SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report

FISCAL YEAR 2014

For Fiscal Year Ended
June 30, 2014
Santa Clara County, California

SANTA CLARA
Valley Transportation Authority
Part of every trip you take®

VTA's Great America Light Rail Station with a newly built platform serves thousands of fans heading to Levi's Stadium in Santa Clara.

"Your 'Fare' Play On Game Day" flyer handed out to VTA customers highlighting many fare options to Levi's Stadium on game days.

VTA's BART *Silicon* Valley Extension - Crews pouring concrete for the Milpitas Station foundation slab.

VTA staff leading/hosting an El Camino BRT bus tour at the 2014 Transportation Summit held in Palo Alto, hosted by Transform.

VTA uses GPS to track the location of bus and light rail as they travel throughout the county.

To locate your ride, visit *vta.org/transitlive/info.html*

Bicyclists join GM Nuria Fernandez and Supervisor Ken Yeager on the Guadalupe Trail for Bike to Work Day.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

SAN JOSE, CALIFORNIA

Comprehensive Annual Financial Report (CAFR)
For Fiscal Year Ended June 30, 2014

Prepared by:
Finance and Budget Division

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Clara Valley Transportation Authority

California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Jeffrey R. Emer

Executive Director/CEO

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SECTION 1 - **INTRODUCTION**

LETTER OF TRANSMITTAL

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ORGANIZATIONAL CHART

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LETTER OF TRANSMITTAL

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October 9, 2014

Board of Directors
Santa Clara Valley Transportation Authority

Subject: Comprehensive Annual Financial Report

It is a pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) of the Santa Clara Valley Transportation Authority (VTA) for the year ended June 30, 2014. The CAFR was prepared in accordance with the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). VTA Management assumes responsibility for the accuracy and completeness of the data and the clarity of the presentation, including all disclosures. To the best of our knowledge, the enclosed report is presented in conformity with Generally Accepted Accounting Principles (GAAP), and is complete and reliable in all material respects.

Vavrinek, Trine, Day & Company LLP, a firm of licensed Certified Public Accountants, has audited the financial statements. The goal of the audit is to obtain a reasonable assurance that the financial statements are free of material misstatements. Vavrinek, Trine, Day & Company LLP concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on the financial statements for the fiscal year ended June 30, 2014, and that the financial statements are fairly stated in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

In addition, Vavrinek, Trine, Day & Company LLP also conducts the federally mandated "Single Audit" designed to meet requirements of federal grantor agencies. The standards governing the Single Audit require the independent auditor to report on the fair presentation of the financial statements, the agency's internal controls over compliance, and compliance with legal requirements.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The VTA's MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

VTA is an independent special district and political subdivision of the State of California. VTA was created in 1972 and was known as the Santa Clara County Transit District (District). The District served Santa Clara County (County) which is located in the southern portion of the San Francisco Bay Area and is bordered by the counties of Alameda, San Mateo, Santa Cruz, San Benito, Merced, and Stanislaus. In 1976, Santa Clara County voters approved a half cent Measure A sales tax proposal to fund the District. In 1995, the District merged with the County's congestion management agency and operated under the governance of its own Board of Directors. On January 1, 2000, VTA's name was officially changed to the Santa Clara Valley Transportation Authority.

Today VTA provides bus, light rail, and paratransit services, as well as participates as a funding partner in regional rail service including Caltrain, Capitol Corridor, and the Altamont Corridor Express. As the County's congestion management agency, VTA is responsible for countywide transportation planning, including congestion management, design and construction of specific highway, pedestrian, and bicycle improvement projects, as well as promotion of transit oriented development. VTA continually builds partnerships to deliver transportation solutions that meet the evolving mobility needs of Santa Clara County.

VTA is governed by a 12 member Board of Directors (the Board or the Board of Directors) consisting of elected officials appointed by the jurisdictions they represent. Five members of the Board and one alternate are appointed by the San Jose City Council. One member of the Board and one alternate are appointed from among the city councils of the cities of Los Altos, Mountain View, Palo Alto, and the Town of Los Altos Hills. One Board member and one alternate are appointed from among the city councils of the cities of Campbell, Cupertino, Monte Sereno, Saratoga, and the Town of Los Gatos. One Board member and one alternate are also appointed from among the city councils of the cities of Gilroy and Morgan Hill. Two members of the Board and one alternate are appointed from among the city councils of the cities of

Milpitas, Santa Clara, and Sunnyvale. The final two seats on the Board and one alternate are appointed by the Santa Clara County Board of Supervisors. The allocation of Board representation is generally based on population. A chart depicting the current membership of the Board and the jurisdictions they represent is located on page 1-11 of this report.

ECONOMIC ENVIRONMENT

The County of Santa Clara is located at the southern end of the San Francisco Bay and encompasses an area of approximately 1,300 square miles. According to the California Department of Finance, the County is home to approximately 1.8 million residents. As rapidly recovering job market attracts armies of young tech workers, Santa Clara County is now the fastest growing county in California. New figures from the State Department of Finance show that the per capita income in Santa Clara County is $67,200[1] and the average salary per worker is the highest in the state at $111,997[2]. The northwest portion of the County, known as Silicon Valley, is home to many leading computer and electronic companies. With varied and relatively stable employers such as Google, Cisco, Hewlett-Packard, Stanford University, and Apple among others, Santa Clara County has enjoyed a diverse employment and revenue base.

The US economy continues to show signs of recovery. According to a U.S. Department of Labor report in June 2014, the national unemployment rate dropped to 6.1% and the number of unemployed persons was 9.5 million[3], compared to prior year's statistics during the same period, when unemployment rate was 7.6% and the number of unemployed persons was 11.8 million. Other signs which point to the economy's brightening health include rising auto sales at the fastest pace in eight years in June; increasing factory orders, and improving monthly home sales gain.[4]

In June 2014, the County's unemployment rate dropped to 5.4% from 6.8% the prior year, and the State's unemployment dropped to 7.4% from 8.5% the prior year.[5] The housing market also made solid strides this past year. The County is currently seeing a surge in the construction of higher density multi-family housing units, many of which were designed with the utilization of public transit in mind. The long-term employment picture in Santa Clara County remains bright because of the strong technology sector. A recent report by federal labor officials shows that Santa Clara County now has the nation's strongest job market.[6]

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[1] Bureau of Economic Analysis. US Department of Commerce, 2013.
[2] Santa Clara Economic Forecast. 2013.
[3] Economic News Release. July 3, 2014.
[4] BloombergView.com. "Sales Pickup Shows Healing U.S, Real Estate Market." June 23, 2014.
[5] Homefacts. Unemployment Rate Report. June 2014.
[6] San Jose Mercury News, "Bay Area loses jobs, but Santa Clara County and East Bay post gains." April 2014.

The 2015 State budget presents a balanced plan which allows paying down budgetary debt from past years, saving for a rainy day, and increasing spending for education, safety, health care, and affordable housing, among others. According to a study by UCLA School of Management, job growth in much of California has outpaced the national average over the last year, signaling a continuing economic rebound for the State in the coming years. The education and health sectors are, along with construction, major contributors to the job growth.[7] Consistent with the improved financial condition at the state level, the Transportation Development Act (TDA) and State Transit Assistance (STA) revenues, state programs that provide funds to operate bus and rail systems in California, experienced an increase of $3.2 million and $0.4 million, respectively, in FY 2014.

During FY 2014, decreased unemployment brought higher consumer and business spending. VTA's largest revenue sources for operations and capital activity, the 1976 Half-Cent Sales Tax and the 2000 Measure A Sales Tax were bolstered by increased taxable sales activity throughout the County. For FY 2014, the 1976 Half-Cent Sales Tax and the 2000 Measure A Sales Tax revenue both grew 5.5%.

ENTERPRISE NET POSITION OVERVIEW

GASB Statement Number 34 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A beginning on page 2-4 and should be read in conjunction with it.

VTA's enterprise funds report the activities of its transit operations, 1996 Measure B Transportation Improvement Program, 2000 Measure A Transit Improvement Program, BART Operating, Express Lanes, and Joint Development Program.

Enterprise Funds net position increased by $275.8 million to $3.7 billion consisting of VTA Transit Fund of $2.1 billion, Measure B Transit Fund of $2.4 million, Express Lanes Fund of $1.7 million, Measure A Transit Fund of $1.5 billion, BART Operating Fund of $87 million, and Joint Development Fund of $12.4 million.

[7] Hsu, Tiffany. Lost Angeles Times. "Construction powers California job grown." June 19, 2014.

Total FY 2014 Net Position consisted of the following (in thousands):

Net Investment in Capital Assets		$ 2,613,290
Restricted:		
2000 Measure A projects	$ 538,095	
SWAP/lease collateral	76,349	
BART Operating	87,070	
Debt service	51,724	
Retention	4,724	
1996 Measure B Projects	1,646	759,608
Unrestricted:		
Debt reduction	$ 101,948	
Operating reserve	59,827	
Sales tax stabilization	35,000	
Local share of capital projects	113,607	
Inventory and prepaid expenses	21,288	
Irrevocable transfer made to OPEB trust fund	20,650	
Joint Development	10,606	
Express Lanes	1,690	364,616
Total Net Position		$ 3,737,514

SIGNIFICANT FINANCIAL POLICIES

Long-Range Planning

VTA, in its role as the Congestion Management Agency (CMA) for Santa Clara County, is responsible for preparing and updating the Valley Transportation Plan (VTP). This document identifies long-term programs, projects, and policies VTA plans to pursue over the next 25 years. It considers all travel modes and addresses the links between transportation and land use planning, air quality, energy use, and community livability. VTA annually updates and incorporates the VTA Financial Forecasting Model as part of its long-range planning process. As a transit operator, VTA prepares the Short Range Transit Plan (SRTP) every two years. The SRTP is used as documentation to support projects included in the Regional Transportation Plan prepared by Metropolitan Transportation Commission (MTC) and activities contained in the county's long-range transportation plan.

Biennial Budget and Budgetary Controls

The State of California and the VTA Administrative Code require that VTA management recommend and Board of Directors adopt an operating budget at the fund level and a capital budget on a project basis. The General Manager may reallocate appropriations between budget types and budget units within each fund up to the limits of each fund's annual appropriation. Any net increase in authorized appropriations to any fund (including any allocation from reserves) requires an affirmative vote of at least eight Directors. Capital appropriations, which are not expended during the fiscal year, are carried over to successive fiscal years until the projects are completed or otherwise terminated.

Funds with appropriated budget are categorized as follows:

Proprietary Funds	Governmental Funds
• VTA Transit	• Congestion Management Program
• 1996 Measure B Transit*	• Congestion Management and Highway Program
• 2000 Measure A Transit	• 1996 Measure B Highway Program*
• Joint Development	
• Express Lanes	
• BART Operating	

*No additional appropriation in recent adopted budget as program is nearing its completion.

Internal Control

VTA management is responsible for establishing and maintaining an internal control system designed to ensure that its assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of control should not exceed benefits likely to be derived from its implementation. The valuation of costs and benefits requires estimates and judgments by management. VTA's management believes its internal controls are adequate.

Basis of Accounting

VTA's accounting records are maintained using the system of fund accounting. All proprietary and fiduciary funds are accounted for using accrual basis of accounting and the economic resources exchange measurement focus. Under the accrual basis, revenues are recorded when they are earned and expenses are recorded as soon as the goods or services are received, regardless of when the related cashflows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Reserves

The following table summarizes VTA Transit reserves established by the Board of Directors:

Reserve	Balance as of June 30, 2014 (in millions)	Remarks
Operating Reserve	$59.827	The operating reserve goal is 15% of the subsequent year's final operating budget in the VTA Transit Enterprise Fund. These funds are to remain unappropriated for any operating or capital use except to meet emergency needs that cannot be funded from any other source. The purpose of this reserve is to ensure that sufficient funds are always available in the event of either unanticipated revenue shortfalls or unavoidable expenditure needs. The detailed calculation and information on the operating reserve is shown on page 3-8.
Sales Tax Stabilization	$35.0	This reserve serves to mitigate the impact of sales tax receipt volatility on service levels and the operating budget. VTA Transit Sales Tax Stabilization reserve is at its current ceiling.
Debt Reduction	$102.0	This reserve may be used to reduce long-term liabilities or provide funding for approved transit-related capital improvements and replacement of capital assets. This reserve is used to fund local portion of the VTA Transit capital program in order to keep assets in a state of good repair.

Financial Stability Policy

The following activities serve as guidance in the prioritization of VTA operating expenses. This is necessary when there are budget reductions to keep spending consistent with available revenues, and when increases in operating revenues permit VTA to add resources to its transit-related activities.

1. Preservation of the level of fixed route transit service and paratransit service provided to VTA riders to the extent possible. This includes developing a service plan that is in accordance with VTA's Transit Sustainability Policy and service design guidelines and in the best interest of the public.

2. Direct support for the provision of transit service, i.e., only those core operating, management and administrative functions that are necessary and essential to providing the existing level of transit service, both in terms of the types of functions required and level of resources needed to support service. This is measured against industry standards and best practices with consideration of efficiencies achieved by reducing layers of management.
3. Support for Regional Partnerships (e.g., Caltrain, ACE, Dumbarton Express, etc.) provided by VTA in consideration of other partners' contributions.
4. Activities that clearly contribute to increasing and diversifying VTA's operating funding (e.g., fare programs, joint development, advertising, and other opportunities for earned income).
5. Activities that provide information to riders, employees, stakeholders and the public (e.g. VTA Ambassador Program).
6. Activities that would prudently and strategically expand VTA transit service, when sustainable revenues are available to support the service growth (e.g. VTA's recent expansion of bus and light rail service to Levi's Stadium).

MAJOR INITIATIVE

VTA's BART Silicon Valley Project

The VTA's BART Silicon Valley Project is a 16-mile extension of the existing BART system to San Jose, Milpitas, and Santa Clara, which will be delivered through a phased approach. The first phase, the Silicon Valley Berryessa Extension (SVBX), is a 10-mile, two-station extension, beginning in Fremont south of the future BART Warm Springs Station and proceeding on the former Union Pacific Railroad right-of-way through Milpitas, the location of the first station, and then to the Berryessa area of north San Jose, at the second station.

The cost of the SVBX Project is approximately $2.4 billion, which includes $900 million in federal assistance, $386.2 million in state and other local funding, and $1.135 billion from Measure A sales tax. In March 2012, VTA received a $900 million grant commitment from the FTA for the project, along with the first $100 million allocation, as provided for in the Full Funding Grant Agreement (FFGA). The FFGA is a multi-year contractual agreement that formally defines the project scope, cost, and schedule, and establishes the terms of the federal financial assistance. Execution of the FFGA allowed the commencement of construction of the 10-mile, two-station BART extension. As of September 2014, $253 million of the grant funding has been expended and received. The most recent federal award occurred in August 2014 in the amount of $150 million.

VTA also received in August 2014 the Traffic Congestion Relief Program (TCRP) funds in the amount of $39 million which constitutes the final installment of the State of California's $649 million TCRP allocation plan adopted by the California Transportation Commission (CTC) in 2008.

The first major design and construction contract, valued at $772 million for the line, track, systems, and stations, was awarded in December 2011 to Design Builder Skanska-Shimmick-Herzog, a Joint Venture. Construction of the 10-mile, two-station project is planned for 2012 to 2016. Construction continues at future station areas and major intersections that the BART system will cross. In August 2014, McCarthy Builders was awarded the design-build contract in the amount of $87 million for the parking garages in Milpitas and Berryessa Stations.

The project scope includes BART vehicles, VTA feeder buses, double-track grade-separated guideway, traction power substations, high voltage substations, a communication system, passenger drop-off facilities, surface and structured parking facilities, bus transit centers, a pedestrian bridge, real estate acquisition, drainage improvements, environmental mitigation, financing, startup and revenue testing, and other elements necessary for project delivery. The project also includes facility additions to the existing BART Hayward Yard for maintenance of BART vehicles.

VTA continues project development activities for the second 6-mile phase of the project that includes a 5.1 mile-long subway tunnel through downtown San Jose, and ends at grade in Santa Clara near the Caltrain Station. Construction on the second phase of the project will commence as additional funding is secured.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to VTA for its FY 2013 Comprehensive Annual Financial Report. This is the 18th consecutive year that VTA achieved this prestigious award.

In order to receive the award, a government agency must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this CAFR required a concerted team effort throughout VTA, including staff from Accounting, Disbursements, Revenue Services, Contracts and Purchasing, Risk Management, Budget and Analysis, Investment Services, and Finance departments. The Copy Center, Creative Services, and Marketing departments also made significant contributions to the form, content, and production of the report. The team members demonstrated a commendable degree of personal dedication and determination in producing this document.

In addition, recognition is given to Vavrinek, Trine, Day & Company LLP, for their contribution, as well as all other VTA staff for responding positively and promptly to the request for information that occurs with each annual audit.

Nuria I. Fernandez
General Manager

Raj Srinath
Chief Financial Officer
(As of October 6, 2014)

2014 VTA BOARD OF DIRECTORS

VTA is an independent special district governed by its own Board of Directors. Board members are elected governing officials appointed by the jurisdictions they represent, and all jurisdictions within the county have representation on the Board. The VTA Board of Directors consists of 12 voting members, 6 alternates, and 3 ex-officio members, and membership is roughly based on population as follows:

Group 1 (San Jose)	5 Members, 1 Alternate
Group 2 (Northwest)	1 Member, 1 Alternate from the Cities of Los Altos, Mountain View, Palo Alto, and the Town of Los Altos Hills.
Group 3 (West Valley)	1 Member, 1 Alternate from the Cities of Campbell, Cupertino, Monte Sereno, Saratoga, and the Town of Los Gatos.
Group 4 (South County)	1 Member, 1 Alternate from the Cities of Gilroy and Morgan Hill.
Group 5 (Northeast)	2 Members, 1 Alternate from the Cities of Milpitas, Santa Clara, and Sunnyvale.
Group 6 (County of Santa Clara)	2 Members, 1 Alternate from the Santa Clara County Board of Supervisors
Ex-Officio	Santa Clara County's 3 representatives to the Metropolitan Transportation Commission (MTC): 1 Member representing the County of Santa Clara, 1 Member representing the Cities of Santa Clara County, and 1 Member representing the City of San Jose. (Note: MTC commissioners serve as an Ex-Officio Member only when not serving as a regular or alternate member of the VTA Board of Directors.)

The Board of Directors generally meets on the first Thursday of each month.

Ash Kalra, Chairperson
Perry Woodward, Vice Chairperson
As of June 30, 2014

GROUP 1	
City of San Jose	Xavier Campos Rose Herrera Ash Kalra Johnny Khamis Donald Rocha TBD, Alt.
GROUP 2	
City of Los Altos	
Town of Los Altos Hills	Rich Larsen, Alt.
City of Mountain View	
City of Palo Alto	Gail A. Price
GROUP 3	
City of Campbell	Jason Baker, Alt.
City of Cupertino	
Town of Los Gatos	Joe Pirzynski*
City of Monte Sereno	
City of Saratoga	
GROUP 4	
City of Gilroy	Perry Woodward
City of Morgan Hill	Larry Carr, Alt.
GROUP 5	
City of Milpitas	Jose Esteves
City of Santa Clara	Jamie Matthews, Alt.
Citty of Sunnyvale	David Whittum
GROUP 6	
County of Santa Clara	Cindy Chavez Ken Yeager David Cortese,* Alt.
Ex-Officio	
Metropolitan Transportation Commission Representing Santa Clara County	Sam Liccardo

**Dave Cortese and Joe Pirzynski also serve on the Metropolitan Transportation Commission.*

VTA BOARD OF DIRECTORS' STANDING COMMITTEES

1. **Administration and Finance Committee (A & F)** reviews and recommends policies pertaining to the general administration of VTA, including administrative policies and procedures, legislative affairs, human resources, budget and financing, and fiscal issues.

2. **Audit Committee** reviews and recommends policy decisions required to fulfill the Board's oversight responsibilities for: (1) the integrity of VTA financial statements, (2) compliance with legal and regulatory requirements, and (3) assuring an effective system of internal management and financial controls. It also oversees the activities of the auditor general, the internal audit function, and the public accounting firm that conducts VTA's financial audit.

3. **Congestion Management Program and Planning Committee (CMPP)** reviews and recommends policies related to the Congestion Management Agency and the countywide transportation plan, including the integration of transportation, land-use and air-quality planning.

4. **Transit Planning and Operations Committee (TP & O)** reviews and recommends policies related to transit planning, transit capital improvement projects, transit operations, and marketing.

5. **Silicon Valley Rapid Transit (SVRT) Program Working Committee** reviews the ongoing program activities and recommends policy decisions pertaining to the program activities of the Silicon Valley Rapid Transit Project, which brings the BART regional heavy rail system 16 miles from Alameda County to the Santa Clara County cities of Milpitas, San Jose, and Santa Clara.

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VTA BOARD OF DIRECTORS' ADVISORY COMMITTEES

1. **Committee for Transit Accessibility (CTA)** provides advice to the VTA Board and staff on bus and rail system accessibility issues, as well as on paratransit service. Many of these issues are related to VTA's efforts to comply with the federal Americans with Disabilities Act (ADA). It consists of 21 voting members comprised of individuals from the disabled community and representatives from human services agencies, as well as two ex-officio, non-voting members, one each representing VTA's paratransit broker and the VTA Board of Directors.

2. **Citizens Advisory Committee (CAC) / 2000 Measure A Citizens Watchdog Committee (CWC)** is a 17 voting member committee representing the residents of Santa Clara County, as well as specified community stakeholder groups, including business and labor, with an interest in transportation. The CAC advises the Board and VTA administration on issues impacting the communities and organizations they represent. It ***also serves as the independent Citizens Watchdog Committee*** for the 2000 Measure A Transit Improvement Program, and as the 2008 Measure D ballot-specified advisory body that reviews and comments on VTA's comprehensive transit program as part of the countrywide transportation plan.

3. **Bicycle and Pedestrian Advisory Committee (BPAC)** consists of 16 voting members comprised of one member appointed by each of the 15 cities within Santa Clara County and one member appointed by the County of Santa Clara. In addition, the Silicon Valley Bicycle Coalition appoints one ex-officio, non-voting representative. The BPAC advises the VTA Board of Directors on planning and funding issues related to bicycle and pedestrian mobility and access. The BPAC also serves as the bicycle and pedestrian advisory committee for the County of Santa Clara.

4. **Technical Advisory Committee (TAC)** is a 16 voting member committee comprised of one staff member (usually a public works, planning, or community development director) from each of the 15 cities within the county and the County of Santa Clara. In addition, the California Department of Transportation (Caltrans) appoints one non-voting representative to the TAC. The TAC provides in-depth analysis, technical expertise and timely recommendations regarding transportation projects, programs, funding, and other policy matters, while giving voice to and reconciling local and regional perspectives.

5. **Policy Advisory Committee (PAC)** is a 16 voting member committee comprised of one city council member from each of the 15 cities within Santa Clara County and one member from the county Board of Supervisors. The PAC ensures that all local jurisdictions have an opportunity to participate in the development of VTA's policies.

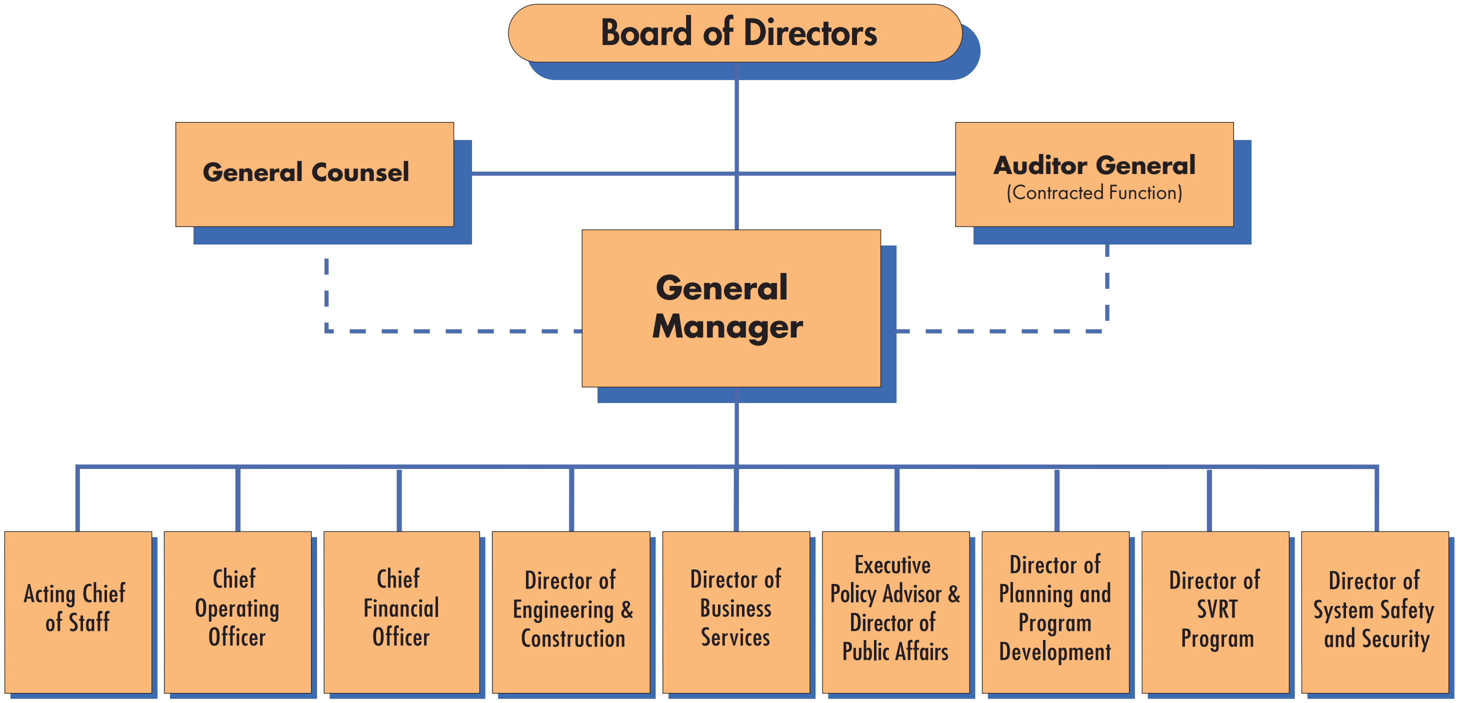
VTA BOARD OF DIRECTORS' POLICY ADVISORY BOARDS

These Policy Advisory Boards (PAB) ensure the local jurisdictions affected by major transportation improvement projects are involved in the planning, design, and construction. Membership for each PAB varies. There are currently five active PABs:

- **Diridon Station Joint Powers Policy Advisory Board**
- **Downtown East Valley Policy Advisory Board**
- **El Camino Real Rapid Transit Policy Advisory Board**
- **Silicon Valley Rapid Transit Corridor and BART Warm Springs Extension Policy Advisory Board**
- **Vasona Light Rail Project Policy Advisory Board**

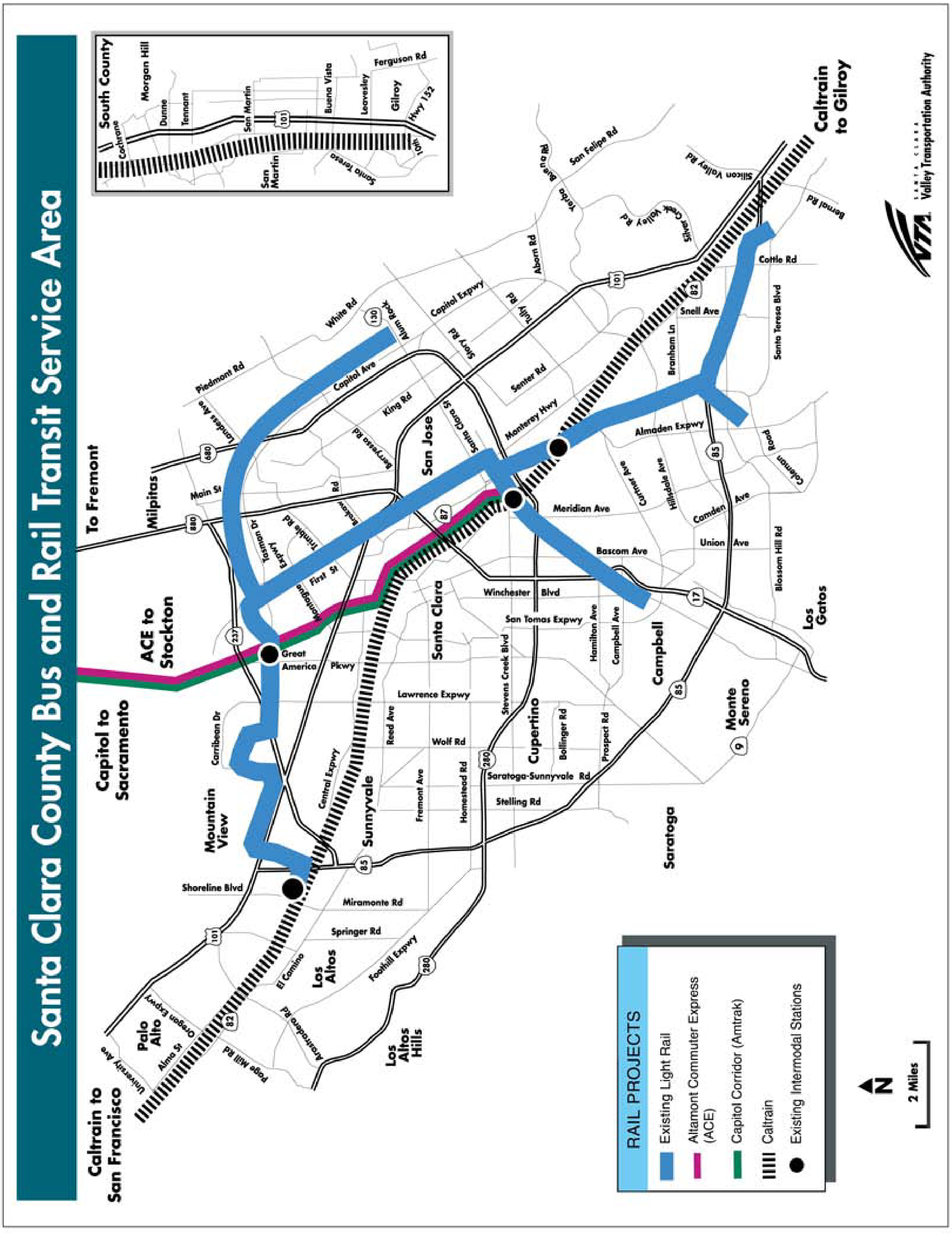
Santa Clara Valley Transportation Authority

As of June 30, 2014



Principal Officials as of June 30, 2014

General Manager	Nuria I. Fernandez
General Counsel	Robert Fabela
Auditor General	McGladrey LLP
Acting Chief of Staff	Sandra Weymouth
Chief Operating Officer	Michael Hursh
Chief Financial Officer	Joseph Smith
Director of Engineering & Construction	Mark Robinson
Director of Business Services	Bill Lopez
Executive Policy Advisor & Director of Public Affairs	James Lawson
Director of Planning and Program Development	John Ristow
Director of SVRT Program	Carolyn Gonot
Director of System Safety & Security	(Vacant)



Santa Clara County Bus and Rail Transit Service Area
RAIL PROJECTS
Existing Light Rail
Altamont Commuter Express (ACE)
Capitol Corridor (Amtrak)
Caltrain
Existing Intermodal Stations
2 Miles
N
Caltrain to San Francisco
Capitol to Sacramento
ACE to Stockton
To Fremont
Caltrain to Gilroy
South County
Valley Transportation Authority
Palo Alto
Los Altos
Los Altos Hills
Mountain View
Sunnyvale
Santa Clara
Milpitas
San Jose
Cupertino
Campbell
Saratoga
Monte Sereno
Los Gatos
Morgan Hill
San Martin
Gilroy
Great America

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SECTION 2 – **FINANCIAL SECTION**

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INDEPENDENT AUDITOR'S REPORT

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Santa Clara Valley Transportation Authority
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, governmental activities, each major fund, and the aggregate remaining fund information of the Santa Clara Valley Transportation Authority (VTA) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the VTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, governmental activities, each major fund, and the aggregate remaining fund information of the VTA, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited VTA's financial statements as of and for the year ended June 30, 2013, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2013. In our opinion, the summarized comparative information presented in the Supplementary Information Section herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

VTA adopted Government Accounting Standards Board (GASB) Statement No. 65 - *Items Previously Reported as Assets and Liabilities as of July 1, 2013* which required classifying certain items as deferred inflow and outflow of resources on the statement of net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the VTA's basic financial statements. The enterprise and fiduciary fund supplementary information, the introductory, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The enterprise and fiduciary fund supplementary information as listed in the table of contents is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2014, on our consideration of the VTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the VTA's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
October 20, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

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Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of VTA for FY 2014. To obtain a complete understanding of VTA's financial condition, this document should be read in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

Financial Highlights

- As of June 30, 2014, VTA's net position amounted to approximately $3.7 billion. Of this amount, approximately $2.6 billion constituted net investment in capital assets which is associated with VTA's capital program.
- Enterprise Funds operating revenues mainly from passenger fares were $42.4 million, an increase of $599 thousand or 1.4% from FY 2013.
- As of June 30, 2014, VTA had total outstanding bonds in the amount of $1.2 billion. There was no new bond issuance in FY 2014.
- In FY 2014, VTA Transit Fund net position increased $13.9 million to $2.1 billion. The three board-designated reserves: Transit Operating Reserve, Debt Reduction Fund, and Sales Tax Stabilization Reserve were $59.8 million, $102 million, and $35 million, respectively.
- VTA Measure A Fund net position in FY 2014 added $215.5 million to a total of $1.5 billion. This amount is restricted for the Measure A Transit Improvement Program per the Measure A Ballot.
- The 1976 Sales Tax revenue, reflecting an improvement in taxable sales activity in the County, increased $9.7 million, or 5.5% from FY 2013 level to $186.4 million in FY 2014.
- The 2000 Measure A Sales Tax revenue increased $9.8 million or 5.5% to $186.3 million in FY 2014.
- Federal, state, and local operating assistance were $6.1 million or 4.3% higher in FY 2014 due to increases in the Transportation Development Act (TDA) revenue of $3.2 million, State Transit Assistance (STA) revenue of $0.4 million, and Federal Maintenance Assistance Grant revenue of $2.6 million. These were offset partly by a decline of $385 thousand in State Operating Assistance Grant relating to Employment Training Panel.
- Capital grants decreased by $79 million from the FY 2013 level, due to a decrease in grant-funded activities related to the Silicon Valley Berryessa Extension (SVBX). Additionally, there was a decrease in project activities with state funding pertaining to

pedestrian and bus stop improvements along Capitol Avenue to Eastridge Transit Center as the project approaches its completion. FY 2013 also reported $50.4 million State grant for the Hayward Maintenance Center which did not occur again in FY 2014.

