



**SAN FRANCISCO MUNICIPAL RAILWAY AND
SAN FRANCISCO MUNICIPAL RAILWAY
IMPROVEMENT CORPORATION**

Consolidated Financial Statements

Years ended June 30, 1999 and 1998

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

To the Honorable Mayor, Board of Supervisors, and Public Transportation Commissioners
City and County of San Francisco, CA:

We have audited the accompanying consolidated balance sheets of the San Francisco Municipal Railway (MUNI) and the San Francisco Municipal Railway Improvement Corporation (SFMRIC) as of June 30, 1999 and 1998 and the related consolidated statements of operations and changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the management of MUNI and SFMRIC. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

As described more fully in note 1, the consolidated financial statements referred to above include only the financial activities of MUNI and SFMRIC and are not intended to present fairly the financial position and results of operations of the City and County of San Francisco in conformity with generally accepted accounting principles.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the San Francisco Municipal Railway and the San Francisco Municipal Railway Improvement Corporation as of June 30, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 1999 on our consideration of the MUNI's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The Year 2000 supplementary information on pages 20-21 is not a required part of the consolidated financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the nature of the subject matter underlying the disclosure requirements, and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that MUNI is or will become Year 2000 compliant, that MUNI's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which MUNI does business are or will become Year 2000 compliant.



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Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplemental schedules listed in the table of contents for the year ended June 30, 1999 are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the consolidated financial statements taken as a whole.

KPMG LLP

November 2, 1999

**SAN FRANCISCO MUNICIPAL RAILWAY AND
SAN FRANCISCO MUNICIPAL RAILWAY IMPROVEMENT CORPORATION**

Consolidated Balance Sheets

June 30, 1999 and 1998
(dollars in thousands)

Assets	<u>1999</u>	<u>1998</u>
Current assets:		
Equity in pooled deposits and investments of the City Treasurer	\$ 4,964	115
Cash and cash equivalents, unrestricted	100	3,220
Receivables:		
Grants	37,141	23,575
Sales tax	10,010	23,639
Other (net of allowance for doubtful accounts of \$37 and \$147 in 1999 and 1998, respectively)	5,935	6,232
Total receivables	53,086	53,446
Materials and supplies inventories	21,046	20,408
Deferred charges	21	18
Total current assets	<u>79,217</u>	<u>77,207</u>
Restricted assets:		
Equity in pooled deposits and investments of the City Treasurer:		
Transit Impact Development Fee	56,388	57,992
Other restricted investments	734	1,603
Investments held by trustee:		
Cash and cash equivalents	53	29
Bonds	8,522	9,849
Interest receivable	2	45
Transit Impact Development Fee receivable (net of allowance of \$940 in 1999 and 1998)	5,418	5,444
Total restricted assets	<u>71,117</u>	<u>74,962</u>
Property and equipment:		
Land	18,537	18,537
Ways and structures	756,627	542,507
Equipment	508,010	419,701
Construction in progress	177,158	337,830
Total property and equipment	1,460,332	1,318,575
Less accumulated depreciation and amortization	<u>(397,393)</u>	<u>(365,869)</u>
Net property and equipment	<u>1,062,939</u>	<u>952,706</u>
	<u>\$ 1,213,273</u>	<u>1,104,875</u>

**SAN FRANCISCO MUNICIPAL RAILWAY AND
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Consolidated Balance Sheets

June 30, 1999 and 1998

(dollars in thousands)

Liabilities, Equity and Retained Earnings	1999	1998
Current liabilities:		
Accounts payable and accrued expenses	\$ 15,460	16,586
Accrued payroll	12,828	11,444
Accrued vacation and sick leave	10,018	9,471
Accrued workers' compensation	17,499	16,148
Accident claims liability	7,090	7,963
Deferred revenue and other deferred credits	1,365	1,253
Total current liabilities	<u>64,260</u>	<u>62,865</u>
Liabilities payable from restricted assets	<u>801</u>	<u>1,671</u>
Long-term liabilities:		
Accrued vacation and sick leave	8,115	8,004
Accrued workers' compensation	43,566	32,174
Accident claims liability	18,362	15,201
Deferred revenue and other deferred credits	383	470
Total long-term liabilities	<u>70,426</u>	<u>55,849</u>
Total liabilities	<u>135,487</u>	<u>120,385</u>
Equity and retained earnings:		
Contributed capital	985,582	877,391
Retained earnings:		
Restricted	62,791	63,647
Unrestricted	29,413	43,452
Total equity and retained earnings	<u>1,077,786</u>	<u>984,490</u>
	<u>\$ 1,213,273</u>	<u>1,104,875</u>

See accompanying notes to consolidated financial statements.

**SAN FRANCISCO MUNICIPAL RAILWAY AND
SAN FRANCISCO MUNICIPAL RAILWAY IMPROVEMENT CORPORATION**

Consolidated Statements of Operations and Changes in Equity

For the years ended June 30, 1999 and 1998

(dollars in thousands)

	<u>1999</u>	<u>1998</u>
Operating revenues:		
Passenger fares	\$ 97,084	97,369
Advertising	4,079	3,985
Paratransit revenue	567	519
Charter bus	16	21
Rental income	60	62
Other	293	224
Total operating revenues	<u>102,099</u>	<u>102,180</u>
Operating and administrative expenses:		
Transportation	159,399	154,390
Vehicle maintenance and repairs	74,001	68,010
Nonvehicle maintenance and repairs	33,971	30,334
General and administrative	81,302	57,078
Paratransit operations	11,285	10,234
Total operating and administrative expenses	<u>359,958</u>	<u>320,046</u>
Loss from operations before depreciation and amortization	(257,859)	(217,866)
Depreciation and amortization	<u>32,303</u>	<u>30,074</u>
Loss from operations	<u>(290,162)</u>	<u>(247,940)</u>
Nonoperating revenues (expenses):		
Operating assistance:		
Department of Parking and Traffic	91,962	83,598
Transportation Development Act Funds	30,053	27,829
Sales tax	30,031	23,639
Federal operating assistance	1,068	546
State Transit Assistance Funds	9,741	7,276
Bridge toll funds	103	—
ADA BART	624	587
Other	116	25
Transit Impact Development Fees, net of expenses	(26)	(17)
Capital reserve revenue	99	139
Interest income	4,325	4,856
Interest expense	(1,236)	(957)
Gain (loss) on disposal of property and equipment	6	(32)
Other income and expenses, net	87	174
Net nonoperating revenues	<u>166,953</u>	<u>147,663</u>
Net loss before operating transfers	<u>(123,209)</u>	<u>(100,277)</u>

