end of fiscal year 2015.

Noncurrent Assets - Other

In fiscal year 2016, noncurrent assets – other decreased by $19,816,000 primarily from (1) an increase of $14,379,000 in noncurrent investments from funds originally held by the District in fiscal year 2015 as cash and cash equivalents; (2) a net increase of $88,347,000 from additions to operating reserves and unexpended net earnings set aside to fund capital projects; and (3) decrease of $122,233,000 in noncurrent investments due to amounts reclassified to current investments based on length of maturity of investments from the end of fiscal year 2016.

In fiscal year 2015, noncurrent assets – other decreased by $133,288,000 primarily from (1) a decrease of $33,513,000 in restricted noncurrent investments from the proceeds of the 2013 General Obligation Bonds; the funds were reinvested in current investments; (2) an increase of $17,728,000 in noncurrent investments from funds held by the Operating Fund; (3) a decrease of $2,226,000 in property tax receivable for debt service of the General Obligation Bonds; and (4) decrease of $115,237,000 in noncurrent investments due to amounts reclassified to current investments based on length of maturity of investments from the end of fiscal year 2015.

Current Liabilities

In fiscal year 2016, current liabilities increased by $33,323,000 primarily due to (1) an increase of $36,988,000 in payables to vendors and contractors due to timing of receiving and paying their invoices; (2) an increase of $3,604,000 in payables to employees due to timing in paying the payroll at the end of the fiscal year and in the remittances of payroll taxes and benefits; (3) an increase of $806,000 in the accruals of compensated absences estimated to be paid in the following fiscal year; (4) a decrease of $3,001,000 in interest payable; (5) a decrease of $27,540,000 for payments made during the fiscal year of principal balances of outstanding Sales Tax Revenue and General Obligation Bonds; (6) an increase of $27,225,000 in current portion of outstanding balances of Sales Tax Revenue and General Obligation Bonds reclassified from long-term debt; (7) an increase of $1,180,000 in current reserves required for workers compensation and general liability insurance; (8) reclassification to noncurrent liability leading to a decrease of $25,816,000 in unearned revenues associated with the deferral in recognizing the property exchange between MacArthur Community Partners, LLC and the District pending the transfer of title to the land subject to exchange (see Note 14); (9) an increase of $586,000 in unearned revenue related to passenger fare and parking; and (10) an increase of $18,848,000 in the current portion of advances from grantors based on projected fund utilization for fiscal year 2017.

In fiscal year 2015, current liabilities increased by $42,981,000 primarily due to (1) an increase of $17,976,000 in payables to vendors and contractors due to timing of receiving and paying their invoices; (2) an increase of $4,572,000 in payables to employees due to timing in paying the payroll at the end of the fiscal year and in the remittances of payroll taxes and benefits; (3) a decrease of $1,401,000 in the accruals of compensated absences estimated to be paid in the following fiscal year; (4) a decrease of $37,575,000 for payments made during the fiscal year of principal balances of outstanding Sales Tax Revenue and General Obligation Bonds; (5) an increase of $27,540,000 for current portion of outstanding balances of Sales Tax Revenue and General Obligation Bonds reclassified from long-term debt; (6) a decrease of $768,000 in current reserves required for workers compensation and general liability insurance; (7) an increase of $25,815,000 in unearned revenues associated with the deferral in recognizing the property exchange between MacArthur Transit Community Partners, LLC and the District pending the transfer of title to the land, which is the subject of the exchange (see Note 14); (8) an increase of $2,965,000 in unearned revenue related to passenger fare and parking; and (9) an increase of $3,743,000 in the current portion of advances from grantors based on projected fund utilization for fiscal year 2016.

Noncurrent Liabilities

In fiscal year 2016, noncurrent liabilities increased by $38,488,000 principally from (1) a decrease of $2,966,000 in payables to vendors and contractors due to timing of receiving and paying their invoices; (2) a decrease of $1,700,000 in payables to employees due to timing in the utilization of accrued compensated absences; (3) an increase of $1,636,000 in noncurrent portion of accruals for unfunded other postemployment benefits per actuarial calculation; (4) an increase of $69,757,000 in net pension liability primarily due to lower return on investments; (5) a net increase of $46,022,000 in unamortized premium from issuance of bonds consisted of: (a) increase of $73,650,000 from the issuance of the General Obligation Refunding Bonds and the Sales Tax Revenue Refunding Bonds in the current fiscal year; offset by (b) decrease of $18,396,000 due to reclassification of unamortized premium to deferred interest associated with the defeased bonds (see Note 6); and (c) decrease of $9,232,000 for amortization of the bond issue premium in fiscal year 2016; (6) a decrease of $27,225,000 for portion reclassified to current liability for Sales Tax Revenue and General Obligation Bonds; (7) decrease of $532,385,000 from the defeasance of Sales Tax Revenue Bonds and General Obligation Bonds, offset by increase of $463,445,000 from the issuance of the 2015 Sales Tax Revenue and General Obligation Refunding Bonds; (8) a decrease of $2,185,000 in the noncurrent portion of advances from grantors based on estimated utilization for the next fiscal year; (9) an increase of $25,815,000 due to reclassification to noncurrent liability of unearned revenue associated with the deferral in recognizing the property exchange between Richmond Transit, LLC and the District pending the transfer of title to the land, which is the subject of the exchange (see Note 14); and (10) a decrease of $1,325,000 in noncurrent portion of reserves required for workers compensation and general liability insurance.

In fiscal year 2015, noncurrent liabilities increased by $385,134,000 principally from (1) an increase of $4,075,000 in payables to employees due to timing in the utilization of accrued compensated absences; (2) an increase of $2,032,000 in noncurrent portion of accruals for unfunded other post-employment benefits per actuarial calculation; (3) an increase of $397,465,000 for recognition of net pension liability from the initial adoption of GASB 68; (4) a decrease of $4,270,000 for amortization on premiums from issuance of bonds; (5) a decrease of $27,540,000 for portion reclassified to current liability for Sales Tax Revenue and General Obligation bonds; (6) a decrease of $19,528,000 in the noncurrent portion of advances from grantors based on estimated utilization for the next fiscal year; (7) an increase of $30,110,000 in unearned revenue associated with the deferral in recognizing the property exchange between Richmond Transit, LLC and the District pending the transfer of title to the land, which is the subject of the exchange (see Note 14); and (8) an increase of $2,060,000 in noncurrent reserves required for workers compensation and general liability insurance.

Capital Assets

Details of the capital assets, net of accumulated depreciation, as of June 30, 2016, 2015 and 2014 are as follows (dollar amounts in thousands):

	2016	2015	2014
Land and easements	$ 624,090	$ 576,443	$ 559,222
Stations, track, structures and improvements	4,249,176	4,020,786	3,158,779
Buildings	8,201	8,202	8,336
Revenue transit vehicles	159,096	144,599	175,086
Other	624,768	613,953	441,783
Construction in progress	1,712,702	1,765,710	2,550,826
Total capital assets	$ 7,378,033	$ 7,129,693	$ 6,894,032

The District's capital assets before depreciation and retirements showed a net increase of $446,792,000 in 2016 and $449,792,000 in 2015. There were no major retirements in 2016. In fiscal year 2015, $43,900,000 of capital assets acquired during the construction of the Oakland Airport Connector, which were funded by the Port of Oakland using port facilities fees, were transferred to the Port of Oakland based on the development agreement entered in January 2010 and is shown as a retirement of construction in progress in Note 4. Major additions in capital assets included capital expenditures for the acquisition and/or major improvements related to the following assets (dollar amounts in thousands):

	2016	2015
Guideway	$ 251,782	$ 236,422
Passenger stations	86,083	127,361
Maintenance & administration Buildings	51,547	44,428
Revenue transit vehicles	36,066	33,620
Automatic fare collections and other equipment	12,405	4,169

Guideway and Passenger Stations included among others the costs associated with the Oakland Airport Connector, which was completed in November 2014, Warm Springs Extension project, which is expected to be completed in early 2017, the eBart Extension project, and the ongoing Earthquake Safety Program. A significant portion of the additions to Maintenance & Administration Buildings are related to the new Hayward Maintenance Complex, which is being constructed to accommodate the much larger and more technologically advance new rail fleet. The Revenue Transit Vehicle expenses are associated with the project to procure and replace the existing rail cars and the new Diesel Cars for the eBART project.

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $2,700,000,000 at June 30, 2016 and $2,022,590,000 at June 30, 2015.

Long-Term Debt

The outstanding balance of total long-term debt (including current portion but excluding unamortized balance of bond premium/discounts) as of June 30, 2016, 2015 and 2014 are as follows (dollar amounts in thousands):

	2016	2015	2014
Bonds payable from and collateralized by a pledge of sales tax revenues	$ 629,620	$ 698,800	$ 718,895
General Obligation Bonds	603,495	630,795	648,275
Total long-term debt	$ 1,233,115	$ 1,329,595	$ 1,367,170

Total long-term debt in fiscal year 2016 decreased by $96,480,000 due to (1) $304,105,000 principal payment of current outstanding General Obligation Bonds and full defeasance of the 2005 General Obligation Bonds as well as partial defeasance of the 2007 General Obligation Bonds, offset by the outstanding balance of $276,805,000 for the new 2015 General Obligation Refunding Bonds; and (2) $255,820,000 principal payment of current outstanding Sales Tax Revenue Bonds and full defeasance of the remaining outstanding 2005 Sales Tax Revenue Bonds and 2006 Sales Tax Revenue Bonds, offset by the outstanding balance of $186,640,000 for the new 2015 Sales Tax Revenue Refunding Bonds.

Total long-term debt in fiscal year 2015 decreased by $37,575,000 due to (1) $17,480,000 principal payment of current outstanding General Obligation Bonds; and (2) $20,095,000 principal payment of current outstanding Sales Tax Revenue Bonds.

Economic Factors and Next Year's Budgets

On June 9, 2016, The District's Board of Directors adopted a balanced operating budget of $931,539,000 and a capital budget of $888,483,000 for the fiscal year 2017.

The fiscal year 2017 budget for operating sources is $34,245,000 higher than the fiscal year 2016 budget (excluding the impact of a Federal pass-through grant), with ridership and sales tax growth in fiscal year 2016 contributing to the increase. In fiscal year 2016 total ridership grew 2.0% and was under budget by 0.7%. Moderate weekday ridership growth of 2.3% is budgeted for fiscal year 2017. In order to serve current crowded trains and future increases in ridership, the District is investing in its aging rail vehicle fleet and infrastructure and expanding shop capacity. The fiscal year 2017 preliminary budget supports the District's continued efforts to reinvest in the system, welcomes the first of at least 775 new rail cars and opens the Warm Springs/South Fremont station. However, limited funds were available for additional new programs as revenues are constrained due to a projected slowdown in ridership growth and sales tax income, which together account for 86% of the District's revenue sources. The District continues investment in our aging infrastructure in fiscal year 2017, at a level of self-help that is among the highest for a transit operator in the nation. Over the past five years, the District has reinvested over $500 million of operating funds into critical projects such as new rail cars and station renovation. The fiscal year 2017 capital budget also prioritizes reinvestment, with 67% of the $876M budget programmed to system reinvestment projects.

The current operating budget supplies critical funding to capital programs, and continues an annual $45,000,000 allocation to the Rail Car Sinking Fund as part of a $298,000,000 initial commitment for the District's share of the Phase I acquisition of 410 rail cars. In addition, the District's Board of Directors also dedicated all incremental revenue generated from the productivity-adjusted inflation-based fare increase program towards high priority capital projects, including the Rail Car Replacement Program, Hayward Maintenance Complex, and Train Control Modernization Project. In fiscal year 2017, this amount is estimated at just over $35,000,000. The fiscal year 2017 operating budget also included $40,645,000 for other state of good repair needs, such as right-of-way fencing, battery replacement, and the "baseline" State of Good Repair allocation that provides for local match on capital grants, stations and facilities renovation, equipment and other needs. Despite these investments, the District needs to aggressively seek other funding sources to increase its existing capital resources in order to sustain its current state of reliability. The BART Asset Management Program has identified a wide variety of system infrastructure funding needs.

A full 67% of capital expenditures next year are directed to System Renovation, at $584,463,000. This includes the Rail Car Replacement Program, the Hayward Maintenance Complex, station modernization, replacement of train control system, traction power, trackway renovation and other capital projects. The second largest is system expansion, including completion of the eBART and Warm Springs projects. Work will also continue on essential security upgrades, life safety improvements, service and capacity enhancements, and ADA/system accessibility improvements.

Contacting the District's Financial Management

The District's financial report is designed to provide the District's Board of Directors, management, investors, creditors, legislative and oversight agencies, citizens and customers with an overview of the District's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact Rosemarie Poblete, Controller-Treasurer, at 300 Lakeside Drive, P.O. Box 12688, Oakland, California 94604.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Net Position
June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Assets		
Current assets		
Unrestricted assets		
Cash and cash equivalents	$ 265,069	$ 222,851
Investments	387,204	288,059
Government receivables	139,283	192,420
Receivables and other assets	29,754	22,830
Materials and supplies	35,873	31,582
Total unrestricted current assets	857,183	757,742
Restricted assets		
Cash and cash equivalents	434,304	332,126
Investments	159,675	276,520
Receivables and other assets	1,070	2,291
Total restricted current assets	595,049	610,937
Total current assets	1,452,232	1,368,679
Noncurrent assets		
Capital assets		
Nondepreciable	2,336,792	2,342,153
Depreciable, net of accumulated depreciation	5,041,241	4,787,540
Unrestricted assets		
Receivables and other assets	198	226
Restricted assets		
Investments	-	20,035
Receivables and other assets	11,287	11,040
Total noncurrent assets	7,389,518	7,160,994
Total assets	8,841,750	8,529,673
Deferred Outflows of Resources		
Losses on refundings of debt	20,468	18,377
Pension related	50,426	42,268
Total deferred outflow of resources	70,894	60,645

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Enterprise Fund

Statements of Net Position, continued

June 30, 2016 and 2015

(dollar amounts in thousands)

	2016	2015
Liabilities		
Current liabilities		
Accounts payable and other liabilities	$ 222,409	$ 184,013
Unearned revenue	71,021	76,958
Current portion of long-term debt	27,225	27,540
Self-insurance liabilities	18,479	17,300
Total current liabilities	339,134	305,811
Noncurrent liabilities		
Accounts payable and other liabilities	44,418	49,085
Unearned revenue	234,412	211,183
Long-term debt, net of current portion	1,334,403	1,384,546
Self-insurance liabilities, net of current portion	34,829	36,153
Other postemployement benefits	63,047	61,411
Net pension liability	467,222	397,465
Total noncurrent liabilities	2,178,331	2,139,843
Total liabilities	2,517,465	2,445,654
Deferred Inflows of Resources		
Related to pensions	46,224	127,472
Net position		
Net investment in capital assets	6,055,965	5,816,753
Restricted for debt service and other liabilities	214,849	193,944
Unrestricted	78,141	6,495
Total net position	$ 6,348,955	$ 6,017,192

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

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Operating revenues		
Fares	$ 489,583	$ 463,634
Other	56,217	50,907
Total operating revenues	545,800	514,541
Operating expenses		
Transportation	188,236	183,296
Maintenance	285,996	251,817
Police services	63,921	55,722
Construction and engineering	23,917	20,309
General and administrative	150,986	149,287
Depreciation	196,452	170,025
Total operating expenses	909,508	830,456
Less - capitalized costs	(74,762)	(63,315)
Net operating expenses	834,746	767,141
Operating loss	(288,946)	(252,600)
Nonoperating revenues (expenses)		
Transactions and use tax - sales tax	241,547	233,148
Property tax	55,849	62,394
Operating financial assistance	72,794	107,308
Contribution for BART car replacement funding exchange program	(50,176)	(74,168)
Investment income	2,752	2,507
Interest expense	(36,217)	(39,088)
Donated assets received	-	5,121
Gain from exchange of property	7,284	6,012
Other expense, net	(1,247)	(20)
Total nonoperating revenues, net	292,586	303,214
Change in net position before capital contributions and special item	3,640	50,614
Capital contributions	328,123	256,231
Change in net position	331,763	306,845
Net position, beginning of year	6,017,192	5,710,347
Net position, end of year	$ 6,348,955	$ 6,017,192

