

TRANSPORTATION AUTHORITY OF MARIN

BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

**TRANSPORTATION AUTHORITY OF MARIN
FINANCIAL STATEMENTS**

JUNE 30, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
the Transportation Authority of Marin
San Rafael, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Transportation Authority of Marin (Authority) as of and for the fiscal year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Transportation Authority of Marin as of June 30, 2010, and the respective changes in financial position thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2009, the Authority adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2010, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 26 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, CA
October 11, 2010

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2010

This section of the Transportation Authority of Marin's (TAM's) basic financial statements presents management's overview and analysis of the financial activities of TAM for the fiscal year ended June 30, 2010. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

TAM collected a total of \$26.4 million various revenues in FY2009-10, of which \$19.0 million, or 72%, is Measure A sales tax revenue. The prolonged economic recession dampened down the sales tax revenue collections in Marin. TAM's \$19.0 million FY2009-10 Measure A revenue collection is \$0.3 million, or 1.7%, less than the \$19.3 million collected in FY2008-09, and \$3.4 million, or 15.4%, less than the \$22.4 million collected in FY2007-08. The Measure A sales tax revenue drop TAM experienced in the past three years has had significant negative impacts on the transportation projects and programs in Marin County. It's likely that the revenue drop has reached bottom in FY2009-10 and we may see some level of positive growth in FY2010-11. TAM has been working closely with all the project/program sponsors and explored different options, such as advance fund allocation, usage of reserve, etc, to mitigate the negative impact of the sales tax loss. With all those efforts, most of the Measure A projects/programs were able to maintain the funding levels they had prior to the recession.

Besides the \$19.0 million sales tax revenue collected for carrying out all Measure A related projects and programming in the County, TAM also received about \$7.1 million for all its Congestion Management Agency related activities. \$3.4 million of Traffic Congestion Relief Program (TCRP) funding was received from the State for the Marin Sonoma Narrows project. \$0.1 million was received from the State Transportation Improvement Program (STIP) for Planning, Programming and Monitoring activities. TAM received \$0.1 million from the Corridor Mobility Improvement Account (CMIA), one of the several program elements of the \$19.9 billion Proposition 1B Transportation Infrastructure Bond approved by the voters back in 2006, for the 580/101 Connector Project. \$1.9 million Regional Measure 2 (RM2) funds were received from the Metropolitan Transportation Commission (MTC) for various RM2 capital projects TAM manages. TAM collected close to \$0.5 million from MTC in Congestion Management Planning and Programming funds. Cities, towns, and the County of Marin also contributed \$0.4 million for the various services/support TAM provides as the Congestion Management Agency. TAM collected about \$0.3 million in Transportation Fund for Clean Air (TFCA) funds, a program funded by a \$4 surcharge on motor vehicles registered in the Bay Area. TAM also received about \$0.2 million in other federal and local grants, mostly for its Street Smarts, SchoolPool and Safe Routes Education programs.

The troublesome financial market continues to hurt TAM's investment return. TAM was only able to earn \$0.3 million interest revenue with its cash balance. The investment revenue for FY2008-09 was \$0.7 million, and \$1.2 million for FY2007-08.

Total FY2009-10 expenditures for TAM were \$25.9 million, of which \$19.9 million was in the Measure A Sales Tax Fund, and consisted of \$9 million for administration, \$2 million for professional services, and \$1.8 million for debt service. No expenditures occurred for the pass-through interagency fund agreements category due to project schedule changes.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to TAM's audited financial statements, which are comprised of the basic financial statements.

The required financial statements include the Government-wide and Fund Financial Statements; Statement of Net Assets and Statement of Activities; Governmental Funds Balance Sheet; and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. These statements are supported by notes to the financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of TAM.

The Basic Financial Statements

The Basic Financial Statements contain the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of TAM's financial activities and financial position.

The Government-wide Financial Statements provide a long-term view of TAM's activities as a whole, and includes the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of TAM as a whole, including all of its capital assets and long-term liabilities on the full accrual basis of accounting, similar to that used by corporations. The Statement of Activities provides information about all of TAM's revenues and all of its expenses, also on the full accrual basis of accounting, with the emphasis on measuring net revenues or expenditures of TAM's programs. The Statement of Activities explains in detail the change in Net Assets for the fiscal year.

All of TAM's activities are grouped into Governmental Activities, as explained below.

The Fund Financial Statements report TAM's operations in more detail than the Government-wide Financial Statements and focus primarily on the short-term activities of TAM's Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt, and other long-term amounts.

Major Funds account for the major financial activities of TAM and are presented individually. Major Funds are explained below.

The Government-wide Financial Statements

Government-wide Financial Statements are prepared on the full accrual basis of accounting, which means they measure the flow of all economic resources of TAM as a whole. The Statement of Net Assets and the Statement of Activities present information about the following:

Governmental Activities

TAM's basic services are considered to be governmental activities. These services are supported by various transportation funding sources from various federal, state, and local funding agencies.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of TAM's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by Governmental Accounting Standards Board (GASB) Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Major Funds present the major activities of TAM for the fiscal year, and may change from year to year as a result of changes in the pattern of TAM's activities.

TAM currently has a total of five governmental funds, with one added in FY2009-10.

CMA General Fund

This fund accounts for the revenues and expenditures for TAM's congestion management activities, primarily congestion management planning and programming work elements, and the management of various capital projects. The fund spent a total of \$5.4 million for various transportation planning and programming activities, and capital project management in FY2009-10.

The fund's fiscal year end fund balance is \$2.3 million, including \$1.4 million received up front from the Department of Transportation for the cash flow needs of the various Marin Sonoma Narrows projects that TAM manages for FY2009-10. The rest of the fund balance represents funds that have not yet been expended but are mostly committed to various congestion management activities.

BAAQMD/TFCA Fund

This fund accounts for the revenues and expenditures for the Transportation for Clean Air (TFCA) capital grant that TAM receives from the Bay Area Air Quality Management District (BAAQMD). The purpose of the TFCA grant is to fund studies related to monitoring of air quality control, and any capital improvements that can contribute to the improvement of air quality. The fund spent \$407,147 on such activities in FY2009-10.

