



*REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS
WITH REQUIRED SUPPLEMENTARY INFORMATION*

FOR

**ALAMEDA CORRIDOR
TRANSPORTATION AUTHORITY**

June 30, 2017 and 2016

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Report of Independent Auditors

The Governing Board
Alameda Corridor Transportation Authority
Long Beach, California

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, 2017 and 2016, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 as of June 30, 2017 and 2016, and the respective changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 3–9 and the schedule of proportionate share of the net pension liability, schedule of contributions, and schedule of funding progress for other postemployment benefits on pages 47–49 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 October 31, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



Irvine, California
October 31, 2017

Alameda Corridor Transportation Authority

Management's Discussion and Analysis

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 statements of net position; 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, 2017 and 2016, respectively, was \$390,223,232 and \$361,712,419. Of this amount, \$14,815,507 and \$14,319,910, respectively, are invested in the Authority's capital assets, net of related debt, at June 30, 2017 and 2016. The Authority's net position decreased by \$28,510,813 and \$169,019,999 in the years ended June 30, 2017 and 2016, respectively.

The 2017 and 2016 fiscal years marked the fifteenth and fourteenth full years of operations for the Authority. The Authority earned \$107,674,416 and \$108,604,376 from use fees, container charges, and maintenance-of-way charges during fiscal years ended June 30, 2017 and 2016, respectively. The Authority's use fees and container charges for the year 2017 were less than the 2016 total by 0.7%. 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.

Condensed Financial Information

The following condensed financial information provides an overview of the Authority's financial position for the fiscal years ended June 30, 2017, 2016, and 2015:

	Year Ended June 30			Change	Change
	2017	2016	2015	Between 2017 and 2016	Between 2016 and 2015
Assets					
Capital assets, net	\$ 1,598,384,791	\$ 1,619,413,295	\$1,640,450,554	\$ (21,028,504)	\$ (21,037,259)
Other assets	217,131,724	208,455,018	314,350,204	8,676,706	(105,895,186)
Total assets	1,815,516,515	1,827,868,313	1,954,800,758	(12,351,798)	(126,932,445)
Deferred outflows of resources	20,464,996	21,550,240	196,611	(1,085,244)	21,353,629
Liabilities					
Long-term liabilities	2,171,477,106	2,170,567,053	2,079,148,645	910,053	91,418,408
Current liabilities	54,619,159	40,335,492	68,138,117	14,283,667	(27,802,625)
Total liabilities	2,226,096,265	2,210,902,545	2,147,286,762	15,193,720	63,615,783
Deferred inflows of resources	108,478	228,427	403,027	(119,949)	(174,600)
Net position					
Net investment in capital assets	14,815,507	14,319,910	155,907,566	495,597	(141,587,656)
Restricted for debt service	98,757,783	94,423,740	88,219,461	4,334,043	6,204,279
Restricted for capital projects	-	224,541	542,172	(224,541)	(317,631)
Restricted by Master Trust					
Indenture	66,146,811	57,688,600	74,479,257	8,458,211	(16,790,657)
Unrestricted (deficit)	(569,943,333)	(528,369,210)	(511,840,876)	(41,574,123)	(16,528,334)
Total net position	\$ (390,223,232)	\$ (361,712,419)	\$ (192,692,420)	\$ (28,510,813)	\$ (169,019,999)

Alameda Corridor Transportation Authority

Management's Discussion and Analysis

Capital Assets

Capital assets, net, made up of infrastructure and equipment, decreased by \$21.0 million, or 1.3%, and \$21.0 million, or 1.3%, between 2017 and 2016, and 2016 and 2015, respectively. These decreases are due primarily to depreciation of capital assets of \$21.0 and \$21.1 million in fiscal years 2017 and 2016, respectively,

Deferred Outflows of Resources

Deferred outflows of resources decreased by \$1.1 million, or 5.0%, primarily due to amortization of discount premiums and/or discounts of 2016 bond refunding which offsets by net difference between projected and actual earnings on pension plan investments and pension contributions. The deferred outflows are calculated as the difference between the reacquisition price (the amount paid on extinguishment including call premiums and miscellaneous costs of reacquisition) and the net carrying value (amount due at maturity, adjusted for unamortized premiums and/or discounts). The deferred outflows are being amortized over the shorter of the remaining life of the old debt or the new debt.

Other Assets

Other assets increased by \$8.7 million, or 4.2%, during fiscal year 2017 primarily due to increases in restricted cash and investments due to lower debt service payments as a result of 2016 Bond refunding.

Current Liabilities

Current liabilities consist of the current portion of accrued interest and revenue bonds payable, accounts payable, unearned revenue, and other liabilities. Current liabilities increased by \$14.3 million, or 35.4%, and decreased by \$27.8 million, or 40.8%, during the fiscal years ended June 30, 2017 and 2016, respectively.

The \$14.3 million increase in fiscal year 2017 is primarily due to an increase in accrued short-term debt.

The \$27.8 million decrease in fiscal year 2016 is primarily due to \$28.3 million in principal and interest payments made during fiscal year 2016.

Long-Term Liabilities

Long-term liabilities increased by \$0.9 million, or 0%, in fiscal year 2017 compared to fiscal year 2016. The 2017 increase was due to the increase in bonds payable.

Long-term liabilities increased by \$91.4 million, or 4.4%, in fiscal year 2016 compared to fiscal year 2015. The 2016 increase was due to the increase in bonds payable, due to the May 2016 bond issuance.

Alameda Corridor Transportation Authority Management's Discussion and Analysis (continued)

The Master Trust Indenture

In conjunction with the sale of project revenue and refunding bonds in 1999, 2004, 2012, 2013A, and 2016 (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 Corridor, 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.

Net Position

Net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, decreased by \$28.5 million, or 7.9%, and \$169.0 million, or 87.7%, during the years ended June 30, 2017 and 2016, respectively. The change in net position was primarily the result of interest and operating expenses continuing to exceed operating income. In fiscal years 2017 and 2016, operating revenues of \$107.7 million and \$108.6 million, respectively, were sufficient to cover the interest expense of \$104.6 million in 2017, but not sufficient for the \$138.6 million in 2016. The remaining change is the result of depreciation of \$21.0 million in fiscal year 2017 and \$21.1 million in fiscal year 2016. In addition, in 2016, there was \$99.5 million expense related to the adjustment in the carrying value of assets held for transfer and bond issuance costs of \$11.1 million.

Alameda Corridor Transportation Authority

Management's Discussion and Analysis (continued)

Summary of Changes in Net Position

The table below summarizes the changes in net position for the years ended June 30, 2017, 2016, and 2015:

	Year Ended June 30			Change Between 2017 and 2016	Change Between 2016 and 2015
	2017	2016	2015		
Operating revenues					
Use fees and container charges	\$ 102,802,942	\$ 103,551,936	\$ 105,518,770	\$ (748,994)	\$ (1,966,834)
Maintenance-of-way charges	4,871,474	5,052,440	4,856,519	(180,966)	195,921
Total operating revenues	107,674,416	108,604,376	110,375,289	(929,960)	(1,770,913)
Operating expenses					
Salaries and benefits	1,877,585	1,742,411	1,860,394	135,174	(117,983)
Administrative expenses and professional services	3,636,088	2,735,999	2,266,204	900,089	469,795
Maintenance-of-way charges	6,956,695	7,154,542	6,738,543	(197,847)	415,999
Depreciation	21,034,560	21,053,229	21,244,199	(18,669)	(190,970)
Total operating expenses	33,504,928	32,686,181	32,109,340	818,747	576,841
Operating income	74,169,488	75,918,195	78,265,949	(1,748,707)	(2,347,754)
Nonoperating revenues (expenses)					
Interest and investment income, net	1,635,412	3,375,680	2,413,719	(1,740,268)	961,961
Interest expense	(104,578,086)	(138,639,697)	(111,683,412)	34,061,611	(26,956,285)
Grant revenues	1,323,195	1,949,517	3,479,593	(626,322)	(1,530,076)
Miscellaneous revenues	621,419	1,009,872	193,220	(388,453)	816,652
Expenses for public benefit	(1,682,241)	(2,028,509)	(4,195,569)	346,268	2,167,060
Loss on sale and transfers of assets held for sale and transfer	-	-	(26,328,348)	-	26,328,348
Carrying value adjustment to assets held for transfer	-	(99,546,017)	-	99,546,017	(99,546,017)
Bond issuance costs	-	(11,059,040)	-	11,059,040	(11,059,040)
Total nonoperating expenses	(102,680,301)	(244,938,194)	(136,120,797)	142,257,893	(108,817,397)
Changes in net position	(28,510,813)	(169,019,999)	(57,854,848)	140,509,186	(111,165,151)
Net position, beginning of the year, as originally presented	(361,712,419)	(192,692,420)	(133,149,060)	(169,019,999)	(59,543,360)
Cumulative effect of change in accounting principle	-	-	(1,688,512)	-	1,688,512
Net position, beginning of the year, after cumulative effect	(361,712,419)	(192,692,420)	(134,837,572)	(169,019,999)	(57,854,848)
Net position, end of year	<u>\$ (390,223,232)</u>	<u>\$ (361,712,419)</u>	<u>\$ (192,692,420)</u>	<u>\$ (28,510,813)</u>	<u>\$ (169,019,999)</u>

