# ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Basic Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

**Amended January 30, 2015**

On January 28, 2015, KPMG advised Alameda Corridor Transportation Authority staff that during final preparation of ACTA's Audit Report a number of typographical errors had been made on pages 25 – 28 of the Report. This Amended version of ACTA's Audit Report corrects those errors.

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## ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

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KPMG
**KPMG LLP**
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

# Independent Auditors' Report

The Governing Board
Alameda Corridor Transportation Authority:

## Report on the Financial Statements

We have audited the accompanying financial statements of the Alameda Corridor Transportation Authority (the Authority), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority'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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alameda Corridor Transportation Authority (the Authority), as of June 30, 2014 and 2013, and the changes in its financial position, and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

### *Emphasis of Matter*

As discussed in note 1 to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012.

### *Other Matter*

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis and schedule of funding progress for pensions and other post employment benefits on pages 3–10 and 45-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
December 11, 2014

## Description of Basic Financial Statements

The Alameda Corridor Transportation Authority (the Authority) presents its basic financial statements using the economic resources measurement focus and full accrual basis of accounting. The Authority's basic financial statements include balance sheets; statements of revenues, expenses, and changes in net position; and statements of cash flows. The basic financial statements also include notes that explain the information presented in the basic financial statements.

## Financial Highlights

The net deficit of the Authority at June 30, 2014 and 2013, respectively, was $90,309,586 and $53,421,063. Of this amount, $401,863,205 and $400,579,937, respectively, are invested in the Authority's capital assets, net of related debt, at June 30, 2014 and 2013. The Authority's net position decreased by $36,888,523 and $34,830,972 during the years ended June 30, 2014 and 2013, respectively. The Authority restated beginning bet assets as of July 1, 2012 to reflect the adoption of a new accounting standard that resulted in the retroactive write off of bond issuance costs totaling $49,274,113.

The 2013 and 2014 fiscal years marked the eleventh and twelfth full years of operations for the Authority. The Authority earned $113,786,920 and $103,916,679 from use fees, container charges, and maintenance-of-way charges during fiscal years ended June 30, 2014 and 2013, respectively. The Authority's use fees and container charges for the year 2014 was over the 2013 total by 9.7%. All of the use fee and container charges and all of the maintenance-of-way charges are received from the Union Pacific (UP) and Burlington Northern Santa Fe (BNSF) railroads that utilize the Authority's Alameda Corridor (Corridor).

## Condensed Financial Information

The following condensed financial information provides an overview of the Authority's financial position for the fiscal years ended June 30, 2014, 2013, and 2012:

| | Year ended June 30 | | | Change | Change |
|---|---|---|---|---|---|
| | 2014 | 2013 as restated | 2012 as restated | between 2014 and 2013 | between 2013 and 2012 |
| Assets: | | | | | |
| Capital assets, net | $ 1,843,777,166 | 1,874,920,185 | 1,891,310,235 | (31,143,019) | (16,390,050) |
| Other assets | 213,837,038 | 212,086,033 | 307,524,765 | 1,751,005 | (95,438,732) |
| Total assets | 2,057,614,204 | 2,087,006,218 | 2,198,835,000 | (29,392,014) | (111,828,782) |
| Liabilities: | | | | | |
| Long-term liabilities | 2,078,499,894 | 2,080,633,616 | 2,057,026,122 | (2,133,722) | 23,607,494 |
| Current liabilities | 69,423,896 | 59,793,665 | 160,398,968 | 9,630,231 | (100,605,303) |
| Total liabilities | 2,147,923,790 | 2,140,427,281 | 2,217,425,090 | 7,496,509 | (76,997,809) |
| Net position: | | | | | |
| Invested in capital assets | 401,863,205 | 400,579,937 | 387,019,923 | 1,283,268 | 13,560,014 |
| Restricted for debt service | 8,135,850 | 233,785 | 353,977 | 7,902,065 | (120,192) |
| Restricted for capital projects | 434,531 | 3,570,042 | 3,863,471 | (3,135,511) | (293,429) |
| Restricted by Master Trust Indenture | 73,245,231 | 51,155,688 | 49,375,594 | 22,089,543 | 1,780,094 |
| Unrestricted | (573,988,403) | (508,960,515) | (459,203,055) | (65,027,888) | (49,757,460) |
| Total net position | $ (90,309,586) | (53,421,063) | (18,590,090) | (36,888,523) | (34,830,973) |

### *Net Position*

Net position, the difference between assets and liabilities, decreased by $36.9 million, or 69.1%, and $34.8 million, or 187.4%, during the years ended June 30, 2014 and 2013, respectively. The change in net position was primarily the result of interest expense continuing to exceed operating income. In fiscal year 2014 and 2013, operating revenues of $113.8 million and $103.9 million, respectively, were not sufficient to cover the interest expense of $116.2 million and $109.4 million in fiscal 2014 and 2013, respectively. The remaining change is the result of depreciation of $21.8 million in fiscal year 2014 and 2013. In addition, in 2014, there was a transfer of $13.0 million in real estate, which was acquired for the development of the Corridor, however, not ultimately used in the construction. These assets were transferred to the City of Los Angeles, from whom the assets were originally acquired.

***The Master Trust Indenture***

In conjunction with the sale of project revenue and refunding bonds in 1999, 2004, 2012, and 2013A (Bonds), the Authority entered into a Master Trust Indenture (MTI) with U.S. Bank, the bond trustee (Trustee), pursuant to which the Authority assigned all of its rights, title, and interest in and to the Alameda Corridor Project, including the receipt of certain use fees and container charges and other revenues known as "Authority revenues" to the Trustee as security for the repayment of the Bonds. Pursuant to the terms of the MTI, the Trustee is required to establish certain funds and accounts and to apply the Authority's revenues for the purposes specifically set forth therein. The MTI establishes debt service funds, debt service reserve funds, construction funds, maintenance and capital reserve funds, and certain other restricted funds. The MTI also establishes a priority of payments, which restricts the manner, timing, and sequence of transfers into and out of such funds and accounts, and among such funds and accounts. The MTI requires that the Authority comply with certain operational and financial covenants, restricts the types of investments the Trustee and Authority may make, and requires regular financial reporting and disclosure.

***Capital Assets***

Net capital assets, which are made up of property, plant, and equipment, decreased by $31.1 million, or 1.7%, and $16.4 million, or 0.9%, between 2014 and 2013, and 2013 and 2012, respectively. These decreases are due to depreciation of capital assets of $21.8 million in fiscal years 2013 and 2014, which were partially offset by the additional costs of ongoing capital projects during the years ended June 30, 2014 and 2013. In fiscal year 2014, the decrease in capital assets is also the result of a transfer of $13.0 million in real estate, which was acquired for the development of the Corridor. These assets were transferred to the City of Los Angeles.

***Other Assets***

Other assets increased by $1.8 million, or 0.8%, during fiscal year 2014, primarily due to an increase of $5.5 million in cash, which is the result of the increases in revenues and the timing of payments from the railroads. This increase was partially offset by a decrease of $3.8 million in receivables also due to the timing of payments from the railroads.

Other assets decreased by $95.4 million, or 31.0%, during fiscal year 2013, primarily due to a decrease in cash related to the payment of $83.7 million in July 2012, for 1999 Series A Bonds maturing in October 2014 to 2019, and to the payments of other bonds partially offset by cash generated from operations.

***Long-Term Liabilities***

Long-term liabilities decreased by $2.1 million, or 0.1%, in fiscal year 2014 compared to fiscal year 2013. In conjunction with the 1999, 2012, and 2013A Series Bonds issued by the Authority, the Authority also entered into a Forward Delivery Agreement (FDA) for debt service funds with a Trustee and a Provider. The 2014 decrease was primarily due to a reduction in the collateral deposit as certain amounts were refunded to the Provider.

Long-term liabilities increased by $23.6 million, or 1.1%, in fiscal year 2013 compared to fiscal year 2012. The 2013 increase was due to a $42.0 million increase in accrued interest on Capital Appreciation Bonds, an additional $5.9 million due to the Port of Los Angeles and Port of Long Beach for shortfall advances offset by payments of long-term bonds of $21.6 million. In conjunction with the issuance of the Authority's revenue bonds, both the Port of Los Angeles and Long Beach each committed to providing loans for up to 20% of annual debt service. Prior to fiscal year 2012, the Authority had not required any assistance from the Ports. However, in 2012 and 2013, $5.9 million was loaned to the Authority. In accordance with the agreement between the Ports and the Authority, the amounts provided are to be paid back to the Ports when revenues become sufficient, therefore, the amounts due are reported as liabilities.

***Current Liabilities***

Current liabilities consist of the current portion of accrued interest and revenue bonds payable, accounts payable, retention payable, unearned revenue, and other payables. Current liabilities increased by $9.6 million, or 16.1%, and decreased by $100.6 million, or 62.7%, during the years ended June 30, 2014 and 2013, respectively. The $9.6 million increase in 2014 is primarily due to an increase of $15.9 million in principal and interest payments in fiscal 2014, which was offset by a decreased of $5.9 million unearned revenues. In fiscal year 2014, funding of $5.9 million that was in excess of expenditures was recognized due to final approval from Caltrans to use the funds for other qualifying purposes.

The decrease of $100.6 million at June 30, 2013 is primarily due to the payment of $83.7 million towards the 1999 Series A bonds that mature from October 2014 to 2019.

### Summary of Changes in Net Position

The table below summarizes the changes in net position for the years ended June 30, 2014, 2013, and 2012:

| | 2014 | 2013 as restated | 2012 as restated | between 2014 and 2013 | between 2013 and 2012 |
|---|---|---|---|---|---|
| Operating revenues: | | | | | |
| Use fees and container charges | $ 108,998,890 | 99,358,973 | 97,283,963 | 9,639,917 | 2,075,010 |
| Maintenance-of-way charges | 4,788,030 | 4,557,706 | 4,408,285 | 230,324 | 149,421 |
| Total operating revenues | 113,786,920 | 103,916,679 | 101,692,248 | 9,870,241 | 2,224,431 |
| Operating expenses: | | | | | |
| Salaries and benefits | 1,708,783 | 2,154,998 | 2,116,405 | (446,215) | 38,593 |
| Administrative expenses and professional services | 2,473,906 | 2,557,911 | 4,791,285 | (84,005) | (2,233,374) |
| Maintenance-of-way charges | 6,039,975 | 6,204,519 | 5,984,781 | (164,544) | 219,738 |
| Depreciation | 21,835,695 | 21,802,173 | 21,754,246 | 33,522 | 47,927 |
| Total operating expenses | 32,058,359 | 32,719,601 | 34,646,717 | (661,242) | (1,927,116) |
| Operating income | 81,728,561 | 71,197,078 | 67,045,531 | 10,531,483 | 4,151,547 |
| Nonoperating revenues (expenses): | | | | | |
| Interest and investment income, net | 2,230,983 | 3,111,174 | 4,156,696 | (880,191) | (1,045,522) |
| Interest expense | (116,183,634) | (109,435,367) | (118,538,433) | (6,748,267) | 9,103,066 |
| Grants | 8,158,398 | 4,168,478 | 2,806,482 | 3,989,920 | 1,361,996 |
| Miscellaneous revenues | 188,532 | 499,967 | 980,469 | (311,435) | (480,502) |
| Assets transferred | (13,011,363) | — | — | (13,011,363) | — |
| Amortization of bond issuance costs | — | (4,372,302) | — | 4,372,302 | (4,372,302) |
| Total nonoperating revenues (expenses) | (118,617,084) | (106,028,050) | (110,594,786) | (12,589,034) | 4,566,736 |
| Change in net position | (36,888,523) | (34,830,972) | (43,549,255) | (2,057,551) | 8,718,283 |
| Beginning of year, as restated | (53,421,063) | (18,590,091) | 24,959,164 | (34,830,972) | (43,549,255) |
| Total net position, end of year | $ (90,309,586) | (53,421,063) | (18,590,091) | (36,888,523) | (34,830,972) |

### *Operating Revenues*

Use fees and container charges revenues, representing 95.8% and 95.6% of operating revenues, increased by $9.6 million and increased by $2.1 million, or 9.7% and 2.1%, in 2014 and 2013, respectively. The increase in fiscal year 2014 is due to higher volume of cargo and annual fee increases of 1.5% on January 1, 2014. The 2013 increase is due to a higher volume of cargo and annual fee increases of 3.0% on January 1, 2013.

