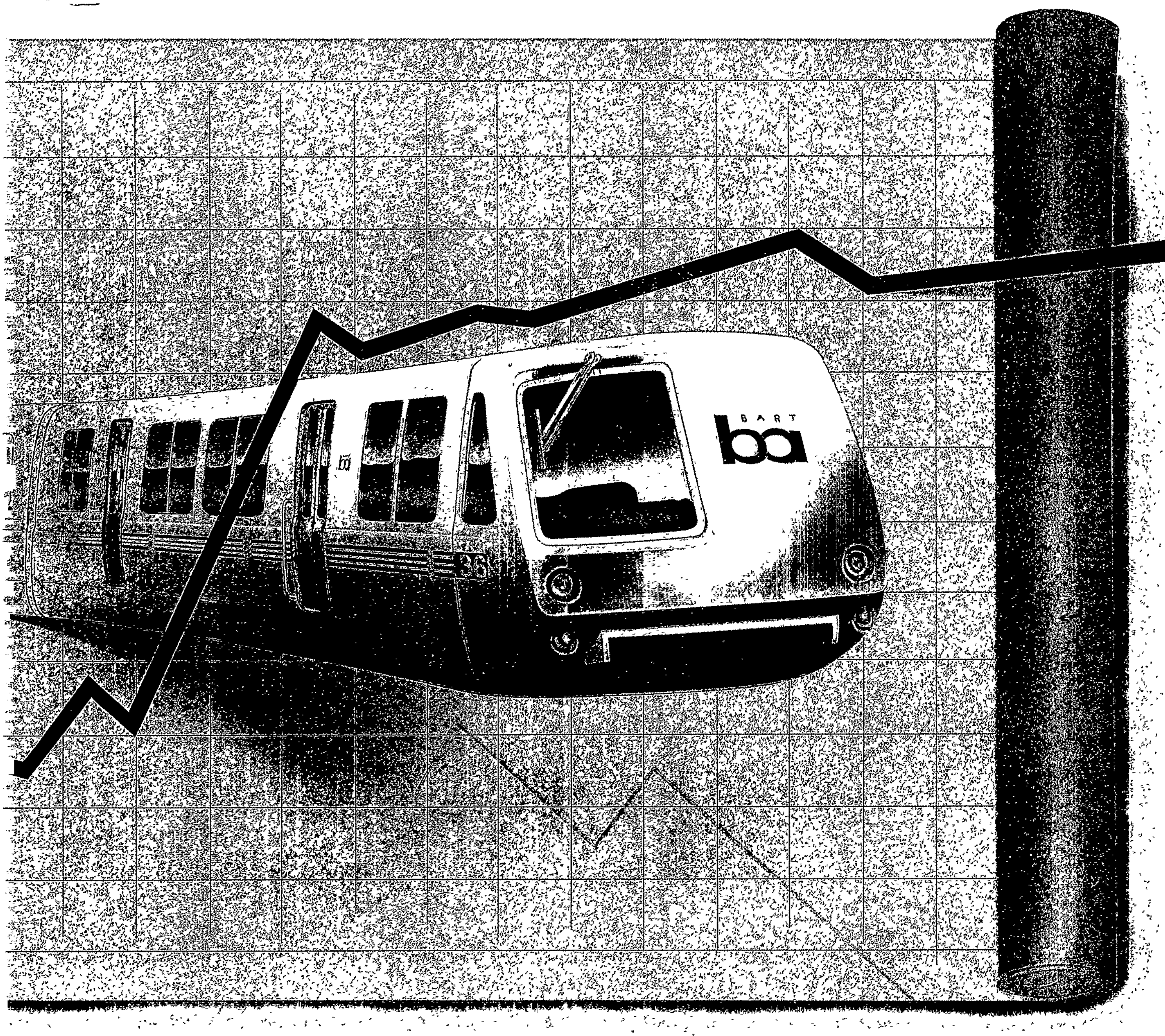
RENEWING TODAY, REALIZING THE VISION



BAY AREA RAPID TRANSIT DISTRICT
ANNUAL REPORT 1991

MESSAGE FROM GENERAL MANAGER

We thought 1990 would be a tough act to follow. BART's razor sharp performance after the Loma Prieta Earthquake was a singular source of pride for us. But Fiscal 1991 saw a different kind of heroics at BART, a story without the public drama of our post-earthquake performance, but dramatic in its own right. A story of exciting progress toward the ambitious goals we imposed upon ourselves for the year. And a story of the dawn of a new attitude, one whose rays were felt in every department at BART during the year and one that will continue to light our way as we navigate the challenges of the coming years

Fiscal Year 1991 was the District's first full year under our new performance budget: a detailed management strategy reflecting our shared values, plans, and priorities. A budget linking dollars to activities and measurable accomplishments Because BART's budget derives from the "contract" we make with ourselves, our riders and elected officials, it has at its heart active self-assessment—measuring our progress toward our eight District goals. The budget is a display of the District's agenda, sparking a new attitude of open accountability at BART

Thus, reviewing our performance during Fiscal Year 1991, I am, of course, struck by the stellar achievements, but I'm also heartened by the District's inculcation of this new attitude imbuing our efforts to meet our goals and to honor the six **themes** of the 1991 budget.

First, we called for **management revitalization**. As the District attitude evolved toward openness and accountability, BART senior and department managers were trained in the principles of the new budget process, in communicating and promoting these principles to employees, in supervising more effectively, and in implementing the new employee empowerment program. As a result, every level of BART personnel became primed to participate in the myriad changes taking place We streamlined and flattened the management structure, placing authority and accountability closer the the point of service delivery.

For 1991, we insisted on **service improvement** The District's new Central Computer System, so vital to our future, was accepted into service in February. Since then, the CCS has experienced over 200 enhancements. Using multiple computers operating concurrently, it keeps trains running on schedule more reliably, allows us to put more trains into service, and opens the doors for our expansion.

In April, BART took the lead in developing a Bay Area-wide, integrated regional transportation system by launching the BARTPlus ticket program. It allows patrons to transfer among nine participating transit systems with only one ticket

Fiscal Year 1991 saw great strides in rider access to BART, most notably the completion of the 850-space El Cerrito del Norte parking structure. The groundbreaking for the Pleasant Hill parking structure and significant progress in the Brentwood Park & Ride Lot project, together with the new multi-year master plan for the elderly and handicapped, all promise enhanced access and "quality of life" for BART riders in the future

We facilitated our rider's experience by installing new information kiosks at stations, increasing the number of station agents and improving their training, and lowering the number of train delays. System security, a crucial factor in rider confidence, took some significant strides with upgraded police communications, new canine patrols, additional officers, three new crime prevention programs, and the increase of police presence on trains by 278% on weekdays and 363% on weekends.

Special marketing programs that increased off-peak ridership and two extra trains and an extra hour of service on weeknights and Sundays helped make 1991 a year marked by significant service growth. BART patronage reached a record 71,900,906 in Fiscal Year 1991, our highest ever!