Alameda Corridor Transportation Authority Management's Discussion and Analysis (continued)

Operating Revenues

Use fees and container charges revenues, representing 95.5% and 95.3% of operating revenues, decreased by \$0.7 million and \$2.0 million, or 0.7% and 1.9%, in 2017 and 2016, respectively. The fiscal year 2016 decrease is primarily due to the ongoing volume decrease following the 2014/2015 productivity and labor disruption.

Operating Expenses

Operating expenses consist of salaries and benefits, administrative expenses, professional services, maintenance of way, and depreciation. During the year ended June 30, 2017, operating expenses increased by \$0.8 million or 2.5%. The increase in 2017 is primarily related to increase of salaries and benefits, administrative expenses, and professional services which was offset by a decrease in maintenance-of-way charges. During the year ended June 30, 2016, operating expenses increased by \$0.6 million or 1.8%. The increase in 2016 is primarily related to increased maintenance-of-way charges as well as higher administrative expenses and professional services.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist of interest and investment earnings, interest expense, grant revenues, miscellaneous revenues, losses on assets held for transfer and carrying value adjustment, expenses for public benefit, and bond issuance costs.

The 2017 decrease in nonoperating expenses of \$142.3 million was primarily due to a \$99.6 million carrying value adjustment to assets held for transfer and an \$11.1 million debt issuance cost expense that occurred in 2016, but not 2017. Interest expense decreased by \$34.1 million as a result of the May 2016 bond transaction, which resulted in additional capital appreciation bonds (CAB) interest on the 2004A defeased bonds and new 2016 bonds. Additionally, investment income decreased by \$1.7 million.

The 2016 increase in nonoperating expenses of \$108.8 million was primarily due to the loss of \$73.2 million from assets held for transfer and carrying value adjustment in relation to the loss in 2015. Interest expense increased by \$27.0 million as a result of the May 2016 bond transaction, which resulted in additional CABs interest on the 2004A defeased bonds and new 2016 bonds. Additionally, bond issuance costs relating to the May 2016 bond transaction, totaling \$11.1 million, were expensed during the fiscal year. Grant revenues related to the State Route 47 (SR-47) decreased during the year with a proportionate decrease in project expenses.

Capital Assets and Debt Administration

At June 30, 2017 and 2016, the Authority had approximately \$1.60 billion and \$1.62 billion, respectively, of capital assets, net of accumulated depreciation, and approximately \$2.2 billion and \$2.2 billion, respectively, in outstanding long-term debt.

Alameda Corridor Transportation Authority Management's Discussion and Analysis (continued)

Long-Term Debt

As of June 30, 2017 and 2016, the Authority's total long-term debt in revenue bonds was \$1.689 billion and \$1.728 billion. In addition, accrued interest payable was \$460.8 million and \$419.5 million, during fiscal years 2017 and 2016, respectively.

As of June 30, 2017, 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 first subordinated debt (2004A, 2004B, and 2016A), the ratings are Baa2, BBB+, and BBB+ by Moody's Investor Service, Standard & Poor's, and Fitch Ratings, respectively, and for the second subordinated debt (2016B), 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 6 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 (Use and Operating Agreement). 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 shortfall advances to be paid under certain circumstances by the ports of Los Angeles and Long Beach (collectively known 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, 2017, approximately \$1.330 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 services, fund reserve account required deposits, and pay the cost of revenue collections, monitoring, and administrative fees, except for 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 close out the remaining completed projects from the original Corridor projects as well as to support Caltrans on the SR-47 Project as outlined in cooperative agreements. Remaining work involves property transfers, right-of-way closeouts, and support on the SR-47 Project.

Alameda Corridor Transportation Authority Management's Discussion and Analysis (continued)

Other Developments (continued)

The Authority's Governing Board (the Board) modified the Corridor 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 participating railroads (the Use and Operating Agreement), and its bond-related documents. Significant among those projects are the Pacific Coast Highway (PCH) and SR-47 Projects. The PCH project was completed in August 2004. The SR-47 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 March 2020, with full closeout set to occur in late 2020.

In May 2016, the Authority issued bonds in order to reduce debt service costs in the short-term by refinancing a portion of its outstanding debt. 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. Although the Authority does not expect to require shortfall advances from the Ports within the next fiscal year based upon current revenue projections, the ability to request advances remains an option to the Authority. The Authority has forecasted 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.

Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Chief Financial Officer, Alameda Corridor Transportation Authority, 3760 Kilroy Airport Way, Suite 200, Long Beach, California, 90806.

Alameda Corridor Transportation Authority

Statements of Net Position

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	June 30,	
	2017	2016
CURRENT ASSETS		
Restricted cash and cash equivalents	\$ 29,891,291	\$ 26,639,953
Restricted investments	83,094,736	68,732,599
Receivables	11,370,587	10,969,030
Prepaid expenses	1,127,821	1,268,710
Total current assets	125,484,435	107,610,292
Restricted investments held with fiscal agent	8,136,078	10,106,159
Restricted investments	69,783,691	77,025,223
Assets held for transfer	13,347,625	13,347,625
Net OPEB asset	379,895	365,719
Capital assets not being depreciated	438,148,732	438,148,732
Capital assets, net of accumulated depreciation	1,160,236,059	1,181,264,563
Total assets	1,815,516,515	1,827,868,313
DEFERRED OUTFLOWS OF RESOURCES		
Charges on refunding	19,820,392	21,314,804
Pension contributions and differences in experience	644,604	235,436
Total assets and deferred outflows of resources	\$ 1,835,981,511	\$ 1,849,418,553

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 2,631,015	\$ 2,645,749
Unearned revenue	1,329,353	1,059,468
Accrued interest payable, current portion	20,685,602	12,985,235
Revenue bonds payable, current portion	29,444,651	23,170,000
Other liabilities	528,538	475,040
Total current liabilities	54,619,159	40,335,492
Collateral deposit	8,136,078	10,106,159
Shortfall advances to Ports	11,934,966	11,874,268
Net pension liability	1,842,521	1,445,588
Accrued interest payable, net current portion	460,752,146	419,488,812
Revenue bonds payable, net of current portion and unamortized discount	1,688,811,395	1,727,652,226
Total liabilities	2,226,096,265	2,210,902,545
DEFERRED INFLOWS OF RESOURCES	108,478	228,427
NET POSITION		
Net investments in capital assets	14,815,507	14,319,910
Restricted, expendable for		
Debt service	98,757,783	94,423,740
Capital projects	-	224,541
Master Trust Indenture	66,146,811	57,688,600
Unrestricted (deficit)	(569,943,333)	(528,369,210)
Total net position	(390,223,232)	(361,712,419)
Total liabilities, deferred inflows of resources, and net position	\$ 1,835,981,511	\$ 1,849,418,553