- As of June 30, 2014, the net position of Express Lanes and Joint Development funds amounted to $1.7 million and $12.4 million, respectively. The Express Lanes Fund recorded toll collection from SR 237/I880 Express Connector. The Joint Development Fund reported rental revenues from properties overseen under the Joint Development Program.
- In FY 2014, BART operating fund's net position was $87 million. The BART Operating Sales Tax increased $2.8 million or 6.8%, to $44.8 million in FY 2014.

Overview of the Financial Statements

VTA's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition to the basic financial statements, this report also includes required and other supplementary information.

1. **Government-wide Financial Statements**. The *Government-wide Financial Statements* provide a top-level view of VTA's financial picture in a format resembling that of a private-sector company.

   The *Statement of Net Position* presents information on all of VTA's assets and liabilities including deferred inflow and outflow of resources, with the difference between the two reported as net position. Over time, an increase or decrease in net position may serve as an indicator of whether VTA's financial position is improving or deteriorating.

   The *Statement of Activities* presents information reflecting changes in VTA's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

   The government-wide statements distinguish functions of VTA that are principally supported by sales tax and intergovernmental revenues. The VTA business-type activity is transit, which includes bus/light rail operations, joint development, express lanes, BART operating, and capital project activity. Although the transit operation's primary function is intended to recover its costs through charges for services (business-type activities), the recovery is not significant. The governmental activities of VTA consist of congestion management and highway programs, which include planning, programming, and construction of highway projects.

2. **Fund Financial Statements**. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. VTA, like local and state governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All VTA funds can be divided into three categories: governmental funds, proprietary funds (i.e., enterprise funds and internal service funds), and fiduciary funds.

   Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

   VTA maintains three major governmental funds to account for the financial activities of VTA's Congestion Management Program, the Congestion Management and Highway Program, and the 1996 Measure B Highway Program.

   Proprietary funds - VTA maintains two types of proprietary funds: enterprise funds and internal service funds. The enterprise funds are used to report the same function presented as "business-type activities" in the government-wide financial statements. The internal service funds are used to account for activities that provide services to other funds, departments or to other governments on a cost-reimbursement basis. General Liability, Workers' Compensation, and Compensated Absences are accounted for in the internal service funds. VTA uses the enterprise funds to account for its transit operation and capital activities, the 1996 Measure B Transit projects, the 2000 Measure A capital and operating activities, BART Operating, Joint Development Program, and Express Lanes Program.

The combination of the enterprise funds and the internal service fund provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside VTA. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support VTA's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The activities of the VTA Amalgamated Transit Union (ATU) Pension Plan, the ATU Spousal Medical and Retiree Vision and Dental Funds and the Retirees' Other Post Employment Benefits (OPEB) Trust are reported in the retiree trust funds. Pension trust funds are used to account for assets held by VTA as a trustee for individuals and other organizations, such as ATU.

Senate Bill 83 Vehicle Registration Fee (SB 83 VRF), the Bay Area Air Quality Management District (BAAQMD), and the 1996 Measure B Ancillary, which includes the Pavement Management and Bicycle programs, are accounted for in an agency fund, a fund that accounts for assets held solely in a custodial capacity.

3. **Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 2-33 through 2-85 of this report.

   In addition to the basic financial statements and notes, *Required Supplementary Information* is presented as required by GASB. The required supplementary information shows VTA's progress in funding its obligation to provide employees with pension benefits and also shows the Congestion Management Program Budgetary Schedule. Required supplementary information can be found on pages 2-86 through 2-90 of this report.

   Other supplementary information such as the combining statements and other individual schedules found immediately following the required supplementary information present individual fund statements and schedules for the Enterprise and Fiduciary Funds. Other supplementary information can be found on pages 2-91 through 2-101 of this report.

4. **Government-wide Financial Analysis**. The Government-Wide Statement of Net Position and the Statement of Activities report a $276.4 million increase in net position. The Business-Type activities were the major source of the growth as the Government-type activities' net position expanded by a mere $438 thousand. The rise in the business-type net position was due primarily to sales tax receipts, TDA, STA and operating grants, as well as capital grants related to VTA's BART Silicon Valley Extension Project as the locally funded capital expenditures were lower than the revenue receipts. The BART Operating sales tax total collection for the fiscal year was $44.8 million. During FY 2014, VTA enterprise funds acquired or built total capital assets of approximately $394.2 million (see Note 6). These capital assets were funded by a variety of sources such as federal and state grants, bond proceeds as well as local Measure A sales tax revenues.

Santa Clara Valley Transportation Authority
Condensed Statement of Net Position
FY 2014 and FY 2013
(In thousands)

	Business -Type Activities		Government Activities		Total	
	2014	2013	2014	2013	2014	2013
Asset:						
Current and other Assets	$1,600,886	$1,640,243	$ 19,141	$ 22,239	$1,620,027	$1,662,482
Capital assets, net	3,605,213	3,270,463	-	-	3,605,213	$3,270,463
Total assets	5,206,099	4,910,706	19,141	22,239	5,225,240	4,932,945
Deferred outflow of resources	87,918	74,794	-	-	87,918	74,794
Liabilities:						
Current Liabilities	276,696	222,602	17,121	20,657	293,817	243,259
Long-term liabilities outstanding	1,279,813	1,309,421	-	-	1,279,813	1,309,421
Total liabilities	1,556,509	1,532,023	17,121	20,657	1,573,630	1,552,680
Deferred inflow of resources	8,051	-	-	-	8,051	-
Net Position:						
Net Investment In Capital Assets	2,613,290	2,481,805	-	-	2,613,290	2,481,805
Restricted	759,608	649,724	2,020	1,582	761,628	651,306
Unrestricted	356,559	321,948	-	-	356,559	321,948
Total Net Position	$3,729,457	$3,453,477	$ 2,020	$ 1,582	$3,731,477	$3,455,059

The largest portion of VTA's net position (approximately 70%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. VTA uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although VTA's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot reasonably be used to liquidate these liabilities. The restricted net position represents mainly the funds set aside for the Measure A and B Transit Improvement Programs, BART operating, debt service collateral with the bond trustees, and SWAP/Lease collateral. The unrestricted categories include funds set aside by Board policies and for funding of local share of capital projects; inventory and prepaid expenses; VTA transit operating, debt reduction, express lanes and joint development program funds, sales tax stabilization, irrevocable transfer made to the OPEB Trust, and a deficit in compensated absences. The irrevocable transfer made to OPEB Trust, although unrestricted, is earmarked for OPEB Trust Fund's future operating needs. The unrestricted net position is generally available for appropriation with Board approval. The details of net position categories are shown on pages 2-39 to 2-40, Note 2(j).

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Condensed Statement of Activities
FY2014 and FY 2013
(In thousands)

	Business-Type Activities		Governmental Activities		Total	
	2014	2013	2014	2013	2014	2013
Expenses:						
Operations, support services, and CMP program	$ 392,042	$ 375,086	$ 7,544	$ 7,622	$ 399,586	$ 382,708
Caltrain subsidy & capital expenses, on behalf of, and contribution to other agencies	101,243	152,494	-	-	101,243	152,494
Altamont Commuter Express subsidy	3,019	2,939	-	-	3,019	2,939
Interest expense	27,088	31,655	-	-	27,088	31,655
Other non-operating expenses	11,096	5,865	-	-	11,096	5,865
Claims and change in future claim estimates	17,947	10,689	-	-	17,947	10,689
Contribution to agencies	-	-	68	25	68	25
Capital outlay on behalf of other agencies	-	-	36,184	34,245	36,184	34,245
Total expenses	552,435	578,728	43,796	41,892	596,231	620,620
Program revenues:						
Charges for services	42,420	41,821	2,519	2,520	44,939	44,341
Operating grants	148,669	142,577	2,424	1,775	151,093	144,352
Capital grants	193,899	272,950	38,989	37,612	232,888	310,562
Total program revenues	384,988	457,348	43,932	41,907	428,920	499,255
Net program revenues (expenses)	(167,447)	(121,380)	136	15	(167,311)	(121,365)
General revenues:						
Sales tax revenue	417,486	395,163	-	-	417,486	395,163
Investment income	9,861	316	23	8	9,884	324
Federal subsidy for Build America Bonds	8,755	9,126	-	-	8,755	9,126
Other Income	7,325	7,306	279	115	7,604	7,421
Total general revenues	443,427	411,911	302	123	443,729	412,034
Change in net position	275,980	290,531	438	138	276,418	290,669
Net position, beginning of year	3,453,477	3,162,946	1,582	1,444	3,455,059	3,164,390
Net position, end of year	$3,729,457	$3,453,477	$ 2,020	$ 1,582	$3,731,477	$3,455,059

Business-Type Activities - Total net position was $3.7 billion in FY 2014, up by $276 million from FY 2013 net position. Net program expenses (total expenses minus program revenues) were $167.4 million in FY 2014 compared to $121.4 million in FY 2013. Total expenses decreased $26.3 million despite the increase of $17 million in operation and support services which include labor, materials and supplies, utilities, and other operating expenses. There was a $51.3 million decrease in capital expenses on behalf of, and contributions to other agencies. The decrease is primarily due to $50.4 million project costs incurred for the BART Hayward Maintenance Center in FY 2013 that did not occur again in FY 2014. Interest expense decreased by $4.6 million primarily due to more capitalized interest in FY 2014 in the 2000 Measure A Fund. Other non-operating expenses increased by $5.2 million as a result of project studies conducted by consultants relating to light rail efficiency and new rail corridor. Claims and change in future claims estimates increased by $7.3 million. The increase is primarily due to general liability reserve adjustment based on actuarial disclosure of class action lawsuit affecting Employment Practices Liability.

In the program revenue categories, charges for services were up $599 thousand due mainly to the increases in express lanes revenues ($173 thousand), fare revenue ($41 thousand), advertising revenue ($220 thousand), and ACE shuttle revenue ($165 thousand). Operating assistance grants increased $6.1 million primarily due to the increase in the Transportation Development Act (TDA), State Transit Assistance (STA), and Federal Preventive Maintenance Assistance Grant of $3.2 million, $0.4 million, and $2.6 million, respectively. This was partly offset by the decline in State Operating Assistance Grant. Capital grants decreased by $79 million. Previous year reported a $50.4 million STIP grant receipt relating to the Hayward Maintenance Center which did not occur again in FY 2014. There was also a reduction in federal funded activities relating to Silicon Valley Berryessa Extension project and state-funded activities relating to pedestrian improvement at Capitol Avenue to Eastridge Transit Center as this project approached its completion. The increase in sales taxes of $22.3 million and investment income of $9.5 million, reduced slightly by the $0.4 million cut in federal subsidy for Build America Bonds (BABs) resulted to a $31.5 million improvement in total general revenues.

Governmental Activities - Total net position for the governmental activities increased $438 thousand in FY 2014, with an ending balance of $2 million, all in the Special Revenue Fund. Major elements of changes in fund balance were as follows:

- In the Congestion Management and Highway Program (CMHP) Capital Projects Funds, total federal, state, and local grant revenues were $38.7 million and capital expenditure and labor/overhead costs were also $38.7 million. In FY 2014, CMHP reported an increase in state and local grants in the form of Corridor Mobility Improvement Account (CMIA) and Measure A Swap. Measure B Highway Program showed capital grant revenue of $249 thousand with the same amount of capital expenditure. The decrease in Measure B Highway Program activities is due to the program's winding down to completion.

- In the Congestion Management Program (CMP) Special Revenue Fund, total revenue sources were $5.2 million, a growth of $0.8 million from the $4.4 million in FY 2013. The increase was mainly due to greater Surface Transportation Program (STP) revenue in FY 2014. Total expense was $4.8 million, an increase of $527 thousand from FY 2013 and the change in net position was $438 thousand. CMP projects were funded from member assessments and various federal, state, and local grants.

Financial Analysis of VTA's Funds - As noted earlier, VTA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Enterprise Funds - VTA's enterprise funds report the activities of its transit operations, 1996 Measure B Transportation Improvement Program, 2000 Measure A Transit Improvement Program, BART Operating, Express Lanes Program, and Joint Development Program.

Comparison of
Enterprise Funds Revenue
FY 2014 and FY 2013
(In thousands)

			Change Favorable/(Unfavorable)	
Enterprise Funds Revenue	**2014**	**2013**	**Amount**	**Percent**
Charges for services	$ 42,420	$ 41,821	$ 599	1.43%
Operating grants	148,669	142,577	6,092	4.27%
Capital grants	193,899	272,950	(79,051)	(28.96%)
1976 half-cent sales tax	186,431	176,716	9,715	5.50%
2000 Measure A half-cent sales tax	186,302	176,533	9,769	5.53%
BART Operating Sales Tax	44,753	41,914	2,839	6.77%
Investment earnings	9,555	292	9,263	3172.26%
Federal subsidy for Build America Bonds	8,755	9,126	(371)	(4.07%)
Other income	6,835	6,616	219	3.31%
Total	$ 827,619	$ 868,545	$ (40,926)	(4.71%)

Charges for Services – In the VTA Transit and Express Lanes funds, charges for services, derived from bus farebox receipts, light rail ticket sales, toll fees, the sale of monthly passes (including Eco Pass and tokens), and advertising income, were $42.4 million in FY 2014, which represents a $599 thousand or 1.4% increase from FY 2013. Such increase was primarily due to the growth in toll fee collections from express lanes and direct service shuttle revenues. During FY 2014 toll revenues collected from the express lane were approximately $1.2 million. Passenger fares and advertising revenues also improved in FY 2014 primarily due to an increase in system ridership and higher negotiated advertising contract amounts, respectively.

Operating Grants - VTA Transit Operating grants include Transportation Development Act (TDA), State Transit Assistance (STA) grant, Federal Section 5307 Urbanized Formula Program Grants, state vehicle license fees (AB 434), and security planning grants. In FY 2014, total operating grants increased $6.1 million or 4.3% compared with FY 2013 primarily due to the increase in Transportation Development Act (TDA) revenue, State Transit Assistance (STA) revenue and Federal Maintenance Assistance Grant revenue, which was partly offset by the decline in State Operating Assistance Grant.

TDA funds are derived from a quarter-cent sales tax levied by the state on taxable transactions occurring in the Santa Clara County. The Metropolitan Transportation Commission (MTC) retains a portion of these funds for administration and approximately 94.5% is returned to the source county (i.e., Santa Clara). After sales tax derived from local measures, TDA revenue is VTA's second largest source of revenue for operations. For FY 2014, the actual TDA receipts were $89.5 million, reflecting $3.2 million or 3.7% rise over the prior fiscal year as the taxable sales activity in the county expanded during FY 2014.

STA funds are derived from state sales tax on diesel fuel. STA apportionments are made to regional transportation planning agencies (MTC in the San Francisco Bay Area Region) based on a formula that allocates 50% of the funds according to population and 50% according to the transit operator's qualified revenues in the region from the prior fiscal year. In FY 2014, VTA received $15.3 million compared to $14.9 million in FY 2013.

Federal Section 5307 allows eligible recipients to claim capital grant funds for maintenance costs and other projects such as routine bus replacements. Grant applicants may apply for FTA grants in an amount up to 80% of annual vehicle maintenance costs. The funds are reflected in the financial statements as Federal Operating Assistance. Currently, VTA considers a large portion of its bus maintenance costs for revenue and non-revenue vehicles as eligible expenses. For FY 2014, total grant revenues under this program were $41.6 million, a $2.6 million increase from FY 2013.

Capital Grants - Capital grants include Federal Section 5309 capital grants, various State transit-related capital grants, capital contribution from local agencies, and reimbursements received by VTA for capital expenses undertaken on behalf of other agencies. These were reported under the VTA Transit, Measure B Transit, and 2000 Measure A Transit funds. Total capital grants decreased $79 million or 29% to $194 million primarily due to the $50.4 million STIP grant received and spent on the Hayward Maintenance Center in FY 2013 that did not happen again in FY 2014. There were also reductions in federal-funded activities relating to Silicon Valley Berryessa Extension and state-funded activities relating to the pedestrian and bus-stop improvements along Capitol Avenue to Eastridge Transit Center as this project approached completion.

The 1976 Half-Cent Sales Tax Revenues - The 1976 Sales Tax is VTA's single largest source of revenue for operations under the VTA Transit Fund. The State Board of Equalization (SBOE) collects the 1976 Sales Tax for VTA. The 1976 Sales Tax Revenues pay the operating and capital expenses, where state or federal capital assistance programs require that the recipient of assistance contribute locally derived revenues. For FY 2014, total sales tax revenues were $186.4 million, a $9.7 million or 5.5% growth compared to the prior fiscal year's sales tax revenue.

2000 Measure A Half-Cent Sales Tax Revenues - The 2000 Measure A Half-Cent Sales Tax is collected by the SBOE for VTA in the same manner as the 1976 Measure B Sales Tax. The 2000 Measure A Sales Tax revenues are reported in the 2000 Measure A Transit fund and restricted for projects and operational activities included in the 2000 Measure A ballot. The collection of this tax occurred after the expiration of the 1996 Half-Cent Measure B Sales Tax on March 31, 2006. From the FY 2013 level, revenue soared by $9.8 million or 5.5% to $186.3 million in FY 2014.

BART Operating – In November 2008, county residents passed a 1/8-cent sales tax to fund the operating and maintenance costs of the VTA's BART Silicon Valley Extension. Collection of the tax which will be for a period not to exceed 30 years, took effect on July 1, 2012. In FY 2014, total sales tax revenue under the BART Operating Fund was $44.8 million.

Investment Earnings - The investment earnings are derived from three primary sources: short, mid, and long-term investment portfolios. Investment earnings were primarily recorded under 2000 Measure A Transit Fund. Pursuant to VTA's adopted investment policy and California Government Code, 100% of surplus assets are invested in domestic fixed income investments. Investment earning increased $9.3 million from prior year. Improved investment results were largely the outcome of declining interest rates and mark-to-market gains.

Federal Subsidy for Build America Bonds (BABs) - In FY 2011, VTA issued 2010 Measure A Sales Tax Bonds which are taxable to the bond holders and recorded under 2000 Measure A Transit Fund. The bonds were issued under the federal BABs program which provides a 35% interest cost subsidy to VTA. In compliance with Governmental Accounting Standards Board (GASB), VTA recognizes the BABs subsidy as an income item in its financial statements. In FY 2014, 2000 Measure A Transit Fund reported BABs subsidy of $8.8 million. The federal sequestration order reduced the BABs subsidy by $0.4 million in FY 2014 from previous year.

Other Income - In FY 2014, total other income was $6.8 million. The $0.2 million or 3% growth was mainly due to the increase in permit fees for utility relocation from third party contractors.

Total expenses for Enterprise Funds dropped $22.9 million or 4% in FY 2014. A detailed analysis of major expense categories is discussed below.

Comparison of
Enterprise Funds Expenses
FY 2014 and FY 2013
(In thousands)

			Change Favorable/(Unfavorable)	
Enterprise Funds Expenses	**2014**	**2013**	**Amount**	**Percent**
Operations and support services	$ 409,406	$ 381,823	$ (27,583)	(7.22%)
Caltrain and ACE subsidy	10,310	16,639	6,329	38.04%
Capital contributions to/or expenses on-behalf of other agencies	93,952	138,794	44,842	32.31%
Interest expense and other bond charges	27,088	31,655	4,567	14.43%
Other non-operating expenses	11,096	5,865	(5,231)	(89.19%)
Total	$ 551,852	$ 574,776	$ 22,924	3.99%

Operations and Support Services - Operations and support services expenses are incurred for bus and light rail operations, services, and support programs in VTA Transit Fund.

These expenses include labor, support services, contracted services, insurance, purchased transportation and other overhead costs related to bus and light rail operations. For FY 2014, operations and support services expense was $27.6 million or 7.2% compared to that of FY 2013. Labor and benefit costs increased $8 million or 3% in FY 2014 as a result of an increase in labor rates and service hours. Materials and supplies, services, casualty/liability insurance, and leases and rents also grew in FY 2014. The rise in material and supplies was the effect of intensified revenue vehicle maintenance in preparation for Levi's stadium transportation requirements. The increase in services expense was due to switch replacements and overhead contact system maintenance at light rail substations along the Guadalupe Corridor. Casualty/liabilities increased primarily due to general liability reserve adjustment based on actuarial estimate. Leases and rents increased as a result of more cost incurred during the relocation of the Downtown Customer Service Center. Cost of repairs on the old location was expensed as part of leases and rents.

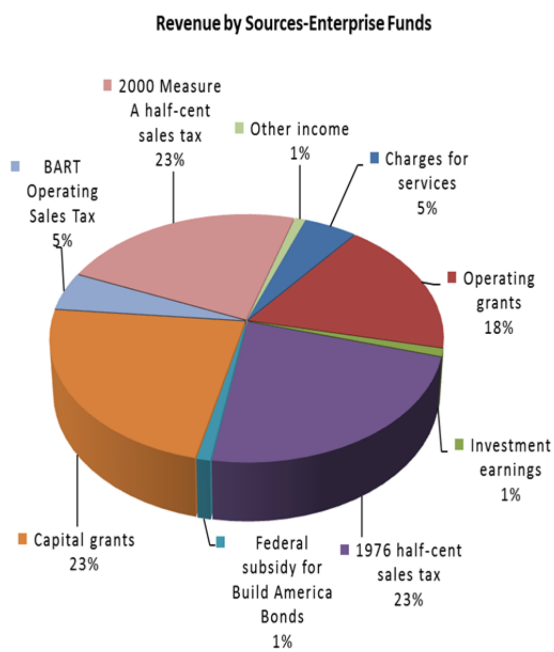
Caltrain and Altamont Commuter Express (ACE) Subsidy - Caltrain is a commuter rail service, provided by the Peninsula Corridor Joint Powers Board (PCJPB), which is composed of 3 member agencies: VTA, San Mateo County Transit District (SamTrans) and City and County of San Francisco. VTA contributes a portion of Caltrain operating and maintenance costs for commuter train service from Santa Clara County to San Francisco. Operating subsidy to Caltrain under the VTA Transit Fund was $7.3 million in FY 2014; $6.4 million lower than the $13.7 million contributed in FY 2013.

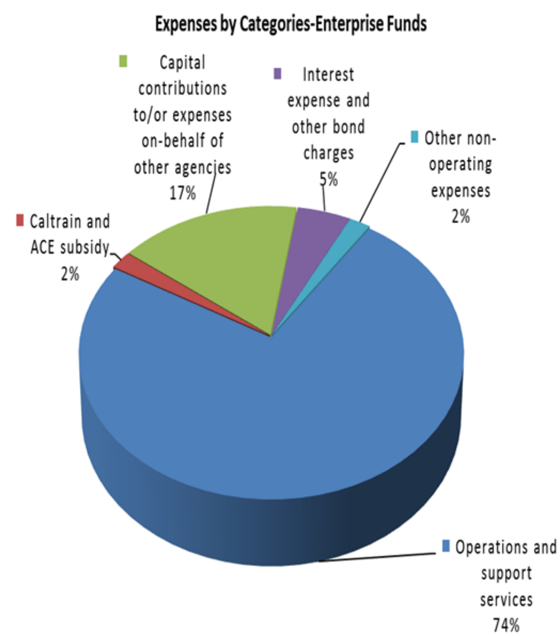
The ACE is administered by and funded under a cooperative agreement among VTA, the Alameda County Transportation Commission (Alameda CTC), and the San Joaquin Regional Rail Commission (SJRRC). VTA's subsidy to ACE commuter rail service under the VTA Transit Fund totaled $3.0 million in FY 2014; $0.1 million more than the contribution in FY 2013. The annual subsidy was based on the joint powers agreements with these agencies.

Capital Contributions to/or Expenses On Behalf of Other Agencies - As part of its capital program, VTA makes capital contribution to or undertakes capital projects jointly with other agencies. As the ownership of these capital projects does not rest with VTA, these capital expenses are reported as non-operating expenses on its financial statements. In FY 2014, total capital contributions to/or on behalf of other agencies were $93.9 million ($5.4 million in the VTA Transit Fund, and $88.5 million in the 2000 Measure A Transit Fund), or $45 million less compared to the preceding year's level. The decline is largely the result of waning activities in the following projects: Capitol Expressway Light Rail Pedestrian Improvements, Kato Road Grade Separation, and Lower Berryessa Creek. In addition, there was a contribution to BART associated with the Hayward Maintenance Center in FY 2013 that did not occur again in FY 2014.

Interest Expense and other Bond Charges -Interest expense and other bond charges were $27.1 million, $4.6 million less compared to prior year primarily because more interest expense was capitalized in FY 2014 than in FY 2013 in the 2000 Measure A Fund. As the 2010 taxable bonds were drawn down, the percentage of capitalized interest proportionately increased.

Other Non-Operating Expenses – Other non-operating expenses were $11 million, $5.2 million higher than prior year. Certain project studies relating to light rail efficiencies and new rail corridor projects were expensed.





Internal Service Funds - VTA maintains Internal Service Funds to account for the activities related to Workers' Compensation, General Liability, and Compensated Absences programs. The costs of these activities are accounted for in these funds and then charged to other VTA funds. As of June 30, 2014, the total deficit for this fund category, entirely from the Compensated Absences program, was $8.1 million and is funded by VTA Transit's FY 2015 operating budget.

Governmental Funds - The focus of VTA's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing VTA's financing requirements. VTA maintains two governmental fund types – *Special Revenue Fund* and *Capital Projects Fund*.

Special Revenue Fund - This fund accounts for the activities of the Congestion Management Program. The table that follows shows the details of changes in fund balance between the current and prior fiscal year:

Comparison of
Special Revenue Fund
FY 2014 and FY 2013
(In thousands)

Special Revenue Fund	2014	2013	Change Favorable/(Unfavorable) Amount	Change Favorable/(Unfavorable) Percent
Member agency assessment revenue	$ 2,407	$ 2,407	$ -	0.00%
Federal technical studies operating assistance grants	1,728	1,014	714	70.41%
State and local assistance grants	696	761	(65)	(8.54%)
Other revenues	279	115	164	142.61%
Administrative fees	112	113	(1)	(0.88%)
Investment earnings	23	8	15	187.50%
Total Revenues	5,245	4,418	827	18.72%
Salaries and benefits	(4,355)	(3,677)	(678)	(18.44%)
Professional services	(359)	(563)	204	36.23%
Contribution to agencies	(68)	(25)	(43)	(172.00%)
Material and Services	(25)	(13)	(12)	(92.31%)
Miscellaneous	-	(2)	2	100.00%
Total Expenses	(4,807)	(4,280)	(527)	(12.31%)
Change in fund balances	438	138	300	217.39%
Fund balances, beginning of year	1,582	1,444	138	9.56%
Fund balances, end of year	$ 2,020	$ 1,582	$ 438	27.69%

Total fund revenues under Congestion Management Program, which primarily include member assessments and grants, were $5.2 million in FY 2014, an improvement of $0.8 million from the preceding year. Total expenses of $4.8 million were up by $0.5 million compared to FY 2013 because there was an increase in federal technical studies operating assistance grant and other revenues associated with transportation modeling and ridership forecast services charged to other governmental agencies.

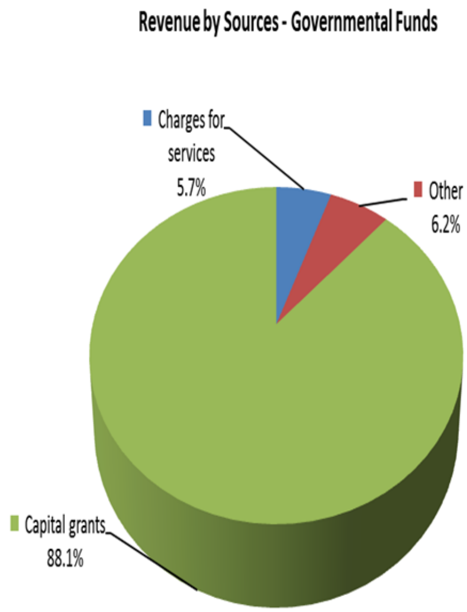
Capital Projects Fund - This fund accounts for VTA's two major capital programs – Congestion Management Highway Program and Measure B Highway Program. The table below shows the details of changes in fund balance between the current and prior fiscal year:

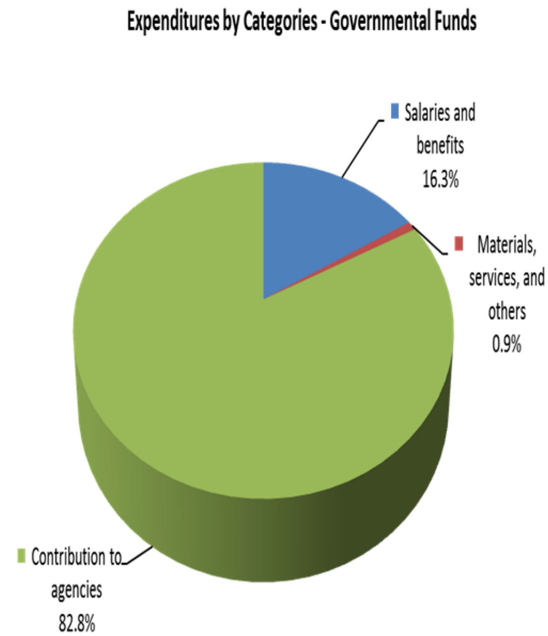
Comparison of
Capital Project Funds
FY 2014 and FY 2013
(In thousands)

			Change Favorable/(Unfavorable)	
Capital Projects Funds	**2014**	**2013**	**Amount**	**Percent**
Federal, State, and local capital grant revenues	$ 38,989	$ 37,612	$ 1,377	3.66%
VTA labor and overhead costs	(2,805)	(3,367)	562	16.69%
Capital expenditures on behalf of other agencies	(36,184)	(34,245)	(1,939)	(5.66%)
Change in fund balances	$ -	$ -	$ -	

As of June 30, 2014, total revenues were $38.9 million which represent the total amount expended on the projects and billed to other governmental agencies during the fiscal year. This consists of $38.7 million in Congestion Management and Highway Program, and $249 thousand in Measure B Highway Fund.

The VTA labor and overhead costs primarily from Congestion Management and Highway Program were $562 thousand lower in FY 2014. Capital expenditures on behalf of other agencies were $36.1 million in FY 2014, a $1.9 million increment caused by more project activities, primarily related to I-880/I-280 Improvements (Stevens Creek), US 101/Capitol Expressway/Yerba Buena Interchange, and Silicon Valley Express Lanes.





Capital Assets and Debt Administration

Capital assets - VTA's investment in capital assets is entirely in its business-type activity since VTA has no capital assets invested in the governmental activities. As of June 30, 2014, investment in capital assets net of accumulated depreciation amounts to $3.6 billion. This investment in capital assets includes Land and Right-of-Way, Buildings, Improvements, Equipment & Furniture, Vehicles, the Caltrain-Gilroy Extension, Light Rail Tracks/Electrification, Leasehold Improvements, and Other Operating Equipment. During FY 2014, VTA expended $394.2 million on the acquisition and construction of capital assets.

Capital Assets
(Net of Accumulated Depreciation)
(In thousands)

	2014	**2013**
Land and Right-of-way	$ 1,126,373	$ 1,122,368
Construction in Progress	1,728,066	1,347,410
Buildings & Improvements Equipment & Fixtures	257,841	270,026
Vehicles	273,708	293,344
Caltrain-Gilroy Extension	30,390	31,700
Light Rail Tracks/Electrification	171,373	186,347
Other Operating Equipment	10,689	12,053
Leasehold Improvements	6,773	7,215
Total	**$ 3,605,213**	**$ 3,270,463**

Additional information on VTA's capital assets can be found in Note 6 – Capital Assets.

Long-term debt - At year-end, VTA had $1.2 billion bonds outstanding. For FY 2014, the total debt payment made was approximately $35 million while the total amortization of the bond premium was $5.8 million. VTA did not issue any debt in FY 2014.