The fund's fiscal year end fund balance is \$2.1 million, representing funds that have not yet been expended but are committed to different air quality control projects.

Measure A Sales Tax Fund

This fund accounts for the revenues and expenditures for the projects and programs set forth by the voters in TAM's Transportation Sales Tax Expenditure Plan, approved by Marin voters in November 2004. The fund spent \$18.8 million on such activities and an additional \$1.1 million on administration and professional services.

The fund's fiscal year end fund balance is \$25.7 million, representing funds that have not yet been expended but committed to various projects and programs according to the Expenditure Plan.

Corte Madera Creek Bridge Fund

This fund accounts for the revenues and expenditures for the Central Marin Ferry Connection Project. As part of the Highway 101 Gap Closure Project implementation, the project sponsor, the Department of Transportation (Caltrans), needed to obtain a permit from the Bay Conservation and Development Commission (BCDC) to conduct some work within BCDC's jurisdiction. BCDC determined the project had unavoidable impacts to resources under its purview and required certain mitigations as a condition to the issuance of a permit. A contribution in the amount of \$400,000 was made by Caltrans and deposited in this special fund as required by BCDC. This funding is reserved for the Central Marin Ferry Connection Project, which is expected to enhance public access to the San Francisco shoreline. This fund was transferred from the Marin Department of Public Works to TAM in FY2006-07. After spending \$50,000 in FY2009-10, the fund has a balance of \$426,343, as of June 30, 2010.

Marin Community Foundation Fund

Marin Community Foundation (MCF) is a charitable organization which provides grants to support a range of community issues in Marin County. One of the critical initiatives identified by MCF is to reduce the environmental effects of climate change. MCF awarded TAM a grant in the amount of \$175,000 to the Safe Routes to Schools program to decrease car travel to schools in Marin County in August 2009. The funding is to be used solely to develop and promote a web-based SchoolPool program, which provides parents and students with connections that facilitate trip matching, carpooling, and alternative travel to school. TAM spent \$132,566 of the funds received on various eligible activities in FY2009-10. The fund balance as of June 30, 2010 is \$43,626, including \$1,192 interest revenue earned for the fund.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented for all Funds.

Analyses of Governmental Funds

Governmental Funds

Actual revenues from various sources for FY2009-10 were \$26.4 million, \$7.1 million less than the budgeted amount. When the Original FY2009-10 TAM Annual Budget was adopted in June 2009, the estimated Measure A collection was \$19.5 million. The revenue level was since revised down to \$17.5 million, with \$2 million reserve fund added to the budget. This change was meant to get TAM prepared for the worst economic scenario, while still keeping the total \$19.5 million Measure A revenue level commitment to various projects and programs. Fortunately, TAM's final FY2009-10 Measure A revenue collection is \$19.0 million, only 0.5 million lower than the original estimate. On the expenditure side, the Department of Transportation did not send in its reimbursement request for the \$1.6 million that TAM allocated to the Gap Closure project. All reimbursements for the other small programs/projects were also lower due to less than expected expenditures. Since all Measure A strategies/substrategies ended FY2009-10 with positive fund balances, staff recommended that no reserve funds be used for FY2009-10.

Actual expenditures were \$26.9 million, \$17.8 million less than the budgeted amount, which again is mainly due to the slower than expected progress of various capital projects. Spending level for the Administration Category was very similar to the year before. TAM spent \$5.1 million less for the Professional Services, mainly due to the slower than expected project progress made for the various Marin Sonoma Narrows (MSN) and RM2 capital projects, and the less Project Management Oversight support needed. Expenditures for Measure A Projects/Programs were also \$7.7 million less due to the fact that both Strategy 2, Gap Closure, and Strategy 3, Streets & Roads, expended much less than the budgeted amount. The \$2.9 million expenditures budgeted for the Interagency Agreements Category were not expended due to project schedule changes. Expenditures for Other Capital Projects Category were \$1.7 million lower, which were mainly due to the fact that the Department of Transportation did not ask for the reimbursement of the \$1.6 million TDA funds allocated to the Gap Closure project.

Governmental Activities

Table 1
Statement of Net Assets

	June 30, 2010	June 30, 2009	June 30, 2009
ASSETS			
Cash and Investments	\$ 28,413,149	\$ 29,991,831	\$ 30,662,335
Sales Tax Receivable	3,008,400	2,840,200	3,615,700
Accounts Receivable	4,033,531	2,688,818	2,303,703
Prepaid Expenses	-	-	117,000
Capital Assets Net of Accumulated Depreciation	<u>9,817</u>	<u>14,726</u>	<u>19,635</u>
Total assets	<u>\$ 35,464,897</u>	<u>\$ 35,535,575</u>	<u>\$ 36,718,373</u>
LIABILITIES			
Accounts Payable	4,872,434	6,171,321	5,485,053
Deferred Revenue	35,422	50,080	87,180
Long Term Debt	<u>9,821,429</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>14,729,285</u>	<u>6,221,401</u>	<u>5,572,233</u>
NET ASSETS			
Invested in Capital Asset Net of Related Debt	9,817	14,726	19,635
Restricted	20,725,795	29,299,447	31,126,505
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>\$ 20,735,612</u>	<u>\$ 29,314,173</u>	<u>\$ 31,146,140</u>

TAM's governmental net assets were \$20,735,612 as of June 30, 2010, and comprised the following:

- Cash and investments of \$28,413,149 in the County of Marin Treasury.
- Receivables of \$7,041,931 of sales tax and accounts receivable.
- Capital assets net of accumulated depreciation of \$9,817.
- Liabilities, including accounts payable, deferred revenue and long term debt, totaling \$14,729,285.
- Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. Total net assets of TAM were \$20,735,612 as of June 30, 2010, of which all net assets were restricted and committed to various transportation projects and programs.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Assets summarized below.