Alameda Corridor Transportation Authority
Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,	
	2017	2016
OPERATING REVENUES		
Use fees and container charges	\$ 102,802,942	\$ 103,551,936
Maintenance-of-way charges	4,871,474	5,052,440
Total operating revenues	107,674,416	108,604,376
OPERATING EXPENSES		
Salaries and benefits	1,877,585	1,742,411
Administrative expenses	2,100,338	1,483,085
Professional services	1,535,750	1,252,914
Maintenance of way	6,956,695	7,154,542
Depreciation	21,034,560	21,053,229
Total operating expenses	33,504,928	32,686,181
Operating income	74,169,488	75,918,195
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue, net	1,635,412	3,375,680
Grant revenues	1,323,195	1,949,517
Miscellaneous revenue	621,419	1,009,872
Interest expense	(104,578,086)	(138,639,697)
Expenses for public benefit	(1,682,241)	(2,028,509)
Costs of issuance	-	(11,059,040)
Extraordinary expenses-transferred ROW	-	(99,546,017)
Total nonoperating expenses, net	(102,680,301)	(244,938,194)
Changes in net position	(28,510,813)	(169,019,999)
NET POSITION, beginning of the year	(361,712,419)	(192,692,420)
NET POSITION, end of year	<u><u>\$ (390,223,232)</u></u>	<u><u>\$ (361,712,419)</u></u>

Alameda Corridor Transportation Authority

Statements of Cash Flows

	Years Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers for services	\$ 107,258,423	\$ 114,883,574
Payment to suppliers for goods and services	(10,466,628)	(8,984,637)
Payments to employees	(1,970,447)	(1,907,003)
Net cash provided by operating activities	94,821,348	103,991,934
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grant receipts	1,590,360	2,950,467
Payments for legal and other costs for the transfer of assets held for transfer.	-	(710,715)
Payments for expenses for public benefit	(1,682,241)	(2,028,509)
Receipts for miscellaneous income	621,419	1,364,239
Net cash provided by noncapital financing activities	529,538	1,575,482
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(6,056)	(15,970)
Proceeds placed in escrow for bond defeasance and principal paid on notes and bonds payable	(21,827,076)	(591,129,354)
Proceeds from advanced refunding	-	687,054,612
Payments for debt issuance costs	-	(11,059,040)
Interest payments on capital debt	(64,798,379)	(193,788,534)
Net cash used in capital and related financing activities	(86,631,511)	(108,938,286)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(242,896,932)	(200,285,561)
Sales of investments	235,776,327	212,701,799
Interest received	1,652,568	3,535,970
Net cash (used in) provided by investing activities	(5,468,037)	15,952,208
NET INCREASE IN RESTRICTED CASH AND CASH EQUIVALENTS	3,251,338	12,581,338
RESTRICTED CASH AND CASH EQUIVALENTS, beginning of year	26,639,953	14,058,615
RESTRICTED CASH AND CASH EQUIVALENTS, end of year	\$ 29,891,291	\$ 26,639,953

Alameda Corridor Transportation Authority

Statements of Cash Flows

	Years Ended June 30,	
	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 74,169,488	\$ 75,918,195
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	21,034,560	21,053,229
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Receivables	(415,993)	6,279,198
Prepaid expenses	140,889	125,731
Net OPEB asset	(14,176)	(9,844)
Deferred outflows/inflows of resources	(529,117)	(213,425)
Accounts payable	(14,734)	780,173
Net pension liability	396,933	7,580
Other liabilities	53,498	51,097
Net cash provided by operating activities	<u>\$ 94,821,348</u>	<u>\$ 103,991,934</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Losses on carrying value adjustment to assets held for transfer	<u>\$ -</u>	<u>\$ 99,546,017</u>

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies

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, 2017, the members of the Authority's Governing Board were the following:

Chairperson – Mr. Joe Buscaino, Council member, City of Los Angeles
Vice Chairperson – Ms. Suzie Price, Council member, City of Long Beach
Member – Hon. Janice Hahn, Supervisor, County of Los Angeles and Chairperson, LACMTA
Member – Ms. Lori Ann Guzman, Commissioner, Port of Long Beach
Member – Mr. Eugene Seroka, Executive Director, Port of Los Angeles
Member – Mr. Mario Cordero, Executive Director, 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.

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 AECOM); 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 Alameda 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, 2018.

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

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 or UOA), which outlines the provisions for the construction, operation, and use of the Rail Corridor (as defined in the UOA). 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 UOA) movements upon substantial completion in exchange for paying maintenance, operating charges, container charges, and 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. On December 15, 2016, an Amended and Restated Alameda Corridor Use and Operating Agreement was executed by and among the Ports, the Railroads, and ACTA, which, among other things, incorporates the amendments set forth in the First Amendment dated as of July 5, 2006; replaces the Operating Committee with direct decision making authority by the Ports and Railroads for the management of Alameda Corridor maintenance and operations; and removes construction related provisions and updates certain other provisions to reflect current conditions and practices. Dissolving the Operating Committee and modifying the decision making process did not have any impact on the day-to-day operation of the Alameda Corridor or the collection of ACTA's revenues. The UOA requirements are to be in effect until the earlier of April 15, 2062, or repayment of all obligations under the UOA.

Master trust indenture – In conjunction with the sale of project revenue and refunding bonds in 1999, 2004, 2012, 2013A, and 2016 (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 statements of net position of \$66,146,811 and \$57,688,600 as of June 30, 2017 and 2016, respectively, represents the accumulation of the Authority's revenues in excess of operating expenses and debt payments that can only be used for the aforementioned purposes noted in the MTI.

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 and the State Controller's Minimum Audit Requirements and Reporting Guidelines. 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.

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

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.

Restricted 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.

Investments – Investments are stated 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, 2017 and 2016. 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 investment authorized by the policy are described further in Note 2.

Assets held for transfer – Remaining right-of-way parcels or easements that require a transfer are valued based upon the known costs paid at the time the parcel was originally acquired. These assets are not held for investment purposes. The carrying value of certain right-of-way assets was adjusted during 2016 and further described in Note 4.

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.

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
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

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Infrastructure and equipment acquired with state and local grants are also included in capital assets. Depreciation on these assets is recorded as an operating expense.

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 statements of net position because their use is limited by applicable bond covenants. The revenue bonds' accrued 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. As of June 30, 2017, the monies restricted for capital projects have been fully expended. When both restricted and unrestricted resources are available for use, it is the Authority's practice to use restricted resources first, and then unrestricted resources as they are needed.

The Authority's net position as of June 30, 2017, is a negative \$390.2 million because total liabilities and deferred inflows of resources were greater than total assets and deferred outflows of resources due to accumulating accreted interest on revenue bonds payable. The Authority's interest cash payments are lower than recorded interest expense because the bonds are capital appreciation bonds (CABs), which compound interest until final maturity. As a result, the Authority is able 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 6.

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, 2017 and 2016, have been accrued in the accompanying statements of net position 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 all employees totaling \$250,502 and \$229,901 as of June 30, 2017 and 2016, respectively, have also been accrued in other liabilities of the accompanying statement of net position.

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

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 \$11.0 million in U.S. Treasury securities. As of June 30, 2017 and 2016, the carrying value was \$8,136,078 and \$10,106,159, respectively, and recorded within restricted investments held with fiscal agent on the statements of net position. If the Provider's credit rating recovers, the Authority will then return the collateral; therefore, the Authority has recorded a corresponding liability for the collateral deposit due to the Provider.

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

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 Rail 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.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 2 – Restricted Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments as of June 30, 2017 and 2016, are classified in the accompanying basic financial statements as follows:

	June 30, 2017 Fair Value	June 30, 2016 Fair Value
Current restricted cash and cash equivalents	\$ 29,891,291	\$ 26,639,953
Current restricted investments	83,094,736	68,732,599
Noncurrent restricted investments held with fiscal agent	8,136,078	10,106,159
Noncurrent restricted investments	69,783,691	77,025,223
	<hr/>	<hr/>
Total restricted cash, cash equivalents, and investments	<u>\$ 190,905,796</u>	<u>\$ 182,503,934</u>

Deposits – At June 30, 2017 and 2016, the net carrying amount of the Authority's deposit account with Bank of America was \$430,367 and \$1,216,594, while the corresponding bank balance was \$457,947 and \$1,268,569, 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.