A third budget theme for 1991, perhaps at once our greatest opportunity and our greatest challenge, is **extension support**. And nothing feels more profoundly exciting than our preliminary work this year on BART's planned extension to Warm Springs, Pittsburg/Antioch, Dublin/Pleasanton, and Colma: a 33-mile, 10-station goal supported by an innovative joint powers agreement, as well as a number of other funding accomplishments, and a comprehensive community outreach program.

We received the last of our 150 C-Cars and achieved a contract with the manufacturer to provide BART with the technical data needed for future car procurements. Heading off costly litigation, the contract supports the District's expansion with funding as well as service, the sale/leaseback agreement yielded approximately $7 million.

When we prepared the 1991 budget, we stressed **system investment**, recognizing that the other side of expanding our system to realize its potential is protecting the taxpayers' investment in BART's basic infrastructure. To that end, we launched an ambitious system and station rehabilitation program that involves restoring our 440 A- and B-Cars and refurbishing our existing stations. Station rehabilitation is substantially complete at Concord, Fruitvale, MacArthur, and North Berkeley, including the installation of state-of-the-art water conservation computer-controlled irrigation systems.

We instituted the captive fleet program, ensuring more reliable car maintenance by assigning each BART car to a specific yard where the maintenance crew knows its history and is directly responsible for its upkeep. The newly opened Daly City Yard is now responsible for maintaining 142 cars in the captive fleet program

Imperative to BART's efforts to fulfill its mission is **employee orientation**: nurturing and maintaining our most valuable resource, the people of BART. With this theme, the District's attitude of open accountability translates to one of personal responsibility. We implemented an employee empowerment program designed to inspire individual performance through improved technical training programs and organizational and strategic decisions that enable employees to more closely identify with the work they perform, as well as employee recognition and reward programs

We also introduced a progressive, comprehensive employee substance abuse program, one that deters as well as detects drug and alcohol abuse. In its first year, 19 employees participated in the voluntary treatment/rehabilitation program.

Fiscal Year 1991 was one of steady progress toward our affirmative action goals; most notably, we began our two-year pilot engineering intern program, hoping to hire three minority or female interns. We hired five.

BART's sixth theme for the 1991 budget was **operational efficiencies.** More efficient use of our human resources and more efficient use of our financial resources. We streamlined our car cleaning process, using personnel more effectively. We streamlined our hiring process with a new position control system. And, by flattening and paring down BART's organization, we reduced management headcount by 18 positions while removing redundant levels of supervision The District's new internal audit department assessed BART management and internal control. We took a long, hard look at our procurement and contract management policies and developed a new procurement manual Finally, our new Management Information System technology program reduced systems redundancy, inconsistencies in standards and equipment, and staffing and equipment costs.

There's nothing healthier for an organization than holding it up to the light, examining it from all angles, for everyone's view. What I see in Fiscal Year 1991 speaks well of BART's proud and visionary past and of its present performance... and bodes well for its bright future. Fiscal year 1991 was a year of renewing the public's investment in our system and of striding confidently toward becoming what BART's visionaries knew we could one day be A year of renewing today...and realizing the vision.

Frank J. Wilson, General Manager
Bay Area Rapid Transit

DISTRICT GOALS

1 Provide a safe, reliable, high quality and economical transportation service

2 Deliver user-friendly services to all our customers

3 Empower employees to function as owners of the BART organization

4 Provide an environment free of impediments to opportunities for employees and disadvantaged business enterprises, and one which encourages cooperation and develops a team of highly motivated staff

5 Expand district markets and capture new revenue sources

6 Operate BART according to sound business practices

7 Provide leadership in integrating regional transportation

8 Build constituencies at all levels of government

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of San Francisco
Bay Area Rapid Transit District:

We have audited the accompanying balance sheets of San Francisco Bay Area Rapid Transit District (the District) as of June 30, 1991 and 1990, and the related statements of operations, capital, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of San Francisco Bay Area Rapid Transit District at June 30, 1991 and 1990, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of reconciliation of excess of operating revenues over (under) expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of the District's management. Such schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche   Grant & Smith

September 11, 1991

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

BALANCE SHEETS, JUNE 30, 1991 AND 1990 (In thousands)

ASSETS	1991	1990
CURRENT ASSETS:		
Cash and cash equivalents (Notes 2 and 3)	$ 17,388	$ 21,443
Investments (Note 3)	221,632	252,592
Deposits held by trustee (Note 3)	19,626	24,551
Receivables	34,410	23,925
Materials and supplies - at average cost	17,790	15,884
Total current assets	310,846	338,395
DEFERRED COMPENSATION PLAN INVESTMENTS (Notes 3 and 9)	66,986	55,558
INVESTMENTS RESTRICTED FOR BOARD DESIGNATED PURPOSES (Note 3)	20,714	20,586
FACILITIES, PROPERTY AND EQUIPMENT - At cost, less accumulated depreciation (Note 4)	1,805,430	1,741,570
TOTAL ASSETS	$2,203,976	$2,156,109

LIABILITIES AND CAPITAL	1991	1990
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 5)	$ 35,515	$ 36,290
Payroll and other liabilities	58,028	51,912
Self-insurance liabilities	13,963	10,946
Unearned passenger revenue	1,914	2,070
Total current liabilities	109,420	101,218
DEFERRED COMPENSATION (Note 9)	66,986	55,558
LONG-TERM DEBT (Note 5)	439,500	460,775
CAPITAL:		
Grants and contributions, net	799,860	775,555
Accumulated net revenues	788,210	763,003
Total capital	1,588,070	1,538,558
TOTAL LIABILITIES AND CAPITAL	$2,203,976	$2,156,109

See notes to financial statements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 1991 AND 1990 (In thousands)

	1991 OPERATIONS	1991 CONSTRUCTION (Note 2)	1991 DEBT SERVICE	1991 COMBINED TOTAL	1990 OPERATIONS	1990 CONSTRUCTION (Note 2)	1990 DEBT SERVICE	1990 COMBINED TOTAL
OPERATING REVENUES:								
Fares	$ 99,497			$ 99,497	$ 99,528			$ 99,528
Other (including investment income)	8,211			8,211	7,120			7,120
Total operating revenues	107,708			107,708	106,648			106,648
OPERATING EXPENSES:								
Transportation	65,911			65,911	65,033			65,033
Maintenance	85,809			85,809	79,186			79,186
Police services	11,906			11,906	11,011			11,011
Construction and engineering	7,753			7,753	6,322			6,322
General and administrative	44,818			44,818	40,075			40,075
Depreciation	47,096			47,096	44,634			44,634
Total operating expenses	263,293			263,293	246,261			246,261
Less capitalized costs	(9,624)			(9,624)	(8,644)			(8,644)
Net operating expenses	253,669			253,669	237,617			237,617
OPERATING LOSS	(145,961)			(145,961)	(130,969)			(130,969)
OTHER REVENUES (EXPENSES):								
Transactions and use tax	99,295		$ 9,665	108,960	91,512		$14,552	106,064
Property tax	10,638		44,578	55,216	9,782		51,671	61,453
Local financial assistance	430			430	413			413
Sale of tax benefits		$ 9,827		9,827		$14,244		14,244
Other investment income		14,223	1,128	15,351		20,176	2,144	22,320
Interest expense			(23,148)	(23,148)			(27,926)	(27,926)
Other - net			(229)	(229)			(34)	(34)
Total other revenues	110,363	24,050	31,994	166,407	101,707	34,420	40,407	176,534
EXCESS OF REVENUES OVER (UNDER) EXPENSES BEFORE EXTRAORDINARY ITEM	(35,598)	24,050	31,994	20,446	(29,262)	34,420	40,407	45,565
EXTRAORDINARY ITEM - Loss on defeasance of debt			(17,176)	(17,176)				
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$(35,598)	$24,050	$14,818	$ 3,270	$(29,262)	$34,420	$40,407	$ 45,565

See notes to financial statements.