### *Operating Expenses*

Operating expenses consist of salaries, benefits, administrative costs, professional services, maintenance of way, and depreciation. During the year ended June 30, 2014, operating expenses decreased by $0.7 million, or 2.0%. The decrease in 2014 is primarily related to the reductions of $0.45 million in salaries and benefits due to severance packages paid out in fiscal year 2013. During the year ended June 30, 2013, operating expenses decreased by $1.9 million, or 5.6%. The decrease in 2013 is primarily related to a reduction in professional services of $2.2 million due to downsizing of the project management team by about one third due to budget constraints and the continued reduction in services as the Corridor is well into operations.

### *Nonoperating Revenues and Expenses*

Nonoperating revenues and expenses consist of interest and investment earnings, interest expense, grant revenues, miscellaneous revenues, asset transfers, and amortization of bond issuance costs. The 2014 decrease of $12.6 million is primarily the result of an increase of $2.8 million in nonoperating revenue offset by an increase of $15.4 million in nonoperating expenses.

The increase is primarily the result of an increase of $4.0 million in grant revenues. State Route 47 Expressway (SR 47) Project costs decreased by $1.6 million, however, that was offset by an increase of $5.9 million due to recognition of funds previously reported as unearned revenue.

The increase in nonoperating expenses is primarily the result of a $13.0 million loss on the transfer of real estate, an increase in interest expense of $6.7 million offset by a decrease of $4.4 million in bond issuance costs. The real estate transfers are required by the operating agreement, which states that the Authority has to transfer residual property to the Ports of Los Angeles and Long Beach as soon as practical following opening of the Corridor. Forty-three property parcels were transferred during FY 2014, and no properties were transferred in 2013. The increase in interest expense is due to the 2004A convertible capital appreciation bonds (CAB) which, beginning October 2012, converted to current interest bonds. Therefore, these bonds began paying interest in fiscal year 2014. Lastly, bond issuance costs decreased $4.4 million. In fiscal year 2013, the Authority issued the 2013 A series bond and incurred $4.4 million in associated issuance costs. There were no bonds issued in 2014, therefore, there were no bond issuance costs.

The 2013 increase of $4.6 million is primarily the result of increase of $4.7 million decrease in nonoperating expenses offset by a slight decrease of $164 thousand in nonoperating income. The decrease in nonoperating expenses is due to a decrease of $9.1 million in interest expense and an increase of $4.4 million in bond issuance costs. The decrease in interest expense is due to lower interest payments as a result of issuance of the 2013 Series A bonds, the proceeds of which were used to call the 1999 Series A bonds, which had a higher interest rate. The increase in the bond issuance costs is due to the issuance of the 2013 Series A bonds. Although there were bonds issued in fiscal year 2012, there were no associated bond issuance costs.

The decrease of $164 thousand for nonoperating revenues is due to a $1.0 million decrease in interest and investment income, a $481 thousand decrease in miscellaneous revenues and a $1.4 million increase in grants revenue. The decrease in interest and investment income is primarily due to lower investment balances in fiscal year 2013 compared to fiscal year 2012. The decrease in miscellaneous revenue is due to a lack of reimbursement of Dominguez Channel oil release expenditures from the ports and insurance carriers. While the Authority was conducting an investigation to determine the source(s), both the ports and Crimson, who were


(Continued)

potential responsible parties, as well as Chartis (the Authority's insurer), provided the Authority with reimbursement for some of these expenses. (refer to note 6 for further discussion). Lastly, the increase in grants revenue is the result of additional expenditures related to the State Route 47 Expressway (SR 47) Project. The project is under construction and those efforts and that contract are being managed directly by Caltrans. The Authority is providing design support during construction.

## Capital Assets and Debt Administration

At June 30, 2014 and 2013, the Authority had approximately $1.8 billion and $1.9 billion, respectively, of capital assets and approximately $2.1 billion in outstanding long-term debt.

### *Capital Assets*

During fiscal years 2014 and 2013, the Authority expended $3.7 million and $5.4 million, respectively, on capital project activities and were primarily due to right-of-way and land improvements and highway bridge structures. The additions to right-of-way and land improvements represented 66.0% and 48.6% of the total amount expended for the years ended June 30, 2014 and 2013, respectively. The additions to the highway bridge structure represented 34.0% and 50.6% of the total amount expended for the years ended June 30, 2014 and 2013, respectively.

### *Long-Term Debt*

As of June 30, 2014 and 2013, the Authority's total long-term debt in revenue bonds was $1.642 billion and $1.671 billion, respectively. In addition, accrued interest payable was $444.4 million and $396.0 million, during fiscal years 2014 and 2013, respectively. On October 1, 2012, $153.4 million of accrued interest on the 2004 A series bonds were automatically converted from capital appreciation bonds to current interest bonds in accordance with the bond requirements.

As of June 30, 2014, ACTA's credit ratings for the Senior Bonds (1999A, 1999C, 2012, and 2013A) are A3, A-, and A by Moody's Investor Service, Standard & Poor's, and Fitch Ratings, respectively. For the subordinated debt (1999D, 2004A, and 2004B), the ratings are Baa2, BBB+, and BBB+ by Moody's Investor Service, Standard & Poor's, and Fitch Ratings, respectively.

Additional debt information can be found in note 5 to the basic financial statements.

## Other Developments

The Authority's Alameda Corridor Project opened on April 15, 2002. On that date, the Authority commenced operations and began collecting revenues for intermodal containers and rail cars using the Corridor, as authorized in the Use and Operating Agreement between the Authority and the participating railroads as described in note 1(c). The Authority's bonds are payable solely from and secured by a pledge of, among other revenues, use fees, container charges to be paid by the railroads and from shortfall advances to be paid under certain circumstances by the Ports of Los Angeles and Long Beach (collectively referred to as the Ports). To the extent that the revenues from use and container charges are not sufficient to meet the Authority's obligations, the Ports have agreed to advance the funds necessary to pay up to the maximum amount of 20% each for any debt service payment.

From inception until the fiscal year ended June 30, 2014, approximately $1.2 billion has been received from the railroads. These revenues, combined with remaining interest income and other surplus cash balances, have been sufficient to meet debt service, fund reserve account required deposits, and pay the cost of revenue collections, monitoring, and administrative fees, except in fiscal years 2012 and 2013, when shortfall advances totaling $11.8 million were needed.

The Authority's program manager, Alameda Corridor Engineering Team (ACET), together with the Authority's staff are actively working to complete construction of the remaining Alameda Corridor Projects and closing out completed projects. Most of the Authority's projects either have reached completion or are on the verge of final closeout. Remaining work involves property transfers, right-of-way closeouts, and support on the SR47 Project.

The Authority's Governing Board (the Board) modified the Alameda Corridor Project to include the addition of several Corridor-related projects, consistent with the Authority's Joint Powers Agreement, Use and Operating Agreement between the Authority and the participating railroads (the Use and Operating Agreement), and its bond-related documents. Significant among those projects are the PCH and SR47 Projects. The PCH project was completed in August 2004. The SR47 Project has progressed, and the Authority is currently working in conjunction with Caltrans to advance the Heim Bridge portion of the project. The National Environmental Policy Act (NEPA) Record of Decision was approved on August 12, 2009; the Notice of Determination was received on August 17, 2009. The final design for replacement of the Bridge was completed in October 2010. Construction of the Bridge is being administered by Caltrans and is underway. Construction is expected to be completed in July 2017, with full closeout set to occur in 2018. The expressway portion of the project has been deferred indefinitely.

At June 30, 2014, the Authority's total net position is a negative $90.3 million as total liabilities were greater than total assets. The Authority's net position continued to decline during fiscal 2014 primarily due to interest expenses exceeding operating and nonoperating revenue. The Authority has continued to engage in activities to prevent further decline in its net position and improve the overall financial condition of the Authority. In the current and previous years, the Authority has instituted programs to reduce costs by reducing or freezing staff costs and implementing programs to reduce debt service costs by refinancing a portion of its outstanding bonds. The Authority will continue to evaluate alternative debt refinancing options to generate economic savings. Although the Authority does not expect to require shortfall advances from the Ports within the next fiscal year, the ability to request advances remains an option to the Authority. In addition to reducing costs, the Authority has budgeted that cargo volumes will increase in the future based on cargo volumes projected from the Ports, resulting in greater revenues for the Authority to fund future debt service requirements.

**ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY**

Balance Sheets

June 30, 2014 and 2013

| **Assets** | **2014** | **2013** |
|---|---|---|
| Current assets: | | |
| Restricted cash and cash equivalents | $ 25,396,418 | 16,594,181 |
| Restricted investments | 44,027,480 | 35,997,017 |
| Receivables | 11,830,166 | 15,587,240 |
| Prepaid expenses | 1,822,700 | 1,843,739 |
| Total current assets | 83,076,764 | 70,022,177 |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents | 8,197,471 | 10,960,719 |
| Restricted investments | 122,562,803 | 131,103,137 |
| Capital assets: | | |
| Buildings and equipments | 11,882,856 | 11,844,533 |
| Alameda corridor project infrastructure, right-of-way, and land improvements | 2,091,145,429 | 2,100,491,076 |
| Less accumulated depreciation | (259,251,119) | (237,415,424) |
| Capital assets, net | 1,843,777,166 | 1,874,920,185 |
| Total noncurrent assets | 1,974,537,440 | 2,016,984,041 |
| Total assets | $ 2,057,614,204 | 2,087,006,218 |
| **Liabilities and Net Position** | | |
| Current liabilities: | | |
| Accounts payable | $ 2,064,849 | 2,449,349 |
| Contract retention payable | 5,000 | 25,000 |
| Unearned revenue | 1,210,698 | 7,088,098 |
| Accrued interest payable, current portion | 27,862,616 | 21,909,061 |
| Revenue bonds payable, current portion | 37,889,513 | 27,939,304 |
| Other liabilities | 391,220 | 382,853 |
| Total current liabilities | 69,423,896 | 59,793,665 |
| Noncurrent liabilities: | | |
| Collateral deposit | 8,197,471 | 10,960,719 |
| Shortfall Advances payable to Ports | 11,827,466 | 11,816,827 |
| Accrued interest payable, net of current portion | 416,594,044 | 374,154,964 |
| Revenue bonds payable, net of current portion, and unamortized discount | 1,641,880,913 | 1,683,701,106 |
| Total noncurrent liabilities | 2,078,499,894 | 2,080,633,616 |
| Total liabilities | 2,147,923,790 | 2,140,427,281 |
| Net investment in capital assets | 401,863,205 | 400,579,937 |
| Restricted for debt service | 8,135,850 | 233,785 |
| Restricted for capital projects | 434,531 | 3,570,042 |
| Restricted by Master Trust Agreement | 73,245,231 | 51,155,688 |
| Unrestricted | (573,988,403) | (508,960,515) |
| Total net position | (90,309,586) | (53,421,063) |
| Total liabilities and net position | $ 2,057,614,204 | 2,087,006,218 |

See accompanying notes to basic financial statements.

**ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY**

Statement of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2014 and 2013

| | 2014 | 2013 |
|---|---|---|
| Operating revenues: | | |
| Use fees and container charges | $ 108,998,890 | 99,358,973 |
| Maintenance-of-way charges | 4,788,030 | 4,557,706 |
| Total operating revenues | 113,786,920 | 103,916,679 |
| Operating expenses: | | |
| Salaries and benefits | 1,708,783 | 2,154,998 |
| Administrative expenses | 1,524,456 | 1,821,842 |
| Professional services | 949,450 | 736,069 |
| Maintenance of way | 6,039,975 | 6,204,519 |
| Depreciation | 21,835,695 | 21,802,173 |
| Total operating expenses | 32,058,359 | 32,719,601 |
| Operating income | 81,728,561 | 71,197,078 |
| Nonoperating revenues: | | |
| Interest and investment revenue, net | 2,230,983 | 3,111,174 |
| Grants | 8,158,398 | 4,168,478 |
| Miscellaneous revenue | 188,532 | 499,967 |
| Total nonoperating revenues | 10,577,913 | 7,779,619 |
| Nonoperating expenses: | | |
| Interest expense | 116,183,634 | 109,435,367 |
| Loss on transfer of capital assets | 13,011,363 | — |
| Bond issuance costs | — | 4,372,302 |
| Total nonoperating expenses | 129,194,997 | 113,807,669 |
| Change in net position | (36,888,523) | (34,830,972) |
| Net position, beginning of year, as restated | (53,421,063) | (18,590,091) |
| Net position, end of year | $ (90,309,586) | (53,421,063) |

See accompanying notes to basic financial statements.

**ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY**

Statements of Cash Flows

Years ended June 30, 2014 and 2013

| | | 2014 | 2013 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Receipts from customers for services | $ | 117,841,043 | 104,520,430 |
| Payment to suppliers for good and services | | (8,897,341) | (8,800,728) |
| Payment to employees | | (1,700,417) | (2,206,275) |
| Net cash provided by operating activities | | 107,243,285 | 93,513,427 |
| Cash flows from noncapital financing activities: | | | |
| Grants | | 1,943,106 | 4,499,982 |
| Shortfall Advances from Ports | | — | 5,914,545 |
| Payments to Bank of America – Collateral | | (2,763,248) | — |
| Miscellaneous income | | 188,532 | 499,967 |
| Principal paid on notes and bonds payable | | — | (372,650,000) |
| Bond proceeds | | — | 293,869,946 |
| Net cash used in noncapital financing activities | | (631,610) | (67,865,560) |
| Cash flows from capital and related financing activities: | | | |
| Purchases of capital assets | | (3,704,039) | (5,412,123) |
| Principal paid on notes and bonds payable | | (27,939,305) | (41,234,412) |
| Bond issuance costs | | — | (4,372,302) |
| Interest payments on capital debt, net of capitalized interest | | (71,711,042) | (72,281,230) |
| Net cash used in capital and related financing activities | | (103,354,386) | (123,300,067) |
| Cash flows from investing activities: | | | |
| Purchases of investments | | (136,329,476) | (126,245,788) |
| Sales of investments | | 136,839,347 | 148,793,084 |
| Interest received | | 2,271,829 | 3,262,376 |
| Net cash provided by investing activities | | 2,781,700 | 25,809,672 |
| Net increase (decrease) in cash and cash equivalents | | 6,038,989 | (71,842,528) |
| Cash and cash equivalents, beginning of year | | 27,554,900 | 99,397,428 |
| Cash and cash equivalents, end of year | $ | 33,593,889 | 27,554,900 |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | $ | 81,728,561 | 71,197,078 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation expense | | 21,835,695 | 21,802,173 |
| Change in operating assets and liabilities: | | | |
| Receivables | | 4,054,122 | 603,747 |
| Accounts payable and other payables | | (404,498) | 36,108 |
| Prepaid expenses | | 21,038 | (74,402) |
| Other liabilities | | 8,367 | (51,277) |
| Net cash provided by operating activities | $ | 107,243,285 | 93,513,427 |

See accompanying notes to basic financial statements.

## (1) Organization and Summary of Significant Accounting Policies

### *(a) Reporting Entity*

The Alameda Corridor Transportation Authority (the Authority) was established in August 1989 through a Joint Exercise of Powers Agreement (JPA) between the cities of Los Angeles and Long Beach, California. The purpose of the Authority is to acquire, construct, finance, and operate a consolidated transportation corridor, including an improved railroad expressway between the ports of Los Angeles and Long Beach (collectively known as the Ports) and downtown Los Angeles (the route between the two locations has become known as the Alameda Corridor).

The Authority's independent Governing Board has seven members, comprising two members each from the Ports, one member each from the cities of Los Angeles and Long Beach, and one member representing the Los Angeles County Metropolitan Transportation Authority (LACMTA).

As of June 30, 2014, the members of the Authority's Governing Board were the following:

Chairperson – Hon. Gary Delong, Council member, City of Long Beach

Vice Chairperson – Hon. Gary Joe Buscaino, Council member, City of Los Angeles

Member – Hon. Don Knabe, Supervisor, County of Los Angeles and Chairperson, LACMTA

Member – Mr. Gary Lee Moore, Interim Executive Director, Port of Los Angeles

Member – Mr. Jon Slangerup, Executive Director, Port of Long Beach

Member – Ms. Susan Wise, Commissioner, Port of Long Beach

Member – Mr. Edward Renwick, Commissioner, Port of Los Angeles

The Authority is empowered to explore alternative methods of financing, to develop existing property, and to coordinate other governmental efforts necessary for a consolidated transportation corridor, including the completion of the Alameda Corridor Project (the Project). The Authority may issue revenue bonds to carry out its obligations under the JPA. Such bonds will be payable from revenues generated from the Alameda Corridor, from one or more pledges of revenues from the Authority, the Board of Harbor Commissioners of Long Beach and Los Angeles, from pledges of revenues from other responsible agencies, or from any other legally available funds.

### *(b) Program Management Agreement*

In January 1996, the Authority's Governing Board entered into a 10-year Program Management Agreement (Agreement) with the Alameda Corridor Engineering Team (ACET), a joint venture comprising Daniel, Mann, Johnson, and Mendenhall (now DMJM Harris); Moffatt and Nichol Engineers; Jenkins, Gales, and Martinez, Inc.; and TELACU Construction Management, Inc., to provide the broad program management services necessary to assist the Authority in implementing the Corridor. The Agreement calls for ACET to provide the Authority with professional services related to management, engineering, construction support, procurement, coordination, and administration of the Alameda Corridor Project Construction Program. This Agreement was amended twice by the Governing Board and is now extended through June 30, 2015.

### *(c) Use and Operating Agreement*

In October 1998, the cities of Long Beach and Los Angeles, the Authority, Union Pacific Railroad Company (UP), and Burlington Northern Santa Fe Railway Company (BNSF) entered into a use and operating agreement (the Use and Operating Agreement) The Use and Operating Agreement outlines the provisions for the construction, operation, and use of the Rail Corridor (as defined in the Use and Operating Agreement). Specifically, it grants UP and BNSF the right to use the Rail Corridor constructed by the Authority for all Through Train (as defined in the Use and Operating Agreement) movements upon substantial completion in exchange for paying a portion of maintenance charges, all operating charges, all container charges, and all use fees to the Authority. Proceeds of the container charges and use fees will be used to repay the revenue bonds. The Use and Operating Agreement was amended in 2006 to resolve a dispute involving application of the container charge and use fee provisions of the Agreement to transloaded cargo. The Use and Operating Agreement requirements are to be in effect until April 15, 2062.

### *(d) Master Trust Indenture*

In conjunction with the sale of project revenue and refunding bonds in 1999, 2004, 2012, and 2013 (Bonds), the Authority entered into a Master Trust Indenture (MTI) with U.S. Bank, the bond trustee (Trustee), pursuant to which the Authority assigned all of its rights, title, and interest in and to the Project, including the receipt of certain use fees and container charges and other revenues known as "the Authority revenues" to the Trustee as security for the repayment of the Bonds. Pursuant to the terms of the MTI, the Trustee is required to establish certain funds and accounts and to apply the Authority's revenues for the purposes specifically set forth therein, which include the payment of most operating expenses and debt service payments. The MTI establishes debt service funds, debt service reserve funds, construction funds, maintenance and capital reserve funds, and certain other restrictive funds. The MTI also establishes a priority of payments, which restricts the manner, timing, and sequence of transfers into and out of such funds and accounts, and among such funds and accounts. The MTI requires that the Authority comply with certain operational and financial covenants, restricts the types of investments the Trustee and Authority may make, and requires regular financial reporting and disclosure. The Authority's net position restricted by the MTI included in the accompanying balance sheets of $73,245,231 and $51,155,688 as of June 30, 2014 and 2013, respectively, represents the accumulation of the Authority's revenues in excess of operating expenses and debt payments which can only be used for the aforementioned purposes noted in the MTI.

### *(e) Basis of Presentation*

The basic financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments within the United States of America.

In accordance with GAAP, the Authority's operations are accounted for as a business-type activity. In this regard, the Authority follows the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when they are earned, and expenses are recorded when they are incurred, irrespective of when paid.

### *(f) Cash and Cash Equivalents*

The Authority has defined, for purposes of the preparation of its statements of cash flows, that cash and cash equivalents include deposits, money market accounts, and investments with an original maturity date of three months or less, including investments in the State of California Local Agency Investment Fund (LAIF). The Authority participates in the State of California's LAIF, a non-Securities and Exchange Commission registered investment pool open to all government units in the State of California and is able to withdraw amounts from LAIF on demand without penalty.

### *(g) Investments*

Investments are reported at fair value. The value of each investment security has been determined based on the published closing price of the security as of June 30, 2014 and 2013. The net changes in fair value of investments, consisting of realized gains or losses and the unrealized appreciation/depreciation on those investments, have been included in interest and investment revenue as shown in the accompanying statements of revenues, expenses, and changes in net position.

The Authority's investment practices are governed by a board-approved investment policy. The types of investments authorized by the policy are described further in note 2.

### *(h) Capital Assets*

Capital assets purchased or constructed are carried at cost, including capitalized interest during construction. Donated assets are valued at the estimated fair value on the date received. Depreciation is provided over the estimated useful life of each asset and computed on a straight-line basis beginning with the fiscal year after the asset is placed in service. Trench structures, tracks and signals, rail bridge structures, and highway bridge structures include both depreciable and nondepreciable components. The nondepreciable components comprised costs related to demolition, excavation, backfill, utility relocation, right-of-way, and hazardous materials remediation. Remaining right-of-way parcels that require a transfer to another public entity are valued based upon the known costs paid at the time the parcel was originally acquired.

Estimated useful lives of classes of capital assets are as follows:

| | |
|---|---|
| Tenant improvements | 3 years |
| Automotive vehicles | 5 years |
| Office and other equipment | 3–5 years |
| Buildings | 30 years |
| Right-of-way and land improvements | Nondepreciable |
| Revenue assessment and verification system and other software | 5 years |
| Tracks and signal systems | 40 years |
| Highway bridge structures | 100 years |
| Trench structures | 100 years |
| Rail bridge structures | 100 years |

Capital assets acquired with state and local grants are also included in property and equipment. Depreciation on these assets recorded as operating expense.

### *(i) Compensated Absences*

All Authority employees accumulate time-off for vacation and sick leave each pay period. While sick leave hours are accrued at a uniform rate among all employees, vacation accrual is based on length of service. Vacation hours are payable to employees when used at the individual employee's current rate of pay. Any unused vacation remaining at the time of termination is also payable to the employee at his/her then rate of pay. All vacation hours that have been earned but not paid as of June 30, 2014 and 2013, have been accrued in the accompanying balance sheet in other liabilities. Sick hours are paid to employees when used. The Authority's sick leave policy also provides that employees will be paid 50% of the remaining value of their sick leave hours upon termination. Consequently, 50% of all unused sick hours for each employee totaling $175,416 and $168,160 as of June 30, 2014 and 2013, respectively, have also been accrued in other liabilities in the accompanying balance sheet.