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.

Investment in State of California Local Agency Investment Pool – The Authority is a voluntary participant in the 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 statements of net position as restricted 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. Amounts up to \$10 million can be withdrawn on demand. At June 30, 2017 and 2016, the balance of such deposits is \$8,439,596 and \$8,348,106, respectively.

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 2 – Restricted Cash, Cash Equivalents, and Investments (continued)

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 its fair value is to changes in 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	5 years	None	None
U.S. local agency bonds, notes, or warrants	5 years	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
Supnationals - U.S. Denominated	5 years	30%	10%

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 2 – Restricted Cash, Cash Equivalents, and Investments (continued)

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:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury bills, notes, or bonds	5 years	None	None
State warrants or bonds	5 years	None	None
U.S. local agency bonds, notes, or warrants	5 years	None	None
Federal Agency obligations	5 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 Contracts and Investment Agreements	5 years	50%	20%
Mortgage- or asset-backed securities	5 years	20%	None

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

	2017		2016	
	Reported Amount	Weighted-Average Maturity (in Years)	Reported Amount	Weighted-Average Maturity (in Years)
Cash and investment type				
Cash	\$ 430,867	-	\$ 1,217,094	-
Money market fund	13,192,963	-	11,792,095	-
LAIF	8,439,596	-	8,348,106	-
U.S. Treasury notes	61,103,224	1.36	42,366,891	1.53
U.S. corporate notes	19,782,872	1.66	17,995,352	1.84
Commercial paper	1,699,468	0.20	972,348	0.30
Federal agency obligations	86,256,806	1.54	99,812,048	1.52
	<u>\$ 190,905,796</u>		<u>\$ 182,503,934</u>	

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 2 – Restricted Cash, Cash Equivalents, and Investments (continued)

Disclosure 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:

Investment type	Ratings as of June 30, 2017								Total
	AAA / AA+	AA	AA- / A+	A	A-	A-1+	A-1	NR	
Cash and money market	\$ 13,192,963	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 430,867	\$ 13,623,830
LAIF	-	-	-	-	-	-	-	8,439,596	8,439,596
U.S. Treasury notes	55,329,401	-	-	-	-	5,773,823	-	-	61,103,224
U.S. corporate notes	1,535,718	1,597,725	8,951,018	7,698,411	-	-	-	-	19,782,872
Commercial paper	-	-	-	-	-	566,115	1,133,353	-	1,699,468
Federal agency obligations	51,652,676	-	-	-	-	34,604,130	-	-	86,256,806
Total	\$ 121,710,758	\$ 1,597,725	\$ 8,951,018	\$ 7,698,411	\$ -	\$ 40,944,068	\$ 1,133,353	\$ 8,870,463	\$ 190,905,796

Investment type	Ratings as of June 30, 2016								Total
	AAA / AA+	AA	AA- / A+	A	A-	A-1+	A-1	NR	
Cash and money market	\$ 11,792,095	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,217,094	\$ 13,009,189
LAIF	-	-	-	-	-	-	-	8,348,106	8,348,106
U.S. Treasury notes	42,366,891	-	-	-	-	-	-	-	42,366,891
U.S. corporate notes	2,246,593	736,968	8,192,708	6,234,644	584,439	-	-	-	17,995,352
Commercial paper	-	-	-	-	-	124,421	847,927	-	972,348
Federal agency obligations	72,218,877	-	-	-	-	27,593,171	-	-	99,812,048
Total	\$ 128,624,456	\$ 736,968	\$ 8,192,708	\$ 6,234,644	\$ 584,439	\$ 27,717,592	\$ 847,927	\$ 9,565,200	\$ 182,503,934

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:

		June 30	
		2017	2016
Federal Home Loan Bank	Federal agency obligations	\$ 23,189,107	\$ 22,368,653
Federal National Mortgage Association	Federal agency obligations	45,513,391	44,802,644
Federal Home Loan Mortgage Corporation	Federal agency obligations	15,132,420	29,380,737
		\$ 83,834,918	\$ 96,552,034

Investment valuation and revenue recognition – Governmental Accounting Standards Board (GASB) Statement number 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles, and expands disclosures about fair value measurements.

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 2 – Restricted Cash, Cash Equivalents, and Investments (continued)

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GASB Statement Number 72 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. The standard describes three levels of inputs that may be used to measure fair value as:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of net position, as well as the general classification of such instruments pursuant to the valuation hierarchy. There have been no changes in the methodologies used at June 30, 2017 and 2016.

U.S. government securities, mortgage-backed securities and other debt and equity securities –

Valued at the closing price reported on the major market on which the individual securities are traded or have reported broker trades which may be considered indicative of an active market. Where quoted prices are available in an active market, the investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, discounted cash flows, and other observable inputs. Such securities are classified within Level 2 of the valuation hierarchy.

Commercial paper – Valued using pricing models maximizing the use of observable inputs for similar securities, which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 2 – Restricted Cash, Cash Equivalents, and Investments (continued)

Fair values of investments have been determined by ACTA from observable market quotations, as reflected below. The following tables present ACTA's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2017 and 2016.

June 30, 2017				
	Total	Level 1	Level 2	Level 3
Investments				
Commercial paper				
Domestic	\$ 1,699,468	\$ -	\$ 1,699,468	\$ -
Federal agencies and municipalities				
U.S. Treasury notes	61,103,224	-	61,103,224	-
U.S. corporate notes	19,782,872	-	19,782,872	-
Federal agency obligations	86,256,806	-	86,256,806	-
	168,842,370	\$ -	\$ 168,842,370	\$ -
Cash and equivalents not measured at fair value				
Cash	430,867			
LAIF	8,439,596			
Money market fund	13,192,963			
	<u>\$ 190,905,796</u>			

June 30, 2016				
	Total	Level 1	Level 2	Level 3
Investments				
Commercial paper				
Domestic	\$ 972,348	\$ -	\$ 972,348	\$ -
Federal agencies and municipalities				
U.S. Treasury notes	42,366,891	-	42,366,891	-
U.S. corporate notes	17,995,352	-	17,995,352	-
Federal agency obligations	99,812,048	-	99,812,048	-
	161,146,639	\$ -	\$ 161,146,639	\$ -
Cash and equivalents not measured at fair value				
Cash	1,217,094			
LAIF	8,348,106			
Money market fund	11,792,095			
	<u>\$ 182,503,934</u>			

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 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	
	2017	2016
Grants receivable	\$ 732,413	\$ 729,693
Interest receivable	678,892	696,048
Use fees and other receivables	9,959,282	9,543,289
 Total	 <u>\$ 11,370,587</u>	 <u>\$ 10,969,030</u>

Note 4 – Assets Held for Transfer

Assets held for transfer represent right-of-way land and land improvements that were acquired by the Authority. Hundreds of parcels and easement rights were acquired in order to complete the construction of the Alameda Corridor. The Authority, under the terms of the joint powers agreement, is not permitted to own any land or land easement rights. The Ports own the land that the trench was built on and the Authority has the right to use and occupy the property under the terms of a Use Permit that was executed between the Ports and the Authority on October 12, 1998. Title to all land and easement rights necessary to operate the Alameda Corridor is in the process of being deeded to the Ports, as tenants in common. Due to the proximity of the Authority completing its remaining transfers within the next year or two, it was determined that all ancillary costs originally capitalized and not attributed to these remaining assets held for transfer be written off as of June 30, 2016, leaving only the known costs associated with the remaining parcels and easement rights in the account. No transfers took place during fiscal year 2017 that had an associated monetary value.