- 3 -

1. ORGANIZATION AND BASIS OF PRESENTATION

Description of Reporting Entity - San Francisco Bay Area Rapid Transit District (the District) is a public agency created by the legislature of the State of California in 1957 and regulated by the San Francisco Bay Area Rapid Transit District Act, as amended, and subject to transit district law as codified in the California Public Utilities Code. The disbursement of all funds received by the District is controlled by statutes and by provisions of various grant contracts entered into with federal, state and local agencies.

For financial reporting purposes, the District's financial statements include all financial activities that are controlled by or dependent upon actions taken by the District's Board of Directors.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Facilities, property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation of assets acquired with District funds is distinguished from depreciation of assets acquired with grants and contributions by others.

The District capitalizes certain interest revenue and expenditures related to tax-free borrowings. The net effect of such interest capitalization was to decrease expenditures for facilities, property and equipment by $3,992,000 and $2,040,000 during the years ended June 30, 1991 and 1990, respectively, for excess interest revenue over interest expenses from applicable borrowings.

Self-insurance Liabilities - The District is largely self-insured for workers' compensation claims, general liability claims, and major property damage. The District accrues the estimated costs of the self-insured portion of claims.

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

Grants and Contributions - The District periodically receives grants from the Urban Mass Transportation Administration (UMTA) and other agencies of the U.S. Department of Transportation, state, and local transportation funds for the acquisition of transit related equipment and improvements. Capital grant funds earned, less amortization equal to accumulated depreciation of the related assets, are included in grants and contributions.

Statements of operations include the financial activities of the general operations of the transit system, revenues restricted by the Board of Directors for construction activity, and revenues restricted by the District's various bond indentures for debt service (including interest expense) on outstanding long-term debt.

Transactions and Use Tax (Sales Tax) Revenue - A 1/2% transactions and use tax is collected within District boundaries and administered by the State Board of Equalization. Of amounts available for distribution, 75% is paid directly by the State Board of Equalization to the District's trustee for the purpose of paying bond interest, principal and expenses. Monies not required for these purposes are transmitted to the District. The remaining 25% is allocated by the Metropolitan Transportation Commission (MTC) to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services. The District records the total transactions and use taxes earned (including amounts paid to the trustee) as revenue.

Property Taxes, Collection and Maximum Rates - The State of California Constitution Article XIII A provides that the general purpose maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts, such as the District.

The District receives property tax revenues to meet the debt service requirements of its General Obligation Bonds. The District also receives an allocation of property tax revenues for transit operations.

San Francisco, Alameda and Contra Costa Counties assess properties, bill for, collect, and distribute property taxes. Property taxes are recorded as revenue and receivables, net of estimated uncollectibles, in the fiscal year of levy.

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

Sale of Tax Benefits - The District has entered into agreements to sell tax benefits for certain District-owned transit equipment contracted for purchase prior to August 1986. The transactions have been structured in the form of leases for tax purposes. The District recognizes tax benefit sales proceeds in the period of sale of tax benefits.

Pension costs are expensed as incurred. Such costs equal the actuarially determined annual contribution amount. See Note 8.

Statement of Cash Flows - During fiscal 1991, the District adopted Statement No. 9 of the Governmental Accounting Standards Board, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting," which requires a statement of cash flows in place of a statement of changes in financial position. The 1990 statement of changes in financial position has been replaced with a statement of cash flows comparable with 1991. The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Deposits held by trustee, deferred compensation plan investments and investments restricted for Board designated purposes are treated as investments.

3. CASH AND INVESTMENTS

The District maintains a cash and investment pool that includes cash and investments available for general use and restricted for Board designated purposes. Cash and investments of the District's deferred compensation plan (see Note 9) are held separately by the plan's administrator.

Deposits - At June 30, 1991 (and 1990), the District's cash on hand was $1,779,000 (1990, $2,082,000), and the carrying amount of the District's time and demand deposits was $(4,289,000) (1990, $2,661,000) with the corresponding bank balance of $8,779,000 (1990, $9,826,000). Of the bank balance $329,000 (1990, $408,000) was insured by federal depository insurance or collateralized by securities held by the District's agent in the District's name, and $8,450,000 (1990, $9,418,000) is required by Section 53652 of the California Government Code to be collateralized 110% by the pledging financial institutions. Such collateral is not required to be in the District's name.

Investments - State of California statutes and District policy authorize the District to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, bankers' acceptances, repurchase and reverse repurchase agreements, and the State Treasurer's investment pool. The District did not enter into any reverse repurchase agreements during 1991 or 1990.

The District's investments are categorized below to give an indication of the credit risk assumed by the District at June 30, 1991. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the

District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name.

	(In Thousands)					
	1991				1990	
	Category 1	Category 2	Carrying Amount	Market Value	Carrying Amount	Market Value
Money market		$ 4,740	$ 4,740	$ 4,740		
U.S. Treasury notes	$ 61,533		61,533	61,673	$ 25,155	$ 25,219
Federal agency obligations	178,813		178,813	179,055	257,245	257,185
Repurchase agreements	14,164	14,883	29,047	29,047	27,484	27,484
Total	$254,510	$19,623	274,133	274,515	309,884	309,888
Cash on hand			1,779	1,779	2,082	2,082
Time and demand deposits			(4,289)	(4,289)	2,661	2,661
Mutual funds - deferred compensation plan investments			66,986	66,986	55,558	55,558
Total			$338,609	$338,991	$370,185	$370,189
Reported as:						
Cash and cash equivalents			$ 17,388		$ 21,443	
Short-term investments			221,632		252,592	
Payroll and other liabilities (representing cash overdraft)			(7,737)		(4,545)	
Deposits held by trustee			19,626		24,551	
Deferred compensation plan investments			66,986		55,558	
Investments restricted for Board designated purposes			20,714		20,586	
Total			$338,609		$370,185	

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

	1991	1990
Basic system completion	$ 3,815	$ 4,070
System improvement	3,499	3,316
Self-insurance	9,000	9,000
Operating	4,400	4,200
Total	$20,714	$20,586

4. FACILITIES, PROPERTY AND EQUIPMENT

Facilities, property, and equipment, asset lives, and accumulated depreciation and amortization at June 30, 1991 and 1990 are summarized as follows (in thousands):

	Lives (Years)	1991 Cost	1991 Accumulated Depreciation and Amortization	1990 Cost	1990 Accumulated Depreciation and Amortization
Land		$ 208,995		$ 203,466	
Improvements	80	1,222,314	$ 238,362	1,191,500	$223,488
System-wide operation and control	20	201,156	101,362	188,296	92,729
Revenue transit vehicles	30	419,239	115,786	375,563	100,440
Service and miscellaneous equipment	3-20	29,375	17,124	26,179	15,497
Capitalized construction and start-up costs	30	97,722	57,055	100,705	54,320
Repairable property items	30	14,010	3,728	12,087	3,379
Construction-in-progress		146,036		133,627	
Total		$2,338,847	$ 533,417	$2,231,423	$489,853

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $292 million at June 30, 1991.