### *(j) Collateral Deposit*

In conjunction with the 1999, 2012, and 2013A Series Bonds issued by the Authority, the Authority also entered into a Forward Delivery Agreement (FDA) for debt service funds with a Trustee and a Provider. As noted in the FDA, the Provider guarantees a rate of return on debt service funds deposited with the Trustee. The FDA also includes a provision, which requires that, in the event of a downgrade of the Provider's long-term unsecured credit rating, the Provider is required to (i) procure a guarantor, (ii) assign its rights to another higher-rated financial institution, or (iii) deliver collateral to the Trustee in the name of the Authority and the Trustee. In 2011, the Provider's credit rating was downgraded and the Provider elected to deliver collateral to comply with the FDA. As a result, the Authority received the collateral in the form of approximately $8.2 million in U.S. Treasury securities, which are recorded as restricted cash and cash equivalents at June 30, 2014. If the Provider's credit rating recovers, the Authority will then return the collateral. Based on the current market conditions, the Authority believes that the Provider's ratings may improve and has recorded a corresponding liability for the collateral deposit due to the Provider.

### *(k) Restricted Assets and Net Position*

Certain proceeds of the Authority's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the accompanying balance sheets because their use is limited by applicable bond covenants. The revenue bonds' capitalized interest, debt service reserve, indemnity, and revenue fund accounts have been classified as restricted assets, because these accounts are first restricted to the payment of interest and principal on the outstanding revenue bonds. These amounts, offset by any related outstanding debt, are reported as net position restricted for debt service. After payment of debt service, remaining revenues, if any, are restricted to the payment of the Authority's other costs and legal obligations (e.g., Port Shortfall Advances) as defined by the Authority's Use and Operating Agreement. The reserve account has also been classified as restricted assets, because the amount in this account is restricted for specific purposes under the Use and Operating Agreement and the revenue bond covenants. These amounts, offset by any related outstanding liabilities, are reported as net position restricted by the Master Trust Indenture.

Remaining long-term debt proceeds that have been set aside for capital projects are also reported as restricted assets.

When both restricted and unrestricted resources are available for use, it is the Authority's practice to use restricted resources first, then unrestricted resources as they are needed.

The Authority's net position as of June 30, 2014 is a deficit $90,309,588 as total liabilities were greater than total assets. The Authority's liabilities continue to grow as the annual accrued interest is greater than annual revenue bond principal payments. In addition, the Authority's total assets continue to decrease as additions to the Corridor have slowed and annual depreciation has increased. The Authority's continues to rely on capital appreciation bonds in which interest payments are significantly less than annual interest expense to maintain a liquid financial position. Management believes that it will be able to sustain its liquidity based on the terms of the bonds payable and through shortfall advances from the Ports, if necessary, as discussed further in note 5.

### *(l) Operating Revenues and Expenses*

Operating revenues and expenses generally result from the operation of the Rail Corridor. The principal operating revenues of the Authority are fees assessed to the railroads for use and maintenance of the Corridor. These fees are recognized in the period earned. Operating expenses include revenue collection and other administrative expenses, maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### *(m) Use of Estimates*

The preparation of basic financial statements in conformity with GAAP requires that management make estimates and assumptions that may affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *(n) Reclassifications*

Certain reclassifications have been made to the 2013 financial data to conform to the 2014 presentation.

### *(o) Implementation of New Accounting Standards*

**Governmental Accounting Standards Board (GASB) No. 65**

In April of 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The requirements of this Statement improved financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Application of this Statement was effective for the Authority's fiscal year ended June 30, 2014. The implementation of this Statement resulted in an adjustment of $49.3 million to the July 1, 2012 net position of $30.7 million resulting in a restated net position of $(18.6) million, resulting primarily from the write off of all previously unamortized issuance costs.

**Governmental Accounting Standards Board (GASB) No. 68**

In June of 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 revises and establishes new accounting and financial reporting requirements for most governments that provide their employees with pension benefits. The new standard is effective for periods beginning after June 15, 2014. The requirements of this Statement will improve the decision-usefulness of information in employer financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Under current accounting standards, the Authority is only required to report a pension liability, to the extent the actuarially determined annual required contribution is not met. The Authority is continuing to evaluate the impact of this standard and the impact on the basic financial statements has not yet been determined. The Authority will implement the provisions of Statement No. 68 in fiscal year 2015.

Governmental Accounting Standards Board (GASB) No. 71

In November of 2013, the GASB issued Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The new standard is effective for periods beginning after June 15, 2014. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The Authority is continuing to evaluate the impact of this standard and the impact on the basic financial statements has not yet been determined. The Authority will implement the provisions of Statement No. 71 in fiscal year 2015.

## (2) Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments as of June 30, 2014 and 2013 are classified in the accompanying basic financial statements as follows:

| | | June 30, 2014 fair value | June 30, 2013 fair value |
|---|---|---|---|
| Current restricted cash and cash equivalents | $ | 25,396,418 | 16,594,181 |
| Current restricted investments | | 44,027,480 | 35,997,017 |
| Noncurrent restricted cash and cash equivalents | | 8,197,471 | 10,960,719 |
| Restricted investments | | 122,562,803 | 131,103,137 |
| Total cash, cash equivalents, and investments | $ | 200,184,172 | 194,655,054 |

### *(a) Deposits*

At June 30, 2014 and 2013, the net carrying amount of the Authority's deposit account with Bank of America was $514,159 and $2,581,328, while the corresponding bank balance was $852,848 and $2,694,707, respectively. Outstanding checks account for the respective differences between the carrying amounts and bank balances. Of the aforementioned bank balance, $250,000 is covered by the Federal Deposit Insurance Corporation with the excess being secured with collateral of securities held by the pledging financial institution's trust or agent in the Authority's name.

The California Government Code Section 53601 requires California banks and savings and loan associations to secure a public agency's deposits not covered by federal depository insurance by pledging government securities as collateral. The carrying amount of pledged securities must equal at least 110% of the agency's deposits. California law also allows financial institutions to secure agency deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority's total deposits. The collateral must be held at the pledging bank's trust department or other bank acting as the pledging bank's agent in the Authority's name.

### *(b) Investments*

The Authority's investments are invested pursuant to the investment policy guidelines adopted by the Governing Board of the Authority. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses the types of investment instruments and the percentage of the portfolio in which the Authority may invest its funds as permitted by the California Government Code. Generally, investments shall be made in the context of the "prudent investor" rule.

### *(c) Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of short-term and medium-term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Authority monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Authority has no specific limitations with respect to this metric.

Under provision of the Authority's investment policy, and in accordance with Section 53601 of the California Government Code, the Authority may invest in the following types of investments:

| Authorized investment type | Maximum maturity | Maximum percentage of portfolio | Maximum investment in one issuer |
|---|---|---|---|
| Authority bonds | N/A | None | N/A |
| U.S. Treasury bills, notes, or bonds | 5 years | None | None |
| State warrants or bonds | None | None | None |
| U.S. local agency bonds, notes, or warrants | None | None | None |
| Federal agency obligations | 5 years | None | None |
| Callable federal agency securities | 5 years | 20% | None |
| Bankers' acceptances | 180 days | 40 | 10% |
| Commercial paper | 270 days | 25 | 10 |
| Negotiable certificates of deposit | 2 years | 30 | None |
| Repurchase agreements | 90 days | 50 | None |
| State of California Local Agency Investment Fund (LAIF) | N/A | None | None |
| Time deposits | 1 year | 15 | None |
| L.A. County Treasurer Investment Pool | N/A | None | None |
| Money market funds | None | 20 | 10 |
| Medium-term maturity corporate notes | None | 30 | 10 |
| Mortgage- or asset-backed securities | 5 years | 20 | None |

The MTI allows for exception of the maximum maturity prescript in the Authority's investment policy. The Authority is allowed a maximum maturity of five years for investments in the debt service reserve funds:

| MTI-permitted investments | Maximum maturity | Maximum percentage of portfolio | Maximum investment in one issuer |
|---|---|---|---|
| U.S. Treasury bills, notes, or bonds | 10 years | None | None |
| State warrants or bonds | 10 years | None | None |
| U.S. local agency bonds, notes, or warrants | 10 years | None | None |
| Federal agency obligations | 10 years | None | None |
| Bankers' acceptances | 270 days | 40% | 10% |
| Commercial paper | 180 days | 15 | 10 |
| Negotiable certificates of deposit | 2 years | 30 | None |
| Repurchase agreements | 90 days | 50 | None |
| State of California Local Agency Investment Fund (LAIF) | N/A | None | None |
| L.A. County Treasurer Investment Pool | N/A | None | None |
| Money market funds | None | 20% | 10% |
| Medium-term maturity corporate notes | 3 years | 30 | 8 |
| Guaranteed Investment Contacts and Investments Agreements | 10 years | 50 | 20 |
| Mortgage- or asset-backed securities | 10 years | 20 | None |

The following schedules indicate the interest rate risk of the Authority's investments as of June 30, 2014 and 2013:

| | June 30, 2014 | | June 30, 2013 | |
|---|---|---|---|---|
| | Fair value | Weighted average maturity (in years) | Fair value | Weighted average maturity (in years) |
| Cash and investment type: | | | | |
| Cash | $ 500 | — | 500 | — |
| Money market fund | 11,157,777 | — | 9,987,947 | — |
| LAIF | 8,929,731 | — | 4,305,670 | — |
| U.S. Treasury notes | 64,244,895 | 1.16 | 38,520,563 | 1.77 |
| U.S. corporate notes | 16,791,487 | 2.10 | 17,707,198 | 2.01 |
| Commercial paper | 2,856,887 | 0.39 | 5,254,137 | 0.31 |
| Federal agency obligations | 96,202,895 | 1.79 | 107,918,320 | 1.61 |
| Mortgages-backed securities | — | — | 10,960,719 | 26.58 |
| | $ 200,184,172 | 1.41 | 194,655,054 | 2.93 |

### *(d) Disclosures Relating to Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum of a rating by (where applicable) the Authority's investment policy, debt agreements, and the actual rating as of year-end for each investment type:

| | Ratings as of June 30, 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | AAA/AA+ | AA | AA-/A+ | A | A- | A-1+ | A-1 | NR | Total |
| Investment type: | | | | | | | | | |
| Cash and money market fund | $ 10,643,620 | — | — | — | — | — | — | 514,657 | 11,158,277 |
| LAIF | — | — | — | — | — | — | — | 8,929,731 | 8,929,731 |
| U.S. Treasury notes | 64,244,895 | — | — | — | — | — | — | — | 64,244,895 |
| U.S. corporate notes | 2,334,088 | 1,802,846 | 5,853,998 | 5,895,647 | 904,908 | — | — | — | 16,791,487 |
| Commercial paper | — | — | — | — | — | 764,065 | 2,092,822 | — | 2,856,887 |
| Federal agency obligations | 83,323,233 | — | — | — | — | 12,879,662 | — | — | 96,202,895 |
| Total | $ 160,545,836 | 1,802,846 | 5,853,998 | 5,895,647 | 904,908 | 13,643,727 | 2,092,822 | 9,444,388 | 200,184,172 |

| | Ratings as of June 30, 2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | AAA/AA+ | AA | AA-/A+ | A | A- | A-1+ | A-1 | NR | Total |
| Investment type: | | | | | | | | | |
| Cash and money market fund | $ 7,408,563 | — | — | — | — | — | — | 2,579,884 | 9,988,447 |
| LAIF | — | — | — | — | — | — | — | 4,305,670 | 4,305,670 |
| U.S. Treasury notes | 38,520,563 | — | — | — | — | — | — | — | 38,520,563 |
| U.S. corporate notes | 1,633,395 | 1,275,728 | 6,370,417 | 6,116,122 | 2,311,536 | — | — | — | 17,707,198 |
| Commercial paper | — | — | — | — | — | 1,572,650 | 3,681,487 | — | 5,254,137 |
| Federal agency obligations | 97,392,670 | — | — | — | — | 10,525,650 | — | — | 107,918,320 |
| Mortgage- or asset-backed securities | 10,960,719 | — | — | — | — | — | — | — | 10,960,719 |
| Total | $ 155,915,910 | 1,275,728 | 6,370,417 | 6,116,122 | 2,311,536 | 12,098,300 | 3,681,487 | 6,885,554 | 194,655,054 |

### *(e) Concentration of Credit Risk*

The Authority’s investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total Authority’s investments are as follows:

| | | 2014 | 2013 |
|---|---|---|---|
| Federal Home Loan Bank | Federal agency obligations | $ 20,532,624 | 27,887,634 |
| Fannie Mae | Federal agency obligations | 40,445,120 | 37,608,753 |
| Federal Home Loan Mortgage Corp. | Federal agency obligations | 29,663,069 | 30,402,320 |
| | | $ 90,640,813 | 95,898,707 |

### *(f) Investment in State of California Local Agency Investment Pool (LAIF)*

The Authority is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority’s investment in this pool is reported in the accompanying balance sheets as cash equivalents at amounts based upon the Authority’s pro rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which is reported at fair value. Cash can be withdrawn up to $10 million on demand. At June 30, 2014 and 2013, the fair value of the balance of such deposits is $8,929,731 and $4,305,670, respectively.

