

TRANSPORTATION AUTHORITY OF MARIN
SAN RAFAEL, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-6
Basic Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Governmental Funds – Balance Sheet - Special Revenue Funds	9
Reconciliation of the Governmental Funds – Balance Sheet with the Governmental Activities Statement of Net Assets	10
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Funds	11
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statement of Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Governmental Funds	13
Notes to Basic Financial Statements	14-19

R. J. RICCIARDI, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

1000 FOURTH STREET • SUITE 400 • SAN RAFAEL, CALIFORNIA 94901 • TEL (415) 457-1215 • FAX (415) 457-6735 • www.rjrcpa.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Transportation Authority of Marin
San Rafael, California

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Transportation Authority of Marin as of June 30, 2006 and for the fiscal year then ended, as listed in the table of contents. These basic financial statements are the responsibility of Transportation Authority of Marin's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of the governmental activities and each major fund of the Transportation Authority of Marin on June 30, 2006, and the respective changes in financial position thereof, and the budgetary comparison for the special revenue funds for the year then ended in conformity with U.S. generally accepted accounting principles as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

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



R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
November 14, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 ending June 30, 2006. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

FY 2005-2006 is the first year that TAM received 12 months worth of sales tax revenue since the voters approved Measure A in November 2004. With the steadily recovering economy, TAM posted total sales tax revenues of \$20.1 million. TAM also received \$3.6 million from other miscellaneous funding sources. Total FY 2005-2006 expenditures for TAM were \$10.5 million, of which \$9.5 million was Measure A related.

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, Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances; and the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Governmental Funds.

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 comprise 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 longer-term view of TAM's activities as a whole, and comprise 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, 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, with the emphasis on measuring net revenues or expenses of TAM's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

All of TAM's activities are grouped into Government 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 accrual basis, 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.

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 year, and may change from year to year as a result of changes in the pattern of TAM's activities.

In TAM's case, there are three Major Governmental Funds.

Operating Fund

This fund accounts for expenditures for TAM's congestion management activities, primarily local planning and programming work elements. The fund spent a total of \$753,215 for various planning projects and transportation studies in FY 2005-2006.

The fund's fiscal year end fund balance of \$348,543 represents funds that have not yet been expended on planning and administration activities.

BAAQMD/TFCA Fund

This fund accounts for 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 \$325,623 on such activities.

The fund's fiscal year end fund balance of \$2,219,866 represents funds that have not yet been expended on air quality control projects.

Measure A Fund

This fund accounts for 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 \$8,435,491 on such activities and an additional \$1,022,376 on administration and professional services.

The fund's fiscal year end fund balance of \$11,079,320 represents funds that have not yet been expended on the Transportation Sales Tax Expenditure Plan. The balance is committed to various projects and programs according to the Expenditure Plan.

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 Major Funds

Governmental Funds

Actual revenues for FY 2005-2006 were \$2,882,074 less than the budgeted amount, mainly due to the fact that no bond was issued as planned.

Actual expenditures were \$8,347,988 less than the budgeted amount, which is mainly due to the fact that no bond cost occurred as expected. No expenditure occurred from Strategy 3 because time was needed to complete initial screening and planning for the major capital projects. TAM also reserved \$978,790 instead of the \$1,981,926 budgeted.

Governmental Activities

Table 1
Governmental Net Assets at June 30

	2006	2005
Cash and investments	\$ 12,224,590	\$ 1,485,386
Other assets	2,873,310	765,178
Total assets	<u>15,097,900</u>	<u>2,250,564</u>
Other liabilities	1,450,171	318,550
Loan payable – due within one year	-	3,500,000
Total liabilities	<u>1,450,171</u>	<u>3,818,550</u>
Net assets		
Restricted	13,647,729	-
Unrestricted	-	(1,567,986)
Total net assets	<u>\$ 13,647,729</u>	<u>\$ (1,567,986)</u>

TAM's governmental net assets amounted to \$13,647,729 as of June 30, 2006, an increase of \$15,215,715 over 2005. This increase is the Change in Net Assets reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. TAM's net assets as of June 30, 2006 comprised the following:

- Cash and investments comprised \$12,224,590 in the County of Marin Treasury.
- Receivables comprised \$2,873,310 of current receivables.
- Current liabilities, including accounts payable, claims and other amounts due currently, totaling \$1,450,171.
- 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 assets of TAM were \$13,647,729 as of June 30, 2006, of which all net assets were restricted.