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Consolidated Statements of Operations and Changes in Equity

For the years ended June 30, 1999 and 1998

(dollars in thousands)

	<u>1999</u>	<u>1998</u>
Net loss before operating transfers	\$ (123,209)	(100,277)
Operating transfers:		
City and County of San Francisco general fund	69,746	53,067
San Francisco County Transportation Authority	9,838	6,937
Other City funds	866	503
	<u>(42,759)</u>	<u>(39,770)</u>
Net loss (restated in 1998)		
Depreciation and retirement of assets acquired with capital grants and contributions	<u>27,864</u>	<u>25,849</u>
Decrease in retained earnings	<u>(14,895)</u>	<u>(13,921)</u>
Retained earnings, beginning of year, as originally reported	107,099	129,780
Restatement of prior years' accrued workers' compensation liability	<u>—</u>	<u>(8,760)</u>
Retained earnings, beginning of year, as restated	<u>107,099</u>	<u>121,020</u>
Retained earnings, end of year	<u>92,204</u>	<u>107,099</u>
Contributed capital, beginning of year	877,391	793,422
Depreciation and retirement of assets acquired with capital grants and contributions	(27,864)	(25,849)
Capital grants and contribution:		
Federal capital project grants	64,870	61,076
Other grants	71,185	48,742
Contributed capital, end of year	<u>985,582</u>	<u>877,391</u>
Total equity and retained earnings	<u>\$ 1,077,786</u>	<u>984,490</u>

See accompanying notes to consolidated financial statements.

**SAN FRANCISCO MUNICIPAL RAILWAY AND
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Consolidated Statements of Cash Flows

For the years ended June 30, 1999 and 1998
(dollars in thousands)

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Cash received from passengers and service contracts	\$ 110,949	101,266
Cash paid to employees for services	(247,702)	(231,819)
Cash paid to suppliers for goods and services	(65,184)	(39,034)
Cash paid for judgment and claims	(9,719)	(9,283)
Cash paid for quasi-external transactions	(31,144)	(31,292)
Net cash used in operating activities	<u>(242,800)</u>	<u>(210,162)</u>
Cash flows from noncapital financing activities:		
Operating assistance received	174,810	133,454
Operating transfers in	80,450	59,733
Operating transfers out	—	(183)
Transit Impact Development Fee received	66	1,576
Other revenues received	—	540
Other expenses paid	—	(244)
Net cash provided by noncapital financing activities	<u>255,326</u>	<u>194,876</u>
Cash flows with capital and related financing activities:		
Capital grants received	124,865	125,289
Proceeds from sale of property and equipment	17	33
Capital expenditures	(142,547)	(113,083)
Net cash (used in) provided by capital and related financing activities	<u>(17,665)</u>	<u>12,239</u>
Cash flows from investing activities:		
Purchases of investments with trustees – restricted	(52,226)	(56,418)
Proceeds from sale of investments with trustees – restricted	53,553	58,832
Interest income received	3,092	5,365
Other investing activities	—	(11)
Net cash provided by investing activities	<u>4,419</u>	<u>7,768</u>
Net (decrease) increase in cash and cash equivalents	<u>(720)</u>	<u>4,721</u>
Cash and cash equivalents:		
Beginning of year	<u>62,959</u>	<u>58,238</u>
End of year	<u>\$ 62,239</u>	<u>62,959</u>
Reported as:		
Equity in pooled deposits and investments of the City Treasurer	\$ 4,964	115
Cash and cash equivalents, unrestricted	100	3,220
Equity in pooled deposits and investments of the City Treasurer – restricted:		
Transit Impact Development fee	56,388	57,992
Other restricted investments	734	1,603
Cash and cash equivalents held by trustee	<u>53</u>	<u>29</u>
Total cash and cash equivalents, end of year	<u>\$ 62,239</u>	<u>62,959</u>

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Consolidated Statements of Cash Flows

For the years ended June 30, 1999 and 1998

(dollars in thousands)

	<u>1999</u>	<u>1998</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (290,162)	(247,940)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	32,303	30,074
Effect of changes in:		
Provision for uncollectible accounts	(110)	(22)
Receivables	470	3,430
Materials and supplies	(638)	3,021
Deferred charges and other assets	(3)	64
Accounts payable and accrued expenses	1,162	(3,611)
Accrued payroll and related expenses	14,785	9,965
Other liabilities	(607)	(5,143)
Net cash used in operating activities	\$ <u>(242,800)</u>	<u>(210,162)</u>
Non-cash transactions:		
Depreciation on contributed capital	\$ <u>27,864</u>	<u>25,849</u>

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

June 30, 1999 and 1998
(dollars in thousands)

(1) Organization and Basis of Presentation

(a) Description of Reporting Entity

The consolidated financial statements include the San Francisco Municipal Railway (MUNI) and the San Francisco Municipal Railway Improvement Corporation (SFMRIC), whose operations are interrelated. All significant inter-entity transactions have been eliminated. The consolidated entities are a department of the City and County of San Francisco (the City) and, as such, are included in the Comprehensive Annual Financial Report of the City as an enterprise fund.

MUNI has been the transit agency for the City since 1912 making it one of the first public transit agencies in the United States. MUNI's sources of income include passenger fares, grant funds, City subsidies, and other miscellaneous revenues. MUNI is governed by the five-member San Francisco Public Transportation Commission (PTC), which provides policy direction to MUNI. MUNI is managed by a general manager who reports to the PTC and is responsible for directing overall operations.

SFMRIC is a nonprofit corporation established to provide capital financial assistance on behalf of the City for the modernization of MUNI by purchasing equipment and improving facilities. SFMRIC has no employees.

(b) Basis of Accounting

MUNI and SFMRIC are accounted for using the accrual method. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

MUNI applies all Governmental Accounting Standards Boards (GASB) Statements, as well as the Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

(2) Significant Accounting Policies

(a) Investments

MUNI and SFMRIC records investments at fair value with changes in fair value recorded as a component of interest income.

