

TRANSPORTATION AUTHORITY OF MARIN

SAN RAFAEL, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2004

R. J. RICCIARDI
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Transportation Authority of Marin
San Rafael, California

I have audited the accompanying basic financial statements of Transportation Authority of Marin (the Authority) as of June 30, 2004 and for the fiscal year then ended, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit. The prior year summarized information has been derived from the Authority's June 30, 2003 financial statements and, in my report dated July 30, 2004 I expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of Transportation Authority of Marin as of June 30, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

The basic financial statements referred to above follow the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, No. 36, *Recipient Reporting for Certain Non-Exchange Revenues, an Amendment of GASB Statement No. 33*, No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*, as discussed in Note 2 to the basic financial statements.

Management's Discussion and Analysis is supplementary information required by the Governmental Accounting Standards Board, but is not part of the basic financial statements. I have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but I did not audit this information and I express no opinion on it.



Ralph J. Ricciardi
Certified Public Accountant

San Rafael, California
April 4, 2005

Transportation Authority of Marin
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

This section of Transportation Authority of Marin's (the Authority's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2004. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's audited financial statements, which are comprised of the basic financial statements (pages 4-9). This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*.

The required financial statements include the Statement of Net Assets; the Statement of Revenue, Expenses and Changes in Fund Net Assets; and the Statement of Cash Flows. Notes to the financial statements support these statements. All sections must be considered together to obtain a complete understanding of the financial picture of the Authority.

Statement of Net Assets: This statement includes all assets and liabilities using the accrual basis of accounting as of the statement date. The difference between the two classifications is represented as "Net Assets"; this section of the statement identifies major categories of restrictions on these assets and reflects the overall financial position of the Authority as a whole.

Statement of Revenues, Expenses and Changes in Fund Net Assets: This statement presents the revenues earned and the expenses incurred during the year using the accrual basis of accounting. Under accrual basis, all increases or decreases in net assets are reported as soon as the underlying event occurs, regardless of the timing of the cash flow. Consequently revenues and/or expenditures reported during this fiscal year may result in changes to cash flows in a future period.

Statement of Cash Flows: This statement reflects inflows and outflows of cash, summarized by operating, capital, financing and investing activities. The indirect method was used to prepare this information.

Notes to the Financial Statements: This additional information is essential to a full understanding of the data reported in the basic financial statements.

The Authority is a political subdivision of the State of California. It provides transportation planning services to its residents and is governed by a Board of Directors.

Analytical Overview

Summary

Total assets of the Authority have increased this year by \$252,780. This classification is comprised of Current Assets.

Liabilities have decreased this year, in this case by \$14,717, as a result of the timing of invoice payments.

The overall change to Retained Earnings is an increase of \$267,497, resulting in a June 30, 2004 balance of \$443,698.

Transportation Authority of Marin
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

Comparative Analysis of Current and Prior Year Activities and Balances

	<u>6/30/04</u>	<u>6/30/03</u>	<u>Increase (Decrease)</u>	
Operating Revenues	\$ 430,000	\$ 430,000	\$ -	
Operating Expenses	<u>695,893</u>	<u>582,233</u>	<u>113,660</u>	Note 1
Net Operating Income	\$ <u>(265,893)</u>	\$ <u>(152,233)</u>	\$ <u>(113,660)</u>	
Other Income	\$ <u>533,390</u>	\$ <u>175,293</u>	\$ <u>358,097</u>	Note 2

Note 1 – The increase is related to additional labor costs.

Note 2 – The Other Income increase was related to an increase in Metropolitan Transportation Commission support.

Economic Outlook and Major Initiatives

Financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the communities served by the Authority.

The economic condition of the Authority as it appears on the balance sheet reflects financial stability and the potential for organizational growth. The Authority continues to be encouraged by development throughout its boundaries. The Authority 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 citizens of the area.

Contacting the Authority's Financial Management

This Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of the Authority's finances. Questions about this Report should be directed to Transportation Authority of Marin, P.O. Box 4186, San Rafael, CA 94913-4186.

