San Francisco Bay Area Rapid Transit District (BART)
Headquarters in Oakland, California
800 Madison Street, P.O. Box 12688
Oakland, CA 94604-2688
(415) 464-6000

Established in 1957 by the California State Legislature. Authorized to plan, finance, construct, and operate rapid transit system.

Governed by a Board of Directors elected for four-year terms by voters in nine election districts within the counties of Alameda, Contra Costa and San Francisco.

Board of Directors—Fiscal Year 1994
President
Margaret K. Pryor, Oakland
Vice President
Michael Bernick, San Francisco

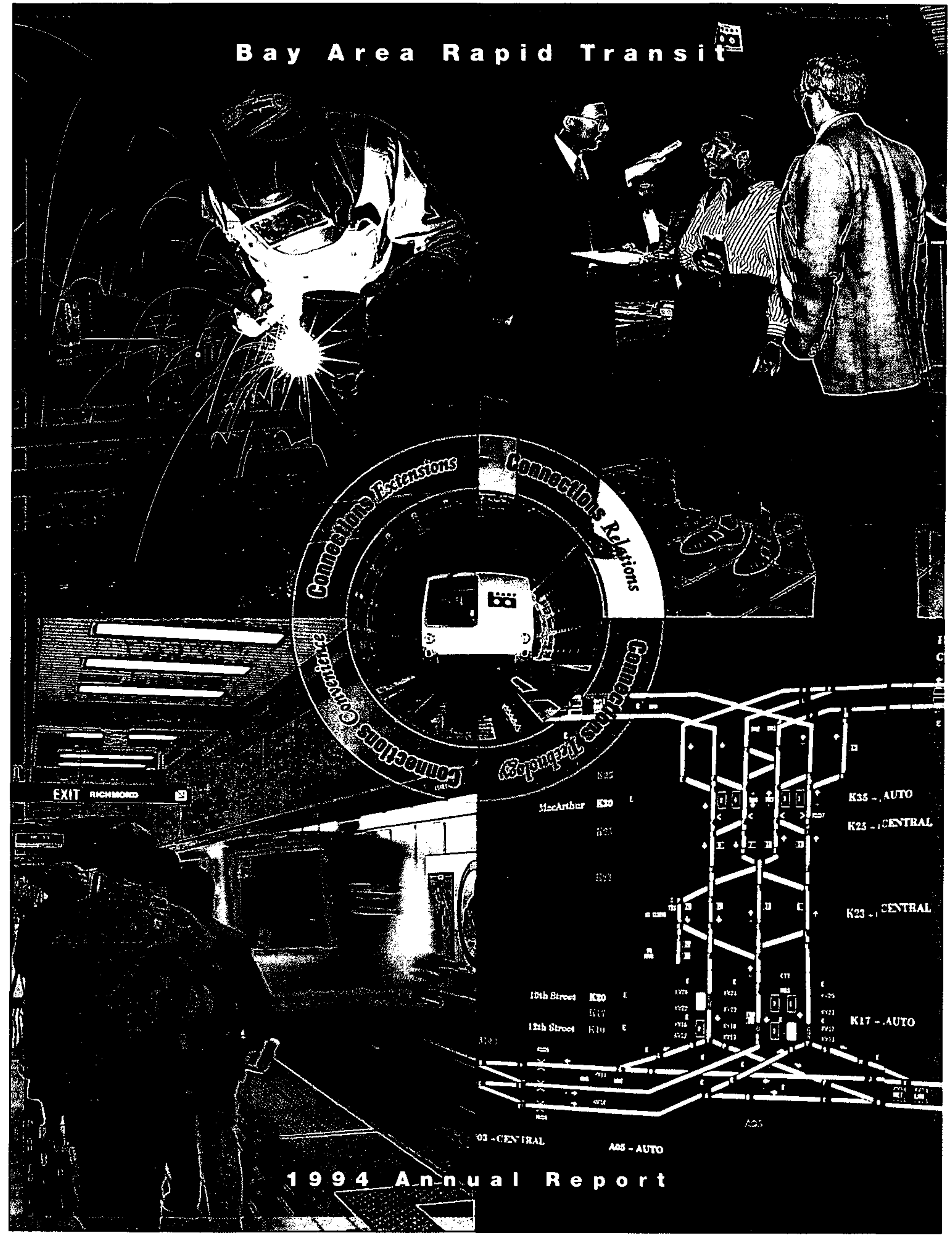
Members of the Board
District #1 - Dan Richard, Orinda
District #2 - Nello Bianco, El Sobrante
District #3 - Roy Nakadegawa, Berkeley
District #4 - Margaret K. Pryor, Oakland
District #5 - Sherman Lewis, Hayward
District #6 - John Glenn, Fremont
District #7 - Wilfred T. Ussery, San Francisco
District #8 - James Fang, San Francisco
District #9 - Michael Bernick, San Francisco

Board-Appointed Officers
Richard A. White, General Manager
Sherwood Wakeman, General Counsel
Alvan Teragawachi, Controller/Treasurer
Christine Apple, District Secretary

Executive Managers
Dorothy W. Dugger, Deputy General Manager
James T. Gallagher, Assistant General Manager, Operations
Thomas E. Margro, Assistant General Manager, Development
Larry T. Williams, Assistant General Manager, Administration
Deborah S. Wetter, Executive Manager, External Affairs
Ralph S. Weule, Executive Manager, Safety and Investigations

The Annual Report is published by the District pursuant to Section 28770, Public Utilities Code of the State of California

Design: Design Angles, San Francisco
Separations: Prepress Assembly Incorporated, San Francisco
Printing: Express Quality Printing, San Francisco
Photography: John Benson, Pleasanton
Fisher Photo, Emeryville
G.M.P.S. Photography, Hayward
Michael Mejia Photography, Richmond
Writer: Dani Townsend, Martinez
Editor: BART Public Affairs



General Manager's Message

Richard A. White

In fiscal year 1994, the Bay Area Rapid Transit District marked its 21st year of service, a year in which the need to invest in America's transportation future was never before so compelling. According to the American Public Transit Association, approximately 13% of our incomes are spent on private, "user-operated" transportation — $336 billion per year. In 1991, the United States lost $1.3 billion in agricultural crops to pollution and freeway construction and rang up $50 billion in health-care costs. Each year American workers waste more than 2 billion hours in traffic jams; in the next 15 years congestion on American freeways will increase by 400%.

However, every person who switches from a private vehicle to public transportation significantly reduces pollution and congestion. At BART, that's our vision for the future.

At the dawn of the 1990s, we set a number of ambitious goals for system revitalization, safety, service and operational improvements. Today, we've met many of those goals and in FY94 made significant progress toward achieving the remaining ones. Thus, we were able to focus even more keenly on preparing for the future, creating short-term solutions that support our long-term plans and making dramatic headway in our 34.5-mile, three-county extensions program. Our foundation stronger than ever, we're meeting the challenges of today in order to build the transportation of tomorrow.

The stagnant economy has cut into both our patronage and our sales tax revenue. Half of BART's operating budget comes from each. We met the financial challenge by trimming staff and expenses, eliminating 55 jobs in the past couple of years alone — nearly half in management — and saving more than $9 million a year.

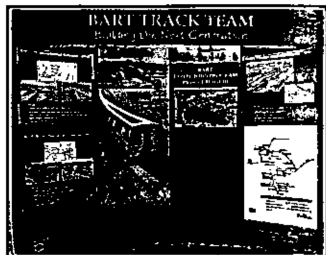
We must now redouble our efforts in order to meet the triple-challenge that faces BART: the increases in operating costs brought on by the opening of our extensions, our systemwide rehabilitation program, and compliance with the Americans with Disabilities Act.