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
Changes in Governmental Net Assets

	<u>2006</u>	<u>2005</u>
<u>Expenses</u>		
Administration	\$ 987,960	\$ -
Professional services	1,113,253	-
Measure A Program	8,435,491	-
Other expenditures	-	<u>4,468,158</u>
Total expenses	<u>10,536,704</u>	<u>4,468,158</u>
 <u>Revenues</u>		
Program revenues:		
Operating grants and contributions	767,284	-
Capital grants	<u>2,591,639</u>	<u>740,190</u>
Total program revenues	<u>3,358,923</u>	<u>740,190</u>
General revenues:		
Sales tax	20,062,713	1,709,361
Interest	<u>246,683</u>	<u>6,923</u>
Total general revenues	<u>20,309,396</u>	<u>1,716,284</u>
Total revenues	<u>23,668,320</u>	<u>2,456,474</u>
 Change in net assets	 <u>\$ 13,131,615</u>	 <u>\$ (2,011,684)</u>

As Table 2 above shows, \$3,358,924, or 14% of TAM's FY 2005-2006 governmental revenue, came from program revenues and \$20,309,396, or 86%, came from general revenues such as sales taxes and interest. Program revenues were composed of operating grants and contributions of \$762,284, and capital grants of \$2,591,639.

Sales tax revenues are the largest revenue for TAM, and represent about 85% of TAM's FY 2005-2006 revenues. Sales tax revenues are general revenues that are spent under the guideline of the Expenditure Plan approved by the voters. Interest earnings are also part of the general revenues.

Programming revenues include both operating grants and contributions. Cities and County Contributions are part of the Operating Grants and Contributions revenues. In FY 2005-2006, TAM received \$425,743 from the cities, towns and County of Marin to cover the transportation planning and coordination services provided to them. Other Operating Grants and Contributions include STP/CMAQ/T-Plus planning funds from the Metropolitan Transportation Commission (MTC), and STIP/PPM funds from the California Transportation Commission (CTC)

Capital Grants includes the Transportation For Clean Air (TFCA) funding from the Bay Area Air Quality Management District (BAAQMD) as well the Regional Measure 2 (RM2) and Transportation Development Act (TDA) Article 3 funding from MTC.

Capital Assets

TAM has no capital assets.

Debt Administration

Currently, TAM does not utilize long-term debt to fund operations or growth.

Economic Outlook and Future Projections

The economic condition of TAM reflects financial stability and the potential for organizational growth. Sales tax revenue is expected to increase at a healthy pace in the coming years, provided the overall regional and national economy remains positive. The passage of Proposition 1A in November 2006 permits the State to borrow gasoline sales tax only twice in any 10-year period, on the condition that the funds are repaid within three years with interest. This provides extra protection to the transportation funding that will come to Marin County. With the passage of AB 2538, which allows counties to use up to five percent of their county share of the State Transportation Improvement Program (STIP) funding for project planning, programming, and monitoring (PPM), TAM will be able to fully fund its activities in planning for future STIP-eligible projects and programs. The \$19.975 billion voter approved Proposition 1B, the transportation infrastructure bond, has several program elements that could enable transportation improvements in Marin County. The Corridor Mobility Improvement Account element, CMIA, was recently programmed by the CTC, who granted \$102.4 million for two major capital projects in Marin County, the 580/101 Connector Widening Project and the Marin-Sonoma Narrows Project. The CMIA funding could come to TAM as early as the beginning of FY2007-08.

On the expenditure side, with the ramp up of major capital projects, TAM is expecting considerable cash needs for the Highway 101 Gap Closure Project and various Major Road projects beginning in late FY2007-08. TAM is planning debt financing in late FY2007-08 for the Highway 101 Gap Closure Project. 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 in Marin County.

Contacting TAM's Financial Management

This Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of TAM's finances. Questions about this Report should be directed to the Transportation Authority of Marin, 70 N. San Pedro Road, San Rafael, CA 94913-4186; (415) 507-2680.

Transportation Authority of Marin

STATEMENT OF NET ASSETS

June 30, 2006

	<u>Operating Fund</u>	<u>BAAQMD TFCA</u>	<u>Measure A</u>	<u>Total</u>
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 281,846	\$ 2,219,866	\$ 9,722,878	\$ 12,224,590
Sales tax receivable	-	-	2,751,700	2,751,700
Accounts receivable	<u>121,610</u>	<u>-</u>	<u>-</u>	<u>121,610</u>
 Total assets	 <u>403,456</u>	 <u>2,219,866</u>	 <u>12,474,578</u>	 <u>15,097,900</u>
 <u>LIABILITIES AND NET ASSETS</u>				
Liabilities:				
Accounts payable	<u>54,913</u>	<u>-</u>	<u>1,395,258</u>	<u>1,450,171</u>
 Total liabilities	 <u>54,913</u>	 <u>-</u>	 <u>1,395,258</u>	 <u>1,450,171</u>
 Net assets:				
Restricted for:				
BAAQMD-TFCA	-	2,219,866	-	2,219,866
Measure A	-	-	11,079,320	11,079,320
Operating Fund	<u>348,543</u>	<u>-</u>	<u>-</u>	<u>348,543</u>
 Total net assets	 <u>\$ 348,543</u>	 <u>\$ 2,219,866</u>	 <u>\$ 11,079,320</u>	 <u>\$ 13,647,729</u>