Outstanding Debt
Proprietary Funds
(In thousands)

	2014	2013*
Sr. Lien Sales Tax Revenue Bonds (1976 Tax)	$ 210,535	$ 221,893
Sr. Lien Sales Tax Revenue Bonds (2000 Tax)	983,255	1,012,706
Total	$ 1,193,790	$ 1,234,599

*Restated for comparative purposes. Deferred amount in bond refunding is now shown as deferred outflow/inflow in accordance with GASB 65.

More information on these transactions is included in Note 7g – Long-Term Debt and Liabilities.

For Senior Lien Sales Tax Revenue Bonds secured by 1976 Measure A sales tax revenues VTA maintains uninsured ratings of "AAA" from Standard & Poor's (S&P), "AA" rating from Fitch, and a "Aa2" rating from Moody's.

For Sales Tax Revenue Bonds secured by 2000 Measure A sales tax revenues VTA maintains uninsured ratings of "Aa2" from Moody's and "AA+" from S&P.

Each of the two liens listed above has a separate series of 2007 bonds and each series has a bond insurance policy issued by Ambac Assurance Corporation insuring the timely payment of debt service. Since the credit ratings for Ambac Assurance Corporation are currently lower than the ratings for the VTA's bond liens, 2007 bonds bear the ratings of the respective sales tax bond liens as listed above.

Additional information on VTA's long-term debt can be found in Note 7 – Long-Term Liabilities.

Requests for Information

Please address all questions or requests for additional information to the Fiscal Resources Division, Attention: Chief Financial Officer, Santa Clara Valley Transportation Authority, 3331 North First Street Building C, Second Floor, San Jose, CA 95134-1927

BASIC FINANCIAL STATEMENTS

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Net Position
June 30, 2014
(In thousands)

	Business-Type Activities	Governmental Activities	Total
ASSETS			
Cash and investments	$ 314,196	$ -	$ 314,196
Receivables, net	2,676	-	2,676
Internal balances	292	(292)	-
Due from other agencies	85,524	-	85,524
Inventories	20,195	-	20,195
Other current assets	1,094	-	1,094
Net OPEB asset	20,650	-	20,650
Restricted assets:			
Cash and investments	918,791	9,909	928,700
Receivables, net	333	-	333
Due from other agencies	232,009	9,524	241,533
Other current assets	279	-	279
Long-term assets:			
Intangible Assets	4,847	-	4,847
Capital assets - nondepreciable	2,854,439	-	2,854,439
Capital assets - depreciable, net of accumulated depreciation	750,774	-	750,774
Total assets	5,206,099	19,141	5,225,240
DEFERRED OUTFLOW OF RESOURCES			
Accumulated decrease in fair value of hedging derivative and deferred amount on refunding	87,918	-	87,918
LIABILITIES			
Accounts payable and accrued expenses	19,695	-	19,695
Deposits	951	-	951
Accrued payroll and related liabilities	7,557	-	7,557
Bond interest and other fee payable	590	-	590
Unearned revenues	1,971	-	1,971
Other accrued expenses	102	-	102
Liabilities payable from restricted assets:			
Accounts payable and accrued expenses	81,639	4,898	86,537
Bond interest and other fee payable	12,123	-	12,123
Unearned revenues	39	-	39
Due to other agencies	104,521	12,223	116,744
Long-term liabilities:			
Derivative instruments	76,104	-	76,104
Due within one year	47,508	-	47,508
Due in more than one year	1,203,709	-	1,203,709
Total liabilities	1,556,509	17,121	1,573,630
DEFERRED INFLOW OF RESOURCES			
Deferred amount on refunding	8,051	-	8,051
NET POSITION			
Net investment in capital assets	2,613,290	-	2,613,290
Restricted:			
SWAP/lease collateral	76,349	-	76,349
Debt Service	51,724	-	51,724
Retention	4,724	-	4,724
2000 Measure A projects	538,095	-	538,095
1996 Measure B projects	1,646	-	1,646
BART Operating	87,070	-	87,070
Congestion management program	-	2,020	2,020
Unrestricted (Note 2j)	356,559	-	356,559
Total Net Position	$ 3,729,457	$ 2,020	$ 3,731,477

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Activities
For the Year ended June 30, 2014
(In thousands)

	Business-Type Activities	Governmental Activities	Total
Expenses:			
Operations, support services, and CMP program	$ 392,042	$ 7,544	$ 399,586
Caltrain subsidy & capital expenses on behalf of, and contribution to other agencies	101,243	-	101,243
Altamont Commuter Express subsidy	3,019	-	3,019
Interest expense	27,088	-	27,088
Other non-operating expenses	11,096	-	11,096
Claims and change in future claim estimates	17,947	-	17,947
Contribution to agencies	-	68	68
Capital outlay on behalf of other agencies	-	36,184	36,184
Total expenses	552,435	43,796	596,231
Program revenues:			
Charges for services	42,420	2,519	44,939
Operating grants	148,669	2,424	151,093
Capital grants	193,899	38,989	232,888
Total program revenues	384,988	43,932	428,920
Net program revenues (expenses)	(167,447)	136	(167,311)
General revenues:			
Sales tax revenue	417,486	-	417,486
Investment income	9,861	23	9,884
Federal subsidy for Build America Bonds	8,755	-	8,755
Other income	7,325	279	7,604
Total general revenues	443,427	302	443,729
Change in Net Position	275,980	438	276,418
Net Position, beginning of year	3,453,477	1,582	3,455,059
Net Position, end of year	$ 3,729,457	$ 2,020	$ 3,731,477

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fund Net Position
Proprietary Funds
June 30, 2014
(In thousands)

	Enterprise Funds							
	VTA Transit	Measure B Transit	Express Lanes	Measure A Transit	BART Operating	Joint Development	Total	Internal Service Fund
ASSETS								
Current assets:								
Cash and cash equivalents	$ 15,664	$ -	$ 58	$ -	$ -	$ 19	$ 15,741	$ 9,644
Investments	234,275	-	1,680	-	-	12,761	248,716	40,095
Receivables, net	2,640	-	29	-	-	7	2,676	-
Due from other funds	292	-	-	-	-	-	292	-
Due from other agencies	85,524	-	-	-	-	-	85,524	-
Inventories	20,195	-	-	-	-	-	20,195	-
Other current assets	1,094	-	-	-	-	-	1,094	-
Restricted assets:								
Cash and cash equivalents	-	4,033	-	4,817	5,413	-	14,263	-
Cash and cash equivalents with fiscal agent	1,560	-	-	250,417	-	-	251,977	-
Investments	61,900	-	-	517,363	73,288	-	652,551	-
Receivables, net	-	-	-	333	-	-	333	-
Due from other agencies	-	-	-	223,622	8,387	-	232,009	-
Other current assets	-	-	-	279	-	-	279	-
TOTAL CURRENT ASSETS	423,144	4,033	1,767	996,831	87,088	12,787	1,525,650	49,739
Noncurrent assets:								
Net OPEB Asset	20,650	-	-	-	-	-	20,650	-
Intangible Assets	-	-	-	4,847	-	-	4,847	-
Capital assets - Non-depreciable:								
Land and right of way	1,126,373	-	-	-	-	-	1,126,373	-
Construction in progress	93,807	763	-	1,633,272	-	224	1,728,066	-
Capital assets - Depreciable:								
Caltrain - Gilroy extension	43,072	-	-	-	-	-	43,072	-
Buildings, improvements, furniture, and fixtures	516,184	-	-	-	-	-	516,184	-
Vehicles	488,229	-	-	-	-	-	488,229	-
Light-rail tracks and electrification	415,905	-	-	-	-	-	415,905	-
Leasehold Improvements	9,686	-	-	-	-	-	9,686	-
Others	46,062	-	-	-	-	-	46,062	-
Less accumulated depreciation	(768,364)	-	-	-	-	-	(768,364)	-
Net capital assets	1,970,954	763	-	1,633,272	-	224	3,605,213	-
TOTAL NONCURRENT ASSETS	1,991,604	763	-	1,638,119	-	224	3,630,710	-
TOTAL ASSETS	2,414,748	4,796	1,767	2,634,950	87,088	13,011	5,156,360	49,739
DEFERRED OUTFLOW OF RESOURCES								
Accumulated decrease in fair value of hedging derivative	15,818	-	-	60,286	-	-	76,104	-
Deferred Amount on Refunding	11,814	-	-	-	-	-	11,814	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	27,632	-	-	60,286	-	-	87,918	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	2,442,380	4,796	1,767	2,695,236	87,088	13,011	5,244,278	49,739

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fund Net Position (*continued*)
Proprietary Funds
June 30, 2014
(In thousands)

	Enterprise Funds							
	VTA Transit	Measure B Transit	Express Lanes	Measure A Transit	BART Operating	Joint Development	Total	Internal Service Fund
LIABILITIES								
Current liabilities:								
Current portion of long-term debt	10,705	-	-	-	-	-	10,705	-
Accounts payable and accrued expenses	19,224	-	77	-	-	24	19,325	370
Deposits	386	-	-	-	-	565	951	-
Accrued payroll and related liabilities	7,557	-	-	-	-	-	7,557	-
Bond interest and other fee payable	590	-	-	-	-	-	590	-
Unearned revenues	1,931	-	-	-	-	40	1,971	-
Other accrued expenses	102	-	-	-	-	-	102	-
Claims liability	-	-	-	-	-	-	-	3,372
Compensated absences	-	-	-	-	-	-	-	7,656
Liabilities payable from restricted assets:								
Current portion of long-term debt	-	-	-	25,775	-	-	25,775	-
Accounts payable and accrued expenses	-	-	-	81,621	18	-	81,639	-
Bond interest and other fee payable	-	-	-	12,123	-	-	12,123	-
Unearned revenues	-	-	-	39	-	-	39	-
Due to other agencies	43,037	2,387	-	59,097	-	-	104,521	-
TOTAL CURRENT LIABILITIES	83,532	2,387	77	178,655	18	629	265,298	11,398
Non-current liabilities:								
Long-term debt, excluding current portion	199,831	-	-	957,480	-	-	1,157,311	-
Derivative instruments	15,818	-	-	60,286	-	-	76,104	-
Claims liability	-	-	-	-	-	-	-	26,595
Compensated absences	-	-	-	-	-	-	-	19,803
TOTAL NON-CURRENT LIABILITIES	215,649	-	-	1,017,766	-	-	1,233,415	46,398
TOTAL LIABILITIES	299,181	2,387	77	1,196,421	18	629	1,498,713	57,796
DEFERRED INFLOW OF RESOURCES								
Deferred Amount on Refunding	-	-	-	8,051	-	-	8,051	-
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	299,181	2,387	77	1,204,472	18	629	1,506,764	57,796
NET POSITION								
Net Investment in Capital Assets	1,772,232	763	-	840,295	-	-	2,613,290	-
Restricted:								
BART Operating	-	-	-	-	87,070	-	87,070	-
SWAP/lease collateral	18,863	-	-	57,486	-	-	76,349	-
Debt service	1,560	-	-	50,164	-	-	51,724	-
Retention	-	-	-	4,724	-	-	4,724	-
2000 Measure A projects	-	-	-	538,095	-	-	538,095	-
1996 Measure B projects	-	1,646	-	-	-	-	1,646	-
Unrestricted (Note 2j)	350,544	-	1,690	-	-	12,382	364,616	(8,057)
TOTAL NET POSITION	$ 2,143,199	$ 2,409	$ 1,690	$ 1,490,764	$ 87,070	$ 12,382	$ 3,737,514	$ (8,057)

Reconciliation of the Statement of Fund Net Position to the Statement of Net Position:

Net Position of Enterprise Funds	$ 3,737,514
Net Position of Internal Service Funds, which benefits Business-type Activities	(8,057)
Net Position (Page 2-22)	$ 3,729,457

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year ended June 30, 2014
(In thousands)

	Enterprise Funds							
	VTA Transit	Measure B Transit	Express Lanes	Measure A Transit	BART Operating	Joint Development	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:								
Passenger fares	$ 38,372	$ -	$ -	$ -	$ -	$ -	$ 38,372	$ -
Toll revenues collected	-	-	1,222	-	-	-	1,222	-
Advertising and other	2,826	-	-	-	-	-	2,826	-
Charges for services	-	-	-	-	-	-	-	21,882
Total Operating Revenues	41,198	-	1,222	-	-	-	42,420	21,882
OPERATING EXPENSES:								
Labor cost	280,690	-	-	-	-	-	280,690	-
Materials and supplies	32,806	-	-	-	-	-	32,806	-
Services	27,637	-	733	-	59	59	28,488	-
Utilities	7,582	-	3	-	-	-	7,585	-
Casualty and liability	13,813	-	-	-	-	-	13,813	-
Purchased transportation	18,493	-	-	-	-	-	18,493	-
Leases and rentals	1,334	-	-	-	-	-	1,334	-
Miscellaneous	1,616	-	-	-	-	-	1,616	4,518
Depreciation expense	59,445	-	-	-	-	-	59,445	-
Costs allocated to capital and other programs	(34,864)	-	-	-	-	-	(34,864)	-
Claims and change in future claims estimates	-	-	-	-	-	-	-	17,947
Total Operating Expense	408,552	-	736	-	59	59	409,406	22,465
Operating Income/(Loss)	(367,354)	-	486	-	(59)	(59)	(366,986)	(583)
NON-OPERATING REVENUES (EXPENSES):								
Sales tax revenue	186,431	-	-	186,302	44,753	-	417,486	-
Measure A operating assistance	34,386	-	-	(34,386)	-	-	-	-
Federal operating assistance and other grants	42,230	-	-	-	-	-	42,230	-
Federal subsidy for Build America Bonds	-	-	-	8,755		-	8,755	-
State and local operating assistance grants	106,439	-	-	-	-	-	106,439	-
Caltrain subsidy	(7,291)	-	-	-	-	-	(7,291)	-
Capital expense on behalf of, and contribution to other agencies	(5,391)	-	-	(88,561)	-	-	(93,952)	-
Altamont Commuter Express subsidy	(3,019)	-	-	-	-	-	(3,019)	-
Investment earnings	2,985	-	19	5,663	732	156	9,555	306
Interest expense	(9,766)	-	-	(17,322)	-	-	(27,088)	-
Measure A repayment obligations	10,290	-	-	(10,290)	-	-	-	-
Other income	6,135	-	-	365	-	335	6,835	490
Other expense	(392)	-	-	(10,704)	-	-	(11,096)	-
Total Non-operating Revenues (Expenses)	363,037	-	19	39,822	45,485	491	448,854	796
Income (loss) before capital contributions and transfers	(4,317)	-	505	39,822	45,426	432	81,868	213
Capital grants and contributions	18,249	4	-	175,646	-	-	193,899	-
Change in net position	13,932	4	505	215,468	45,426	432	275,767	213
Net Position, beginning of year	2,129,267	2,405	1,185	1,275,296	41,644	11,950	3,461,747	(8,270)
Net Position, end of year	$ 2,143,199	$ 2,409	$ 1,690	$ 1,490,764	$ 87,070	$ 12,382	$ 3,737,514	$ (8,057)

Reconciliation of the Statement of Revenues, Expenses & Changes in Fund Net Position to the Statement of Activities:

Change in net position of the Enterprise Funds	$ 275,767
Change in net position of the Internal Service Fund, which benefits Business-type Activities	213
Change in net position of Business-type Activities (Page 2-23)	$ 275,980

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2014

(In thousands)

	VTA Transit	Measure B Transit	Express Lanes	Measure A Transit	BART Operating	Joint Development	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from passenger fares	$ 38,415	$ -	$ -	$ -	$ -	$ -	$ 38,415	$ -
Cash received from Tolls	-	-	1,224	-	-	-	1,224	-
Cash received from advertising	2,847	-	-	-	-	-	2,847	-
Cash paid to employees	(244,859)	-	(733)	-	-	-	(245,592)	-
Cash paid to suppliers	(81,599)	-	(3)	-	(59)	(59)	(81,720)	-
Cash paid for purchased transportation	(18,493)	-	-	-	-	-	(18,493)	-
Cash received from contributions	-	-	-	-	-	-	-	21,882
Payments made to beneficiaries	-	-	-	-	-	-	-	(11,707)
Payments made to third party contractors	-	-	-	-	-	-	-	(3,029)
Other non-operating receipts/(payments)	1,809	-	39	97	13	325	2,283	552
Net cash provided by/(used in) operating activities	(301,880)	-	527	97	(46)	266	(301,036)	7,698
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Operating grants received	153,889	-	-	-	44,122	-	198,011	-
Sales tax received	184,672	-	-	184,597	-	-	369,269	-
Measure A operating assistance	34,386	-	-	(34,386)	-	-	-	-
Measure A repayment obligations	10,290	-	-	(10,290)	-	-	-	-
Caltrain subsidy	(7,291)	-	-	-	-	-	(7,291)	-
Altamont Commuter Express subsidy	(3,019)	-	-	-	-	-	(3,019)	-
Capital contributions to other agencies	(5,391)	-	-	(88,929)	-	-	(94,320)	-
Net cash provided by/(used in) non-capital financing activities	367,536	-	-	50,992	44,122	-	462,650	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Payment of long-term debt	(10,435)	-	-	(24,595)	-	-	(35,030)	-
Issuance and other cost	93	-	-	-	-	-	93	-
Advance (to)/from other governments	280	(23)	-	19,140	-	-	19,397	-
Interest and other fees paid on long-term debt	(8,592)	-	-	(22,674)	-	-	(31,266)	-
Acquisition and construction of capital assets	(23,691)	(11)	-	(318,912)	-	(159)	(342,773)	-
Capital contribution from other governments	17,136	4	-	53,159	-	-	70,299	-
Net cash provided by/(used in) capital and related financing activities	(25,209)	(30)	-	(293,882)	-	(159)	(319,280)	-
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sale of investments	762,287	-	3,789	1,121,324	140,960	30,755	2,059,115	108,371
Purchase of investments	(791,649)	-	(4,676)	(1,119,470)	(183,671)	(31,600)	(2,131,066)	(107,315)
Interest income received	2,336	-	9	3,247	312	81	5,985	160
Net cash provided by/(used in) investment activities	(27,026)	-	(878)	5,101	(42,399)	(764)	(65,966)	1,216
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,421	(30)	(351)	(237,692)	1,677	(657)	(223,632)	8,914
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,803	4,063	409	492,927	3,736	676	505,614	730
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 17,224	$ 4,033	$ 58	$ 255,235	$ 5,413	$ 19	$ 281,982	$ 9,644

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Cash Flows *(Continued)*

Proprietary Funds

For the Year Ended June 30, 2014

(In thousands)

	VTA Transit	Measure B Transit	Express Lanes	Measure A Transit	BART Operating	Joint Development	Total Enterprise Funds	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:								
Operating income/(loss)	$ (367,354)	$ -	$ 486	$ -	$ (59)	$ (59)	$ (366,986)	$ (584)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:								
Depreciation	59,444	-	-	-	-	-	59,444	-
Changes in operating assets and liabilities:								
Other current assets	(30)	-	-	-	-	-	(30)	-
Receivables	44	-	-	-	-	-	44	-
Due from other agencies	-	-	2	-	-	-	2	-
Inventories	(986)	-	-	-	-	-	(986)	-
Accounts payable	4,652	-	-	-	-	-	4,652	-
Other accrued liabilities	934	-	-	-	-	-	934	7,730
Deposits from others	(413)	-	-	-	-	-	(413)	-
Unearned revenue	20	-	-	-	-	-	20	-
Other non operating receipts/(payments)	1,809	-	39	97	13	325	2,283	552
Net cash provided by/(used in) operating activities	$ (301,880)	$ -	$ 527	$ 97	$ (46)	$ 266	$ (301,036)	$ 7,698
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:								
Unrestricted:								
Cash and cash equivalents	$ 15,664	$ -	$ 58	$ -	$ -	$ 19	$ 15,741	$ 9,644
Restricted:								
Cash and cash equivalents	-	4,033	-	4,818	5,413	-	14,264	-
Cash and cash equivalents with fiscal agent	1,560	-	-	250,417	-	-	251,977	-
	$ 17,224	$ 4,033	$ 58	$ 255,235	$ 5,413	$ 19	$ 281,982	$ 9,644
NONCASH ACTIVITIES:								
Increase/(Decrease) in fair value of investments	$ 1,772	$ -	$ 10	$ 2,416	$ 420	$ 75	$ 4,693	$ 146
Noncash capital contributions	(1,114)	-	-	(122,487)	-	-	(123,601)	-
Amortization expense of Caltrain Access Fee	-	-	-	(882)	-	-	(882)	-
Total non-cash activities	$ 658	$ -	$ 10	$ (120,953)	$ 420	$ 75	$ (119,790)	$ 146

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Balance Sheet

Governmental Funds

June 30, 2014

(In thousands)

	Special Revenue Fund	Capital Projects Funds		
	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total Governmental Funds
ASSETS				
Restricted assets:				
Cash and cash equivalents	$ 100	$ 4,959	$ 3,264	$ 8,323
Investments	1,586	-	-	1,586
Due from other agencies	770	8,754	-	9,524
TOTAL ASSETS	$ 2,456	$ 13,713	$ 3,264	$ 19,433
LIABILITIES				
Liabilities payable from restricted assets:				
Accounts payable	$ 72	$ 4,807	$ 19	$ 4,898
Due to other funds	-	281	11	292
Due to other agencies	364	8,625	3,234	12,223
TOTAL LIABILITIES	436	13,713	3,264	17,413
FUND BALANCES				
Restricted for congestion management program	2,020	-	-	2,020
TOTAL LIABILITIES AND FUND BALANCES	$ 2,456	$ 13,713	$ 3,264	$ 19,433

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year ended June 30, 2014

(In thousands)

	Special Revenue Fund	Capital Projects Funds		
	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total Governmental Funds
REVENUES:				
Assessment to member agencies	$ 2,407	$ -	$ -	$ 2,407
Federal grant revenues	1,728	-	-	1,728
Administrative fees	112	-	-	112
State and local operating assistance grants	696	-	-	696
Federal capital grant revenues	-	4,282	-	4,282
State and local capital grant revenues	-	34,458	249	34,707
Other revenues	279	-	-	279
Investment earnings	23	-	-	23
TOTAL REVENUES	5,245	38,740	249	44,234
EXPENDITURES:				
VTA labor and overhead costs	4,355	2,805	-	7,160
Professional services	359	-	-	359
Material and services	25	-	-	25
Contribution to agencies	68	-	-	68
Capital expenditures on behalf of other agencies	-	35,935	249	36,184
TOTAL EXPENDITURES	4,807	38,740	249	43,796
NET CHANGE IN FUND BALANCES	438	-	-	438
FUND BALANCES, BEGINNING OF YEAR	1,582	-	-	1,582
FUND BALANCES, END OF YEAR	$ 2,020	$ -	$ -	$ 2,020

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

(In thousands)

	ATU Pension, ATU Medical & OPEB Trust Funds	Agency Funds
ASSETS		
Restricted assets:		
Cash and Cash Equivalents	$ 286	$ 2,157
Corporate Bond	124,105	-
U.S. Government Securities	36,397	-
U.S. Agency notes	91,215	-
Equity Based	113,599	-
Mutual Funds	387,349	-
Money Market Funds	8,394	-
Investment Pool	342	23,640
Receivables	2,161	-
Deposit with others	10	-
TOTAL ASSETS	$ 763,858	$ 25,797
LIABILITIES		
Liabilities payable from restricted assets:		
Accounts payable	$ 872	$ 41
Program payable	-	25,756
TOTAL LIABILITIES	872	$ 25,797
NET POSITION		
Held in trust for:		
ATU Pension benefits	481,225	
Retiree medical benefits	260,309	
ATU Retiree spousal medical benefits	12,737	
ATU Retiree dental and vision benefits	8,715	
TOTAL NET POSITION	$ 762,986	

SANTA CLARA VALLEY TRANSPORTATION AGENCY

Statement of Changes in Fiduciary Net Position

For the Year ended June 30, 2014

(In thousands)

	ATU Pension, ATU Medical & OPEB Trust Funds
ADDITIONS	
Employer contributions	$ 41,636
Investment earnings:	
Investment income	40,241
Net appreciation in the fair value of investments	68,403
Investment expense	(2,502)
Net investment income	106,142
TOTAL ADDITIONS	147,778
DEDUCTIONS	
Benefit payments	42,793
Administrative expenses	341
TOTAL DEDUCTIONS	43,134
CHANGE IN NET POSITION	104,644
Net Position, Beginning of year	658,342
Net Position, End of year	$ 762,986

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 – THE FINANCIAL REPORTING ENTITY

Santa Clara Valley Transportation Authority (VTA), which was established in 1972, develops, maintains, and operates a public mass transit system for the benefit of the residents of the County of Santa Clara (County), California (State). VTA's governing board consists of two members of the County Board of Supervisors, five City Council members from the City of San Jose, and five City Council members selected from among the remaining incorporated cities in the County.

The accompanying basic financial statements also include the financial activities of the Santa Clara Valley Transportation Authority Amalgamated Transit Union (ATU) Pension Plan and the Other Post Employment Benefit Plan (the Plans) in the Trust Funds. The financial activities of the Plans are included in the basic financial statements because they exclusively serve the employees of VTA. Due to the fact that the Plans are fiscally dependent on VTA, they are considered trust funds by VTA.

The Santa Clara Valley Transportation Authority Congestion Management Program (CMP) was created in 1990 in response to Proposition 111. The CMP is not legally separate from VTA. The CMP is responsible for the development and implementation of the Valley Transportation Plan (VTP), the long-range transportation and land use plan for the County, and for preparing and implementing the state-mandated CMP. It is also responsible for the programming and oversight of discretionary federal, state, and local funds, and for serving as the program manager for certain countywide grant funds, including the Transportation Fund for Clean Air (TFCA) and 1996 Measure B Transportation Improvement Program's (MBTIP) Ancillary Program. Annual contributions from 17 member agencies are based on a formula adopted by the VTA Board of Directors. The contribution formula considers each member agency's share of Proposition 111, state gas tax monies, as well as employment within the County. The CMP is included as a major governmental fund in the accompanying basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and Statement of Activities display information about VTA as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *business-type* and *governmental activities* of VTA. Business-type activities, which normally rely to a significant extent on fees charged to external parties, are reported separately from governmental activities, which normally are supported by taxes and inter-governmental revenues.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type and governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include: 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements - The fund financial statements provide information about VTA's funds, including fiduciary funds. Separate statements for each fund category – *proprietary, governmental,* and *fiduciary* – are presented. The emphasis of fund financial statements is on the major governmental and the enterprise funds, each displayed in separate columns.

The *Proprietary Funds* are used to account for activities for which a fee is charged to external or internal users for good or services. VTA reports the following *Enterprise Funds:*

- The *VTA Transit Fund* is used accounts for the transit operations of VTA. The primary sources of funding for transit operations are the TDA one-half cent sales tax, farebox collections, and federal/state grants.
- The *Measure B Transit Fund* is used to account for the 1996 Measure B Transit Improvement Program.
- The *Measure A Transit Fund* is used to account for the 2000 Measure A Transit Improvement Program funded through one-half cent sales tax as approved in an election by voters of County of Santa Clara requiring that sales tax revenues be expended on projects included in the scope of 2000 Measure A.
- The *BART Operating Fund* is used to account for the one-quarter of half-cent sales tax approved in an election by voters of County of Santa Clara requiring that sales tax revenues be expended on operations, maintenance, improvement and future capital needs of the 16.1 mile VTA's BART Silicon Valley Extension.
- The *Express Lanes Fund* is used to account for operations of the 237/880 Express Lanes. The primary source of funding for the operations is toll revenues.

- The *Joint Development Fund* is used to account for activities affecting the plan and development of housing office use and retail uses around station sites and along transit corridors.

Additionally, VTA reports the following *Internal Service Funds:*

- The *Internal Service Funds* are used account for compensated absences and risk management activities of VTA, which are managed through a combination of purchased insurance and self-insurance.

The *Governmental Funds* are used to account for VTA's general governmental activities where the proceeds of specific revenue sources are legally restricted to expenditures for specific purposes and for the acquisition of capital assets or construction of major capital projects (other than those financed by the Enterprise Funds).

- The *Congestion Management Program Special Revenue Fund* is used to account for the congestion management planning, programming, and development services for Santa Clara County. Major sources of revenue for this fund are member agency assessments, and federal and state grants.
- The *Congestion Management and Highway Program Capital Projects Fund* is used to account for the acquisition of capital assets and construction of highway projects administered on behalf of State and other local governments (other than those accounted for in the Measure B Highway Program Capital Projects Fund).
- The *Measure B Highway Program Capital Projects Fund* is used to account for acquisition of capital assets or construction of Measure B Highway projects.

The *Fiduciary Funds* are used to account for assets held by VTA as a trustee or as an agent for others and which assets cannot be used to support its own programs. This includes VTA's trust and agency funds as follows:

- VTA *Trust Funds* include retiree funds namely VTA/ATU Pension Plan, Other Post-Employment Benefits Trust (OPEB), and ATU Spousal Medical and Retiree Dental/Vision Plan.
- VTA *Agency Funds* include:
    - *Bay Area Air Quality Management District* (BAAQMD) which accounts for the activities that relate to the Transportation Fund for Clean Air (TFCA) program.

- *Senate Bill (SB) 83 Vehicle Registration Fund* (VRF) was established to administer the vehicle registration fee collected under SB 83 and approved by voters in 2010.
- *Measure B Ancillary Program* was established to administer the 1996 Measure B funds.

(b) Basis of Accounting

The government-wide, business-type funds, and fiduciary funds including agency funds financial statements are reported using the accrual basis of accounting and the economic resources exchange measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which VTA gives (or receives) value without directly receiving (or giving) equal value in exchange, include sales tax and grants. Revenues from sales tax are recognized when the underlying transactions take place. Therefore, recorded sales taxes include an accrual for amounts collected by the State Board of Equalization but not remitted to VTA at the end of the fiscal year. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements for the purchase of right-of-way are considered met once the acquisition has settled. Fiduciary funds, including all agency funds, are also reported using accrual basis of accounting and the economic resources exchange measurement focus.

VTA's operating revenues are generated directly from its transit operations and consist principally of passenger fares. Operating expenses for the transit operations include all costs related to providing transit services. These costs include labor, fringe benefits, materials, supplies, services, utilities, leases and rentals, purchased transportation, and depreciation on capital assets. All other revenue and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Interest earnings, certain state and federal grants, and charges for services are accrued if their receipts occur within 180 days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

(c) Cash and Investments

VTA contracts with money management firms to manage most of its investment portfolio. VTA's investment program manager has oversight responsibility for investments managed by these firms. The securities are held by a third-party custodial bank. Purchases and sales of securities are reflected on the trade date. Investment income is recognized as earned.

The remaining cash balances in certain VTA funds are invested in the Local Agency Investment Fund (LAIF). Unless there are specific legal or contractual requirements for specific allocations, income earned or losses arising from investments are allocated on a monthly basis to the appropriate fund(s) based on their average daily balances. The balance available for withdrawal is based on the accounting records maintained by LAIF using an amortized cost basis. The fair value of VTA's investment in the pool is reported in the accompanying financial statements at amounts based on VTA's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments, which are readily convertible to known amounts of cash. Restricted and unrestricted cash, and cash equivalents and cash and investments with fiscal agents are considered to be cash and cash equivalents for purposes of the accompanying statement of cash flows. Access to cash and investments with fiscal agents is similar to that of a demand deposit account and, therefore, investments are considered to be cash equivalents.

VTA has reported its investments at fair value based on quoted market information, from its fiscal agent for actively managed accounts and from management firms for commingled accounts.

The fair value of VTA's investments commingled in LAIF state pool is based on VTA's cash positions in the commingled accounts as of the end of the fiscal year.

(d) Inventories

Inventories are stated at cost using the weighted average method, and are charged to expense at the time individual items are withdrawn from inventory (consumption method). Inventory consists primarily of parts and supplies relating to the maintenance of transportation vehicles and facilities.

(e) Restricted Assets

Restricted assets consist of monies and other resources, the use of which are legally restricted for capital and operating, as well as debt service and funds swap/lease collateral.

(f) Bond Discounts, Premiums, and Bond Refunding Gain/Loss

Bond refunding gain/loss for the government-wide statement of net position and the enterprise funds are reported as deferred inflow/outflow of resources and amortized on a straight line basis over a period equal to the term of the related bond. The discounts and premiums are amortized using the effective interest rate method. Government-wide and enterprise fund bond discounts and premiums are presented as a reduction and addition, respectively, of the face amount of bonds payable.

(g) Capital Assets

It is VTA's policy that assets with a value of $5,000 or more, and a useful life beyond one year are capitalized, and included in the capital asset accounting system and depreciated accordingly. Property, facilities, and equipment are stated at historical cost. Normal maintenance and repair costs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related assets.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Asset being Depreciated	Useful Life
Buildings, improvements, furniture, and fixtures	5 to 50 years
Vehicles (excluding light-rail vehicles)	5 to 12 years
Light-rail tracks, electrification, and light-rail vehicles	25 to 45 years
Leasehold improvements	10 to 35 years
Other operating equipment	5 to 10 years

Depreciation on such assets is included in the accompanying statement of activities and enterprise statement of revenues, expenses, and changes in fund net position.

Interest is capitalized on construction in progress. Accordingly, interest capitalized is the total interest cost from the date of the borrowing until the specified asset is ready for its intended use. In the current year, VTA capitalized total interest expense and other bond charges of $28.3 million relating to the Measure A Transit Improvement Projects.