In June 1988, the District entered into Principles of Agreement (Agreement) with the San Mateo County Transit District (SamTrans) pertaining to extending the transit system to the vicinity of San Francisco International Airport (Airport). Under the terms of the Agreement, SamTrans will pay the District a $200 million capital contribution, to be used for East Bay expansion, payable in installments (adjusted for inflation) upon reaching certain Airport extension milestones. In addition, SamTrans will be responsible for funding 25% of the cost of extending the transit system to the Airport. District management's most current estimate, updated in 1991, of the cost of such Airport extension is approximately $849 million. This project is contingent upon the District receiving adequate commitments for federal funding, and also upon expansion of the transit system in the East Bay.

5. LONG-TERM DEBT

Long-term debt at June 30, 1991 and 1990 is summarized as follows (in thousands):

	1991	1990
1962 General Obligation Bonds	$315,400	$349,100
1966 Special Service District Bonds	4,330	4,850
Total General Obligation Bonds	319,730	353,950
1985 Sales Tax Revenue Bonds		143,115
1990 Sales Tax Revenue Refunding Bonds	159,509	
Total long-term debt	479,239	497,065
Less:		
Unamortized 1990 bond discount and issuance costs	(4,224)	
Current portion	(35,515)	(36,290)
Net long-term portion	$439,500	$460,775

1962 General Obligation Bonds - In 1962, voters of the member counties of the District authorized a bonded indebtedness totaling $792 million of General Obligation Bonds. Payment of both principal and interest is provided by the levy of District-wide property taxes. Bond interest rates range from 1.5% to 6.0%.

1966 Special Service District Bonds - In 1966, City of Berkeley voters formed Special Service District No. 1 and authorized the issuance of $20.5 million of General Obligation Bonds, of which $12 million were issued, for construction of subway extensions within that city. Payment of both principal and interest is provided by taxes levied upon property within Special Service District No. 1. Bond interest rates range from 4.0% to 5.5%.

1990 Sales Tax Revenue Refunding Bonds (the 1990 Bonds) - The 1969 Legislature of the State of California authorized the District to impose a 1/2% transactions and use tax within District boundaries and issue Sales Tax Revenue Bonds. On September 30, 1977, the Governor signed legislation which extended the transactions and use tax indefinitely. The tax is collected and administered by the State Board of Equalization. Of amounts available for distribution, 75% is paid to the District's trustee for the purpose of paying bond interest, principal and expenses. Monies not required for these purposes are transmitted to the District. The remaining 25% is allocated by the MTC to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services on the basis of regional priorities established by MTC.

In July 1990, the District issued sales tax revenue refunding bonds totaling $158,478,430 with an average interest rate of 6.6% to advance refund $141,045,000 of 1985 Sales Tax Revenue Bonds outstanding. The net proceeds of $154,038,800, after discount and payment of underwriting fees and insurance plus an additional $1,214,835 of cash held by trustee, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with a trustee to provide for all future debt service payments on the 1985 bonds. As a result, the 1985 Sales Tax Revenue Bonds are considered to be defeased and the liability for the bonds removed from the balance sheet.

The advance refunding resulted in the recognition of an accounting loss of $17,176,560 for the year ended June 30, 1991. However, the advance refunding has reduced the District's aggregate debt service requirements by $9,454,000 over the next 21 years and has resulted in an economic gain (difference between the present values of the old and new debt service payments) of approximately $8,400,000.

The 1990 Bonds are special obligations of the District payable from, and secured by, a pledge of the sales tax revenues. At June 30, 1991, the 1990 Bonds consist of $141,650,000 of current interest bonds due from 1993 to 2012 with interest rates ranging from 5.9% to 6.75% and $17,858,524 of capital appreciation serial bonds ($16,828,430 original amount) with yields of 6.65% to 6.75% due from 2002 to 2005. Interest on the capital appreciation bonds is payable at maturity. For financial reporting purposes, accrued interest is added to the principal balance. The current interest bonds maturing on July 1, 2009 ($56,215,000) are redeemable after July 1, 2000 at the option of the District at prices ranging from 102% to 100%.

The discount is being amortized over the life of the related debt.

The following is a schedule of long-term debt principal repayments required as of June 30, 1991 (in thousands):

	1962 G.O. Bonds	1966 Special Service District Bonds	1990 Sales Tax Revenue Refunding Bonds	Total
Year ending June 30:				
1992	$ 34,975	$ 540		$ 35,515
1993	36,275	570	$ 840	37,685
1994	37,525	590	5,400	43,515
1995	39,050	620	5,785	45,455
1996	40,625	640	6,205	47,470
Thereafter	126,950	1,370	141,279	269,599
Total	$315,400	$4,330	$159,509	$479,239

6. FEDERAL GRANTS

The U.S. Department of Transportation provides financial assistance to the District for capital projects and planning and training. Grants which were active during the year ended June 30, 1991 are summarized as follows (in thousands):

Total approved project costs	$419,219
Total approved federal funds	$327,262
Less cumulative amounts received	(276,705)
Remaining amount available under federal grants	$ 50,557

7. LOCAL AND STATE FINANCIAL ASSISTANCE

The District receives local operating and capital assistance from Transportation Development Act Funds (TDA). For the year ended June 30, 1991, TDA assistance was $430,000 (1990, $413,000), all of which was used for operating assistance. These funds are received from the counties of Alameda and Contra Costa to meet, in part, the District's operating requirements based on annual claims filed by the District and approved by the MTC.

The District receives state operating and capital assistance from State Transit Assistance Funds (STA). For the year ended June 30, 1991, STA assistance was $528,000 (1990, $183,000), of which $528,000 (1990, $164,000) was used for capital purposes, and none (1990, $19,000) was used for flow-through projects. These funds are allocated by MTC based on the ratio of the District's transit operation revenue and local support to the revenue and local support of all state transit agencies.