Table 2
Statement of Activities

	FY 2010	FY 2009	Change
REVENUES			
Programming Revenue			
Operating Grants and Contribution	\$ 1,296,211	\$ 1,507,672	\$ (211,461)
Capital Grants	5,793,085	7,229,678	(1,436,593)
Total Program Revenues	<u>7,089,296</u>	<u>8,737,350</u>	<u>(1,648,054)</u>
General Revenues			
Sales Tax	18,984,492	19,320,196	(335,704)
Interest	298,846	698,590	(399,744)
Misc Revenue	500	60,000	(59,500)
Total General Revenues	<u>19,283,838</u>	<u>20,078,786</u>	<u>(794,948)</u>
Total Revenues	<u>26,373,134</u>	<u>28,816,136</u>	<u>(2,443,002)</u>
EXPENSES			
Administration	563,768	548,141	15,627
Project Management	601,867	866,504	(264,637)
Transportation Planning and Programming	1,413,566	1,267,142	146,424
Transportation Projects	4,101,330	7,105,317	(3,003,987)
Measure A Projects and Programs	17,448,000	20,860,999	(3,412,999)
Total Expenses	<u>24,128,531</u>	<u>30,648,103</u>	<u>(6,519,572)</u>
Change in Net Asset	2,244,603	(1,831,967)	4,076,570
Net Asset - Beginning, restated	<u>18,491,009</u>	<u>31,146,140</u>	<u>(12,655,131)</u>
Net Asset - Ending	<u>\$ 20,735,612</u>	<u>\$ 29,314,173</u>	<u>\$ (8,578,561)</u>

As Table 2 above shows, \$7,089,296, or 26.9% of TAM's FY2009-10 governmental revenues, came from program revenues and \$19,283,838, or 73.1%, came from general revenues such as sales taxes and interest. Program revenues were composed of operating grants and contributions of \$1,296,211, and capital grants of \$5,793,085.

Measure A Sales tax revenues are the largest revenue for TAM, and represent about 72.0% of TAM's FY2009-10 revenues. Sales tax revenues are general revenues that are spent under the guideline of the Expenditure Plan approved by the voters in November 2004. Interest earnings are also part of the general revenues.

Programming revenues include both operating grants and contributions and capital grants. Cities and County Contributions are part of the Operating Grants and Contributions revenues. Other Operating Grants and Contributions include STP/CMAQ/T-Plus planning funds, the Community Based Transportation funds from MTC, the STIP/PPM funds from the California Transportation Commission (CTC), the Non-motorized Transportation Pilot Program, and a grant from the Marin Community Foundation. Total Operating Grants and Contributions for FY2009-10 is \$1,296,211.

Capital Grants includes the Transportation for Clean Air (TFCA) funding from the Bay Area Air Quality Management District (BAAQMD), Regional Measure 2 (RM2) from MTC, the MSN earmark funding from the Federal Highway Administration, and the CMIA bond funding and TCRP funding from CTC, in the amount of \$5,793,085.

Capital Assets

For the fiscal year ended June 30, 2010, the net capital asset value for TAM was \$9,817, which is the total value of TAM's Information Technology equipment that cost over \$5,000 (\$24,544), net of the depreciation of \$14,727.

Debt Administration

To meet the cash flow needs of the 101 Gap Closure project, TAM entered into a \$12.5 million CMAQ/Measure A Funds Exchange Agreement with MTC in November 2007. The first payment to MTC was made in June 2009. It's TAM's intent to fully repay this loan by December 31, 2015 with its Measure A debt reserve funds.

Date of exchange agreement:	November 28, 2007
Original amount of exchange agreement:	\$ 12,500,000
Unpaid principal balance:	\$ 9,821,429
Maturity date:	December 31, 2015
Interest rate:	3% until 12/31/15, and 10% thereafter
Date to which interest has been paid:	None due until 6/30/11

Economic Outlook and Future Projections

The overall financial condition of TAM reflects financial stability. However, various funding sources are impacted by the current economic downturn, financial market woes, and housing market crash.

The prolonged economic recession dampened down the sales tax revenue collections in Marin County. TAM's \$19.0 million FY2009-10 Measure A revenue collection is \$0.3 million, or 1.7%, less than the \$19.3 million collected in FY2008-09, and \$3.4 million, or 15.4%, less than the \$22.4 million collected in FY2008-09. The Measure A sales tax revenue drop TAM experienced in the past three fiscal years has significant negative impacts on the transportation projects and programs in Marin County. It's likely that the revenue drop has reached its bottom in FY2009-10 and we may see some level of positive growth in FY2010-11. On top of the recession, the budget crisis the State of California has been experiencing is also negatively impacting the availability of various funding from the State, such as the STIP/PPM, TCRP, and CMIA funding.

On the expenditure side, TAM was able to find adequate cash for the needs of various capital projects in FY2009-10 and expects this will remain the same in the upcoming year. TAM will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the residents of Marin County.

Requests for Information

This Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of TAM's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Transportation Authority of Marin, 750 Lindero Street Suite 200, San Rafael, CA 94901-6029; (415) 226-0815.

TRANSPORTATION AUTHORITY OF MARIN

STATEMENT OF NET ASSETS

June 30, 2010

ASSETS	Governmental Activities
Cash and investments	\$ 28,413,149
Sales tax receivable	3,008,400
Accounts receivable	4,033,531
Capital assets, net of accumulated depreciation	<u>9,817</u>
Total assets	<u>35,464,897</u>
LIABILITIES	
Accounts payable	4,872,434
Unearned revenue	35,422
Noncurrent liabilities:	
Due within one year	1,727,091
Due in more than one year	<u>8,094,338</u>
Total liabilities	<u>14,729,285</u>
NET ASSETS	
Invested in capital assets, net of related debt	9,817
Restricted for:	
BAAQD-TFCA Project	2,084,472
Measure A Sales Tax Project	15,864,715
Corte Madera Creek Bridge Project	426,343
Marin Community Foundation	43,626
Congestion Management Projects	<u>2,306,639</u>
Total net assets	<u><u>\$ 20,735,612</u></u>