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Cash flows from operating activities		
Receipts from customers	$ 490,123	$ 465,484
Payments to suppliers	(191,834)	(171,644)
Payments to employees	(467,754)	(409,281)
Other operating cash receipts	56,689	50,072
Net cash used in operating activities	(112,776)	(65,369)
Cash flows from noncapital financing activities		
Transactions and use tax (sales tax) received	192,919	177,163
Property tax received	37,490	34,336
Financial assistance received	75,126	108,812
Net cash provided by noncapital financing activities	305,535	320,311
Cash flows from capital and related financing activities		
Transactions and use tax (sales tax) received	48,628	55,985
Property tax received	18,152	29,355
Capital grants received	399,253	314,490
Expenditures for facilities, property and equipment	(411,182)	(375,631)
Principal paid on long-term debt	(559,925)	(37,575)
Payments of long-term debt issuance and service costs	(1,201)	(59)
Proceeds from issuance of General Obligation Bonds	319,105	-
Proceeds from issuance of Sales Tax Revenue Bonds	217,990	-
Deferred interest paid for defeased bonds	(21,641)	-
Interest paid on long-term debt	(47,298)	(36,517)
Contribution for BART car replacement funding exchange program	(50,176)	(74,168)
Deposit refunded	(248)	(54)
Net cash provided by (used in) capital and related financing activities	(88,543)	(124,174)
Cash flows from investing activities		
Proceeds from sale and maturity of investments	129,003	207,637
Purchase of investments	(90,918)	(542,457)
Investment income (loss)	2,095	(690)
Net cash used in investing activities	40,180	(335,510)
Net change in cash and cash equivalents	144,396	(204,742)
Cash and cash equivalents, beginning of year	554,977	759,719
Cash and cash equivalents, end of year	$ 699,373	$ 554,977
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Current, unrestricted assets - cash and cash equivalents	$ 265,069	$ 222,851
Current, restricted assets - cash and cash equivalents	434,304	332,126
Total cash and cash equivalents	$ 699,373	$ 554,977

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Cash Flows, continued
For the Years Ended June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (288,946)	$ (252,600)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	196,452	170,025
Amortization of deferred settlement costs	50	30
Net effect of changes in		
Receivables and other assets	(15,753)	(6,606)
Materials and supplies	(4,292)	(3,453)
Accounts payable and other liabilities	637	22,474
Self-insurance liabilities	(145)	1,293
Unearned revenue	(779)	3,468
Net cash used in operating activities	$ (112,776)	$ (65,369)
Noncash transactions		
Capital assets acquired with a liability at year-end	$ 89,715	$ 63,552
Increase in fair value of investments	349	1,462
Amortization of long-term debt premium, discount and issue costs	(9,234)	(4,270)
Bond premium reclassed to losses on refunding of debt	(18,394)	-
Amortization of loss on early debt retirement	1,153	1,056
Amortization of ground lease	534	534
Capital assets transferred to Port of Oakland	-	(43,900)
Property exchanged with the City of Richmond	-	36,260
Property exchanged with MacArthur Transit Community Partners, LLC	-	27,596
Other property exchanged, net	7,191	-
Donated land from the City of Oakland	-	5,121

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Retiree Health Benefit Trust
Statements of Trust Net Position
June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Assets		
Cash and cash equivalents	$ 1,162	$ 43
Receivables and other assets	404	1,350
Investments		
Domestic common stocks	101,231	90,569
U.S. Treasury obligations	53,413	35,808
Money market mutual funds	29,893	20,728
Mutual funds - equity	45,701	46,704
Corporate obligations	12,271	20,968
Foreign stocks	3,024	3,628
Foreign obligations	1,938	3,609
Total investments	247,471	222,014
Total assets	249,037	223,407
Liabilities		
Accounts payable	149	1,640
Pending trades payable	11,485	-
Total liabilities	11,634	1,640
Net position restricted for retiree health benefits	$ 237,403	$ 221,767

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Retiree Health Benefit Trust
Statements of Changes in Trust Net Position
For the Years Ended June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Additions		
Employer contributions		
Cash contributions	$ 27,145	$ 23,704
Investment income		
Interest income	4,636	3,924
Net appreciation in fair value of investments	1,993	9,043
Investment expense	(513)	(432)
Net investment income	6,116	12,535
Total additions	33,261	36,239
Deductions		
Benefit payments	17,422	16,469
Legal fees	12	(2)
Audit fees	15	15
Insurance expense	26	24
Administrative fees	150	147
Total deductions	17,625	16,653
Increase in trust net position	15,636	19,586
Net position restricted for retiree health benefits		
Beginning of year	221,767	202,181
End of year	$ 237,403	$ 221,767

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

1. Reporting Entity and Summary of Significant Accounting Policies

Description of Reporting Entity

The San Francisco Bay Area Rapid Transit District (the District) is a public agency created by the legislature of the State of California in 1957 and regulated by the San Francisco Bay Area Rapid Transit District Act, as amended, and subject to transit district law as codified in the California Public Utilities Code. The disbursement of funds received by the District is controlled by statutes and by provisions of various grant contracts entered into with federal, state and local agencies.

Basis of Accounting and Presentation

The basic financial statements provide information about the District's Enterprise Fund and the Retiree Health Benefit Trust Fund (the Trust). Separate statements for each fund category – proprietary and fiduciary – are presented. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenues from property taxes are recognized in the fiscal year for which the taxes are levied; revenue from sales taxes are recognized in the fiscal year when the underlying exchange takes place; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

The Enterprise Fund, a proprietary fund, distinguishes operating revenues and expenses from nonoperating items. The District's operating revenues are generated directly from its transit operations and consist principally of passenger fares. Operating expenses for the transit operations include all costs related to providing transit services. These costs include labor, fringe benefits, materials, supplies, services, utilities, leases and rentals, and depreciation on capital assets. All other revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The Trust, a fiduciary fund, is used to account for assets held by the District as a trustee to pay retiree health care premiums. The assets of the Trust cannot be used to support the District's programs.

Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

The District records investment transactions on the trade date. Investments in nonparticipating interest-earning investment contracts (e.g. nonnegotiable certificates of deposits and guaranteed investment contracts) are reported at cost and all other investments are at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. As a matter of policy, the District usually holds investments until their maturity.

Restricted Assets

Certain assets are classified as restricted assets on the statement of net position because their use is subject to externally imposed stipulations, either by certain bond covenants, laws or regulations or provisions of debt agreements.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Grants/Contributions

The District receives grants from the Federal Transit Administration (FTA) and other agencies of the U.S. Department of Transportation, the State of California, and local transportation funds for the acquisition of transit-related equipment, improvements and preventative maintenance. Capital grants receivables represent amounts expected from governmental agencies to reimburse the District for costs incurred for capital projects (Notes 8 and 9) and are reported as Government receivables on the Statement of Net Position.

Materials and Supplies

Materials and supplies consist primarily of replacement parts for the system and rail vehicles, which are stated at cost using the average-cost method. Materials and supplies are expensed as consumed.

Bond Discounts, Premiums and Losses on Refunding

The bond discounts, premiums and losses on refunding, are deferred and amortized over the term of the bonds as a component of interest expense. The unamortized portion of these items, except the losses on refunding, which are reported as deferred outflows of resources, are presented as a reduction of the face amount of bonds payable.

Capital Assets

Capital assets are stated at cost or at fair value of donated assets, and depreciated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 80 years. The District's policy is to capitalize acquisitions of capital assets with a cost of $5,000 or more and a useful life of more than one year, and all costs related to capital projects, regardless of amounts. Upon disposition, costs and accumulated depreciation/amortization are removed from the accounts and resulting gains or losses are included in operations.

The District capitalizes as intangible capital assets, internally generated intangibles such as computer software. Easements and rights-of-way are capitalized and recorded as part of land and are not amortized as they have indefinite useful lives while computer software is amortized over a period of 20 years.

Major improvements and betterments to existing facilities and equipment are capitalized. Costs for maintenance and repairs that do not extend the useful life of the applicable assets are charged to expense as incurred. The District capitalizes certain interest income and expense related to tax-free borrowings until the assets are ready for their intended use. The amount capitalized is the difference between the interest revenue and interest expense associated with the applicable tax-free borrowings. Amounts capitalized were net interest expense of $13,029,000 in fiscal year 2016 and $20,058,000 in fiscal year 2015.

Unearned Revenue

Unearned revenue consists of (1) prepayments of revenues related to license fees paid by telecommunication companies for the use of the District's right of way for wireless accessibility to their customers; (2) estimated passenger tickets sold but unused; (3) advances received from grant agreements; (4) prepayments of ground lease revenues (Note 15); and (5) value of property received in exchange for the District's property not yet transferred at the end of the fiscal year.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Compensated Absences

Compensated absences are reported and accrued as a liability in the period incurred. Compensated absences have a total balance of $61,169,000 as of June 30, 2016 and $62,063,000 as of June 30, 2015 and are shown in the statements of net position in accounts payable and other liabilities (see Note 5) as follows (dollar amounts in thousands):

	2016	2015
Current liabilities	$ 18,899	$ 18,093
Noncurrent liabilities	42,270	43,970
Total	$ 61,169	$ 62,063

Pollution Remediation

The recognition of pollution remediation obligations (including contamination) address the current or potential detrimental effects of existing pollution by estimating costs associated with participating in pollution remediation activities, such as site assessments and cleanups. There are no known material remediation obligations that the District is currently or potentially involved in.

Net Position

Net investment in capital assets include capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation and include amounts restricted for debt service and other liabilities. All other net position is unrestricted. Generally, the District's policy is to spend restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Transactions and Use Tax (Sales Tax) Revenues

The State of California legislation authorizes the District to impose a 0.5% transaction and use tax within District boundaries, which is collected and administered by the State Board of Equalization. Of the amounts available for distribution, 75% is paid directly to the District for the purpose of paying operating expenses, except for the portion that is paid directly to trustees to cover principal and interest payments of maturing sales tax revenue bonds. The remaining 25% is allocated by the Metropolitan Transportation Commission (MTC) to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services. The District records the total transactions and use taxes earned (including amounts paid to the trustees) as nonoperating revenue.

Property Taxes, Collection and Maximum Rates

The State of California Constitution Article XIII.A provides that the general purpose maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII.A and may be adjusted by no more than 2% per year, unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts, such as the District.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

The District receives an allocation of property tax revenues for transit operations. Additionally, beginning in fiscal year 2006, the District received property tax allocations for the debt service payments on the 2005, 2007, 2013 and 2015 General Obligation Bonds. As required by the law of the State of California, the District utilizes the services of each of the three BART Counties of Alameda, Contra Costa and San Francisco for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax rolls as county, school district and other special district taxes. Property taxes are recorded as revenue in the fiscal year of levy. Assessed values are determined annually by the Assessor's Offices of City and County of San Francisco, County of Alameda and County of Contra Costa on January l, and become a lien on the real properties at January 1. The levy date for secured and unsecured properties is July 1 of each year. Secured taxes are due November l and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent after August 31.

Operating Financial Assistance

Financial assistance grants for operations from federal, state and local agencies are reported as nonoperating revenue in the period in which all eligibility requirements have been satisfied (Notes 8 and 9).

Collective Bargaining

Approximately 86% of the District's employees are subject to collective bargaining. The current bargaining units consist of the following:

- American Federation of State, County and Municipal Employees (AFSCME), Local 3993
- Amalgamated Transit Union (ATU), Local 1555
- Service Employees International Union (SEIU), Local 1021
- BART Police Officers Association (BPOA)
- BART Police Managers Association (BPMA)

Capitalized Costs

The District initially charges employee salaries, wages and benefits to operating expenses by functional expense category. Labor costs included in those amounts that are associated with capital projects are subsequently adjusted to be included in the cost of the related capital asset. This adjustment is reflected in the statement of revenues, expenses and changes in net position as a reduction of operating expenses. The amounts of $74,762,000 and $63,315,000 were capitalized during the years ended June 30, 2016 and 2015, respectively.

Pensions

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

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Reclassification and Presentation

Certain reclassifications of prior year's balances have been made to conform with the current year presentation. The reclassifications have no effect on the financial position, results of operations, or cash flows.

New Accounting Pronouncements Adopted

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application,* which is intended to improve accounting and financial reporting for state and local governments' investments by enhancing the comparability of financial statements among governments by requiring measurements of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The statement also requires that donated capital assets, works of art and similar assets and capital assets received in service concession agreements be reported at acquisition value rather than fair value. Please refer to Note 2 for more information.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statements 68 and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73), which establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), as well as for the assets accumulated for the purposes of providing those pensions. GASB 73 amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB 68 for pension plans and pensions that are within their respective scopes. GASB 73 addresses the recognition of the total pension liability of such plans and the disclosures necessary for the plans that did not meet the definition of GASB 68. This statement did not have a significant impact to the District's financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments* (GASB 76), which clarifies the hierarchy of GAAP and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the scope of authoritative GAAP. This statement did not have a significant impact to the District's financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79). This statement establishes criteria for an external investment pool to qualify for making the election to measure all investments at amortized cost for financial reporting purposes. Pool participants should also measure their investments at amortized cost if the external pool meets these criteria. This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost and for governments that participate in those pools. The requirements of this statement are effective for the District's fiscal year ended June 30, 2016, except for provisions on portfolio quality, custodial credit risk and shadow pricing. Those provisions are effective for the District's fiscal year ended June 30, 2017. This statement did not have a significant impact to the District's financial statements.

Recent Accounting Pronouncements That Have Not Been Adopted

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74), which establishes new accounting and financial reporting requirements for Other Post-Employment Benefits (OPEB) plans, as well as for certain nonemployer governments that have a legal obligation to provide financial support to OPEB provided to the employees of other entities. GASB 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. GASB 74 is effective for the District's fiscal year ending June 30, 2017.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB plans improving the accounting and financial reporting by state and local governments for OPEB and provides information provided by state and local government employers about financial support for OPEB that is provided by other entities. The statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 75 is effective for the District's fiscal year ending June 30, 2018.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77), which requires governments that enter into tax abatement agreements to disclose additional information about the agreements including a brief descriptive information, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. GASB 77 is effective for the District's fiscal year ending June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78). The objective of this statement is to address a practice issue regarding the scope and applicability of GASB 78 associated with pensions provided through certain cost-sharing multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Such plans are not considered a state or local government pension plan and are used to provide benefits to both employees of state and local governments and employees of employers that are not state or local governments. GASB 78 is effective for the District's fiscal year ended June 30, 2017.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* (GASB 80), to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments, which was established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*. GASB 80 is effective for the District's fiscal year ending June 30, 2017.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81), to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize revenues, assets, liabilities, and deferred inflows of resources. GASB 81 is effective for the District's fiscal year ending June 30, 2018.

In March 2016, GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82), to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in Actuarial Standards of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB 82 is effective for the District's fiscal year ending June 30, 2017.

2. Cash, Cash Equivalents and Investments

A. Cash, Cash Equivalents and Investments of the Enterprise Fund

Cash, cash equivalents and investments are reported in the Enterprise Fund as follows (dollar amounts in thousands):

	2016			2015		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Current assets						
Cash and cash equivalents	$ 265,069	$ 434,304	$ 699,373	$ 222,851	$ 332,126	$ 554,977
Investments	387,204	159,675	546,879	288,059	276,520	564,579
Noncurrent assets						
Investments	-	-	-	-	20,035	20,035
Total	$ 652,273	$ 593,979	$ 1,246,252	$ 510,910	$ 628,681	$ 1,139,591

2. Cash, Cash Equivalents and Investments (Continued)

Investment Policy

The California Public Utilities Code, Section 29100, and the California Government Code (CGC), Section 53601, provide the basis for the District's investment policy. To meet the objectives of the investment policy – (1) preservation of capital, (2) liquidity, and (3) yield – the investment policy, approved by the Board of Directors, specifically identifies the types of permitted investments, as well as any maturity limits and other restrictions. The following table presents the authorized investment, requirements, and restrictions per the CGC and the District's investment policy:

	Maximum Maturity (1)		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating (2)	
Investment Type	CGC	District	CGC	District	CGC	District	CGC	District
U.S. Treasury Obligations (bills, bonds, or notes)	5 years	5 years	None	None	None	None	None	None
U.S. Agencies	5 years	5 years	None	None	None	None	None	None
Bankers' Acceptances	180 days	180 days	40%	40%	30%	30%	None	None
Commercial Paper (3)	270 days	270 days	25%	25%	10%	10%	P1	P1
Negotiable Certificates	5 years	5 years	30%	30%	None	None	None	None
Repurchase Agreements	1 year	1 year	None	None	None	None	None	None
Reverse Repurchase Agreements	92 days	90 days	20%	20%	None	None	None	None
Local Agency Investment Fund	N/A	N/A	None	(4)	None	None	None	None
Non-Negotiable Time Deposits	5 years	5 years	30%	30%	None	None	None	None
Medium Term Notes/Bonds (3)	5 years	5 years	30%	30%	None	None	A	A
Municipal Securities of California Local Agencies	5 years	5 years	None	None	None	None	None	None
Mutual Funds	N/A	N/A	20%	(4)	10%	10%	AAA	AAA
Notes, Bonds, or Other Obligations	5 years	5 years	None	None	None	None	None	None
Mortgage Pass-Through Securities	5 years	5 years	20%	20%	None	None	AAA	AAA
Financial Futures (3)	N/A	N/A	None	None	None	None	None	None

Footnotes
(1) In the absence of a specified maximum, the maximum is 5 years.
(2) Minium credit rating categories include modifications (+/-).
(3) District will not invest in these investment types unless specifically authorized by the Board.
(4) District may invest in an amount not to exceed $25,000,000.