8. EMPLOYEES RETIREMENT PLAN

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

The District was not required to make a contribution to the Fund for public safety personnel or for miscellaneous covered employees for the years ended June 30, 1991 and 1990 due to a surplus of the District's portion of the Fund's net assets over the District's pension benefit obligation caused by a change in 1988 in the actuarial valuation method and an actual rate of return on investment assets that exceeded the assumed rate. The District's covered payroll for employees participating in the Fund for the years ended June 30, 1991 and 1990 was $105,614,000 and $95,372,000, respectively. The District's 1991 and 1990 payroll for all employees was $117,564,000 and $109,991,000, respectively. The District, due to a Collective Bargaining Agreement, also has a legal obligation to contribute an additional 9% for public safety personnel and 7% for miscellaneous covered employees. Employees have no obligation to contribute to the Fund.

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

The pension benefit obligation shown below was computed as part of an actuarial valuation performed as of June 30, 1990, the latest available for the Fund. The significant actuarial assumptions used in the 1990 valuation to compute the pension benefit obligation were an assumed rate of return on investment assets of 8.5%, annual payroll increases of 5.5% attributable to inflation and 1.5% attributable to merit or seniority, and no postretirement benefit increases.

The funding status applicable to the District's employee group at June 30, 1990 (the latest available for the Fund) follows (in thousands):

Net assets available for benefits, at cost (total market value, $314,165)	$277,041
Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	91,169
Current employees:	
Accumulated employee contributions and allocated investment earnings	92,685
Employer-financed, vested	39,309
Employer-financed, nonvested	2,005
Total pension benefit obligation	225,168
Net assets in excess of pension benefit obligation	$ 51,873

Actuarially Determined Contributions Required and Contributions Made - The funding policy of the Fund provides for actuarially determined periodic contributions by the District at rates such that sufficient assets will be available to pay benefits when due. The District was not required to make a contribution to the Fund for the years ended June 30, 1991 and 1990 in accordance with the actuarially determined requirements computed as of June 30, 1989 and 1988, respectively. The District's surplus asset position is being offset against the current year's normal cost contribution. The actuarially determined normal cost contribution rate before reduction for the surplus asset amortization was 16.256% (1990, 15.345%) for public safety employees and 7.980% (1990, 8.069%) for miscellaneous employees.

The District's normal cost contribution rate is determined using the entry-age normal actuarial cost method, a projected benefit cost method. It takes into account those benefits that are expected to be earned in the future as well as those already accrued. The Fund would use the same method to amortize any unfunded liability.

Significant actuarial assumptions used in the June 30, 1990 valuation to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

Historical Trend Information - Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten-year trend information is not yet available.

For the District's portion of the Fund, trend information for the four years ended June 30, 1990, follows (dollars in thousands):

	1990	1989	1988	1987
Net assets available for benefits, at cost	$277,041	$245,582	$214,290	$189,801
Pension benefit obligation	$225,168	$193,565	$171,353	$151,795
Net assets available for benefits as a percentage of pension benefit obligation	123%	127%	125%	125%
Assets in excess of pension benefit obligation	$51,873	$52,017	$ 42,937	$ 38,006
Annual covered payroll	$95,372	$85,746	$ 83,178	$ 79,940
Assets in excess of pension benefit obligation as a percentage of annual covered payroll	54.4%	60.7%	51.6%	47.5%
Contributions made in accordance with actuarially determined requirements as a percentage of annual covered payroll	0%	0%	0%	0%

Trend information for 1991 is not yet available.

9. DEFERRED COMPENSATION PLAN

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

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

District Management believes that the District has no liability under the terms of the plan for any amounts other than the participants' account balances.

10. MONEY PURCHASE PENSION PLAN

All District employees, except sworn police officers, participate in the Money Purchase Pension Plan, which is a supplemental retirement program. In January 1981, the District's employees elected to withdraw from the Federal Social Security System (FICA) and established the Money Purchase Pension Plan. The District contributes an amount equal to 6.65% of covered employee's annual compensation (up to $29,700 after deducting the first $133 paid during each month) up to a maximum annual contribution of $1,868. Additionally, the District contributes to each employee's account approximately 1.63% of covered payroll for the savings realized when the District de-pooled its Public Employees Retirement Fund (Fund) account. This amount was formerly paid to the employee's Fund account. Each employee's account is available for distribution upon such employee's termination.

The District's total expense and funded contribution for this plan for the years ended June 30, 1991 and 1990 was $6,025,000 and $5,927,000, respectively. Money Purchase Pension Plan assets at June 30, 1991 and 1990 (excluded from the accompanying financial statements) were $89,484,000 and $76,878,000, respectively.

11. LITIGATION AND DISPUTES WITH CONTRACTORS

The District is involved in various lawsuits, claims and disputes, which for the most part are normal to the District's operations. In the opinion of District Management, the costs that might be incurred, if any, would not materially affect the District's financial position or operations.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

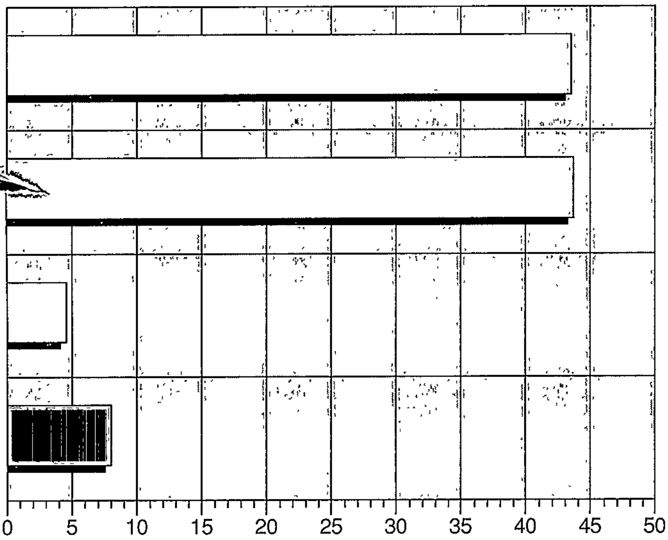
SUPPLEMENTAL SCHEDULE OF RECONCILIATION OF EXCESS OPERATING REVENUES OVER (UNDER) EXPENSES FOR THE YEARS ENDED JUNE 30, 1991 AND 1990 (In thousands)

The following is a reconciliation of excess operating revenues over (under) expenses after capital designations and before depreciation:

	1991	1990
EXCESS OF EXPENSES OVER REVENUES - Operations	$(35,598)	$(29,262)
CAPITAL DESIGNATIONS	(11,500)	(15,381)
DEPRECIATION	47,096	44,634
EXCESS OF OPERATING REVENUES OVER (UNDER) EXPENSES AFTER CAPITAL DESIGNATIONS AND BEFORE DEPRECIATION	$ (2)	$ (9)

Capital designations are made by the District annually for capital purposes which represent the excess of revenue over expenses before depreciation generated by operations.