The accompanying notes are an integral part of these basic financial statements

TRANSPORTATION AUTHORITY OF MARIN

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues		Net (Expense)
		Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities:				
Administration	\$ 563,768	\$ 44,623	\$ -	\$ (519,145)
Project management	601,867		297,897	(303,970)
Transportation planning and programming	1,413,566	1,251,588		(161,978)
Transportation projects	4,101,330		5,495,188	1,393,858
Measure A projects and programs	17,448,000			(17,448,000)
Total Governmental Activities	\$ 24,128,531	\$ 1,296,211	\$ 5,793,085	(17,039,235)
General Revenues:				
Sales tax				18,984,492
Interest				298,846
Miscellaneous revenues				500
Total General Revenues				19,283,838
Change in net assets				2,244,603
Net assets at beginning of fiscal year				29,314,173
Prior period adjustments				(10,823,164)
Net assets at beginning of fiscal year, restated				18,491,009
Net assets at end of fiscal year				\$ 20,735,612

The accompanying notes are an integral part of these basic financial statements

TRANSPORTATION AUTHORITY OF MARIN

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2010

ASSETS	<u>General Fund</u>	<u>BAAQD/TFCA Fund</u>	<u>Measure A Sales Tax Fund</u>	<u>Corte Madera Creek Bridge Fund</u>	<u>Marin Community Foundation Fund</u>	<u>Total</u>
Cash and investments	\$ 386,142	\$ 2,111,157	\$ 25,387,439	\$ 426,343	\$ 102,068	\$ 28,413,149
Sales tax receivable			3,008,400			3,008,400
Accounts receivable	3,235,891		797,640			4,033,531
Total assets	<u>\$ 3,622,033</u>	<u>\$ 2,111,157</u>	<u>\$ 29,193,479</u>	<u>\$ 426,343</u>	<u>\$ 102,068</u>	<u>\$ 35,455,080</u>
 LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,279,972	\$ 26,685	\$ 3,507,335	\$ -	\$ 58,442	\$ 4,872,434
Deferred revenue	35,422					35,422
Total liabilities	<u>1,315,394</u>	<u>26,685</u>	<u>3,507,335</u>		<u>58,442</u>	<u>4,907,856</u>
Fund balances:						
Reserved for:						
BAAQD/TFCA Fund		2,084,472				2,084,472
Measure A Sales Tax Fund			25,686,144			25,686,144
Corte Madera Creek Bridge Fund				426,343		426,343
Marin Community Foundation					43,626	43,626
Congestion Management	2,306,639					2,306,639
Total fund balances	<u>2,306,639</u>	<u>2,084,472</u>	<u>25,686,144</u>	<u>426,343</u>	<u>43,626</u>	<u>30,547,224</u>
Total liabilities and fund balances	<u>\$ 3,622,033</u>	<u>\$ 2,111,157</u>	<u>\$ 29,193,479</u>	<u>\$ 426,343</u>	<u>\$ 102,068</u>	<u>\$ 35,455,080</u>

The accompanying notes are an integral part of these basic financial statements

TRANSPORTATION AUTHORITY OF MARIN

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

FUND BALANCE OF GOVERNMENTAL FUNDS \$ 30,547,224

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Fund because of the following:

Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Fund Balance Sheet.

Capital assets at historical cost	\$ 24,544	
Less: accumulated depreciation	<u>(14,727)</u>	9,817

Long-term liabilities: In the Governmental Fund Balance Sheet, only current liabilities are reported. In the Statement of Net Assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities consist of:

Funding exchange agreement payable	<u>(9,821,429)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 20,735,612

TRANSPORTATION AUTHORITY OF MARIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

REVENUES	General Fund	BAAQD/TFCA Fund	Measure A Sales Tax Fund	Corte Madera Creek Bridge Fund	Marin Community Foundation Fund	Total
Measure A	\$ -	\$ -	\$ 18,984,492	\$ -	\$ -	\$ 18,984,492
Cities and counties	429,999					429,999
Interest	10,950	20,905	261,262	4,537	1,192	298,846
STP/CMAQ	474,337					474,337
T-Plus	42,354					42,354
STIP/PPM	130,695					130,695
RM2	1,861,018					1,861,018
Non-motorized transportation pilot program	32,826					32,826
TFCA/BAAQMD		348,942				348,942
MSN federal earmark	119,823					119,823
CMIA bond revenue	66,735					66,735
TCRP	3,396,567					3,396,567
Miscellaneous - project contribution	11,500				175,000	186,500
Total revenue	6,576,804	369,847	19,245,754	4,537	176,192	26,373,134
EXPENDITURES						
Administration:						
Salaries & benefits	1,184,990	17,447	626,927			1,829,364
Office lease			148,688			148,688
Equipment			7,429			7,429
Telephone/internet services			20,608			20,608
Office supplies	213		18,233			18,446
Insurance	2,500		5,136			7,636
Audit			22,230			22,230
Legal	35,988	4,774	28,094			68,856
Document reproduction			1,558			1,558
Memberships	3,920		570			4,490
Travel/meetings/conferences	6,839		7,900			14,739
Professional development	824		1,450			2,274
Miscellaneous expenditures	807		1,062			1,869

(Continued)

TRANSPORTATION AUTHORITY OF MARIN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010
(Continued)**

EXPENDITURES (Continued)	General Fund	BAAQD/TFCA Fund	Measure A Sales Tax Fund	Corte Madera Creek Bridge Fund	Marin Community Foundation Fund	Total
Professional services:						
CMP	18,470					18,470
T-Plus	5,386					5,386
PMO consultant	30,558		28,938			59,496
101 construction consultant	1,210		162,293			163,503
MSN congestion pricing study	119,817					119,817
MSN San Antonio interchange design	1,456,785					1,456,785
MSN San Antonio curve design	441,309					441,309
State legislative assistance	33,604					33,604
Financial advisor	14,325					14,325
Human resources/Board support			24,466			24,466
Information technology support			21,112			21,112
Consulting pool			6,361			6,361
Hwy 101 Greenbrae/Twin Cities	1,057,676					1,057,676
Central marin ferry connection	544,205			50,000		594,205
580/101 connector	236,195					236,195
Education	32,826				132,566	165,392
TDM		69,766				69,766
Planning initiatives	18,383					18,383
On call public outreach contract	10,640					10,640
Support for SB83	127,855					127,855
Measure A						
Strategy 1 - transit			8,742,215			8,742,215
Strategy 2 - gap closure			2,570,032			2,570,032
Strategy 3 - streets & roads			3,743,002			3,743,002
Strategy 4 - safe routes	11,000		1,949,280			1,960,280
Other capital expenditures:						
Other TFCA projects		315,160				315,160
Debt service:						
Principal			1,785,714			1,785,714
Total expenditures	5,396,325	407,147	19,923,298	50,000	132,566	25,909,336