The following schedule summarizes assets held for transfer for the years ended June 30, 2017 and 2016:

	Balance, June 30, 2016	Additions	Sales/Transfers	Balance, June 30, 2017
Assets held for sale and transfer	<u>\$ 13,347,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,347,625</u>

	Balance, June 30, 2015	Additions	Sales/Transfers	Balance, June 30, 2016
Assets held for sale and transfer	<u>\$ 112,537,294</u>	<u>\$ 710,715</u>	<u>\$ (99,900,384)</u>	<u>\$ 13,347,625</u>

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 5 – Capital Assets

The following schedule summarizes capital assets for the years ended June 30, 2017 and 2016:

	Balance, June 30, 2016	Additions	Deletions	Balance, June 30, 2017
Buildings and equipment				
Automotive vehicles	\$ 20,524	\$ -	\$ (20,524)	\$ -
Office equipment	305,860	6,056	(23,614)	288,302
Buildings	1,102,594	-	-	1,102,594
Revenue assessment and verification system and other software	7,050,307	-	-	7,050,307
Total buildings and equipment	8,479,285	6,056	(44,138)	8,441,203
Alameda Corridor Project				
Infrastructure				
Capital assets, being depreciated				
Trench structures	715,581,463	-	-	715,581,463
Track and signals	196,509,123	-	-	196,509,123
Rail bridge structures	408,972,328	-	-	408,972,328
Highway bridge structures	147,175,088	-	-	147,175,088
Capital assets, not being depreciated				
Trench structures	224,167,723	-	-	224,167,723
Track and signals	66,493,773	-	-	66,493,773
Rail bridge structures	101,783,053	-	-	101,783,053
Highway bridge structures	45,704,183	-	-	45,704,183
Alameda Corridor Project Infrastructure	1,906,386,734	-	-	1,906,386,734
Total capital assets	1,914,866,019	6,056	(44,138)	1,914,827,937
Less accumulated depreciation for				
Trench structures	(145,821,522)	(10,430,222)	-	(156,251,744)
Track and signals	(42,047,314)	(3,309,085)	-	(45,356,399)
Rail bridge structures	(73,540,150)	(5,292,827)	-	(78,832,977)
Highway bridge structures	(26,154,263)	(1,948,030)	-	(28,102,293)
Automotive vehicles	(20,524)	-	20,524	-
Office equipment	(288,604)	(11,578)	23,614	(276,568)
Buildings	(548,234)	(36,753)	-	(584,987)
Revenue assessment and verification system and other software	(7,032,113)	(6,065)	-	(7,038,178)
Total accumulated depreciation	(295,452,724)	(21,034,560)	44,138	(316,443,146)
Capital assets, net	\$ 1,619,413,295	\$ (21,028,504)	\$ -	\$ 1,598,384,791

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 5 – Capital Assets (continued)

The following schedule summarizes capital assets for the years ended June 30, 2016 and 2015:

	Balance, June 30, 2015	Additions	Deletions	Balance, June 30, 2016
Buildings and equipment				
Automotive vehicles	\$ 82,097	\$ -	\$ (61,573)	\$ 20,524
Office equipment	624,607	15,970	(334,717)	305,860
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	9,827,107		(2,776,800)	7,050,307
Total buildings and equipment	11,895,564	15,970	(3,432,249)	8,479,285
Alameda Corridor Project Infrastructure				
Capital assets, being depreciated				
Trench structures	715,581,463	-	-	715,581,463
Track and signals	196,509,123	-	-	196,509,123
Rail bridge structures	408,972,328	-	-	408,972,328
Highway bridge structures	147,175,088	-	-	147,175,088
Capital assets, not being depreciated				
Trench structures	224,167,723	-	-	224,167,723
Track and signals	66,493,773	-	-	66,493,773
Rail bridge structures	101,783,053	-	-	101,783,053
Highway bridge structures	45,704,183	-	-	45,704,183
Alameda Corridor Project Infrastructure	1,906,386,734	-	-	1,906,386,734
Total capital assets	1,918,282,298	15,970	(3,432,249)	1,914,866,019
Less accumulated depreciation for				
Trench structures	(135,391,299)	(10,430,223)	-	(145,821,522)
Track and signals	(38,738,228)	(3,309,086)	-	(42,047,314)
Rail bridge structures	(68,247,322)	(5,292,828)	-	(73,540,150)
Highway bridge structures	(24,206,233)	(1,948,030)	-	(26,154,263)
Automotive vehicles	(82,096)	(1)	61,573	(20,524)
Office equipment	(606,369)	(16,952)	334,717	(288,604)
Other equipment	(189,492)	2,667	186,825	-
Tenant improvements	(72,334)		72,334	-
Buildings	(511,483)	(36,751)	-	(548,234)
Revenue assessment and verification system and other software	(9,786,888)	(22,025)	2,776,800	(7,032,113)
Total accumulated depreciation	(277,831,744)	(21,053,229)	3,432,249	(295,452,724)
Capital assets, net	\$ 1,640,450,554	\$ (21,037,259)	\$ -	\$ 1,619,413,295

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 6 – Bonds Payable

The 1999A Series Senior Lien Tax-Exempt Bonds (1999A Bonds), the 1999C Senior Lien Taxable Bonds (1999C Bonds), the 2004A Series Subordinate Lien Tax-Exempt Bonds (2004A Bonds), the 2004B Subordinate Lien Taxable Bonds (2004B Bonds), the 2012 Series Taxable Senior Lien Bonds (2012 Bonds), the 2013A Series Tax-Exempt Senior Lien Bonds (2013A Bonds), the 2016A Series Subordinate Lien Tax-Exempt Bonds (2016A Bonds), and 2016B Series Second subordinate Lien Tax-Exempt Bonds (2016B Bonds) are payable solely from and secured by a pledge of, among other 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.

As of June 30, 2017 and 2016, the unamortized premium and discount balance on the 1999A and 1999C, 2004A and 2004B, 2013A, and 2016A and 2016B Bonds was \$114,866,369 and \$124,262,549, respectively.

Long-term liability activity for the years ended June 30, 2017 and 2016, was as follows:

	Balance, June 30, 2016	Additions	Payments	Balance, June 30, 2017	Due Within One Year
Bonds payable					
1999A Bonds	\$ 50,453,617	\$ -	\$ -	\$ 50,453,617	\$ -
1999C Bonds	473,033,396	-	(23,170,000)	449,863,396	25,175,000
2004A Bonds	48,765,254	-	-	48,765,254	4,269,651
2004B Bonds	131,132,410	-	-	131,132,410	-
2012 Bonds	83,710,000	-	-	83,710,000	-
2013A Bonds	248,325,000	-	-	248,325,000	-
2016A Bonds	34,280,000	-	-	34,280,000	-
2016B Bonds	556,860,000	-	-	556,860,000	-
Total bonds payable	1,626,559,677	-	(23,170,000)	1,603,389,677	29,444,651
Less unamortized bond premium (discounts)	124,262,549	-	(9,396,180)	114,866,369	-
Accrued interest payable	432,474,047	112,419,156	(63,455,455)	481,437,748	20,685,602
Net long-term liabilities	<u>\$ 2,183,296,273</u>	<u>\$ 112,419,156</u>	<u>\$ (96,021,635)</u>	<u>\$ 2,199,693,794</u>	<u>\$ 50,130,253</u>

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 6 – Bonds Payable (continued)

	Balance, June 30, 2015	Additions	Payments	Balance, June 30, 2016	Due Within One Year
Bonds payable					
1999A Bonds	\$ 50,453,617	\$ -	\$ -	\$ 50,453,617	\$ -
1999C Bonds	494,323,396	-	(21,290,000)	473,033,396	23,170,000
2004A Bonds	597,138,316	-	(548,373,062)	48,765,254	-
2004B Bonds	131,132,410	-	-	131,132,410	-
2012 Bonds	83,710,000	-	-	83,710,000	-
2013A Bonds	248,325,000	-	-	248,325,000	-
2016A Bonds	-	34,280,000	-	34,280,000	-
2016B Bonds	-	556,860,000	-	556,860,000	-
Total bonds payable	1,605,082,739	591,140,000	(569,663,062)	1,626,559,677	23,170,000
Less unamortized bond premium (discounts)	32,857,963	95,914,612	(4,510,026)	124,262,549	-
Accrued interest payable	483,301,091	103,699,784	(154,526,828)	432,474,047	12,985,235
Net long-term liabilities	<u>\$ 2,121,241,793</u>	<u>\$ 790,754,396</u>	<u>\$ (728,699,916)</u>	<u>\$ 2,183,296,273</u>	<u>\$ 36,155,235</u>

1999 Series A Capital Appreciation Bonds – The 1999A Capital Appreciation Bonds (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 1999A 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 1999A 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 1999A CABs at June 30, 2017 and 2016, are \$50,453,617 and \$81,297,625, and \$50,453,617 and \$74,605,631, respectively. The 1999A CABs are not subject to optional redemption.