OPERATING FUNDS 1990/91



TOTAL
$227,697 100%
(In Thousands)

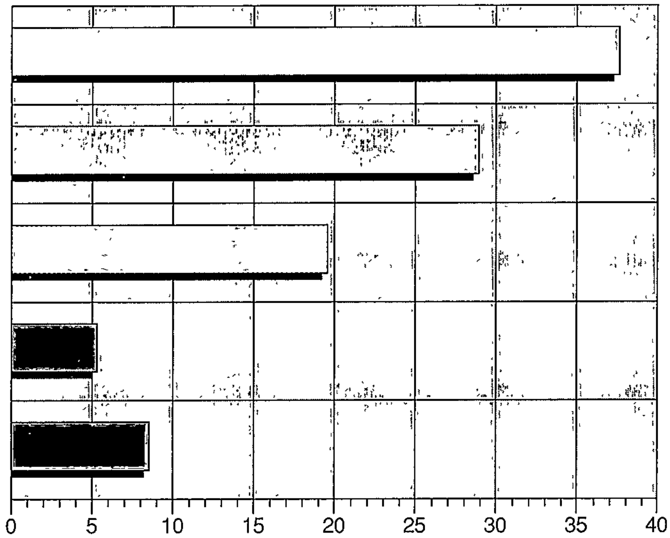
SOURCE OF FUNDS
(In Thousands)

Transactions & Use Sales Tax
$99,295 43 61%

Fares
$99,497 43 70%

Property Tax
$10,638 4.67%

Other $18,267 8.02%
- Investment Income and Other Operating Revenues
  $8,211 3 60%
- Construction Funds
  $9,624 4 22%
- Regional Financial Assistance
  $430 0 19%
- Decrease in Working Capital
  $2 0 01%



TOTAL
$227,697 100%
(In Thousands)

HOW FUNDS WERE APPLIED
(In Thousands)

Maintenance
$85,809 37.69%

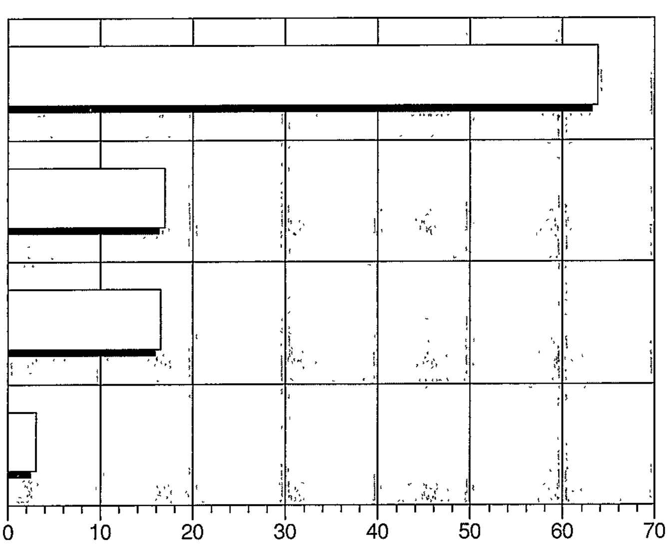
Transportation
$65,911 28 95%

General Administration
$44,818 19 68%

Police Services
$11,906 5.23%

Other $19,253 8.45%
- Capital Designation
  $11,500 5 05%
- Construction & Engineering
  $7,753 3 40%

CAPITAL FUNDS 1990/91



TOTAL
$125,612 100%
(In Thousands)

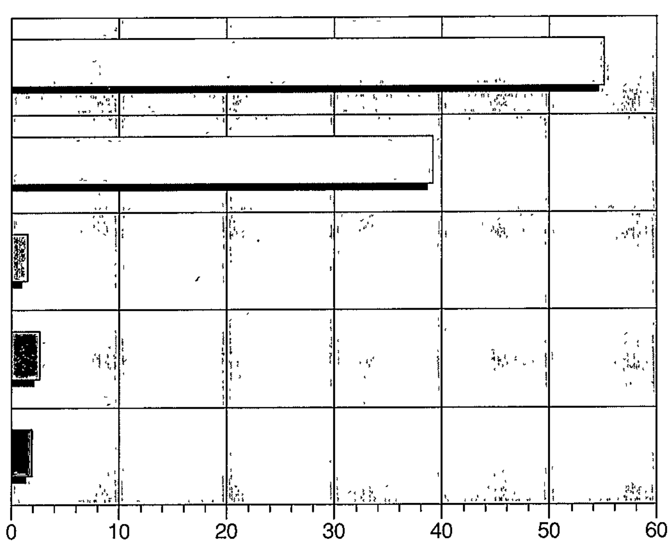
SOURCE OF FUNDS
(In Thousands)

District
$79,369 63 19%

Federal
$21,446 17 07%

State
$21,051 16 76%

Local
$3,746 2.98%



TOTAL
$125,612 100%
(In Thousands)

EXPENDITURES
(In Thousands)

Construction
- Line
  $60,807 48 41%
- Systemwide
  $6,422 5 11%
- Support Facilities
  $1,846 1 47%

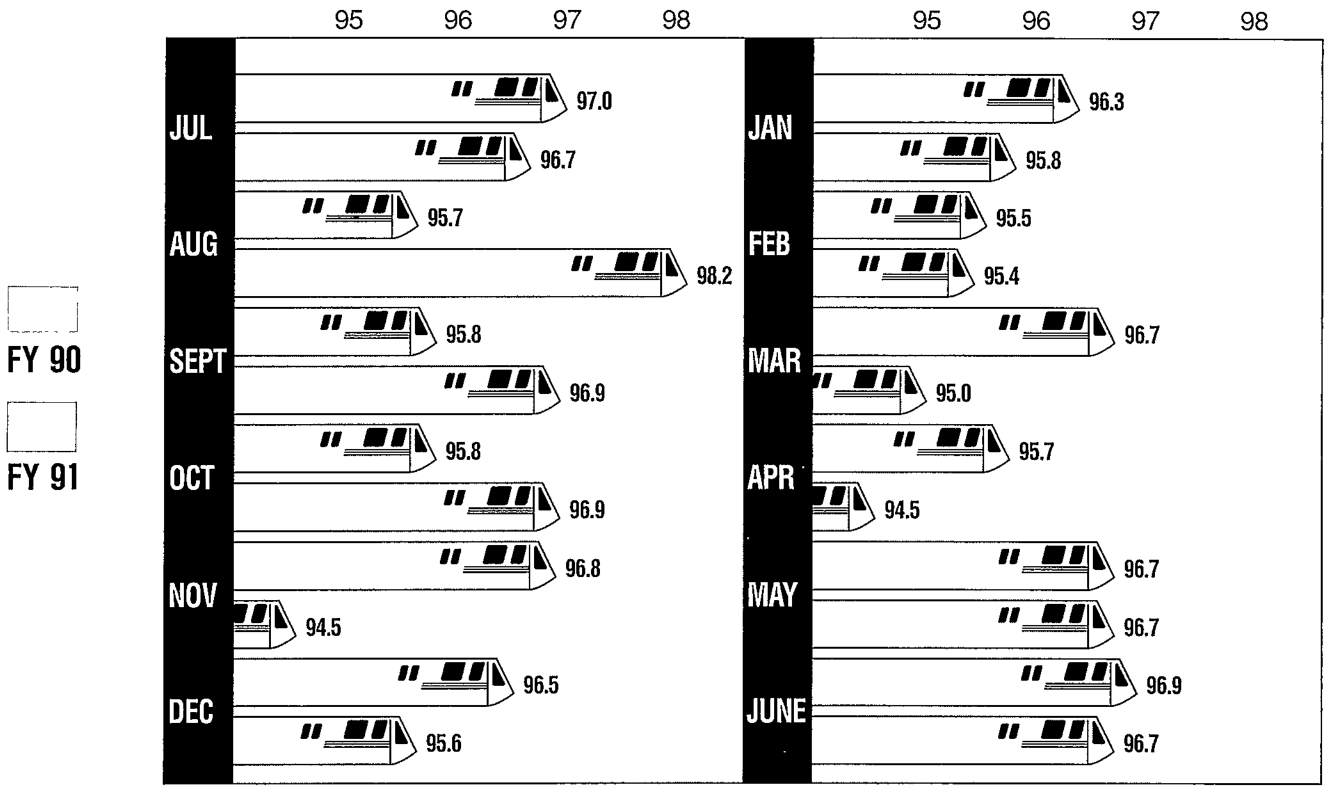
Equipment
- Train Control
  $2,690 2 14%
- Communications
  $816 0 65%
- Transit Vehicles
  $41,489 33 03%
- Automatic Fare Collection
  $749 0 60%
- Management Information Systems
  $504 0 40%
- Support Vehicles
  $653 0 52%
- Other Equipment
  $2,395 1 91%