(Continued)

15 The accompanying notes are an integral part of these basic financial statements

TRANSPORTATION AUTHORITY OF MARIN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010
(Continued)**

	General Fund	BAAQD/TFCA Fund	Measure A Sales Tax Fund	Corte Madera Creek Bridge Fund	Marin Community Foundation Fund	Total
Excess (deficiency) of revenues over (under) expenditures	1,180,479	(37,300)	(677,544)	(45,463)	43,626	463,798
Fund balances, beginning of fiscal year	1,126,160	2,121,772	25,579,709	471,806		29,299,447
Prior period adjustment			783,979			783,979
Fund balances, beginning of fiscal year, restated	1,126,160	2,121,772	26,363,688	471,806		30,083,426
Fund balances, end of fiscal year	<u>\$ 2,306,639</u>	<u>\$ 2,084,472</u>	<u>\$ 25,686,144</u>	<u>\$ 426,343</u>	<u>\$ 43,626</u>	<u>\$ 30,547,224</u>

The accompanying notes are an integral part of these basic financial statements

TRANSPORTATION AUTHORITY OF MARIN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The schedule below reconciles the Net Changes in Fund Balance reported on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Funds Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCE \$ 463,798

Amounts reported for governmental activities in the statement of activities differ because of the following:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense not reported in governmental funds (4,909)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balances 1,785,714

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 2,244,603

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2010

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

On March 2, 2004, the Marin County Board of Supervisors created the Transportation Authority of Marin (TAM) by Resolution No. 2004-21, pursuant to Section 180050 of the California Public Utilities Code ("PUC"). As required by California PUC Section 180051(a) and California Government Code Section 65089(a), a majority of City and Town Councils of Marin County, representing a majority of the incorporated population of Marin, have concurred on the membership of TAM and designated TAM as the Congestion Management Agency for Marin County.

TAM's responsibilities include the development and administration of the Transportation Sales Tax Expenditure Plan, approved by Marin voters in November 2004. With the passage of Measure A, TAM now manages the implementation of the transportation projects and programs financed by the ½-cent, 20-year sales tax. TAM also serves as the designated Congestion Management Agency (CMA) for Marin County, providing countywide planning and programming for transportation related needs. As both the sales tax authority and the CMA for Marin County, TAM plays a leading role in the planning, financing, and implementation of transportation projects and programs in Marin County.

The TAM sixteen member governing board is comprised of representatives from each of the cities and towns in Marin County, and all five members of the County Board of Supervisors. A Technical Advisory Committee (TAC), made up of Public Works staff, other local government staff, and representatives of diverse public interests prioritize infrastructure improvements and make recommendations to TAM. A twelve member Citizens' Oversight Committee, made up of five representatives from the five planning areas and seven representatives from diverse interest groups in Marin County, report directly to the public on issues related to the Expenditure Plan and sales tax use.

B. Basis of Presentation

Government-wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Authority. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) funds and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Authority's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column.

C. Major Funds

GASB Statement No. 34 defines major funds and requires that the Authority's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures equal to or greater than ten percent of their fund-type total and five percent of the grand total. The Authority has determined that all of its funds are major funds.

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2010

Note 1: Summary of Significant Accounting Policies (Continued)

C. Major Funds (Continued)

The Authority reported the following major governmental funds in the accompanying financial statements:

CMA General Fund- This fund accounts for revenues and expenditures for the Authority's congestion management activities, primarily congestion management planning and programming work elements, and the management of various capital projects. Major revenue sources for this fund are all programming revenues with the exception of Transportation for Clean Air (TFCA) funds.

BAAQMD/TFCA Fund- This fund accounts for revenues and expenditures for the TFCA capital grant the Authority receives from the Bay Area Air Quality Management District (BAAQMD). The purpose of the TFCA grant is to fund studies related to the monitoring of air quality control, and any capital improvements that can contribute to the improvement of air quality.

Measure A Sales Tax Fund- This fund accounts for revenues and expenditures for the projects and programs set forth by the voters in the Authority's Transportation Sales Tax Expenditure Plan, approved by Marin voters in November 2004.

Corte Madera Creek Bridge Fund- This fund accounts for revenues and expenditures for the Central Marin Ferry Connection Project. As part of the Highway 101 Gap Closure Project implementation, the project sponsor, the Department of Transportation (Caltrans), needed to obtain a permit from the Bay Conservation and Development Commission (BCDC) to conduct some work within BCDC's jurisdiction. BCDC determined the project had unavoidable impacts to resources under its purview and required certain mitigations as a condition to the issuance of a permit. A contribution in the amount of \$400,000 was made by Caltrans and deposited in this special fund as required by BCDC. This funding is reserved for the Central Marin Ferry Connection Project, which is expected to enhance public access to the San Francisco shoreline. This fund was transferred from the Marin Department of Public Works to the Authority in FY 2006-07.

Marin Community Foundation Fund – This fund accounts for grant monies received from the Marin Community Foundation for the Safe Routes to Schools program.

D. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when *measurable and available*. The Authority considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisition under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, includes entitlements, and donations. Revenues from entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Authority funds certain programs by a combination of specific cost-reimbursement funds, categorical block funds, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The Authority's policy is to first apply cost-reimbursement resources to such programs, followed by general revenues.

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2010

Note 1: Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

The budget for expenditures is adopted on the budgetary basis, which is not consistent with accounting principles generally accepted in the United States of America. The budget for revenues and expenditures are adopted by the Board annually in total for all major funds, therefore the Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual is presented in a combined format for all governmental funds and not presented separately for each major fund.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Capital Assets

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at their estimated fair value at the date of donation. The Authority's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$5,000. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets which range from 15 to 20 years for field equipment, 5 to 10 years for office equipment, and 8 to 10 years for vehicles.