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Notes to Consolidated Financial Statements

June 30, 1999 and 1998
(dollars in thousands)

(b) Property and Equipment

Property and equipment are stated at cost. Depreciation is computed by the straight-line method based on the estimated useful lives of the related assets which range from 10 to 60 years for ways and structures and from 3 to 45 years for equipment. No depreciation is recorded in the year of acquisition and a full year's depreciation is taken in the year of disposal. Depreciation of assets acquired with MUNI and/or SFMRIC funds is distinguished from depreciation of assets acquired with capital grants and contributions by others.

(c) Construction-In-Progress

Construction-in-progress consists of the following projects at June 30, 1999 and 1998:

	<u>1999</u>	<u>1998</u>
MUNI Metro Turnback Project	\$ —	166,255
MUNI Metro Extension	—	23,275
Light Rail Vehicles	16,207	22,810
F Embarcadero Extension	37,174	24,645
Automatic Train Control System	57,897	47,416
Articulated Trolley Coaches	19,613	12,424
Others	46,267	41,005
	<u>\$ 177,158</u>	<u>337,830</u>

Construction-in-progress represents the design and construction costs of various uncompleted projects.

(d) Accrued Vacation and Sick Leave

Accrued vacation pay, which vests and may be accumulated up to 10 weeks per employee, is charged to expense as earned. Unused sick leave accumulated on or prior to December 6, 1978 is vested and payable upon termination of employment by retirement, death, or disability caused by industrial accident. Sick leave earned subsequent to that date is non-vesting, charged to expense when earned, and may be accumulated up to six months per employee.

(e) Capital Grants and Contributions

Capital grants and contributions from external sources are recognized as contributed capital at the time reimbursable expenditures related to the grants are incurred. Depreciation of contributed capital is based on the depreciation recognized on the related assets.

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June 30, 1999 and 1998
(dollars in thousands)

The U.S. Department of Transportation, through the Federal Transit Administration (FTA), provides capital assistance to MUNI primarily for the acquisition and construction of transit related property and equipment. This assistance generally approximates 80% of acquisition cost and is administered by MUNI and by the Metropolitan Transportation Commission (MTC). The capital assistance provided to MUNI by the California Transportation Commission and San Francisco County Transportation Authority is generally used as local match to the federal capital assistance. Additional capital assistance provided to MUNI by other agencies is administered by MTC, and is also generally used as a local match for the federal capital assistance.

(f) *Operating Assistance Grants*

Operating assistance grants are recognized as revenue when approved by the granting authority and/or related expenditures are incurred.

MUNI receives operating assistance from federal and various state and local sources. Transportation Development Act funds are received from the City to meet, in part, MUNI's operating requirements based on annual claims filed with and approved by the MTC. Sales tax represents an allocation by MTC of the 1/2% transactions and use tax collected within San Francisco County for transit services. Federal operating assistance is distributed to MUNI by the FTA after approval by MTC.

(g) *Transit Impact Development Fees*

Transit impact development fees are collected by MUNI and are restricted for the capital and operating costs of increased peak period transit service associated with new office construction in downtown San Francisco. These fees are recorded as non-operating revenues in the year in which they are assessed. An allowance of one percent of fees assessed has been provided for the possibility of paying refunds for the conversion of buildings to non-office use.

(h) *General Fund Support*

General fund support is received from the City to subsidize MUNI's operating deficits. The annual amount is determined by the City during the budgetary process, and approximates budgeted expenditures less budgeted revenues.

(i) *Statement of Cash Flows*

Cash and cash equivalents include all highly liquid investments, including restricted deposits, with an original maturity at time of purchase of three months or less.

(j) *Implementation of New Accounting Pronouncement*

In fiscal year 1998, the City implemented the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This statement establishes financial accounting and reporting standards based on recent amendments to the provisions of Internal Revenue Code (IRC) Section 457. Previously, the assets of an eligible IRC

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457 plan were considered the property of the City and the assets of the plan and related liability to plan participants were reported in an agency fund in the City's financial statements. Recent changes to IRC Section 457 require governmental entities to amend trust agreements because the assets are no longer owned by the government. The trust agreement for the City's current plan meets the new IRC 457 provisions. The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and in accordance with GASB Statement No. 32, the plan assets and related liabilities to plan participants are no longer reflected in the City's financial statements.

(k) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Reclassifications

Certain June 30, 1998 financial statement balances have been reclassified to conform to the June 30, 1999 presentation.

(3) Cash and Investments

MUNI and SFMRIC maintain cash available for general use and restricted cash held by a trustee. In addition, MUNI and SFMRIC maintain equity in the pooled deposits and investments of the City Treasurer.

(a) Cash

At June 30, 1999 and 1998, MUNI and SFMRIC's cash was \$5,117 and \$3,364, respectively, and the carrying amount of MUNI and SFMRIC's time and demand deposits was \$153 and \$129, respectively, with a corresponding bank balance of \$65 and \$38, respectively, which was insured or collateralized by securities held by MUNI or SFMRIC's agent in MUNI or SFMRIC's name.

(b) Investments

The equity in pooled deposits and investments of the City Treasurer is held by the City pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The Comprehensive Annual Financial Report of the City categorizes the level of custodial risk associated with the City's pooled deposits and investments.

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June 30, 1999 and 1998
(dollars in thousands)

MUNI's investments are summarized below. The investments that are represented by specific identifiable investment securities are classified as to custodial risk by three categories as follows: Category 1 includes investments that are insured or registered or securities held by the City or its agent in the City's name; Category 2 includes uninsured and unregistered investments, with the securities held by counterparty's trust department or agent in the City's name; Category 3 includes uninsured and unregistered investments, with the securities held by the counterparty, or by its trust department or agent but not in the City's name.

At June 30, 1999, investments included the following (in thousands):

Type of investment	Category			Carrying amount
	1	2	3	
Cash and investment held by trustee:				
U.S. government securities	\$ 8,522			8,522
	<u>\$ 8,522</u>	<u></u>	<u></u>	<u>8,522</u>

(4) Long-Term Debt

SFMRIC is authorized to issue debt to fund each of its programs under separate indentures. Transit Equipment Progress bonds totaling \$51,500 have been authorized, of which \$30,500 is available for issuance and none are outstanding. Transit Improvement Program (TIP) bonds amounting to \$44,000 have been authorized, of which \$7,800 is available for issuance. At June 30, 1999 and 1998, no bonds were outstanding under the TIP.