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

Transportation Authority of Marin
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Administration	\$ 987,960	\$ 319,336	\$ 124,846	\$ (543,778)
Professional Service	1,113,253	310,695	323,961	(478,597)
Measure A Programs	8,435,491	-	-	(8,435,491)
Other	<u>-</u>	<u>137,253</u>	<u>2,142,832</u>	<u>2,280,085</u>
 Total Governmental Activities	 <u>\$ 10,536,704</u>	 <u>\$ 767,284</u>	 <u>\$ 2,591,639</u>	 <u>(7,177,781)</u>
 General revenues:				
Sales tax				20,062,713
Interest				<u>246,683</u>
 Total general revenues				 <u>20,309,396</u>
 Change in net assets				 13,131,615
Net assets beginning				(1,567,986)
Prior period adjustment				<u>2,084,100</u>
Net assets beginning restated				<u>516,114</u>
 Net assets ending				 <u>\$ 13,647,729</u>

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

Transportation Authority of Marin
GOVERNMENTAL FUNDS - BALANCE SHEET

Special Revenue Funds

June 30, 2006

	Operating Fund	BAAQMD TFCA	Measure A	Total
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 281,846	\$ 2,219,866	\$ 9,722,878	\$ 12,224,590
Sales tax receivable	-	-	2,751,700	2,751,700
Accounts receivable	121,610	-	-	121,610
Total assets	\$ 403,456	\$ 2,219,866	\$ 12,474,578	\$ 15,097,900
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ 54,913	\$ -	\$ 1,395,258	\$ 1,450,171
Total liabilities	54,913	-	1,395,258	1,450,171
Fund balances:				
Reserved for:				
BAAQMD-TFCA	-	2,219,866	-	2,219,866
Measure A	-	-	11,079,320	11,079,320
Operating Fund	348,543	-	-	348,543
Total fund balances	348,543	2,219,866	11,079,320	13,647,729
Total liabilities and fund balances	\$ 403,456	\$ 2,219,866	\$ 12,474,578	\$ 15,097,900

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

Transportation Authority of Marin
Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
with the Governmental Activities
STATEMENT OF NET ASSETS
For the Fiscal Year Ended June 30, 2006

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ <u>13,647,729</u>
--	----------------------

Amounts reported for Governmental Activities in the Statement of Net Assets usually are different from those reported in the Governmental Funds but there were no reconciling item as of June 30, 2006.

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>13,647,729</u></u>
---------------------------------------	-----------------------------

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

Transportation Authority of Marin
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES

Special Revenue Funds
For the Year Ended June 30, 2006

	Operating Fund	BAAQMD TFCA	Measure A	Total
Revenues:				
Sales tax	\$ -	\$ -	\$ 20,062,713	\$ 20,062,713
Intergovernmental	888,894	2,470,030	-	3,358,924
Interest	<u>26,006</u>	<u>75,459</u>	<u>145,218</u>	<u>246,683</u>
Total revenues	<u>914,900</u>	<u>2,545,489</u>	<u>20,207,931</u>	<u>23,668,320</u>
Expenditures:				
Administration				
<i>Salaries & Benefits</i>	433,795	1,644	468,473	903,912
<i>Other Administration</i>	8,725	18	75,305	84,048
Professional Services				
<i>Program Management Oversight</i>	134,271	-	427,965	562,236
<i>T-Plus</i>	56,766	-	-	56,766
<i>Community Based Transportation</i>	36,833	-	-	36,833
<i>TFC A Payments</i>	-	323,961	-	323,961
<i>Other Professional Services</i>	82,825	-	50,633	133,458
Measure A				
<i>Project Management</i>	-	-	697,211	697,211
<i>Strategy 1 - Transit</i>	-	-	5,976,000	5,976,000
<i>Strategy 2 - Gap Closure</i>	-	-	1,350,000	1,350,000
<i>Strategy 3 - Streets & Rds</i>	-	-	-	-
<i>Strategy 4 - Safe Routes</i>	<u>-</u>	<u>-</u>	<u>412,280</u>	<u>412,280</u>
Total expenditures	<u>753,215</u>	<u>325,623</u>	<u>9,457,867</u>	<u>10,536,705</u>
Excess (deficiency) of revenues over (under) expenditures	161,685	2,219,866	10,750,064	13,131,615
Other financing sources (uses):				
Operating transfers in	1,754,844	-	-	1,754,844
Operating transfers out	<u>-</u>	<u>-</u>	<u>(1,754,844)</u>	<u>(1,754,844)</u>
Total other financing sources (uses)	<u>1,754,844</u>	<u>-</u>	<u>(1,754,844)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,916,529	2,219,866	8,995,220	13,131,615
Fund balances beginning of period	(1,567,986)	-	-	(1,567,986)
Prior period adjustment	<u>-</u>	<u>-</u>	<u>2,084,100</u>	<u>2,084,100</u>
Fund balances beginning of period restated	<u>(1,567,986)</u>	<u>-</u>	<u>2,084,100</u>	<u>516,114</u>
Fund balances at end of period	<u>\$ 348,543</u>	<u>\$ 2,219,866</u>	<u>\$ 11,079,320</u>	<u>\$ 13,647,729</u>