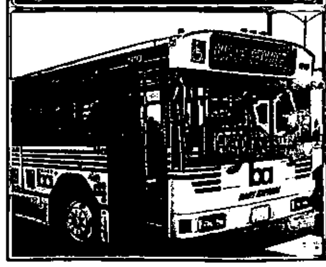
Strengthening Our Foundation

At the end of last fiscal year, BART received very high marks in overall performance from the Metropolitan Transportation Commission (MTC). In fact, the District was cited for top performance in the very categories that pose significant challenges now and in the future. The MTC offered three further suggestions: reduce employee absenteeism, refine BART's already "exemplary" goals and objectives by establishing year-to-year department-level milestones, and secure funding for system rehabilitation. At fiscal year-end, 1,790 excellent attendance awards were presented to employees — a 13% increase over fiscal 1993. Further, BART developed a mechanized program-budgeting and cost-tracking system that improves cost controls and links activities and objectives directly to these programs. Finally, the District entered into a $650 million accord with MTC to fund rehabilitation of our transit cars and other facilities over the next six years, underscoring a renewed cooperative effort among transportation agencies. Together with other rehabilitation funds, this commitment will take us a long way toward completing our overall 10-year, $1 billion systemwide rehabilitation plan.

Revitalizing, Rehabilitating

In addition to beginning the process of dismantling and renovating each of our 440 original A and B cars, by fiscal year-end 43 of the 80 new C2 car shells had been shipped from Germany; the first car was 85% assembled, with four more close behind — several months ahead of schedule. We continued to upgrade and repair station facilities throughout the year. We implemented our computer-based graffiti reporting system, and throughout the year, vehicle and shop-level Reliability Improvement Teams worked to detect and solve quality and performance problems, anticipate potential problems, and create ways to improve overall reliability. Mean Time Between System Failures (MTBSF), for example, was 1,340 — 34% better than the 1000-hour goal.





Improving Access

The District moved toward a spectrum of access solutions, from the standard to the innovative. Parking was a critical priority. Work was essentially completed on the new 1,243-space Hayward parking structure, the 883-space Concord parking facility, and the 1,235-space Walnut Creek parking structure. In the past three years, we have increased the number of parking spaces systemwide by 15% — from 29,500 to nearly 34,000.

On February 2, 1994, the District cleared another access hurdle when we dedicated the new BART-to-Airport Express Bus at the San Francisco International Airport. The event was co-sponsored by BART, San Mateo County Transit District (SamTrans), the San Francisco International Airport, MTC, the Bay Area Air Quality Management District, and CalTrans. The bus service not only provides an immediate and vital link between BART and the airport, but it also helps gear riders toward taking BART to the SFO in the future.

Improving Safety and Service

By the end of its 21st year, the BART system had carried more than one billion passengers more than 14 billion pas-

In its 21st year of service to the Bay Area, BART patronage for fiscal year 1994 totaled 73,175,021, compared to 73,939,485 for fiscal year 1993. We find this 1.0 percent decline understandable for a period that saw relatively high unemployment in a region struggling to begin recovering from a lingering recession.

Weekday passenger trips averaged 251,981 versus 253,838 for the previous fiscal year — a 0.7 percent decrease. Annual passenger miles amounted to 915,990,545, 1.6 percent below last year's 931,234,916. While ridership for peak commute hours decreased slightly, from 47.5 percent at the end of FY93 to 47.2 percent at the end of FY94, off-peak patronage increased from 52.5 percent to 52.8 percent, and annual trip length remained at 12.6 miles.

The District's estimated share of peak-period transbay traffic for FY94 (including cars, buses, and trains) was 44.1 percent, level with last year's figure.

Net passenger revenues were up $232,500 for the year, from $102,264,700 to $102,497,200. Total operating revenues — including $10,639,200 in interest income, advertising in trains and stations, and other income — were $113,136,400 in FY94, an increase of $1,088,000 from the previous fiscal year. Net operating expenses were $217,425,800, 3.3 percent higher than last year's $210,389,110. BART funded 47.14 percent of its FY94 net operating expenses from net passenger revenues, compared to a 48.61 percent farebox ratio for FY93. The District's objective is to fund no less than 50 percent of its net rail operating expenses from operating revenues. For fiscal 1994, the operating ratio, which relates total operating revenues to total net operating expenses, was 52.03 percent.

Net rail passenger revenue per passenger mile was $0.11, level with the previous year. Rail operating cost per passenger mile was $0.228 versus $0.217 last year.

Although these figures are close to the District's objectives, they reflect the inevitable effects of inflation, wherein costs have risen faster than ridership and fares have not increased since 1986.

In addition to funds derived from passenger fares, interest income, and advertising, BART received $90,291,000 (net of $19,543,000 allocated for debt service) in revenue from 75 percent of the one-half-cent transit sales tax in the three BART counties, $4,962,000 in local and state financial assistance and, $12,344,000 (net of $47,259,000 allocated for debt service) in property tax, which were all available for operations. Of the $4,962,000 local and state financial assistance available for operations, $3,400,000 was used for capital expenditures.

While these numbers paint an overall performance picture of BART holding its own, they also demonstrate the challenges we have been facing and will continue to face through the end of the century as BART pursues its ambitious program of system rehabilitation and expansion in the face of a still-weak economy.

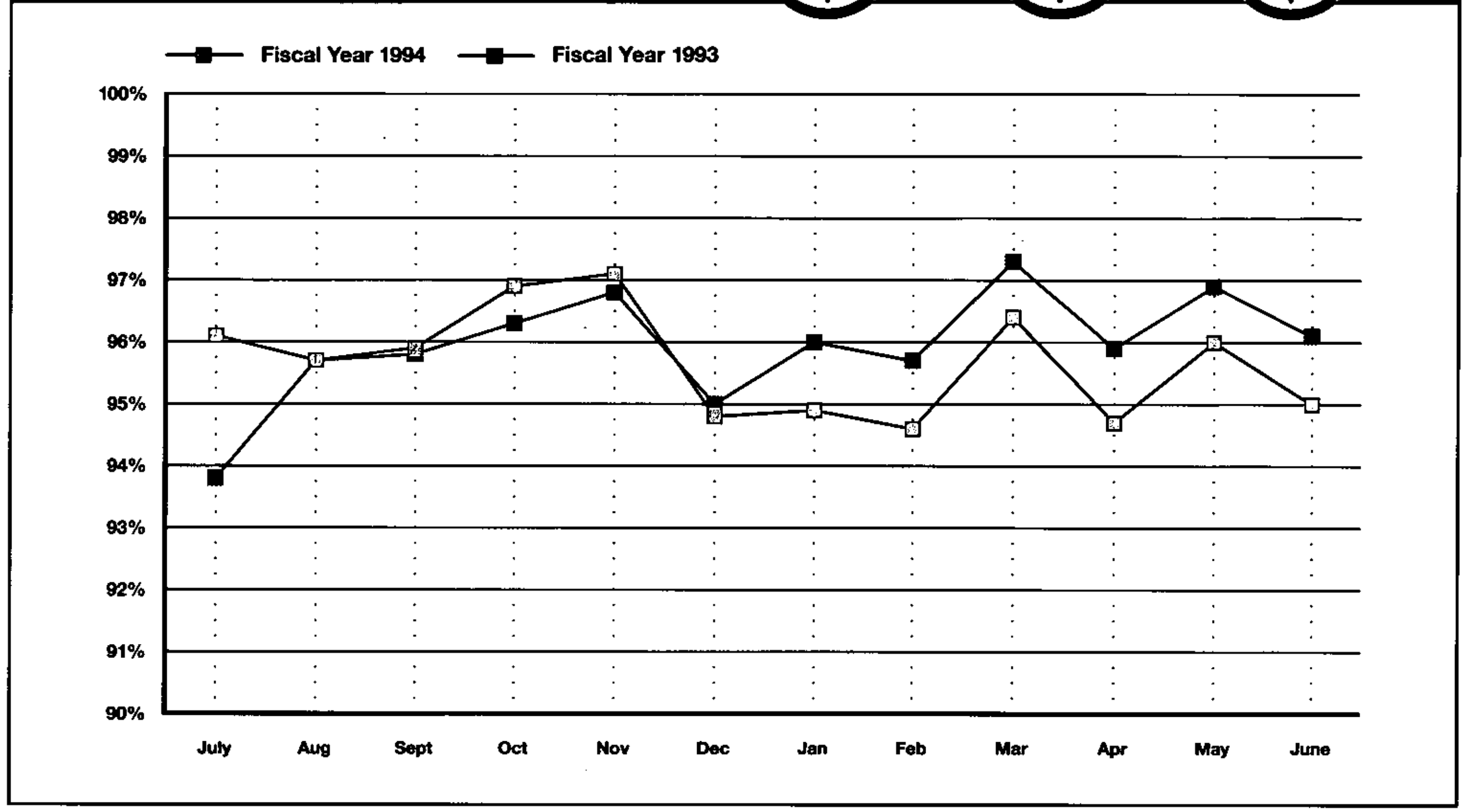
Performance Highlights	FY 1994	FY 1993
Rail Ridership		
Annual passenger trips	73,175,021	73,939,485
Average weekday trips	251,981	253,838
Average trip length	12.6 miles	12.6 miles
Annual passenger miles	915,990,545	931,234,916
Daily on-time train performance (%)	95.4%	95.9%
System utilization ratio (passenger miles to available seat miles)	30.9%	31.8%
End-of-period ratios:		
Peak patronage	47.2%	47.5%
Off-peak patronage	52.8%	52.5%
BART's estimated share of peak period transbay trips—cars, trains & buses	44.1%[a]	44.1%[a]
Operations		
Annual revenue car miles	42,331,866	41,893,212
Unscheduled train removals—average per revenue day	1.60	1.65
Transit car availability to revenue car fleet	84.0%[b]	79.6%[b]
Passenger accidents reported per million passenger trips	13.20	12.50
Patron-related crimes reported per million passenger trips	80.86	67.10
Financial		
Net passenger revenues	$ 102,497,200	$ 102,264,700
Other operating revenues	$ 10,639,200	$ 9,783,700
Total operating revenues	$ 113,136,400	$ 112,048,400
Net operating expenses (excluding depreciation)	$ 217,425,800	$ 210,389,100
Farebox ratio (net passenger revenues to net operating expenses)	47.14%	48.61%
Operating ratio (total operating revenues to net operating expenses)	52.03%	53.26%
Net rail passenger revenue per passenger mile	$ 0.110	$ 0.110
Rail operating cost per passenger mile	$ 0.228	$ 0.217
Net average rail passenger fare[c]	$ 1.38	$ 1.37