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

Fiscal year(s)	Annual Debt Service Requirement		
	Principal	Interest	Total
2028 - 2032	\$ 14,298,474	\$ 61,326,526	\$ 75,625,000
2033 - 2037	30,751,197	165,033,803	195,785,000
2038	5,403,946	34,936,054	40,340,000
Total	<u>\$ 50,453,617</u>	<u>\$ 261,296,383</u>	<u>\$ 311,750,000</u>

1999 C Bonds – The 1999C Bonds include both current interest bonds (CIBs) and capital appreciation bonds (CABs).

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

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 6 – Bonds Payable (continued)

Interest on the 1999C CIBs is payable semiannually on April 1 and October 1 of each year commencing April 1, 1999, with principal payments commencing October 1, 2014. The 1999C CIBs Series, which mature annually each October 1, from 2015 through 2029, bear interest at rates ranging from 6.50% to 6.60%. The principal balance outstanding on the 1999C CIBs is \$382,565,000 at June 30, 2017. The 1999C CIBs are not subject to optional redemption. The remaining debt service of the Authority's 1999C CIBs is as follows:

Fiscal year(s)	Annual Debt Service Requirement		
	Principal	Interest	Total
2018	\$ 25,175,000	\$ 24,349,018	\$ 49,524,018
2019	27,315,000	22,643,093	49,958,093
2020	29,595,000	20,793,518	50,388,518
2021	-	19,831,680	19,831,680
2022	-	19,831,680	19,831,680
2023 - 2027	151,920,000	80,077,800	231,997,800
2028 - 2032	148,560,000	15,196,500	163,756,500
Total	<u>\$ 382,565,000</u>	<u>\$ 202,723,289</u>	<u>\$ 585,288,289</u>

1999C CABs – The 1999C 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 1999C 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 1999C 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 1999C CABs at June 30, 2017 and 2016, are \$67,298,396 and \$163,967,127 and \$67,298,396 and \$148,979,519, respectively. The 1999C CABs are not subject to optional redemption.

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

Fiscal year(s)	Annual Debt Service Requirement		
	Principal	Interest	Total
2021	\$ 7,709,136	\$ 24,390,864	\$ 32,100,000
2022	7,350,591	25,269,409	32,620,000
2023 - 2027	6,993,264	26,151,736	33,145,000
2028 - 2032	13,320,113	102,004,887	115,325,000
2033 - 2037	27,335,658	271,219,342	298,555,000
2038	4,589,634	56,925,366	61,515,000
Total	<u>\$ 67,298,396</u>	<u>\$ 505,961,604</u>	<u>\$ 573,260,000</u>

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 6 – Bonds Payable (continued)

2004A Bonds – The 2004A Bonds include both Capital Appreciation Bond – Non Convertible (CABs) and Capital Appreciation Bonds – Convertible (CCIBs).

2004 Series A Capital Appreciation Bonds – Non Convertible – The 2004A Bonds were initially all capital appreciation bonds. Of the total, \$475,292,386, \$274,992,286 were convertible and converted to current interest bonds on October 1, 2012, and were callable on October 1, 2017 (CCIBs). \$200,300,100 are not convertible or callable (CABs). The 2004 Bonds were issued by the Authority in the aggregate amount of \$475,292,386 on April 22, 2004. Proceeds from the sale of these insured 2004A Bonds were used to refund a portion of the U.S. Department of Transportation Loan. The 2004A CABs mature between fiscal years 2012 and 2031 and have an accretion yield to maturity at rates ranging from 4.30% to 5.72%.

On May 24, 2016, all of the 2004A CABs maturing during fiscal year 2017 and a portion of the 2004A CABs maturing during fiscal years 2018 through 2021 were advance refunded, defeased, and escrowed to maturity. As a result, the Authority's remaining debt service on the 2004A CABs is as follows:

Fiscal year(s)	Annual Debt Service Requirement		
	Principal	Interest	Total
2018	\$ 4,269,651	\$ 3,985,349	\$ 8,255,000
2019	5,680,583	6,019,416	11,699,999
2020	1,896,850	2,273,150	4,170,000
2021	568,750	766,250	1,335,000
2022	-	-	-
2023 - 2027	-	-	-
2028 - 2032	36,349,420	121,330,580	157,680,000
Total	<u>\$ 48,765,254</u>	<u>\$ 134,374,745</u>	<u>\$ 183,139,999</u>

2004 Series A Capital Appreciation Bond – Convertible – On May 24, 2016, these bonds were advance refunded, defeased, and escrowed to October 1, 2017. The 2004A CCIBs were convertible and callable, and accreted to full face value of \$5,000 per bond on October 1, 2012. These bonds converted automatically and pay interest semiannually on April 1 and October 1 of each year commencing with April 1, 2013. The first maturity of the 2004A CCIBs will commence on October 1, 2021. The 2004 CCIBs mature between fiscal years 2021 and 2025, and bear interest at rates ranging from 5.25% to 5.45%. These bonds are callable at par, with accrued interest, if any, on October 1, 2017, or any date thereafter. As a result of the May 24, 2016, advance refunding, all 2004A CCIBs will be called on October 1, 2017. The principal balance outstanding on the 2004 CCIBs is \$0 at June 30, 2017 and 2016.

The Authority has no remaining debt service on the 2004A CCIBs.

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 6 – Bonds Payable (continued)

2004B Bonds – The 2004B Bonds are capital appreciation bonds that were issued by the Authority in the aggregate amount of \$210,731,703 on April 22, 2004. Proceeds from the sale of these insured 2004B Bonds were used to repay a portion of the U.S. Department of Transportation Loan.

The first maturity of the 2004B Bonds commenced October 1, 2006. The 2004B 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 2004B Bonds are not subject to optional redemption. The principal balance and accrued interest outstanding on the 2004B Bonds are \$131,132,410 and \$167,508,301 and \$131,132,410 and \$149,410,784, at June 30, 2016 and 2015, respectively.

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

Fiscal year(s)	Annual Debt Service Requirement		
	Principal	Interest	Total
2023 - 2027	\$ 25,085,189	\$ 75,589,810	\$ 100,674,999
2028 - 2032	72,790,086	272,884,914	345,675,000
2033 - 2037	33,257,135	168,087,865	201,345,000
Total	<u>\$ 131,132,410</u>	<u>\$ 516,562,589</u>	<u>\$ 647,694,999</u>

2012 Bonds – The 2012 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 on June 30, 2016 and June 30, 2015. 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.

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 6 – Bonds Payable (continued)

The Authority's remaining debt service on the 2012 Bonds is as follows:

Fiscal year(s)	Annual Debt Service Requirement		
	Principal	Interest	Total
2018	\$ -	\$ 2,059,266	\$ 2,059,266
2019	-	2,059,266	2,059,266
2020	-	2,062,087	2,062,087
2021	-	2,056,445	2,056,445
2022	-	2,059,266	2,059,266
2023 - 2027	38,760,000	8,319,058	47,079,058
2028 - 2032	33,835,000	3,272,761	37,107,761
2033 - 2037	11,115,000	374,474	11,489,474
Total	<u>\$ 83,710,000</u>	<u>\$ 22,262,623</u>	<u>\$ 105,972,623</u>

2013A Series Bonds – The 2013A 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 CIBs.

The 2013A Bonds are current interest bonds. Interest is payable semiannually on April 1 and October 1 of each year commencing April 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, 2017 and June 30, 2016. 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.