## (3) Receivables

Receivables consist of grants, use fees, and other amounts due from private entities. The following provides a summary of the amounts of accounts and other receivables:

| | | June 30 | |
|---|---|---|---|
| | | **2014** | **2013** |
| Grants receivable | $ | 1,713,772 | 1,375,877 |
| Interest receivable | | 869,368 | 910,214 |
| Use fees and other receivables | | 9,247,026 | 13,301,149 |
| Total | $ | 11,830,166 | 15,587,240 |

## (4) Capital Assets

The following schedule summarizes capital assets for the years ended June 30, 2014 and 2013:

| | | **Balance, July 1, 2013** | **Additions** | **Deletions** | **Balance, June 30, 2014** |
|---|---|---|---|---|---|
| Right-of-way and land improvements, not being depreciated | $ | 155,495,501 | 1,250,334 | (13,011,363) | 143,734,472 |
| Buildings and equipment: | | | | | |
| Automotive vehicles | | 82,097 | — | — | 82,097 |
| Office equipment | | 603,899 | 8,000 | — | 611,899 |
| Other equipment | | 186,825 | — | — | 186,825 |
| Tenant improvements | | 72,334 | — | — | 72,334 |
| Buildings | | 1,102,594 | — | — | 1,102,594 |
| Revenue assessment and verification system and other software | | 9,796,784 | 30,323 | — | 9,827,107 |
| Total buildings and equipment | | 11,844,533 | 38,323 | — | 11,882,856 |

| | Balance, July 1, 2013 | Additions | Deletions | Balance, June 30, 2014 |
|---|---|---|---|---|
| Infrastructure: | | | | |
| Capital assets, being depreciated: | | | | |
| Trench structures | $ 715,581,463 | — | — | 715,581,463 |
| Track and signals | 205,314,543 | — | — | 205,314,543 |
| Rail bridge structures | 409,545,027 | — | — | 409,545,027 |
| Highway bridge structures | 173,955,276 | 2,364,632 | — | 176,319,908 |
| Capital assets, not being depreciated: | | | | |
| Trench structures | 224,167,723 | — | — | 224,167,723 |
| Track and signals | 67,443,270 | — | — | 67,443,270 |
| Rail bridge structures | 102,075,996 | — | — | 102,075,996 |
| Highway bridge structures of the Corridor | 46,912,277 | 50,750 | — | 46,963,027 |
| Alameda Corridor Project Infrastructure | 1,944,995,575 | 2,415,382 | — | 1,947,410,957 |
| Total capital assets | 2,112,335,609 | 3,704,039 | (13,011,363) | 2,103,028,285 |
| Less accumulated depreciation for: | | | | |
| Trench structures | (114,530,854) | (10,430,223) | — | (124,961,077) |
| Track and signals | (33,398,184) | (3,487,973) | — | (36,886,157) |
| Rail bridge structures | (57,724,384) | (5,305,160) | — | (63,029,544) |
| Highway bridge structures | (21,111,935) | (2,279,843) | — | (23,391,778) |
| Automotive vehicles | (82,096) | — | — | (82,096) |
| Office equipment | (603,898) | — | — | (603,898) |
| Other equipment | (186,825) | — | — | (186,825) |
| Tenant improvements | (72,334) | (36,753) | — | (109,087) |
| Buildings | (437,977) | — | — | (437,977) |
| Revenue assessment and verification system and other software | (9,266,937) | (295,743) | — | (9,562,680) |
| Total accumulated depreciation | (237,415,424) | (21,835,695) | — | (259,251,119) |
| Capital assets, net | $ 1,874,920,185 | (18,131,656) | (13,011,363) | 1,843,777,166 |

| | Balance, July 1, 2012 | Additions | Deletions | Balance, June 30, 2013 |
|---|---|---|---|---|
| Right-of-way and land improvements, not being depreciated | $ 152,863,389 | 2,632,112 | — | 155,495,501 |
| Buildings and equipment: | | | | |
| Automotive vehicles | 82,097 | — | — | 82,097 |
| Office equipment | 603,899 | — | — | 603,899 |
| Other equipment | 186,825 | — | — | 186,825 |
| Tenant improvements | 72,334 | — | — | 72,334 |
| Buildings | 1,102,594 | — | — | 1,102,594 |
| Revenue assessment and verification system and other software | 9,796,784 | — | — | 9,796,784 |
| Total buildings and equipment | 11,844,533 | — | — | 11,844,533 |
| Alameda Corridor Project Infrastructure: | | | | |
| Capital assets, being depreciated: | | | | |
| Trench structures | 715,581,463 | — | — | 715,581,463 |
| Track and signals | 205,314,543 | — | — | 205,314,543 |
| Rail bridge structures | 409,545,027 | — | — | 409,545,027 |
| Highway bridge structures | 171,214,450 | 2,740,826 | — | 173,955,276 |
| Capital assets, not being depreciated: | | | | |
| Trench structures | 224,167,723 | — | — | 224,167,723 |
| Track and signals | 67,443,270 | — | — | 67,443,270 |
| Rail bridge structures | 102,075,996 | — | — | 102,075,996 |
| Highway bridge structures of the Corridor | 46,873,092 | 39,185 | — | 46,912,277 |
| Alameda Corridor Project Infrastructure | 1,942,215,564 | 2,780,011 | — | 1,944,995,575 |
| Total capital assets | 2,106,923,486 | 5,412,123 | — | 2,112,335,609 |



(Continued)

| | Balance, July 1, 2012 | Additions | Deletions | Balance, June 30, 2013 |
|---|---|---|---|---|
| Less accumulated depreciation for: | | | | |
| Trench structures | $ (104,100,632) | (10,430,222) | — | (114,530,854) |
| Track and signals | (29,910,211) | (3,487,973) | — | (33,398,184) |
| Rail bridge structures | (52,419,224) | (5,305,160) | — | (57,724,384) |
| Highway bridge structures | (18,862,448) | (2,249,487) | — | (21,111,935) |
| Automotive vehicles | (82,096) | — | — | (82,096) |
| Office equipment | (603,898) | — | — | (603,898) |
| Other equipment | (186,825) | — | — | (186,825) |
| Tenant improvements | (72,334) | | — | (72,334) |
| Buildings | (401,224) | (36,753) | — | (437,977) |
| Revenue assessment and verification system and other software | (8,974,359) | (292,578) | — | (9,266,937) |
| Total accumulated depreciation | (215,613,251) | (21,802,173) | — | (237,415,424) |
| Capital assets, net | $ 1,891,310,235 | (16,390,050) | — | 1,874,920,185 |

## (5) Bonds Payable

The 1999 Series A, C, and D Bonds, the 2004 Series A and B Bonds, the 2012 Series Taxable Senior Lien Bonds (2012 Bonds), and the 2013 Series A Tax Exempt Senior Lien Bonds (2013A Bonds) are payable solely from and secured by pledge revenues, use fees, and container charges to be paid by the UP and BNSF for use of the Project and from shortfall advances to be paid under certain circumstances by the City of Long Beach, acting by and through its Board of Harbor Commissioners, and the City of Los Angeles, acting by and through its Board of Harbor Commissioners. The 1999 Series B Bonds were paid off in October 2006.

As of June 30, 2014 and 2013, the unamortized premium and discount balance on the 1999, 2004, and 2013 Series Bonds was $36,798,172 and $40,728,855, respectively.

### *(a) 1999 Series A Current Interest Bonds*

The Series A Tax-Exempt Current Interest Lien Revenue Bonds (Series A) were issued by the Authority in the aggregate amount of $444,440,000 on January 1, 1999. Proceeds from the sale of this insured 1999 Series A Current Interest Bonds were used to finance a portion of the cost of design and construction of the Project.

Interest on the 1999 Series A Current Interest Bonds is payable semiannually on April 1 and October 1 of each year commencing April 1, 1999, with principal payments commencing October 1, 2006. The 1999 Series A Current Interest Bonds, which mature annually each October 1, from 2014 through 2029, bear interest at rates ranging from 4.00% to 5.25%.

The 1999 Series A Current Interest Bonds due on or after October 1, 2010 were redeemable at the option of the Authority on or after October 1, 2009, in whole or in part at any time, from any moneys that may be provided for such purpose and at the redemption process set forth in the table below, expressed as a percentage of the principal amount of such Series A Bonds, so redeemed plus accrued interest to the date fixed for redemption:

| Redemption period (both dates inclusive) | Redemption price (expressed as a percentage of principal amount) |
|---|---|
| October 1, 2009 through September 30, 2010 | 101.0% |
| October 1, 2010 through September 30, 2011 | 100.5 |
| October 1, 2011 and thereafter | 100.0 |

On July 24, 2012, the Authority used the proceeds of the 2012 Bonds to call and refund all 1999A Bonds maturing on October 1, 2014 through 2018 and a portion of the 1999A bonds maturing on October 1, 2019. On February 14, 2013, the Authority used the proceeds of the 2013A Bonds to call and refund all remaining 1999A Current Interest Bonds.

***(b) 1999 Series A Capital Appreciation Bonds***

The Series A Tax-Exempt Capital Appreciation Lien Revenue Bonds (1999 Series A CABs) were issued by the Authority in the aggregate amount of $50,453,617 on February 2, 1999. Proceeds from the sale of these insured 1999 Series A CABs were used to finance a portion of the cost of design and construction of the Project.

The first maturity of the bonds will commence on October 1, 2030. The 1999 Series A CABs, which mature between October 1, 2030 and October 1, 2037, have an accretion yield to maturity at rates ranging from 5.25% to 5.27%. The principal and accrued interest balance outstanding on the 1999 Series A CABs at June 30, 2014 and 2013 are $50,453,617 and $62,222,121 and $50,453,617 and $56,496,710, respectively. The 1999 Series A CABs are not subject to optional redemption.