Inventory Build Up
$1,918 1 53%

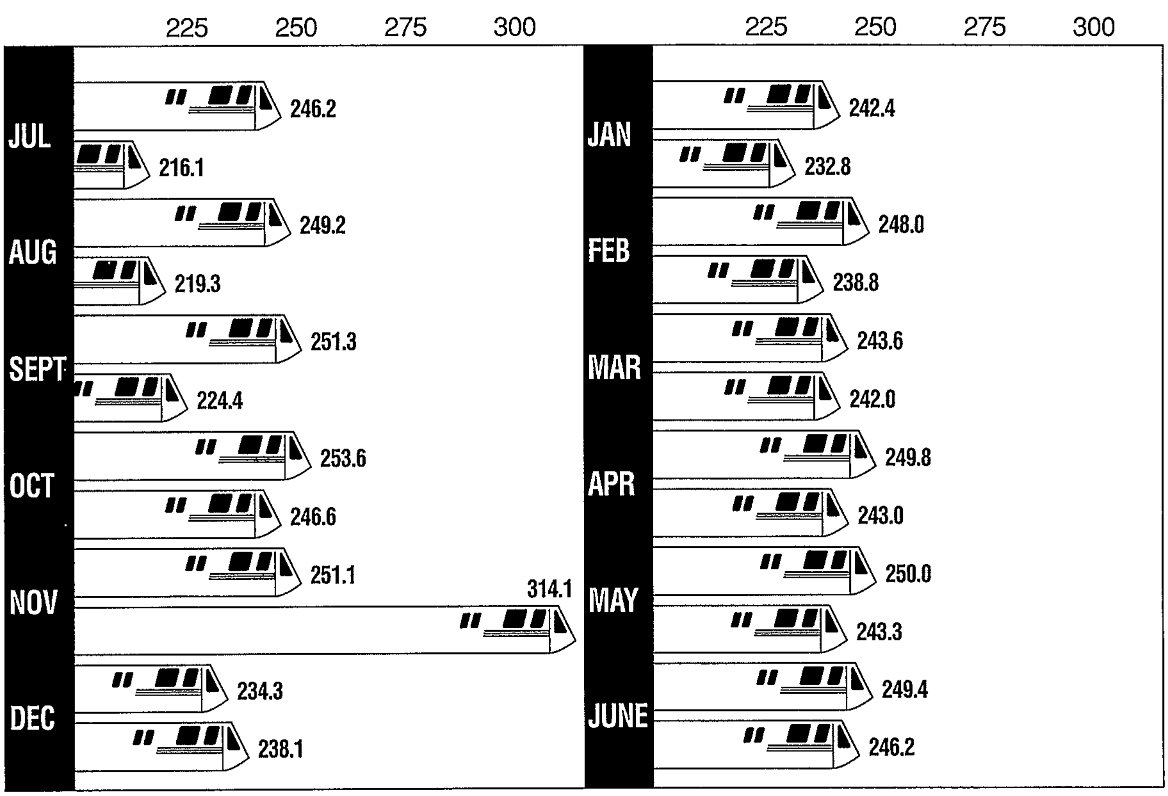
Extensions Development
$2,971 2 36%

Studies & Other
$2,352 1 87%

DAILY ON-TIME PERFORMANCE (%)



AVERAGE WEEKDAY TRIPS



PERFORMANCE HIGHLIGHTS

BART patronage for the fiscal year 1991 totaled 71,900,906, an increase of 1,351,359 over fiscal year 1990 and the highest annual patronage figure in the District's history. This record total reflects, among other things, the number of passengers who began using BART after the 1989 Loma Prieta earthquake and remained BART riders after the Bay Bridge reopened.

Weekday passenger trips averaged 247,456 for FY1991, compared with 241,525 for FY1990. Average weekday ridership for the fourth quarter of FY1991 was 249,747 trips, 2.3 percent above the same quarter of FY1990. This reflects the District's return to its long-term growth pattern after last year's marked permanent increase in BART's ridership.

Annual passenger miles amounted to 897,786,507 for FY1991, an increase of 6,557,564 over the previous year.

The District's estimated share of peak period transbay traffic during FY1991 (including cars, buses and trains) was 39.2 percent based on surveys taken during the year by the Metropolitan Transportation Commission. BART's estimated share of transbay commute traffic was 50 percent for FY1990.

Net passenger revenues reached $99,497,000, a decrease of $31,000 from the FY1990 figure of $99,528,000. The 1990 amount included passenger revenue when the Bay Bridge was closed, and the average trip length and fares were higher. Total operating revenues, including $8,211,000 in interest income, advertising in trains and stations and other income, were $107,708,000, an increase of $1,060,000 from the previous fiscal year.

BART funded 48.2 percent of its FY1991 net operating expenses—which was $206,573,000 (excluding depreciation)—from net passenger revenues. BART's farebox ratio last fiscal year was 51.6 percent.

BART's operating ratio, which relates total operating revenues to total net operating expenses, was 52.1 percent in FY1991, compared with 55.3 percent for the previous year. The District's objective is to fund no less than one-half of its net rail operating expenses from operating revenues.