Notes

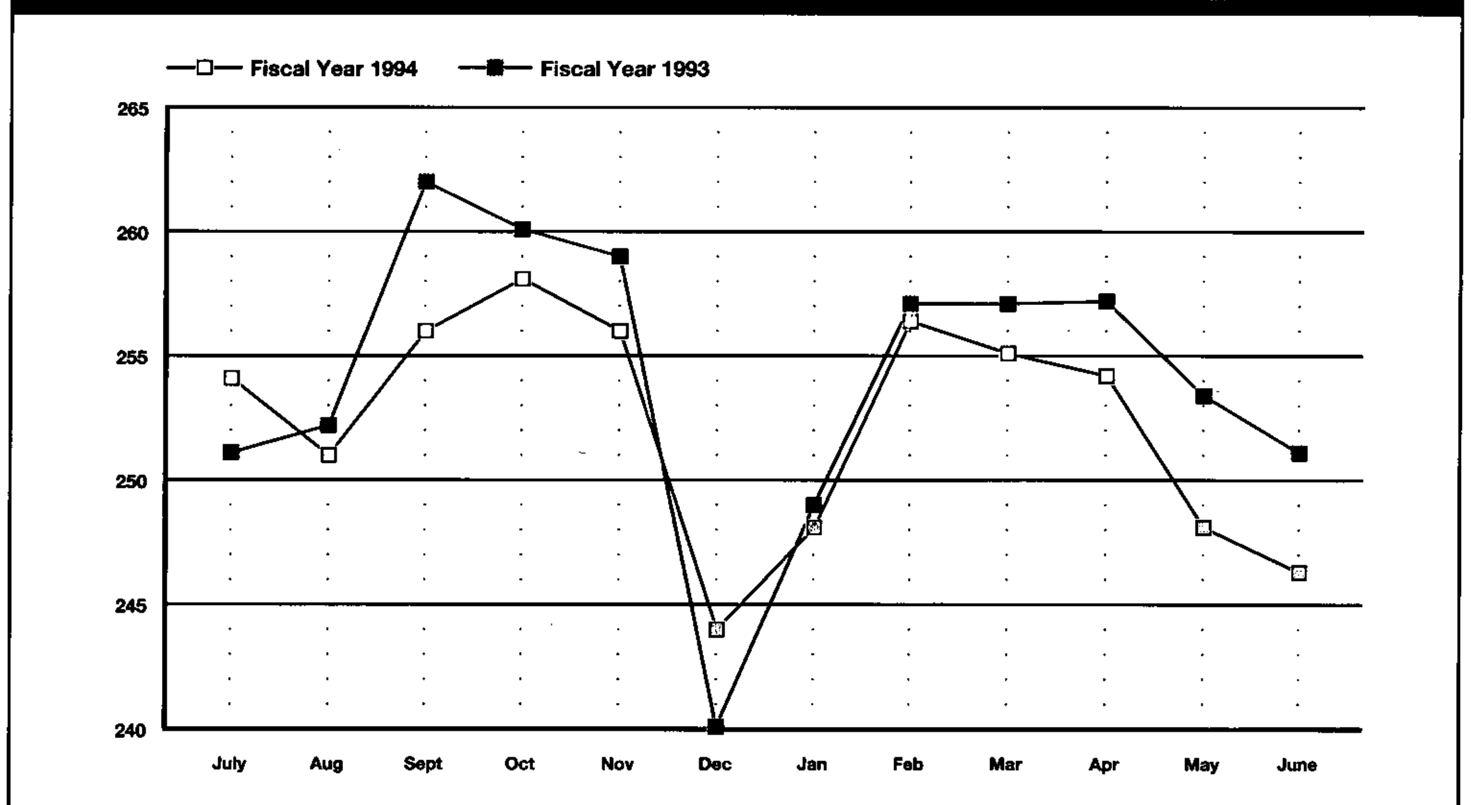
General note: Data represents annual averages unless otherwise noted

(a) Based on MTC transbay survey, 7–9 a.m. and 4–6 p.m., (b) At 4 a.m. each day., (c) Includes BART/MUNI Fast Pass.

Daily On Time Performance



Average Weekday Trips



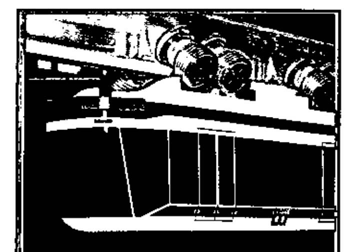
The new operations control center uses computer imaging and video projection display

sengers miles — with one of the best safety records in the world. At BART, we place the highest priority on safety and service.

In March 1994, the District marked a major milestone by opening its new operations control center. The Operations Control Center (OCC) uses computer imaging and video projection to display the entire system. The OCC is the eyes and ears of the entire system where every train movement and support system is monitored, and announcements are made to passengers to keep them continuously informed. To accommodate system growth, the software-driven display can be updated with virtually no limit and should translate into countless improvements to overall customer service.

Safety and Security

Police services are one of the linchpins of our safety program, and FY94 saw a number of key improvements in police services. We developed the "zero tolerance program" to eradicate fare evasion and reduce serious criminal activity at selected stations. Other security improvements for our customers included: improved lighting, stronger police presence on trains and in stations, and the presence of attendants in parking structures. At the close of FY94, serious crimes had been reduced more than 10%.



Investing In Our Employees And In The Community

What better way to support our efforts to prepare for the future than by investing in our greatest resources: our employees and the communities we serve? BART's career development series, substance abuse program, employee assistance program, education fair, and trauma response program help employees develop their professional potential, face personal challenges, and improve their effectiveness. An opportunity to invest in the families of our employees and the community's future presented itself in the Take Our Daughters to Work and Take Our Sons to Work days, in which hundreds of young people participated.

We know that investing in a community's future means investing in its youth. FY94 saw another successful federally funded summer youth employment program, with 138 youths aged 14 to 21 receiving on-the-job training primarily in clerical and maintenance.

Cultivating a strong, relationship with communities where BART's extensions are being built is critical to our success. We opened community centers in Concord, Dublin, Hayward and Colma to serve as clearinghouses for news, information, and assistance with construction-related problems. In the preliminary planning stages of the SFO extension, we invited citizen comment and accepted alternative proposals.