The Authority's remaining debt service on the 2013A Bonds is as follows:

Fiscal year(s)	Annual Debt Service Requirement		
	Principal	Interest	Total
2018	\$ -	\$ 11,786,950	\$ 11,786,950
2019	-	11,786,950	11,786,950
2020	11,120,000	11,508,950	22,628,950
2021	17,490,000	10,793,700	28,283,700
2022	18,710,000	9,888,700	28,598,700
2023 - 2027	114,135,000	33,624,025	147,759,025
2028 - 2032	86,870,000	5,856,031	92,726,031
Total	<u>\$ 248,325,000</u>	<u>\$ 95,245,306</u>	<u>\$ 343,570,306</u>

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 6 – Bonds Payable (continued)

2016A and B Bonds – The 2016A and B Tax-Exempt Current Interest Bonds were issued on May 24, 2016.

2016A Bonds – The 2016A Bonds were issued by the Authority in the aggregate amount of \$34,280,000 on May 24, 2016. Proceeds from the sale of these first subordinate lien 2016A Bonds were used on May 24, 2016, to advance refund, defease, and escrow to maturity certain 2004A CABs.

The 2016A Bonds are current interest bonds. Interest is payable semiannually on April 1 and October 1 of each year commencing on October 1, 2016, with principal payments commencing October 1, 2021 through 2025 at interest rates ranging from 4.00% to 5.00%. The principal balance on the 2016A Bonds is \$34,280,000 on June 30, 2017 and June 30, 2016. The 2016A Bonds are not subject to optional redemption prior to stated maturity dates.

The Authority's remaining debt service on the 2016A Bonds is as follows:

Fiscal year(s)	Annual Debt Service Requirement		
	Principal	Interest	Total
2018	\$ -	\$ 1,607,700	\$ 1,607,700
2019	-	1,607,700	1,607,700
2020	-	1,607,700	1,607,700
2021	-	1,607,700	1,607,700
2022	5,685,000	1,494,000	7,179,000
2023 - 2027	28,595,000	2,497,950	31,092,950
Total	<u>\$ 34,280,000</u>	<u>\$ 10,422,750</u>	<u>\$ 44,702,750</u>

2016B Bonds – The 2016B Bonds were issued by the Authority in the aggregate amount of \$556,860,000 on May 24, 2016. Proceeds from the sale of these second subordinate lien 2016B Bonds were used on May 24, 2016, to advance refund, defease, and escrow to October 1, 2017, all 2004A CCIBs. The difference between the cash flows required to service the old debt and that required to service the new debt and complete the refunding resulted in a loss of \$297,845,470. The economic loss on the refunding was \$35,511,343.

The difference between the reacquisition price (the amount paid on extinguishment including call premiums and miscellaneous costs of reacquisition) and the net carrying value (amount due at maturity, adjusted for unamortized premiums and/or discounts) resulted in deferred charges on these refundings, in the amount of \$21,466,292. These deferred outflows are being amortized over the shorter of the remaining life of the old debt or the new debt as a component of interest expense. Amortization of these charges amounted to \$1,494,412 and \$151,488 for the years ended June 30, 2017 and 2016, respectively. The remaining portion is included in deferred outflows of resources on the accompanying statements of net position, in the amount of \$19,820,392 and \$21,314,804 at June 30, 2017 and 2016, respectively.

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 6 – Bonds Payable (continued)

The 2016B Bonds are current interest bonds. Interest is payable semiannually on April 1 and October 1 of each year commencing on October 1, 2016, with principal payments commencing on October 1, 2034 through 2037, at interest rates ranging from 3.125% to 5.00%. The principal balance on the 2016B Bonds is \$556,860,000 and \$556,860,000 on June 30, 2017 and June 20, 2016, respectively. The 2016B Bonds are redeemable at the option of the Authority on or after October 1, 2026, in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to 100% of the principal amount of the 2016B Bonds to be redeemed plus interest accrued to the date fixed for redemption.

The Authority's remaining debt service on the 2016B Bonds is as follows:

Fiscal year(s)	Annual Debt Service Requirement		
	Principal	Interest	Total
2018	\$ -	\$ 26,174,250	\$ 26,174,250
2019	-	26,174,250	26,174,250
2020	-	26,174,250	26,174,250
2021	-	26,174,250	26,174,250
2022	-	26,174,250	26,174,250
2023 - 2027	-	130,871,250	130,871,250
2028 - 2032	-	130,871,250	130,871,250
2033 - 2037	407,920,000	103,008,125	510,928,125
2038	148,940,000	3,548,500	152,488,500
Total	<u>\$ 556,860,000</u>	<u>\$ 499,170,375</u>	<u>\$ 1,056,030,375</u>

Accrued interest payable – The Authority's accrued interest payable is as follows:

	June 30, 2017		
	Current Interest Bond	Long-Term CABs	Total
1999A Bonds	\$ -	\$ 81,297,625	\$ 81,297,625
1999C Bonds	6,291,800	163,967,127	170,258,927
2004A Bonds	3,985,349	47,979,094	51,964,443
2004B Bonds	-	167,508,300	167,508,300
2012 Bonds	516,227	-	516,227
2013A Bonds	2,946,738	-	2,946,738
2016A Bonds	401,925	-	401,925
2016B Bonds	6,543,563	-	6,543,563
Total	<u>\$ 20,685,602</u>	<u>\$ 460,752,146</u>	<u>\$ 481,437,748</u>

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 6 – Bonds Payable (continued)

	June 30, 2016		
	Current Interest Bond	Long-Term CABs	Total
1999A Bonds	\$ -	\$ 74,605,631	\$ 74,605,631
1999C Bonds	6,668,314	148,979,519	155,647,833
2004A Bonds	-	46,492,878	46,492,878
2004B Bonds	-	149,410,784	149,410,784
2012 Bonds	514,817	-	514,817
2013A Bonds	2,946,738	-	2,946,738
2016A Bonds	165,236	-	165,236
2016B Bonds	2,690,130	-	2,690,130
Total	<u>\$ 12,985,235</u>	<u>\$ 419,488,812</u>	<u>\$ 432,474,047</u>

Combined on all outstanding bonds debt service – The Authority's debt service of the 1999A, 1999C, 2004A, 2004B, 2012, 2013A, 2016A, and 2016B Bonds in aggregate is as follows:

	Annual Debt Service Requirement		
Fiscal year(s)	Principal	Interest	Total
2018	\$ 29,444,650	\$ 69,962,533	\$ 99,407,183
2019	32,995,584	70,290,675	103,286,259
2020	42,611,850	64,419,655	107,031,505
2021	25,767,886	85,620,889	111,388,775
2022	31,745,591	84,717,305	116,462,896
2023 - 2027	365,488,453	357,131,630	722,620,083
2028 - 2032	406,023,092	712,743,450	1,118,766,542
2033 - 2037	510,378,990	707,723,609	1,218,102,599
2038	158,933,581	95,409,919	254,343,500
Total	<u>\$ 1,603,389,677</u>	<u>\$ 2,248,019,665</u>	<u>\$ 3,851,409,342</u>

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 7 – Operating Leases

ACTA leases office space, three vehicles, and a postage machine under operating lease agreements. Total lease expense amounted to approximately \$243,324 and \$226,056 in the fiscal years ended June 30, 2017 and 2016, respectively. There will be rent abatement for three months from September 2017 to November 2017. Minimum future lease payments on existing noncancelable leases as of June 30, 2017, are as follows:

2018	\$ 192,285
2019	249,321
2020	<u>167,189</u>
Total minimum lease payments	<u><u>\$ 608,795</u></u>

Note 8 – Pollution Remediation Obligations

On December 21, 2010, a crude oil release from a then-unknown origin was discovered in the Dominguez Channel and nearby storm water 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 Angeles, 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 ACTA, 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. ACTA, the City of Long Beach, and the City of Los Angeles, counterclaimed against Crimson.

The Authority and other named parties engaged in confidential mediation in regard to this matter. In September 2015, settlement agreements were executed by all parties. Barring cessation of business by Crimson or similar circumstance, the Authority is not expected to have further financial obligations on this matter. 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, with related costs to be reimbursed by Crimson. No liability was recorded for the years ended June 30, 2017 and 2016.