Transportation Authority of Marin
STATEMENT OF NET ASSETS
 June 30, 2004
 (With Comparative Totals for June 30, 2003)

	2004	2003
<u>ASSETS</u>		
Cash	\$ 213,657	\$ 75,791
Accounts receivable	266,810	152,500
Interest receivable	1,134	530
Total current assets	481,601	228,821
<u>LIABILITIES</u>		
Accounts payable	37,903	52,620
Total current liabilities	37,903	52,620
<u>NET ASSETS</u>		
Net assets	443,698	176,201
Total net assets	\$ 443,698	\$ 176,201

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

Transportation Authority of Marin
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004	2003
Operating revenue:		
Member contributions	\$ 430,000	\$ 430,000
Operating expenses:		
County Department Public Works - staff time	389,412	272,759
County CDA - staff time	-	2,370
Multi Modal Transportation Studies	272,583	251,738
Conference, meeting, and miscellaneous expenses	33,898	55,366
Total operating expenses	695,893	582,233
Operating income (loss)	(265,893)	(152,233)
Non-operating revenue:		
Federal/state/local grants	530,000	152,500
Interest	3,356	3,406
Miscellaneous	34	20,017
Total non-operating revenue	533,390	175,923
Change in net assets	267,497	23,690
Net assets, beginning of period	176,201	152,511
Net assets, end of period	\$ 443,698	\$ 176,201

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

Transportation Authority of Marin
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2004

Cash flows from operating activities:	
Member Contributions	\$ 358,190
Payments to suppliers	<u>(710,610)</u>
Net cash provided (used) by operating activities	<u>(352,420)</u>
Cash flows from non-capital financing activities:	
Other Revenue	<u>487,534</u>
Net cash provided (used) by non-capital financing activities	<u>487,534</u>
Cash flows from investing activities:	
Interest earned	<u>2,752</u>
Net cash provided by investing activities	<u>2,752</u>
Net increase (decrease) in cash and cash equivalents	137,866
Cash and cash equivalents - beginning of period	<u>75,791</u>
Cash and cash equivalents - end of period	<u>\$ 213,657</u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:	
Operating income (loss)	\$ (265,893)
Changes in certain assets and liabilities:	
Accounts receivable	(71,810)
Accounts payable	<u>(14,717)</u>
Net cash provided (used) by operating activities	<u>\$ (352,420)</u>

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

Transportation Authority of Marin
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Information:

On March 2, 2004, the Marin County Board of Supervisors created the Transportation Authority of Marin 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 the Transportation Authority of Marin and designated the Transportation Authority of Marin as the Congestion Management Agency for Marin County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Accounting

The accompanying financial statements are presented on the basis set forth in Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, No. 36, *Recipient Reporting for Certain Non-Exchange Revenues, an Amendment of GASB Statement No. 33*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*. The financial statements required by GASB No. 34 include a Statement of Net Assets, a Statement of Revenue, Expenditures, and Changes in Fund Net Assets, and a Statement of Cash Flows.

The activities of the Authority are accounted for as an Enterprise Fund. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with GASB No. 20, the Authority has chosen to apply all applicable GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. The Authority may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The Authority's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Transportation Authority of Marin
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

B. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenue is recognized when earned and their expenses are recognized when incurred.

C. Contingencies

The Authority is involved in various claims and litigation arising in the ordinary course of business. Authority management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters should not have a materially adverse effect on the Authority's financial position or results.

D. Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those amounts.

E. Risk Management

The Authority is a member of the California Public Entities Insurance Pool. As a member of the pool the Authority is covered for public officials and completed operations. The Authority is covered up to \$5,000,000 for each occurrence with a \$25,000 self-insurance retention.

F. Cash and Cash Equivalents

The cash that is maintained in the County of Marin Investment Pool is considered a highly liquid demand account and as such meets the definition as a cash or cash equivalent for purposes of the Statement of Cash Flows.

NOTE 3 - CASH AND INVESTMENTS

County of Marin Investment Pool

The Authority maintains specific cash deposits with the County of Marin and involuntarily participates in the external investment pool of the County of Marin. The total cash deposited with the County of Marin as of June 30, 2004 and 2003 was \$213,657 and \$75,791, respectively. The County of Marin is restricted by state code in the types of investments it can make. Furthermore, the County of Marin Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment.

Transportation Authority of Marin
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2004

NOTE 3 - CASH AND INVESTMENTS (concluded)

The County of Marin has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County of Marin's investment policy authorizes the County of Marin to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2004, the Authority's cash with County of Marin's Treasurer is stated at fair value. However, the value of the pool shares in the County of Marin which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Authority's position in the pool.

NOTE 4 - NET ASSETS

GASB Statement 34 adds the concept of Net Assets, which is measured on the full accrual basis.

Net Assets is the excess of all the Authority's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Invested in Capital, net of related debt describes the portion of Net Assets which is represented by the current net book value of the Authority's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes. The Authority has no restricted Net Assets.

Unrestricted describes the portion of Net Assets which is not restricted to use.