(5) Employees' Retirement Plan

(a) Plan Description

The City has a single-employer defined benefit retirement plan (the Plan) which is administered by the San Francisco City and County Employees' Retirement System (the Retirement System). The Plan covers substantially all full-time employees of MUNI along with other employees of the City. The Plan provides basic service retirement, disability and death benefits based on specified percentages of final average salary and provides cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and Administrative Code is the authority that establishes and amends the benefit provisions and employer obligations of the Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 1155 Market Street, 2nd Floor, San Francisco, CA 94103 or by calling (415) 554-1520.

**SAN FRANCISCO MUNICIPAL RAILWAY AND
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Notes to Consolidated Financial Statements

June 30, 1999 and 1998
(dollars in thousands)

(b) Funding Policy

Contributions are made to the basic plan by both MUNI and employees. Employee contributions are mandatory. Employee contribution rates for 1999 varied from 7% to 8% as a percentage of covered salary. MUNI is required to contribute at an actuarially determined rate. No MUNI contributions were required for 1999, 1998 and 1997 as the actuarially determined contribution rate as a percentage of covered payroll was 0%. MUNI's contributions to the Retirement System on behalf of its employees amounted to \$13,262, \$12,360 and \$9,538 for the years ended June 30, 1999, 1998 and 1997, respectively, which was equal to the required contributions for those years.

(6) Deferred Compensation Plan

The City offers its employees, including MUNI employees, a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is available to all employees and permits them to defer a position of their salaries until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

In accordance with GASB No. 32, the deferred compensation plan assets pertaining to the City's plan are no longer included in the City's financial statements (see note 2[j]).

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Notes to Consolidated Financial Statements

June 30, 1999 and 1998
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(7) Health Care Benefits

Health care benefits for employees, retired employees, and surviving spouses (beneficiaries) are financed by beneficiaries and by the City through the Health Service System of the City. The contribution for all of the City's fund groups are determined by charter provision based on similar contributions made by the 10 most populous counties in California. The costs to MUNI for the years ended June 30, 1999 and 1998 were \$21,450 and \$19,981, respectively, including \$3,338 and \$3,061, respectively, to provide post-retirement health care benefits for retired employees. The City's liability for post-retirement health care benefits is limited to its annual contribution.

(8) Peninsula Corridor Joint Powers Board

The City is a participant in the Peninsula Corridor Joint Powers Board (PCJPB), along with the Santa Clara Valley Transportation Authority and the San Mateo County Transit District. PCJPB is governed by a separate board composed of nine members, three from each participant. The PCJPB was formed in October of 1991 to plan, administer and operate the Peninsula CalTrain rail service. The PCJPB began operating the Peninsula CalTrain rail service on July 1, 1992; prior to that time, such rail service was operated by the California Department of Transportation. The agreement establishing the PCJPB expires in 2001, upon which it will continue on a year-to-year basis thereafter, until a participant withdraws, which requires a one-year notice. The City on behalf of MUNI is responsible for 11.6% of the net operating costs and administrative expenses of the PCJPB for operating and capital needs.

(9) Self-insurance

MUNI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. MUNI is fully self-insured for its general liability and auto liability, and public transportation bus and light rail liabilities, respectively. In addition, MUNI is self-insured for workers' compensation claims. The respective liabilities represent an estimate of the costs of all outstanding claims and incurred but not reported claims.

The unpaid claims liabilities for general liability and auto liability, and public transportation bus and light rail liabilities are based on the results of actuarial studies and include amounts for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

Changes in the balances of claims liabilities for the two years ended June 30, 1999 and 1998 are as follows:

	<u>1999</u>	<u>1998</u>
Unpaid claims, beginning of fiscal year	\$ 71,486	67,619
Incurred claims and changes in estimates	44,949	29,567
Claims payments	<u>(29,918)</u>	<u>(25,700)</u>
Unpaid claims, end of fiscal year	<u>\$ 86,517</u>	<u>71,486</u>

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June 30, 1999 and 1998
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During 1999 the City employed an independent actuary to evaluate its liability for workers' compensation claims. One aspect of the actuarial study was an enhancement of the City's methodology for allocating to individual City departments their share of workers' compensation costs, including costs for incurred but not reported claims. When the City computed its workers' compensation reserves under the enhanced methodology, using known loss experience from the prior years, it resulted in a material increase in workers' compensation reserves that had been previously reported for MUNI. As a result, MUNI restated its June 30, 1997 retained earnings downward by \$8,760, and recognized additional workers' compensation expense of \$2,150 for the year ended June 30, 1998. Total workers' compensation expense included in general and administrative expenses in the accompanying financial statements was \$32,942 and \$24,599 for the years ended June 30, 1999 and 1998 (as restated), respectively.

(10) Transactions with the City

It is the City's policy to fund operating deficits of MUNI on a budgetary basis. However, the amount of the operating subsidy provided to MUNI each year is limited to the amount budgeted by the City. Therefore, MUNI does not accrue for unfunded budget operating deficits, but rather recognizes the subsidy as revenue in the year in which it is received. At times, a budget deficit can be caused by revenue shortfalls for which there is an expectation that those or other revenues will be received in the subsequent year relating to the prior years. In those circumstances, the City allows MUNI to show a deficit on a budgetary basis. This policy does not provide cash to finance receivables. Consequently, MUNI at times maintains a cash overdraft with the City which can be repaid only through collection of receivables.

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Although the accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles (GAAP), the required contribution from the City's General Fund to fund any operating deficit is calculated on a budgetary basis. The following is a reconciliation of MUNI's net loss on a GAAP basis as reflected in these consolidated financial statements to those amounts used to calculate the General Fund contribution:

	<u>1999</u>
Net loss of MUNI and SFMRIC on a GAAP basis in the accompanying consolidated financial statements	\$ (42,759)
Less net income of SFMRIC before capital assistance to MUNI, on a GAAP basis in the accompanying consolidated financial statements	(265)
Operating subsidy from the City General Fund	<u>(69,746)</u>
Net loss of MUNI (excluding the Special Revenue Fund) on a GAAP basis before City General Fund subsidy	(112,770)
Capitalized services and other asset purchases which required budgetary funding but were not GAAP expenses	(137,206)
Assets acquired with funding from capital grants and contributions which did not require budgetary funding	136,055
Change in encumbrances and appropriation carryforwards, which require budgetary funding but are not GAAP expenses	24,022
Depreciation expense (net of depreciation of assets acquired with external funds)	4,439
Other expenses that are GAAP basis only but did not require budgetary funding	<u>15,714</u>
Net loss of MUNI requiring subsidy on a budget basis	\$ <u><u>(69,746)</u></u>

The operating subsidy from the City General Fund reflected above includes a revenue transfer of \$2,075 to fund additional interest expense that was recorded relating to the overdraft with the City Treasurer.