(h) Vacation and Sick Leave Benefits

It is the policy of VTA to permit employees to accumulate unused vacation and sick leave benefits up to the limit designated in the various collective bargaining agreements. As vacation and sick leave are used during the year, they are reported as expenses. Additionally, there is an amount charged each month to accrue the estimated increase in unused vacation and sick leave. The balance reflecting the year-end value of unused vacation and sick leave is reported in the Internal Service Fund.

(i) Self-Insurance

VTA is self-insured for general liability and workers' compensation claims. Estimated losses on claims other than workers' compensation claims are charged to expense in the period the loss is determinable. Estimated losses for workers' compensation claims are charged to expense as a percentage of labor in each accounting period. The costs incurred for workers' compensation and general liability (including estimates for claims incurred but not yet reported) are reported in the Internal Service Fund based on an actuarial determination of the present value of estimated future cash payments (see Notes 14 and 16).

(j) Net Position

The government-wide and proprietary funds financial statements utilize a net position presentation. Net Position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment in Capital Assets* - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

  The Statement of Fund Net Position as of June 30, 2014, on pages 2-24 and 2-25 reports that enterprise fund net position invested in capital assets (net of related debt) is $2.6 billion.

- *Restricted Net Position* - This category consists of debt service collateral, SWAP/lease collateral, amounts restricted for Measure B Transit, 2000 Measure A capital programs, BART Operating, retention payable, and Congestion Management Program.

  The Statement of Fund Net Position on pages 2-24 & 2-25 reports that enterprise fund restricted net position amount to $759.6 million as of June 30, 2014, of which $538.1 million and $87.0 million are restricted by enabling legislation for the 2000 Measure A Sales Tax and BART Operating Sales Tax programs, respectively. The 2000 Measure A half-cent sales tax was approved by Santa Clara County voters to fund certain transportation-related projects. The BART Operating 1/8-cent sales tax is dedicated to the operation, maintenance, improvement, and future capital needs of the BART Silicon Valley Extension. When both restricted and unrestricted net positions are available, unrestricted resources are used only after the restricted resources are depleted.

- *Unrestricted Net Position* The remaining unrestricted net position, although not legally restricted, have been earmarked for future capital and operating needs, as well as for other purposes in accordance with Board directives. Unrestricted Net Position earmarks consist of the following:

	Proprietary Funds				
	VTA Transit Fund	Express Lanes Fund	Joint Development Fund	Total Enterprise Funds	Internal Service Fund
Local share of capital projects	$ 111,831	$ -	$ 1,776	$ 113,607	$ -
Debt reduction	101,948	-	-	101,948	-
Express Lane	-	1,690	-	1,690	-
Joint Development	-	-	10,606	10,606	-
Irrevocable transfer made to OPEB trust fund	20,650	-	-	20,650	-
Sales Tax stabilization	35,000	-	-	35,000	-
Operating reserve	59,827		-	59,827	-
Inventory and prepaid expenses	21,288	-	-	21,288	-
Workers' Compensation, General Liability & Compensated Absences	-	-	-	-	(8,057)
Total	$ 350,544	$ 1,690	$ 12,382	$364,616	$(8,057)

(k) Cost Allocated to Capital and Other Programs

On the Statement of Revenues, Expenses, and Changes in Fund Net Position, the VTA Transit Fund reports $34.9 million as costs allocated to capital and other programs. This amount represents a credit for direct and indirect labor and associated fringe benefits, reproduction and mileage costs, and other costs that were capitalized as construction in progress.

(l) Estimates

VTA's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenues, expenses, and the disclosure of contingent liabilities to prepare the basic financial statements in conformity with GAAP. Actual results could differ from those estimates.

(m) Fund Balance - Governmental Funds

The Congestion Management Program Fund balance is classified as restricted. These are amounts that can be spent only for specific purposes because of enabling legislation or constraints that are externally imposed by creditors, grantors, contributions, or the laws or regulations of other governments.

(n) Spending Order Policy

When expenses are incurred for purposes for which both restricted and unrestricted fund balances are available, VTA considers restricted funds to have been spent first.

(o) Intangible Assets

These refer to the $10 million payment made to Union Pacific Rail Road in January 2005 for Caltrain right-of-way access right. This asset is amortized for 15 years.

NOTE 3 - CASH AND INVESTMENTS

Total cash and investments as of June 30, 2014, are reported in the accompanying basic financial statements as follows (in thousands):

	Enterprise Funds	Internal Service Funds	Governmental Funds	Retiree Trust Funds	Agency Funds	Total
Unrestricted:						
Cash and Cash Equivalents	$ 15,741	$ 9,644	$ -	$ -	$ -	$ 25,385
Investment	248,716	40,095	-	-	-	288,811
Total unrestricted	264,457	49,739	-	-	-	314,196
Restricted:						
Cash and Cash Equivalents	14,263	-	8,323	286	2,157	25,029
Cash and Cash Equivalents with Fiscal Agents	251,977	-	-	-	-	251,977
Investments	652,551	-	1,586	761,401	23,640	1,439,178
Total restricted	918,791	-	9,909	761,687	25,797	1,716,184
Total Cash and Investments	$1,183,248	$ 49,739	$ 9,909	$761,687	$ 25,797	$2,030,380

As of June 30, 2014 total cash and investments among all funds consisted of the following (in thousands):

Cash & Cash Equivalents	$ 50,414
Cash & Cash Equivalents with Fiscal Agents	251,977
Investments	1,727,989
Total	$2,030,380

Cash and Cash Equivalents

VTA maintains checking accounts for its operations (including Joint Development, Express Lanes, and Internal Service Fund), the Congestion Management and Highway Programs (CM&HP), and the Measure B Transportation Improvement Program (Measure B account).

These checking accounts earn interest based on the bank's monthly sweep average repurchase agreement rate. At June 30, 2014, the carrying amounts of these cash balances are shown below (in thousands):

Operation Account	$	41,422
CM&HP Account		4,959
Measure B Account		4,033
Total Deposits	$	50,414

Investments

Government code requires that the primary objective of the trustee is to safeguard the principal, secondarily meet the liquidity needs of the depositors, and then achieve a reasonable return on the funds under the trustee's control. Furthermore, the intent of the government code is to minimize risk of loss on held investments from:

1. Interest rate risk
2. Credit risk
3. Custodial credit risk
4. Concentration of credit risk

Specific restrictions of investment are noted below:

VTA's investment policies (VTA Investment of Unrestricted and Restricted Funds, ATU, and Retirees' Other Post-Employment Benefits Trust Fund) conform to state statutes, and provide written investment guidance regarding the types of investments that may be made and amounts, which may be invested in any one financial institution or amounts which may be invested in any one long-term instrument. VTA's permissible investments include U.S. treasury obligations, obligations of federal agencies and U.S. government sponsored enterprises, state of California obligations, local agency obligations, bonds issued by VTA except BABs, bankers' acceptances, commercial paper, repurchase and reverse repurchase agreements, medium-term corporate notes, insured savings/money market accounts, negotiable certificates of deposit, mortgage and asset-back obligations, mutual funds, State of California's local agency agreements, and qualified structured investment. Asset allocations for ATU Pension Plan, ATU Spousal Medical Plan, and Retirees' OPEB are all included investments in bonds, equity securities, and cash.

The Local Investment Advisory Board has oversight responsibility for Local Agency Investment Fund (LAIF). The Board consists of five members as designated by the state statute.

VTA's portfolio includes asset-backed securities, which are invested and managed by money managers and structured notes which are invested indirectly through LAIF. At June 30, 2014, investment in LAIF is $50 million. LAIF is voluntarily commingled within the state of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2014, was approximately $64.8 billion. If cash reserves of the state of California are exhausted, then the participation by the State's General Fund in the PMIA is zero. There is no correlation between the state's general fund cash reserves and VTA's funds on deposit in the LAIF. None of this amount was invested in derivative instruments. PMIA is not a Securities and Exchange Commission (SEC) registered pool, but it is required to invest in accordance with the guidelines established by the California Government Code. The average life of the investments in PMIA on June 30, 2014, was 232 days. The value of the pool shares in investment earnings are paid quarterly based on the average daily balance. Withdrawals from LAIF are completed on a dollar for dollar basis.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. Normally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Of VTA's (Operation Funds and Plan Trust Funds) $1.73 billion in investments, 15.6% of the investments have a maturity of less than 1 year. Only 8.3% of the remainder has a maturity of more than 10 years. Per VTA's investment policy, long-term securities of more than five years are limited to 40% of the portfolio.

Credit Risk – 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. Per its investment policy, VTA is permitted to hold investments in commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. Negotiable certificate of deposit must have long-term ratings of Aa/AA or better by two national rating agencies. Purchases of mortgage and asset-back obligations do not exceed 20% of VTA's portfolio. In addition, VTA is permitted to invest in the state's Local Agency Investment Fund, money market, and mutual funds that are non-rated. The table on page 2-46 shows the credit quality of VTA's investments as of June 30, 2014.

Custodial Credit Risk – Deposits - For deposits, custodial credit risk is the risk that in the event of a bank failure, VTA's deposits may not be returned to it. In accordance with VTA's requirements, all of its deposits are either insured by the Federal Deposit Insurance

Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions. VTA does not have a specific policy with respect to deposits' custodial credit risk. California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of VTA's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. At June 30, 2014, VTA deposits were collateralized by securities held by the financial institutions, which was not in VTA's name.

Custodial Credit Risk – Investments – The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g. broker-dealer) to a transaction, VTA may not be able to recover the value of its investments or collateral securities that are in the possession of another party. VTA's Investment Policy limits its exposure to custodial credit risk by requiring that all securities owned by VTA are kept in safekeeping with "perfected interest" in the name of VTA by a third-party bank trust department, acting as agent for VTA under the terms of a custody agreement executed between the bank and VTA. As of June 30, 2014, VTA did not participate in reverse securities lending that would result in any possible risk in this area.

Concentration of Credit Risk – Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on VTA. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement, as they are normally diversified themselves. VTA's investments in U.S. Government or Agency investments at year end are 45.1%. There is no limitation on amounts invested in these types of issues per VTA's policy. At June 30, 2014, VTA had $314.8 million representing 18.2% of VTA's portfolio invested in debt securities issued by the US Government Agencies. At June 30, 2014, VTA had $161.0 million, $122.6 million, and $20.5 million representing 9.3%, 7.1% and 1.2% of VTA's portfolio invested in debt securities issued by the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLM), and Federal Farms Credits (FHR), respectively. Of the 29.0% of the portfolio invested in equities, no investment in a single issuer exceeds 5%.

Certain investments, such as obligations that are backed by the full faith and credit of the United States Treasury are not subject to credit ratings.

The following schedule indicates the maturity of investments at June 30, 2014 (in thousands):

Investment Type	Maturity: Less than 1 Year	2-5 Years	6-10 Years	Over 10 Years	Market Value
Corporate Bonds - Commingled[1]	$ 30,030	$ 235,250	$ -	$ 510	$ 265,790
Corporate Bonds - Pension Plan	-	28,629	25,737	23,027	77,393
Corporate Bonds - OPEB Trust	128	16,628	16,415	13,541	46,712
US Government Agency Bonds					
Commingled	108,549	107,497	7,580	-	223,626
Pension Plan	-	1,917	1,390	52,987	56,294
OPEB Trust	-	285	2,966	31,670	34,921
US Treasury					
Commingled	61,949	340,547	25,016	-	427,512
Pension Plan	9,357	12,642	-	-	21,999
OPEB Trust	1,001	13,397	-	-	14,398
SUB TOTAL	**211,014**	**756,792**	**79,104**	**121,735**	**1,168,645**
Money Market Funds - Pension	5,559	-	-	-	5,559
Money Market Funds - OPEB Trust	2,835	-	-	-	2,835
Cash with Fiscal Agents - Commercial Paper/CD	169,139	-	-	-	169,139
Cash with Fiscal Agents - LAIF	80,914	-	-	-	80,914
TOTAL INVESTMENTS with Money Managers	**469,461**	**756,792**	**79,104**	**121,735**	**1,427,092**
LAIF	50,000	-	-	-	50,000
SUB TOTAL	**$ 519,461**	**$ 756,792**	**$ 79,104**	**$ 121,735**	**1,477,092**
Equity-Based Investments					500,949
Retention Fund at Escrow Agents (Deposits)					1,925
Cash Deposits [1]					50,414
TOTAL					**$ 2,030,380**

[1] $627 thousand in Retirees, ATU, ATU Spousal Medical Plan are included in these line items.

The following is a summary of the credit quality distribution for investments with credit exposure as a percentage of total investments as rated by Standard and Poor's:

	Fair Value (In Thousands)	Percentages of Portfolios
Unrated	$ 692,509	34.11%
Not Applicable	778,750	38.35%
BB+	2,933	0.14%
BBB	28,720	1.41%
BBB-	11,380	0.56%
BBB+	43,518	2.14%
A-1	94,595	4.66%
A-1+	75,294	3.71%
A	87,534	4.31%
A-	95,538	4.71%
A+	37,579	1.84%
AA	18,187	0.90%
AA-	15,730	0.78%
AA+	22,227	1.10%
AAA	25,886	1.28%
TOTAL	**$ 2,030,380**	**100.00%**

As of June 30, 2014, the Retiree Trust Funds restricted investments consisted of the following (in thousands):

ATU Pension Plan Investments	$ 480,100
ATU Spousal Medical Investments	21,433
Retirees Medical Trust	259,868
Total	$ 761,401

NOTE 4 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2014 is as follows (in thousands):

Due from other funds	Due to other funds	Amount
VTA Transit Fund	Congestion Management & Highway Program Fund	$ 281 [1]
VTA Transit Fund	Measure B Highway Program Fund	11 [1]
		$ 292

[1] represents mainly labor cost transfer

NOTE 5 – DUE FROM AND DUE TO OTHER AGENCIES

Due from other agencies as of June 30, 2014 consisted of the following (in thousands):

	Business-Type Activities	Governmental Activities		
DUE FROM OTHER AGENCIES	Enterprise Funds	Congestion Management Program	Congestion Management & Highway Program	Total
Federal Government	$ 204,755	$ 150	$ 1,818	$ 206,723
State Government	103,073	477	4,974	108,524
Cities and other local agencies	9,705	143	1,962	11,810
	$ 317,533	$ 770	$ 8,754	$ 327,057

Due from other agencies as of June 30, 2014, is reported in the accompanying general-purpose financial statements as follows (in thousands):

	Business-Type Activities	Governmental Activities		
ASSETS	Enterprise Funds	Congestion Management Program	Congestion Management & Highway Program	Total
Current Assets (Unrestricted)	$ 85,524	$ -	$ -	$ 85,524
Current Assets (Restricted)	232,009	770	8,754	241,533
	$ 317,533	$ 770	$ 8,754	$ 327,057

Due to other agencies as of June 30, 2014, consisted of the following (in thousands):

	Business-Type Activities	Governmental Activities			
DUE TO OTHER AGENCIES	Enterprise Funds	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total
State Government	$ 94,671	$ -	$ -	$ -	$ 94,671
County of Santa Clara	2,387	364	7,967	3,234	13,952
City of Milpitas	-	-	406	-	406
City of San Jose	28	-	122	-	150
City of Fremont	90	-	-	-	90
Misc. - Outreach	7,345	-	-	-	7,345
Misc.- Others	-	-	130	-	130
Total	$ 104,521	$ 364	$ 8,625	$ 3,234	$ 116,744

Due to other agencies as of June 30, 2014, is reported in the accompanying basic financial statements as follows (in thousands):

	Business-Type Activities	Governmental Activities			
LIABILITIES	Enterprise Funds	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total
Liabilities payable from restricted assets	$ 104,521	$ 364	$ 8,625	$ 3,234	$ 116,744

NOTE 6 – CAPITAL ASSETS

Capital asset changes for VTA's business-type activities for the year ended June 30, 2014 were as follows (in thousands):

	July 1, 2013	Additions	Retirements	Transfers	June 30, 2014
Capital assets, not being depreciated					
Land and right-of-way	$ 1,122,368	$ 4,005	$ -	$ -	$ 1,126,373
Construction in progress	1,347,410	389,875	-	(9,219)	1,728,066
Total capital assets, not being depreciated	2,469,778	393,880	-	(9,219)	2,854,439
Capital assets, being depreciated					
Caltrain - Gilroy extension	43,072	-	-	-	43,072
Buildings improvements, furniture and fixtures	508,345	141	(431)	8,129	516,184
Vehicles	486,460	41	-	1,728	488,229
Light-rail tracks and electrification	413,674	-	(31)	2,262	415,905
Leasehold improvement	9,686	-	-	-	9,686
Other operating equipment	45,876	186	-	-	46,062
Total capital assets, being depreciated	1,507,113	368	(462)	12,119	1,519,138
Accumulated Depreciation					
Caltrain - Gilroy extension	(11,372)	(1,310)	-	-	(12,682)
Buildings, improvements, furniture and fixtures	(238,319)	(17,523)	399	(2,900)	(258,343)
Vehicles	(193,116)	(21,405)	-	-	(214,521)
Light-rail tracks and electrification	(227,327)	(17,215)	10	-	(244,532)
Leasehold improvement	(2,471)	(442)	-	-	(2,913)
Other operating equipment	(33,823)	(1,550)	-	-	(35,373)
Total accumulated depreciation	(706,428)	(59,445)	409	(2,900)	(768,364)
Total capital assets, being depreciated, net	800,685	(59,077)	(53)	9,219	750,774
Total capital assets, net	$ 3,270,463	$ 334,803	$ (53)	$ -	$ 3,605,213

Construction in Progress (CIP) includes capitalized costs and right-of-way acquisitions associated with the following projects as of June 30, 2014 (in thousands):

Bus Program	$ 43,581
Commuter Rail Program	1,973
Information Systems Technology	22,495
Light Rail - Way, Power & Signal	38,690
Light Rail Program	116,048
Operating Facilities & Equipment	13,281
Passenger Facilities	161
Revenue Vehicles & Equipment	16,088
Silicon Valley Rapid Transit	1,471,572
Vasona Corridor Projects	3,844
Others	333
Total	$ 1,728,066

Additional information regarding projects in progress as of June 30, 2014 is as follows (in thousands):

Information Regarding Capital Projects:	Costs
Total Board approved capital budget	$ 4,851,984
Capital expenses settling to CIP	(1,728,066)
Capital expenses settling to capital assets	(379,704)
Capital expenses settling to expense	(718,476)
Remaining capital budget available	$ 2,025,738
Anticipated funding sources are as follows:	
Federal, state, and other local assistance	$ 887,211
Local contributions	1,138,527
Total funding sources	$ 2,025,738

VTA has outstanding commitments of about $958.9 million as of June 30, 2014, related to the above capital projects.

NOTE 7 - LONG-TERM DEBT & LIABILITIES

Long-term debt as of June 30, 2014, consisted of the following (in thousands):

Secured by VTA's 1976 Measure A 1/2 Cent Sales Tax:	
2007 Series A Refunding ($16,420 plus unamortized premium of $263)	$ 16,683
2008 Series A-C Refunding	150,895
2011 Series A ($39,575 plus unamortized premium of $3,383)	42,958
Sales tax revenue bonds secured by VTA'S 2000 Measure A 1/2-cent sales tax:	
2007 Series A ($109,755 plus unamortized premium of $1,720)	111,475
2008 Series A-D Measure A Refunding	235,875
2010 Series A-B Refunding ($624,055 plus unamortized premium of $11,850)	635,905
Total Long Term Debt	1,193,791
Less: Current portion of long-term debt	(36,480)
Long term debt, excluding current portion	$ 1,157,311

(a) Sales Tax Revenue Bonds, secured by 1976 ½ cent sales tax revenues

- $26.3 million of 2007 Series A Sales Tax Revenue Refunding Bonds (2007 Bonds) were issued, at a true interest cost of 3.97%, to refund and completely pay off a portion of the 1997 Series A Sales Tax Revenue Bonds, maturing in series on each June 1st from 2010 – 2021. Proceeds of the 2007 Bonds were deposited into an escrow account held by a Trustee, and were used to pay the principal and accrued interest on the refunded bonds on the redemption date of June 1, 2007; therefore, there are no refunded bonds outstanding and no funds remaining in escrow. The 2007 Bonds have a final maturity of June 1, 2021. 2007 Bonds maturing on or before June 1, 2017 are not subject to redemption prior to their respective stated maturities. The 2007 Bonds maturing on or after June 1, 2018 are subject to redemption prior to their stated maturities any time on or after June 1, 2017.

- $168.6 million of 2008 Series A-C Sales Tax Revenue Refunding Bonds (2008 VTA Bonds) were issued to implement a current refunding and completely pay off the 2005 Sales Tax Revenue Refunding Bonds, originally issued to finance the retirement of a portion of 2001 Bonds. There is no escrow fund nor are there 2005 Sales Tax Revenue Refunding Bonds outstanding. The 2008 VTA Bonds were issued as variable rate demand bonds and bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the 2008 VTA Bonds at par value. The maturities of the 2008 VTA Bonds extend to June 1, 2026 and are subject to optional and mandatory redemption and optional and mandatory tender for purchase before maturity.

- Concurrent with the issuance and sale of the 2008 VTA Bonds, VTA transferred interest rate swap agreements (originally entered into concurrent with the issuance of the retired 2005 Sales Tax Revenue Refunding Bonds). Pursuant to the terms of the swap agreements, VTA pays interest at a fixed rate of 3.145% to the counterparties to the swaps. In return, the counterparties pay VTA interest based on a formula (lower of 1 Month LIBOR[1] or a rate equal to the greater of 63.5% of 1 Month LIBOR, or 55.5% of 1 Month LIBOR plus 0.44%). The outstanding principal on the 2008 VTA Bonds is used as the basis on which the interest payments are calculated. Under certain circumstances, the agreements are subject to termination before maturity of the 2008 VTA Bonds.

- $47.5 million of 2011 Series A Sales Tax Revenue Refunding Bonds (2011 Bonds) were issued, at a true interest cost of 2.73%, to refund the 1998 Series A Sales Tax Revenue Bonds and the 2000 Series A Sales Tax Revenue Bonds (collectively, the

[1] London Inter Bank Offering Rate (LIBOR) is a daily reference rate based on the interest rate at which banks offer to lend unsecured funds to other banks in the London wholesale (interbank) money market.

"Refunded Bonds"), maturing in series on each June 1st from 2012 – 2028. The Refunded Bonds were variable rate bonds, which were issued through the California Transit Finance Authority. The bonds were refunded in order to reduce bank and interest rate risk associated with variable rate demand bonds. Proceeds of the 2011 Bonds were deposited into an escrow account held by a Trustee, and were used to pay the principal and accrued interest on the refunded bonds on the redemption date of October 5, 2011. There are no 1998 Series A Sales Tax Revenue Bonds or 2000 Series A Sales Tax Revenue Bonds outstanding, and no funds remaining in escrow. The economic gain, which is calculated by comparing the present value of the original issue debt service to the present value of the refunded issue debt service is, $0.15 million. This assumes that the variable rates on the refunded bonds would have remained constant through maturity at a rate equivalent to their historic average weekly rate of 2.52% and liquidity costs equivalent to similar rates paid on the 2008 VTA Bonds. 2011 Series A Bonds maturing on or before June 1, 2021 are not subject to redemption prior to their respective stated maturities. The 2011 Bonds maturing on or after June 1, 2022 are subject to redemption prior to their stated maturities any time on or after June 1, 2021.

(b) Sales Tax Revenue Bonds, secured by 2000 Measure A ½-cent sales tax revenues

- $120.1 million of 2007 Measure A Series A Sales Tax Revenue Refunding Bonds (2007 Measure A Bonds) were issued, at a true interest cost of 4.60%, to current refund Series F and G of the 2006 Measure A Sales Tax Revenue Bonds, none of which remain outstanding. Proceeds of the 2007 Measure A Bonds were deposited into an escrow account held by a Trustee, and were used to fully pay the principal and accrued interest on the refunded bonds on the redemption date of November 6, 2007. There is no open escrow or refunded bonds outstanding. Maturities for the 2007 Measure A Bonds extend to April 1, 2036. 2007 Measure A Bonds maturing on or before April 1, 2017 are not subject to redemption prior to their respective stated maturities. 2007 Measure A Bonds maturing on or after April 1, 2018 are subject to redemption any time on or after April 1, 2017.

- $236.7 million of 2008 Series A-D Measure A Sales Tax Revenue Refunding Bonds (2008 Measure A Bonds) were issued to current refund Series A-D of the 2006 Measure A Sales Tax Revenue Bonds, none of which remain outstanding. The 2008 Measure A Bonds were issued as variable rate demand bonds and bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the 2008 Measure A Bonds at par value. The maturities of the 2008 Measure A Bonds extend to April 1, 2036 and are subject to optional and mandatory redemption and optional and mandatory tender for purchase before maturity.

- Concurrent with the issuance and sale of the 2008 Measure A Bonds, four interest rate swap agreements (originally entered into concurrent with the issuance of the Series A-D of the 2006 Measure A Sales Tax Revenue Bonds, none of which remain outstanding) were reassigned to the 2008 Measure A Bonds. Pursuant to the terms of the swap agreements, VTA pays interest at a fixed rate of 3.765% to the counterparties to the swaps. In return, the counterparties pay VTA a variable rate of interest equal to 65% of three-month LIBOR. The outstanding principal is used as the basis on which the interest payments are calculated. Under certain circumstances, the agreements are subject to termination before maturity of the 2008 Measure A Bonds.

(c) Interest Rate Swaps

VTA has seven interest rate swap agreements outstanding as of year-end. Three require that VTA pay fixed interest rates and receive variable interest at the lower of: 1)1 month LIBOR or, 2) a rate equal to the greater of 63.5% of 1 month LIBOR or 55.5% of 1 month LIBOR plus 0.44%. Four agreements require that VTA pay fixed interest rates and receive interest at 65% of three-month LIBOR.

(d) Summary:

The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2014 were as follows (dollars in thousands):

Associated Bonds	Current Notional	Effective Date	Fixed Rate Paid	Variable Received	Fair Value	Termination Date	Counterparty Credit Rating[CR]
2008A	$ 60,435	7/7/2005[ED]	3.145%	Cal-E[VR]	$ (6,334)	6/1/2026	Aa2/AAA/NR[†]
2008B	45,230	7/7/2005[ED]	3.145%	Cal-E[VR]	(4,742)	6/1/2026	A2/A/A
2008C	45,230	7/7/2005[ED]	3.145%	Cal-E[VR]	(4,742)	6/1/2026	Baa2/A-/A
MA 2008A	85,875	8/10/2006	3.765%	65% 3Mo LIBOR	(21,949)	4/1/2036	A2/A/A
MA 2008B	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(12,779)	4/1/2036	Baa2/A-/A
MA 2008C	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(12,779)	4/1/2036	Aa2/AAA/NR[†]
MA 2008D	50,000	8/10/2006	3.765%	65% 3Mo LIBOR	(12,779)	4/1/2036	Baa2/A-/A
Total	$ 386,770				$(76,104)		

[CR] Moody's, Standard and Poor's and Fitch, respectively.
[ED] Amended June 26, 2008 to reflect on-market fixed rate to be paid of 3.145%.
[VR] Lower of 1 month LIBOR or a rate equal to the greatest of 63.5% of 1 month LIBOR or 55% of 1 month LIBOR plus 0.44%.
[†] NR - No rating for Fitch

Objective of the Swaps: The objective of the swaps is to hedge VTA's exposure to variable rate risk by synthetically fixing its interest costs at rates anticipated to be less than what VTA otherwise would have paid to issue fixed rate debt in the tax-exempt municipal bond market.

Fair Values: At June 30, 2014, the swaps had a negative fair value of $76.1 million. This is because interest rates have declined since the execution of the swaps. Because the coupons on VTA's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases or decreases. The fair values of the interest rate swaps were estimated using the zero-coupon method. The swaps were deemed to be effective derivative instruments using regression analysis and therefore were recorded as deferred outflow of resources in the assets section and as a derivative instrument liability in the liability section of the statement of net assets.

Credit Risks: It is VTA's policy to enter into derivative agreements with highly rated counterparties. Although VTA's counterparties have experienced declines in their ratings since inception of the swaps, their S&P and Moody's ratings remain at investment grade levels. All payments due from counterparties continue to be made on time and are current as of June 30, 2014. When the swaps have a positive market value, VTA manages any credit risk (associated with termination of swaps) by requiring counterparties to post collateral based on certain events. VTA is entitled to collateral in an amount up to 100% of the swap's fair value as identified in the following table:

Swap	Amount of Collateral Required	Rating Threshold for Collateral Requirement[CR]	Rating Threshold for 100% Collateral
2008A	$ 5,000,000	A3/A-	Baa1/BBB+
2008B	7,000,000	A2/A	A3/A-
2008C	5,000,000	A3/A-	Baa3/BBB-
MA2008A	7,000,000	A2/A	A3/A-
MA2008B	7,000,000	A2/A	A3/A-
MA2008C	5,000,000	A3/A-	Baa1/BBB+
MA2008D	5,000,000	A3/A-	Baa3/BBB-

[CR] Moody's and Standard and Poor's, respectively

Collateral generally consists of cash, U.S. Government securities, and U.S. Agency securities, held by a third party custodian. VTA enters into derivative agreements with multiple counterparties to limit concentration of credit risk. Currently, VTA has interest rate swaps with four different counterparties and no counterparty accounts for more than 35% of outstanding notional. VTA monitors counterparty credit risk on an ongoing basis.

Basis Risk: The variable rate debt hedged by VTA's interest rate swaps are variable rate demand obligation (VRDO) bonds that are remarketed weekly. VTA is exposed to basis risk because the variable rate receipts from the swap are based on a rate or index other than the interest rates VTA pays on the VRDO bonds. VTA is exposed to basis risk to the extent that variable payments on the hedged item are not offset by the variable receipts from the swap. On June 30, 2014, the weighted average interest rates of the variable rate debt associated with the 2008 VTA VRDO Bonds was 0.035%. The interest rate for variable rate payments received from the counterparties pursuant to the swaps was 0.15%. The weighted average interest rates of the variable rate debt associated with the 2008 Measure A VRDO Bonds was 0.0425%, and the interest rate for variable rate payments received from the counterparties pursuant to the swaps was 0.152%.

Interest Rate Risk: Interest payments on VTA's variable rate debt will typically increase as interest rates increase. VTA believes it has significantly reduced interest rate risk by entering into pay-fixed, receive floating interest rate swaps. As interest rates increase, variable rate debt interest payments increase and net swap payments decrease. As interest rates decrease, variable rate debt interest payments decrease and net swap payments increase.

Rollover Risk: Rollover risk is the risk that a hedging derivative instrument associated with a hedgeable items does not extend to the maturity of that hedgeable item. All of VTA's swap agreements have maturities equal to the term of the bonds.

Termination Risk: VTA has the right to terminate any swap at its option at any time. In addition, each counterparty may terminate a swap if VTA fails to perform under the terms of the contract. Furthermore, the terms of the agreements provide for Additional Termination Events in the event that the ratings of either the counterparty or the unenhanced long-term revenue bonds ratings of VTA are downgraded below Baa3 by Moody's or BBB- by S & P. An additional termination event, if it occurs, could cause a substantial termination payment to be owed by VTA. As of the end of the period, VTA's unenhanced long-term revenue bond rating is Aa2 by Moody's and AAA by S&P (AA+ for Measure A secured bonds).

Tax Risk: As with other forms of variable rate exposure and the relationship between the taxable and tax-exempt markets, VTA is exposed to tax risk should tax-exempt interest rates on variable rate debt issued in conjunction with the swaps rise faster than taxable interest rates received by the swap counterparties, due particularly to reduced federal or state income tax rates, over the term of the swaps.

Foreign Currency Risk: All of VTA's swaps are denominated in US Dollars and therefore VTA is not exposed to foreign currency risk.

Commitments: All of the swap agreements contain provisions that require collateral posting by VTA at specific fair value amounts based on VTA's unenhanced long term credit ratings during times when the swaps are in liability positions (negative fair value). For swaps associated with long-term variable rate bonds secured by VTA's 1976 Sales Tax Revenues, VTA is required to post the full collateralization of the fair value of the transactions should VTA's credit rating fall below A or A2 for one of the swaps and below A- or A3 for two of the swaps. For the swaps associated with long-term variable rate bond secured by 2000 Measure A Sales Tax Revenues, VTA is required to post the full collateralization of the fair value of the transaction should the long-term unenhanced rating fall below A or A2 for two swaps, and below A- or A3 for the other two swaps. In addition, each credit support annex requires collateral posting at various rating levels and threshold amounts. Collateral generally consists of cash, U.S. Government securities and U.S. Agency securities. As of June 30, 2014, VTA had $2.8 million of cash collateral posted with one counterparty, related to a swap associated with the long-term variable rate bonds secured by 2000 Measure A Sales Tax Revenues.

(e) Swap Payments and Associated Debt

Using rates as of June 30, 2014, debt service requirements on VTA's swap-related variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary (dollars in thousands).