Extending Into The Future

Thirty years after BART's original construction began, our extension program is well on its way to reaching riders in east Contra Costa and Alameda counties, and San Mateo County. The Phase I program includes 34.5 miles of new double track, 11 new stations, and more than 18,000 parking spaces. Thanks to the BART employees and our federal, state and local partners, by fiscal year-end we had reached some exciting milestones; on the 1.6-mile Colma extension, the two-platform, three-track station was 56% complete, and the bridges and five-level parking structure were 70% complete; on the 7.8-mile Pittsburg/Antioch extension, the new North Concord/Martinez station was 74% complete, and the line extending from the Concord station to North Concord/Martinez was 95% finished; and on the 14-mile, two-station Dublin/Pleasanton extension, construction began on the East Dublin/Pleasanton station, significant portions of trackway and aerial structure were complete, and work on the tie-in connecting the new line to the Fremont line neared completion. Our aggressive construction schedule calls for opening the North Concord/Martinez, Castro Valley, Dublin/Pleasanton and Colma stations in fiscal year 1996, and the West Pittsburg station in fiscal year 1997.

Throughout the construction of the extension program we have maintained an approximate average of 23% participation by disadvantaged business enterprises (DBE), and thus far have created about 40,000 jobs, directly and indirectly.

Meanwhile, the comprehensive approval process for the planned San Francisco International Airport extension moved into high gear during the year with the Draft Environmental Impact Report expected to be available for public comment by early 1995.

Partnerships A Key

Overall, the massive effort required to build the extensions has been the product of partnerships with numerous local, state and federal agencies as well as the many communities BART will soon be serving directly with train service. Without question, these partnerships have been the underpinnings of our progress toward expanding the system.

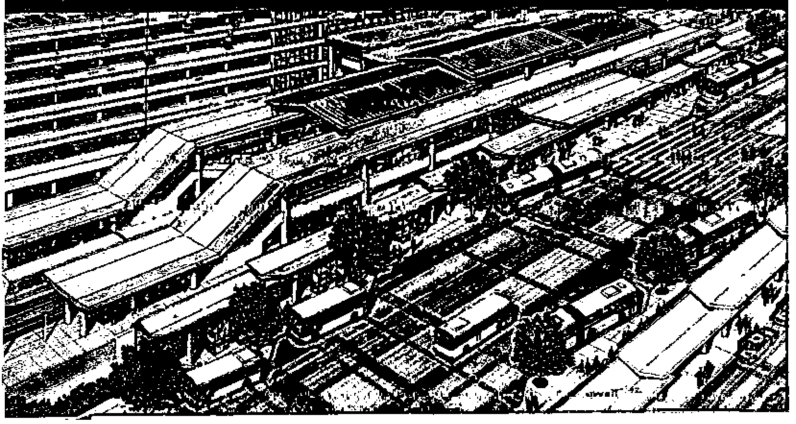
Joint Development

For several years now, the potential to forge private-public partnerships in "joint developments" that will leverage the BART asset has been paramount. We have negotiated with three developers to pursue building residential/retail complexes at the El Cerrito Del Norte, El Cerrito Plaza and Castro Valley stations, and completed an agreement that will guarantee BART $1 million a year in income from the "pay phone" franchise in our 34 stations.

Commuter Rail Potential

Faced with the challenge of creating a short-term solution that would facilitate BART's longer-term extension program, we developed FasTrak. It's a rail-based system using existing right-of-way and infrastructure to link the outlying East Bay and South Bay with existing rail, bus and BART systems. The proposed FasTrak system will require the cooperation of communities and transit agencies and involve upgrading existing rail, building new stations, and improving existing stations over a two-year period and leasing train equipment to move commuters from outlying areas in Solano, San Joaquin and Santa Clara counties to connections in the three-county BART District. FasTrak is a cost-effective and immediate solution that will help build the public transit habit among commuters in corridors designated for future extensions, taking 75 to 125 cars off the road per rail car.

An architectural rendering of the Colma BART Station on the Daly City Line. Work on the extension is ahead of schedule and coming under budget.



Developing New Technology

Technological innovation has always played a pivotal role in BART's ability to meet challenges and respond to the pressing transportation needs of the Bay Area community. But innovation has never been more critical than in our current endeavors to prepare a transportation future that addresses the environmental and economic realities the community is facing.

An alliance among BART, Hughes Aircraft and Morrison Knudsen won $19.5 million in defense conversion funds to develop an advanced automatic train control system that will allow trains to travel at higher average speeds, traverse the Transbay Tube at shorter intervals, and use electricity more efficiently. This system will convert the U.S. military's "radio frequency position locating" defense technology, nearly doubling the number of people we can carry during commute hours and eliminating the need for a second, multi-billion-dollar transbay tube. A $700,000 Bay Area Air Quality Management District grant — along with funds from Pacific Gas & Electric, Caltrans, the California Energy Commission, and CALSTART/ARPA — will help fund our Electric Station Car program. By the end of FY94, the program included $1.5 million in funding with 45 electric station cars scheduled to hit the road in FY95, as well as three electric shuttle buses.

BART also began participating with the San Francisco MUNI in an innovative access solution for people with vision handicaps. The Smith-Kettlewell Eye Research Institute installed a "talking sign" system at Powell Street that uses programmable directional infrared transmitters to provide "way finding" for passengers carrying small receivers, which allow them to hear the messages on the transmitters.

In cooperation with the Port of Oakland, preliminary work began on developing suspended light rail transit (SLRT) technology for the Oakland Airport Intermodal Connector project, which will merge all forms of transportation — air, light and heavy rail, and bus — into one airport commuter system. SLRT technology could forge a critical link among many segments of the Bay Area's future transportation system.

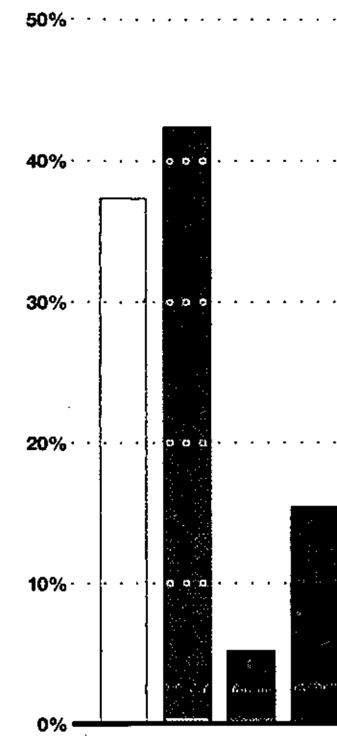
Looking Into Tomorrow

The opening of the extensions, the delivery of new cars, the investment in our employees, their families and our communities, the rehabilitation of the entire BART system, and the implementation of new, cutting-edge technologies will carry BART into the Next Generation of Bay Area Transportation. They will allow us to offer more BART to more people, to reinvest our resources into the basic system while investing new resources into new systems, to strengthen our ties to the communities we serve, and to strengthen our commitment to our customers and to our employees.

Environment. Economy. Quality of Life. Jobs. Equal opportunity. Critical priorities for Bay Area citizens and, thus, for BART. With the funding of urgently needed system reinvestment begun and with significant extension milestones behind us, we at BART feel we're well on the way toward a cleaner, better, more economically promising transportation future for the Bay Area.