The remaining debt service of the 1999 Series A CABs is as follows:

| | Annual debt service requirement | | |
|---|---|---|---|
| | Principal | Interest | Total |
| Fiscal year(s): | | | |
| 2030–2034 | $ 27,404,483 | 125,365,517 | 152,770,000 |
| 2035–2038 | 23,049,134 | 135,930,866 | 158,980,000 |
| Total | $ 50,453,617 | 261,296,383 | 311,750,000 |

***(c) 1999 Series C Current Interest Bonds***

The Series C Taxable Current Interest Lien Revenue Bonds (1999 Series C Current Interest Bonds) were issued by the Authority in the aggregate amount of $430,155,000 on January 1, 1999. Proceeds from the sale of these insured 1999 Series C Current Interest Bonds were used to finance a portion of the cost of the design and construction of the Project.

Interest on the 1999 Series C Current Interest Bonds is payable semiannually on April 1 and October 1 of each year commencing April 1, 1999, with principal payments commencing October 1, 2015. The 1999 Series C Current Interest Bonds, which mature annually each October 1, from 2014 through 2029, bear interest at rates ranging from 6.50% to 6.60%. The principal balance outstanding on the 1999 Series C Current Interest Bonds is $430,155,000 at June 30, 2014 and 2013. The 1999 Series C Current Interest Bonds are not subject to optional redemption.

The remaining debt service of the Authority's 1999 Series C Current Interest Bonds is as follows:

| | Annual debt service requirement | | |
|---|---|---|---|
| | **Principal** | **Interest** | **Total** |
| Fiscal year(s): | | | |
| 2015 | $ 3,130,000 | 28,158,830 | 31,288,830 |
| 2016 | 21,290,000 | 27,365,180 | 48,655,180 |
| 2017 | 23,170,000 | 25,920,230 | 49,090,230 |
| 2018 | 25,175,000 | 24,349,018 | 49,524,018 |
| 2019 | 27,315,000 | 22,643,093 | 49,958,093 |
| 2020–2024 | 63,250,000 | 99,009,623 | 162,259,623 |
| 2025–2029 | 213,560,000 | 54,963,810 | 268,523,810 |
| 2030–2034 | 53,265,000 | 1,757,745 | 55,022,745 |
| Total | $ 430,155,000 | 284,167,529 | 714,322,529 |

***(d) 1999 Series C Capital Appreciation Bonds***

The Series C Taxable Capital Appreciation Lien Revenue Bonds (1999 Series C CABs) were issued by the Authority in the aggregate amount of $67,298,396 on February 9, 1999. Proceeds from the sale of these insured 1999 Series C CABs were used to finance a portion of the cost of the design and construction of the Project.

The first maturity of the bonds will commence on October 1, 2020. The 1999 Series C CABs, which mature between October 1, 2020 and October 1, 2037, have an accretion yield to maturity at rates ranging from 6.69% to 6.83%. The principal balance and accrued interest outstanding on the 1999 Series C CABs at June 30, 2014 and 2013 are $67,298,396 and $121,849,970, and $67,298,396 and $109,586,566, respectively. The 1999 Series C CABs are not subject to optional redemption.

The Authority's remaining debt service on the 1999 Series C CABs is as follows:

| | | Annual debt service requirement | | |
|---|---|---|---|---|
| | | Principal | Interest | Total |
| Fiscal year(s): | | | | |
| 2020–2024 | $ | 22,052,990 | 75,812,010 | 97,865,000 |
| 2030–2034 | | 25,200,275 | 207,769,725 | 232,970,000 |
| 2035–2038 | | 20,045,131 | 222,379,869 | 242,425,000 |
| Total | $ | 67,298,396 | 505,961,604 | 573,260,000 |

***(e) 1999 Series D Bonds***

The Series D Taxable Subordinate Lien Revenue Bonds (1999 Series D Bonds) were issued by the Authority in the aggregate principal amount of $145,635,000 on January 1, 1999. Proceeds from the sale of these insured 1999 Series D Bonds were used to finance a portion of the cost of the design and construction of the Project.

Interest on the 1999 Series D Bonds is payable semiannually on April 1 and October 1 of each year commencing April 1, 1999, with principal payments commencing October 1, 2003. The 1999 Series D Bonds, which mature annually each October 1, through 2014, bear interest at rates ranging from 5.47% to 6.37%. The principal balance outstanding on the 1999 Series D Bonds is $16,240,000 and $34,200,000 at June 30, 2014 and 2013, respectively. The 1999 Series D Bonds are not subject to optional redemption.

The Authority's remaining debt service on the 1999 Series D Bonds is as follows:

| | | Annual debt service requirement | | |
|---|---|---|---|---|
| | | Principal | Interest | Total |
| Fiscal year: | | | | |
| 2015 | $ | 16,240,000 | 507,500 | 16,747,500 |
| Total | $ | 16,240,000 | 507,500 | 16,747,500 |

***(f) 2004 Series A Capital Appreciation Bonds – Non-Convertible***

The 2004 Series A Capital Appreciation Bonds Tax-Exempt Subordinate Lien Revenue Refunding Bonds (2004 Series A Bonds) were issued by the Authority in the aggregate amount of $200,300,100 on April 22, 2004. Proceeds from the sale of these insured 2004 Series A Capital Appreciation Bonds were used to refund a U.S. Department of Transportation Loan.

The first maturity of the bonds commenced on October 1, 2012. The 2004 Series A CAB (nonconvertible), which mature between October 1, 2012 and October 1, 2030, have an accretion yield to maturity at rates ranging from 4.30% to 5.72%. The principal balance and accrued interest outstanding on the 2004 Series A CAB (nonconvertible) at June 30, 2014 and 2013 are $187,267,829 and $116,090,316, and $197,247,134 and $107,420,696, respectively. The 2004 Series A CABs are not subject to optional redemption.

The Authority's remaining debt service on the 2004 Series A Non-Convertible and Non-Callable Bonds is as follows:

| | Annual debt service requirement | | |
|---|---|---|---|
| | Principal | Interest | Total |
| Fiscal year(s): | | | |
| 2015 | $ 18,519,513 | 11,355,487 | 29,875,000 |
| 2016 | 15,723,485 | 11,221,515 | 26,945,000 |
| 2017 | 18,482,475 | 15,127,525 | 33,610,000 |
| 2018 | 20,916,377 | 19,523,623 | 40,440,000 |
| 2019 | 23,428,768 | 24,826,232 | 48,255,000 |
| 2020–2024 | 53,847,791 | 68,702,209 | 122,550,000 |
| 2030–2034 | 36,349,420 | 121,330,580 | 157,680,000 |
| Total | $ 187,267,829 | 272,087,171 | 459,355,000 |

### *(g) 2004 Series A Capital Appreciation Bond – Convertible*

The 2004 Series A Capital Appreciation Bonds Tax Exempt Subordinate Lien Revenue Refunding Bonds (2004 Series A Bonds) were issued by the Authority in the aggregate amount of $274,992,286 on April 22, 2004. Proceeds from the sale of these insured 2004 Series A Capital Appreciation Bonds were used to refund a U.S. Department of Transportation Loan.

The 2004 Series A Bonds (convertible) were converted to current interest bonds at the full accreted face value of $5,000 per bond on October 1, 2012. At the date of conversion, the converted accrued interest totaled $153,397,714, bringing the total principal balance of the bonds to $428,390,000 at the date of conversion. The 2004 Series A Bonds (convertible) are callable on October 1, 2017.

The first maturity of the bonds will commence on October 1, 2021. The 2004 Series A CAB (convertible), which mature between October 1, 2021 and October 1, 2025, have an accretion yield to maturity at rates ranging from 5.25% to 5.45%. Interest is payable semiannually on April 1 and October 1 of each year beginning April 1, 2013. The principal balance outstanding on the 2004 Series A CAB (convertible) at June 30, 2014 and 2013 is $428,390,000.

The Authority's remaining debt service on the 2004 Series A Convertible and Callable Bonds is as follows:

| | | Annual debt service requirement | | |
|---|---|---|---|---|
| | | **Principal** | **Interest** | **Total** |
| Fiscal year(s): | | | | |
| 2015 | $ | — | 22,901,100 | 22,901,100 |
| 2016 | | — | 22,901,100 | 22,901,100 |
| 2017 | | — | 22,901,100 | 22,901,100 |
| 2018 | | — | 22,901,100 | 22,901,100 |
| 2019 | | — | 22,901,100 | 22,901,100 |
| 2020–2024 | | 242,360,000 | 95,933,020 | 338,293,020 |
| 2025–2029 | | 186,030,000 | 10,249,245 | 196,279,245 |
| Total | $ | 428,390,000 | 220,687,765 | 649,077,765 |

### *(h) 2004 Series B Capital Appreciation Bonds*

The 2004 Series B Capital Appreciation Bonds Taxable Subordinate Lien Refunding Bonds (2004 Series B Bonds) were issued by the Authority in the aggregate amount of $210,731,703 on April 22, 2004. Proceeds from the sale of these insured 2004 Series B Bonds were used to repay a U.S. Department of Transportation Loan.

The 2004 Series B Bonds are capital appreciation bonds and the first maturity commenced on October 1, 2006. The 2004 Series B Bonds mature between October 1, 2006 and October 1, 2033 and have an accretion yield to maturity at rates ranging from 3.05% to 6.33%. The 2004 Series B Bonds are not subject to optional redemption. The principal balance and accrued interest outstanding on the 2004 Series B Bonds are $131,132,410 and $116,431,637 and $131,132,410 and $100,650,992, at June 30, 2014 and 2013, respectively.

The Authority's remaining debt service on the 2004 Series B Capital Appreciation Bonds is as follows:

| | | Annual debt service requirement | | |
|---|---|---|---|---|
| | | **Principal** | **Interest** | **Total** |
| Fiscal year(s): | | | | |
| 2025–2029 | $ | 70,660,673 | 231,359,327 | 302,020,000 |
| 2030–2034 | | 60,471,737 | 285,203,263 | 345,675,000 |
| Total | $ | 131,132,410 | 516,562,590 | 647,695,000 |

### *(i) 2012 Series Bonds*

The 2012 Series Taxable Senior Lien Bonds were issued by the Authority in the aggregate amount of $83,710,000 on June 21, 2012. Proceeds from the sale of these 2012 Bonds were used on July 24, 2012 to call and refund all 1999A Bonds maturing on October 1, 2014 through 2018 and a portion of the 1999A Bonds maturing on October 1, 2019.

The 2012 Bonds are current interest bonds. Interest is payable semiannually on April 1 and October 1 of each year commencing October 1, 2012, with principal payments commencing October 1, 2023 through 2035, all at an interest rate of 2.46%. The principal balance on the 2012 Bonds is $83,710,000 at June 30 2014 and June 30, 2013. The 2012 Bonds are redeemable at par at the option of the Authority at any time, in whole or in part from any available moneys that may be provided for such purpose:

| | Annual debt service requirement | | |
|---|---|---|---|
| | **Principal** | **Interest** | **Total** |
| Fiscal year(s): | | | |
| 2015 | $ — | 2,059,266 | 2,059,266 |
| 2016 | — | 2,062,087 | 2,062,087 |
| 2017 | — | 2,056,445 | 2,056,445 |
| 2018 | — | 2,059,266 | 2,059,266 |
| 2019 | — | 2,059,266 | 2,059,266 |
| 2020–2024 | 10,550,000 | 10,169,386 | 20,719,386 |
| 2025–2029 | 43,880,000 | 6,145,815 | 50,025,815 |
| 2030–2034 | 26,345,000 | 1,789,738 | 28,134,738 |
| 2035–2038 | 2,935,000 | 39,151 | 2,974,151 |
| Total | $ 83,710,000 | 28,440,420 | 112,150,420 |

### *(j) 2013A Series Bonds*

The 2013A Series Tax-Exempt Senior Lien Bonds were issued by the Authority in the aggregate amount of $248,325,000 on February 12, 2013. Proceeds from the sale of these 2013A Bonds were used on February 14, 2013 to call and refund all remaining 1999A Current Interest Bonds.