Year Ending June 30	Principal Total	Remarketing Interest Total	Interest Rate Swap-Net Total	Debt Service Total
2015	$ 4,570	$ 153	$ 13,028	$ 17,751
2016	10,165	151	12,878	23,194
2017	10,465	147	12,573	23,185
2018	10,775	144	12,258	23,177
2019	11,095	140	11,935	23,170
2020 - 2024	70,015	636	54,481	125,132
2025 - 2029	33,810	518	44,053	78,381
2030 - 2034	113,575	466	39,571	153,612
2035 - 2036	122,300	65	5,564	127,929
	$ 386,770	$ 2,420	$ 206,341	$ 595,531

Long-Term Debt Obligation Summary

Interest Rates on all outstanding fixed-rate obligations range from 3.00% - 5.00%. Interest on the variable rate debt is reset weekly based upon market conditions. Projected principal and interest obligations as of June 30, 2014 are as follows:

(Dollars in thousands)	Principal	Interest	Total
Year ending June 30:			
2015	$ 36,480	$ 55,479	$ 91,959
2016	41,275	53,855	95,130
2017	42,980	52,119	95,099
2018	44,830	50,228	95,058
2019	46,865	48,177	95,042
2020-2024	266,110	207,399	473,509
2025-2029	270,755	138,166	408,921
2030-2034	289,495	64,755	354,250
2035-2036	137,785	6,874	144,659
	1,176,575	$ 677,052	$1,853,627
Unamortized bond premium	17,216		
Total debt	1,193,791		
Less current portion	(36,480)		
Long-term portion of debt	$1,157,311		

(f) Restrictions and Limitations

There are a number of restrictions and limitations contained in the various bond indentures. VTA's management believes that VTA has complied with all applicable restrictions and limitations.

(g) Long Term Liabilities

(Dollars in thousands)	July 1, 2013	Additions	Reductions	June 30, 2014	Amounts Due Within One Year
Sales Tax Revenue Bonds Secured by 1976 ½ Cent Sales Tax					
2007 Series A	$ 18,640	$ -	$ 2,220	$ 16,420	$ 2,360
2008 Series A-C	155,450	-	4,555	150,895	4,570
2011 Series A	43,235	-	3,660	39,575	3,775
Sales Tax Revenue Bonds Secured by 2000 Measure A ½ Cent Sales Tax					
2007 Series A	112,515	-	2,760	109,755	2,895
2008 Series A-D	235,875	-	-	235,875	-
2010 Series A-B	645,890	-	21,835	624,055	22,880
Total Outstanding Debt	1,211,605	-	35,030	1,176,575	36,480
Plus (less) premiums/discounts	18,529	4,835	6,148	17,216	-
Outstanding Debt, Net	1,230,134	4,835	41,178	1,193,791	36,480
Derivative Instruments Liability	74,794	2,414	1,104	76,104	-
Claims Liability:					
General Liability	5,016	11,348	4,903	11,461	1,560
Worker's Compensation	18,231	6,695	6,420	18,506	1,812
Compensated Absences	26,451	4,421	3,413	27,459	7,656
Total Long-Term Liabilities	$1,354,626	$ 29,713	$ 57,018	$ 1,327,321	$ 47,508

VTA's Transit Fund reflects a deferred amount on refunding in the amount of $11.8 million related to the 2007 and 2008 bonds as a deferred outflow of resources. Additionally, the Measure A Transit Fund reflects a deferred amount on refunding in the amount of $8.1 million presented as a deferred inflow of resources on the financial statements.

NOTE 8 – SALES TAX REVENUES

Sales tax revenue represents sales tax receipts from the California State Board of Equalization, which, under voter-approved 1976 and 2000 Sales Tax Measures, collects a half-cent for each taxable sales dollar spent in the County. These amounts are available to fund both operations and capital expenses except that portion which is to be used to repay long-term debt as described in Note 7. In November 2008, county residents passed a 1/8-cent sales tax to fund the operating and maintenance costs of the BART Extension. The amount of the 1976 Sales Tax, 2000 Measure A Sales Tax, and BART Operating Sales Tax recognized during FY 2014 was $186.4 million, $186.3 million, $44.8 million, respectively, totaling $417.5 million.

NOTE 9 – VTA PROGRAMS FUNDED THROUGH LOCAL SALES TAX MEASURES

Measure B Transportation Improvement Program (MBTIP)

In November 1996, the voters of Santa Clara County approved Measure A - an advisory measure listing an ambitious program of transportation improvements for the County. Also approved on the same ballot, Measure B authorized the County Board of Supervisors to collect a nine-year half-cent sales tax for general County purposes. The tax was identified as a funding source for Measure A projects. Collection of the tax began in April 1997; however, use of the revenue was delayed pending the outcome of litigation challenging the legality of the sales tax. In August 1998, the California courts upheld the tax allowing the Measure A transportation program to move forward.

Amendment 20 to the Master Agreement was executed in June 2007 to formalize the process for winding down the Measure B Program. That amendment included the following significant terms:

- VTA was paid the value of all approved 1996 Measure B project budgets, less the funds already paid by County to VTA, and the net remaining Measure B funding for Fund Swap Projects and Ancillary Programs administered by VTA.
- A lump sum amount of approximately $4.0 million was also paid to VTA by the County to cover the closeout effort associated with incomplete projects.

In March 2010, \$10.23 million was transferred to Congestion Management and Highway Program (CMHP) from the Measure B Highway and the Measure B Ancillary programs for \$7.23 million and \$3 million, respectively. The purpose is for CMHP to administer the landscaping phase of Measure B highway projects as well as the availment of various Measure B swap funds.

During the current fiscal year, VTA paid approximately \$821 thousand for current year costs for the program. This amount was contributed by the Santa Clara County as follows: \$4 thousand of Measure B fund for transit projects in the Enterprise Fund; \$249 thousand of Measure B fund for highway projects in the Measure B Highway Capital Projects Fund; and \$568 thousand for the Ancillary Program (Measure B & Fund Swap Projects, Pavement and Bikeways).

2000 Measure A Program

The Santa Clara Valley Transportation Authority 2000 Measure A Program (the Measure A Program) was created in response to the Measure A ballot approved by the voters of Santa Clara County on November 7, 2000. The Measure A Program is responsible for a number of key capital transit projects, including the connection of rapid transit to San Jose, increased bus and light rail service and providing for related operating expenses. The Measure A Program is funded by the half-cent sales tax to be imposed for a period of 30 years and took effect upon expiration of the current County of Santa Clara 1996 Measure B half-cent sales tax on March 31, 2006.

The Measure A Program consists of those projects and increased operations included in the 2000 Measure A ballot, as noted below:

- Extend San Francisco Bay Area Rapid Transit District service (“BART”) from Fremont through Milpitas to Downtown San Jose and the Santa Clara Caltrain Station (the “Silicon Valley Rapid Transit Project” or “SVRT”);
- Provide connections from the San Jose International Airport to BART, Caltrain commuter rail service (“Caltrain”) and VTA’s light rail system;
- Extend VTA’s light rail system from Downtown San Jose to the East Valley portion of Santa Clara County (“DTEV Extension”);
- Purchase low floor light rail vehicles to better serve the disabled, senior and other segments of the ridership;
- Improve Caltrain by extending the system’s double track to Gilroy and providing funds to electrify the system;
- Increase Caltrain service;
- Construct a new Palo Alto Intermodal Transit Center;
- Improve bus service in major bus corridors;
- Upgrade the Altamont Commuter Express (“ACE”) services;

- Improve the Highway 17 express bus service;
- Connect Caltrain with the Dumbarton Rail Corridor (serving Alameda and San Mateo County);
- Purchase zero emission buses and construct service facilities;
- Provide funds to develop new light rail corridors;
- Fund operating and maintenance costs associated with increased bus, rail, and paratransit service.

The following activities have either been completed or are in progress, funded by a combination of Tax revenues, state and federal grants, bond proceeds, and other locally obtained funds. To date, Measure A efforts have:

- Completed the purchase of low floor light rail vehicles;
- Completed the Zero Emission Bus demonstration project;
- Reached a Project Agreement between the City of San Jose and VTA establishing a project description and vision statement for Bus Rapid Transit (BRT) in the Santa Clara/Alum Rock corridor. An environmental document was completed and approved in 2008. Utility relocation is expected to be completed by fall of 2014. Construction is expected to be completed by late 2015. A contract to procure buses has been awarded in February 2013 and buses are expected to arrive by end of 2014. Service is scheduled to begin in late 2015. On the El Camino Real Transit Improvement Project, environmental scoping process took place in February and March 2013. A Project Study Report has been sent to Caltrans for review. Federal Transit Administration (FTA) has approved the project for Small Starts review to compete for a discretionary grant. Different cross sections have been analyzed and preliminary and traffic projections have been developed. Revenue service is estimated to start in mid-2018. On the Stevens Creek/West San Carlos Corridor, conceptual engineering has begun. Revenue service date is estimated to start in late 2017;
- Received $900 million grant commitment from the FTA for the Silicon Valley Berryessa Extension (SVBX) Project in March 2012. All major municipal and utility master agreements required for SVBX have been executed. Remaining third-party agreements are forecast to be in place to support SVBX implementation. Full Notice to Proceed was granted to Design-Build contractor in April 2012. Contractor commenced work on the Berryessa Aerial Structure, completed the line relocation cutover at the Berryessa Station area, and completed the Hostetter intersection pile installation. In December 2012, the project received $50 million in State Transportation Improvement Program (STIP) funding to help expand and improve BART's Hayward Maintenance complex to accommodate the operation of the Berryessa Extension. In August 2014 design-build contractor was awarded for the parking garages in Milpitas and Berryessa stations;

- Received Traffic Congestion Relief Program (TCRP) funds as reimbursements for the preliminary engineering and construction phase on the VTA's BART Silicon Valley Extension. In August 2014, BART Silicon Valley Project received another $39 million in TCRP funds from the state. This fund is designated for construction of a 10-mile segment of the project;
- Relocated and constructed utilities in the freight rail corridor in Fremont and Milpitas. The Berryessa Creek crossing, Abel Street Seismic Retrofit, and Railroad Relocation contracts are complete. On the Mission Boulevard/Warren Avenue Pacific Railroad Relocation Construction contract, construction of the Union Pacific Rail Road (UPRR) Bridge on Mission Blvd. is complete. The Agua Fria, Toroges and Agua Caliente Creek Improvement contract is complete. The Kato Road Grade Separation contractor fully re-opened Kato Road in April 2013. Following the completion of the Joint Powers Agreement between Santa Clara County, Santa Clara Valley Water District (SCVWD), and VTA, the Montague Expressway Reconstruction Project is underway. Review of the final design was completed. Work is proceeding on the right-of-way acquisition. Construction is anticipated to be completed in fall 2014;
- Started preparation of Environmental Impact Statement for the Capitol Expressway Light Rail Extension to Eastridge. The construction of the pedestrian improvements (sidewalk and landscaping) was completed in the spring 2013. Construction of the transit center, the bus operator facility, and park-and-ride lot is expected to be completed by mid-2015;
- Completed the Light Rail Systems Analysis, which was adopted by the VTA Board in May 2010. The Systems Analysis provides an evaluation of infrastructure and operational shortcomings of the existing light rail system as well as improvement plan for immediate action. Near-term recommended projects from the Light Rail System Analysis are Northern Express, Southern Express, and Santa Clara Pocket Track. The recommended projects for the Systems Analysis began planning, design and construction in fall 2011. Major track work was for the Tasman Pocket Track was completed early August 2014;
- Final design on Santa Clara Caltrain Station Pedestrian Underpass Extension is in progress and will be completed in fall 2014. This project will provide an extended pedestrian tunnel under the UPRR tracks to Brokaw Road at the Santa Clara Station;
- Completed safety improvements to eight Joint Powers Board (JPB) crossings from Sunnyvale to Palo Alto for the Caltrain Safety Improvements – JPB Crossings project. Design for approximately 15 crossings along the UPRR segment started in January 2012. Advertisement for bids will be issued in mid-2015. Construction is anticipated to start by late 2015;
- Completed construction for the Blossom Hill Pedestrian Grade Separation in September 2012;

- Completed Caltrain Service upgrades project for improvements to the Santa Clara Station in 2013. This allowed ACE trains to stop at the station.

SVRT Measure B Sales Tax Ordinance

At the election held on November 4, 2008, the voters passed VTA Measure B supporting the tax that would be dedicated to the operation, maintenance, improvement, and future capital needs of the 16.1 mile Santa Clara Bay Area Rapid Transit (BART) extension. The BART extension includes stations in Milpitas, San Jose, and Santa Clara, connecting with Caltrain from Gilroy to San Francisco and an Airport People Mover. In November 2011, the Board of Directors approved a retail transaction and use tax ordinance which imposes a Santa Clara County, at the rate of one-eighth of one percent on the gross receipts of the retailer. Collection of the tax took effect on July 1, 2012, for a period not to exceed 30 years. This ordinance is also known as the Santa Clara Valley Transportation Authority BART Operating and Maintenance Transactions and Use Tax Ordinance.

NOTE 10 – FEDERAL, STATE, AND LOCAL ASSISTANCE

VTA is dependent upon the receipt of funds from several sources to meet its operating, maintenance, and capital requirements. The receipt of such revenues is controlled by federal, state, and local laws, the provisions of various grant contracts and regulatory approvals and, in some instances, is dependent on the availability of grant funds and the availability of local matching funds. A summary of the various governmental funding sources is as follows:

(a) Federal Grants

Federal grants are approved principally by the Federal Transportation Administration (FTA) and the Federal Highway Administration (FHWA). Federal grants for the year ended June 30, 2014, are summarized as follows (in thousands):

	Enterprise Funds	Special Revenue Fund	Capital Projects Funds
Operating Assistance Grants:			
FTA Section 9	$ 41,634	$ -	$ -
Section 5311	180	-	-
Security Plan Revision	416		-
Federal Technical Studies	-	1,728	-
Total Operating Assistance Grants	42,230	1,728	-
Capital Grants:			
FTA Section 3	124,652	-	-
FTA Section 9	7,818	-	-
Pass-through Capital Grants	1,290	-	4,282
Total Capital Grants	133,760	-	4,282
Total operating assistance & capital grants	$ 175,990	$ 1,728	$ 4,282

FTA and FHWA reserve the right to audit activities financed by their grants to determine if such activities comply with the conditions of the grant agreements.

VTA's management believes the results of such audits would not have a material adverse effect on VTA's financial position. FTA and FHWA retain their interest in assets acquired under federal grants should the assets be disposed of prior to the end of their economic lives, or not be used for mass transit purposes.

FTA Section 9 operating assistance represents Bus and Rail preventive maintenance. Bus maintenance consists of North Maintenance, Chaboya Maintenance, and Cerone Maintenance, and Overhaul and Repair. These maintenance facilities are responsible for the timely and reliable preventive maintenance, running repair, heavy repair, engine rebuilding, other maintenance services, inspections, and servicing of various VTA's bus fleets. Rail maintenance consists of Light Rail Vehicle (LRV) maintenance and Way, Power, and Signal (WPS) maintenance. LRV maintenance is responsible for the timely and reliable preventive maintenance, inspections, repair, and servicing of VTA's LRV fleet. WPS maintenance is responsible for timely and reliable preventive maintenance of right of way, rail system power, track, signals, wayside communications, stations, transit center and bus stop facilities, related equipment park and ride lot maintenance, and evaluation of rail maintenance efficiency.

The Section 5311 program is the FTA non-urbanized area formula grant. The program provides funding for public transportation projects serving areas outside of an urban boundary with a population of 50,000 or less. Funds may be used for capital, operating, planning, or technical assistance projects.

The Security Plan Revision is under the Transit Security Grant Program for costs related to addressing security and preparedness enhancements for transit systems.

Federal technical studies grant under the Special Revenue Fund represents interagency agreement with the Metropolitan Transportation Commission (MTC) for purpose of conducting specific planning and programming activities to assist MTC in meeting the requirements of federal legislation and related State and regional planning and programming policies and guidelines.

FTA Section 3 capital grants represent the transit capital investment program (49 U.S.C. 5309), which provides capital assistance for three primary activities:

- New and replacement of buses and facilities
- Modernization of existing rail systems, and
- New fixed guideway systems

In March 2012, FTA awarded VTA a full funding grant agreement (FFGA) for the SVBX project with a maximum federal New Starts financial contribution of $900 million. The FFGA is being amended through yearly increment of New Starts fund up to 2018. SVBX project scope includes 40 BART revenue vehicles, 10.15 miles of double-track grade separated electrified third-rail guideway, traction power substations, high voltage substations, communication system, passenger drop-off facilities, parking spaces real estate acquisition, utility relocation, drainage improvements, environmental mitigation, financing, startup and revenue testing, and other elements necessary for project delivery. The project includes facility additions to the existing BART Hayward Yard located in the city of Hayward approximately 14 miles north of Santa Clara County for maintenance of BART vehicles.

FTA Section 9 grants represent the federal program (49 U.S.C. 5307), which makes federal resources available to urbanized areas and to Governors for transit capital and operating assistance in urbanized areas and for transportation-related planning.
The grants from the following pass-through fund agreements are presented as part of the Capital Grants - FTA Section 9.

- The Transit Security Grant Program (TSGP) award comes from the Federal Emergency Management Agency for costs related to addressing security and preparedness enhancements for transit systems. The program includes a requirement that transit systems selected for funding participate in a Regional Transit Security Working Group for the purpose of developing the Regional

Transit Security Strategy as well as a regional consensus on the expenditure of TSGP funds.

- The purpose of the Congestion Mitigation and Air Quality (CMAQ) Program is to fund transportation projects or programs that will contribute to the attainment or maintenance of the National Ambient Air Quality Standards (NAAQS) for ozone and carbon monoxide.

The pass-through federal grants under the Enterprise Funds include Demonstration Projects; CMAQ; and Safe, Accountable, Flexible, Efficient Transportation Equity Account: A Legacy for Users (SAFETEA-LU).

The pass-through federal grants under the Capital Project Funds represent fund agreements covering highway projects with various government agencies of the State of California.

(b) State and Local Grants and Assistance

State and local grants for the year ended June 30, 2014, are summarized as follows (in thousands):

	Business-type Activities	Governmental Activities	
	Enterprise Funds	Congestion Management Program	Capital Projects Funds
Operating assistance grants:			
Transportation Development Act	$ 89,518	$ -	$ -
State Transit Assistance	15,338	-	-
State Operating Assistance Grants	-	696	-
AB 434	1,583	-	-
Total operating assistance grants	106,439	696	-
Capital grants:			
Traffic Congestion Relief Program	28,969	-	-
PTA/STIP	589	-	-
PTMISEA	12,660	-	-
Highway-Railroad Crossing Safety Account	3,565	-	-
Proposition 1B Fund	8,793	-	-
Regional Measure 2	1,139	-	-
Congestion Management & Highway Program-State Grants	-	-	26,150
Congestion Management & Highway Program-Measure A Swap Program	-	-	7,512
Other Local Grants:			
Measure B Highway	-	-	249
Santa Clara County (Measure B Program) (Note 9)	4	-	-
Santa Clara County (Fund Swap Program) (Note 9)	-	-	568
Various cities, counties and others	4,420	-	228
Total Capital Grants	60,139	-	34,707
Total State and Local Grants	$ 166,578	$ 696	$ 34,707

Transportation Development Act (TDA) funds represent VTA's share of the 0.25% sales tax collected in the County.

State Transit Assistance (STA) represents funds received pursuant to the STA Program, whereby, a portion of gasoline sales tax revenues is appropriated by the State Legislature to the State Transportation Planning and Development Account for certain transit and energy-related purposes. STA funds are allocated throughout the state on the basis of population and operating revenues and are claimed by VTA on a cost-reimbursement basis.

State Operating Assistance Grants represent (a) reimbursement receipts for operating bus lines in the City of Gilroy under the Enterprise Fund; (b) Employment Training Panel (ETP) program funds available through AB 118 that are specifically geared to California businesses whose products or services include development of high performance/low emission vehicle technologies; mass transit fleet and clean vehicle conversion; or other sectors related to green technologies; and (c) grant receipts from the California Department of Transportation for project planning, programming and monitoring activities related to development of the Regional Transportation Improvement Program under the Congestion Management Program.

AB 434 fees represent funds received from the Bay Area Air Quality Management District. These funds are used for shuttle services and projects promoting clean air in the South Bay.

The Traffic Congestion Relief Program (TCRP) provides funds for projects throughout the state of California to reduce traffic congestion, provide for safe and efficient movement of goods, and provide system connectivity. TCRP is being implemented by the California Transportation Commission (CTC), in consultation with State Department of Transportation.

The purpose of the Public Transportation Account (PTA) is to provide a source of funds for transportation planning, mass transportation, Intercity Rail programs, and State Transportation Improvement Program (STIP) Transit projects, as provided by Section 99310.5 of the Public Utilities Code.

Public Transportation Modernization Improvement and Service Enhancement Act (PTMISEA) Grant is part of a comprehensive voter-approved bond investment package designed to help advance important goals and policies, including protecting the environment and public health, conserving energy, reducing congestion, and providing alternative mobility and access choices for Californians. The projects approved by the Department of Transportation included building pedestrian overcrossings, updating ticket vending machines, constructing bus rapid transit, substation rehabilitation, and procurement of vehicles and equipment. PTMISEA activities are presented in the following table:

	June 30, 2014	From Inception To 6/30/2014 Cumulative Balance
Proceeds received	$ 26,046	$ 148,188
Total expenditures paid and accrued	(12,660)	(61,848)
Current year unused proceeds	13,386	86,340
Prior year unused proceeds	75,980	-
Total proceeds available	89,366	86,340
Interest earned	856	3,882
Total proceeds available plus interest earned	$ 90,222	$ 90,222

Highway-Railroad Crossing Safety Account or HRCSA was created by Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond of 2006 to provide funding for the completion of high-priority grade separation and railroad crossing safety improvements. The account is being administered by the CTC.

Proposition 1B Fund provides funding under the California Transit Security Grant Program and is administered by the California Emergency Management Agency.

Regional Measure 2 (RM2) was passed in March 2004 to raise toll fee on the seven-State-owned bridges in the San Francisco Bay Area. The measure specifically establishes the Regional Traffic Relief Plan and identifies specific traffic operating assistance and capital projects and programs eligible to receive RM2 funding. The measure is being administered by MTC.

Capital Projects revenues consist of state and local grant revenues pertaining to Congestion Management and Highway Program (CMHP) of $34.5 million and Measure B Highway Program of $0.2 million. Of the $26.1 million CMHP state grants, $25.5 million represents Corridor Mobility Improvement Account (CMIA) grant. The scope of this grant includes performance improvements on the state highway system and major access routes to the state highway system.

Santa Clara County Measure B Program includes both transit and highway projects.

Santa Clara County Fund Swap is Measure B revenue received by VTA for local projects in exchange for federal and/or State grant funds. These funds are programmed for certain 1996 Measure B Transportation Improvement Program (MBTIP) Projects. Additional information on the 1996 MBTIP can be found in Note 9.

Various cities, counties and other agencies contribute revenue to light rail projects and Silicon Valley Rapid Transit Corridor for project enhancements.

NOTE 11 – SANTA CLARA VALLEY TRANSPORTATION AUTHORITY AMALGAMATED TRANSIT UNION (ATU) PENSION PLAN

(a) Plan Description

All ATU represented employees are covered by the Plan, which is a noncontributory single-employer defined benefit pension plan. The Plan provides retirement, disability, and death benefits based on the employees' years of service, age, and final compensation.

Employees with 10 or more years of service are entitled to full annual pension benefits beginning at normal retirement age of 65. Employees with less than 10 years of service are entitled to a reduced annual benefit at age 65 provided the Pension Board approves of such benefit. Employees with 15 or more years of service are entitled to full annual pension benefits beginning at age 55. The Plan permits early retirement if an employee becomes disabled after 10 or more years of service, and deferred vested retirement upon employee termination after 10 or more years of service, with benefits payable permitted at age 65. Employees may elect to receive their benefits in the form of a joint or survivor annuity. These benefit provisions and all other requirements are established by California statute and the labor agreement with the ATU.

Separately issued audited GAAP basis financial statements of the Plan are available and can be obtained from Santa Clara Valley Transportation Authority, Finance and Budget, 3331 North First Street, Building C-2, San Jose, California 95134-1927.

The membership of the Plan as of June 30, 2014 is as follows:

Membership Status	No. of Members
Retirees and beneficiaries currently receiving benefits	1,216
Terminated vested members not yet receiving benefits	138
Active Members	1,474
Total	2,828

(b) Basis of Accounting

Contributions are recognized as revenue when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits (distributions to participants) and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates. Purchases and sales of securities are reflected on the trade date and investment income is recognized as earned.

(c) Concentration

Investments in the commingled State Street Global Advisors, S&P 500 Conservative Index Fund, MFS Investment Management and UBS represented 13.56%, 14.38% and 10% respectively, of the Plan's investments as of June 30, 2014.

(d) Funding Policy

VTA contributes to the Plan at an actuarially determined amount or rate applied to eligible payroll sufficient to maintain funding of vested benefits. VTA's contribution of $25.7 million for the year ended June 30, 2014, was made in accordance with actuarially determined requirements computed as of January 1, 2013. VTA's contribution as a percentage of payroll was 24.63% for FY 2014. The contribution requirements are established and may be amended pursuant to the labor agreement between ATU and VTA.

(e) Net Pension Obligation

VTA's net pension obligation to the Plan was zero as of June 30, 2014. The three-year trend information is shown as follows (in thousands):

Net Pension Obligation			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	$ 25,787	100%	$ -
6/30/2013	24,413	100%	-
6/30/2012	19,148	100%	-

(f) Funding Status & Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was 74.6% funded. The actuarial liability was $572.2 million and the actuarial value of assets was $426.7 million resulting in an Unfunded Actuarial Liability (UAL) of $145.5 million. The total covered payroll was $111 million which resulted in a UAL percentage of 131.5% of total covered payroll. The schedule of funding progress is presented on page 2-86, in the required supplementary information following the notes to the financial statements. The contribution requirements were established and may be amended pursuant to the labor agreement between ATU and VTA.

(g) Actuarial Methods and Assumptions

A summary of principal assumptions and methods used by the actuaries to determine VTA's annual required contributions to the Plan is as follows:

Description	*Methods/Assumptions*
Valuation date	January 1, 2014
Actuarial cost method	Individual Entry Age to Final Decrement
Amortization method	Level dollar open
Remaining amortization period	20 Years
Asset valuation method	Market value adjusted to reflect investment earnings greater than (or less than) the assumed rate over a five-year period.
Actuarial Assumptions:	
Investment rate of return*	7.50%
Projected salary increases*	3.51% to 15.64%
Cost of living adjustments	None

*Includes inflation rate 3.25%

NOTE 12 – PUBLIC EMPLOYEES' RETIREMENT PLAN

(a) Plan Description

All eligible non-ATU employees of VTA participate in the California Public Employees' Retirement System (CalPERS). Prior to separation from the County on

January 1, 1995, all eligible VTA employees participated in CalPERS through the County. As a result of the separation from the County, certain administrative employees were transferred from the County to VTA. All of those administrative employees' service credits earned during the period they worked for the County's transportation agency were transferred to VTA's CalPERS account. The transfer of related assets at a market value totaling approximately $52.3 million was completed by CalPERS in FY 1999.

CalPERS is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within California. CalPERS provides retirement, disability, and death benefits based on the employees' years of service, age, and final compensation. Employees vest after five years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by state statute and VTA resolutions. VTA contracts with CalPERS to administer these benefits.

Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

(b) Funding Policy

Active members in VTA's CalPERS Plan pay a portion or all (depending on hire date) of the employee contribution to the CalPERS Plan. In FY2014, employees hired prior to January 2012 paid 4% toward the required employee share and VTA paid the remaining portion of the employee contribution. Employees hired in or after the first full pay period in January 2012 paid the entire employee contribution to CalPERS (7%). The contribution rate from July 1, 2013, through June 30, 2014, was 14.025% for the employer and 7% for employees. The required contribution for FY 2014 was determined as part of the June 30, 2011, actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. The contribution requirements of the CalPERS Plan are established by state statute and the employer contribution is established and may be amended by CalPERS. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The amortization period used is closed which means that amortization periods for initial unfunded liability, benefit change, and assumption change decline every year.

(c) Net Pension Obligation

VTA's net pension obligation to the CalPERS Plan was zero as of June 30, 2014. For FY 2014, VTA's annual pension cost was approximately $8.2 million, which was fully contributed. The three-year trend information of the actuarially required employer contribution is as follows (in thousands):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	$ 8,173	100%	$ -
6/30/2013	7,497	100%	-
6/30/2012	7,159	100%	-

(d) Funding Status and Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 84.4% funded. The actuarial accrued liability was $295.1 million and the actuarial value of assets was $249 million resulting in an Unfunded Actuarial Accrued Liability (UAAL) of $46.1 million. The total covered payroll was $53.9 million which resulted in a 85.5% UAAL as a percent of covered payroll. The schedule of funding progress is presented on page 2-87, in the required supplementary information following the notes to the financial statements.

(e) Actuarial Methods and Assumptions

A summary of principal assumptions and methods used by CalPERS to determine VTA's annual required contributions to the CalPERS Plan is as follows:

Valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll
Average remaining period	23 years as of the Valuation Date
Asset valuation method	15 Year Smoothed Market
Actuarial Assumptions:	
Discount rate	7.50% (net of administrative expenses)
Projected salary increases	3.30% to 14.20% depending on Age, Service, and Type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

NOTE 13 – ATU SPOUSAL MEDICAL AND VISION/DENTAL FUND

VTA administers the ATU Spousal Medical and Retiree Vision and Dental Fund. Both are considered to be defined contribution plans. As of June 30, 2014, VTA had net position of approximately $12.7 million for the ATU Spousal Medical Fund and $8.7 million for the Retiree Vision and Dental Fund.

The Spousal Medical Fund is a medical insurance benefit for eligible pensioners' spouses. Pursuant to a collective bargaining agreement with ATU-represented employees, contribution to the Spousal Medical Fund is $0.40 per hour. As of June 30, 2014, there were 311 participating spouses who were eligible for benefits from the Spousal Medical Fund. FY 2014 contributions were approximately $1.4 million while benefit payments made by the Fund were approximately $1.5 million.

The Retiree Vision and Dental Fund is a vision and dental benefit for eligible pensioners. Effective 1999 and pursuant to a collective bargaining agreement, ATU-represented employees are required to contribute $0.10 per hour. As of June 30, 2014, there were 957 eligible participants. Contributions for the fiscal year were approximately $349 thousand and $1.05 million in net investment income were reported for the Retiree Vision and Dental Fund.

A separate audited GAAP-basis postemployment benefit plan report is not available for ATU Spousal Medical and Vision/Dental Fund.

NOTE 14 – INTERNAL SERVICE FUND

As of June 30, 2014, the assets and liabilities by individual components of the Internal Service Fund are as follows (in thousands):

	Workers' Compensation	General Liability	Compensated Absence	Total
Assets	$ 18,779	$ 11,558	$ 19,402	$ 49,739
Liabilities	18,779	11,558	27,459	57,796
Net Position	$ -	$ -	$ (8,057)	$ (8,057)

Workers' Compensation and General Liability

VTA contracts with third-party administrators to process claims for both programs. VTA's annual contribution to General Liability is based on an actuarially determined amount while contributions to Workers' Compensation fund occur every pay period. Actuarial valuations for both activities are obtained on an annual basis.

Actuarial Information

An actuarial analysis as of June 30, 2014 disclosed that the present values of estimated outstanding losses, at 4% average discount rate using a 60% confidence level, are $18.5 million and $11.5 million for Workers' Compensation and General Liability, respectively. The accrued liabilities for both Workers' Compensation and General Liability claims were based on the actuarial estimates.

Changes in the balance of Workers' Compensation and General Liability claims for the two years ended June 30, 2013, and June 30, 2014, are as follows (in thousands):

	Workers' Compensation	General Liability
Unpaid claims at June 30, 2012	$ 17,524	$ 3,510
Provision for claims and claims adjustment expense	6,217	2,208
Changes in estimates for provision for future claims	(285)	956
Payment for claims and other adjustments	(5,225)	(1,658)
Unpaid claims at June 30, 2013	18,231	5,016
Provision for claims and claims adjustment expense	6,442	2,244
Changes in estimates for provision for future claims	(1,796)	9,104
Payment for claims and other adjustments	(4,371)	(4,903)
Unpaid claims at June 30, 2014	$ 18,506	$ 11,461

Compensated Absences

This represents the amount charged each month to accrue the estimated increase in unused vacation and sick leave. This account is adjusted annually to reflect the year-end value of unused vacation and sick leave. Compensated absences are limited to leaves that are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. At June 30, 2014, the outstanding balance of compensated absences liability was $27.5 million.

NOTE 15 – SANTA CLARA VALLEY TRANSPORTATION AUTHORITY OTHER POST EMPLOYMENT BENEFITS (OPEB) TRUST

(a) OPEB Trust Description

VTA offers postemployment benefits to its employees through the Santa Clara Valley Transportation Authority Other Post Employment Benefit (OPEB) Trust, a single employer defined benefit health plan funded and administered by VTA.

Employees who retire directly from VTA are eligible for retiree health benefits if they met certain requirements relating to age and service, and did not opt to enroll in the Defined Contribution Retirement Health Savings Plan. For ATU retirees, VTA provides an ATU Retiree Health Care Program (the ATU Program), a post-employment benefit, in accordance with the agreement between VTA and the ATU, to all ATU represented employees who retire from VTA on or after attaining the age of 55 with at least 15 years of service, or age 65 with 10 years of service, or upon Board approval age 65 with 5 years of service, or if an employee becomes disabled and has completed at least 10 years of service. ATU retirees can select the Kaiser, United Health Care, or Valley Health Plan retiree health plans. VTA pays the full cost of the employee-only premium, and ATU retirees who are eligible for Medicare are reimbursed for the Medicare Part B premium. ATU employees who retire on or after September 1, 2004, must contribute $25 toward the employee only monthly premium. Employees who retiree on or after January 1, 2011 pay $35 or the excess above the Kaiser Medicare out of area (OOA) rate.