Richard A. White
General Manager, Bay Area Rapid Transit

Operating Funds 1993-94

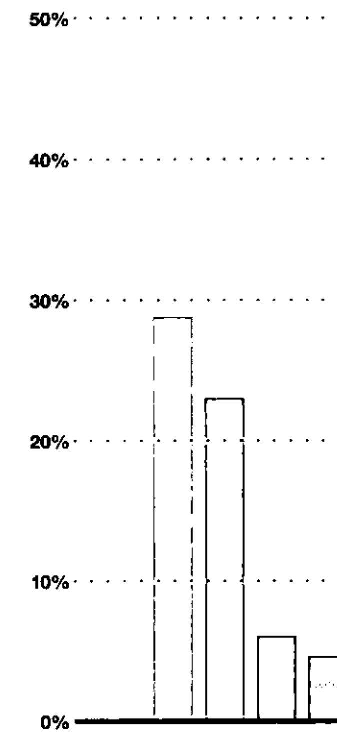


Sources of Funds
(in thousands)

Total $242,211 100.00%

- **Transactions and Use Sale Tax** $90,291 37.28%
- **Passenger Fares** $102,497 42.32%
- **Property Tax** $12,344 5.09%
- **Other** $37,079 15.31%
  - Investment Income and Other Operating Revenues* $10,731 4.43%
  - Construction Funds $21,386 8.83%
  - Regional Financial Assistance
    - Local $562 0.23%
    - State $4,400 1.82%

** Includes use of prior year's retained earnings to cover this year's deficit of $92,000*

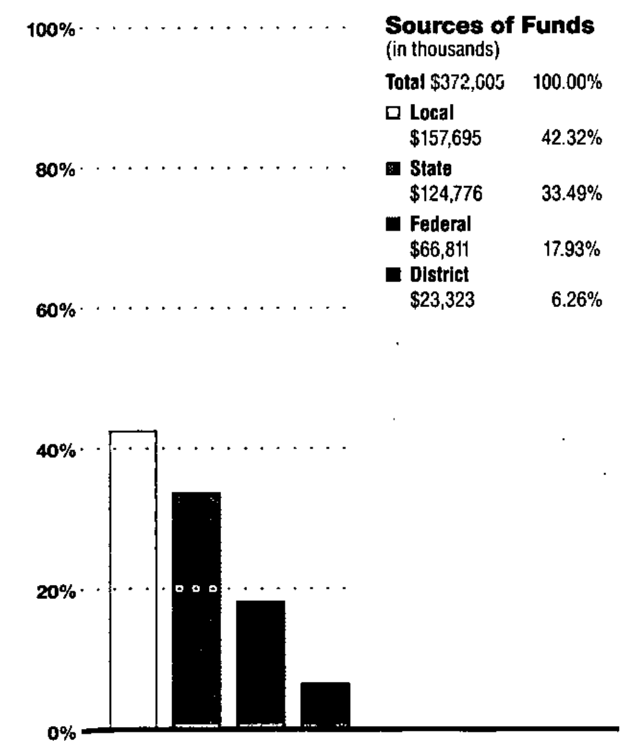


Uses of Funds
(in thousands)

Total $242,211 100.00%

- **Maintenance** $92,195 38.07%
- **Transportation** $69,349 28.63%
- **General Administration** $55,422 22.88%
- **Police Services** $14,361 5.93%
- **Other** $10,884 4.49%
  - Capital Designation $3,400 1.40%
  - Construction and Engineering $7,484 3.09%

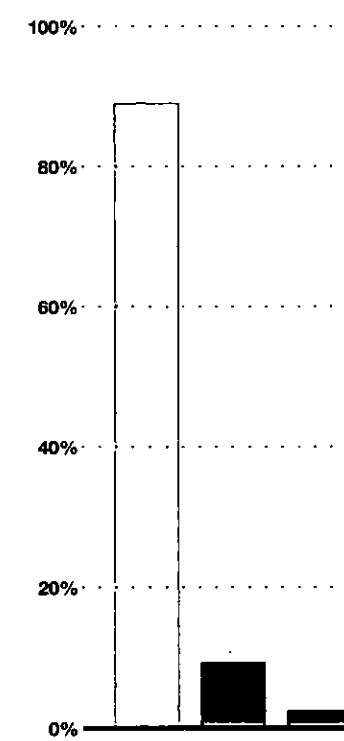
Capital Funds 1993-94



Sources of Funds
(in thousands)

Total $372,605 100.00%

- **Local** $157,695 42.32%
- **State** $124,776 33.49%
- **Federal** $66,811 17.93%
- **District** $23,323 6.26%



Expenditures
(in thousands)

Total $372,605 100.00%

- **Construction** $330,789 88.78%
  - Line $328,180 88.08%
  - Systemwide $2,067 0.55%
  - Construction and Engineering $542 0.15%
- **Equipment** $33,739 9.05%
  - Train Control $4,503 1.21%
  - Communications $2,075 0.56%
  - Transit Vehicles $24,232 6.50%
  - Automatic Fare Collections $1,329 0.36%
  - Management Information Sys. $269 0.07%
  - Support Vehicles $126 0.03%
  - Other Equipment $1,205 0.32%
- **Studies and Others** $8,077 2.17%

10. Deferred Compensation Plan continued:

District management believes that the District has no liability under the terms of the plan for any amounts other than the participants' account balances. Management further believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

11. Money Purchase Pension Plan:

All District employees, except sworn police officers, participate in the Money Purchase Pension Plan, which is a supplemental retirement program. 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 covered employee's annual compensation (up to $29,700 after deducting the first $133 paid during each month) up to a maximum annual contribution of $1,868.

Additionally, the District contributes to each employee's account approximately 1.63% of covered payroll for the savings realized when the District de-pooled its Public Employees' Retirement Fund (Fund) account. Effective July 1, 1991, the District discontinued its 1.63% contribution on behalf of members of United Public Employees' Union and Amalgamated Transit Union employees in accordance with union contractual agreements. This amount was formerly paid to the employee's Fund account. However, effective July 1, 1992, this contribution was discontinued for all employees. 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, 1994 and 1993 was $5,419,000 and $5,447,000, respectively. Money Purchase Pension Plan assets at June 30, 1994 and 1993 (excluded from the accompanying financial statements) were $118,383,000 and $116,517,000, respectively.

12. Commitments and Contingencies:

Litigation and Disputes with Contractors:

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 or results of operations.

Lease Commitments:

The District leases certain facilities under operating leases with original terms ranging from two to five 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, 1994 are as follows:

	Operating Leases
1995	$1,304,944
1996	21,306
Total minimum payments	$1,326,250

Rent expense under all operating leases was $1,647,000 and $1,680,000 for the years ended June 30, 1994 and 1993, respectively.

Coopers & Lybrand

CALVIN Y. LOUIE

Coopers & Lybrand L.L.P.
(a joint venture)

a professional services firm

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of San Francisco
Bay Area Rapid Transit District:

We have audited the accompanying financial statements of the San Francisco Bay Area Rapid Transit District (the District) as of June 30, 1994 and 1993 and for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Francisco Bay Area Rapid Transit District as of June 30, 1994 and 1993, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.   Calvin Y. Louie

Oakland, California
October 14, 1994

San Francisco Bay Area Rapid Transit District

Balance Sheets

June 30, 1994 and 1993

(IN THOUSANDS)	1994	1993
ASSETS		
Current assets:		
Cash and cash equivalents	$ 65,539	$ 57,644
Investments	7,020	5,450
Total cash, cash equivalents and investments (including restricted cash and investments of $7,102 in 1994 and $8,690 in 1993)	72,559	63,094
Deposits held by trustee - restricted	16,761	111,697
Capital grants and contributions receivable - restricted	94,765	71,857
Other receivables	9,766	14,129
Materials and supplies	22,465	22,918
Total current assets	216,316	283,695
Restricted and designated assets:		
Investments restricted for capital purposes	243,938	268,858
Deposits held by trustee	3,313	8,202
Investments restricted for Board designated purposes	18,490	18,734
Deferred compensation plan investments	101,785	96,054
Facilities, property and equipment, net	2,370,575	2,045,617
Total assets	$2,954,417	$2,721,160
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Notes payable	—	$ 100,000
Current portion of long-term debt	$ 46,660	43,515
Payroll and other liabilities	53,057	49,022
Current portion of self-insurance liabilities	8,370	6,721
Unearned passenger revenue	2,325	2,098
Total current liabilities	110,412	201,356
Contracts payable - restricted assets	41,173	26,942
Self-insurance liabilities	9,814	10,757
Deferred compensation plan liabilities	101,785	96,054
Long-term debt, net	444,176	488,926
Total liabilities	707,360	824,035
Fund equity:		
Contributed capital	1,383,677	1,061,681
Retained earnings	863,380	835,444
Total fund equity	2,247,057	1,897,125
Total liabilities and fund equity	$2,954,417	$2,721,160

See notes to financial statements.

Actuarially Determined Contributions Required and Contributions Made:

The funding policy of the Fund provides for actuarially determined periodic contributions by the District at rates such that sufficient assets will be available to pay benefits when due. The District was not required to make a contribution to the Fund for the years ended June 30, 1994 and 1993 in accordance with the actuarially determined requirements computed as of June 30, 1993 and 1992, respectively. The District's surplus asset position is being offset against the current year's normal cost contribution. The actuarially determined normal cost contribution rate before reduction for the surplus asset amortization was 15.435% (1993, 16.244%) for safety employees and 7.259% (1993, 8.237%) for miscellaneous employees.