(11) Commitments and Contingencies

(a) Grants and Subventions

Receipts from federal and state grants and other similar programs are subject to audit to determine if the monies were expended in accordance with appropriate statutes, grant terms and regulations. MUNI believes that no significant liabilities will result.

**SAN FRANCISCO MUNICIPAL RAILWAY AND
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Notes to Consolidated Financial Statements

June 30, 1999 and 1998
(dollars in thousands)

(b) Operating Leases

MUNI leases various properties for use as office space, fleet storage space and machine shops under lease agreements that expire at various dates through 2002. These agreements are accounted for as operating leases. Rent expense was approximately \$1,428 for the year ended June 30, 1999.

Minimum future annual rental payments under these lease agreements are as follows:

Year ending June 30:	
2000	\$ 1,741
2001	1,553
2002	<u>1,113</u>
Total	\$ <u>4,407</u>

(c) Other Commitments

MUNI has outstanding commitments of approximately \$150,000 with third parties for various capital projects. Grant funding is available for the majority of this amount. MUNI also has outstanding commitments of approximately \$7,000 with third parties for non-capital expenditures. Various local funding sources are used to finance these expenditures.

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June 30, 1999 and 1998
(dollars in thousands)

MUNI is also committed to numerous capital projects for which it anticipates that federal and state grants will be the primary source of funding. SFMRIC's Board of Directors has authorized SFMRIC to extend financial guarantees to MUNI for certain projects. The projects for which SFMRIC has guaranteed funding and the maximum amounts of such guarantees at June 30, 1999 are as follows:

LRV Modifications	\$ 69
Tank Cleanup	35
FTA Section 9 Matching	473
MUNI Metro Accessibility Improvements	18
FTA Section 23 Matching	213
Diesel Bus Rehabilitation	43
MUNI Metro Extension/F – Embarcadero Connection	500
700 Pennsylvania Ways and Structures	2,066
Central Control & Revenue Center	150
Steuart and Mission Foundation Work	598
Purchase of 9 Historical Trolley Cars	380
Rail Replacement Program	1,369
Islais Creed Storage and Maintenance Facility	<u>1,045</u>
	<u>\$ 6,959</u>

In addition, MUNI is involved in various lawsuits, claims and disputes, which have risen in MUNI's routine conduct of business. In the opinion of management, the costs that might be incurred, if any, would not materially affect MUNI's or SFMRIC's financial position or results of operations.

(12) Subsequent Events

In the November 1999 election, San Francisco Voters approved Proposition E, which gave the City the right to create a Municipal Transportation Agency with expanded powers and duties to run MUNI and the Department of Parking and Traffic. Proposition E is a Charter amendment that replaces the Public Transportation Commission (which currently governs MUNI) with a new Municipal Transportation Agency (the Agency). The Agency is to operate MUNI and, beginning in 2002, the Department of Parking and Traffic.

The new Agency is to be governed by a seven-member board of directors appointed by the Mayor and confirmed by the Board of Supervisors. The agency will assure that MUNI meets the performance and service standards set by Proposition E, and will negotiate directly with MUNI employee organizations for "service-critical" positions (i.e., drivers, dispatchers and mechanics). Proposition E also creates a Municipal Transportation Fund establishing an annual contribution from the City's General Fund and would set rules for changes in MUNI fares, service and routes.

**SAN FRANCISCO MUNICIPAL RAILWAY AND
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Required Supplementary Information – Year 2000 Readiness Disclosure

The City is currently addressing Year 2000 issues relating to its computer systems and other electronic equipment. The Year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00." Computer programs have to be adjusted to recognize the difference between those two years or the program may fail or create errors. Also, some programs may not be able to recognize that year 2000 is a leap year. Further, the Year 2000 issue could affect electronic equipment containing chips that have date recognition features. The Year 2000 issue may adversely affect the government's operations as early as the fiscal year 1999-2000.

(1) General Description

In 1995, the City began work on Year 2000 issues on a department-by-department basis. In 1998, the City established a central Year 2000 Program Management Office (PMO) expressly for the purpose of providing unified resources and oversight for the City departments' Year 2000 efforts. The PMO has focused City readiness efforts on "mission-critical systems," defined as those services or functions which, if disrupted, would have a direct and immediate impact on a citizen's health, safety or transportation. There are 14 City departments that provide mission critical services to the public.

The mission-critical departments were also instructed to use standardized forms and procedures to report to the PMO. The PMO staff collects the information submitted by departments and reports in turn to the City's Committee on Information Technology Year 2000 Subcommittee, the Board of Supervisors and the Mayor. The PMO also communicates the City's Year 2000 information to the public via the Internet, community meetings, and other outreach efforts.

The PMO has assisted departments in conducting inventories and successive steps toward Year 2000 readiness. The PMO's standards have required mission-critical departments to identify those inventory items on which mission-critical systems depend. The PMO has also collected information about systems involving interdepartmental dependencies, where the responsibility for a particular system is not clear. For example, the Police, Fire and Sheriff departments all depend on telecommunications equipment, which is primarily the responsibility of the Department of Telecommunications and Information Services. The PMO has also facilitated the communications between the using departments and the supporting departments to make sure that remediation of particular systems is not delayed while the responsible department is identified, that the responsible department's work is not delayed by repetitive inquiries by multiple user departments, and that a remediation success is translated back to the readiness accounting for each department that uses that system.

Currently, the embedded system program is in the process of independent verification and validation by third party engineers, who are reviewing each step in the mission-critical departments' embedded systems review process and the adequacy of the associated documentation.

In addition, the PMO is currently assisting departments in the ongoing development and refinement of contingency plans. The PMO has provided detailed guidelines and procedures for developing contingency plans, and a uniform format so that the plans can be independently reviewed as part of the PMO's independent verification and validation program.