Non-ATU employees who retire directly from VTA with age at least 50 years are also covered under a Retiree Health Care Program (the administrative retiree program) if they retire with at least 5 years of service, if hired before the following dates, or with at least 8 years of service (2,088 days) or with at least 15 years of service (3,915 days) if hired on or after the following dates:

- Service Employees International Union (SEIU) represented employees on or after May 15, 2006 (8 years);
- Transportation Authority Engineers and Architects Association (TAEA) represented employees on or after December 5, 2006 (8 years);
- American Federation of State, County and Municipal Employees (AFSCME) represented employees hired between August 10, 2007 and December 31, 2009 (8 years), and on or after January 1, 2010 (15 years);
- Non-represented employees hired before February 11, 2008 (5 years); hired between February 11, 2008, and October 31, 2009, (8 years); and on or after November 1, 2009 (15 years).

Non-ATU employees who retired before January 2, 2006, pay any premium in excess of the Kaiser single active rate while those who retired on or after January 2, 2006, pay $25 toward their monthly premium, plus any premium in excess of the Kaiser single active rate. Medicare part B premium is reimbursed for administrative retirees eligible for Medicare.

As of June 30, 2014, the number of retirees and active employees who met the eligibility requirements for the ATU Program and non ATU are as follows:

OPEB Eligible	ATU	Non-ATU	Total
Retirees	966	432	1,398
Active	1,474	631	2,105

VTA also provides life insurance benefits for all ATU retirees and Executive Management retirees. ATU retirees receive $5,000 in life insurance coverage. Executive Management retirees receive $50,000 in life insurance coverage for the first year of retirement, decreasing by $10,000 each year until its expiration in the sixth year.

(b) Basis of Accounting

Contributions are recognized as revenue when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits (distributions to participants) and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates. Purchases and sales of securities are reflected on the trade date and investment income is recognized as earned.

(c) Funding Policy

Benefit allowance provisions are established through agreements and memorandums of understanding (MOU) between VTA and unions representing its employees. VTA's contributions to the plans are based on Annual Required Contribution (ARC) as determined by an actuarial valuation study. In FY 2008, VTA established an irrevocable trust to fund the ARC in accordance with the provisions of GASB Statement 45.

As of June 30, 2014, VTA had assets of $260.7 million to cover costs of the ATU and Non-ATU Programs. The Plan is presented in these financial statements as the OPEB Trust Fund. Separate financial statements are also prepared for the Trust and can be obtained from Santa Clara Valley Transportation Authority, Finance and Budget, 3331 North First Street, Building C-2, San Jose, California 95134-1927.

(d) Annual OPEB Cost and Net OPEB Obligations

VTA's Annual Plan Cost (Expense) is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years, using an open amortization methodology.

OPEB activities during FY 2014 are as follows (in thousands):

Annual Required Contributions	$	14,100
Interest on Net Plan Asset[1]		-
Annual Plan Cost (Expense)		14,100
Contributions Made		(14,100)
Net Plan Assets, Beginning of Year		20,650
Net Plan Assets, End of Year	$	20,650

[1] VTA's adjustment to the ARC was offset by interest requiring no adjustment to the current year's ARC.

In FY 2013, VTA Transit Fund made a one-time irrevocable transfer of $20.65 million to OPEB Trust Fund. This was included in VTA Transit unrestricted net position earmarked for future operational needs of OPEB Trust Fund. OPEB Trust Fund reflected this as a contribution during FY 2013. Plan cost, contribution made, the percentage of annual cost contributed to the Plan, and the net Plan assets for the years ended June 30, 2012 through 2014 are presented as follows (in thousands):

Net OPEB Obligation/Asset

Fiscal Year Ended	Annual OPEB Cost	VTA Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/14	$ 14,100	$ 14,100	100%	$ 20,650
6/30/13	17,315	37,965	219%	20,650
6/30/12	17,321	17,321	100%	-

(e) Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

As of July 1, 2013, the most recent actuarial valuation date, the plan was 77.7% funded. The actuarial accrued liability was $280.2 million and the actuarial value of assets was $217.7 million, resulting in an Unfunded Actuarial Liability (UAL) of

$62.5 million. The covered payroll was $152.2 million which resulted in a 41.1% UAL as a percent of covered payroll. The schedule of funding progress is presented on page 2-88, in the required supplementary information following the notes to the financial statements.

(f) Actuarial Methods and Assumptions

A summary of principal assumptions and methods used by the actuaries to determine VTA's annual required contributions to the Plan is as follows:

Description	Methods/Assumptions
Valuation date	July 1, 2013
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level dollar closed
Asset valuation method	Market value
Single Equivalent Amortization Period	15 years
Actuarial assumptions:	
Discount rate	7.00%
Payroll growth rate	3.25%
Ultimate rate of medical inflation	4.50%

NOTE 16 –INSURANCE

VTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; injuries to the public; and natural disasters. Actual claims and settlements did not exceed the insurance coverage in the past three years. For additional information on workers' compensation and general liability, see Note 14. Coverage provided by self-insurance/insurance and excess coverage as of June 30, 2014, is shown as follows:

Type of Coverage	Self-Insurance/ Deductible	Excess Coverage (in aggregate)
Workers' compensation	Self-Insured	None
Employer's liability	$3,000,000	$97,000,000 per incident
Excess public liability/property damage	$3,000,000	$97,000,000
Property, boiler, and machinery	$100,000	$70,000,000 combined blanket limit
National Flood Insurance (eligible locations)	$5,000	$500,000
Light rail vehicles (includes spare parts coverage, no earthquake coverage)	$250,000	$50,000,000
Buses	$100,000	$50,000,000
Hybrid Buses	$150,000	Included in $50,000,000 with buses
Community Buses	$75,000	Included in $50,000,000 with buses
Vans and mobile equipment	$25,000	Included in $50,000,000 with buses
Express Lane Equipment	$25,000	Included in $50,000,000 with buses
Maintenance Trucks	$25,000	Included in $50,000,000 with buses
Public officials liability	$3,000,000	$97,000,000

NOTE 17 – LEASES

VTA leases various properties for use as transfer facilities, parking lots, information centers, office buildings, and warehouses under lease agreements that expire at various dates through 2023. VTA may renew the leases after their expiration. Some of these agreements were accounted for as operating leases in VTA Transit Fund for approximately $332 thousand in FY 2014. Other leases were charged to capital projects and were capitalized in FY 2014. The future lease payments under non-cancellable lease agreements are as follows (in thousands):

Years ending June 30,	Future Lease Payments
2015	$ 1,005
2016	997
2017	1,051
2018	1,062
2019	369
2020-2023	410
Total	$ 4,894

NOTE 18 – LITIGATION

As of October31, 2014, VTA has no open claims which will have any adverse financial impact. VTA's management believes its actuarially determined reserves and excess insurance coverage will adequately cover estimated potential material adverse losses as of June 30, 2014.

NOTE 19 – CONTRACTED SERVICES PROVIDED BY THE COUNTY OF SANTA CLARA

The County provides support services to VTA for protection (Office of the Sheriff), vehicle maintenance and fuel, and contributions for retiree medical for County public safety staff assigned to VTA. As of June 30, 2014, the support services totaled $5.4 million and are included in Operating Expenses.

NOTE 20 – JOINT VENTURES

(a) Peninsula Corridor Joint Powers Board

VTA is a member agency of the Peninsula Corridor Joint Powers Board (PCJPB), along with the San Mateo County Transit District (SamTrans) and the City and County of San Francisco (CCSF). The PCJPB is governed by a separate board composed of nine members, three from each participating agency. The PCJPB was formed in October 1991 to plan, administer, and operate the Peninsula Corridor rail service (Caltrain), which began operating on July 1, 1992. Prior to July 1, 1992, such rail service was operated by Caltrans.

The net operating costs and administrative expenses of the PCJPB for services provided between San Francisco and San Jose are reimbursed by the member agencies. In FY 2014, VTA, SamTrans, and CCSF were responsible for 40.3%, 41.9%, and 17.8%, respectively, of the member agencies' total reimbursement for such expenses. During the year ended June 30, 2014, VTA paid $7.3 million to the PCJPB for operating costs.

SamTrans serves as the managing agency of the PCJPB, providing administrative personnel and facilities. The disbursement of funds received by the PCJPB is controlled by provisions of various grant contracts entered into with the U.S. government, the state, and the member agencies.

VTA's agreement with the PCJPB expired in 2001 and continues in full force and effect on a year-to-year basis, until any member provides a one-year's prior written notice of withdrawal. If two or more parties to the agreement withdraw, then the agreement shall terminate at the end of the fiscal year following expiration of the one-year's notice given by the second party. In that event, the property and funds of the PCJPB would be distributed to the member agencies in accordance with a separate agreement to be entered into between the parties.

Summary financial information (not included in VTA's financial statements) for the PCJPB for the years ended June 30, 2013 and 2012 (in thousands), are as follows[1]:

PCJPB Financial Information	2013	2012
Total assets	$1,347,889	$1,297,985
Total liabilities	(109,551)	(97,649)
	$1,238,338	$1,200,336
Operating revenues	$ 75,546	$ 64,684
Operating expenses	(167,020)	(163,898)
Non-operating revenues, net	42,091	38,666
Capital contributions	87,385	81,376
Prior Period adjustment per GASB 65	-	(676)
	$ 38,002	$ 20,152

[1] Most recent audited financial information available.

Complete financial statements for the PCJPB can be obtained from SamTrans at 1250 San Carlos Avenue, San Carlos, California 94070.

(b) Altamont Commuter Express

The Altamont Commuter Express (ACE) is a commuter rail service covering over 85 miles between Stockton and San Jose with stops in Manteca, Tracy, Livermore, Pleasanton, Fremont, Santa Clara, and San Jose. ACE is funded by VTA, the Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission which also serves as the managing agency.

ACE commenced operations in October 1998, and now provides four daily round trips commuter rail service from San Joaquin County through the Tri-Valley Area of Alameda County to Santa Clara County. In June 2003, VTA entered into a Cooperative Service Agreement with the San Joaquin Regional Rail Commission (SJRRC) and the Alameda County Transportation Commission (Alameda CTC) for continued VTA funding of Altamont Commuter Express (ACE) commuter rail service. The cooperative agreement replaced the ACE Joint Powers Agreement (JPA) executed by the ACE member agencies – VTA, SJRRC and Alameda CTC. Per the cooperative agreement, VTA's financial subsidy is the amount paid in FY 2003, increased annually by the consumer price index (CPI). During the year ended June 30, 2014, VTA contributed approximately $3.0 million for operating costs.

Summary financial information (not included in VTA's financial statements) for the Altamont Commuter Express for the years ended June 30, 2013 and 2012 (in thousands), are as follows[1]:

ACE Financial Information	2013	2012
Total assets	$ 164,107	$ 152,480
Total liabilities	(60,657)	(53,166)
Total net position	$ 103,450	$ 99,314
Operating revenues	$ 5,754	$ 4,648
Operating expenses	(25,411)	(25,207)
Non-operating revenues, net	12,841	7,983
Capital contributions	10,989	31,335
Transfer in/(out)	(37)	71
Change in net position	$ 4,136	$ 18,830

[1] Most recent audited financial information available

Complete financial statements for ACE can be obtained from the San Joaquin Regional Rail Commission at 949 East Channel Street, Stockton, California 95202.

(c) Capitol Corridor Intercity Rail Service

VTA is a member agency of the Capitol Corridor Joint Powers Authority, which provides intercity rail service between Sacramento and San Jose. The Capitol Corridor intercity rail service is provided by the Capitol Corridor Joint Powers Board, which is comprised of members of the governing bodies of VTA, the Sacramento Regional Transit District, the Placer County Transportation Planning Agency, the congestion management agencies of Solano and Yolo counties, and the San Francisco Bay Area Rapid Transit District (BART). BART is the managing agency for the Capitol Corridor Service. VTA offers no funds to the operation of this service.

Complete financial statements for the Capitol Corridor Service can be obtained from the San Francisco Bay Area Rapid Transit District (BART) at P.O. Box 12688, Oakland, California 94606-2688.

NOTE 21 – OTHER FINANCING TRANSACTIONS

(a) Lease/Leaseback

In September 1998, VTA simultaneously entered into two transactions to lease 50 UTDC light rail vehicles (the “UTDC LRVs”) to statutory trusts formed on behalf of equity investors (the “Trusts”) under separate lease agreements (the “Lease Agreements”) and simultaneously leased the UTDC LRVs back from the Trusts under separate sublease agreements (the “Subleases”)(each, a “Lease/Leaseback Transaction”). In September 2011, VTA terminated one of the Lease/Leaseback transactions relating to 21 UTDC LRVs. The remaining Sublease, relating to 29 UTDC LRVs, terminates in 2026, subject to VTA’s option to buy-out the remaining

Sublease term in 2017 (the "Early Buy-out"). During the term of the Sublease, VTA retains ownership of and is obligated to insure and maintain the UTDC LRVs.

VTA received approximately $54.2 million, which represented the prepayment of the rental obligations owed by the Trust as Lessee under the Lease Agreement. The equity investor made an equity contribution of approximately $14.4 million of the prepaid Lease Agreement amount and AIG-FP Funding (Cayman) Limited made loans for the balance of prepayment amount. VTA is required to make annual rental payments as Sublessee pursuant to the Sublease.

To provide for the funding of the debt portion of its rental payments under the Sublease and the debt portion of the Early Buy-out, VTA entered into a debt payment agreement with AIG-FP Special Finance (Cayman) Limited ("AIG Special Finance"), whose obligations are guaranteed by American International Group, Inc ("AIG"). Under the terms of the debt payment agreement, VTA made an aggregate payment of $39.8 million in consideration of AIG Special Finance's agreement to make payments equal to the debt portion of VTA's rental payment under the Sublease and the debt portion of VTA Early Buy-out. VTA is obligated to replace AIG if the credit rating assigned to it by Moody's or Standard & Poor's falls below Baa1/BBB+, respectively. As of June 30, 2014, AIG is rated Baa1/A-.

VTA also used $9.7 million of the amounts received from the Trust to purchase US Treasury securities that mature on the dates and in the amounts equal to the equity portion of its rental payments under the Sublease and the equity portion of the Early Buy-out. These US Treasury securities are held by a third party custodian. Additionally, VTA purchased a financial guaranty insurance policy from Financial Security Assurance (now Assured Guaranty Municipal Corp. or "AGM") to guarantee its obligations to pay liquidated damages in the event one or more UTDC LRVs are destroyed or there is an early termination of the Subleases. Within thirty (30) days after demand by the equity investor, VTA is obligated to replace AGM if its credit rating by Moody's or Standard & Poor's falls below Aa3/AA-. Failure to replace AGM after such demand could cause a termination of the Lease/Leaseback transaction, resulting in the requirement that VTA make an early termination payment. In January 2013, Moody's downgraded AGM to "A2." The equity investor has agreed to forbear from requiring VTA to replace AGM through December 31, 2014. VTA does not believe that a qualifying replacement surety is available. As of June 30, 2014, the market value of the US Treasury securities held by the custodian was $24.85 million, compared to the scheduled termination value of $24.4 million.

VTA reported revenue of $3.2 million from its Lease/Leaseback transaction in FY 1999.

(b) Sublease Agreement with Utah Transit Authority (UTA) and Sacramento Regional Transit District (RT)

In May 2003, the VTA Board approved the execution of sub-lease agreements with the Utah Transit Authority (UTA) and Sacramento Regional Transit District with the Utah Transit Authority (UTA) and Sacramento Regional Transit District (RT) for the sub-lease of 50 UTDC LRVs for terms of 13 years, with sublease renewal terms of 9 years thereafter.

The sublease transactions to UTA and RT were recorded as capital leases in FY 2014. VTA subtracted $23 million and $10 million in net book value assets from its balance sheet and recognized a loss of $16 million and $7.8 million as special items in FY 2004 and FY 2005, respectively.

In September 2013, RT exercised the purchase option of the leased 21 LRVs at $1,000 each in accordance with the sublease agreement entered into by VTA and RT.

NOTE 22 – SUBSEQUENT EVENTS

(a) Traffic Congestion Relief Program (TCRP)

In August 2014, VTA BART Silicon Valley project received another $39 million in Traffic Congestion Relief Program (TCRP) funding from the State. Awarded by the California Transportation Commission (CTC) for FY 2015, the funds constitute the sixth and the final installments which the State of California's TCRP Allocation Plan adopted by the CTC in 2008.

The $39 million is designated for the construction of the Milpitas and Berryesa stations, and the design of parking structures.

(b) Federal Funding Grant Agreement

The 2014 Federal Section 5309 New Starts funding for the VTA's Silicon Valley Berryessa Extension Project of $150 million was awarded in August 2014. Of the $900 million grant commitment from the FTA for the project, $402.6 million has been awarded to date.

(c) GASB Statement No. 68

In June 2012, GASB Issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This statement is effective for fiscal year ending June 30, 2015. VTA's financial statements will reflect a liability for its ATU and CalPERS pension obligation. The Schedule of Funding Progress presented on page 2-86 reflects an estimate of the liability using guidelines per GASB Statement No. 27. Under GASB Statement No. 27, the unfunded actuarial liability is amortized and recognized as a component of VTA's pension expense. However, under GASB Statement No. 68, the full pension liability will be recorded on VTA's financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION
(Other than MD&A)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Funding Progress [1]

As of June 30, 2014

Amalgamated Transit Union Pension Plan

(Unaudited)

(In thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2014	$ 426,675	$ 572,245	$ 145,570	74.6%	$ 110,683	131.5%
1/1/2013	386,347	543,943	157,596	71.0%	102,041	154.4%
1/1/2012	373,170	517,200	144,030	72.2%	100,376	143.5%

[1] The schedule of funding progress presents the most recent actuarial information regarding the funding progress of the Santa Clara Valley Transportation Authority Amalgamated Transit Union Pension Plan.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Funding Progress [(1)]

As of June 30, 2014

California Public Employees' Retirement System (CalPERS)

(Unaudited)

(In thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2012	$ 248,963	$ 295,110	$ 46,147	84.4%	$ 53,950	85.5%
6/30/2011	233,516	274,924	41,408	84.9%	51,626	80.2%
6/30/2010	217,335	252,655	35,320	86.0%	53,231	66.4%

(1) The schedule of funding progress presents the most recent actuarial information regarding the CalPERS funding progress of the Santa Clara Valley Transportation Authority.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Funding Progress [(1)]

As of June 30, 2014

Retirees' Other Post Employment Benefits (OPEB) Trust

(Unaudited)

(In thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2013	$217,659	$ 280,233	$ 62,574	77.7%	$ 152,218	41.1%
6/30/2012	168,415	259,560	91,145	64.9%	142,651	63.9%
6/30/2011	150,716	254,187	103,471	59.3%	137,050	75.5%

(1) The schedule of funding progress presents the most recent actuarial information regarding the OPEB funding progress of the Santa Clara Valley Transportation Authority.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Budgetary Comparison Schedule
Congestion Management Program Special Revenue Fund
For the Year ended June 30, 2014
(In thousands)

	Original Budget	Final Budget	Actual	Variance Final to Actual Positive/ (Negative)
Revenue:				
Assessments to member agencies	$ 2,407	$ 2,407	$ 2,407	$ -
Federal grant revenues	1,371	1,371	1,728	357
Administrative fees	110	110	112	2
State and local operating assistance grants	696	696	696	-
Other revenues	357	357	279	(78)
Investment earnings	38	38	8	(30)
TOTAL REVENUE	4,979	4,979	5,230	251
Expenditures:				
VTA labor and overhead costs	4,084	4,384	4,355	29
Services and other:				
Professional services	936	636	359	277
Other services	20	20	12	8
Data processing	21	21	13	8
Miscellaneous	25	25	-	25
Contribution to Other Agencies	170	170	68	102
TOTAL EXPENDITURES	5,256	5,256	4,807	449
Change in fund balance, on a budgetary basis	$ (277)	$ (277)	$ 423	$ 700
Revenues and Expenditures not budgeted:				
Unrealized gain/loss on investments			15	
Change in fund balance, on a GAAP basis			438	
Fund Balance, Beginning of Year			1,582	
Fund Balance, End of Year			$ 2,020	

Budgetary Basis of Accounting

State law requires the adoption of an annual budget, which must be approved by the VTA's Board of Directors. The VTA Board adopts a biennial budget for its Congestion Management Program Special Revenue Fund. The budget for the Special Revenue Fund is prepared on a modified accrual basis but excludes unrealized gains and losses on investments.

Budgetary control is maintained at the fund level. The Division Chief must authorize line item reclassification amendments to the budget. Managers are assigned the responsibility for controlling their budgets and monitoring operating expenses. Annual appropriations for the operating budget lapse at the end of the fiscal year to the extent that they have not been expended. The unexpended capital budget at fiscal year-end is carried forward from year to year until the project is completed.

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SUPPLEMENTARY INFORMATION
(Combining and Individual Fund Statements)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Fund Net Position

Enterprise Funds

June 30,

(In thousands)

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,741	$ 3,322
Investments	248,716	217,687
Receivables, net	2,676	3,849
Due from other funds	292	374
Due from other agencies	85,524	87,767
Inventories	20,195	19,208
Other current assets	1,094	1,165
Total current assets	**374,238**	**333,372**
Restricted assets:		
Cash and cash equivalents	14,263	22,436
Cash and investments with fiscal agent	251,977	479,856
Investments	652,551	606,936
Receivables, net	333	2,247
Due from other agencies	232,009	121,421
Other current assets	279	442
Total restricted current assets	**1,151,412**	**1,233,338**
Non-current assets:		
Net OPEB Asset	20,650	20,650
Intangible Assets	4,847	11,155
Capital Assets		
Nondepreciable:		
Land and right-of-way	1,126,373	1,122,368
Construction in progress	1,728,066	1,347,410
Depreciable:		
Caltrain - Gilroy extension	43,072	43,072
Buildings, improvements, furniture, and fixtures	516,184	508,345
Vehicles	488,229	486,460
Light-rail tracks and electrification	415,905	413,674
Leasehold improvement	9,686	9,686
Other	46,062	45,876
Less: Accumulated depreciation	(768,364)	(706,428)
Net capital assets	**3,605,213**	**3,270,463**
Total Assets	**5,156,360**	**4,868,978**
DEFERRED OUTFLOW OF RESOURCES		
Accumulated decrease in fair value of hedging instruments and deferred amount on refunding	87,918	87,680 *

(Continued)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Fund Net Position *(Continued)*

Enterprise Funds

June 30,

(In thousands)

	2014	2013
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	10,705	10,435
Accounts payable and accrued expenses	19,325	14,645
Deposits	951	1,062
Accrued payroll and related liabilities	7,557	6,590
Bond interest and other fee payable	590	620
Unearned revenues	1,971	1,946
Other accrued liabilities	102	136
Total current liabilities	**41,201**	**35,434**
Liabilities payable from restricted assets:		
Current portion of long-term debt	25,775	24,595
Accounts payable and accrued expenses	81,639	52,925
Bond interest and other fee payable	12,123	12,417
Unearned revenues	39	37
Due to other funds	-	7
Due to other governmental agencies	104,521	86,712
Total current liabilities payable from restricted assets	**224,097**	**176,693**
Non-current liabilities		
Long-term debt, excluding current portion	1,157,311	1,199,569
Derivative instruments	76,104	74,794
Total non-current liabilities	**1,233,415**	**1,274,363**
TOTAL LIABILITIES	**1,498,713**	**1,486,490**
DEFERRED INFLOW OF RESOURCES	**8,051**	**8,421**
NET POSITION	**$ 3,737,514**	**$ 3,461,747**

* Restated for comparative purposes. Deferred amount in bond refunding is now reflected in 2013 column as deferred outflow/inflow of resources.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Fund
For the Years ended June 30,
(In thousands)

	2014	2013
OPERATING REVENUES:		
Passenger fares	$ 38,372	$ 38,331
Toll revenues collected	1,222	1,049
Advertising and other	2,826	2,441
TOTAL OPERATING REVENUES	42,420	41,821
OPERATING EXPENSES:		
Labor cost	280,690	272,552
Materials and supplies	32,806	30,677
Services	28,488	20,361
Utilities	7,585	7,251
Casualty and Liability	13,813	3,415
Purchased transportation	18,493	18,179
Leases and rentals	1,334	953
Miscellaneous	1,616	1,451
Depreciation expense	59,445	59,863
Costs allocated to capital and other programs	(34,864)	(32,879)
TOTAL OPERATING EXPENSE	409,406	381,823
OPERATING LOSS	(366,986)	(340,002)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	417,486	395,163
Federal operating assistance and other grants	42,230	39,364
Federal subsidy for Build America Bonds	8,755	9,126
State and local operating assistance grants	106,439	103,213
Caltrain subsidy	(7,291)	(13,700)
Capital expenses on behalf of, and contribution to, other agencies	(93,952)	(138,794)
Altamont Commuter Express subsidy	(3,019)	(2,939)
Investment earnings	9,555	292
Interest expense	(27,088)	(31,655)
Other income	6,835	6,616
Other expense	(11,096)	(5,865)
NON-OPERATING REVENUE, NET	448,854	360,821
INCOME (LOSS) BEFORE CONTRIBUTIONS	81,868	20,819
CAPITAL CONTRIBUTIONS	193,899	272,950
CHANGE IN NET POSITION	275,767	293,769
NET POSITION, BEGINNING OF YEAR	3,461,747	3,167,978
NET POSITION, END OF YEAR	$ 3,737,514	$ 3,461,747

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Cash Flows

Enterprise Funds

For the Years Ended June 30,

(In thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger fares	$ 38,415	$ 38,157
Cash received from toll revenues collected	1,224	1,036
Cash received from advertising	2,847	2,340
Cash paid to employees	(245,592)	(237,878)
Cash paid to suppliers	(81,720)	(86,766)
Cash paid for purchased transportation	(18,493)	(18,179)
Other non-operating receipts/(payments)	2,283	4,719
Net cash provided by/(used in) operating activities	(301,036)	(296,571)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	198,011	176,350
Sales tax received	369,269	349,315
Caltrain subsidy	(7,291)	(13,700)
Altamont Commuter Express subsidy	(3,019)	(2,939)
Capital contribution to other agencies	(94,320)	(138,998)
Transfers in	-	4,321
Transfers out	-	(4,321)
Net cash provided by/(used in) non-capital financing activities	462,650	370,028
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of long-term debt	(35,030)	(13,025)
Issuance and other cost	93	94
Advance (to)/from other governments	19,397	27,774
Interest and other fees paid on long-term debt	(31,266)	(36,773)
Acquisition and construction of capital assets	(342,773)	(270,417)
Capital contribution from other governments	70,299	296,214
Net cash provided by/(used in) capital and related financing activities	(319,280)	3,867
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,059,115	2,045,598
Purchases of investments	(2,131,066)	(2,249,662)
Interest income received	5,985	62
Net cash provided by/(used in) investing activities	(65,966)	(204,002)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(223,632)	(126,678)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	505,614	632,292
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 281,982	$ 505,614

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Cash Flows *(Continued)*

Enterprise Funds

For the Years Ended June 30,

(In thousands)

	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Operating income/(loss)	$ (366,986)	$ (340,002)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	59,444	59,863
Changes in operating assets and liabilities:		
Other current assets	(30)	(21,051)
Receivables	44	56
Due from other governmental agencies	2	(13)
Inventories	(986)	181
Accounts payable	4,652	(1,506)
Other accrued liabilities	934	1,877
Deposits from others	(413)	(363)
Unearned revenue	20	(332)
Other non operating receipts/(payments)	2,283	4,719
Net cash provided by/(used in) operating activities	$ (301,036)	$ (296,571)
Reconciliation of cash and cash equivalents to the Statement of Fund Net Position:		
Cash and cash equivalents, end of year:		
Unrestricted	$ 15,741	$ 3,322
Restricted	266,241	502,292
	$ 281,982	$ 505,614
NONCASH ACTIVITIES:		
Increase/(Decrease) in fair value of investments	$ 4,693	$ (9,486)
Noncash capital contributions	(123,601)	24,562
Amortization expense of Caltrain Access Fee	(882)	(881)
Total non-cash activities	$ (119,790)	$ 14,195

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule - Enterprise Fund
VTA Transit Fund
For the year ended June 30, 2014
(In thousands)

	FY14 Adopted Budget	Final Budget	Actual	Positive (Negative)
REVENUES				
Fares	$ 38,834	$ 38,834	$ 38,372	$ (462)
1976 1/2 Cent Sales Tax	182,435	182,435	186,431	3,996
Transportation Development Act funds	85,744	85,744	89,518	3,774
Measure A Sales Tax Operating Assistance	33,621	33,621	34,386	764
STA	13,600	13,600	15,338	1,738
Federal Operating Grants	37,787	37,787	42,230	4,443
Less: Transfer for Capital	(17,760)	(17,760)	(19,568)	(1,808)
State Operating Grants	2,635	2,635	1,583	(1,052)
Investment Earnings	1,227	1,227	841	(386)
Advertising Income	1,810	1,810	2,093	283
Other Income	12,708	12,708	13,153	445
Total revenues	**392,642**	**392,642**	**404,377**	**11,735**
OPERATING EXPENSES				
Labor Costs	286,534	286,603	280,690	5,913
Materials & Supplies	16,407	16,407	17,267	(860)
Security	8,886	8,886	8,383	504
Professional & Special Services	4,637	4,609	3,923	686
Other Services	7,305	7,305	7,484	(179)
Fuel	17,173	15,458	14,311	1,147
Traction Power	3,389	3,389	3,437	(48)
Tires	1,764	1,764	1,812	(47)
Utilities	2,727	2,727	2,895	(168)
Insurance	5,519	13,327	13,813	(486)
Data Processing	3,545	3,545	2,787	758
Office Expense	330	330	369	(39)
Communications	1,250	1,250	1,250	-
Employee Related Expense	698	698	686	12
Leases & Rents	663	663	748	(86)
Miscellaneous	672	672	589	83
Reimbursements	(35,485)	(37,485)	(38,299)	814
Total operating expenses	**326,014**	**330,148**	**322,144**	**8,004**
OTHER EXPENSES				
Paratransit	19,100	16,967	16,931	36
Caltrain	7,291	7,291	7,291	-
Light Rail Shuttles	25	25	-	25
Altamont Commuter Express	4,609	4,609	4,581	28
Highway 17 Express	251	251	339	(88)
Monterey-San Jose Express Service	35	35	35	-
Contribution to Other Agencies	740	740	883	(143)
Debt Service	20,097	20,097	18,920	1,177
Contingencies	2,000	-	-	-
Total other expenses	**54,148**	**50,015**	**48,980**	**1,035**
Total operating and other expenses	**380,162**	**380,162**	**371,124**	**9,038**
Change in net position, on a budgetary basis	**$ 12,480**	**$ 12,480**	**$ 33,253**	**$ 20,773**

(continued on next page)

NOTE: Totals and subtotals may not be precise due to independent rounding.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule - Enterprise Fund (continued)

VTA Transit Fund

For the year ended June 30, 2014

(In thousands)

	Adopted Budget	Final Budget	Actual	Positive (Negative)
Change in net position, on a budgetary basis	**$ 12,480**	**$ 12,480**	**$ 33,253**	**$ 20,773**
Reconciliation of net income on a budgetary basis to net income on a GAAP Basis:				
Capital Contributions			18,249	
Project Expenditure			(3,435)	
Capital Contributions to Other Agencies			(4,508)	
Bond Principal Payment			10,435	
Amortization of Bond Issuance Costs			(1,280)	
Unrealized Gain on investment			1,772	
Debt Reduction Fund Net Investment Earnings			372	
Other non-operating revenue			4,006	
Other non-budgetary revenues/(expenses)			(5,055)	
Transfers for Capital			19,568	
Depreciation			(59,445)	
Net change in net position, on a GAAP Basis			**$ 13,932**	

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Net Position

Retiree Trust Funds

June 30, 2014

(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trusts: Spousal Medical	ATU Medical Trusts: Vision/ Medical	ATU Medical Trusts: Total Medical Trusts	Total
ASSETS						
Restricted assets:						
Cash and cash equivalents	$ 214	$ 52	$ 12	$ 8	$ 20	$ 286
Investments	480,100	259,868	12,726	8,707	21,433	761,401
Receivables	1,346	815	-	-	-	2,161
Deposit with others	-	10	-	-	-	10
Total assets	481,660	260,745	12,738	8,715	21,453	763,858
LIABILITIES						
Restricted liabilities:						
Accounts payable	435	436	1	-	1	872
NET POSITION						
Net assets held in trust for:						
Pension benefits	481,225	-	-	-	-	481,225
Other post-employment benefits	-	260,309	-	-	-	260,309
Spousal medical benefits	-	-	12,737	-	12,737	12,737
Retiree dental and vision benefits	-	-	-	8,715	8,715	8,715
TOTAL NET POSITION	$481,225	$260,309	$ 12,737	$ 8,715	$ 21,452	$762,986