The District's normal cost contribution rate is determined using the entry-age normal actuarial cost method, a projected benefit cost method. It takes into account those benefits that are expected to be earned in the future as well as those already accrued. The Fund also uses the level percentage of payroll method to amortize the unfunded actuarial liability through the year 2000.

Significant actuarial assumptions used in the June 30, 1993 valuation to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

Historical Trend Information:

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten-year trend information is not yet available. For the District's portion of the Fund, trend information for the six years ended June 30, 1993 is as follows (dollars in thousands):

	1993	1992	1991	1990	1989	1988
Net assets available for benefits, at cost	$383,838	$340,459	$304,991	$277,041	$245,582	$214,290
Pension benefit obligation	333,526	275,530	244,132	225,168	193,565	171,353
Net assets available for benefits as a percentage of pension benefit obligation	115.0%	124.0%	125.0%	123.0%	127.0%	125.0%
Assets in excess of pension benefit obligation	$ 50,312	$ 64,929	$ 60,859	$ 51,873	$ 52,017	$ 42,937
Annual covered payroll	121,630	114,057	105,614	95,372	85,746	83,178
Assets in excess of pension benefit obligation as a percentage of annual covered payroll	41.4%	56.9%	57.6%	54.4%	60.7%	51.6%
Contributions made in accordance with actuarially determined requirements as a percentage of annual covered payroll	—	—	—	—	—	—

Trend information for 1994 is not yet available. Also, information prior to 1987 is not available.

10. Deferred Compensation Plan:

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The deferred compensation plan, available to all officers and employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, or certain other covered events.

As required by IRC Section 457, all amounts of compensation deferred under the deferred compensation plan and all income attributable to those amounts remain the property of the District (until paid or made available to the participants), subject only to the claims of the District's general creditors. Participants' rights under the deferred compensation plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant. The plan administrator has invested the deferred amounts in numerous participant-directed, uninsured investments.

Continued

9. Employees' Retirement Plan:

Plan Description:

All permanent employees are eligible to participate in the Public Employees' Retirement Fund (Fund) of the State of California's Public Employees' Retirement System. The Fund is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age and compensation. Employees vest after five years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by State statute and District ordinance.

The District was not required to make a contribution to the Fund for covered employees for the years ended June 30, 1994 and 1993 due to a surplus of the District's portion of the Fund's net assets over the District's pension benefit obligation caused by a change in 1988 in the actuarial valuation method and an actual rate of return on investment assets that exceeded the assumed rate. The District's covered payroll for employees participating in the Fund for the years ended June 30, 1994 and 1993 was $128,325,000 and $121,630,000, respectively. The District's 1994 and 1993 payroll for all employees was $138,873,000 and $131,135,000, respectively. The District, due to a Collective Bargaining Agreement, also has a legal obligation to contribute an additional 9% for public safety personnel and 7% for miscellaneous covered employees. Employees have no obligation to contribute to the Fund.

Funding Status and Progress:

The "pension benefit obligation" is determined for each participating employer by the Fund's actuary and is a standardized disclosure measure that results from applying actuarial assumptions to estimate the present value of pension benefits, adjusted for the effects of projected salary increases and step rate benefits, to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the District's portion of the Fund to which contributions are made on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1993, the latest available for the Fund. The significant actuarial assumptions used in the 1993 valuation to compute the pension benefit obligation were an assumed rate of return on investment assets of 8.75%, annual payroll increases of 4.5% attributable to inflation, .75% attributable to real salary increases, and 2% attributable to merit for safety employees and 1.75% attributable to merit for other employees, and no postretirement benefit increases.

The funding status applicable to the District's employee group at June 30, 1993 (the latest available for the Fund) is summarized as follows (in thousands):

Net assets available for benefits, at cost (total market value, $456,390)	$ 383,838
Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	127,293
Current employees:	
Accumulated employee contributions and allocated investment earnings	125,325
Employer-financed, vested	74,787
Employer-financed, nonvested	6,121
Total pension benefit obligation	333,526
Net assets in excess of pension benefit obligation	$ 50,312

Statements of Revenues and Expenses

for the years ended June 30, 1994 and 1993

	(IN THOUSANDS) 1994	1993
Operating revenues:		
Fares	$ 102,497	$ 102,264
Other (including investment income)	10,639	9,784
Total operating revenues	113,136	112,048
Operating expenses:		
Transportation	69,349	67,035
Maintenance	92,195	86,248
Police services	14,361	13,629
Construction and engineering	7,484	7,501
General and administrative	55,422	53,871
Depreciation	48,174	48,943
Total operating expenses	286,985	277,227
Less capitalized costs	(21,386)	(17,895)
Net operating expenses	265,599	259,332
Operating loss	(152,463)	(147,284)
Other revenues (expenses):		
Transactions and use tax	109,834	107,890
Property tax	59,603	58,906
State financial assistance	4,400	—
Local financial assistance	562	500
Other investment income	11,609	11,281
Interest expense	(28,518)	(28,202)
Other expense, net	(171)	(1,823)
Total other revenues	157,319	148,552
Net income	$ 4,856	$ 1,268

See notes to financial statements.

San Francisco Bay Area Rapid Transit District

Statements of Changes in Fund Equity

for the years ended June 30, 1994 and 1993

(IN THOUSANDS)	Contributed Capital	Retained Earnings	Total Fund Equity
Balances, June 30, 1992	$ 930,693	$ 806,993	$ 1,737,686
Net income	—	1,268	1,268
Other additions (deductions):			
Contributed capital	158,171	—	158,171
Depreciation of assets acquired with contributed capital	(27,183)	27,183	—
Balances, June 30, 1993	1,061,681	835,444	1,897,125
Net income	—	4,856	4,856
Other additions (deductions):			
Contributed capital	345,076	—	345,076
Depreciation of assets acquired with contributed capital	(23,080)	23,080	—
Balances, June 30, 1994	$1,383,677	$ 863,380	$2,247,057

See notes to financial statements.

The following is a schedule of long-term debt principal payments required as of June 30, 1994 (in thousands):

Year ending June 30:	1962 General Obligations Bonds	1966 Special Service District Bonds	1990 Sales Tax Revenue Refunding Bonds	1991 Sales Tax Revenue Bonds	1993 Sales Tax Revenue Notes	Total
1995	$ 39,050	$ 620	$ 5,785	$ 1,205	—	$ 46,660
1996	40,625	640	6,205	1,325	—	48,795
1997	42,150	670	6,655	1,465	—	50,940
1998	43,675	700	7,140	1,610	$36,415	89,540
1999	41,125	—	7,655	1,770	38,085	88,635
Thereafter	—	—	123,739	48,635	—	172,374
TOTAL	$206,625	$2,630	$157,179	$56,010	$74,500	$496,944

7. Federal Grants:

The U.S. Department of Transportation provides financial assistance to the District for capital projects and planning and technical assistance. Grants which were active during the year ended June 30, 1994 are summarized as follows (in thousands):

Total approved project costs	$ 631,010
Total approved federal funds	$ 487,339
Less cumulative amounts received	(364,124)
Remaining amount available under federal grants	$ 123,215

8. Local and State Financial Assistance:

The District receives local operating and capital assistance from Transportation Development Act Funds (TDA). For the year ended June 30, 1994, TDA assistance was $561,900 (1993, $500,000), all of which was used for operating assistance. These funds are received from the counties of Alameda and Contra Costa to meet, in part, the District's operating requirements based on annual claims filed by the District and approved by MTC.

The District receives state operating and capital assistance from State Transit Assistance Funds (STA). For the year ended June 30, 1994, STA assistance was $4,400,000 (1993, nil), of which $3,400,000 (1993, nil) was used for capital purposes, $1,000,000 (1993, nil) was used for operating assistance, and nil (1993, nil) was used for flow-through projects. 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.