H. Net Assets and Fund Balances

Government-wide Financial Statements

Invested in Capital Assets, Net of Related Debt- This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that contributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Assets- This amount consists of amounts restricted from external creditors, grantors, contributors, and laws or regulations of other governments.

Unrestricted Net Assets- This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

Fund Financial Statements

Fund Balances- Reservations of fund balance of governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

I. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance through Alliant Insurance Services, Inc.

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2010

Note 1: Summary of Significant Accounting Policies (Continued)

J. New Accounting Pronouncements

The Authority has implemented the requirements of GASB Statements No. 45, No. 51, No. 53, No. 57, and No. 58 during the fiscal year ended June 30, 2010.

GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions

This Statement is effective for periods beginning July 1, 2009. This Statement establishes standards for accounting and financial reporting for state and local government employees that offer “Other Postemployment Benefits” (OPEB) and requires accrual basis measurement and recognition of OPEB expenses and liabilities that will result in recognition of expenses over periods that approximate employees’ years of service. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets

For the fiscal year ended June 30, 2010, the Authority implemented GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”. This Statement is effective for financial statements for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments

For the fiscal year ended June 30, 2010, the Authority implemented GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”. This Statement is effective for financial statements for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans

For the fiscal year ended June 30, 2010, the Authority implemented GASB Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”. This Statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies

For the fiscal year ended June 30, 2010, the Authority implemented GASB Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”. This Statement is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The implementation of this Statement did not have an effect on these financial statements.

Note 2: Cash and Investments

Classification

Cash and investments are classified in the financial statements as shown below:

Cash and investments, Statement of Net Assets	<u>\$ 28,413,149</u>
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TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2010

Note 2: Cash and Investments (Continued)

Cash and investments as of June 30, 2010 consist of the following:

Deposits with County of Marin	\$ 28,413,149
Total cash and investments	\$ 28,413,149

A. Investments Authorized by the California Government Code and the Authority's Investment Policy

The table below identifies the investment types that are authorized for the Authority by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. The Authority has adopted a formal investment policy. The allowable investments, according to the Authority's investment policy, are listed below:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	None	\$40 million
Certificates of Deposit	None	30%	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Obligations	None	None	None
U.S. Government Securities	None	None	None
State of California and Local Agency Bonds	None	None	None
Bankers Acceptances	180 days	30%	None
Medium-Term Notes	2 years	30%	None
Commercial Paper	270 days	25%	None
Marin County Cash Pool	None	None	None
Repurchase Agreements	1 year	None	None

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity (in Months)</u>					
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>	<u>49-60 Months</u>	<u>More Than 60 Months</u>
Deposits with County of Marin	\$ 28,413,149	\$ 28,413,149	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 28,413,149	\$ 28,413,149	\$ -	\$ -	\$ -	\$ -	\$ -

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2010

Note 2: Cash and Investments (Continued)

C. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfil its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Deposits with County of Marin	\$ 28,413,149	N/A	\$ -	\$ 28,413,149	\$ -	\$ -	\$ -
Total	\$ 28,413,149		\$ -	\$ 28,413,149	\$ -	\$ -	\$ -

D. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2010, there were no Authority deposits with financial institutions in excess of federal depository insurance limits.

Note 3: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets, being depreciated:				
Technical Equipment	\$ 24,544	\$ -	\$ -	\$ 24,544
Total capital assets, being depreciated	24,544			24,544
Less accumulated depreciation:	(9,818)	(4,909)		(14,727)
Total capital assets, being depreciated, net	14,726	(4,909)		9,817
Capital assets, net	\$ 14,726	\$ (4,909)	\$ -	\$ 9,817

Depreciation expense of \$4,909 was charged to administration in the statement of activities.

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2010

Note 4: Operating Lease

On November 28, 2007, the Authority entered into a 5-year lease with SR Corporate Center Phase One, LLC (Landlord) to rent 9,098 square feet of office space. The base rent commences at \$21,836/month and ends at \$25,059/month. The base rent does not include operating expenses which are determined annually by the Landlord. The Authority subleases to two other agencies (Marin Transit and Sonoma-Marín Area Rail Transit) who reimburse the Authority 28% and 24% of the total rent, respectively, according to the sublease. The reimbursement percentages can fluctuate based on available and occupied square footage of office space in the suite, and are 28% and 32% respectively, as of June 30, 2010. These two Agencies have signed subleases with the Authority, with terms that coincide with the lease with the Landlord. The Authority nets the rent expense with the rental income received from the two agencies in the Authority's financial records. The following is a schedule, by fiscal year, of future minimum lease payments required under the operating lease:

Fiscal Year Ending June 30,	Payment Amount
2011	\$ 286,437
2012	296,468
2013	125,295
	<u>\$ 708,200</u>

Note 5: Employment Agreements

The Authority has no employees of its own. The Authority has entered into an employment agreement with a joint powers authority, Local Government Services (LGS) for nine employees. The Authority also has two employees on loan from the County of Marin (County). LGS provides staffing, payroll, and related administrative services to small governmental agencies. The Authority pays LGS and the County hourly rates for each employee. The hourly rates for each employee include salary, fringe benefits, and a flat administration fee (LGS), or overhead charge (County). For LGS, the Authority prepays the expected monthly fee prior to the service month.

Because the Authority has no employees of its own, there is no accrued payroll or compensated absences liabilities on the books of the Authority. Any benefits or accrued compensation due to the employees of LGS or the County are the responsibility of their respective employers.

Note 6: Long-term Debt

Metropolitan Transportation Commission Funding Exchange Agreement

In November 2007 the Transportation Authority of Marin entered into an agreement with the Metropolitan Transportation Commission (Commission), the regional transportation planning agency for the San Francisco Bay Area. The Authority has requested the assistance of the Commission to avoid certain debt financing costs by providing Congestion Mitigation and Air Quality Improvement (CMAQ) program funds available now in exchange for Measure A funds available in future years. Under the terms of this agreement the Commission has loaned the Authority \$12,500,000, payable over 8 years, with repayments commencing on June 30, 2009. Interest is 0% through December 31, 2010, and then is charged at 3% on the outstanding principal balance until December 31, 2015. If there is any outstanding principal balance after December 31, 2015, interest will be charged at 10%. As of June 30, 2010, the outstanding balance was \$9,821,429.