2. Cash, Cash Equivalents and Investments (Continued)

Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds and funds set aside for debt service. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Securities of the U.S. Government and its agencies	None	None	None	None
Housing Authority Bonds or project notes issued by public agencies or municipalities fully secured by the U.S.	None	None	None	None
Obligations of any state, territory, or commonwealth of the U.S. or any agency or political subdivisions thereof	None	Aa1/AA+	None	None
Collateralized time deposits	None	A-1	None	None
Commercial paper	None	Aaa/AAA	None	None
Repurchase agreements	None	None	None	None
Money market mutual funds	None	None	None	None
Investment agreements	None	Aa1/AA+	None	None
Other investments approved by the Board that will not adversely affect ratings on bonds	None	None	None	None
Corporate bonds, notes, and debentures	None	Aa1/AA+	None	None
Local Agency Investment Fund	None	None	None	None

2. Cash, Cash Equivalents and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. One of the District's primary objectives is to provide sufficient liquidity to meet its cash outflow needs, however, the District does not have any policies specifically addressing interest rate risk, except as outlined in the CGC. A summary of investments by type of investments and by segmented time distribution as of June 30, 2016 and 2015 is as follows (dollar amounts in thousands):

		Investment Maturities (in Years)		
	2016	Less Than 1	1 - 5	6 - 10
Money market mutual funds*	$ 80,676	$ 80,676	$ -	$ -
U.S. government agencies	508,905	508,905	-	-
Commercial paper	208,917	208,917	-	-
California municipal bonds	26,974	26,974	-	-
Foreign government bonds	25,037	25,037	-	-
Certificate of deposit	962	962	-	-
Total investments	851,471	$ 851,471	$ -	$ -
Deposits with banks	391,858			
Imprest funds	2,923			
Total cash and investments	$ 1,246,252			

		Investment Maturities (in Years)		
	2015	Less Than 1	1 - 5	6 - 10
Money market mutual funds*	$ 58,710	$ 58,710	$ -	$ -
U.S. government agencies	581,933	561,898	20,035	-
Commercial paper	139,437	139,437	-	-
Repurchase agreements	36,822	36,822	-	-
Certificate of deposit	859	859	-	-
Total investments	817,761	$ 797,726	$ 20,035	$ -
Deposits with banks	316,796			
Imprest funds	5,034			
Total cash and investments	$ 1,139,591			

* weighted-average maturity

2. Cash, Cash Equivalents and Investments (Continued)

Credit Risk

The District's credit rating risk is governed by Section 53601 of the CGC which, among others, limits investments in money market mutual funds to those funds with the highest evaluations granted by the rating agencies, which is AAAm. The District has investments in U.S. Treasury and government agencies, bank repurchase agreements (underlying of U.S. Treasury securities and others), and in money market mutual funds. There are no investment limits on the securities of U.S. Treasury or certain U.S. government agencies that are backed by the full faith and credit of the United States government. The following is a summary of the credit quality distribution for securities with credit exposure as rated by Standard & Poor's, Fitch Ratings and/or Moody's as of June 30, 2016 and 2015 (dollar amounts in thousands):

		Credit Ratings			
	2016	AAA	AA	A	Not Rated
Money market mutual funds	$ 80,676	$ 28,463	$ -	$ 52,213	$ -
U.S. government agencies	508,905	508,905	-	-	-
Commercial paper	208,917	-	-	208,917	-
California municipal bonds	26,974	-	26,974	-	-
Foreign government bonds	25,037	25,037	-	-	-
Certificate of deposit	962	-	-	-	962
Total investments	851,471	$ 562,405	$ 26,974	$ 261,130	$ 962
Deposits with banks	391,858				
Imprest funds	2,923				
Total cash and investments	$ 1,246,252				

		Credit Ratings			
	2015	AAA	AA	A	Not Rated
Money market mutual funds	$ 58,710	$ 47,602	$ -	$ 11,108	$ -
U.S. government agencies	581,933	232,309	106,898	242,726	-
Commercial paper	139,437	-	-	139,437	-
Repurchase agreements	36,822	-	-	36,822	-
Certificate of deposit	859	-	-	-	859
Total investments	817,761	$ 279,911	$ 106,898	$ 430,093	$ 859
Deposits with banks	316,796				
Imprest funds	5,034				
Total cash and investments	$ 1,139,591				

2. Cash, Cash Equivalents and Investments (Continued)

Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the District does not value any of its investments using Level 3 inputs).

All of the District's investments fall under the Marketable/Actively traded assets category. The custodian banks rely on the pricing by nationally known vendors. In the event that a particular category is not priced by the primary pricing vendor, the custodian banks engage a secondary vendor or other sources.

The following is a summary of the fair value of investments of the District as of June 30, 2016 and June 30, 2015 (dollar amounts in thousands):

		Fair Value Hierarchy				
Investments at Fair Value Level	**6/30/2016**	**(Level 1)**	**(Level 2)**	**6/30/2015**	**(Level 1)**	**(Level 2)**
Money market mutual funds	$ 80,676	$ -	$ 80,676	$ 58,710	$ -	$ 58,710
U.S. government agencies	508,905	173,968	334,937	581,933	-	581,933
Commercial paper	208,917	-	208,917	139,437	-	139,437
California municipal bonds	26,974	-	26,974	-	-	-
Foreign government bonds	25,037	-	25,037	-	-	-
Repurchase agreements	-	-	-	36,822	-	36,822
Total Investments at Fair Value	850,509	$173,968	$676,541	816,902	$ -	$816,902
Excluded from FMV hierarchy reporting						
Certificate of deposit	962			859		
Total investments	$851,471			$817,761		

Investments valued at $173,968,000 in fiscal year 2016 and $0 in fiscal year 2015 are classified in Level 1 of the fair value hierarchy. This asset category mainly consists of U.S Treasury Notes which are valued using Institutional Bond quotes, i.e., quoted market prices in active markets.

Total investments valued at $676,541,000 in fiscal year 2016 and $816,902,000 in fiscal year 2015 are classified in Level 2 of the fair value hierarchy. Fair value was determined using Matrix Pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

2. Cash, Cash Equivalents and Investments (Continued)

Concentration of Credit Risk

The District does not have a policy to limit investments in any one issuer to no more than 5% of the total portfolio. However, the CGC Section 53601.7 requires that investments in one issuer do not exceed 5% of the entity's total portfolio at the time of purchase, except obligations of the United States government, United States government agencies, and United States government-sponsored enterprises, and no more than 10% of the entity's total portfolio may be invested in any one mutual fund at the time of purchase. At June 30, 2016 and 2015, the District did not have investments that exceed 5% of the District's total investment portfolio.

Custodial Credit Risk - Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The CGC Section 53652 requires California banks and savings and loan associations to secure governmental deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure governmental deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. Such collateral is considered to be held in the District's name.

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the District may not be able to recover the value of its investments. The exposure to the District is limited as the District's investments are held in the District's name by a third-party safe-keeping custodian that is separate from the counterparty or in the custody of a trust department, as required by bond covenants.

B. Investments of the Retiree Health Benefit Trust

Investment Policy

The investment objective of the Trust is to achieve consistent long-term growth for the Trust and to maximize income consistent with the preservation of capital for the sole and exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Trust. The District's Board of Directors establishes the general investment policy and guidelines for the Trust. Allowable investments under the Trust investment guidelines include:

- Cash equivalents such as U.S. Treasury bills, money market trusts, short-term interest fund (STIF) trusts, commercial paper rated A1/P1, banker's acceptances, certificates of deposits and repurchase agreements;

- Fixed income securities, which include U.S. agency and corporation bonds (including Yankees) and preferred stock and Rule 144A issues, and mortgage or asset-backed securities; and

- Equity securities, including U.S. traded common, preferred stocks and convertible stocks and bonds, including American Depository Receipts.

2. Cash, Cash Equivalents and Investments (Continued)

Interest rate risk

The Trust's investment policies mitigate exposure to changes in interest rates by requiring that the assets of the Trust be invested in accordance with the following asset allocation guidelines:

Asset Class	Minimum	Maximum	Preferred
Equity securities	45%	70%	60%
Fixed income securities	25%	45%	35%
Cash equivalents	3%	10%	5%

Fixed income securities have the following maturity restrictions: (1) maximum maturity for any single security is 40 years, and (2) the weighted average portfolio maturity may not exceed 25 years.

A summary of investments by type of investments and by segmented time distribution as of June 30, 2016 and 2015 is as follows (dollar amounts in thousands):

		Investment Maturities (in Years)			
	2016	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	$ 53,413	$ 10,926	$ 20,713	$ 16,895	$ 4,879
Money market mutual funds*	29,893	29,893	-	-	-
Corporate obligations	12,271	817	6,707	1,836	2,911
Miscellaneous obligation	-				
Foreign obligations	1,938	-	971	622	345
Investments subject to interest rate risk	97,515	$ 41,636	$ 28,391	$ 19,353	$ 8,135
Domestic common stocks	101,231				
Mutual funds - equity	45,701				
Foreign stocks	3,024				
Total investments	$247,471				

* weighted-average maturity

2. Cash, Cash Equivalents and Investments (Continued)

		Investment Maturities (in Years)			
	2015	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	$ 35,808	$ 3,174	$ 15,485	$ 9,906	$ 7,243
Money market mutual funds*	20,728	20,728	-	-	-
Corporate obligations	20,968	6,798	8,984	2,203	2,983
Miscellaneous obligation					
Foreign obligations	3,609	-	2,543	712	354
Investments subject to interest rate risk	81,113	$ 30,700	$ 27,012	$ 12,821	$ 10,580
Domestic common stocks	90,569				
Mutual funds - equity	46,704				
Foreign stocks	3,628				
Total investments	$222,014				

* weighted-average maturity

Credit Risk

The Trust's credit risk policy is defined in its Statement of Investment Policy approved by the District's Board of Directors. The policy states that the Board recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Trust's objectives and that the Trust's investment managers are expected to make reasonable efforts to control risk. The investment policy requires that all of the Trust's assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Trust, with minimal impact on market prices. The investment policy also demands that no single investment shall exceed five percent of the total Trust assets, at market value, except obligations of the U.S. government, short-term money market funds, index funds and other diversified commingled accounts; and for actively managed equity accounts, where, for issues that comprise more than 4% of the account's stated benchmark, the limit shall be 125% of the weight of the common stock benchmark.

2. Cash, Cash Equivalents and Investments (Continued)

The following is a summary of the credit quality distribution for securities with credit exposure as rated by Standard & Poor's and/or Moody's as of June 30, 2016 and 2015 (dollar amounts in thousands):

		Credit Ratings			
	2016	AAA	AA	A	BBB
U.S. Treasury obligations	$ 53,413	$ -	$ 53,413	$ -	$ -
Money market mutual funds	29,893	29,893	-	-	-
Corporate obligations	12,271	88	356	5,288	6,539
Foreign obligations	1,938	-	-	1,255	683
Investments subject to credit risk	97,515	$ 29,981	$ 53,769	$ 6,543	$ 7,222
Domestic common stocks	101,231				
Mutual funds - equity	45,701				
Foreign stocks	3,024				
Total investments	$ 247,471				

		Credit Ratings			
	2015	AAA	AA	A	BBB
U.S. Treasury obligations	$ 35,808	$ -	$ 35,808	$ -	$ -
Money market mutual funds	20,728	20,728	-	-	-
Corporate obligations	20,968	2,510	2,326	11,230	4,902
Foreign obligations	3,609	-	406	1,872	1,331
Investments subject to credit risk	81,113	$ 23,238	$ 38,540	$ 13,102	$ 6,233
Domestic common stocks	90,569				
Mutual funds - equity	46,704				
Foreign stocks	3,628				
Totoal investments	$ 222,014				

Fair Value Hierarchy

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the Trust does not value any of its investments using Level 3 inputs).

All of the Trust investments fall under the Marketable/Actively traded assets category. The custodian bank relies on the pricing by nationally known vendors. In the event that a particular category is not priced by the primary pricing vendor, the custodian bank engages a secondary vendor or other sources.

2. Cash, Cash Equivalents and Investments (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the Trust as of June 30, 2016 and June 30, 2015 (dollar amount in thousands):

Investments by Fair Value Level	Fair Value Hierarchy 6/30/2016	(Level 1)	(Level 2)	6/30/2015	(Level 1)	(Level 2)
Domestic common stocks	$ 101,231	$ 101,231	$ -	$ 90,569	$ 90,569	$ -
Foreign stocks	3,024	3,024	-	3,628	3,628	-
Money market mutual funds	29,893	-	29,893	20,728	-	20,728
U.S. Treasury obligations	53,413	43,868	9,545	35,808	28,111	7,697
Corporate obligations	12,271	-	12,271	20,968	-	20,968
Foreign obligations	1,938	-	1,938	3,609	-	3,609
Total Investments by fair value level	201,770	$ 148,123	$ 53,647	175,310	$ 122,308	$ 53,002
Investment measured at Net Asset Value						
Mutual funds - equity	45,701			46,704		
Total Investments measured at fair value	$ 247,471			$ 222,014		

Investments classified in Level 1 of the fair value hierarchy valued at $148,123,000 and $122,308,000 in fiscal year 2016 and 2015, respectively, are valued using quoted prices in active markets

Investments amounting to $53,647,000 in fiscal year 2016 and $53,002,000 in fiscal year 2015 are classified under Level 2 of the fair market value hierarchy and are valued using Matrix pricing, which is used to value securities based on the securities' relationship to benchmark quoted prices.

Mutual fund-equity totaling $45,701,000 and $46,704,000 in 2016 and 2015, respectively, are valued using the Net Asset Value (NAV) methodology. Per GASB72, the government entity should be permitted to calculate the fair value of certain investments that do not have a readily determinable fair value using a practical expedient method based on the investment's NAV per share. A mutual fund may include several different underlying investments. The NAV is derived from the value of these investments, accrued income, anticipated cash flows (maturities), management fees and other fund expenses. Certain investments within the fund may be deemed unobservable and not readily determined in an active market.

Concentration of Credit Risk

The Trust's investment policies mitigate exposure to concentration of credit risk by diversifying the portfolio and limiting investments in any one issuer to no more than 5% of the total portfolio.

Custodial Credit Risk – Investments

For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the Trust may not be able to recover the value of its investments. The exposure to the Trust is limited as the Trust's investments are in the custody of a third-party custodian that is separate from the counterparty.