Continued

6. Long-Term Debt continued:

1966 Special Service District Bonds:

In 1966, City of Berkeley voters formed Special Service District No. 1 and authorized the issuance of $20,500,000 of General Obligation Bonds maturing through 1998, of which $12,000,000 were issued for construction of subway extensions within that city. Payment of both principal and interest is provided by taxes levied upon property within Special Service District No. 1. Bond interest rates range from 4% to 5.5%.

1990 Sales Tax Revenue Refunding Bonds (the 1990 Bonds):

In July 1990, the District issued sales tax refunding bonds totaling $158,478,000. The 1990 Bonds are special obligations of the District payable from and collateralized by a pledge of the sales tax revenues. At June 30, 1994, the 1990 Bonds consist of $135,410,000 of current interest bonds due from 1994 to 2012 with interest rates ranging from 6% to 6.75% and $21,769,000 of capital appreciation serial bonds ($16,828,000 original amount) with yields of 6.65% to 6.75% due from 2002 to 2005. Interest on the capital appreciation bonds is payable at maturity. For financial reporting purposes, accrued interest is added to the principal balance. The current interest bonds maturing on July 1, 2009 ($56,215,000) are redeemable after July 1, 2000, at the option of the District at prices ranging from 100% to 102%. The 1990 Bonds were issued to advance refund 1985 Sales Tax Revenue Bonds outstanding.

1991 Sales Tax Revenue Bonds (the 1991 Bonds):

The 1991 Bonds were issued in August 1991 in the amount of $56,010,000 and are special obligations of the District, payable from and collateralized by a pledge of sales tax revenues. At June 30, 1994, the 1991 Bonds consist of $16,135,000 serial bonds due from 1994 to 2002 with interest rates ranging from 5.15% to 6.3% and $39,875,000 of term bonds due from 2005 to 2012 with interest rates ranging from 6.4% to 6.6%. The District is required to make sinking fund payments on the term bonds beginning on July 1, 2003. Additionally, the 1991 Bonds maturing after June 30, 2001 are redeemable, at the option of the District at prices ranging from 100% to 102%.

1993 Sales Tax Revenue Notes:

In January 1993, the District issued subordinate sales tax revenue notes totaling $74,500,000 to provide funds for the acquisition of 30 mass transit rail vehicles. The notes are special obligations of the District payable from and collateralized by a pledge of certain sales tax revenues and by property tax revenues. The pledge of the sales tax revenue is subordinate to the District's pledge of sales tax revenues with respect to payment of its $158,478,000 original principal amount of Sales Tax Revenue Refunding Bonds, Series 1990, and its $56,010,000 original principal amount of Sales Tax Revenue Bonds, Series 1991, and any obligations of the District payable on a parity with such bonds pursuant to the terms of the indenture under which such bonds were issued.

In prior years, the District defeased sales tax revenue bonds by placing the proceeds of new sales tax revenue refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 1994, the outstanding amount of sales tax revenue bonds defeased was $133,545,000.

The District is subject to certain bond covenants, the most restrictive of which is to make no use of the proceeds of the bonds which will cause the bonds to be arbitrage bonds subject to federal income taxation.

Bond and note discount and issuance costs are amortized over the life of the related debt.

San Francisco Bay Area Rapid Transit District

Statements of Cash Flows

for the years ended June 30, 1994 and 1993

	(IN THOUSANDS) 1994	1993
Cash flows from operating activities:		
Operating loss	$ (152,463)	$ (147,284)
Less investment income included in operating revenue	(7,177)	(6,073)
Operating loss excluding investment income	(159,640)	(153,357)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	48,174	48,943
Net effect of changes in:		
Deferred compensation plan liabilities	-	14,582
Receivables	4,363	297
Materials and supplies	453	(77)
Payroll and other liabilities	4,035	1,210
Self-insurance liabilities	706	2,320
Unearned passenger revenue	227	(187)
Net cash used in operating activities	(101,682)	(86,269)
Cash flows from noncapital financing activities:		
Transactions and use tax received	90,291	89,081
Property tax received	12,344	11,592
Financial assistance received	4,962	500
Net cash provided by noncapital financing activities	107,597	101,173
Cash flows from capital and related financing activities:		
Transactions and use tax received	19,543	18,309
Property tax received	47,259	47,873
Interest paid on debt	(27,568)	(25,181)
Capital grants received	322,168	112,324
Principal paid on long-term debt	(43,515)	(37,685)
Proceeds from issuance of sales tax revenue notes	—	74,500
Proceeds from issuance of (repayment of) Commercial Paper Notes	(100,000)	100,000
Expenditures for facilities, property and equipment	(357,711)	(218,210)
Proceeds from sale of real estate	—	649
Other, net	789	(2,324)
Net cash provided by (used in) capital and related financing activities	(139,035)	70,255
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	400,383	346,733
Sale of investments to repay Commercial Paper Notes	100,000	—
Purchase of investments from issuance of Commercial Paper Notes	—	(100,000)
Purchase of investments	(370,977)	(348,187)
Interest on investments	11,609	17,899
Net cash provided by (used in) investing activities	141,015	(83,555)
Net increase in cash and cash equivalents	7,895	1,604
Cash and cash equivalents, beginning of year	57,644	56,040
Cash and cash equivalents, end of year	$ 65,539	$ 57,644

See notes to financial statements.

Notes to Financial Statements

1. 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.

The District has defined its financial reporting entity in accordance with Government Accounting Standards No. 14, which states that the financial reporting entity should consist of (a) the primary government, (b) the organizations for which the primary government is financially accountable, and (c) the other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on this definition, the financial statements of the District (the primary government) include those of the Transit Financing Authority (the Authority), a component unit.

Basis of Accounting and Presentation:

The accrual basis of accounting is used by the District. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The financial statements of the District are presented as an enterprise fund and are accounted for in separate funds, principally the Operating Fund, Construction Fund and Debt Service Fund. Such funds are combined for financial reporting purposes in order to present the financial position and results of operations of the District as a whole.

Cash and Cash Equivalents:

The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Deposits held by trustee, deferred compensation plan investments, and investments restricted for Board designated purposes are treated as investments.

Investments:

Investments are stated at cost or amortized cost, except for investments of the deferred compensation plan which are stated at market value. As a matter of policy, the District holds investments until their maturity.

Deposits Held by Trustee:

Deposits held by trustee, consisting of cash and investments, are held by trustee banks in accordance with the District's various bond, note and commercial paper indentures and for general debt service requirements. Deposits are stated at cost.

Restricted and Designated Cash and Investments:

Certain cash and investments are classified as restricted and designated assets on the balance sheets because their use is limited, either by certain bond covenants or by the Board of Directors' designations. The use of these funds is restricted for use in construction or for debt service payments.

5. Joint Exercise of Powers Agreement:

Description:

The Joint Exercise of Powers Agreement (the Agreement), dated August 1, 1991, between the District and MTC provided for the creation of the Transit Financing Authority (the Authority), a public instrumentality of the State of California. The term of the Agreement is for ten years, unless extended or earlier terminated. The Authority was formed for the purpose of providing financing and contracting for public transit improvements, including the refinancing of prior indebtedness and acquiring, selling and financing public capital improvements, working capital, liability and other insurance needs, and for the specific purpose of assisting in financing the District's East-Bay extensions.

The governing board of the Authority consists of two members each from the District and MTC. Neither the District nor MTC is responsible for any debt, liabilities and obligations of the Authority.

At the end of the term or upon the earlier termination of the Agreement, all assets of the Authority shall be distributed to the two participants, and any surplus money on hand shall be returned to these participants in proportion to their respective contributions to the Authority.

The District has not contributed any assets to the Authority since inception and has only a residual equity interest as mentioned above. Because the District is not an investee in the Authority, the equity method is not considered appropriate.

Commercial Paper Program:

The Authority has undertaken a commercial paper program to finance certain of the District's system improvements in connection with the multi-phase extension program. Under the program, in October 1992, the Authority issued its Commercial Paper Notes, Series A, and Commercial Paper Notes, Series B, in the aggregate amount of $100,000,000. During March and April 1994, the Authority redeemed and retired all commercial paper notes issued under the program.

At June 30, 1994, the total assets, liabilities and retained earnings of the Authority were $5,000, nil and $5,000, respectively.