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2010

Note 6: Long-term Debt (Continued)

Metropolitan Transportation Commission Funding Exchange Agreement (Continued)

Future debt service requirements for the agreement are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 1,727,091	\$ 133,929	\$ 1,861,020
2012	1,706,195	230,129	1,936,324
2013	1,757,765	178,559	1,936,324
2014	1,810,894	125,431	1,936,325
2015	1,865,628	70,696	1,936,324
2016	953,856	14,308	968,164
Total	<u>\$ 9,821,429</u>	<u>\$ 753,052</u>	<u>\$ 10,574,481</u>

Long-term debt activity for the fiscal year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Reductions	Prior Period Adjustment	June 30, 2010 Balance	Due Within One Year
MTC Funding Exchange Agreement	\$ -	\$ (1,785,714)	\$ 11,607,143	\$ 9,821,429	\$ 1,727,091
Governmental activities Long-term liabilities	<u>\$ -</u>	<u>\$ (1,785,714)</u>	<u>\$ 11,607,143</u>	<u>\$ 9,821,429</u>	<u>\$ 1,727,091</u>

Note 7: Commitments and Contingencies

The Authority has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material.

Note 8: Prior Period Adjustments

The statement of activities was adjusted by (\$10,823,164) due to an understatement of long-term debt of (\$11,607,143) and an understatement of accounts receivable of \$783,979 in the prior fiscal year. The statement of revenues, expenditures, and changes in fund balances - all governmental funds was adjusted by \$783,979 due to an understatement of accounts receivable in the prior fiscal year.

TRANSPORTATION AUTHORITY OF MARIN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2010

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Measure A	\$ 19,500,000	\$ 17,500,000	\$ 18,984,492	\$ 1,484,492
Cities and counties	430,000	430,000	429,999	(1)
Interest	500,000	500,000	298,846	(201,154)
STP/CMAQ	375,000	375,000	474,337	99,337
T-Plus	150,000	150,000	42,354	(107,646)
STIP/PPM	450,000	450,000	130,695	(319,305)
RM2	5,425,000	5,425,000	1,861,018	(3,563,982)
Community based transportation	4,000	4,000		(4,000)
TDA article 3	1,560,500	1,560,500		(1,560,500)
Non-motorized transportation pilot program	74,000	74,000	32,826	(41,174)
TFCA/BAAQMD	360,000	360,000	348,942	(11,058)
MSN federal earmark	500,000	500,000	119,823	(380,177)
CMIA bond revenue	600,000	600,000	66,735	(533,265)
TCRP	5,358,000	5,358,000	3,396,567	(1,961,433)
Miscellaneous - project contribution	175,000	175,000	186,500	11,500
Total revenue	<u>35,461,500</u>	<u>33,461,500</u>	<u>26,373,134</u>	<u>(7,088,366)</u>

EXPENDITURES

Administration:				
Salaries & benefits	1,900,000	1,730,000	1,829,364	(99,364)
Office lease	200,000	200,000	148,688	51,312
Equipment	10,000	10,000	7,429	2,571
Agency car leasing	20,000			
Telephone/internet services	25,000	25,000	20,608	4,392
Office supplies	22,000	22,000	18,446	3,554
Insurance	8,000	8,000	7,636	364
Audit	18,500	18,500	22,230	(3,730)
Legal	20,000	20,000	68,856	(48,856)
Accounting/payroll	10,000	10,000		10,000
Document reproduction	30,000	30,000	1,558	28,442
Memberships	20,000	20,000	4,490	15,510
Travel/meetings/conferences	25,000	25,000	14,739	10,261
Professional development	5,000	5,000	2,274	2,726
Miscellaneous expenditures	5,000	5,000	1,869	3,131

(Continued)

TRANSPORTATION AUTHORITY OF MARIN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2010

(Continued)

EXPENDITURES (Continued)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Professional services:				
CMP	65,000	65,000	18,470	46,530
T-Plus	35,000	35,000	5,386	29,614
PMO consultant	500,000	500,000	59,496	440,504
101 construction consultant	75,000	75,000	163,503	(88,503)
Community based transportation plan	4,000	4,000		4,000
MSN congestion pricing study	250,000	250,000	119,817	130,183
MSN San Antonio interchange design	2,375,000	2,375,000	1,456,785	918,215
MSN San Antonio curve design	2,375,000	2,375,000	441,309	1,933,691
MSN on-call contract	100,000	100,000		100,000
Federal legislative Assistance	35,000			
State legislative assistance	35,000	35,000	33,604	1,396
Financial advisor	35,000	35,000	14,325	20,675
Human resources/Board support	30,000	30,000	24,466	5,534
Information technology support	30,000	30,000	21,112	8,888
Consulting pool	75,000	75,000	6,361	68,639
Hwy 101 Greenbrae/Twin Cities	1,200,000	1,200,000	1,057,676	142,324
Central marin ferry connection	1,050,000	1,050,000	594,205	455,795
580/101 connector	600,000	600,000	236,195	363,805
Education	250,000	250,000	165,392	84,608
TDM	50,350	50,350	69,766	(19,416)
MSN project management	300,000	300,000		300,000
Planning initiatives	50,000	50,000	18,383	31,617
On call public outreach contract	75,000	25,000	10,640	14,360
Support for SB83		275,000	127,855	147,145
Measure A:				
Reserve	975,000	875,000	949,225	(74,225)
Bike/per path maintenance	75,000	75,000		75,000
Strategy 1 - transit	9,475,697	9,475,697	8,742,215	733,482
Strategy 2 - gap closure	5,442,700	5,442,700	2,570,032	2,872,668
Strategy 3 - streets & roads	7,351,964	7,351,964	3,743,002	3,608,962
Strategy 4 - safe routes	2,371,528	2,371,528	1,960,280	411,248
Other miscellaneous contracts	50,000	50,000		50,000
Interagency agreements:				
County Calpark RM2 project - construction	2,892,000	2,892,000		2,892,000
Old Redwood Highway roadway improvement	420,000	420,000		420,000
Other capital expenditures:				
TFCA - Calpark project	53,625	53,625		53,625
TDA Article 3 payment to Caltrans	1,560,500	1,560,500		1,560,500
Other TFCA projects	420,000	420,000	315,160	104,840
Debt service:				
Principal	1,785,714	1,785,714	1,785,714	
Total expenditures	44,786,578	44,686,578	26,858,561	17,828,017