3. Receivables and Other Assets

The District reports the following aggregated accounts as receivables and other assets in the statements of net position as of June 30, 2016 and 2015 (dollar amounts in thousands):

	2016	2015
Interest receivable - other investments	$ 2,046	$ 1,737
Deferred charges	227	267
Deposit for power supply	11,287	11,039
Off-site ticket vendor receivable	2,393	2,475
Capitol Corridor Joint Powers Authority receivable (Note 14)	1,044	1,034
Property tax receivable	2,259	2,053
Prepaid expenses	15,240	8,347
Imprest deposits for self-insurance liabilities	2,029	1,338
Other	7,019	8,797
Allowance for doubtful accounts	(1,235)	(700)
Total receivables and other assets	$ 42,309	$ 36,387
Current, unrestricted portion	$ 29,754	$ 22,830
Current, restricted portion	1,070	2,291
Noncurrent, unrestricted portion	198	226
Noncurrent, restricted portion	11,287	11,040
Total receivables and other assets, as presented in the basic financial statements	$ 42,309	$ 36,387

4. Capital Assets

Changes to capital assets during the year ended June 30, 2016 were as follows (dollar amounts in thousands):

	Lives (Years)	2015	Additions and Transfers	Retirements and Transfers	2016
Capital assets, not being depreciated					
Land and easements	N/A	$ 576,443	$ 49,555	$ (1,908)	$ 624,090
Construction in progress	N/A	1,765,710	446,792	(499,800)	1,712,702
Total capital assets, not being depreciated		2,342,153	496,347	(501,708)	2,336,792
Capital assets, being depreciated					
Tangible Asset					
Stations, track, structures and improvements	5-80	5,143,450	326,388	-	5,469,838
Buildings	80	10,732	-	-	10,732
System-wide operation and control	20	628,877	6,429	(19)	635,287
Revenue transit vehicles	30	1,123,559	-	-	1,123,559
Service and miscellaneous equipment	3-20	319,845	42,990	(1,140)	361,695
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	311,819	63,502	(60)	375,261
Intangible Asset					
Information systems	20	43,552	10,936	-	54,488
Total capital assets, being depreciated		7,680,139	450,245	(1,219)	8,129,165
Less accumulated depreciation		(2,892,599)	(196,452)	1,127	(3,087,924)
Total capital assets, being depreciated, net		4,787,540	253,793	(92)	5,041,241
Total capital assets, net		$ 7,129,693	$ 750,140	$ (501,800)	$ 7,378,033

4. Capital Assets (Continued)

Changes to capital assets during the year ended June 30, 2015 were as follows (dollar amounts in thousands):

	Lives (Years)	2014	Additions and Transfers	Retirements and Transfers	2015
Capital assets, not being depreciated					
Land and easements	N/A	$ 559,222	$ 17,330	$ (109)	$ 576,443
Construction in progress	N/A	2,550,826	380,815	(1,165,931)	1,765,710
Total capital assets, not being depreciated		3,110,048	398,145	(1,166,040)	2,342,153
Capital assets, being depreciated					
Tangible Asset					
Stations, track, structures and improvements	80	4,206,549	936,901	-	5,143,450
Buildings	80	10,732	-	-	10,732
System-wide operation and control	20	608,124	20,753	-	628,877
Revenue transit vehicles	30	1,103,557	20,002	-	1,123,559
Service and miscellaneous equipment	3-20	291,974	28,961	(1,090)	319,845
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	146,565	165,254	-	311,819
Intangible Asset					
Information systems	20	41,746	1,806	-	43,552
Total capital assets, being depreciated		6,507,552	1,173,677	(1,090)	7,680,139
Less accumulated depreciation		(2,723,568)	(170,025)	994	(2,892,599)
Total capital assets, being depreciated, net		3,783,984	1,003,652	(96)	4,787,540
Total capital assets, net		$ 6,894,032	$ 1,401,797	$ (1,166,136)	$ 7,129,693

After the completion of the San Francisco International Airport Extension in 2004, which added 38 miles of track and 10 new stations to the system, the District embarked on three expansion projects, which include the East Contra Costa BART Extension (eBART) in Contra Costa County, the Oakland Airport Connector (OAC) in Alameda County and the Warm Springs Extension (WSX) also in Alameda County. Expected completion date for WSX is in early 2017 and eBART is expected to be completed in spring of 2018.

The Warm Springs Extension Project (WSX) is a 5.4-mile BART extension south from the Fremont BART Station into the Warm Springs District of Fremont. There were two major construction contracts for WSX, the Fremont Central Park Subway Construction Contract (Subway) and the Design-Build Line, Track, Station and Systems Contract (LTSS). The Subway contract, which constructed a cut and cover subway structure through Fremont Central Park and beneath a portion of Lake Elizabeth and the operating Union Pacific Rail Road (UPRR) freight track along the park’s east side, was completed in 2013. The LTSS contract includes the final design and construction of the Warm Springs / South Fremont Station, the remaining trackway including the tie-in at the Fremont Station, and the transit systems (traction power, electrification, train control, and communications) for the entire extension, and provisions for a future station in Irvington. The WSX is projected to commence revenue service in January 2017.

4. Capital Assets (Continued)

The construction of the District's OAC project was substantially completed in 2014 and revenue operations started on November 22, 2014. In fiscal year 2015, $410,067,000 and $18,804,000 for fiscal year 2016 in capitalized costs related to OAC were reclassified from construction in progress to land and easements and other depreciable assets. The development agreement between the District and the Port of Oakland (Port) for the 3.2 mile Automated Guideway Transit extension to the Oakland Airport calls for the transfer of Port-funded components to the Port, including On-Airport Components of the OAC which are wholly or partially paid for with Passenger Facility Charges (PFCs). The Port pays the District based on PFCs collected. As of June 30, 2016, the unpaid balance amounted to $2,793,000 and is shown as part of government receivables. In fiscal year 2015, the District recognized the transfer of $43,900,000 worth of capital assets to the Port.

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $2,700,000,000 at June 30, 2016 and $2,022,590,000 at June 30, 2015.

5. Accounts Payable and Other Liabilities

The District reports the following aggregated payables as accounts payable and other liabilities in the statements of net position as of June 30, 2016 and 2015 (dollar amounts in thousands):

	2016	2015
Payable to vendors and contractors	$ 146,266	$ 112,246
Employee salaries and benefits	33,701	30,096
Accrued compensated absences	61,169	62,063
Accrued interest payable	25,691	28,693
Liabilities at the end of year	266,827	233,098
Less: noncurrent portion	(44,418)	(49,085)
Net current portion	$ 222,409	$ 184,013

6. Long-Term Debt

Long-term debt activity for the year ended June 30, 2016 is summarized as follows (dollar amounts in thousands):

	2015	Additions	Payments/ Amortization	2016
2005 Sales Tax Revenue Refunding Bonds	$ 246,380	$ -	$ (246,380)	$ -
2006 Sales Tax Revenue Bonds	1,155	-	(1,155)	-
2006A Sales Tax Revenue Refunding Bonds	96,985	-	(1,145)	95,840
2010 Sales Tax Revenue Refunding Bonds	122,685	-	(1,620)	121,065
2012A Sales Tax Revenue Refunding Bonds	124,290	-	(2,985)	121,305
2012B Sales Tax Revenue Bonds	107,305	-	(2,535)	104,770
2015A Sales Tax Revenue Refunding Bonds	-	186,640	-	186,640
2005 General Obligation Bonds	35,730	-	(35,730)	-
2007 General Obligation Bonds	369,520	-	(268,375)	101,145
2013 General Obligation Bonds	225,545	-	-	225,545
2015 General Obligation Bonds	-	276,805	-	276,805
	1,329,595	463,445	(559,925)	1,233,115
Add (less):				
Original issue premiums and discounts, net	82,491	73,650	(27,628)	128,513
Long-term debt, net of accumulated accretion and debt-related items	1,412,086	$ 537,095	$ (587,553)	1,361,628
Less: current portion of long-term debt	(27,540)			(27,225)
Net long-term debt	$ 1,384,546			$ 1,334,403

6. Long-Term Debt (Continued)

Long-term debt activity for the year ended June 30, 2015 is summarized as follows (dollar amounts in thousands):

	2014	Additions	Payments/ Amortization	2015
2005 Sales Tax Revenue Refunding Bonds	$ 259,825	$ -	$ (13,445)	$ 246,380
2006 Sales Tax Revenue Bonds	1,300	-	(145)	1,155
2006A Sales Tax Revenue Refunding Bonds	99,055	-	(2,070)	96,985
2010 Sales Tax Revenue Refunding Bonds	124,265	-	(1,580)	122,685
2012A Sales Tax Revenue Refunding Bonds	127,145	-	(2,855)	124,290
2012B Sales Tax Revenue Bonds	107,305	-	-	107,305
2005 General Obligation Bonds	36,745	-	(1,015)	35,730
2007 General Obligation Bonds	371,530	-	(2,010)	369,520
2013 General Obligation Bonds	240,000	-	(14,455)	225,545
	1,367,170	-	(37,575)	1,329,595
Add (less):				
Original issue premiums and discounts, net	86,761	-	(4,270)	82,491
Long-term debt, net of accumulated accretion and debt-related items	1,453,931	$ -	$ (41,845)	1,412,086
Less: current portion of long-term debt	(37,575)			(27,540)
Net long-term debt	$ 1,416,356			$ 1,384,546

2005 Sales Tax Revenue Refunding Bonds (the 2005 Refunding Bonds)

In August 2005, the District issued the Sales Tax Revenue Bonds, Refunding Series 2005A totaling $352,095,000. The 2005 Refunding Bonds were used to advance refund $349,925,000 in aggregate principal amount of sales tax revenue bonds related to the Sales Tax Revenue Bonds, Series 1995, 1998, 1999, and 2001. The 2005 Refunding Bonds are special obligations of the District, payable from and collateralized by a pledge of sales tax revenues. In October 2015, the remaining outstanding balance of $231,250,000 were refunded from the proceeds of the 2015 Series A Sales Tax Revenue Refunding Bonds.

6. Long-Term Debt (Continued)

2006 Sales Tax Revenue Bonds (the 2006 Bonds)
In June 2006, the District issued Sales Tax Revenue Bonds with an aggregate principal amount of $64,915,000 to finance a portion of the cost of construction of a new transit station, the West Dublin/Pleasanton Station, including two parking facilities, pedestrian bridges, a bus intermodal facility and related improvements. The 2006 Bonds are special obligations of the District payable from and secured by a pledge of sales tax revenues. In October 2012, the 2006 Bonds with principal amounts totaling $63,615,000 were refunded from the proceeds of the 2012 Series A Refunding Bonds. In October 2015, the remaining outstanding balance of $720,000 were refunded from the proceeds of the 2015 Series A Sales Tax Revenue Refunding Bonds.

2006 Series A Sales Tax Revenue Refunding Bonds (the 2006A Refunding Bonds)
On November 30, 2006, the District issued the 2006 Series A Sales Tax Revenue Refunding Bonds, with a principal amount of $108,110,000 to advance refund a portion of the 2001 Bonds with an aggregate principal amount of $102,560,000. The 2006A Refunding Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. At June 30, 2016, the 2006A Refunding Bonds consist of serial bonds amounting to $41,270,000 due from 2017 to 2028 with interest rates ranging from 4.0% to 5.0%, and term bonds totaling $54,570,000 of various maturity dates from 2029 to 2037 with an interest rate of 4.25%. The term bonds are subject to redemption in part, by lot, from mandatory sinking account payments required by the indenture on certain dates, at the principal amount of the 2006A Refunding Bonds to be redeemed plus accrued interest, if any, to the redemption date.

2010 Sales Tax Revenue Refunding Bonds (the 2010 Refunding Bonds)
On May 5, 2010, the District issued the 2010 Sales Tax Revenue Refunding Bonds, with a principal amount of $129,595,000 to provide sufficient funds to refund a portion of the 1998 Bonds with an aggregate principal amount of $143,825,000, to fund a deposit to the 2010 Refunding Bonds Reserve Account in the bond reserve fund and to pay costs of issuance of the 2010 Refunding Bonds. The District funded from its own funds the Bond Reserve Fund in the amount of $14,202,000. The 2010 Refunding Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. At June 30, 2016, the 2010 Refunding Bonds consist of serial bonds amounting to $121,065,000 with interest rates ranging from 4.0% to 5.0%, with various maturity dates from 2017 to 2029.

2012 Series A Sales Tax Revenue Refunding Bonds (the 2012A Refunding Bonds)
On October 4, 2012, the District issued the 2012 Series A Sales Tax Revenue Refunding Bonds, with a principal amount of $130,475,000 and a premium of $23,439,000 to provide sufficient funds, along with $10,690,000 in other District funds, to refund $51,605,000 principal amount of the Association of Bay Area Governments BART SFO Extension Bond (Airport Premium Fare), 2002A Bonds, to refund the remaining balance of the 2001 Bonds with an aggregate principal amount of $41,745,000, to refund $63,615,000 principal amount of the 2006 Bonds, and to fund costs of issuance of the 2012A Refunding Bonds. The 2012A Refunding Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. At June 30, 2016, the 2012A Refunding Bonds consist of serial bonds amounting to $88,970,000 with interest rates ranging from 4.0% to 5.0% with various maturity dates from 2017 to 2033, and a term bond with interest rate of 5% in the amount of $32,335,000 due in 2037.

6. Long-Term Debt (Continued)

2012 Series B Sales Tax Revenue Bonds (the 2012B Bonds)
On October 4, 2012, the District issued the 2012 Series B Sales Tax Revenue Bonds, with a principal amount of $111,085,000 to provide financing for the Oakland International Airport Connector Project and to fund the costs of issuance. The 2012B Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. At June 30, 2016, the 201B Bonds consist of serial bonds amounting to $18,745,000 with interest rates ranging from 1.041% to 2.677% with various maturity dates from 2017 to 2023, a term bond in the amount of $15,670,000 with interest rate of 3.477% due in 2028, a term bond in the amount of $18,815,000 with interest rate of 4.087% due in 2033 and a term bond in the amount of $51,540,000 with interest rate of 4.287% due in 2043.

2015 Series A Sales Tax Revenue Refunding Bonds (the 2015A Refunding Bonds)
In October 2015, the District issued the 2015 Series A Sales Tax Revenue Refunding Bonds, with a principal amount of $186,640,000 and a premium of $31,350,000, along with other District funds, to provide sufficient funds to (1) refund $231,250,000 principal amount of the District's 2005 Refunding Bonds; (2) refund $720,000 principal amount of the District's 2006 Bonds; and (3) fund costs of issuance associated with the 2015A Refunding Bonds. The 2015A Refunding Bonds are special obligations of the District, payable from and secured by a pledge of Sales Tax Revenues derived from a transaction and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco. At June 30, 2016, the 2015A Refunding Bonds consist of serial bonds amounting to $186,640,000 with interest rates ranging from 2.0% to 5.0%, with various maturity dates from 2017 to 2035. The refunding resulted in economic gain of $41,601,000 and cash flow savings of $59,633,000.

2005 General Obligation Bonds (the 2005 GO Bonds)
In May 2005, the District issued the 2005 Series A General Obligation Bonds (Elections 2004), with an aggregate principal amount of $100,000,000. The 2005 GO Bonds constitute a portion of the total authorized amount of $980,000,000 of general obligation bonds of the District duly authorized by at least two-thirds of the qualified voters of the District voting on a ballot measure ("Measure AA") at an election held on November 2, 2004. The 2005 GO Bonds constitute the first issue of general obligation bonds being issued pursuant to the Measure AA authorization.

The 2005 GO Bonds were issued to finance earthquake safety improvements to BART facilities, including aerial trackway structures, underground trackway structures, including the Transbay Tube, and at-grade trackway structures, stations, and administrative, maintenance, and operations facilities and to finance additional retrofits to facilitate a rapid return to service after an earthquake or other disasters. The 2005 GO Bonds are general obligations of the District, payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2005 GO Bonds. In October 2015, the remaining outstanding balance of $34,680,000 were refunded from the proceeds of the 2015 GO Bonds.

6. Long-Term Debt (Continued)

2007 General Obligation Bonds (the 2007 GO Bonds)
On July 25, 2007, the District issued the 2007 Series B General Obligation Bonds (Election of 2004), with a principal amount of $400,000,000. The 2007 GO Bonds constitute the second issue of general obligation bonds being issued pursuant to the Measure AA authorization as discussed in the preceding paragraph regarding the 2005 GO Bonds. Similar to the 2005 GO Bonds, the 2007 GO Bonds were issued to finance earthquake safety improvements to BART facilities in the three BART Counties, including strengthening tunnels, bridges, overhead tracks and the underwater Transbay Tube. The 2007 GO Bonds are general obligations of the District payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2007 GO Bonds. In October 2015, a portion of the 2007 GO Bonds, in the amount of $265,735,000, were advance refunded from the proceeds of the 2015D GO Bonds. At June 30, 2016, the 2007 GO Bonds consist of $24,715,000 in serial bonds due from 2017 to 2022 with interest rates ranging from 4.00% to 5.00%, and two term bonds totaling $76,430,000 due in 2037 ($36,755,000) and 2038 ($39,675,000), with interest rate of 5.00%. The term bonds maturing in 2037 and 2038 are subject to mandatory sinking fund redemptions starting in 2037.

2013 General Obligation Bonds, Series C (the 2013 GO Bonds)
On November 21, 2013, the District issued the 2013 Series C General Obligation Bonds, with a principal amount of $240,000,000. The 2013 GO Bonds are general obligations of the District, payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2013 GO Bonds. The 2013 GO Bonds constitute the third issue of general obligation bonds issued pursuant to the Measure AA authorization to provide financing for earthquake safety improvements to District facilities in the Three District Counties, including strengthening tunnels, bridges, overhead tracks, the underwater Transbay Tube and the Berkeley Hills Tunnel.