**SAN FRANCISCO MUNICIPAL RAILWAY AND
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Required Supplementary Information – Year 2000 Readiness Disclosure

(2) Stages of Work

The City has identified 14 departments that provide mission-critical services to the public. Each department is responsible for performing the following stages of work with respect to the systems and equipment necessary to provide the mission-critical services:

- Awareness stage – Establishing a budget and project plan for dealing with the Year 2000 issue
- Assessment stage – Identifying the systems and components for which Year 2000 compliance work is needed
- Remediation stage – Making changes to systems and equipment
- Validation/testing stage – Validating and testing the changes that were made during the remediation stage

The San Francisco Municipal Railway (MUNI) has completed the awareness and assessment stages for the following mission-critical systems and electronic equipment:

- Diesel bus service
- Electric trolley bus service
- Light rail vehicle
- Cable car service
- Motive power
- Central control

The remediation and validation/testing stages by MUNI, along with a high level independent verification and validation by third party engineers through the PMO's office, were completed in October 1999.

(3) Resources Committed

As of June 30, 1999, MUNI did not have any outstanding commitments for addressing Year 2000 issues relating to its computer systems and other electronic equipment.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. While the City believes that mission-critical systems will function, management cannot assure that the City is or will be Year 2000 ready, that the City's remediation efforts will be successful in whole or in part or that parties with whom the City does business will be Year 2000 ready.

The City's Comprehensive Annual Financial Report provides additional information on how the City is addressing Year 2000 issues.

**SAN FRANCISCO MUNICIPAL RAILWAY AND
SAN FRANCISCO MUNICIPAL RAILWAY IMPROVEMENT CORPORATION**

Supplemental Schedule – Consolidating Balance Sheet

June 30, 1999
(dollars in thousands)

Assets	<u>MUNI</u>	<u>SFMRIC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current assets:				
Equity in pooled deposits and investments of the City Treasurer	\$ 4,964	—	—	4,964
Cash and cash equivalents, unrestricted	100	—	—	100
Receivables:				
Grants	37,141	—	—	37,141
Sales tax	10,010	—	—	10,010
Other	5,935	—	—	5,935
Total receivables	53,086	—	—	53,086
Due from other funds	1,011	—	(1,011)	—
Materials and supplies inventories	21,046	—	—	21,046
Deferred charges	21	—	—	21
Total current assets	80,228	—	(1,011)	79,217
Restricted assets:				
Equity in pooled deposits and investments of the City Treasurer:				
Transit Impact Development Fee	56,388	—	—	56,388
Other restricted investments	734	—	—	734
Investments held by trustee:				
Cash and cash equivalents	—	53	—	53
Bonds	—	8,522	—	8,522
Interest receivable	—	2	—	2
Transit Impact Development Fee receivable	5,418	—	—	5,418
Total restricted assets	62,540	8,577	—	71,117
Property and equipment:				
Land	18,537	—	—	18,537
Ways and structures	756,627	—	—	756,627
Equipment	508,010	—	—	508,010
Construction in progress	177,158	—	—	177,158
Total property and equipment	1,460,332	—	—	1,460,332
Less accumulated depreciation and amortization	(397,393)	—	—	(397,393)
Net property and equipment	1,062,939	—	—	1,062,939
	\$ 1,205,707	8,577	(1,011)	1,213,273

**SAN FRANCISCO MUNICIPAL RAILWAY AND
SAN FRANCISCO MUNICIPAL RAILWAY IMPROVEMENT CORPORATION**

Supplemental Schedule – Consolidating Balance Sheet

June 30, 1999
(dollars in thousands)

Liabilities, Equity and Retained Earnings	MUNI	SFMRIC	Eliminations	Consolidated
Current liabilities:				
Accounts payable and accrued expenses	\$ 15,460	—	—	15,460
Accrued payroll	12,828	—	—	12,828
Accrued vacation and sick leave	10,018	—	—	10,018
Accrued workers' compensation	17,499	—	—	17,499
Accident claims liability	7,090	—	—	7,090
Deferred revenue and other deferred credits	1,365	—	—	1,365
Due to other funds	—	1,011	(1,011)	—
Total current liabilities	64,260	1,011	(1,011)	64,260
Liabilities payable from restricted assets	760	41	—	801
Long-term liabilities:				
Accrued vacation and sick leave	8,115	—	—	8,115
Accrued workers' compensation	43,566	—	—	43,566
Accident claims liability	18,362	—	—	18,362
Deferred revenues and other deferred credits	383	—	—	383
Total long-term liabilities	70,426	—	—	70,426
Total liabilities	135,446	1,052	(1,011)	135,487
Equity and retained earnings:				
Contributed capital	985,582	—	—	985,582
Retained earnings:				
Restricted	55,266	7,525	—	62,791
Unrestricted	29,413	—	—	29,413
Total equity and retained earnings	1,070,261	7,525	—	1,077,786
	<u>\$ 1,205,707</u>	<u>8,577</u>	<u>(1,011)</u>	<u>1,213,273</u>

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL RAILWAY AND
SAN FRANCISCO MUNICIPAL RAILWAY IMPROVEMENT CORPORATION**
Supplemental Schedule – Consolidating Statement of Operations and Changes in Equity
For the year ended June 30, 1999
(dollars in thousands)