The 2013A Bonds are current interest bonds. Interest is payable semiannually on April 1 and October 1 of each year commencing October 1, 2013, with principal payments commencing October 1, 2019 through 2029 at interest rates ranging from 3.00% to 5.00%. The principal balance on the 2013A Bonds is $248,325,000 on June 30, 2014 and June 30, 2013. The 2013A Bonds are redeemable at par at the option of the Authority at any time, in whole or in part from any available moneys that may be provided for such purpose:

| | Annual debt service requirement | | |
|---|---|---|---|
| | **Principal** | **Interest** | **Total** |
| Fiscal year(s): | | | |
| 2015 | $ — | 11,786,950 | 11,786,950 |
| 2016 | — | 11,786,950 | 11,786,950 |
| 2017 | — | 11,786,950 | 11,786,950 |
| 2018 | — | 11,786,950 | 11,786,950 |
| 2019 | — | 11,786,950 | 11,786,950 |
| 2020–2024 | 88,645,000 | 49,000,625 | 137,645,625 |
| 2025–2029 | 129,095,000 | 22,005,391 | 151,100,391 |
| 2030–2034 | 30,585,000 | 665,391 | 31,250,391 |
| Total | $ 248,325,000 | 130,606,157 | 378,931,157 |

### *(k) Accrued Interest Payable*

The Authority's accrued interest payable is as follows:

| | June 30, 2014 | | |
|---|---|---|---|
| | **Current interest bond** | **Long-term CABs** | **Total** |
| 1999 Series A Bonds | $ — | 62,222,121 | 62,222,121 |
| 1999 Series C Bonds | 7,065,139 | 121,849,970 | 128,915,109 |
| 1999 Series D Bonds | 253,750 | — | 253,750 |
| 2004 Series A Bonds | 17,080,762 | 116,090,316 | 133,171,078 |
| 2004 Series B Bonds | — | 116,431,637 | 116,431,637 |
| 2012 Series Bonds | 516,227 | — | 516,227 |
| 2013 Series Bonds | 2,946,738 | — | 2,946,738 |
| Total | $ 27,862,616 | 416,594,044 | 444,456,660 |

| | June 30, 2013 | | |
|---|---|---|---|
| | Current interest bond | Long-term CABs | Total |
| 1999 Series A Bonds | $ — | 56,496,710 | 56,496,710 |
| 1999 Series C Bonds | 7,065,138 | 109,586,566 | 116,651,704 |
| 1999 Series D Bonds | 539,988 | — | 539,988 |
| 2004 Series A Bonds | 10,840,970 | 107,420,696 | 118,261,666 |
| 2004 Series B Bonds | — | 100,650,992 | 100,650,992 |
| 2012 Series Bonds | 516,227 | — | 516,227 |
| 2013 Series Bonds | 2,946,738 | — | 2,946,738 |
| Total | $ 21,909,061 | 374,154,964 | 396,064,025 |

### *(l) Combined 1999, 2004, 2012, and 2013A Debt Service*

The Authority's debt service of the 1999 Series A, C, and D Bonds, the 2004 Series A and B Bonds, the 2013 Series Bonds, and the 2014A Series Bonds in aggregate is as follows:

| | Annual debt service requirement | | |
|---|---|---|---|
| | Principal | Interest | Total |
| Fiscal year(s): | | | |
| 2015 | $ 37,889,513 | 76,769,133 | 114,658,646 |
| 2016 | 37,013,485 | 75,336,832 | 112,350,317 |
| 2017 | 41,652,475 | 77,792,250 | 119,444,725 |
| 2018 | 46,091,377 | 80,619,957 | 126,711,334 |
| 2019 | 50,743,768 | 84,216,641 | 134,960,409 |
| 2020–2024 | 480,705,781 | 398,626,873 | 879,332,654 |
| 2025–2029 | 643,225,673 | 324,723,588 | 967,949,261 |
| 2030–2034 | 259,620,915 | 743,881,959 | 1,003,502,874 |
| 2035–2039 | 46,029,265 | 358,349,886 | 404,379,151 |
| Total | $ 1,642,972,252 | 2,220,317,119 | 3,863,289,371 |

### *(m) Restructuring*

The Authority completed negotiations for a U.S. Department of Transportation Federal Rail Administration for Railroad Rehabilitation and Improvement Financing (RRIF) in late 2012. The RRIF financing resulted in the issuance of the 2012 Series Bonds on June 21, 2012. Subsequent to June 30, 2012, the proceeds of the financing were used to restructure portions of the Authority's debt by calling 1999A Bonds maturing on October 1, 2014 through 2018, and a portion of 2019 in order to reduce total debt service. The restructuring reduced total debt service and minimized the need for shortfall advances from the Ports. An amount of $83.7 million was repaid in July 2012.

The Authority also issued 2013A Series Tax-Exempt Senior Lien Bonds in the aggregate amount of $248,325,000 on February 12, 2013. Proceeds from the sale of these 2013A Bonds were used on February 14, 2013 to call and refund all remaining 1999A Current Interest Bonds.

Long-term liability activity for the years ended June 30, 2014 and 2013 was as follows:

| | Balance, July 1, 2013 | Additions | Deletions | Balance, June 30, 2014 | Due within one year |
|---|---|---|---|---|---|
| Bonds payable: | | | | | |
| 1999 Series A Bonds | $ 50,453,617 | — | — | 50,453,617 | |
| 1999 Series C Bonds | 497,453,396 | — | — | 497,453,396 | 3,130,000 |
| 1999 Series D Bonds | 34,200,000 | — | (17,960,000) | 16,240,000 | 16,240,000 |
| 2004 Series A Bonds | 625,637,134 | — | (9,979,305) | 615,657,829 | 18,519,513 |
| 2004 Series B Bonds | 131,132,410 | — | — | 131,132,410 | |
| 2012 Series Bonds | 83,710,000 | — | — | 83,710,000 | |
| 2013 Series Bonds | 248,325,000 | — | — | 248,325,000 | |
| Total bonds payable | 1,670,911,557 | — | (27,939,305) | 1,642,972,252 | 37,889,513 |
| Less unamortized bond premiums (discounts) | 40,728,855 | — | (3,930,682) | 36,798,173 | — |
| Interest payable: | | | | | |
| Accrued interest payable | 396,064,025 | 120,103,677 | (71,711,042) | 444,456,660 | 27,862,616 |
| Net long-term liabilities | $ 2,107,704,437 | 120,103,677 | (103,581,029) | 2,124,227,085 | 65,752,129 |

| | Balance, July 1, 2012 | Additions | Deletions | Balance, June 30, 2013 | Due within one year |
|---|---|---|---|---|---|
| Bonds payable: | | | | | |
| 1999 Series A Bonds | $ 423,103,617 | — | (372,650,000) | 50,453,617 | — |
| 1999 Series C Bonds | 497,453,396 | — | — | 497,453,396 | — |
| 1999 Series D Bonds | 50,660,000 | — | (16,460,000) | 34,200,000 | 17,960,000 |
| 2004 Series A Bonds | 475,292,388 | 153,397,714 | (3,052,968) | 625,637,134 | 9,979,304 |
| 2004 Series B Bonds | 152,853,854 | — | (21,721,444) | 131,132,410 | — |
| 2012 Series Bonds | 83,710,000 | — | — | 83,710,000 | — |
| 2013 Series Bonds | — | 248,325,000 | — | 248,325,000 | — |
| Total bonds payable | 1,683,073,255 | 401,722,714 | (413,884,412) | 1,670,911,557 | 27,939,304 |
| Less unamortized bond premiums (discounts) | (3,513,976) | 45,544,946 | (1,302,115) | 40,728,855 | — |
| Interest payable: | | | | | |
| Accrued interest payable | 511,005,486 | 110,722,937 | (225,664,398) | 396,064,025 | 21,909,061 |
| Net long-term liabilities | $ 2,190,564,765 | 557,990,597 | (640,850,925) | 2,107,704,437 | 49,848,365 |

## (6) Pollution Remediation Obligations

On December 21, 2010, a crude oil release from a then unknown origin was discovered in the Dominguez Channel and nearby stormwater drainage system adjacent to the Alameda Corridor. The

U.S. Environmental Protection Agency (EPA), the California Department of Fish and Game (DFG), the U.S. Coast Guard, and others have been involved in the mitigation, containment, investigation, and immediate cleanup efforts, and have contained the release.

On January 7, 2011, the EPA issued an Order to the Port of Los Angles, the Port of Long Beach, and the Authority, to assume responsibility for these activities effective January 14, 2011. The EPA agreed to limit the Authority's and the Ports' role to maintaining the containment systems and cleaning up the Los Angeles City pump station and sewer line leading to the pump station. The Authority and the Ports have completed the work required by the EPA. The EPA and DFG have managed the remaining work, including the source investigation.

On March 30, 2011, after identifying an oil pipeline owned and operated by Crimson Pipeline Management Company (Crimson) as the source of the release, the EPA issued an Order to Crimson for removal, mitigation, or prevention of a substantial threat of oil discharge. The Authority has been notified that Crimson has taken over responsibility for the oil release containment facilities effective June 15, 2011, and has assumed financial and operational responsibilities from that date.

Crimson filed a lawsuit against the Authority, the City of Los Angeles, the City of Long Beach, and Herzog Contracting Corporation on April 27, 2012, alleging that these other entities, and not Crimson, were responsible for the oil spill and/or were prevented from recovering damages from Crimson for the oil spill. The Authority, the City of Long Beach, and the City of Los Angeles, counterclaimed against Crimson. The Authority and the Ports are continuing to cooperate with Crimson, EPA, DFG, and other agencies to assist as necessary with containment, investigation, and cleanup. The Authority and the Ports intend to seek reimbursement from the responsible party or parties, and from any other funding sources available for such purpose, including the Oil Spill Liability Trust Fund (established under the Oil Pollution Act of 1990).

During fiscal year 2014, the Authority and the other named parties have engaged in confidential mediation in regard to the matter; however, no conclusions has been reached and mediation continues to be ongoing. Therefore, as of June 30, 2014, the Authority cannot reasonably estimate what future costs will be required as a result of the Order.

## (7) Retirement Plan

### *(a) Plan Description*

The Alameda Corridor Transportation Authority Retirement Plan (the Plan) is a cost sharing agent multiple-employer defined-benefit retirement plan administered by the California Public Employees' Retirement System (CalPERS). The Plan provides retirement benefits to eligible retirees and their dependents. Employees must retire directly from the Authority under a CalPERS disability retirement or service retirement (meeting age requirement and five years of service). Benefit provisions are established through contract with CalPERS and may be amended through Governing Board authorization, agreements, and memorandums of understanding between the Authority, its management employees, and unions representing Authority employees.

Effective January 8, 1996, the Authority entered into a contract with CalPERS, a cost sharing agent multiple-employer, defined-benefit pension plan, and public employee retirement system that acts as common investment and administrative agent for participating public entities within the State of California. The Authority selects benefit provisions by contract with CalPERS and adopts those benefits through Governing Board authorization. CalPERS issues a separate comprehensive annual financial report. The CalPERS annual financial report may be obtained from the CalPERS Web site at www.calpers.ca.gov.

All regular Authority employees who reach 1,000 hours in a fiscal year, and hired prior to January 1, 2013, are eligible to participate in the CalPERS "Classic Member" 2.000% at 55 Miscellaneous Defined Benefit Plan. Benefits vest after five years of service. Classic Members who retire at or after age 50, with five years of credited service, are entitled to an annual retirement benefit, payable monthly for life, in an amount based on the average of the employee's highest 12 consecutive monthly pay rates during employment that varies from 1.426% at age 50 to a maximum of 2.418% at age 63 for each year of credited service. In accordance with the Public Employees' Pension Reform Act (PEPRA), all regular Authority employees newly hired after January 1, 2013 are instead eligible to participate in the CalPERS "New Member" 2.000% at 62 Miscellaneous Defined Benefit Plan, with eligibility to retire at or after age 52 and with five years of credited service. The New Member annual retirement benefit amount is based on the average of the employee's final 36 consecutive monthly pay rates during employment that varies from 1.000% at age 52 to a maximum of 2.500% at age 67 for each year of credited service. The system for Classic and New Members also provides for death and survivor benefits. These benefit provisions and all other requirements are established by State statute and the Authority's Governing Board authorization.