6. Long-Term Debt:

Long-term debt at June 30, 1994 and 1993 is summarized as follows (in thousands):

	1994	1993
1962 General Obligation Bonds	$206,625	$244,150
1966 Special Service District Bonds	2,630	3,220
1990 Sales Tax Revenue Refunding Bonds	157,179	161,188
1991 Sales Tax Revenue Bonds	56,010	56,010
1993 Sales Tax Revenue Notes	74,500	74,500
	496,944	539,068
Less:		
Unamortized bond discount and issuance costs	(6,108)	(6,627)
Current portion	(46,660)	(43,515)
Net long-term portion	$444,176	$488,926

1962 General Obligation Bonds:

In 1962, voters of the member counties of the District authorized a bonded indebtedness totaling $792,000,000 of General Obligation Bonds maturing through 1999, with interest rates ranging from 1.5% to 6%. Payment of both principal and interest is provided by the levy of District-wide property taxes.

Continued

3. Facilities, Property and Equipment:

Facilities, property and equipment at June 30, 1994 and 1993 are summarized as follows (in thousands):

	Lives (Years)	1994	1993
Land		$ 240,333	$ 229,946
Improvements	80	1,325,120	1,296,406
System-wide operation and control	20	236,959	221,998
Revenue transit vehicles	30	438,437	437,550
Service and miscellaneous equipment	3-20	35,406	33,112
Capitalized construction and start-up costs	30	97,733	97,723
Repairable property items	30	15,401	14,160
		2,389,389	2,330,895
Less accumulated depreciation and amortization		(673,703)	(627,155)
		1,715,686	1,703,740
Construction-in-progress		654,889	341,877
TOTAL		$2,370,575	$2,045,617

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $763,000,000 at June 30, 1994.

The District has begun Phase 1 of an extension project that will add 35 miles of track and 10 new stations to the system at a total cost of approximately $2,692,000,000. The District anticipates completing Phase 1 by the year 2002. The District anticipates funding for Phase 1 will come from the federal government ($719,000,000), State of California ($578,000,000), San Mateo County ($470,000,000), Alameda and Contra Costa Counties ($321,000,000), bridge tolls ($134,000,000), and the District ($105,000,000), with the remaining source of funding to be identified.

4. Liability for Insurance Claims:

The District is fully self-insured for workers' compensation claims and partially self-insured for public liability and property damage. The self-insured maximum for public liability and property damage claims is $10,000,000 for any one occurrence. Claims in excess of self-insurance retentions are covered up to an additional $140,000,000 by insurance policies.

The self-insurance programs are administered by independent adjustment bureaus. The liability is based, in part, upon the independent adjustment bureaus' estimate of reserves required for unsettled claims and related administrative costs, and includes claims that are incurred but not reported. Such reserves are actuarially determined and subject to periodic adjustment as conditions warrant.

The estimated liability for insurance claims at June 30, 1994 is believed to be sufficient to cover any costs arising out of claims filed or to be filed for accidents which occurred through that date.

Materials and Supplies:

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

Facilities, Property and Equipment:

Facilities, property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense on assets acquired with capital grant funds is transferred to contributed capital after being charged to operations.

Major improvements and betterments to existing facilities and equipment are capitalized. Costs for maintenance and repairs which do not extend the useful life of the applicable assets are charged to expense as incurred. Upon disposition, costs and accumulated depreciation are removed from the accounts and resulting gains or losses are included in operations.

The District capitalizes certain interest revenue and expenditures related to tax-free borrowings. The net effect of such interest capitalization was to decrease expenditures for facilities, property and equipment by $303,000 and $533,000 during the years ended June 30, 1994 and 1993, respectively, for excess interest revenue over interest expense from applicable borrowings.

Compensated Absences:

Compensated absences are accrued and reported as a liability in the period earned. Amounts payable at June 30 are included on the balance sheets in payroll and other liabilities.

Unearned Passenger Revenue:

Unearned passenger revenue is an estimate of passenger tickets purchased which have not yet been used.

Contributed Capital:

The District receives grants from the Federal Transit Administration (FTA) and other agencies of the U.S. Department of Transportation, state, and local transportation funds for the acquisition of transit related equipment and improvements. Capital grants are recognized as donated capital to the extent that costs under the grant have been incurred and recorded as assets. Capital grant funds earned, less amortization equal to accumulated depreciation of the related assets, are included in contributed capital.

Transactions and Use Tax (Sales Tax) Revenue:

State of California legislation authorizes the District to impose a ½% transactions and use tax within District boundaries which is collected and administered by the State Board of Equalization. Of amounts available for distribution, 75% is paid directly to the District's trustee for the purpose of paying bond interest, principal and expenses. Monies not required for these purposes are transmitted to the District. 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 trustee) as revenue.

Continued

1. Significant Accounting Policies continued:

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.

The District receives property tax revenues to meet the debt service requirements of its General Obligation Bonds. The District also receives an allocation of property tax revenues for transit operations. San Francisco, Alameda and Contra Costa Counties assess properties and bill for, collect, and distribute property taxes. Property taxes are recorded as revenue and receivables, net of estimated uncollectibles, in the fiscal year of levy.

Financial Assistance Grants:

Financial assistance grants are accrued as other revenue in the period to which the grant applies.

Reclassifications:

Certain reclassifications have been made to the 1993 totals in order to conform them to the current year's presentation. These reclassifications had no impact on the 1993 net income, as previously reported.

2. Cash and Investments:

The District maintains a cash and investment pool that includes cash and investments available for general use and restricted for Board designated purposes. Cash and investments of the District's deferred compensation plan (see Note 10) are held separately by the plan's administrator.

Deposits:

At June 30, 1994 (and 1993), the District's cash on hand was $732,000 (1993, $1,010,000), and the carrying amount of the District's time and demand deposits was $892,000 (1993, ($487,000)) with the corresponding bank balance of $8,847,000 (1993, $6,468,000). Of the bank balance, $200,000 (1993, $200,000) was insured by federal depository insurance or collateralized by securities held by the District's agent in the District's name, and $8,647,000 (1993, $6,268,000) is required by Section 53652 of the California Government Code to be collateralized 110% by the pledging financial institutions. Such collateral is not required to be in the District's name.

Investments:

State of California statutes and District policy authorize the District to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, bankers' acceptances, repurchase and reverse repurchase agreements, and the State Treasurer's investment pool. The District did not enter into any reverse repurchase agreements during 1994 or 1993.

The District's investments are categorized below to give an indication of the credit risk assumed by the District at June 30, 1994. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name.

(IN THOUSANDS)

	1994				1993			
	Category		Carrying	Market	Category		Carrying	Market
	1	2	Amount	Value	1	2	Amount	Value
Money market	—	$15,495	$ 15,495	$ 15,495	—	$ 16,441	$ 16,441	$ 16,441
U.S. Treasury bills	$ 14,840	—	14,840	14,844	$ 34,585	42,685	77,270	77,725
U.S. Treasury notes	77,307	4,579	81,886	81,749	97,900	6,358	104,258	104,938
Federal agency obligations	187,543	—	187,543	189,202	160,557	54,415	214,972	222,534
Repurchase agreements	34,541	—	34,541	34,541	36,607	—	36,607	36,607
TOTAL	$314,231	$20,074	334,305	335,831	$329,649	$119,899	449,548	458,245
Cash on hand			732	732			1,010	1,010
Time and demand deposits			892	892			(487)	(487)
Investment in California local agency investment fund			15,000	15,000			15,000	15,000
Mutual funds - deferred compensation plan investments			101,785	101,785			96,054	96,054
TOTAL			$452,714	$454,240			$561,125	$569,822
Reported as:								
Cash and cash equivalents			$ 65,539				$ 57,644	
Investments - current			7,020				5,450	
Payroll and other liabilities (representing cash overdraft)			(4,132)				(5,514)	
Deposits held by trustee - restricted - current and long-term			20,074				119,899	
Investments restricted for capital purposes			243,938				268,858	
Deferred compensation plan investments			101,785				96,054	
Investments restricted for Board designated purposes			18,490				18,734	
TOTAL			$452,714				$561,125	

Investments restricted for Board of Directors' designated purposes are summarized as follows (in thousands):

	1994	1993
Basic system completion	$ 2,422	$ 2,630
System improvement	2,218	2,694
Self-insurance	9,000	9,000
Operating	4,850	4,410
TOTAL	$18,490	$18,734

Continued