	<u>MUNI</u>	<u>SFMRIC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenues:				
Passenger fares	\$ 97,084	—	—	97,084
Advertising	4,079	—	—	4,079
Paratransit revenue	567	—	—	567
Charter bus	16	—	—	16
Rental income	60	—	—	60
Other	293	—	—	293
Total operating revenues	<u>102,099</u>	<u>—</u>	<u>—</u>	<u>102,099</u>
Operating and administrative expenses:				
Transportation	159,399	—	—	159,399
Vehicle maintenance and repairs	74,001	—	—	74,001
Non-vehicle maintenance and repairs	33,971	—	—	33,971
General and administrative	81,167	135	—	81,302
Paratransit operations	11,285	—	—	11,285
Total operating and administrative expenses	<u>359,823</u>	<u>135</u>	<u>—</u>	<u>359,958</u>
Loss from operations before depreciation and amortization	(257,724)	(135)	—	(257,859)
Depreciation and amortization	<u>32,303</u>	<u>—</u>	<u>—</u>	<u>32,303</u>
Loss from operations	<u>(290,027)</u>	<u>(135)</u>	<u>—</u>	<u>(290,162)</u>
Nonoperating revenues (expenses):				
Operating assistance:				
Department of Parking and Traffic	91,962	—	—	91,962
Transportation Development Act Funds	30,053	—	—	30,053
Sales tax	30,031	—	—	30,031
Federal operating assistance	1,068	—	—	1,068
State Transit Assistance Funds	9,741	—	—	9,741
Bridge toll funds	103	—	—	103
ADA BART	624	—	—	624
Other	116	—	—	116
Transit Impact Development fees, net of expenses	(26)	—	—	(26)
Capital reserve revenue	99	—	—	99
Interest income	3,925	400	—	4,325
Interest expense	(1,236)	—	—	(1,236)
Gain on disposal of property, plant and equipment	6	—	—	6
Capital assistance of SFMRIC to MUNI	1,870	(1,870)	—	—
Other – net	87	—	—	87
Net nonoperating revenues	<u>168,423</u>	<u>(1,470)</u>	<u>—</u>	<u>166,953</u>
Net loss before operating transfers	<u>(121,604)</u>	<u>(1,605)</u>	<u>—</u>	<u>(123,209)</u>

**SAN FRANCISCO MUNICIPAL RAILWAY AND
SAN FRANCISCO MUNICIPAL RAILWAY IMPROVEMENT CORPORATION**
Supplemental Schedule – Consolidating Statement of Operations and Changes in Equity
For the year ended June 30, 1999
(dollars in thousands)

	<u>MUNI</u>	<u>SFMRIC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net loss before operating transfers	\$ (121,604)	(1,605)	—	(123,209)
Operating transfers:				
City and County of San Francisco – General Fund	69,746	—	—	69,746
San Francisco County Transportation Authority	9,838	—	—	9,838
Other City funds	866	—	—	866
Net loss	(41,154)	(1,605)	—	(42,759)
Capital grants and contributions	136,055	—	—	136,055
Equity, beginning of year, as restated	975,361	9,129	—	984,490
Equity, end of year	<u>\$ 1,070,262</u>	<u>7,524</u>	<u>—</u>	<u>1,077,786</u>

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL RAILWAY AND
SAN FRANCISCO MUNICIPAL RAILWAY IMPROVEMENT CORPORATION**

Supplemental Schedule of Grants – Federal

For the year ended June 30, 1999
(dollars in thousands)

	Authorized grants at July 1, 1998	New grants approved	Payments received	Expired/ rescinded grants	Authorized grants at June 30, 1999	Amounts not expended at June 30, 1999	Grants receivable at June 30, 1999
Capital grants:							
LRV Purchase	\$ 11,655	—	(10,870)	—	785	(785)	—
Muni Metro Turnback	1,329	—	(1,329)	—	—	—	—
Section 9 FY 1987/88	1,387	—	(529)	—	858	(858)	—
Section 9 FY 1988/89	—	—	—	—	—	—	—
Section 9 FY 1989/90	22	—	—	—	22	(22)	—
Section 9 FY 1990/91	1,441	—	(597)	—	844	(830)	14
Section 9 FY 1991/92	20,561	—	(8,286)	—	12,275	(10,422)	1,853
Section 9 FY 1992/93	461	—	—	—	461	(461)	—
Section 9 FY 1993/94	11,317	—	(7,733)	—	3,584	(3,353)	231
Section 9 FY 1994/95	49,555	—	(28,396)	—	21,159	(19,692)	1,467
Section 9 FY 1995/96	40,755	—	(8,915)	—	31,840	(31,424)	416
Flynn Site Remediation	—	750	(750)	—	—	—	—
New Start – Station/Term	907	—	(54)	—	853	(853)	—
31 Balboa	1,889	—	—	—	1,889	(1,889)	—
Trolley Coach Replacement	16,399	—	(776)	—	15,623	(15,623)	—
Total capital grants	\$ 157,678	750	(68,235)	—	90,193	(86,212)	3,981
Operating grants:							
Operating assistance	\$ 3,487	—	—	—	3,487	—	3,487
Federal Disaster Relief – Earthquake (FEMA)	—	449	(102)	—	347	(347)	—
Total operating grants	\$ 3,487	449	(102)	—	3,834	(347)	3,487

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL RAILWAY AND
SAN FRANCISCO MUNICIPAL RAILWAY IMPROVEMENT CORPORATION**

Supplemental Schedule of Grants – California Transportation Commission

For the year ended June 30, 1999
(dollars in thousands)

	Authorized grants at July 1, 1998	New grants approved	Payments received	Expired/ rescinded grants	Authorized grants at June 30, 1999	Amounts not expended at June 30, 1999	Grants receivable at June 30, 1999
Capital grants:							
F-Market Street Thoroughfare	\$ 2,463	—	—	—	2,463	(2,463)	—
Trolley Bus Purchases	—	—	—	—	—	—	—
F-Market/Embarcadero Extension	12,995	—	(7,444)	—	5,551	(3,872)	1,679
F-Market PCC Rehabilitation	189	—	—	(189)	—	—	—
LRV Purchase	17,759	—	(17,759)	—	—	—	—
Muni Metro Turnback	—	—	—	—	—	—	—
Muni Metro Extension	2,822	—	(341)	—	2,481	(2,429)	52
Metro Access Improvement	1,404	—	(684)	—	720	(615)	105
Automatic Train Control System	—	3,182	—	—	3,182	(998)	2,184
Geneva/Green Center Modification	—	—	—	—	—	—	—
Diesel Bus Rehabilitation	279	—	—	(279)	—	—	—
Maintenance Shop Facility Improvements	3,204	—	—	—	3,204	(2,244)	960
TSM-TRANSLINK, etc.	953	15	—	—	968	(522)	446
Total capital grants	\$ 42,068	3,197	(26,228)	(468)	18,569	(13,143)	5,426

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL RAILWAY AND
SAN FRANCISCO MUNICIPAL RAILWAY IMPROVEMENT CORPORATION**

Supplemental Schedule of Grants – Metropolitan Transportation Commission

For the year ended June 30, 1999
(dollars in thousands)