	FY 1991	FY 1990
Rail Ridership		
Annual passenger trips	71,900,906	70,549,547
Average weekday trips	247,456	241,525
Average trip length	12.5 miles	12.6 miles
Annual passenger miles	897,786,507	891,228,943
Patron trip on-time performance (%)	96.0%	94.5%
System utilization ratio (passenger miles to available seat miles)	32.7%	30.7%
End-of-period ratios		
Peak patronage	47.8%	47.6%
Off-peak patronage	52.2%	52.4%
BART's estimated share of peak period transbay trips - cars, trains & buses	39.2%	50.0%
Operations		
Annual revenue car miles	39,193,009	40,327,962
Unscheduled train removals - average per revenue day	1.5	2.2
Transit car availability to revenue car fleet (a)	79.7%	82.5%
Passenger accidents reported per million passenger trips	12.13	13.56
Patron-related crimes reported per million passenger trips	43.73	41.18
Financial		
Net passenger revenues	$ 99,497,000	$ 99,528,000
Other operating revenues	$ 8,211,000	$ 7,120,000
Total operating revenues	$107,708,000	$106,648,000
Net operating expenses (excluding depreciation)	$206,573,000	$192,983,000
Farebox ratio (net passenger revenues to net operating expenses)	48.2%	51.6%
Operating ratio (total operating revenues to net operating expenses)	52.1%	55.3%
Net rail passenger revenue per passenger mile	11.0¢	11.1¢
Rail operating cost per passenger mile	21.6¢	20.0¢
Net average rail passenger fare(b)	$1.37	$1.40

NOTES
General note: Data represents annual averages unless otherwise noted.
(a) At 8 a.m. each each day.
(b) Includes BART/MUNI Fast Pass.

Net rail passenger revenue per passenger mile for FY1991 was 11.0 cents, compared to 11.1 cents for FY1990. Rail operating cost per passenger mile for FYI1991 was 21.6 cents, compared with 20.0 cents for the previous year.

In addition to funds derived from passenger fares, interest income and advertising, BART received $108,960,000 in revenue from 75 percent of the one-half-cent transit sales tax in the three BART counties, $430,000 in local funds and $10,638,000 in property tax available for operations.

Of the $108,960,000 derived from the sales tax, $21,165,000 was allocated to debt service and capital allocations, and $87,795,000 was made available for operations.

San Francisco Bay Area
Rapid Transit District (BART)

Headquarters in downtown Oakland, California
800 Madison Street, P.O. Box 12688
Oakland, CA 94604-2688 (510) 464-6000

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

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

BOARD OF DIRECTORS
Fiscal Year 1991

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Erlene DeMarcus, Pleasanton

VICE PRESIDENT
Michael Bernick, San Francisco

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District #2 - Nello Bianco, El Sobrante
District #3 - Sue Hone, Berkeley
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District #5 - Erlene DeMarcus, Pleasanton
District #6 - John Glenn, Fremont
District #7 - Wilfred T Ussery, San Francisco
District #8 - James Fang, San Francisco
District #9 - Michael Bernick, San Francisco

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Sherwood Wakeman, General Counsel
Alvan Teragawachi, Controller/Treasurer
Phillip O. Ormsbee, District Secretary

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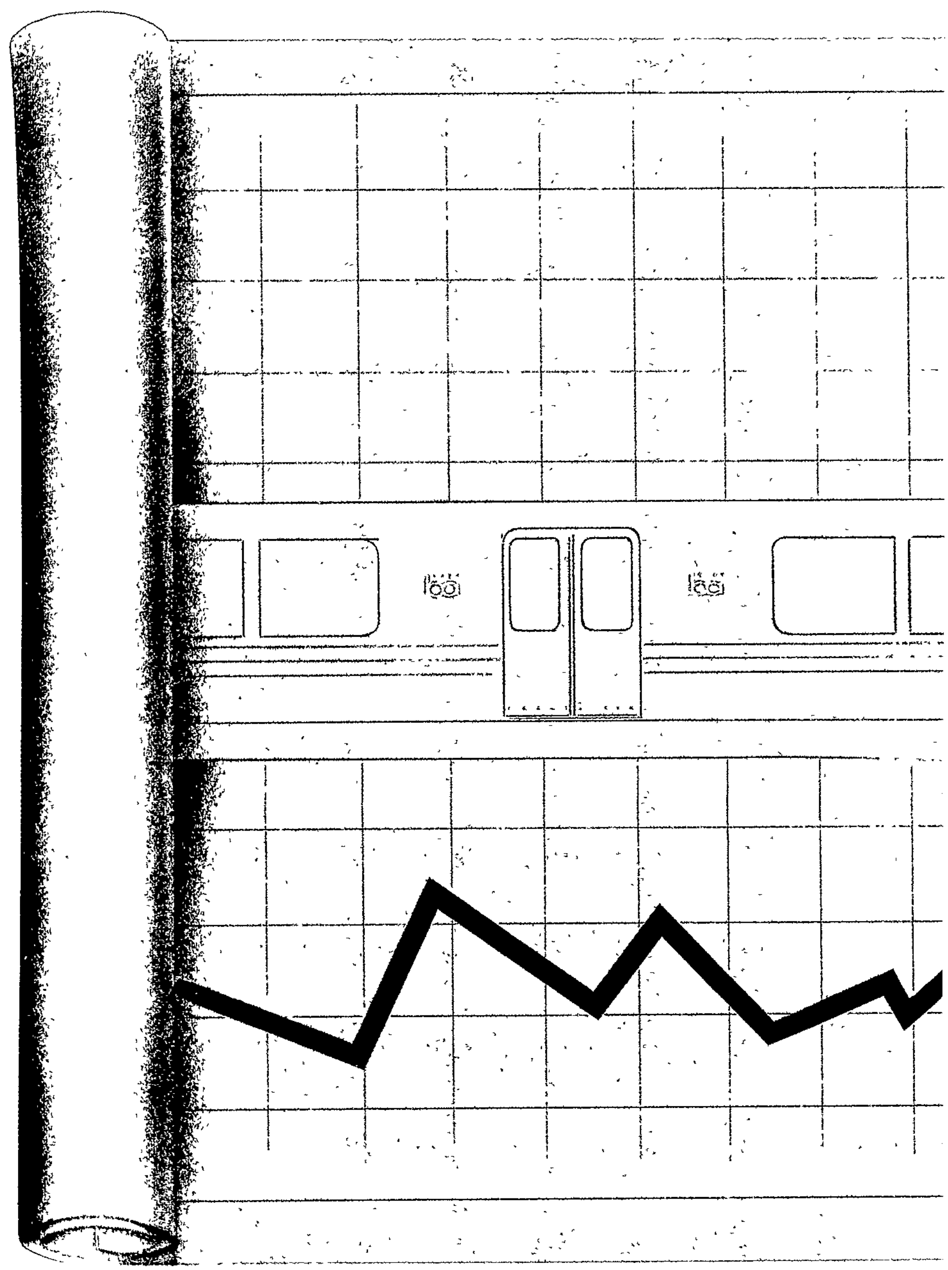
Louise Ogden, Executive Manager, District Relations & Support Services
Ralph S. Weule, Executive Manager Safety & Investigations
James T. Gallagher, Assistant General Manager, Operations
Thomas E. Margro, Assistant General Manager, Development



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