SANTA CLARA VALLEY TRANSPORTATION AGENCY
Combining Statement of Changes in Fiduciary Net Position
Retiree Trust Funds
For the Year ended June 30, 2014
(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trusts: Spousal Medical	ATU Medical Trusts: Vision/ Dental	ATU Medical Trusts: Total Medical Trusts	Total
ADDITIONS						
Contributions	$ 25,787	$ 14,100	$ 1,400	$ 349	$ 1,749	$ 41,636
Investment earnings:						
Investment income	28,384	11,344	512	1	513	40,241
Net appreciation/(depreciation) in the fair value of investments	37,961	27,815	1,576	1,051	2,627	68,403
Investment expense	(2,206)	(292)	(3)	(1)	(4)	(2,502)
Net investment income	64,139	38,867	2,085	1,051	3,136	106,142
TOTAL ADDITIONS	89,926	52,967	3,485	1,400	4,885	147,778
DEDUCTIONS						
Benefit payments	30,967	10,291	1,535	-	1,535	42,793
Administrative expenses	314	27	-	-	-	341
TOTAL DEDUCTIONS	31,281	10,318	1,535	-	1,535	43,134
CHANGE IN NET POSITION	58,645	42,649	1,950	1,400	3,350	104,644
NET POSITION HELD IN TRUST						
BEGINNING OF YEAR	422,580	217,660	10,787	7,315	18,102	658,342
END OF YEAR	$ 481,225	$ 260,309	$12,737	$ 8,715	$ 21,452	$ 762,986

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2014

(In thousands)

	BAAQMD Program	SB83 VRF Agency	Measure B Ancillary Program	Total
Assets				
Restricted assets:				
Cash and cash equivalents	$ 55	$ 1,959	$ 143	$ 2,157
Investments	4,867	18,773	-	23,640
Total Assets	4,922	20,732	143	25,797
Liabilities				
Liabilities payable from restricted assets:				
Accounts Payable	4	37	-	41
Program payable	4,918	20,695	143	25,756
Total Liabilities Payable from Restricted Assets	$ 4,922	$ 20,732	$ 143	$ 25,797

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

June 30, 2014

(In thousands)

BAAQMD Program	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
Restricted assets:				
Cash and cash equivalents	$ 789	$ -	$ 734	$ 55
Investments	3,687	1,180	-	4,867
Total restricted assets	$ 4,476	$ 1,180	$ 734	$ 4,922
Liabilities payable from restricted assets:				
Accounts Payable	$ -	$ 4	$ -	$ 4
Program payable	4,476	442	-	4,918
Total liabilities payable from restricted assets	$ 4,476	$ 446	$ -	$ 4,922
SB83 VRF Program				
Restricted assets:				
Cash and cash equivalents	$ 995	$ 964	$ -	$ 1,959
Investments	16,532	2,241	-	18,773
Total restricted assets	$ 17,527	$ 3,205	$ -	$ 20,732
Liabilities payable from restricted assets:				
Accounts Payable	$ -	$ 37	$ -	$ 37
Program payable	$ 17,527	$ 3,168	$ -	$ 20,695
Total liabilities payable from restricted assets	$ 17,527	$ 3,205	$ -	$ 20,732
Measure B Ancillary Program				
Restricted assets:				
Cash and cash equivalents	$ 150	$ -	$ 7	$ 143
Total restricted assets	$ 150	$ -	$ 7	$ 143
Liabilities payable from restricted assets:				
Program payable	$ 150	$ -	$ 7	$ 143
Total liabilities payable from restricted assets	$ 150	$ -	$ 7	$ 143
Total - All Agency Funds				
Restricted assets:				
Cash and cash equivalents	$ 1,934	$ 964	$ 741	$ 2,157
Investments	20,219	3,421	-	23,640
Total restricted assets	$ 22,153	$ 4,385	$ 741	$ 25,797
Liabilities payable from restricted assets:				
Account Payable	$ -	$ 41	$ -	$ 41
Program payable	22,153	3,610	7	25,756
Total liabilities payable from restricted assets	$ 22,153	$ 3,651	$ 7	$ 25,797

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SECTION 3 – **STATISTICAL SECTION**

FINANCIAL TRENDS:
These schedules contain trend information to help the reader understand how VTA's financial performance and financial condition have changed over time:

- Table 1 – Changes in Net Position
- Table 2 – Net Position by Components
- Table 3 – Fund Balances and Changes in Fund Balances, Governmental Funds
- Table 4 – Current Ratio
- Table 5 – Operating Revenues and Operating Expenses
- Table 6 – Non Operating Assistance and Interest Income
- Table 7 – Targeted Operating Reserves

REVENUE CAPACITY:
These schedules contain information to help the reader assess VTA's most significant local revenue source, the sales tax:

- Table 8 – Revenue Base and Revenue Rates
- Table 9 – Overlapping Revenue
- Table 10 – Principal Sales Tax Payers by Segments

DEBT CAPACITY:
These schedules present information to help the reader assess the affordability of VTA's current levels of outstanding debt and VTA's ability to issue additional debt in the future:

- Table 11 – Total Outstanding Debt by Type
- Table 12 – Ratios of Outstanding Debt
- Table 13 – Direct and Overlapping Debt and Debt Limitation
- Table 14 – Pledged Revenue Coverage - 1976 Half-Cent Sales Tax Revenue Bonds
- Table 15 – Pledged Revenue Coverage – 2000 Measure A Half-Cent Sales Tax Revenue Bonds
- Table 16 – Projected Pledged Revenue Coverage

DEMOGRAPHIC AND ECONOMIC INFORMATION:
These schedules offer demographic and economic indicators to help the reader understand the environment within which VTA's financial activities take place:

- Table 17 – Population Trends
- Table 18 – Income and Unemployment Rates
- Table 19 – Wage and Salary Employment by Industry (Annual Average)
- Table 20 – Silicon Valley Major Employers

OPERATING INFORMATION:

- Table 21 – Operating Indicators
- Table 22 – Farebox Recovery Ratio
- Table 23 – Revenue Miles
- Table 24 – Passenger Miles
- Table 25 – Selected Statistical Data
- Table 26 – System Data
- Table 27 – Employees
- Table 28 – Capital Assets

Source: Unless otherwise indicated, the source of information presented in the Statistical Section is VTA's current or prior years' CAFR.

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Table 1-1

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Financial Trends - Changes in Net Position

Ten Years Ended June 30, 2014

(In thousands)

	Fiscal Years									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
EXPENSES										
Business-type activities:										
Operations and Operating Projects	$ 300,430	$ 339,857	$ 321,059	$ 344,469	$ 343,973	$ 338,771	$ 343,302	$ 364,723	$375,086	$ 392,042
Caltrain Subsidy	14,112	14,801	15,237	15,416	15,878	15,878	14,135	10,207	13,700	7,291
Capital Expenses on behalf of, and contribution to other agencies	-	27,399	7,272	19,331	42,626	81,714	66,782	80,083	138,794	93,952
Altamont Commuter Express Subsidy	2,470	2,470	2,542	2,621	2,707	2,707	2,706	2,707	2,939	3,019
Interest Expense	13,761	11,562	13,672	12,214	11,651	20,583	23,536	31,307	31,655	27,088
Other Expenses	3,316	6,972	4,636	3,280	5,446	7,268	15,434	8,059	5,865	11,096
Benefit Payments	21,370	11,538	14,285	10,513	9,826	7,693	8,410	11,419	10,689	17,947
Total Business-Type Activities Expenses	355,459	414,599	378,703	407,844	432,107	474,614	474,305	508,505	578,728	552,435
Governmental activities:										
Operations and operating projects	4,735	5,982	6,528	6,450	8,840	7,164	7,196	6,692	7,622	7,544
Contribution to agencies	-	-	-	-	-	-	867	37	25	68
Capital projects for the benefit of other agencies	94,146	80,763	45,806	43,798	26,398	19,402	21,091	19,052	34,245	36,184
Total governmental activities expenses	98,881	86,745	52,334	50,248	35,238	26,566	29,154	25,781	41,892	43,796
Total primary government expenses	$ 454,340	$ 501,344	$ 431,037	$ 458,092	$ 467,345	$ 501,180	$ 503,459	$ 534,286	$620,620	$ 596,231
PROGRAM REVENUES										
Business-type activities:										
Charges for services	$ 34,692	$ 36,926	$ 37,876	$ 38,053	$ 38,439	$ 38,830	$ 40,014	$ 40,070	$ 41,821	$ 42,420
Operating grants	113,925	114,764	140,431	126,505	114,937	126,934	137,804	140,419	142,577	148,669
Capital grants	96,860	22,522	199,999	153,443	82,175	92,594	148,303	115,584	272,950	193,899
Total business-type activities program revenues	245,477	174,212	378,306	318,001	235,551	258,358	326,121	296,073	457,348	384,988
Governmental activities:										
Charges for services	2,231	2,290	2,397	2,475	2,618	2,606	2,520	2,503	2,520	2,519
Operating grants	1,190	850	1,023	2,193	1,496	1,854	2,127	2,110	1,775	2,424
Capital grants	95,746	83,207	48,180	45,109	29,479	22,314	24,051	21,530	37,612	38,989
Total governmental activities program revenues	99,167	86,347	51,600	49,777	33,593	26,774	28,698	26,143	41,907	43,932
Total primary government revenues	$ 344,644	$ 260,559	$ 429,906	$ 367,778	$ 269,144	$ 285,132	$ 354,819	$ 322,216	$499,255	$ 428,920
NET PROGRAM (EXPENSES)/REVENUES										
Business-type activities	$(109,982)	$(240,387)	$ (397)	$ (89,843)	$(196,556)	$(216,256)	$(148,184)	$(212,432)	($121,380)	$(167,447)
Governmental activities	286	(398)	(734)	(471)	(1,645)	208	(456)	362	15	136
Total primary government net program (expenses)/revenues	$(109,696)	$(240,785)	$ (1,131)	$ (90,314)	$(198,201)	$(216,048)	$(148,640)	$(212,070)	($121,365)	$(167,311)

Table 1-2
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Changes in Net Position
Ten Years Ended June 30, 2014
(In thousands)

	Fiscal Years									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Business-type activities:										
Sales tax revenue	$ 145,008	$ 195,453	$ 325,037	$ 323,575	$ 274,903	$ 279,342	$ 306,456	$ 332,847	$ 395,163	$ 417,486
Investment income	11,206	10,537	27,288	22,511	16,862	7,352	11,039	19,289	316	9,861
Proceed from sale of land	-	-	-	-	-	-	642	6,300	4,052	-
Federal subsidy for Build America Bonds	-	-	-	-	-	-	5,848	9,399	9,126	8,755
Other income	2,628	9,158	1,347	3,523	3,385	3,241	6,865	6,007	3,254	7,325
Special items:										
Loss from sublease of vehicles	(7,773)	-	-	-	-	-	-	-	-	-
Transfer to OPEB Trust	-	-	-	(101,738)	-	-	-	-	-	-
Change in provisions for workers' compensation claims	-	-	23,769	4,662	3,500	-	5,716	-	-	-
Total business-type activities	151,069	215,148	377,441	252,533	298,650	289,935	336,566	373,842	411,911	443,427
Governmental activities:										
Investment income	174	207	267	349	41	12	10	31	8	23
Other income	19	28	3	151	161	15	1,106	104	115	279
Total governmental activities	193	235	270	500	202	27	1,116	135	123	302
TOTAL PRIMARY GOVERNMENT	151,262	215,383	377,711	253,033	298,852	289,962	337,682	373,977	$ 412,034	443,729
CHANGE IN NET POSITION										
Business-type activities	41,087	(25,239)	377,044	162,690	102,094	73,679	188,382	161,410	290,531	275,980
Governmental activities	479	(163)	(464)	29	(1,443)	235	660	497	138	438
Total primary government	$ 41,566	$ (25,402)	$ 376,580	$ 162,719	$ 100,651	$ 73,914	$ 189,042	$ 161,907	$ 290,669	$ 276,418

TABLE 2

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Financial Trends - Net Position by Component

Ten Years Ended June 30, 2014

(In thousands)

	Fiscal Years									
	2005	**2006**	**2007**	**2008**	**2009**[1]	**2010**	**2011**	**2012**	**2013**	**2014**
BUSINESS-TYPE ACTIVITIES										
Net Investment in Capital Assets	$ 1,867,513	$ 1,817,396	$ 1,888,879	$ 2,056,769	$ 2,180,768	$ 2,195,790	$ 2,220,118	$ 2,351,676	$ 2,481,805	$ 2,613,290
Restricted	44,400	35,153	353,186	141,764	362,079	449,096	572,054	548,367	649,724	759,608
Unrestricted	210,973	245,098	232,626	438,848	196,628	168,268	209,364	262,903	321,948	356,559
Total Business-Type Activities Net Position	2,122,886	2,097,647	2,474,691	2,637,381	2,739,475	2,813,154	3,001,536	3,162,946	3,453,477	3,729,457
GOVERNMENTAL ACTIVITIES										
Restricted Net Position	2,184	1,930	1,466	1,495	52	287	947	1,444	1,582	2,020
PRIMARY GOVERNMENT										
Net investment in Capital Assets	1,867,513	1,817,396	1,888,879	2,056,769	2,180,768	2,195,790	2,220,118	2,351,676	2,481,805	2,613,290
Restricted	46,584	37,083	354,652	143,259	362,131	449,383	573,001	549,811	651,306	761,628
Unrestricted	210,973	245,098	232,626	438,848	196,628	168,268	209,364	262,903	321,948	356,559
Total Primary Governmental Net Position	$ 2,125,070	$ 2,099,577	$ 2,476,157	$ 2,638,876	$ 2,739,527	$ 2,813,441	$ 3,002,483	$ 3,164,390	$ 3,455,059	$ 3,731,477

[1] Business-type amount reclassified to match 2010 presentation.

TABLE 3

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Financial Trends - Fund Balances and Changes in Fund Balances, Governmental Funds

Ten Years Ended June 30, 2014

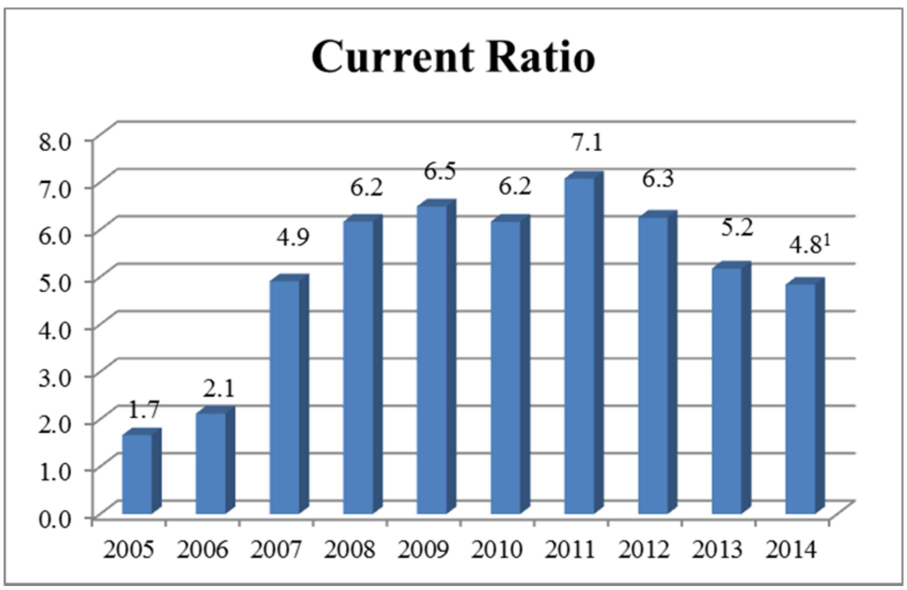
(Modified Accrual Basis of Accounting)

(In thousands)

	Fiscal Years									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
REVENUES										
Member Agency Assessment Revenue	$2,174	$2,250	$2,329	$2,410	$ 2,495	$2,495	$2,407	$2,407	$2,407	$2,407
Federal Technical Studies Operating Assistance Grants	1,036	621	794	1,102	915	1,235	1,398	1,367	1,014	1,728
Administrative Fees	57	40	68	65	123	111	113	96	113	112
State and Local Assistance Grants	63	229	229	1,091	581	619	729	743	761	696
Federal, State and Local Grant Revenues	95,746	83,207	48,180	45,109	29,479	22,314	24,051	21,530	37,612	38,989
Other Revenues	19	28	3	151	161	15	1,106	104	115	279
Investment Earnings	174	207	267	349	41	12	10	31	8	23
Total Revenues	99,269	86,582	51,870	50,277	33,795	26,801	29,814	26,278	42,030	44,234
EXPENDITURES										
Current:										
Congestion Management:										
VTA Labor and Overhead Costs	4,177	5,179	5,640	5,680	8,006	6,606	6,814	6,245	7,044	7,160
Professional Services	640	803	888	770	793	541	374	436	563	359
Program Expenditures	-	-	-	-	41	17	8	11	15	25
Contribution to agencies	-	-	-	-	-	-	867	37	25	68
Capital Improvement Projects	94,064	80,763	45,806	43,798	26,398	19,402	21,091	19,052	34,245	36,184
Total Expenditures	98,881	86,745	52,334	50,248	35,238	26,566	29,154	25,781	41,892	43,796
Excess (Deficiency) of Revenues Over Expenditures	388	(163)	(464)	29	(1,443)	235	660	497	138	438
OTHER FINANCING SOURCES (USES):										
Transfer In	86	-	-	-	-	-	-	-	-	-
Transfer Out	(86)	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	$ 388	$ (163)	$ (464)	$ 29	$(1,443)	$ 235	$ 660	$ 497	$138	$ 438
TOTAL GOVERNMENTAL FUNDS										
Restricted – Capital Projects Funds	(258)	-	-	-	-	-	-	-	-	-
Restricted – Special Revenue Funds	2,351	1,930	1,466	1,495	52	287	947	1,444	1582	2,020
Total Governmental Funds	$2,093	$1,930	$1,466	$1,495	$ 52	$ 287	$ 947	$1,444	$1,582	$2,020

TABLE 4
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Current Ratio
Enterprise Funds
Ten Years Ended June 30, 2014

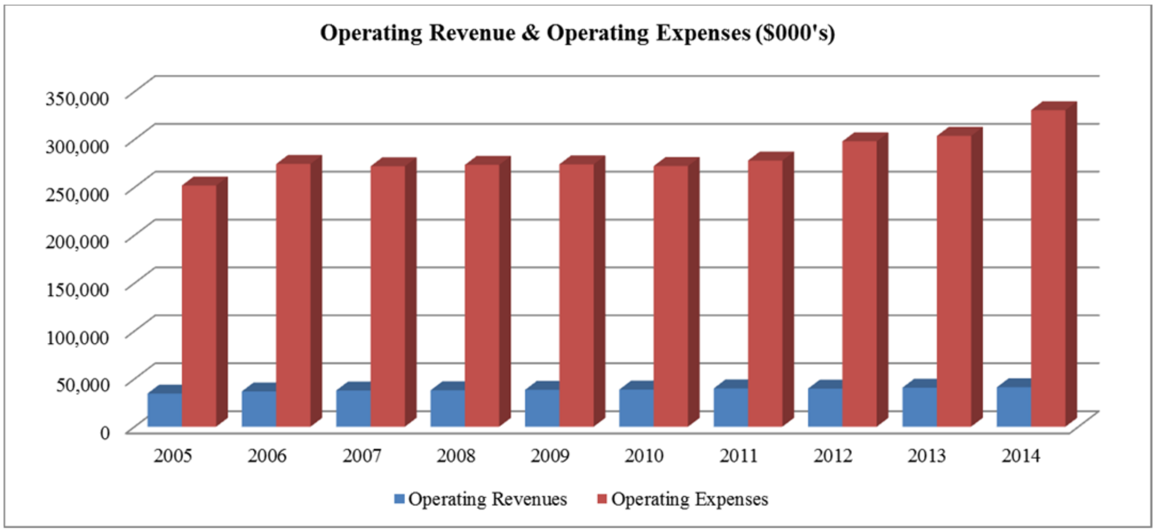
The Current Ratio indicates VTA's ability to meet all of its short-term liabilities with liquid assets and is determined by dividing total current assets and restricted assets by all current liabilities and liabilities payable from restricted assets. A Current Ratio of 1 or higher is an indication of financial strength.



[1]Current assets exclude 2010 Measure A bond proceeds of $241 million. Although bond proceeds are with fiscal agent and categorized as current, these are restricted for 2000 Measure A projects.

TABLE 5
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Operating Revenues & Operating Expenses
VTA Transit
Ten Years Ended June 30, 2014

The chart below shows a comparison of operating revenue to expenses. Operating expenses are exclusive of purchased transportation and depreciation to more accurately reflect operating expenses related to direct operating service.

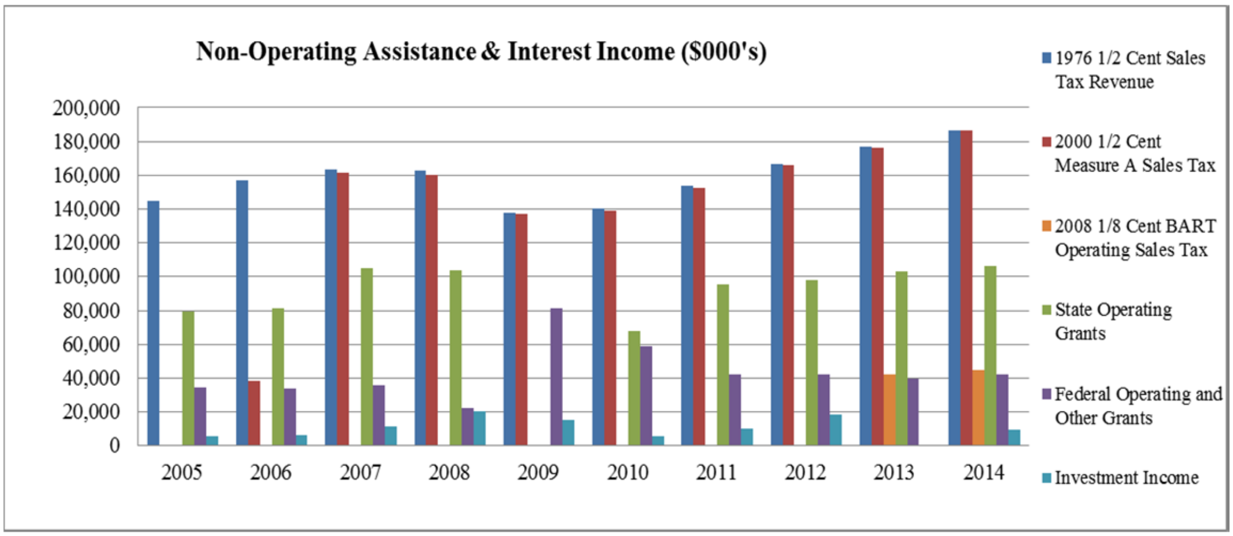


Operating Revenues and Operating Expenses

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenues	$ 34,692	$ 36,926	$ 37,876	$ 38,053	$ 38,439	$ 38,830	$ 40,014	$ 39,852	$ 40,772	$ 41,198
Operating Expenses	251,874	274,426	271,975	273,495	273,979	272,196	277,984	297,988	303,622	330,614

TABLE 6
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Non-Operating Assistance and Interest Income
Enterprise Funds
Ten Years Ended June 30, 2014

The following chart illustrates trends in selected non-operating revenue sources. Sales tax revenue is the largest non-operating revenue source shown in the following graph. This is the second year of collection for 2008 Measure B Eighth-Cent BART Operating Sales Tax revenue and the ninth year of collection for 2000 Measure A Half-Cent Sales Tax revenue.



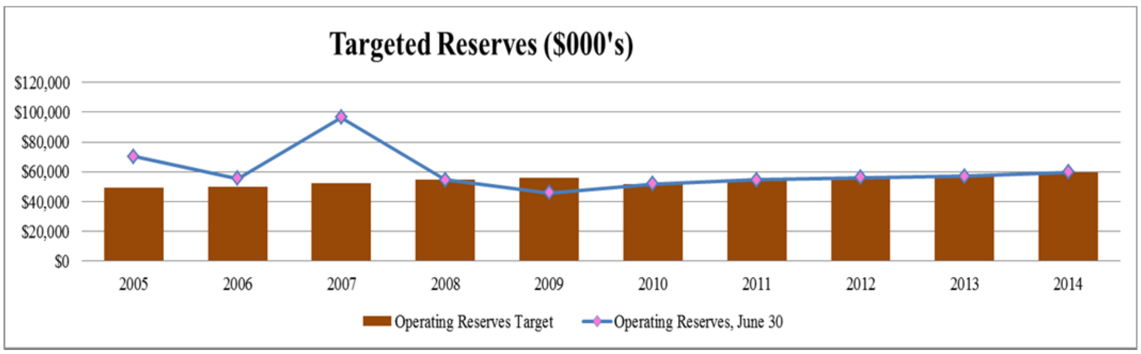
Non-Operating Assistance and Interest Income

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1976 1/2 Cent Sales Tax Revenue	$ 145,008	$ 157,283	$ 163,676	$ 163,038	$ 137,642	$ 140,037	$ 153,601	$ 166,567	$ 176,716	$ 186,431
2000 1/2 Cent Measure A Sales Tax Revenue [1]	-	38,170	161,361	160,537	137,261	139,305	152,855	166,280	176,533	186,302
2008 1/8 Cent BART Operating Sales Tax Revenue [2]	-	-	-	-	-	-	-	-	41,914	44,753
State Operating Grants	79,509	81,199	104,917	104,080	-	67,834	95,579	98,133	103,213	106,439
Federal Operating and Other Grants	34,416	33,565	35,514	22,425	81,488	59,100	42,225	42,286	39,364	42,230
Investment Income	5,666	6,457	11,304	20,370	15,341	5,764	10,067	18,594	292	9,555

[1] The collection of VTA's 2000 Measure A Sales Tax started on April 1, 2006.
[2] The collection of 1/8 cent sales tax for BART Operating started on July 1, 2012.

TABLE 7
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Targeted Operating Reserves
VTA Transit Fund
Ten Years Ended June 30, 2014

The policy adopted by the VTA Board established an operating reserve goal of 15% of final operating budget. To calculate the actual reserve at fiscal year end, total current assets are reduced by total current liabilities (except current portion of long-term debt) to determine current net position. Current Net Position is then reduced by inventory and other current assets to reach a current operating reserve total.



	2005	2006	2007	2008	2009	2010[1]	2011[2]	2012[3]	2013	2014
Current Assets, excluding restricted asset	$ 126,644	$ 113,717	$ 158,291[4]	$ 120,374	$ 103,697	$ 104,933	$ 108,396	$ 106,085	$ 101,726	$ 110,906
Total Current Liabilities, excluding restricted liability	(37,762)	(37,945)	(41,602)	(44,953)	(33,716)	(30,950)	(33,484)	(29,547)	(24,329)	(29,790)
Current Net Position	$ 88,882	$ 75,772	$ 116,689	$ 75,421	$ 69,981	$ 73,983	$ 74,912	$ 76,538	$ 77,397	$ 81,116
Less: Inventory & Other Current Assets[5]	(18,713)	(20,361)	(20,234)	(20,791)	(23,936)	(22,126)	(20,317)	(20,270)	(20,373)	(21,289)
Operating Reserves, June 30	$ 70,169	$ 55,411	$ 96,455	$ 54,630	$ 46,045	$ 51,857	$ 54,595	$ 56,268	$ 57,024	$ 59,827
Operating Reserves Target (15% of Budgeted Expenses)	$ 49,112	$ 50,081	$ 52,599	$ 54,630	$ 55,760	$ 51,857	$ 54,595	$ 56,268	$ 57,024	$ 59,827

[1] In FY2010, the operating reserve target is 15% of final operating budget at June 30. In Prior years, it was based on 15% of adopted operating budget.

[2] Starting FY2011, the operating reserve target is based on 15% of subsequent year's operating budget.

[3] Starting FY2012, the current assets balance includes a transfer to the following reserve accounts:
local share of capital projects, debt reduction, and sales tax stabilization.

[4] Includes transfer to debt reduction fund of $50 M.

[5] Starting FY2008, this includes inventory and other current assets; prior years included inventory only.

TABLE 8
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity - Revenue Base and Revenue Rates
Ten Years Ended June 30, 2014

	Fiscal Years									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Passenger Fares [1]	$ 32,061	$ 34,335	$ 35,242	$ 35,830	$ 36,184	$ 36,857	$ 38,106	$ 37,744	$ 38,331	$ 38,372
Percentage Increase/(Decrease) from Prior Year	4.7 %	7.1 %	2.6 %	1.7 %	1.0 %	1.9 %	3.4 %	(0.9)%	1.6%	0.1%
Revenue Base										
Number of Passengers [2]	37,077,149	39,217,851	41,990,098	43,555,049	45,264,434	41,733,376	41,409,630	42,426,797	43,174,646	43,428,492
Percentage Increase/(Decrease) from Prior Year	(3.4)%	5.8 %	7.1 %	3.7 %	3.9 %	(7.8)%	(0.8)%	2.5 %	1.8%	0.6 %
Fare Structure										
Adult Local Fare	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 1.75	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00
Youth Local Fare	1.50	1.50	1.50	1.50	1.50	1.75	1.75	1.75	1.75	1.75
Senior/Disabled Local Fare	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
Sales Tax Revenues (In thousands)										
1976 1/2 Cent Sales Tax [3]	$ 145,008	$ 157,283	$ 163,676	$ 163,038	$ 137,642	$ 140,037	$ 153,601	$ 166,567	$ 176,716	$ 186,431
2000 Measure A 1/2 Cent Sales Tax [4]	-	38,170	161,361	160,537	137,261	139,305	152,855	166,280	176,533	186,302
2008 1/8 Cent BART Operating Sales Tax [5]	-	-	-	-	-	-	-	-	41,914	44,753
Total Sales Tax Revenue Receipts [6]	$ 145,008	$ 195,453	$ 325,037	$ 323,575	$ 274,903	$ 279,342	$ 306,456	$ 332,847	$ 395,163	$ 417,486
Percentage Increase/(Decrease) from Prior Year										
1976 1/2 Cent Sales Tax	4.4 %	8.5 %	4.1 %	(0.4)%	(15.6)%	1.7 %	9.7 %	8.4 %	6.1%	5.5 %
2000 Measure A 1/2 Cent Sales Tax	N/A	N/A	322.7 %	(0.5)%	(14.5)%	1.5 %	9.7 %	8.8 %	6.2%	5.5 %
2008 1/8 Cent BART Operating Sales Tax	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.8 %

[1] Includes fares for directly operated transit services such as bus, light rail, and shuttle services.
[2] Represents system ridership total boarding.
Source: VTA Operations Division
[3] The 1976 half-cent sales tax was approved by County voters in 1976 to fund VTA's transit operations and transportation improvement.
[4] The 2000 Measure A half-cent sales tax was approved by County voters in 2000 to fund specific transportation improvement projects.
The collection of this half-cent tax measure started in April 2006.
[5] The 2008 1/8 cent Sales Tax was approved by County voters in 2008 to fund BART operating activities.
The collection of this 1/8 cent tax measure started in July 2012.
[6] VTA receives the sales tax based on the total taxable sales activity in the County.

TABLE 9
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity - Overlapping Revenue
Sales Tax Rates
Ten Years Ended June 30, 2014

Fiscal Year	State	City	County[1]	VTA[2]	Total
2005	6.25%	1.00%	0.50%	0.50%	8.25%
2006[3]	6.25%	1.00%	0.00%	1.00%	8.25%
2007	6.25%	1.00%	0.00%	1.00%	8.25%
2008	6.25%	1.00%	0.00%	1.00%	8.25%
2009[4]	7.25%	1.00%	0.00%	1.00%	9.25%
2010	7.25%	1.00%	0.00%	1.00%	9.25%
2011	7.25%	1.00%	0.00%	1.00%	9.25%
2012[5]	6.25%	1.00%	0.00%	1.00%	8.25%
2013[6]	6.63%	1.00%	0.00%	1.12%	8.75%
2014	6.63%	1.00%	0.00%	1.12%	8.75%

[1] Measure B, approved by Santa Clara County voters in the November 1996 General Election, authorized the Santa Clara County Board of Supervisors to collect a half-cent sales tax for nine years. The 1996 sales tax funded specific countywide transportation projects approved by voters under Measure A during the same election. The 1996 sales tax expired on March 31, 2006.

[2] VTA has three specific sales tax measures approved by the voters. The 1976 half-cent sales tax measure was approved by voters in 1976 and does not have a sunset clause. The 2000 Measure A half-cent sales tax was approved in the 2000 General Election and became effective on April 1, 2006. The 30-year sales tax measure will sunset on March 31, 2036. The 2008 1/8-cent sales tax was approved by County voters in 2008 to fund BART Operating and maintenance. The collection of this 1/8-cent tax measure started in July 2012.

[3] There was a partial year collection of 1996 Measure B Sales Tax which expired on March 31, 2006. The collection of VTA's 2000 Measure A Sales Tax started on April 1, 2006.

[4] California state legislature approved a 1% sales tax increase effective July 1, 2009.
Source: California Board of Equalization.

[5] The 1% sales tax increase approved by the California state legislature in 2009 expired on July 1, 2011.
Source: California Board of Equalization.