	Authorized grants at July 1, 1998	New grants approved	Payments received	Expired/ rescinded grants	Authorized grants at June 30, 1999	Amounts not expended at June 30, 1999	Grants receivable at June 30, 1999
Capital grants:							
Bridge toll:							
F-Embarcadero Extension	\$ 9,094	—	(5,590)	—	3,504	(1,893)	1,611
Local Match to Federal Section 9 FY90/91	58	—	(1)	—	57	(57)	—
Local Match to Federal Section 9 FY91/92	722	—	(292)	—	430	(430)	—
Local Match to Federal Section 9 FY92/93	—	—	—	—	—	—	—
Local Match to Federal Section 9 FY94/95	578	—	(283)	—	295	(168)	127
MMX to F Line connection	175	—	—	—	175	(175)	—
Trolley Bus Purchase	3,376	—	—	—	3,376	(3,376)	—
Diesel Bus Purchase	391	—	—	—	391	(391)	—
Rail Replacement	1,386	—	—	—	1,386	(1,297)	89
Trolley Overhead Construction	1,118	—	(12)	—	1,106	(1,095)	11
Cable Car Renovation	304	—	(304)	—	—	—	—
Woods Annex – Islais Creek	400	—	—	—	400	(238)	162
Trolley Overhead Reconstruction	—	419	—	—	419	(419)	—
Total capital grants	\$ 17,602	419	(6,482)	—	11,539	(9,539)	2,000
Operating grants:							
Transportation Development Act	\$ 2,379	30,053	(32,432)	—	—	—	—
State Transit Assistance	—	9,686	(9,686)	—	—	—	—
Bridge Toll Funds	—	—	—	—	—	—	—
AB1107 Sales Tax	23,639	30,031	(43,660)	—	10,010	—	10,010
Total operating grants	\$ 26,018	69,770	(85,778)	—	10,010	—	10,010

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL RAILWAY AND
SAN FRANCISCO MUNICIPAL RAILWAY IMPROVEMENT CORPORATION**

Supplemental Schedule of Grants – San Francisco County Transportation Authority

For the year ended June 30, 1999
(dollars in thousands)

	Authorized grants at July 1, 1998	New grants approved	Payments received	Expired/ rescinded grants	Authorized grants at June 30, 1999	Amounts not expended at June 30, 1999	Grants receivable at June 30, 1999
Capital grants:							
Facilities Rehabilitation and Improvement	\$ 1,674	321	(706)	—	1,289	(1,178)	111
Major Transit Corridor	1,405	2,218	(1,819)	—	1,804	(418)	1,386
Fleet Plan Update	118	—	—	—	118	(118)	—
F-Market Transit Thoroughfare	252	—	(224)	—	28	(4)	24
F-Market PCC Rehabilitation	58	850	(271)	—	637	(504)	133
Woods Division Renovation	4,192	120	(1,285)	—	3,027	(2,930)	97
Financial Capacity Study	240	—	—	—	240	(240)	—
Articulated Trolley Bus Purchase	16,241	—	—	—	16,241	(16,241)	—
LRV Purchase	14,543	27,920	(14,543)	—	27,920	(18,659)	9,261
LRV Modification	692	—	(141)	—	551	(455)	96
F Embarcadero Extension	12,739	—	(852)	—	11,887	(11,757)	130
Metro Access Improvements	1,156	—	(493)	—	663	(613)	50
Metro East LRV Facility	1,900	—	(546)	—	1,354	(416)	938
Muni Metro Turnback	6,846	—	(561)	—	6,285	(5,799)	486
Diesel Bus Purchase	9,290	7,000	(595)	—	15,695	(15,466)	229
Diesel Bus Rehabilitation	106	—	(103)	—	3	(3)	—
Land Acquisition – 700 Pennsylvania	2,783	—	(1,522)	—	1,261	(1,261)	—
Rail/OH Infrastructure Study	62	—	—	—	62	(62)	—
Rail Replacement/Maintenance Equipment	2,705	1,496	(804)	—	3,397	(1,850)	1,547
Signal Preemption	218	—	(146)	—	72	(38)	34
Wood/Potrero Roof Replacement	1,536	—	(382)	—	1,154	(2,226)	(1,072)
Trolley Overhead Reconstruction	529	—	(45)	—	484	(469)	15
Transit Preferential Streets	52	—	(27)	—	25	(6)	19
Bus Stop Improvements	—	312	—	—	312	(312)	—
Forest Hill Seepage and Seismic	—	104	(1)	—	103	(64)	39
Total capital grants	\$ 79,337	40,341	(25,066)	—	94,612	(81,089)	13,523

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL RAILWAY AND
SAN FRANCISCO MUNICIPAL RAILWAY IMPROVEMENT CORPORATION**

Supplemental Schedule of Grants – San Francisco County Transportation Authority

For the year ended June 30, 1999
(dollars in thousands)

	Authorized grants at July 1, 1998	New grants approved	Payments received	Expired/ rescinded grants	Authorized grants at June 30, 1999	Amounts not expended at June 30, 1999	Grants receivable at June 30, 1999
Operating grants:							
Paratransit Contract	\$ 506	4,899	(4,591)	—	814	—	814
Trolley Bus Lifts Operations and Maintenance	170	—	(84)	—	86	(86)	—
Muni Metro Extension Operations and Maintenance	5,606	—	(4,854)	—	752	—	752
F-Line Operations and Maintenance	643	950	(829)	(480)	284	(19)	265
Graffiti Prevention	11	—	—	—	11	(11)	—
Grant Section Staffing	214	128	(104)	—	238	(208)	30
Total operating grants	\$ 7,150	5,977	(10,462)	(480)	2,185	(324)	1,861

See accompanying independent auditors' report.

**SAN FRANCISCO MUNICIPAL RAILWAY AND
SAN FRANCISCO MUNICIPAL RAILWAY IMPROVEMENT CORPORATION**

Supplemental Schedule of Grants – Other Operating

June 30, 1999
(dollars in thousands)

	<u>Department of Parking and Traffic</u>	<u>Other</u>	<u>Total</u>
Authorized operating grants, July 1, 1998	\$ 3,404	19	3,423
New grants approved	91,962	10,532	102,494
Payments received	<u>(88,239)</u>	<u>(10,548)</u>	<u>(98,787)</u>
Operating grants receivable, June 30, 1999	<u>\$ 7,127</u>	<u>3</u>	<u>7,130</u>

See accompanying independent auditors' report.