(Continued)

TRANSPORTATION AUTHORITY OF MARIN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2010

(Continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Excess (deficiency) of revenues over (under) expenditures	(9,325,078)	(11,225,078)	(485,427)	10,739,651
Fund balances at beginning of period	29,299,447	29,299,447	29,299,447	
Prior period adjustment			783,979	783,979
Fund balances at beginning of period, restated	29,299,447	29,299,447	30,083,426	783,979
Reserve		2,000,000	949,225	(1,050,775)
Fund balances at end of period	<u>\$ 19,974,369</u>	<u>\$ 20,074,369</u>	<u>\$ 30,547,224</u>	<u>\$ 10,472,855</u>

Reconciliation of Net Changes in Fund Balances - Budgetary to GAAP Basis:

Net Change in Fund Balances - Budgetary Basis \$ (485,427)

The amount reported in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances was different because:

Reserve 949,225

Net Change in Fund Balances - Statement of Revenues, Expenditures, and Changes in Fund Balances \$ 463,798

TRANSPORTATION AUTHORITY OF MARIN

Board of Commissioners

June 30, 2010

Susan Adams

Judy Arnold

Al Boro

Hal Brown

Sandra Donnell

Alice Fredericks

Diane Furst

Ford Greene

R. Scot Hunter

Madeline R. Kellner

Steve Kinsey

Joan Lundstrom

Charles McGlashan

Stephanie Moulton-Peters

Linda Pfeifer

Lew Tremain



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners of
the Transportation Authority of Marin
San Rafael, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Transportation Authority of Marin as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain other matters that we reported to the management of the Authority in a separate letter dated October 11, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners and management of the Authority, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, CA
October 11, 2010



MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Board of Commissioners of
the Transportation Authority of Marin
San Rafael, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Transportation Authority of Marin as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance with laws, regulations, contracts, and grant agreements is the responsibility of the management of the Authority. As part of obtaining reasonable assurance about whether the Transportation Authority of Marin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the 5% administration cost cap limit of the Marin County Transportation Sales Tax Expenditure Plan, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the standards referred to in the paragraph above.

This report is intended solely for the information and use of the Board of Commissioners and management of the Authority, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, CA
October 11, 2010

TRANSPORTATION AUTHORITY OF MARIN

**MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER**

**For the Fiscal Year Ended
June 30, 2010**



MOSS, LEVY & HARTZHEIM LLP
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October 11, 2010

To the Board of Commissioners of
the Transportation Authority of Marin
San Rafael, California

RE: Recommendations and suggestions resulting from the annual audit of the Transportation Authority of Marin for the fiscal year ended June 30, 2010

Honorable Board Members:

Having completed the annual audit of the Authority's records for the fiscal year ended June 30, 2010, we would like to take this opportunity to bring to your attention the following observations, recommendations, and suggestions we feel are appropriate at this time:

Information Technology

1. Finding – Lack of changing of passwords and off-site storage of back-up computer files:
During our review of information technology internal controls, we noted that computer passwords are only changed upon user request and there is no off-site storage of back-up computer files.

Effect:

Without mandatory changing of computer passwords and off-site storage of back-up computer files, the network system could become accessible by unauthorized individuals, as well as a loss of computer data could occur.

Recommendation:

We recommend that all employee passwords be changed on an annual basis. Also, there should be adequate off-site storage and retention of back-up computer data.

Management's Response:

TAM has no objection to this recommendation and will work with its IT consultant to implement the recommendation.

Procedures for Reporting Suspected Fraud

2. Finding – No official instructions for employees to report suspected fraud:
During our on-site observation and interviews with employees, we noted that there are no official written instructions given to employees to report suspected fraud.

Effect:

If employees are not aware of their options to report suspected fraud, there is a less likely chance of the employees actually reporting their suspicions, which could cause fraud to occur and go undetected.

Recommendation:

We recommend that the Authority implement a policy for employees to report suspected fraud and post notification of this policy and the proper procedures in a visible place for all employees to see.

Management's Response:

Since TAM employees are all hired by Local Government Service/Regional Government Service (LGS/RGS) directly, staff has contacted LGS/RGS and will work with LGS/RGS staff to develop a fraud report policy and include it in TAM's Financial Management and Accounting Procedures once it's available.

This information is intended solely for the use of the Board of Commissioners of the Transportation Authority of Marin and management of the Transportation Authority of Marin and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Moss, Levy & Hartzheim, LLP
Beverly Hills, CA



MOSS, LEVY & HARTZHEIM LLP

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October 11, 2010

To the Board of Commissioners of
the Transportation Authority of Marin
San Rafael, California

We have audited the financial statements of the Transportation Authority of Marin (Authority) for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 11, 2010. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated June 1, 2010, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Transportation Authority of Marin. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Transportation Authority of Marin are described in Note 1 to the financial statements. We noted no transactions entered into by Transportation Authority of Marin during the fiscal year that were both significant and unusual, and of which, under professional standards we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the estimated useful lives of certain capital assets. Management's estimates of the useful lives of certain capital assets are based on historical data, and industry guidelines. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statement taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Transportation Authority of Marin's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, and subsequently recorded by Transportation Authority of Marin either individually or in the aggregate, indicates a matter that could have a significant effect on Transportation Authority of Marin's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountants to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principle and auditing standards, with management each year prior to retention as Transportation Authority of Marin's auditors. However, these discussions occurred in the normal course of our profession relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Commissioners of the Transportation Authority of Marin and management of the Transportation Authority of Marin and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, CA