At June 30, 2016, the 2013 GO Bonds consist of $205,420,000 in serial bonds due from 2018 to 2034 with interest ranging from 3.0% to 5.00%, and term bonds totaling $20,125,000 due in 2038. The serial bonds maturing on or after August 1, 2024 are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2023, at the principal amount called for redemption, without premium, plus accrued interest. The term bonds are also subject to mandatory sinking fund redemption on August 1 beginning 2034, at the principal amount, without premium, plus accrued interest.

2015 General Obligation Bonds Refunding Series D (the 2015 GO Bonds)
In October 2015, the District issued the 2015 Series D General Obligation Bonds, with a principal amount of $276,805,000 and a premium of $42,300,000. The 2015 GO Bonds are general obligations of the District, payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2015 GO Bonds. The purpose of the 2015 GO Bonds is to apply the proceeds and refund $34,680,000, principal amount of the District's 2005 GO Bonds and to advance refund $265,735,000 principal amount of the District's 2007 GO Bonds, and to pay costs of issuance of the 2015 GO Bonds. The refunded bonds were issued to finance earthquake safety improvements to the District facilities, including aerial trackway structures, overhead and underground trackway structures, stations and administrative, maintenance, and operations facilities, and to finance additional retrofits to facilitate rapid return to service after an earthquake or other disasters.

6. Long-Term Debt (Continued)

At June 30, 2016, the 2015 GO Bonds consist of $276,805,000 in serial bonds due from 2018 to 2036 with interest ranging from 3.0% to 5.00%. The serial bonds maturing on or after August 1, 2026 are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2025, at the principal amount of such 2015 GO Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium. If less than all of the 2015 GO Bonds are called for redemption, the 2015 GO Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the 2015 GO Bonds of any given maturity are called for redemption, the portions of 2015 GO Bonds of a given maturity shall be determined by lot. The refunding resulted in economic gain of $42,384,000 and cash flow savings of $42,378,000.

After the issuance of the 2005, 2007, 2013, and the 2015 GO Bonds, the remaining General Obligation Bonds that can be issued by the District as authorized under Measure AA is $240,000,000.

Defeased Bonds
On various dates, the District issued bonds to refund certain outstanding sales tax revenue bonds previously issued by the District. In October 2015, $231,250,000 aggregate principal amount of the District's 2005 Refunding Bonds, and $720,000 aggregate principal amount of the 2006 Bonds were refunded from the proceeds of the 2015A Refunding Bonds. Also in October 2015, $34,680,000 aggregate principal amount of the District's 2005 GO Bonds, and $265,735,000 aggregate principal amount of the 2007 GO Bonds were refunded from the proceeds of the 2015 GO Bonds.

On the above described defeasances, the District placed in irrevocable trusts, the required amounts to pay the future debt service payments on the defeased bonds. The advance refunding met the requirement of the in-substance debt defeasance, and the defeased bonds were removed from the District's long-term debt. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the District's financial statements.

The outstanding principal balance of the defeased General Obligation Bonds is $265,735,000 as of June 30, 2016 and $0 as of June 30, 2015. There are no outstanding principal balances for the defeased Sales Tax Revenue Bonds on June 30, 2016 and 2015.

Arbitrage Bonds
The District is subject to certain bond covenants, including the rules set forth by IRS Code Section 148a, which requires that interest earned on the proceeds of a tax exempt bond issuance does not exceed the interest expense related to those bonds, which qualifies those bonds as arbitrage bonds. Any excess interest income is subject to a 100% tax and is payable to the Federal Government. As of June 30, 2016, the District has recorded an estimated arbitrage liability amounting to $4,000 in fiscal year 2016 and 2015, which is included in accounts payable and other liabilities in the statements of net position.

6. Long-Term Debt (Continued)

Pledge of Revenue to Repay Sales Tax Revenue Bonds

The District issues sales tax revenue bonds primarily to finance a portion of its capital projects. The sales tax revenue bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues derived from a seventy-five percent (75%) portion of a transactions and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco in an amount equal to one-half of one percent (0.5%) of gross retail receipts. The sales tax revenue bonds outstanding as of June 30, 2016 consist of the 2006A Refunding Bonds, the 2010 Refunding Bonds, the 2012A Refunding Bonds, the 2012B Bonds, and the 2015A Refunding Bonds. Interest on the sales tax revenue bonds are payable on January 1 and July 1 of each year, and the principal on July 1 of the scheduled year until 2043. The total principal and interest remaining on these sales tax revenue bonds is $944,309,000 as of June 30, 2016 ($1,053,070,000 as of June 30, 2015), which is 9.31% in 2016 (10.03% in 2015) of the total projected sales tax revenues of $10,145,390,000 as of June 30, 2016 ($10,501,998,000 as of June 30, 2015). The total projected sales tax revenues cover the period from fiscal year 2016 through fiscal year 2043, which is the last scheduled bond principal payment.

The pledged sales tax revenues recognized in fiscal year 2016 was $241,547,000 ($233,148,000 in fiscal year 2015) as against a total debt service payment of $48,628,000 in fiscal year 2016, and $55,958,000 in fiscal year 2015.

6. Long-Term Debt (Continued)

Debt Repayments

The following is a schedule of long-term debt principal and interest payments required as of June 30, 2016 (dollar amounts in thousands):

Sales Tax Revenue Bonds

Year ending June 30:	2006A Refunding Bonds Principal	2006A Refunding Bonds Interest	2010 Refunding Bonds Principal	2010 Refunding Bonds Interest	2012A Refunding Bonds Principal	2012A Refunding Bonds Interest
2017	$ 1,390	$ 4,020	$ 2,925	$ 5,903	$ 1,640	$ 5,885
2018	1,105	3,963	3,045	5,784	2,605	5,800
2019	1,520	3,910	3,165	5,660	3,045	5,687
2020	3,485	3,810	10,490	5,334	3,255	5,545
2021	3,630	3,665	11,020	4,797	3,565	5,393
2022-2026	20,600	15,876	67,385	12,606	22,915	24,104
2027-2031	25,470	11,009	23,035	1,765	34,245	17,051
2032-2036	31,500	4,978	-	-	42,020	7,043
2037-2041	7,140	152	-	-	8,015	200
2042-2043	-	-	-	-	-	-
	$ 95,840	$ 51,383	$ 121,065	$ 41,849	$ 121,305	$ 76,708

Year ending June 30:	2012B Bonds Principal	2012B Bonds Interest	2015A Refunding Bonds Principal	2015A Refunding Bonds Interest
2017	$ 2,555	$ 3,878	$ 15,400	$ 8,402
2018	2,580	3,847	15,585	7,936
2019	2,615	3,807	15,815	7,308
2020	2,660	3,759	7,405	6,807
2021	2,715	3,701	7,785	6,427
2022-2026	14,700	17,300	41,710	28,061
2027-2031	17,425	14,471	64,365	10,572
2032-2036	21,240	10,540	18,575	1,914
2037-2041	26,175	5,494	-	-
2042-2043	12,105	525	-	-
	$ 104,770	$ 67,322	$ 186,640	$ 77,427

6. Long-Term Debt (Continued)

Year ending June 30:	2007 General Obligation Bonds Principal	2007 General Obligation Bonds Interest	2013 General Obligation Bonds Principal	2013 General Obligation Bonds Interest	2015 General Obligation Bonds Principal	2015 General Obligation Bonds Interest	Total Principal	Total Interest
2017	$ 3,315	$ 4,642	$ -	$ 10,424	$ -	$ 12,355	$ 27,225	$ 55,509
2018	4,050	4,493	19,815	10,046	1,050	12,340	49,835	54,209
2019	4,840	4,310	18,050	9,319	1,085	12,307	50,135	52,309
2020	5,690	4,089	18,100	8,566	1,115	12,269	52,200	50,179
2021	6,650	3,803	18,185	7,760	1,165	12,223	54,715	47,769
2022-2026	170	18,156	61,235	28,918	51,665	57,016	280,380	202,037
2027-2031	-	18,152	47,255	16,394	86,035	40,888	297,830	130,302
2032-2036	-	18,152	34,560	6,043	134,690	14,826	282,585	63,496
2037-2041	76,430	3,700	8,345	394		-	126,105	9,940
2042-2043	-	-	-	-		-	12,105	525
	$ 101,145	$ 79,497	$ 225,545	$ 97,864	$ 276,805	$ 174,224	$ 1,233,115	$ 666,275

7. Risk Management

The District is partially self-insured for workers' compensation, public liability and property damage claims. The self-insured retention for workers' compensation is $4,000,000 per accident and the limit of liability is $10,000,000. The self-insured retention for public liability and property damage is $5,000,000 for any one occurrence. Claims in excess of self-insured retentions are covered up to a total of $145,000,000 by insurance policies. There have been no settlement amounts during the past three years that have exceeded the District's insurance coverage.

The self-insurance programs are administered by independent claims adjustment firms. Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities are discounted at a 3% rate, in part, upon the independent adjustment firms' estimate of reserves necessary for the settlement of outstanding claims and related administrative costs, and include estimates of claims that have been incurred but not yet reported, including loss adjustment expenses. Such reserves are estimated by professional actuaries through June 30 and are subject to periodic adjustments as conditions warrant.

The estimated liability for insurance claims at June 30, 2016 is believed to be sufficient to cover any costs arising out of claims filed or to be filed for accidents occurring through that date. At June 30, 2016 and 2015, the estimated amounts of these liabilities were $53,308,000 and $53,453,000, respectively.

7. Risk Management (Continued)

Changes in the reported liabilities since the beginning of the respective fiscal years are as follows (dollar amounts in thousands):

	2016	2015
Liabilities at beginning of year	$ 53,453	$ 52,160
Current year claims and changes in estimates	15,747	16,408
Payments of claims	(15,892)	(15,115)
Liabilities at the end of year	53,308	53,453
Less current portion	(18,479)	(17,300)
Net noncurrent portion	$ 34,829	$ 36,153

8. Federal Capital Contributions and Operating Financial Assistance

The U.S. Department of Transportation and other federal agencies provide capital funding to the District for construction projects, planning and technical assistance. Cumulative information for grants which were active during the years ended June 30, 2016 and 2015 are summarized as follows (dollar amounts in thousands):

	2016	2015
Total approved project costs	$ 1,520,634	$ 1,620,202
Cumulative amounts of project costs incurred and earned	$ 954,922	$ 923,216
Less: approved federal allocations received	(916,474)	(885,951)
Government receivables - Federal	$ 38,448	$ 37,265

The District's fleet replacement project consisting of construction for the A, B, C1 and C2 fleet replacement was formally launched in 2013. To set aside funding for this program, the District and MTC, on May 24, 2006, entered into the BART Car Replacement Funding Exchange Agreement. Under the agreement, MTC agrees to program federal funds to eligible BART projects that are ready to be delivered within the year of MTC's programming action. In exchange for MTC programming funds for ready-to-go BART projects, the District will deposit an equal amount of local unrestricted funds into a restricted account established to fund BART's car replacement program. MTC is the exclusive administrator of the restricted account and any withdrawal of funds from the account requires prior approval from the MTC Commission and the District's Board. In accordance with the agreement, MTC allocated Federal Section 5307 and 5337 Grants for $50,176,000 in fiscal year 2016 and $74,168,000 in fiscal year 2015 to fund the District's preventive maintenance expenses. The District remitted to MTC the full amount of $50,176,000 in fiscal year 2016 and $74,168,000 in fiscal year 2015, the equivalent amount of its own funds, which were deposited by MTC to the restricted account. The federal grant is shown as nonoperating revenue – operating financial assistance and the District's remittance to MTC is shown as nonoperating expense in the District's financial statements. The restricted account for BART's car replacement program held by MTC, which is excluded from the District's financial statements, reported a balance of $327,340,000 as of June 30, 2016 and $275,988,000 as of June 30, 2015.

9. State and Local Operating and Capital Financial Assistance

The District is eligible to receive local operating and capital assistance from the Transportation Development Act Funds (TDA). There was no TDA capital and operating assistance received in fiscal years 2016 or 2015. The District may be entitled to receive state operating and capital assistance from the State Transit Assistance Funds (STA). These funds are allocated by MTC based on the ratio of the District's transit operation revenue and local support to the revenue and local support of all state transit agencies. The District was awarded STA operating allocations, which amounted to $219,000 in fiscal year 2011, $490,000 in fiscal year 2013, $99,000 in fiscal year 2014, $17,697,000 in fiscal year 2015 and $15,429,000 in fiscal 2016. Of these allocations, $11,253,000 was earned in fiscal year 2016 and $18,081,000 was earned in fiscal year 2015.

The District also received STA capital allocations amounting to $1,170,000 awarded in fiscal year 2004, $752,000 awarded in 2011 and $328,000 awarded in fiscal year 2015. For the STA capital allocations, $0 was earned during fiscal year 2016 and $421,000 was earned during fiscal year 2015.

Beginning in fiscal year 2015, the District has applied and received an allocation from the Low Carbon Transit Operations Program (LCTOP). The LCTOP is one of several programs established by the California Legislature in 2014 through Senate Bills 862 (SB 862) and 852 (SB 852). The source of funds for LCTOP is from the state's Cap-and-Trade Program annual proceeds and was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. Eligible projects and programs include new or expanded bus or rail services, expanded intermodal transit facilities, equipment acquisition, fueling, maintenance and other operating costs. The District received an allocation of $1,596,000 in fiscal year 2015 and $4,477,000 in fiscal year 2016. The District earned in full the fiscal year 2015 allocation in fiscal year 2016. The allocation for 2016 has been set aside for the procurement of new rail cars and will be earned as revenue when capital expenditures are incurred.

The District receives Paratransit funds provided to cities and transit operators from Alameda County Transportation Commission (ACTC) Measure B funds to be used for services aimed at improving mobility for seniors and persons with disabilities. Beginning in April 2015, the ACTC also allocated to the District Measure BB funds to supplement the funding needed for the paratransit program. Additional Measure BB funds were also allocated to the District for transit operations, maintenance and safety programs. ACTC is the administrator of both Measure B and BB funds. The District's revenues that relate to the Measure B funds were $1,905,000 in fiscal year 2016 ($1,839,000 in fiscal year 2015). Revenues from Measure BB funds for transit operations were $653,000 in fiscal year 2016 ($126,000 in fiscal year 2015), and for paratransit operations, were $1,957,000 in fiscal year 2016 ($376,000 in fiscal year 2015). The District also received annual assistance for its paratransit program from the Contra Costa Transportation Authority Measure J funds. Revenues from Measure J funds received in fiscal year 2016 were $79,000 ($69,000 in fiscal year 2015).

9. State and Local Operating and Capital Financial Assistance (Continued)

On February 28, 2007, the District, San Mateo County Transit District (SamTrans), and MTC entered into a Tri-Party Financial Agreement establishing the operational and financial arrangement regarding the BART San Francisco International Airport Extension. To fund the operating costs of the SFO Extension, the agreement provided that (1) the District will receive up-front funding of $24,000,000 from MTC and $32,000,000 from SamTrans from their shares of Proposition 1B funds; (2) the District will also receive 2% of the San Mateo County half cent sales tax, Measure A, which was reauthorized by the voters of San Mateo County in 2004, for 25 years beginning in fiscal year 2009; this amount is currently equal to approximately $1,600,000 per year; and (3) MTC shall allocate to the District additional STA revenue-based funds beginning in fiscal year 2009, which would otherwise be available for allocation to SamTrans as a result of the completion of the Traffic Congestion Relief Program projects, in an amount of $801,000 annually. The above funds will be used first to cover any operating deficit on the SFO Extension and then to complete SamTrans' funding commitment of $145,000,000 to the District's Warm Springs Extension Project. In December, 2013 MTC adopted Resolution No. 4123, the Transit Core Capacity Challenge Grant Program, which re-directs the $145,000,000 of SFO Net Operating Revenues to BART's New Railcar Procurement Program.

The up-front funding of $24,000,000 from MTC was allocated to the District in 2008 in the form of Regional Measure 2 (RM2) revenues as local match to capital projects funded by the Transit Capital Priorities Program. For the purpose of the Tri-Party Agreement, the District made up-front deposits equivalent to the RM2 revenues in the reserve account, and is currently being reimbursed by MTC with RM2 revenues, as the funds are earned. SamTrans' $32,000,000 contribution was funded with approximately $22,500,000 in Proposition 1B funds and $9,500,000 in a direct allocation.

As of June 30, 2016 and 2015, the balance of the reserve account is as follows (dollar amounts in thousands):

	2016	2015
Reserve account at beginning of year	$ 29,511	$ 24,755
Received/accrued	5,935	5,549
Add interest earnings	10	8
Total	35,456	30,312
Less: amount used to cover SFO Extension operating expenses	(801)	(801)
Reserve account at end of year	$ 34,655	$ 29,511

In accordance with the Tri-Party Financial Agreement, the District recognized contributions in fiscal year 2016 of $2,396,000 from SamTrans ($2,421,000 in fiscal year 2015) and $3,539,000 from MTC ($3,128,000 in fiscal year 2015).