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 9 – Pension Plan

Plan description – All qualified employees are eligible to participate in the Authority's Miscellaneous Employee Pension Plan (Plan), cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (age 52 for members hired after 2012) with statutorily reduced benefits. All members are eligible for non-duty disability retirement benefits after five years of service. The death benefit is one of the following: the Post Retirement Basic Lump Sum Death Benefit or the Pre-Retirement Optional Settlement 2W Death Benefit and, if applicable, the 1959 Survivor Benefit Level 3. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

Hire date	Miscellaneous	
	Prior to January 1, 2013 (Classic Employees)	On or after January 1, 2013 (PEPRA Employees)
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63+	52 - 67+
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.250%
Required employer contribution rates	8.880%	6.555%
Employer annual lump sum prepayment	\$ 124,441	\$ -

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

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 9 – Pension Plan (continued)

For the years ended June 30, 2017 and 2016, the contributions recognized as part of pension expense for the Plan were \$112,143 and \$196,611, respectively.

The Authority reported net pension liability for its proportionate shares of the net pension liability of each Plan as follows:

	June 30, 2017 Proportionate Share of Net Pension Liability	June 30, 2016 Proportionate Share of Net Pension Liability
Net pension liability as reported by CalPERS	\$ 1,842,521	\$ 1,445,588
Adjustment to reported value	-	-
Total net pension liability	<u>\$ 1,842,521</u>	<u>\$ 1,445,588</u>

The Authority's net pension liability is measured as the proportionate share of the Plan's net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016, was as follows:

	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability/(Asset) (c) = (a) - (b)	Adjustment Report to Value	Adjusted Value
Balance at June 30, 2015	\$ 7,301,772	\$ 5,856,184	\$ 1,445,588	-	\$ 1,445,588
Balance at June 30, 2016	7,826,401	5,983,880	1,842,521	-	1,842,521
Net changes during 2015-16	524,629	127,696	396,933	-	396,933

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 9 – Pension Plan (continued)

For the years ended June 30, 2017 and 2016, the Agency recognized pension expense of \$132,183 and \$216,007, respectively. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,989	\$ (1,831)
Changes in assumptions	-	(75,586)
Net difference between projected and actual earnings on Plan investments	393,399	-
Change in employer's proportion	-	(28,238)
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(2,823)
Pension contributions subsequent to measurement date	243,216	-
	<u>\$ 644,604</u>	<u>\$ (108,478)</u>
Total	<u>\$ 644,604</u>	<u>\$ (108,478)</u>

The \$243,216 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Fiscal Year Ended June 30
2018	\$ (431)
2019	15,117
2020	176,330
2021	101,895
2022	-
	<u>\$ 292,911</u>

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 9 – Pension Plan (continued)

Actuarial assumptions – The total pension liabilities in the June 30, 2015, actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.
Investment rate of return	7.65%

- 1) The mortality table includes 20 years of mortality improvements using Society of Actuaries Scale BB. The underlying mortality assumption and all other actuarial assumptions used in the June 30, 2015, valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount rate – The discount rate CalPERS used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress-test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11–60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 9 – Pension Plan (continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global equity	51.00%	5.25%	5.71%
Global fixed income	20.00%	0.99%	2.43%
Inflation sensitive	6.00%	0.45%	3.36%
Private equity	10.00%	6.83%	6.95%
Real estate	10.00%	4.50%	5.13%
Infrastructure and forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100%		

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

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

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate –

The following presents the Authority's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% decrease	6.65%
Net pension liability	\$ 2,896,199
Current discount rate	7.65%
Net pension liability, as adjusted	\$ 1,842,521
1% increase	8.65%
Net pension liability	\$ 971,709

Pension plan fiduciary net position – Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 10 – Other Postemployment Benefits (OPEB)

Plan description (OPEB) – The Alameda Corridor Transportation Authority Retiree Healthcare Plan is a single-employer defined-benefit health care plan administered by the Authority. The plan provides health care 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 Classic employees, but age increases to 52 for PEPRAs 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 CalPERS. CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to prefund retiree health care 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 website at www.calpers.ca.gov.

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 2017, the Authority contributed \$94,915 to the Plan, including \$14,915 for current benefit payments and administrative fees, and \$80,000 to prefund plan benefits.

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 10 – Other Postemployment Benefits (OPEB) (continued)

Annual OPEB cost and net OPEB asset – 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 asset:

Annual required contribution	\$ (63,000)
Interest on net OPEB asset	22,857
Adjustment to annual required contribution	<u>(40,597)</u>
Annual OPEB cost	(80,740)
Contributions	<u>94,915</u>
Increase in net OPEB asset	14,175
Net OPEB asset, beginning of year	<u>365,720</u>
Net OPEB asset, end of year	<u><u>\$ 379,895</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for fiscal year 2017 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
June 30, 2015	\$ 131,049	94%	\$ 355,875
June 30, 2016	80,464	112%	365,720
June 30, 2017	80,740	118%	379,895

Funded status and funding progress (OPEB) – The funded status of the plan as of June 30, 2017, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 1,456,000
Actuarial value of plan assets	<u>1,743,000</u>
Unfunded (overfunded) actuarial accrued liability (UAAL)	<u><u>\$ (287,000)</u></u>
Funded ratio (actuarial value of plan assets/AAL)	120%
Covered payroll (active plan members)	\$ 1,337,670
UAAL as a percentage of covered payroll	-21%

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 10 – Other Postemployment Benefits (OPEB) (continued)

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 health care 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.

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, 2017, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.50% investment rate of return (net of administrative expenses), which is the expected long-term investment return on CERBT investments, a 2.75% general inflation assumption, an annual pre-Medicare eligible medical cost trend rate of 7.5% for 2019 decreasing to 6.75% after 4 years (the post-Medicare eligible medical cost trend rate started 1% lower for 2019). The actuarial value of assets is based on 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% or more than 120% of market value. The June 30, 2017, UAAL was amortized as a level percentage of projected payroll over 12 years from June 30, 2017.

Note 11 – 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 that 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, beyond applicable deductible amounts.

Alameda Corridor Transportation Authority

Notes to Financial Statements

Note 11 – Commitments and Contingencies (continued)

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 whether 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.

Required Supplementary Information

Alameda Corridor Transportation Authority
Schedule of Proportionate Share of the Net Pension Liability
June 30, 2017

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Plan's proportion of the net pension liability/(asset)	0.02129%	0.02106%	0.02327%
Plan's proportionate share of the net pension liability/(asset)	\$ 1,842,521	\$ 1,445,588	\$ 1,438,008
Plan's covered-employee payroll	\$ 1,318,017	\$ 1,259,844	\$ 1,207,037
Plan's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	139.79%	114.74%	119.14%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	74.06%	78.40%	79.44%
Plan's proportionate share of aggregate employer contributions	\$ 222,835	\$ 202,570	\$ 151,265

Note: GASB 68 requires ten years of historical information. Fiscal year 2015 was the first year of implementation; therefore, only information for the year ended June 30, 2015, and later has been presented.

Alameda Corridor Transportation Authority
Schedule of Contributions
June 30, 2017

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Actuarially determined contribution	\$ 243,216	\$ 222,836	\$ 196,611
Contributions in relation to the actuarially determined contribution	<u>(243,216)</u>	<u>(222,836)</u>	<u>(196,611)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,337,670	\$ 1,318,017	\$ 1,259,844
Contributions as a percentage of covered-employee payroll	18.18%	16.91%	15.61%

Note: GASB 68 requires ten years of historical information. Fiscal year 2015 was the first year of implementation; therefore, only information for the year ended June 30, 2015, and later has been presented.

Alameda Corridor Transportation Authority
Schedule of Funding Progress for Other Postemployment Benefits
June 30, 2017

OPEB Biennial Actuarial Valuation Date	Funding History					
	Actuarial Value of Assets (AVA)	Accrued Liabilities (AL)	Unfunded/(Overfunded) Liabilities (UAL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UAL as % of Payroll
June 30, 2013	\$ 936,000	\$ 1,296,000	\$ 360,000	72%	\$ 1,065,000	34%
June 30, 2015	1,343,000	1,223,000	(120,000)	110%	1,259,844	-10%
June 30, 2017	1,743,000	1,456,000	(287,000)	120%	1,337,670	-21%