[6] There was a 0.125% increase for Bart Operation and Maintenance tax effective July 1, 2012. Due to the approval of Proposition 30, the statewide base sales and use tax rate increased by 0.25% effective January 1, 2013. The higher tax rate will apply for four years- January 1, 2013 through December 31, 2016. Effective 4/1/2013, there was a 0.125% increase for Retail Transactions and Use tax.

Source: California Board of Equalization

TABLE 10
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity - Principal Sales Tax Payers by Segments
(In millions)

	Fiscal Year 2013 [1]			Fiscal Year 2004		
Principal Revenue Payers	**Rank**	**Percentage of Taxable Sales**	**Amount**	**Rank**	**Percentage of Taxable Sales**	**Amount**
Total all Other Outlets [2]	1	40.7%	$ 15,050	1	38.6%	$ 10,765
Motor Vehicle & Parts Dealers	2	10.7%	3,948	2	12.0%	3,353
Food Services & Drinking Places	3	9.5%	3,498	5	7.9%	2,214
Gasoline Stations	4	7.1%	2,638	7	5.4%	1,494
General Merchandise Stores	5	6.9%	2,568	4	8.3%	2,320
Clothing & Clothing Accessories	6	6.1%	2,261	8	4.2%	1,175
Bldg. Matrl. & Garden Equip. & Suppl.	7	4.0%	1,477	6	5.8%	1,608
Electronics & Appliance Stores	8	3.8%	1,417	13	1.0%	293
Food & Beverage Stores	9	2.9%	1,089	9	3.4%	952
Sport Goods, Hobby, Book & Music	10	2.0%	731	12	1.2%	321
Miscellaneous Store Retailers	11	1.9%	688	3	9.0%	2,511
Health & Personal Care Stores	12	1.6%	608	11	1.2%	341
Furniture & Home Furnishing Stores	13	1.6%	588	10	2.0%	559
Non-Store Retailers	14	1.2%	452	14	0.0%	-
Total		100.0%	$ 37,013		100.0%	$ 27,906

[1] 2014 data not available at printing
[2] This category is made up of diverse manufacturers and wholesalers, construction contractors, petroleum producer, and a multitude of professional services.

Source: State Board of Equalization, Taxable Sales in California (Sales and Use Tax)

TABLE 11
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Total Outstanding Debt by Type
Ten Years Ended June 30, 2014
(In thousands)

Fiscal Year	Series 1985 A Equipment Trust Certificates[1]	1976 Sales Tax Revenue Bonds	2000 Sales Tax Revenue Bonds	Total Outstanding Debt
2005	$ 29,660	$ 288,758	$ 390,309	$ 708,727
2006	29,660	280,319	390,036	700,015
2007	29,200	271,277	445,651	746,128
2008	26,500	279,600	356,825	662,925
2009	-	270,710	355,970	626,680
2010	-	246,298	369,775	616,073
2011	-	237,817	1,036,892	1,274,709
2012	-	219,399	1,029,105	1,248,504
2013	-	209,007	1,021,127	1,230,134
2014	-	210,536	983,255	1,193,791

[1] $26.5 million redeemed in FY2009.

TABLE 12
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity - Ratios of Outstanding Debt
Ten Years Ended June 30, 2014

Fiscal Year	Total Outstanding Debt (In thousands)	Total County Taxable Sales[1] (In thousands)	Total Debt as a % of Taxable Sales	Personal Income[2] (In thousands)	Total Debt as a % of Personal Income	Santa Clara County Population (In thousands)	Total Debt per Capita
2005	$ 708,727	$ 28,878,355	2.45%	$ 87,881,146	0.81%	1,760	$ 403
2006	700,015	31,623,873	2.21%	96,092,804	0.73%	1,773	395
2007	746,128	33,131,466	2.25%	103,501,849	0.72%	1,808	413
2008	662,925	33,476,000	1.98%	104,331,553	0.64%	1,837	361
2009	626,680	29,009,000	2.16%	96,315,176	0.63%	1,858	337
2010	616,073	28,720,000	2.15%	103,636,350	0.59%	1,880	328
2011	1,274,709	32,238,000	3.95%	111,880,131	1.14%	1,782	715
2012	1,248,504	34,698,000	3.60%	122,259,021	1.02%	1,816	688
2013	1,230,134	37,013,000	3.32%	123,481,611	1.08%	1,842	668
2014	1,193,791	37,383,130	3.19%	124,716,427	0.96%	1,869	639

[1] Taxable sales data is available through Fiscal Year 2013. FY 2014 assumes a 1% increase over the previous year's numbers.
[2] Personal income actual is available through Fiscal Year 2012. FYs 2013 and 2014 assume a 1% increase over the previous year's numbers.

The total outstanding debt is pledged by VTA's sales tax revenues which were approved by Santa Clara County voters as follows: The 1976 ½-cent Sales Tax Measure in 1976; the 2000 Measure A ½-cent Sales Tax in 2000. Collection of the 2000 Measure A ½-cent Sales Tax began in April 2006.

TABLE 13
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Direct and Overlapping Debt and Debt Limitation

Santa Clara Valley Transportation Authority does not have overlapping debt with other governments.

Santa Clara Valley Transportation Authority does not have a legal debt limit.

TABLE 14
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Pledged Revenue Coverage – 1976 Half-Cent Sales Tax Revenue Bonds
Ten Years Ended June 30, 2014
(In thousands)

	Available Revenue	Annual Debt Service[1]			
Fiscal Year	Sales Tax Revenue	Principal	Interest[2]	Total	Coverage
2005	$ 145,008	$ 9,290	$ 13,761	$ 23,051	6.3
2006	157,283	10,955	11,562	22,517	7.0
2007	163,676	10,855	13,672	24,527	6.7
2008	163,038	11,315	12,214	23,529	6.9
2009	137,642	8,890	11,651	20,541	6.7
2010	140,037	9180[3]	7,025	16,205	8.6
2011	152,050	9,370	6,748	16,118	9.4
2012	166,567	10,215	8,153	18,368	9.1
2013	176,716	10,400	9,194	19,594	9.0
2014	186,431	10,435	9,766	20,201	9.2

[1] This schedule includes Junior and Senior Lien debts.
[2] Interest is exclusive of interest earned from bond proceeds.
[3] This does not include regular principal of $2.9 million due for 1985 Equipment Trust Certificates as this debt was redeemed in FY 2009.

TABLE 15
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity - Pledged Revenue Coverage - 2000 Measure A Half-Cent Sales Tax Revenue Bonds
Ten Years Ended June 30, 2014
(In thousands)

	Available Revenue	Annual Debt Service			
Fiscal Year	**Sales Tax Revenue**	**Principal**	**Interest**[1]	**Total**	**Coverage**[2]
2005	$ -	$ -	$ 11,996	$ 11,996	-
2006	38,170	-	17,467	17,467	n/a[3]
2007	161,361	-	15,202	15,202	10.6
2008	160,537	-	14,943	14,943	10.7
2009	137,261	855	12,321	13,176	10.4
2010	139,305	-	14,156	14,156	9.8
2011	151,518	2,430	33,490	35,920	4.2
2012	166,280	2,525	44,337	46,862	3.5
2013	176,533	2,625	44,262	46,887	3.8
2014	186,302	24,595	45,577	70,172	2.7

[1] This is exclusive of interest earned from bond proceeds.
[2] Bond indenture requires VTA to maintain coverage ratio of at least 1.3.
[3] Collection of the 2000 Measure A Sales Tax began in April 2006.

TABLE 16
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Projected Pledged Revenue Coverage
(Proforma and Unaudited)

The table below presents a five-year projection of debt service coverage based on estimates of the 1976 Sales Tax Revenues for the five years ending June 30, 2015 through 2019.

1976 Sales Tax Revenues and Senior Lien Debt Service Coverage
Fiscal Years Ending June 30, 2015 – 2019 (Proforma and Unaudited)
(In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase[1*]	Aggregate Debt Service[2]	Projected Coverage[3]
2015	$ 190,845	4.61%	$ 17,909	10.66
2016	203,549	6.66%	21,080	9.66
2017	214,609	5.43%	21,082	10.18
2018	223,789	4.28%	21,079	10.62
2019	230,910	3.18%	21,075	10.96

The table below presents a five-year projection of debt service coverage for the Measure A Bonds, based on estimates of the 2000 Measure A Sales Tax Revenues for the five years ending June 30, 2015 through 2019.

2000 Measure A Sales Tax Revenues and Debt Service Coverage
Fiscal Years Ending June 30, 2015 – 2019 (Proforma and Unaudited)
(In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase[1*]	Aggregate Debt Service[4]	Projected Coverage[3]
2015	$ 190,559	4.61%	$ 74,050	2.57
2016	203,244	6.66%	74,050	2.74
2017	214,287	5.43%	74,017	2.90
2018	223,453	4.28%	73,980	3.02
2019	230,563	3.18%	73,968	3.12

[1] Source: Growth rates provided by outside economists.
[2] Includes actual debt service on the 2007 and 2011 Bonds. Debt Service on the 2008 Bonds is calculated based on the rate established pursuant to the 2008 Swap Agreement, 3.145%.
[3] Does not include any additional parity debt.
[4] Includes actual debt service on the 2007 and 2010 Bonds. Debt Service on the 2008 Bonds is calculated based on the rate established pursuant to the 2008 Swap Agreement, 3.765%.
*No assurance is given that actual results will meet the forecasts of VTA in any way.

TABLE 17
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data – Population Trends

According to population estimates provided by the State of California, the number of residents in Santa Clara County is increasing gradually on a yearly basis. The County's population increased by approximately 4.88% in 2014 Census compared to the 2010 Census.

A historical summary of population in the County and its incorporated cities is provided in the following table:

County of Santa Clara Population

	1960	1970	1980	1990	2000	2010	2014
Campbell	11,863	24,731	26,843	36,048	38,138	39,349	41,993
Cupertino	3,664	18,216	34,297	40,263	50,546	58,302	59,946
Gilroy	7,348	12,665	21,641	31,487	41,464	48,821	52,413
Los Altos	19,696	24,872	25,769	26,303	27,693	28,976	29,969
Los Altos Hills	3,412	6,862	7,421	7,514	7,902	7,922	8,354
Los Gatos	9,036	23,466	26,906	27,357	28,592	29,413	30,532
Milpitas	6,572	27,149	37,820	50,686	62,698	66,790	70,092
Monte Sereno	1,506	3,074	3,434	3,287	3,483	3,341	3,450
Morgan Hill	3,151	6,485	17,060	23,928	33,556	37,882	41,197
Mountain View	30,889	54,206	58,655	67,460	70,708	74,066	76,781
Palo Alto	52,475	55,999	55,225	55,900	58,598	64,403	66,861
San Jose	204,196	445,779	629,400	782,248	894,943	945,942	1,000,536
Santa Clara	58,880	87,717	87,700	93,613	102,361	116,468	121,229
Saratoga	14,861	27,199	29,261	28,061	29,843	29,926	30,887
Sunnyvale	51,898	95,408	106,618	117,229	131,760	140,081	147,055
Unincorporated	162,056	152,181	127,021	106,193	100,300	89,960	87,263
County Total[1]	641,503	1,066,009	1,295,071	1,497,577	1,682,585	1,781,642	1,868,558
California	15,717,204	18,136,045	23,668,145	29,760,021	33,871,648	37,253,956	38,340,000

[1] Totals may not be precise due to independent rounding.

Source: U.S. Census; State of California, Department of Finance, Demographic Research Unit.

TABLE 18
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Income and Unemployment Rates
Ten Years Ended June 30, 2014

Year	Santa Clara County Personal Income (In thousands)[1,2]	Santa Clara County Per Capita Personal Income [1,2]	Unemployment Rate[3]
2005	$ 87,881,146	$ 51,277	5.5%
2006	96,092,804	55,020	5.0%
2007	103,501,849	60,107	4.7%
2008	104,331,553	59,227	5.1%
2009	96,315,176	55,781	11.8%
2010	103,636,350	58,018	11.3%
2011	111,880,131	61,833	10.3%
2012	122,259,021	66,535	8.7%
2013	123,481,611	67,200	6.8%
2014	124,716,427	67,872	5.4%

[1] Bureau of Economic Analysis U.S. Department of Commerce.
[2] Actual data is available through 2012. Years 2013 and 2014 data are preliminary and assume a 1% increase over prior year.
[3] California Employment Development Department. Not seasonally adjusted.

TABLE 19
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data – Wage and Salary Employment by Industry (Annual Average)
Ten Years Ending June 30, 2013
(In thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Civilian Labor Force [1]	828.8	823.7	834.4	855.2	876.8	879.8	871.6	894.8	910.9	924.0
Civilian Employment	774.2	778.7	797.1	814.7	825.2	777.5	774.0	804.6	830.6	857.5
Civilian Unemployment	54.6	45.0	37.3	40.5	51.7	102.2	97.6	90.2	80.3	66.5
Civilian Unemployment Rate										
County	6.6%	5.5%	4.5%	4.7%	5.9%	11.6%	11.2%	10.1%	8.8%	7.2%
State of California	6.5%	5.4%	4.9%	5.4%	7.0%	11.6%	12.2%	12.0%	10.6%	8.5%
Wage and Salary Employment [2]										
Total Farm Agriculture	4.1	3.8	3.8	3.7	4.6	3.6	3.6	3.4	3.5	5.1
Construction and Mining	40.1	42.7	45.5	49.5	50.1	32.9	32.3	30.9	35.6	37.6
Manufacturing	167.9	168.6	167.4	163.7	166.3	153.5	150.7	154.6	155.1	156.3
Transportation & Public Utilities	13.3	13.0	12.6	13.1	13.8	11.7	11.9	11.8	12.7	13.9
Wholesale Trade	34.0	35.1	37.6	39.1	39.9	36.0	34.7	35.0	34.4	36.2
Retail Trade	80.2	81.7	83.1	86.2	88.2	77.4	75.6	77.5	80.3	84.2
Finance, Insurance & Real	34.7	35.9	36.8	38.2	39.5	31.5	30.8	31.2	33.6	33.9
Services	385.0	384.8	401.3	416.7	424.1	404.4	418.5	432.8	455.4	450.0
Government	91.7	93.0	93.5	90.2	92.7	95.0	93.4	88.6	90.2	93.5
Total [3]	851.0	858.6	881.6	900.4	919.2	846.0	851.5	865.8	900.8	910.7

[1] Labor force data are based upon place of residence. Employment includes self-employed, unpaid family, workers domestics, and workers involved in labor-management disputes. Data are benchmarked to 2013. FY 2013 is the most recent available data.
[2] Wage and salary employment is reported by place of work. Data are benchmarked to 2013.
[3] Totals may not be precise due to independent rounding.

Sources: State of California, Employment Development Department
Department of Finance, Statistics & Demographic Research.
www.dice.com, April 2007 - Technology Job Market – Silicon Valley, CA Q1 2007

TABLE 20
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data – Silicon Valley Major Employers
Current Year and Nine Years ago

Company Name	Nature of Operations		FY 2014 Number of Employees	FY 2014 Rank	FY 2005 Number of Employees	FY 2005 Rank
Apple Inc.	Computer electronics	*	16,000	1	NA	
County of Santa Clara	County government		15,800	2	15,316	1
Cisco Systems, Inc.	Design,manufactgure & sell networking equipment		15,633	3	13,000	2
Kaiser Permanente	Integrated healthcare delivery plan		13,500	4	NA	
Stanford University	Research university		11,707	5	12,000	3
Google Inc.	Search, advertising and web software	*	11,000	6	NA	
Oracle Corp.	Hardware and software,cloud		8,000	7	NA	
Stanford Hospital & Clinics	Health System		7,689	8	NA	
Lockheed Martin Space Systems Co.	Aerospace		7,000	9	7,400	4
Santa Clara Valley Health & Hospital System	Public healthcare system		6,462	10	NA	
Intel Corp.	Semiconductor		6,277	11	6,136	7
City of San Jose	Government Agency		4,705	12	7,325	5
County of Monterey	County government		4,647	13	NA	
U.S.Postal Service	Mail service		4,500	14	NA	
IBM Corp.	Multinational consulting and technology company		4,000	15	7,000	6
Juniper Networks Inc.	Computer networks		4,000	15	NA	
Palo Alto Medical Foundation	Not-for-profit healthercare organization and multispecialty group practice		4,000	15	NA	
SAP Labs U.S.	Software & programming		4,000	15	NA	

Source: Silicon Valley/San Jose Business Journal. July 1/, 2014
* Estimate provided by the most recent city and county financial reports because the employer did not provide local employment figure.
Ranking is based on low end of range.

The concentration of Santa Clara County's productivity is derived primarily from numerous high-technology and bioscience companies. Public-sector employers continue to rank high among the largest employers in Silicon Valley. As depicted in the chart above, as an employer, Santa Clara County itself, continues to have the largest public-sector employee base with 15,800 workers. The City of San Jose alone has 4,705 full-time employees.

The table above lists the largest employers in the Silicon Valley, which encompasses the County and surrounding areas.

TABLE 21
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Operating Indicators
Ten Years Ended June 30, 2014

BUS

Fiscal Year	Total Ridership	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Vehicle Revenue Miles	Passenger Miles (000's)	Peak Buses	Active Buses	Bus Fleet
2005	30,296,718	97,117	18,259,119	1,330,707	15,416,363	125,953	344	441	525
2006	30,938,044	99,966	18,499,971	1,346,841	15,678,367	120,583	345	440	524
2007	31,646,555	102,123	18,705,711	1,364,903	15,882,356	128,290	345	453	524
2008	33,103,495	106,673	18,784,524	1,389,344	16,013,930	143,102	343	456	535
2009	34,510,273	111,820	18,500,655	1,379,428	15,800,214	152,856	336	424	448
2010	31,983,494	103,575	17,739,605	1,322,661	15,130,519	142,754	333	412	424
2011	31,395,126	102,187	16,990,315	1,269,071	14,376,811	148,225	333	434	494
2012	32,053,755	104,583	17,099,227	1,191,992	14,374,343	169,321	345	426	445
2013	32,432,354	106,161	17,491,993	1,213,571	14,582,508	166,576	358	426	443
2014	32,475,527	105,969	17,835,921	1,367,433	14,817,700	173,539	371	432	443

LIGHT RAIL

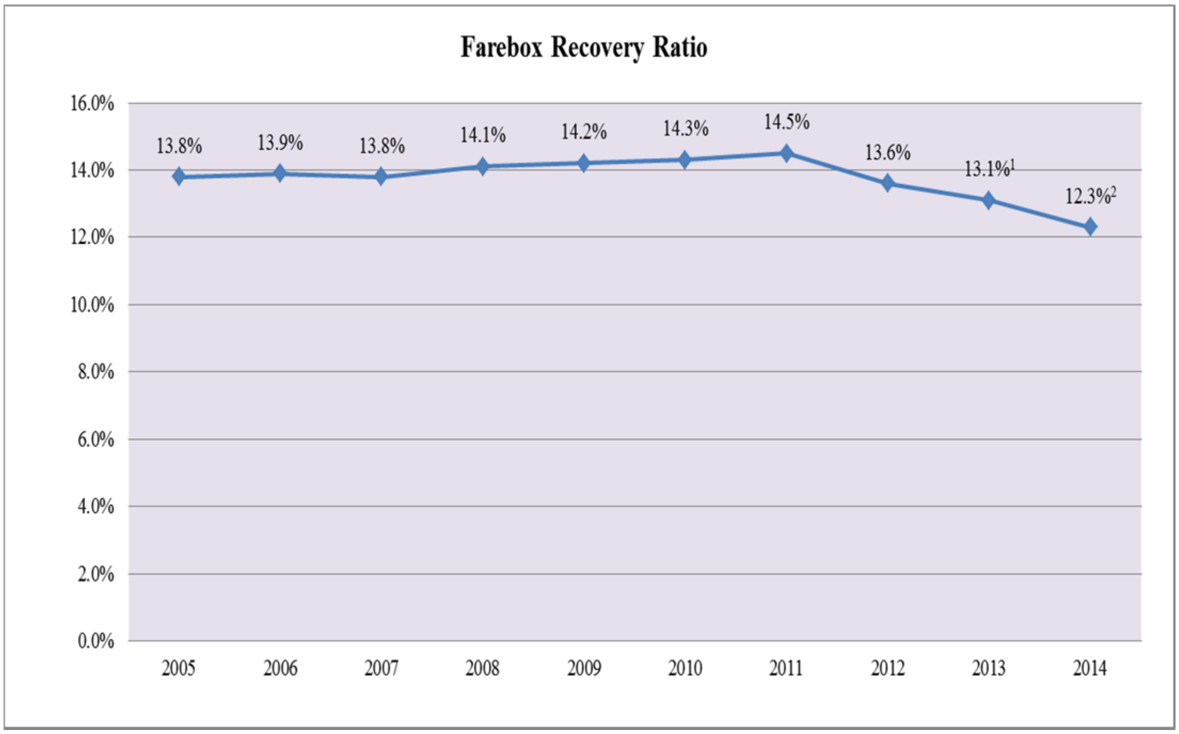
Fiscal Year	Total Ridership	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Train Revenue Miles	Passenger Miles (000's)	Peak Cars	Light Rail Fleet
2005	6,780,431	21,436	1,774,543	114,663	1,647,376	32,290	34	100
2006	8,279,807 [1]	26,137	2,129,189	138,348	1,993,940	41,913	39	100
2007	10,278,460	32,567	2,220,230	143,816	2,105,819	54,528	53	100
2008	10,451,136	33,043	2,223,823	143,576	2,112,080	54,475	53	100
2009	10,754,161	34,305	2,216,957	143,533	2,105,555	58,709	54	99
2010	9,749,882	31,555	2,182,849	141,095	2,062,832	50,000	46	99
2011	10,014,504	31,871	2,190,140	132,452	2,055,872	54,048	49	99
2012	10,373,042	32,716	2,209,233	137,495	2,065,099	55,337	55	99
2013	10,742,292	34,242	2,199,018	137,134	2,055,418	58,116	57	99
2014	10,952,965	35,102	2,205,492	139,021	2,057,106	61,631	57	99

[1] Light rail ridership increased in FY 2006 with the opening of the Vasona Light Rail Extension.

Source: VTA Operations Division.

TABLE 22
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Farebox Recovery Ratio
Ten Years Ended June 30, 2014

The farebox recovery ratio is a measure capturing the percentage of system operated expenses recovered by fare revenue. This ratio is calculated by fare revenue generated from directly operated service (motor bus and light rail) divided by expenses for these same services. Operating expenses consist of bus and light rail modal operating expenses reported annually in the National Transit Database.



[1] Updated with audited NTD data.
[2] Based on proforma and unaudited NTD data.

TABLE 23
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Revenue Miles
Ten Years Ended June 30, 2014

The following chart shows total vehicle miles in revenue service.

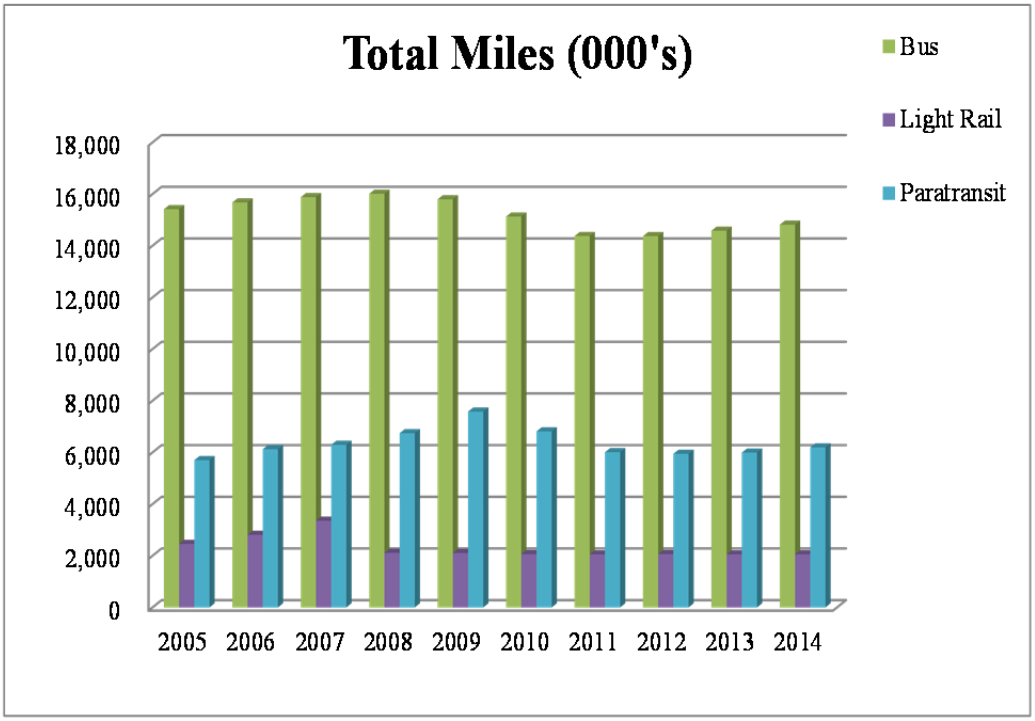


TABLE 24
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Passenger Miles
Ten Years Ended June 30, 2014

Passenger mile statistics are presented in the chart below. In FY 2014 the total passenger miles have increased by 4.45% from FY 2013.

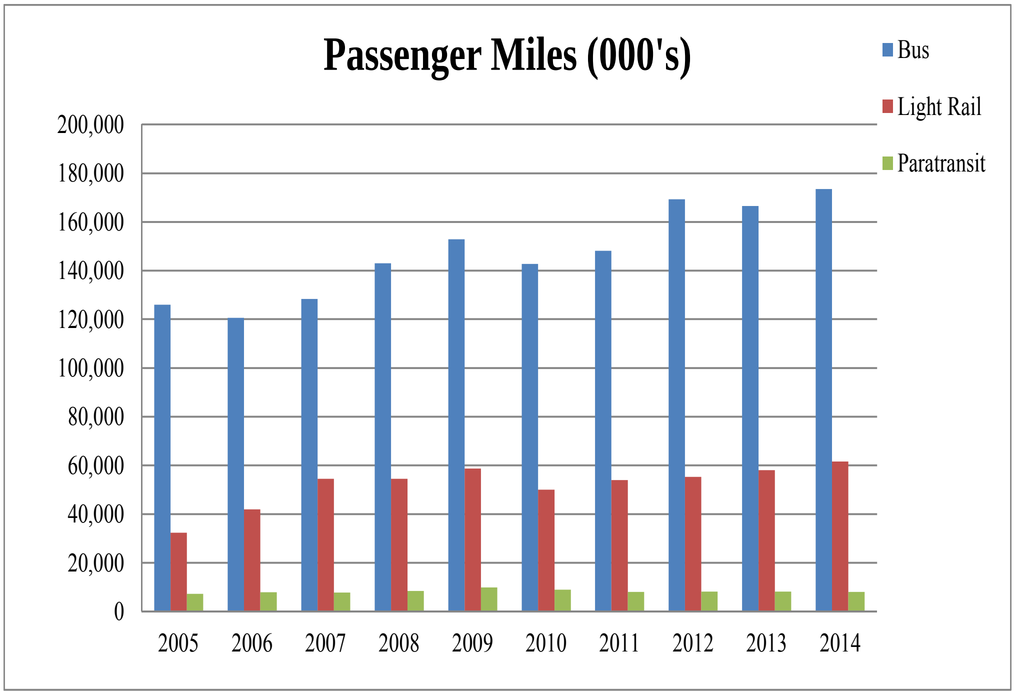


TABLE 25
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Selected Statistical Data
Ten Years Ended June 30, 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
FAREBOX REVENUE ($000's)[1]	$32,061	$34,335	$35,242	$35,830	$36,184	$36,857	$38,106	$37,744	38,331	$ 38,372
VEHICLE REVENUE MILES (000's)										
BUS	15,315	15,573	15,851	15,951	15,800	15,131	14,377	14,374	14,583	14,818
LIGHT RAIL	2,460	2,810	3,354	2,112	2,106	2,063	2,056	2,065	2,056	2,057
PARATRANSIT	5,702	6,126	6,296	6,746	7,582	6,816	6,011	5,948	5,995	6,196
PASSENGER MILES (000's)										
BUS	125,953	120,581	128,290	143,102	152,856	142,754	148,225	169,321	166,576	173,539
LIGHT RAIL	32,290	41,913	54,528	54,475	58,708	50,000	54,048	55,337	58,116	61,632
PARATRANSIT	7,314	7,896	7,835	8,486	9,908	9,005	8,017	8,133	8,205	8,097
FLEET SIZE										
BUS	525	524	539	480	448	424	494	445	443	443
LIGHT RAIL	100	100	100	100	99	99	99	99	99	99
CASH FARE SINGLE RIDE										
ADULT	$1.75	$1.75	$1.75	$1.75	$1.75	$2.00	$2.00	$2.00	$2.00	$2.00
YOUTH	$1.50	$1.50	$1.50	$1.50	$1.50	$1.75	$1.75	$1.75	$1.75	$1.75
SENIOR	$0.75	$0.75	$0.75	$0.75	$0.75	$1.00	$1.00	$1.00	$1.00	$1.00

[1] Includes fare revenue from motor bus, light rail and shuttle services.

TABLE 26
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - System Data
As of June 30, 2014

URBANIZED AREA (UZA):
346 Square Miles

ROUTES

Type of Route	Number of Routes
Local	53
Limited Stop	4
Express	13
Rapid	1
Light Rail	3
Total	74

HOURS OF OPERATION

Monday-Sunday	24 hours

PARK AND RIDE LOTS:

	Number of Lots	Number of Parking Spaces
Bus	10	681
Light Rail	21	6,471
Caltrain	16	5,006
Total	47	12,158

FACILITIES

Type of Facility	Number of Facilities
Bus Stops	3,783
Shelters	795
Benches	1,927
Trash Receptacles	824
Transit Centers	16

TABLE 27
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Employees
Nine Years Ended June 30, 2014[1]

Full-time Equivalent Employees[2]

Fiscal Year	Operations	Planning and Program Development[3]	Finance & Budget[4]	Engineering & Construction	Public Affairs[5]	Chief of Staff[5]	Business Services[6]	General Counsel	General Manager	SVRT Program	Total
2006	1597	104	105	107	NA	NA	101	9	30	NA	2053
2007	1584	101	100	98	NA	NA	102	8	27	NA	2020
2008	1628	48	103	98	70	NA	92	10	4	4	2057
2009	1649	51	97	99	74	NA	102	8	4	4	2088
2010	1588	50	95	97	57	NA	100	8	18	4	2017
2011	1576	50	90	90	53	NA	102	8	11	5	1985
2012	1599	52	93	86	51	NA	103	9	13	6	2012
2013	1614	51	88	90	55	NA	99	11	13	6	2027
2014	1687	42	69	79	37	25	138	12	5	6	2100

[1] A reorganization took effect in April 2014. New Divisions were created as the result of the reorganization.
[2] A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080. The table shows the total full-time equivalent by division.
[3] Previously referred to as Congestion Management Division, as a result of the reorganization in FY2014.
[4] Previously referred to as Fiscal Resources Division,as a result of the reorganization in FY2014.
[5] External Affairs Division was split into Public Affairs and Office of Chief of Staff, as a result of the reorganization in FY2014.
[6] Previously referred to as Adminstrative Service Division, as a result of the reorganization in FY2014.

TABLE 28
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Capital Assets
Ten Years Ended June 30, 2014
(In thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Capital assets, not being depreciated:										
Land and right of way	$ 761,818	$ 1,131,579	$ 1,118,577	$ 1,118,212	$ 1,119,217	$ 1,123,321	$ 1,122,805	$ 1,122,495	$ 1,122,368	$ 1,126,373
Construction in Progress	775,711	380,776	488,192	639,708	781,381	814,241	902,026	1,107,386	1,347,410	1,728,066
Total capital assets, not being depreciated	1,537,529	1,512,355	1,606,769	1,757,920	1,900,598	1,937,562	2,024,831	2,229,881	2,469,778	2,854,439
Capital assets, being depreciated:										
Buildings, improvements, furniture and	340,546	462,448	460,900	487,116	488,156	495,436	504,531	511,853	508,345	516,184
Vehicles	480,174	457,616	458,001	462,027	442,771	435,652	485,590	481,014	486,460	488,229
Light-rail tracks and electrification	365,505	384,435	399,563	399,824	399,824	402,622	403,831	403,394	413,674	415,905
Caltrain – Gilroy extension	52,990	52,990	53,155	53,155	53,155	53,307	53,307	53,307	43,072	43,072
Other operating equipment	28,830	29,002	29,416	39,770	32,044	42,610	46,065	46,152	45,876	46,062
Leasehold Improvement	-	-	2,169	9,686	9,686	9,686	9,686	9,686	9,686	9,686
Total capital assets, being depreciated	1,268,045	1,386,491	1,403,204	1,451,578	1,425,636	1,439,313	1,503,010	1,505,406	1,507,113	1,519,138
Less accumulated depreciation										
Total accumulated depreciation	(335,200)	(398,635)	(446,408)	(493,895)	(519,886)	(565,012)	(618,061)	(657,113)	(706,428)	(768,364)
Total capital assets, being depreciated, net	932,845	987,856	956,796	957,683	905,750	874,301	884,949	848,293	800,685	750,774
Total capital assets, net	$ 2,470,374	$ 2,500,211	$ 2,563,565	$ 2,715,603	$ 2,806,348	$ 2,811,863	$ 2,909,780	$ 3,078,174	3,270,463	$ 3,605,213

Source: Comprehensive Annual Financial Report

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