PTMISEA Grants

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B on November 7, 2006, includes a program of funding in the amount of $4 billion to be deposited in the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA). Of this amount, $3.6 billion in the PTMISEA is available to project sponsors in California for allocation to eligible public transportation projects.

9. State and Local Operating and Capital Financial Assistance (Continued)

The District has cumulatively received a total $299,903,000 in PTMISEA grant funds to fund various BART capital projects. The grants received are in the form of cash for $294,388,000 and reimbursement grants for $5,515,000.

The following schedules show the changes in activities related to the PTMISEA grant funds during the fiscal years 2016 and 2015 (dollar amounts in thousands):

2016	Grant Fund Balance at Beginning of Year	Grants Received	Project Costs Incurred	Grant Fund Balance at End of Year
eBART Extension	$ 16,976	$ 1,098 [4]	$ 15,584	$ 2,490
Ashby Elevator	272	-	10	262
Station Modernization	89,764	39,134 [5]	18,984	109,914
Seismic Retrofit	(405)	-	-	(405) [2]
Oakland Airport Connector	(54)	-	-	(54) [2]
Warm Springs Extentsion	160	-	1	159
Balboa Park Eastside	359	9,028 [4]	1,064	8,323
Berkeley Station Entrance	647	3,726 [4]	262	4,111
Access Improvements	4,083	-	343	3,740
Station Signage [1]	1,380	-	31	1,349
Train Control	15,670	-	2,242	13,428
	$ 128,852	$ 52,986	$ 38,521	$ 143,317

2015	Grant Fund Balance at Beginning of Year	Grants Received	Project Costs Incurred	Grant Fund Balance at End of Year
eBART Extension	$ 19,036	$ 160 [3]	$ 2,220	$ 16,976
Ashby Elevator	272	-	-	272
Station Modernization	97,339	4,605 [3]	12,180	89,764
Seismic Retrofit	(211)	-	194	(405) [2]
Oakland Airport Connector	(54)	-	-	(54) [2]
Warm Springs Extentsion	1,092	160 [3]	1,092	160
Balboa Park Eastside	777	-	418	359
Berkeley Station Entrance	721	-	74	647
Access Improvements	4,415	-	332	4,083
Station Signage [1]	1,583	-	203	1,380
Train Control	17,500	-	1,830	15,670
	$ 142,470	$ 4,925	$ 18,543	$ 128,852

[1] This grant is on a reimbursement basis.
[2] Covered by interest earnings.
[3] New grants received in fiscal year 2015.
[4] Amount was reallocated from Station Modernization.
[5] New grant of $52,986,000 received in FY 2016, net of $1,098,000 reallocated to eBART Extension, $9,028,000 reallocated to Balboa Park Eastside and $3,726,000 reallocated to Berkeley Station Entrance.

9. State and Local Operating and Capital Financial Assistance (Continued)

As of June 30, 2016 and 2015, the unused portion of PTMISEA grant funds received in cash are shown on the statements of net position as a component of unearned revenues as follows (dollar amounts in thousands):

	2016	2015
Cash available, end of year	$ 142,656	$ 127,472
Less noncurrent portion	(101,982)	(107,086)
Net current portion	$ 40,674	$ 20,386

At the end of fiscal year 2016, the PTMISEA funds had earned interest income of $2,094,000 from inception, of which $526,000 was earned in fiscal year 2016 and $77,000 in fiscal year 2015.

10. Employees' Retirement Benefits

Plan Description

All eligible employees participate in the Public Employees' Retirement Fund (the Fund) of CalPERS under the Miscellaneous Plan and the Safety Plan of the San Francisco Bay Area Rapid Transit District. The Fund is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for 3,093 local public agencies and school districts within the State of California. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age and compensation. Most employees become eligible for benefits after five years of service and 50 years of age (age 52 for employees hired after January 1, 2013, see paragraph below).These benefit provisions and all other requirements are established by State statute and District contractual agreements.

Pursuant to the California Public Employees' Pension Reform Act of 2013 (PEPRA), new members, defined as active members first hired on or after January 1, 2013, or who were hired after a break in service of more than six months, are required to contribute 50% of the "normal" pension cost. That amount is currently 12% for safety and 6.25% for miscellaneous. Represented employees were exempt from this provision; however, as a result of a court decision, they were determined to be covered effective December 30, 2014. There is currently a pending District Court case related to PEPRA's impact on represented employees which could alter the applicability of PEPRA to represented employees in the future.

Copies of CalPERS' annual financial report may be obtained from their Executive Office by writing or calling the Plan: California PERS, P.O. Box 942709, Sacramento, CA 94229-2709, (916) 326-3420. A separate report for the District's plan is not available.

Benefits Provided

The District provides service retirement and disability retirements, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The death benefit is as follows: The Basic Death Benefit for Miscellaneous employees and for Safety employees, it is the 4th level of 1959 Survivor Benefit.

10. Employees' Retirement Benefits (Continued)

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

	Miscellaneous Plan		Safety Plan	
Hire date	Prior to January 1, 2013	On or After January 1, 2013	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2% @ 55	2.0% @ 62	3.0% at 50	2.70% @ 57
Benefit vesting schedule	5 years	5 years	5 years	5 years
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	62	50	57
Monthly benefits, as a percentage of eligible compensation	2.0%	2.0%	3.0%	2.7%
Required employee contribution rates	7.00%	6.25%	9.00%	12.00%
Required employer contribution rates	14.79%	14.79%	51.61%	51.61%

At June 30, 2016 and 2015, the following employees were covered by the benefit terms:

June 30, 2016	Miscellaneous Plan	Safety Plan
Inactive employees or beneficiaries currently receiving benefits	2,584	275
Inactive employees entitled to but not yet receiving benefits	192	10
Active employees	3,158	184
Total	5,934	469

June 30, 2015	Miscellaneous Plan	Safety Plan
Inactive employees or beneficiaries currently receiving benefits	2,512	261
Inactive employees entitled to but not yet receiving benefits	175	13
Active employees	3,072	182
Total	5,759	456

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The average employee contribution rate for the Miscellaneous plan is 6.977% and for the Safety Plan is 9.021% of their annual covered payroll. The District was required to contribute for fiscal year 2016 and 2015 at an actuarially determined rate of 14.79% (13.303% in fiscal year 2015) and 51.61% (47.789% in fiscal year 2015) for Miscellaneous and Safety plans, respectively, of annual covered payroll for the District's employees. Annual covered payroll amounted to $286,188,000 and $265,335,000 for the years ended June 30, 2016 and 2015, respectively. The District contributed $50,426,000 and $42,268,000 in fiscal year 2016 and fiscal year 2015, respectively.

10. Employees' Retirement Benefits (Continued)

Net Pension Liability

The District net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The plan's net pension liability as of June 30, 2016 and 2015 were measured as of June 30, 2015 and 2014 (measurement date), using an annual actuarial valuation of June 30, 2014 and 2013, respectively. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The June 30, 2016 and June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

June 30, 2016	Miscellaneous	Safety
Valuation date	June 30, 2014	June 30, 2014
Measurement date	June 30, 2015	June 30, 2015
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial assumptions:		
Discount rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll growth	3.00%	3.00%
Projected salary increase	3.20% to 12.20% depending on Age, Service and Type of Employment	3.70% to 15.00% depending on Age, Service and Type of Employment
Investment rate of return [1]	7.50%	7.50%
Mortality rate table [2]	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds

[1] Net of pension plan investment and administrative expenses, including inflation

[2] The possibilities of mortality are based on 2010 CalPers Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

10. Employees' Retirement Benefits (Continued)

June 30, 2015	Miscellaneous Plan	Safety Plan
Valuation date	June 30, 2013	June 30, 2013
Measurement date	June 30, 2014	June 30, 2014
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial assumptions:		
Discount rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll growth	3.00%	3.00%
Projected salary increase	3.20% to 12.20% depending on Age, Service and Type of Employment	3.70% to 15.00% depending on Age, Service and Type of Employment
Investment rate of return[1]	7.50%	7.50%
Mortality rate table[2]	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds

[1] Net of pension plan investment and administrative expenses, including inflation

[2] The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

The underlying mortality assumptions and other actuarial assumptions used in the June 30, 2014 and 2013 valuations were based on the results of a January 2014 actuarial experience study for the period from 1997 to 2011. The Experience Study report can be obtained on the CalPERS' website.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2016 and 2015 were 7.65% and 7.50%, respectively. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% and 7.50% are applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

10. Employees' Retirement Benefits (Continued)

According to GASB 68, the long-term discount rate should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. Administrative expenses are assumed to be 15 basis points. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference to the agent multiple-employer plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require CalPERS Board action and proper stakeholder outreach. CalPERS will continue to check the materiality of the difference in calculation until such time as it changes its methodology.

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

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

10. Employees' Retirement Benefits (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation for the June 30, 2015 measurement date was as follows:

	Miscellaneous Plan			Safety Plan		
Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51%	5.25%	5.71%	51%	5.25%	5.71%
Global Fixed Income	20%	0.99	2.43	20%	0.99	2.43
Inflation Sensitive	6%	0.45	3.36	6%	0.45	3.36
Private Equity	10%	6.83	6.95	10%	6.83	6.95
Real Estate	12%	4.50	5.13	12%	4.50	5.13
Liquidity	1%	(0.55)	(1.05)	1%	(0.55)	(1.05)
Total	100%			100%		

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

The target allocation or the June 30, 204 measurement was as follows:

	Miscellaneous Plan			Safety Plan		
Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47%	5.25%	5.71%	47%	5.25%	5.71%
Global Fixed Income	19%	0.99	2.43	19%	0.99	2.43
Inflation Sensitive	6%	0.45	3.36	6%	0.45	3.36
Private Equity	12%	6.83	6.95	12%	6.83	6.95
Real Estate	11%	4.50	5.13	11%	4.50	5.13
Infrastructure and Forestland	3%	4.50	5.09	3%	4.50	5.09
Liquidity	2%	(0.55)	(1.05)	2%	(0.55)	(1.05)
Total	100%			100%		

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

10. Employees' Retirement Benefits (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the June 30, 2015 measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate (dollar amounts in thousands):

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plan			
Plan's Net Pension Liability (Asset)	$ 617,713	$ 371,399	$ 164,394
Safety Plan			
Plan's Net Pension Liability (Asset)	133,363	95,823	64,982

The following presents the net pension liability of the Plan as of the June 30, 2014 measurement date, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate (dollar amounts in thousands):

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Miscellaneous Plan			
Plan's Net Pension Liability (Asset)	$ 545,655	$ 312,373	$ 115,510
Safety Plan			
Plan's Net Pension Liability (Asset)	120,179	85,092	56,120

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

10. Employees' Retirement Benefits (Continued)

Change in Net Pension Liability

The following table shows the changes in the net pension liability for the year ended June 30, 2016 (dollar amounts in thousands):

Miscellaneous Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at July 1, 2015	$ 1,978,781	$ 1,666,408	312,373
Changes in the year:			
Service cost	36,151	-	36,151
Interest on the total pension liability	146,226	-	146,226
Changes of assumptions	(32,773)	-	(32,773)
Differences between expected and actual experience	(4,807)	-	(4,807)
Plan to Plan resource movement	-	(36)	36
Contributions from the employer	-	32,466	(32,466)
Contributions from the employees	-	17,818	(17,818)
Net investment income	-	37,388	(37,388)
Benefit payments, including refunds of employee contributions	(95,653)	(95,653)	-
Administrative expense	-	(1,865)	1,865
Net Changes	49,144	(9,882)	59,026
Balance at June 30, 2016	$ 2,027,925	$ 1,656,526	$ 371,399

10. Employees' Retirement Benefits (Continued)

Safety Plan

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balance at July 1, 2015	$ 266,981	$ 181,889	$ 85,092
Changes in the year:			
Service cost	5,935	-	5,935
Interest on the total pension liability	20,099	-	20,099
Changes of assumptions	(4,942)	-	(4,942)
Differences between expected and actual experience	4,794	-	4,794
Plan to Plan resource movement	-	1	(1)
Contributions from the employer	-	9,428	(9,428)
Contributions from the employees	-	1,917	(1,917)
Net investment income	-	4,015	(4,015)
Benefit payments, including refunds of employee contributions	(14,140)	(14,140)	-
Administrative expenses	-	(206)	206
Net Changes	11,746	1,015	10,731
Balance at June 30, 2016	$ 278,727	$ 182,904	$ 95,823

Total of Miscellaneous and Safety Plans

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balance at July 1, 2015	$ 2,245,762	$ 1,848,297	$ 397,465
Changes in the year:			
Service cost	42,087	-	42,087
Interest on the total pension liability	166,325	-	166,325
Changes of assumptions	(37,715)	-	(37,715)
Differences between expected and actual experience	(14)	-	(14)
Plan to Plan resource movement	-	(35)	35
Contributions from the employer	-	41,894	(41,894)
Contributions from the employees	-	19,735	(19,735)
Net investment income	-	41,403	(41,403)
Benefit payments, including refunds of employee contributions	(109,793)	(109,793)	-
Administrative expense	-	(2,071)	2,071
Net Changes	60,890	(8,867)	69,757
Balance at June 30, 2016	$ 2,306,652	$ 1,839,430	$ 467,222

10. Employees' Retirement Benefits (Continued)

The following table shows the changes in the net pension liability for the year ended June 30, 2015 (dollar amounts in thousands):

Miscellaneous Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at July 1, 2014	$ 1,892,636	$ 1,455,588	$ 437,048
Changes in the year:			
Service cost	36,182	-	36,182
Interest on the total pension liability	139,931	-	139,931
Contributions from the employer	-	28,276	(28,276)
Contributions from the employees	-	21,375	(21,375)
Net investment income	-	251,137	(251,137)
Benefit payments, including refunds of employee contributions	(89,968)	(89,968)	-
Net Changes	86,145	210,820	(124,675)
Balance at June 30, 2015	$ 1,978,781	$ 1,666,408	$ 312,373

Safety Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at July 1, 2014	$ 255,505	$ 157,679	$ 97,826
Changes in the year:			
Service cost	5,790	-	5,790
Interest on the total pension liability	18,885	-	18,885
Contributions from the employer	-	7,442	(7,442)
Contributions from the employees	-	2,817	(2,817)
Net investment income	-	27,150	(27,150)
Benefit payments, including refunds of employee contributions	(13,199)	(13,199)	-
Net Changes	11,476	24,210	(12,734)
Balance at June 30, 2015	$ 266,981	$ 181,889	$ 85,092

10. Employees' Retirement Benefits (Continued)

Total of Miscellaneous and Safety Plans

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at July 1, 2014	$ 2,148,141	$ 1,613,267	$ 534,874
Changes in the year:			
Service cost	41,972	-	41,972
Interest on the total pension liability	158,816	-	158,816
Contributions from the employer	-	35,718	(35,718)
Contributions from the employees	-	24,192	(24,192)
Net investment income	-	278,287	(278,287)
Benefit payments, including refunds of employee contributions	(103,167)	(103,167)	-
Net Changes	97,621	235,030	(137,409)
Balance at June 30, 2015	$ 2,245,762	$ 1,848,297	$ 397,465

10. Employees' Retirement Benefits (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the years ended June 30, 2016 and 2015, the District incurred a pension expense of $30,403,000 and $25,781,000, respectively. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts in thousands):

Miscellaneous Plan	Deferred Outflows of Resources		Deferred Inflows of Resources	
Pension contributions subsequent to measurement date	$	39,768	$	-
Changes of assumptions		-		(24,970)
Differences between actual and expected experience		-		(3,663)
on plan investments		-		(15,848)
Total	$	39,768	$	(44,481)
Safety Plan				
Pension contributions subsequent to measurement date	$	10,658	$	-
Changes of assumptions		-		(3,530)
Differences between actual and expected experience		-		3,424
Net differences between projected and actual earnings on plan investments		-		(1,637)
Total	$	10,658	$	(1,743)
Total Miscellaneous and Safety				
Pension contributions subsequent to measurement date	$	50,426	$	-
Changes of assumptions		-		(28,500)
Differences between actual and expected experience		-		(239)
Net differences between projected and actual earnings on plan investments		-		(17,485)
Total	$	50,426	$	(46,224)

10. Employees' Retirement Benefits (Continued)

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts in thousands):

Miscellaneous Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 32,756	$ -
Differences between actual and expected experience	-	-
Changes of assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	(115,006)
Total	$ 32,756	$ (115,006)
Safety Plan		
Pension contributions subsequent to measurement date	$ 9,512	$ -
Differences between actual and expected experience	-	-
Changes of assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	(12,466)
Total	$ 9,512	$ (12,466)
Total Miscellaneous and Safety		
Pension contributions subsequent to measurement date	$ 42,268	$ -
Differences between actual and expected experience	-	-
Changes of assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	(127,472)
Total	$ 42,268	$ (127,472)

The amount reported as deferred outflow of $50,426,000 in fiscal year 2016 and $42,268,000 in fiscal year 2015, relate to contributions made subsequent to the measurement date. The District recognized the $42,268,000 deferred outflow in fiscal year 2015 as reduction of pension liability in fiscal year 2016. The $50,426,000 deferred outflow in fiscal year 2016 will be recognized as a reduction of net pension liability in fiscal year 2017.