### *(b) Funding Policy*

The contribution requirements of the Classic and New Member plans are established by State statute, and the employer contribution rate is actuarially established and may be amended by CalPERS.

Active Classic Member employees in the Plan are required to contribute 7% of their annual covered payroll. The Authority pays this required biweekly employee contribution on behalf of its Classic Member employees. New Member employees are required by the PEPRA to instead contribute 100% of their employee contribution rate. The New Member employee contribution rate was 6.25% of their annual covered payroll for the years ended June 30, 2014 and 2013. The Authority had no employees qualifying as New Members for the years ended June 30, 2014 and 2013.

The Authority is required to contribute 100% of actuarially determined biweekly employer contribution remaining amounts necessary to fund benefits for its Classic Members and New Members. The required employer contribution rate was 14.98% and 14.296% for the years ended June 30, 2014 and 2013, respectively. The Authority's covered payroll for the employees participating in CalPERS for the years ended June 30, 2014 and 2013 was $1,086,008 and $1,378,128, respectively. Total payroll for fiscal years 2014 and 2013 was $1,101,340 and $1,495,783, respectively.

### *(c) Annual Pension Cost*

For fiscal years 2014 and 2013, the Authority's Annual Required Contribution (ARC) was $162,684 and $197,017, respectively, which the Authority contributed. The required contribution for fiscal years 2014 and 2013 was determined as part of the June 2011 actuarial valuation using the entry-age-actuarial-cost method with the contributions determined as a percentage of pay. The actuarial assumptions included (a) 7.5% investment return (net of expenses); (b) projected salary increase of 3.30%–14.20% depending on age, service, and type of employment; (c) merit increase that varies by length of service; and (d) payroll growth of 3.00%. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period. The Plan's unfunded accrued actuarial liability (UAAL) is amortized using a level-percentage-of-projected-payroll method, on a closed basis over a 20-year period:

| | Annual pension cost (APC) | Percentage of APC contributed | Net pension obligation |
|---|---|---|---|
| Fiscal year: | | | |
| 2004 | $ 185,119 | 100 | — |
| 2005 | 216,150 | 100 | — |
| 2006 | 201,711 | 100 | — |
| 2007 | 178,243 | 100 | — |
| 2008 | 190,195 | 100 | — |
| 2009 | 209,773 | 100 | — |
| 2010 | 198,489 | 100 | — |
| 2011 | 176,761 | 100 | — |
| 2012 | 199,559 | 100 | — |
| 2013 | 197,017 | 100 | — |
| 2014 | 162,684 | 100 | — |

***(d) Actuarial Methods and Assumptions***

The actuarial methods and assumptions used are those adopted by CalPERS' Board of Administration, in accordance with the parameters of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*.

### *(e) Funded Status and Funding Progress*

The funded status of the CalPERS plan, of which the Authority is one of the participating employers, as of June 30, 2014, the Plan's most recent actuarial valuation date, was as follows:

| | | |
|---|---|---|
| Actuarial accrued liability (AAL) | $ | 4,175,139,166 |
| Actuarial value of plan assets | | 3,686,598,343 |
| Unfunded actuarial accrued liability (UAAL) | $ | 488,540,823 |
| Funded ratio (actuarial value of plan assets/AAL) | | 88.3% |
| Covered payroll (active plan members) | $ | 757,045,663 |
| UAAL as a percentage of covered payroll | | 64.5% |

## (8) Other Postemployment Benefits (OPEB)

### *(a) Plan Description (OPEB)*

The Alameda Corridor Transportation Authority Retiree Healthcare Plan is a single-employer defined-benefit healthcare plan administered by the Authority. The plan provides healthcare benefits to eligible retirees and their dependents. Employees must retire directly from the Authority under a CalPERS disability retirement or service retirement (age 50 and five years of service for all employees included in the most recent actuarial valuation, but age increases to 52 for PEPRA employees hired after 1/1/2013). Benefit provisions are established and may be amended through agreements and memorandums of understanding between the Authority, its management employees, and unions representing Authority employees.

The Authority provides retiree medical benefits through the California Public Employees' Retirement System Healthcare Program (PEMHCA). The Authority contributes, for eligible retirees and their dependents, using the Los Angeles Regional Kaiser rate structure at 5% of the active member contribution amount multiplied by years in PEMHCA (increase each year not greater than $100 per month, total amount not to exceed the active amount). The Authority joined PEMHCA in 2000 for all bargaining units, and contributes up to the Kaiser premium based on coverage level for active employees.

The Authority participates in the California Employers' Retiree Benefit Trust (CERBT) Fund, which is administered by the CalPERS. CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to prefund retiree healthcare benefits. CERBT, an agent multiple-employer trust, issues a publicly available financial report including GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, disclosure information in aggregate with the other CERBT participating employers. That report can be obtained from the CalPERS Web site at www.calpers.ca.gov.

***(b) Funding Policy (OPEB)***

The contribution requirements of the plan members and the Authority are established by and may be amended by the Authority. The Authority prefunds plan benefits through the CERBT by contributing at least 100% of the ARC.

The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

For fiscal year 2014, the Authority contributed $128,181 to the Plan, including $22,181 for current benefit payments and administrative fees and $106,000 to prefund plan benefits.

***(c) Annual OPEB Cost and Net OPEB Obligation***

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's Net OPEB obligation:

| | | |
|---|---|---|
| Annual required contribution | $ | (106,000) |
| Interest on net OPEB asset | | 22,399 |
| Adjustment to annual required contribution | | (39,783) |
| Annual OPEB cost | | (123,384) |
| Contributions to irrevocable trust | | 128,181 |
| Decrease in net OPEB asset | | 4,797 |
| Net OPEB asset, beginning of year | | 358,383 |
| Net OPEB asset, end of year | $ | 363,180 |

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for fiscal year 2014 and the three preceding years were as follows:

| Fiscal year ended | | Annual OPEB cost | Percentage of annual OPEB cost contributed | | Net OPEB asset |
|---|---|---|---|---|---|
| June 30, 2012 | $ | 88,536 | 87% | $ | 372,034 |
| June 30, 2013 | | 92,651 | 85 | | 358,383 |
| June 30, 2014 | | 123,384 | 104 | | 363,180 |



(Continued)

### *(d) Funded Status and Funding Progress (OPEB)*

The funded status of the plan as of June 30, 2014, the plan's most recent actuarial valuation date, was as follows:

| | | |
|---|---|---|
| Actuarial accrued liability (AAL) | $ | 1,296,000 |
| Actuarial value of plan assets | | 936,000 |
| Unfunded actuarial accrued liability (UAAL) | $ | 360,000 |
| Funded ratio (actuarial value of plan assets/AAL) | | 72% |
| Covered payroll (active plan members) | $ | 1,065,000 |
| UAAL as a percentage of covered payroll | | 34% |

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### *(e) Actuarial Methods and Assumptions (OPEB)*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) 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.

In the June 30, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6.25% investment rate of return (net of administrative expenses), which is the expected long-term investment return on CERBT investments, a 3.0% general inflation assumption, an annual pre-Medicare eligible medical cost trend rate of 8.0% for 2014 decreasing to 5.0% after 6 years (the post-Medicare eligible medical cost trend rate started 0.3% higher for 2014). The actuarial value of assets is based upon market value, but investment gains and losses are spread over a 5-year rolling period. In addition, the actuarial value of assets can never be less than 80% nor more than 120% of market value. The June 30, 2009 UAAL was amortized as a level percentage of projected payroll over 15 years from June 30, 2009 (10 years remaining on June 30, 2014) on a closed basis. Gains and losses and assumption changes are amortized over 15 years; plan amendments and method changes will be amortized over 15 years.

## (9) Commitments and Contingencies

The Authority is subject to claims and lawsuits arising in the normal course of business. Such claims are routinely evaluated by the Authority's legal counsel. Management may make provisions for probable losses if deemed appropriate on advice of legal counsel. To the extent, provisions for damages are considered necessary, appropriate amounts are reflected in the accompanying basic financial statements. It is the opinion of the Authority's management, based on consultation with legal counsel, that the estimated liability for unreserved claims and suits will not have a material impact on the Authority's basic financial statements.

The Authority is also exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors, and omissions; and natural disasters for which the Authority carries commercial insurance. In each of the past three fiscal years, the Authority has experienced no losses that have not been covered by existing insurance policy limits.

As a recipient of federal and state grant funds, the Authority is subject to periodic audits and compliance reviews by, or on behalf of, the granting agencies to determine if the expenditure of granted funds has been made in accordance with grant provisions. Such audits and compliance reviews could result in the potential disallowance of expenditures claimed by the Authority. The Authority's management believes that the Authority has complied with the terms of its grant agreements and that the possible adverse effects, if any, of disallowed grant expenditures that may be determined by the granting agencies upon the Authority would not be material to the Authority.

## ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Required Supplementary Information

CalPERS Pension Information (unaudited)

June 30, 2014 and 2013

**CalPERS Schedule of Funding Progress**
**Pension Risk Pool Schedule of Funding History (unaudited)**
**Funding history**

| CalPERS Annual actuarial valuation date | Accrued liabilities (AL) | Actuarial value of assets (AVA) | Unfunded liabilities (UL) | Funded ratio (AVA/AL) | Annual covered payroll | ULAs a% of payroll |
|---|---|---|---|---|---|---|
| June 30, 2006 | $ 2,754,396,608 | 2,492,226,176 | 262,170,432 | 90.5% | $ 699,897,835 | 37.5% |
| June 30, 2007 | 2,611,746,790 | 2,391,434,447 | 220,312,343 | 91.6 | 665,522,859 | 33.1 |
| June 30, 2008 | 2,780,280,768 | 2,547,323,278 | 232,957,490 | 91.6 | 688,606,681 | 33.8 |
| June 30, 2009 | 3,104,798,222 | 2,758,511,101 | 346,287,121 | 88.8 | 742,981,488 | 46.6 |
| June 30, 2010 | 3,309,064,934 | 2,946,408,106 | 362,656,828 | 89.0 | 748,401,352 | 48.5 |
| June 30, 2011 | 3,619,835,876 | 3,203,214,899 | 416,620,977 | 88.5 | 759,263,518 | 54.9 |
| June 30, 2012 | 4,175,139,166 | 3,686,598,343 | 488,540,823 | 88.3 | 757,045,663 | 64.5 |

See accompanying independent auditors' report.

# ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Required Supplementary Information

Other Postemployment Benefits (unaudited)

June 30, 2014 and 2013

**ACTA Schedule of Funding Progress**
**OPEB Schedule of Funding History (unaudited)**
**Funding history**

| OPEB Biennial actuarial valuation date | | Actuarial Value of Assets (AVA) | Actuarial Liabilities (AL) | Unfunded liabilities (UAL) | Funded ratio (AVA/AL) | | Annual covered payroll | UAL as% of payroll |
|---|---|---|---|---|---|---|---|---|
| June 30, 2007 | $ | — | 391,970 | 391,970 | —% | $ | 1,477,757 | 27% |
| June 30, 2009 | | 406,303 | 560,749 | 154,446 | 72 | | 1,594,964 | 10 |
| June 30, 2011 | | 650,000 | 711,000 | 61,000 | 91 | | 1,459,000 | 4 |
| June 30, 2013 | | 936,000 | 1,296,000 | 360,000 | 72 | | 1,065,000 | 34 |

See accompanying independent auditors' report.