10. Employees' Retirement Benefits (Continued)

The deferred inflow of resources related to pensions will be recognized in future pension expense as follows (dollar amounts in thousands):

	Miscellaneous Plan		Safety Plan	
Year Ending June 30,	Deferred Outflows/ (Inflows) of resources		Deferred Outflows/ (Inflows) of resources	
2017	$	(20,098)	$	(1,231)
2018		(20,098)		(1,231)
2019		(20,097)		(1,209)
2020		15,812		1,928
Total	$	(44,481)	$	(1,743)

Payable to the Pension Plan

At June 30, 2016 and 2015, the District reported a net pension liability of $467,222,000 and $397,465,000, respectively.

11. Money Purchase Pension Plan

Most District employees participate in the Money Purchase Pension Plan (MPPP), which is a supplemental retirement defined contribution plan. In January 1981, the District's employees elected to withdraw from the Federal Social Security System (FICA) and established the Money Purchase Pension Plan. The District contributes an amount equal to 6.65% of eligible employees' annual compensation (up to $29,700 after deducting the first $133 paid during each month) up to a maximum annual contribution of $1,868 for all employees except those represented by BPOA and BPMA pursuant to their labor agreements effective January 1, 2010. An additional contribution to the MPPP equal to 1.627% of eligible compensation is provided to all employees except for represented sworn police officers. Payment of this additional contribution was also suspended for all CalPERS eligible individuals, with various effective dates, pursuant to labor agreements and District policy as a cost saving measure. These payments resumed on July 1, 2013. However, under the latest labor agreements with ATU, SEIU, and AFSCME, the District retained 0.0888% of the 1.627% contribution. The District also retained this same amount for non-represented employees. In addition, the District retained $37 per month of the 1.627% for ATU, SEIU, and AFSCME employees who elected medical to pay for medical premiums.

The annual compensation limit subject to the additional contribution is established by the Internal Revenue Code Section 401(a) (17). Each employee's account is available for distribution upon such employee's termination.

The District's total expense and funded contribution for this plan for the years ended June 30, 2016 and 2015 were $9,775,000 and $9,115,000, respectively. The MPPP assets at June 30, 2016 and 2015 (excluded from the accompanying financial statements) per the plan administrator's unaudited reports were $285,801,000 and $288,874,000, respectively. At June 30, 2016, there were approximately 210 (204 in 2015) participants receiving payments under this plan.

The plan issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing or calling: BART Investments Plans Committee, 300 Lakeside Drive, Oakland, California 94612, (510) 464-6238.

12. Other Postemployment Benefits

In addition to the retirement benefits described in Notes 10 and 11, and specified in the District's contractual agreements, the District provides certain other postemployment benefits ("OPEB") to employees, which may include medical benefits to retirees and surviving spouses, retiree life insurance, survivor dental and vision benefits, and medical benefits to survivors of active employees. Most employees who retire directly from the District or their surviving spouses are eligible for medical benefits if the employee retires at or after age 50 with a minimum of 5 years of service with the District, elects to take an annuity from CalPERS and makes a timely election of retiree medical.

In compliance with GASB requirements, the District accounts for OPEB on an accrual basis and created the Retiree Health Benefit Trust. The purpose of establishing the Trust is to facilitate the provision of medical benefits and other health and welfare benefits ("retiree medical benefits") for the qualifying retirees of the District; to provide the means for financing the costs and expenses of operating and administering such benefits; to hold Trust assets for the sole and exclusive purpose of providing benefits to participants and beneficiaries; and to defray the reasonable expenses of administering the Trust and designated plans. Assets placed into the Trust cannot be used for any other purposes and are not available to satisfy general creditors of the District. Under California state law, the restrictions on the use of any proceeds from liquidation of the Trust are significant enough to render the Trust effectively irrevocable. The Trust is administered by one or more Trustees appointed by the District's Board of Directors. Currently, the Board has appointed the District's Controller-Treasurer as the Trustee. The Trust issues a publicly available audited financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to Retiree Health Benefit Trust, San Francisco Bay Area Rapid Transit District, 300 Lakeside Drive, P.O. Box 12688, Oakland, California 94604.

Currently, the Trust covers the funding only for the "retiree medical benefits", which include retiree medical benefits and medical benefits provided to widows and widowers of retirees. It does not fund the "additional OPEB" which includes the retiree life insurance premiums or the cost to the District of additional benefits available to survivors of employees and retirees who, at the time of hire, elected to contribute to a survivor health benefit program. Survivors of employees and retirees who elected this program and who continue to contribute are eligible for medical, dental and vision coverage at a cost of $15/mo. The District is currently in process of establishing a new trust for the additional OPEB.

Basis of Accounting

The financial statements of the Trust are prepared using the accrual basis of accounting. Beginning with fiscal year 2007, the Trust implemented the GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which established the accounting and financial reporting standards for plans that provide OPEB. The Trust recognizes contributions from the District in accordance with the provisions contained on the District collective bargaining agreements, as described briefly in the following discussion.

Method Used to Value Investments

Investments are reported at fair value as determined by the financial institutions, which have custody of the investments based on quoted market prices.

12. Other Postemployment Benefits (Continued)

Funding Policy and Long-Term Contract for Contributions

The District's current collective bargaining agreements with its unions (CBA) describe the District's funding commitments to the Trust. Beginning fiscal year 2008, the District is funding the Trust with a "ramp up" (increasing) percentage of the "full" annual required contribution (ARC) in addition to funding the pay-as-you-go amount outside of the Trust every year for the following six years. Including fiscal years 2007 and 2008, this "ramp-up" contribution funds an eight-year period covering fiscal years 2006 through 2013. The CBAs include the baseline "ramp-up" percentages, which is the minimum amount that the District is committed to contribute to the Trust during the "ramp-up" period. The District shall commission an actuarial study of the retiree medical insurance plan liabilities and funding needs, including the ARC, every year. The revised "ramp-up" percentage shall be the basis of the District's contribution to the Trust, except when it is less than the baseline "ramp-up" percentage. In addition, in fiscal year 2009 the District contributed into the Trust a lump sum make up payment reflecting the amounts it would have contributed for fiscal years 2006 and 2007, which was actuarially calculated at $14,629,000.

Beginning in fiscal year 2014, the District contributed to the Trust each pay period an amount equal to the full GASB compliant ARC. Also effective on July 1, 2013, retiree health insurance premiums and related administration fees are paid by the Trust.

Funding Policy

The annual OPEB cost for fiscal year 2016, using the June 30, 2014 actuarial valuation, as a percent of covered payroll for the year, are 9.89% (9.10% in fiscal year 2015) for retiree medical benefits and 0.81% (0.94% in fiscal year 2015) for additional OPEB, which amounted to $26,974,000 and $1,961,000, respectively ($23,646,000 and $2,258,000 in fiscal year 2015). In fiscal year 2016, the District contributed cash equivalent to the full annual required contribution to the Trust amounting to $27,145,000 ($23,704,000 in fiscal year 2015) for the retiree medical benefits and zero (zero in fiscal year 2015) for the additional OPEB to partially fund the OPEB cost for the year. The District also paid in fiscal year 2016 life insurance premiums, on a pay as you go basis, amounting to $154,000 ($167,000 in fiscal year 2015). The District does not charge any administration cost to the Trust. Currently, most retirees pay $137.79 per month for their share of the medical premium and the balance is paid by the District.

12. Other Postemployment Benefits (Continued)

The following tables show the components of the District's annual OPEB cost, the amount contributed to the Trust, pay-as-you-go payments and changes in the net OPEB obligation for fiscal years 2016 and 2015 (dollar amounts in thousands):

Retiree Medical Benefits

	2016	2015
Annual Required Contribution (ARC)	$ 27,145	$ 23,704
Interest on net OPEB obligation	3,044	3,048
Adjustments to ARC	(3,215)	(3,106)
Annual OPEB Cost	26,974	23,646
Contributions made	(27,145)	(23,704)
Increase in Net OPEB obligation	(171)	(58)
Net OPEB obligation, beginning of year	45,093	45,151
Net OPEB obligation, end of year	$ 44,922	$ 45,093

Additional OPEB

	2016	2015
Annual Required Contribution (ARC)	$ 2,226	$ 2,452
Interest on net OPEB obligation	693	604
Adjustments to ARC	(958)	(798)
Annual OPEB Cost	1,961	2,258
Contributions made	(154)	(167)
Increase in Net OPEB obligation	1,807	2,091
Net OPEB obligation, beginning of year	16,318	14,227
Net OPEB obligation, end of year	$ 18,125	$ 16,318

The total net OPEB obligations of $63,047,000 in fiscal year 2016 and $61,411,000 in fiscal year 2015 are shown on the statements of net position as Other post-employment benefits, under noncurrent liabilities.

12. Other Postemployment Benefits (Continued)

The three-year trend for the OPEB costs and net OPEB obligation follows (dollar amounts in thousands):

	Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Retiree Medical Benefits	June 30, 2014	$ 27,076	99.8%	$ 45,151
	June 30, 2015	23,646	100.2%	45,093
	June 30, 2016	26,974	100.6%	44,922
Additional OPEB	June 30, 2014	2,187	3.5%	14,227
	June 30, 2015	2,258	7.4%	16,318
	June 30, 2016	1,961	7.9%	18,125

Funded Status and Funding Progress of the Retiree Medical Plan. As of June 30, 2016, based on Keenan and Associates (Keenan)'s most recent actuarial report, the Retiree Medical Plan is 66.57% funded. The actuarial accrued liability for benefits was $333,141,000, and the actuarial value of assets was $221,766,000 resulting in an unfunded actuarial accrued liability (UAAL) of $111,375,000. The covered payroll (annual payroll of active miscellaneous and safety employees covered by the plan) was $260,861,000 and the ratio of the UAAL to the covered payroll was 42.70%.

The Schedule of Funding Progress, presented as RSI, following the Notes to Financial Statements, presents the three-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Funded Status and Funding Progress of the Additional OPEB Plan. As of June 30, 2016, based on Keenan's most recent actuarial report, the Additional OPEB Plan is zero percent funded. The actuarial accrued liability for benefits was $30,659,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $30,659,000. The covered payroll (annual payroll of active miscellaneous and safety employees covered by the plan) was $260,861,000, and the ratio of the UAAL to the covered payroll was 11.75%.

The Schedule of Funding Progress, presented as RSI, following the Notes to Financial Statements, presents the three-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuations of an ongoing plan involve 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. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

12. Other Postemployment Benefits (Continued)

Actuarial Assumptions and Methods

The latest OPEB actuarial valuation was performed by Keenan in February 2016 using District data as of June 30, 2015. A summary of principal assumptions and methods used by Keenan to determine the District's annual required contributions to the OPEB plans is shown below:

Valuation date	June 30, 2015	June 30, 2014	June 30, 2013
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Closed, Level percent of payroll	Closed, Level percent of payroll	Closed, Level percent of payroll
Remaining amortization period	18 years	19 years	20 years
Asset valuation method	Market value	Market value	Market value
Discount rate	6.75% for the retiree medical plan; 4.25% for the additional OPEB	6.75% for the retiree medical plan; 4.25% for the additional OPEB	6.75% for the retiree medical plan; 4.25% for the additional OPEB
Inflation rate	2.75%	2.75%	2.75%
Payroll growth rate	3.00% per year	3.00% per year	3.00% per year
Health care cost trend rate for the first year	5.00%	5.50%	6.00%
Ultimate trend rate	3.75%	3.75%	3.75%
Year that rate reaches the ultimate rate	2020	2020	2020

13. Board of Directors' Expenses

Total Directors' expenses, consisting of travel and other business related expenses for the years ended June 30, 2016 and 2015 amounted to $26,000 and $31,000, respectively.

14. Related Organizations and Joint Venture Projects

Capitol Corridor Joint Powers Authority

The Joint Exercise of Powers Agreement dated December 31, 1996, between the District and five other transportation authorities in surrounding counties (Agencies) provided for the creation of the Capitol Corridor Joint Powers Authority (Capitol Corridor), a public instrumentality of the State of California. Capitol Corridor was formed for the purpose of administering and managing the operation of the Capitol Corridor Rail Service as part of the California intercity passenger rail system. The District is the managing agency of Capitol Corridor and in that capacity shall provide all necessary administrative support to Capitol Corridor. Capitol Corridor entered into an Interagency Transfer Agreement with the State of California and assumed administration and operation commencing on July 1, 1998. The initial term of the Interagency Transfer Agreement was for three years beginning July 1, 1998, and was extended for three additional years effective July 1, 2001. In 2004, State legislation was enacted that eliminated the sunset date of the Interagency Transfer Agreement, which now exists indefinitely.

The governing board of Capitol Corridor consists of six members from the District and two members from each of the five other Agencies. Neither the District nor the other Agencies are responsible for any debt, liabilities and obligations of Capitol Corridor and the District would not be entitled to any of Capitol Corridor's net assets should it terminate.

The District charged Capitol Corridor a total of $3,504,000 for marketing and administrative services during 2016 and $3,834,000 during 2015. In addition, Capitol Corridor reimburses the District for its advances for capital project expenditures and other operating expenses. Reimbursements for expenses incurred by the District on behalf of and in providing services to Capitol Corridor are netted against the corresponding expense in the statements of revenues, expenses and changes in net position. Unreimbursed expenses and advances for capital project costs from Capitol Corridor amount to $1,044,000 and $1,034,000 as of June 30, 2016 and 2015, respectively. All unreimbursed expenses and advances are included as current receivables and other assets in the statements of net position. As the District has no ownership involvement or ongoing financial interest or responsibility in Capitol Corridor, its financial statements include only amounts related to the services and advances it provides to Capitol Corridor.

East Bay Paratransit Consortium

In 1994, the District and the Alameda-Contra Costa Transit District (AC Transit) executed an agreement establishing the East Bay Paratransit Consortium (the Consortium). The purpose of the Consortium is to enable the District and AC Transit to jointly provide paratransit services in the overlapping service area of the District and AC Transit. Revenues and expenditures for the Consortium are split 31% and 69% between the District and AC Transit, respectively, except the program coordinator's expenses, which are split 50/50 starting in 2011. The District's financial statements reflect its portion of revenues and expenditures as operating activities. The District supported the project primarily through its own operating funds, with some financial assistance from Alameda County Measure B and BB funds and from the Contra Costa Transportation Authority Measure J funds (Note 9). The District has no equity interest in the Consortium.

14. Related Organizations and Joint Venture Projects (Continued)

Pleasant Hill BART Station Leasing Authority

In July 2004, the District, the County of Contra Costa (County) and the Contra Costa County Redevelopment Agency (Agency) entered into a Joint Exercise of Powers Agreement (JPA Agreement) to create the Pleasant Hill BART Station Leasing Authority (Pleasant Hill Authority). In 2012, the Agency was dissolved by California Assembly Bill ABx1 26, and the Pleasant Hill Authority now consists of the District and Contra Costa County. The Pleasant Hill Authority was created as a means of accomplishing the cooperation and coordination among the agencies to provide for the development of a mixed-used transit village located at BART's Pleasant Hill/Contra Costa Centre Station, which includes rental residential, retail and a future office development. The original lease to the Pleasant Hill Authority was for a 99-year term expiring on May 14, 2105. All subsequent leases will be conterminous with the May 14, 2105 date.

On June 30, 2009, the District received as ground lease payments for the full term of the lease, a cash base rent of $99 and a noncash base rent in the form of a newly constructed parking structure located at the Pleasant Hill BART station. The District accepted the completion of the new parking structure and became its new owner effective June 30, 2009. The replacement parking garage was recorded as a capital asset at a value of $51,236,000, which is its final construction cost as reported by its developer. As a result of the Agency's funding of the replacement parking garage, future sublease revenue will be split between the County and BART at 75% and 25%, respectively, after defeasance of Agency's final incremental contribution to the parking garage project.

The Pleasant Hill Authority is a public entity separate from any member and as such its debts, liabilities and obligations shall not be the debts, liabilities and obligations of any of the members. The governing body of the Pleasant Hill Authority is a Board of Directors consisting of four persons – two each from the County and the District.

Richmond Redevelopment Agency or Successor Agency

On April 11, 2002, the District entered into a Disposition and Development Agreement with Richmond Redevelopment Agency and Richmond Transit, LLC for the development of a mixed use transit village on the property owned by the Redevelopment Agency, the City of Richmond and BART.

The transit village will be developed in two phases. The first phase has been completed and consists of the development of the townhouses on the western side of the tracks, a parking structure that includes, retail space incorporated within the structure (the "Phase One Improvements").

The second phase will consist of the development of additional housing and the improvement of Nevin Avenue and the Nevin Avenue walkway on the eastern side of the Tracks (the "Phase Two Improvements").

The District had agreed to issue grant deeds to the developer pertaining to two parcels with approximate total size of 245,070 square feet in both the West side and the East side for the development projects. The agreement states that in exchange for the parcels, the Richmond Redevelopment Agency, at their expense, will construct a parking structure on the West side of BART's property, and transfer ownership of the garage to the District upon completion. The transfer of maintenance and responsibility to the District of the parking structure, which consisted of 750 parking spaces and approximately 9000 +/- square feet of commercial space, occurred in September 2014. As of June 30, 2016, only the parcel on the West side of the development project has been transferred by the District to the developer. The transfer of the parcel on the East side is expected to occur in fiscal year 2017.

14. Related Organizations and Joint Venture Projects (Continued)

The District allocated the value of the garage, which amounted to $36,260,000, between the two parcels. The total cost of the structure was recorded as part of capital assets. A gain of $6,012,000 was recognized in fiscal year 2015 pertaining to the value allocated to the West side parcel that was transferred to the developer, after deducting the cost. The allocated value pertaining to the East side parcel amounting to $30,110,000 was recognized as unearned revenue, pending the transfer, and is shown as part of noncurrent unearned revenue.

MacArthur Transit Village
On July 29, 2010, the District entered into a Purchase and Lease Option agreement with MacArthur Transit Community Partners LLC (Developer) pertaining to the development of the MacArthur Transit Village, a mixed-use, transit-oriented project, including affordable and market rate housing, retail/commercial and community space and replacement parking adjacent to the MacArthur BART Station.

The District owns a portion of the project's real property totaling approximately 7.76 acres that is to be used to develop the project.

As a consideration for the purchase of parcels totaling 198,642 square feet and lease of a 34,404 square feet parcel, the Developer constructed a parking garage structure, funded in part by the Oakland Redevelopment Agency, with 450 parking spaces and 5,200 square feet of retail spaces. The parking structure was completed and transferred to the District in September 2014. In addition to the parking structure, Phase 1 of the project included a BART Plaza and Transportation Improvements. These improvements are also the responsibility of the Developer as part of the consideration for the land. The total value of the garage and the improvements amounted to $27,596,000 and were recognized as part of depreciable capital assets. $1,780,000 of the consideration was allocated to Phase 2 of the project which is for a 99 year term ground lease; and was recorded as deferred ground lease. The remaining $25,816,000 was recognized and reported under noncurrent unearned revenue, pending the transfer of the land to the developer.

Using the City of Oakland Redevelopment Agency funds, the project acquired two parcels under the District's name which were used for the construction of the BART Garage Structure. The total consideration paid by the City of Oakland for the two parcels was $5,121,000. The costs of these parcels were recorded by the District as non-depreciable capital assets. The District also recognized a revenue (donated income) equivalent to the value of the land received.

South Hayward Transit Oriented Development
On June 18, 2012, the District and JMJ Development LLC (Developer) entered into an Option Agreement for a Transit Oriented Development (TOD). That agreement also includes the right to purchase approximately 1.65 acres of land from the District. The right to purchase was exercised in fiscal year 2014 for a total consideration of $692,000. Grant deed for the transfer was issued on October 8, 2014. The District recognized a gain of $620,000 from this sale.

An Option Agreement between the District and the Developer provided further consideration to the District of a transfer benefit fee (TBF) which guarantees the District a perpetual revenue stream. The TBF amounts to a 1% assessment against successive transfers of each of the development units (i.e. unit sales) or a 1% annual assessment against Gross Annual Rental Revenue from rental of the units. A total of 206 market rate units are expected to be completed by the end of calendar year 2016 with an estimated market value exceeding $350,000 per unit.

14. Related Organizations and Joint Venture Projects (Continued)

South Hayward BART Station Access Authority

On September 1, 2011, the District entered into a Joint Exercise of Powers Agreement with the City of Hayward which provided for the creation of a public entity known as the South Hayward BART Station Access Authority (South Hayward JPA). The purpose of the South Hayward JPA is to manage and administer parking and access within the boundaries of the South Hayward JPA in an equitable and orderly fashion in order to promote transit-oriented development, support access to the station by District patrons, maximize BART ridership and protect the neighborhoods surrounding the South Hayward Station.

The governing board of the South Hayward JPA consists of four members, two each from the governing Board of the District and from the City of Hayward, appointed by the governing board of the District and the Hayward City Council, respectively. Neither the District nor the City of Hayward is responsible for any debt, liabilities and obligation of the South Hayward JPA.

The parking fees collected by the District for the South Hayward Station are transferred to the South Hayward JPA to cover maintenance and other expenses. Parking fees collected in fiscal year 2016 amounts to $516,000 ($356,000 in fiscal year 2015). The District and the City of Hayward are entitled to reimbursement of operating and/or capital expenses incurred for the benefit of the South Hayward JPA. Net revenues will be used by the South Hayward JPA to implement parking and access projects in line with the objectives set forth in the Joint Exercise of Powers Agreement.

15. Commitments and Contingencies

Litigation

The District is involved in various lawsuits, claims and disputes, which for the most part are normal to the District's operations. It is the opinion of the District's management that the costs that might be incurred in the disposition of these matters, if any, would not materially affect the District's financial position.

Power Purchases

The District purchases electrical power for self-consumption at multiple points of delivery such as Traction Power, Passenger Station Power and Miscellaneous Power from the Northern California Power Agency (NCPA). Power purchase contracts with the NCPA are in place through December 31, 2016, with a total remaining contract value of $8,366,000 as of June 30, 2016.

Operations and Maintenance Agreement for the Oakland International Airport Connector

On October 1, 2010, the District entered into an Operations and Maintenance Contract with Doppelmayr Cable Car, Inc, to operate and maintain the OAC for an amount not to exceed $4,907,000 (base service payment in 2009 dollars) annually for a period of twenty (20) years from revenue service date, subject to annual escalation based on Consumer Price Index. Total operating expenses incurred under this agreement amounts to $5,928,000 in fiscal year 2016 ($3,542,000 in fiscal year 2015). As part of the contract, the District is also required to deposit to a reserve account, the amount of $768,000 annually, subject to escalation, for Capital Asset Replacement Program (CARP). The CARP will cover all major maintenance and rehabilitation expenditures during the term of the Operations and Maintenance agreement. The OAC started revenue operations on November 22, 2014

15. Commitments and Contingencies (Continued)

Lease Commitments

The District leases certain facilities under operating leases with original terms ranging from one to fifty years with options to renew.

Future minimum rental payments under noncancelable operating leases with initial or remaining lease terms of over one year at June 30, 2016 are as follows (dollar amounts in thousands):

Year ending June 30:	Operating Leases
2017	$ 12,639
2018	12,657
2019	12,969
2020	13,167
2021	13,374
2022-2025	13,255
2026-2030	12,500
2031-2035	12,500
2036-2040	12,500
2041-2045	12,500
2046-2050	12,500
2051-2055	4,792
Total minimum rental payments	$ 145,353

Rent expenses under all operating leases were $8,768,000 and $11,385,000 for the years ended June 30, 2016 and 2015, respectively.

Fruitvale Development Corp.

On October 1, 2001, the District entered into a ground lease agreement with Fruitvale Development Corporation (FDC) pertaining to 1.8 acres of land for the purpose of constructing thereon portions of a mixed-use development project commonly known as the Fruitvale Transit Village, which consists of approximately 250,000 square feet of commercial, community service and residential improvements. The lease agreement became effective December 9, 2003 and continues through January 31, 2077.

The terms of the lease require FDC to pay the District a Base Rent and a Percentage Rent. The Base Rent is a fixed amount determined at the inception of the lease subject to periodic CPI adjustments. Percentage Rent is calculated equal to 15% of annual net revenues, as defined in the ground lease agreement.

The District provided FDC a Rent Credit with an initial amount of $7,247,000, to acknowledge its assistance in obtaining grants for the construction of a Replacement BART Commuter Parking Garage near the Fruitvale Transit Village. The initial Rent Credit earned interest on the outstanding balance at simple interest based on the prime rate and can only be applied to satisfy the Base Rent.

15. Commitments and Contingencies (Continued)

In October 2010, there was a second amendment to the ground lease agreement, which recalculated the initial Rent Credit available to FDC as it relates to the replacement parking. The amount of the Replacement Parking Rent Credit was revised to $4,642,000, after a payment of $5,500,000 coming from the proceeds of the sale of land at the Fruitvale BART Station to the City of Oakland Redevelopment Agency. The second amendment also stated that no interest shall accrue on the revised Replacement Parking Rent Credit and that beginning on December 1, 2003 and continuing throughout the term of the ground lease, base rent shall be subtracted from the Replacement Parking Rent Credit balance, until there is no longer a positive Replacement Parking Rent Credit. The offset base rent for fiscal year 2016 and fiscal year 2015 amounted to $169,000 each year. The remaining balance in the Replacement Parking Rent Credit was $2,944,000 as of June 30, 2016 ($3,113,000 as of June 30, 2015).

Based on the agreement, FDC shall not be under any obligation to make any cash payment to the District for base rent at any time that the Replacement Parking Rent Credit still has a positive balance.

16. Subsequent Events

2016 Series A Sales Tax Revenue Bonds Refunding Bonds (2016A Refunding Bonds)
In August 2016, the District issued the 2016 Series A Sales Tax Revenue Refunding Bonds with a principal amount of $83,800,000 to, along with other District funds, provide sufficient funds to current refund $94,450,000 principal amount of the District's 2006A Refunding Bonds and to fund costs of issuance associated with the 2016A Refunding Bonds. The 2016A Refunding Bonds are special obligations of the District, payable from and secured by a pledge of Sales Tax Revenues derived from a transaction and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco. The 2016A Refunding Bonds are issued on a parity with certain other bonds issued by the District and currently outstanding.

Passage of Measure RR
Voters in San Francisco, Alameda and Contra Costa Counties voted on November 8, 2016 to pass Measure RR. The District's Measure RR authorizes the sale of not to exceed $3.5 billion in general obligation bonds to invest in the District's safety, reliability and traffic relief program, to repair and replace critical infrastructure, prevent accidents, breakdowns and delays, relieve overcrowding, reduce traffic congestion and pollution, improve earthquake safety and expand safe access into the stations, including access for seniors and persons with disability. The system renewal plan would be implemented over the course of 21 years, from 2017 through 2038.

The bond would be backed by a tax levied on the assessed value of taxable property within the three-county BART District (San Francisco, Alameda and Contra Costa counties).

DEFINED BENEFIT PENSION PLAN

Schedule of Changes in Net Pension Liability and Related Ratios (dollar amounts in thousands) (Last 10 years*)

	Miscellaneous Plan	
	2016	**2015**
Total pension liability		
Service cost	$ 36,151	$ 36,182
Interest on total pension liability	146,226	139,931
Changes of assumptions	(32,773)	-
Differences between expected and actual experience	(4,807)	-
Benefit payments, including refunds of employee contributions	(95,653)	(89,968)
Net change in total pension liability	49,144	86,145
Total pension liability - beginning	1,978,781	1,892,636
Total pension liability - ending	$ 2,027,925	$ 1,978,781
Plan fiduciary net position		
Contributions - Employer	$ 32,466	$ 28,276
Contributions - Employee	17,818	21,375
Plan to Plan resource movement	(36)	-
Net investment income	37,388	251,137
Benefit payments, including refunds of employee contributions	(95,653)	(89,968)
Administrative expense	(1,865)	-
Net change in fiduciary net position	(9,882)	210,820
Plan fiduciary net position - beginning	1,666,408	1,455,588
Plan fiduciary net position - ending	$ 1,656,526	$ 1,666,408
Plan net pension liability - ending	$ 371,399	$ 312,373
Plan fiduciary net position as a percentage of the total pension liability	81.69%	84.21%
Covered-employee payroll	$ 246,901	$ 240,171
Plan net pension liability as a percentage of covered-employee payroll	150.42%	130.06%

*Fiscal year ended June 30, 2015 was the first year of implementation of GASB 68, therefore only two years of information is shown.

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Schedule of Changes in Net Pension Liability and Related Ratios (dollar amounts in thousands) (Last 10 years*) (Continued)

	Safety Plan	
	2016	**2015**
Total pension liability		
Service cost	$ 5,935	$ 5,790
Interest on total pension liability	20,099	18,885
Changes of assumptions	(4,942)	-
Differences between expected and actual experience	4,794	-
Benefit payments, including refunds of employee contributions	(14,140)	(13,199)
Net change in total pension liability	11,746	11,476
Total pension liability - beginning	266,981	255,505
Total pension liability - ending	$ 278,727	$ 266,981
Plan fiduciary net position		
Contributions - Employer	$ 9,428	$ 7,442
Contributions - Employee	1,917	2,817
Plan to Plan resource movement	1	-
Net investment income	4,015	27,150
Benefit payments, including refunds of employee contributions	(14,140)	(13,199)
Administrative expense	(206)	-
Net change in fiduciary net position	1,015	24,210
Plan fiduciary net position - beginning	181,889	157,679
Plan fiduciary net position - ending	$ 182,904	$ 181,889
Plan net pension liability - ending	$ 95,823	$ 85,092
Plan fiduciary net position as a percentage of the total pension liability	65.62%	68.13%
Covered-employee payroll	$ 17,941	$ 17,377
Plan net pension liability as a percentage of covered-employee payroll	534.10%	489.68%

Notes to Schedule:

Benefit changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the measurement dates. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes in assumptions – The discount rate was changed from 7.50% (net of administrative expense) in 2015 to 7.65% in 2016.

*Fiscal year ended June 30, 2015 was the first year of implementation of GASB 68, therefore only two years of information is shown.

Schedule of Employer Pension Contributions (dollar amounts in thousands)
(Last 10 years*)

	Miscellaneous Plan			Safety Plan		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Actuarially determined contribution	$ 39,768	$ 32,756	$ 28,213	$ 10,658	$ 9,512	$ 7,423
Contributions in relation to the actuarially determined contribution	(39,768)	(32,756)	(28,213)	(10,658)	(9,512)	(7,423)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 265,778	$ 245,593	$ 226,893	$ 20,410	$ 19,741	$ 17,077
Contribution as a percentage of covered-employee payroll	14.96%	13.34%	12.43%	52.22%	48.18%	43.47%

*Fiscal year ended June 30, 2015 was the first year of implementation of GASB 68, therefore only three years of information is shown.

The significant actuarial methods and assumptions used to compute the actuarially determined annual required contributions and the funded status based on valuation date of June 30, 2013 follows:

Miscellaneous and Safety	
Actuarially determined contribution for fiscal year	June 30, 2016
Valuation date	June 30, 2013
Methods and assumptions used to determine contributions rates	Based on the June 30, 2013 CalPERS Annual Valuation Report.
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of payroll
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50%, net
Retirement Age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the CalPERS Experience Study adopted by the CalPERS Board first used in the June 30, 2009 valuation. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries

Other Postemployment Benefits
Schedules of Funding Progress
(dollar amounts in thousands)

Retiree Medical Benefits

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (%)	Covered Payroll	UAAL as a Percentage of Covered Payroll (%)
6/30/13	$ 297,955	$ 165,639	$ 132,316	55.6	$ 243,406	54.36
6/30/14	331,352	202,181	129,171	61.0	253,264	51.00
6/30/15	333,141	221,766	111,375	66.6	260,861	42.70

Additional OPEB

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (%)	Covered Payroll	UAAL as a Percentage of Covered Payroll (%)
6/30/13	$ 33,027	$ -	$ 33,027	-	$ 245,406	13.57
6/30/14	29,130	-	29,130	-	253,264	11.50
6/30/15	30,659	-	30,659	-	260,861	11.75