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

Transportation Authority of Marin
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with 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 BALANCES - TOTAL GOVERNMENTAL FUNDS	<u>\$ 13,131,615</u>
--	----------------------

There were no reconciling items for the fiscal year ended June 30, 2006.

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 13,131,615</u>
---	----------------------

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

Transportation Authority of Marin
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES

Budget to Actual - Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue:				
Cities and Counties	\$ 430,000	\$ 430,000	\$ 425,743	\$ (4,257)
STP/CMAQ/T-Plus	390,000	390,000	292,500	(97,500)
BAAQMD	18,738	18,738	2,545,489	2,526,751
RM2	200,000	200,000	121,610	(78,390)
Measure A	19,819,256	19,819,256	20,062,713	243,457
Measure A Bond Proceeds	30,000,000	5,485,000	-	(5,485,000)
Interest	1,000	1,000	171,224	170,224
Other Revenues	206,400	206,400	49,041	(157,359)
Total revenue	51,065,394	26,550,394	23,668,320	(2,882,074)
Expenditures:				
Administration				
<i>Salaries & Benefits</i>	1,073,758	1,073,758	903,913	169,846
<i>Line of Credit</i>	5,485,000	5,485,000	6,576	5,478,425
<i>Other Administration</i>	283,000	283,000	77,472	205,528
Professional Services				
<i>Program Management Oversight</i>	551,200	551,200	562,236	(11,036)
<i>T-Plus</i>	105,000	105,000	56,766	48,234
<i>Community Based Transportation</i>	101,400	101,400	36,833	64,567
<i>Other Professional Services</i>	99,000	99,000	457,419	(358,419)
Measure A				
<i>Project Management</i>	514,500	514,500	697,211	(182,711)
<i>Strategy 1 - Transit</i>	5,897,000	5,897,000	5,976,000	(79,000)
<i>Strategy 2 - Gap Closure</i>	1,350,000	1,350,000	1,350,000	-
<i>Strategy 3 - Streets & Rds</i>	1,506,044	1,506,044	-	1,506,044
<i>Strategy 4 - Safe Routes</i>	940,000	940,000	412,280	527,720
<i>Reserve* (noted at bottom)</i>	1,981,926	1,981,926	1,003,136	978,790
Total expenditures	19,887,828	19,887,828	11,539,841	8,347,988
Excess of revenues over (under) expenditures	31,177,566	6,662,566	12,128,479	5,465,914
Other financing sources (uses)				
Operating transfers in	-	-	1,754,844	1,754,844
Operating transfers in	-	-	(1,754,844)	(1,754,844)
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ 31,177,566</u>	<u>\$ 6,662,566</u>	12,128,479	<u>\$ 5,465,914</u>
Fund balance, beginning of period			(1,567,986)	
Prior period adjustment			2,084,100	
Fund balances beginning of period restated			516,114	
Reserve* (noted above)			1,003,136	
Fund balance, end of period			<u>\$ 13,647,729</u>	

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

Transportation Authority of Marin
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - 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 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. 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 all issues related to the Expenditure Plan and sales tax use.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of TAM conform to U.S. generally accepted accounting principles and are applicable to governments. The following is a summary of the significant policies:

A. Basis of Presentation

TAM's basic financial statements are prepared in conformity with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A. These standards require that the financial statements described below be presented.

Government-wide Statements

The Statement of Net Assets and the Statement of Activities display information about the primary government (TAM). These statements include the overall financial activities of TAM. Eliminations have been made to minimize the double counting of internal activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

Transportation Authority of Marin
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of TAM and for each function of TAM's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs; (b) grants and contributions that are restricted to meeting the operational needs of a particular program; and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. TAM's financial statements reflect only its own activities; it has no component units (other government units overseen by TAM).

Fund Financial Statements

Fund Financial Statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Special Revenue Fund operations are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. TAM's resources are accounted for based on the purposes for which they are to be spent and the means by which spending activities are controlled. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of TAM or meets the following criteria:

- Total assets, liabilities, revenues or expenditures (or expenses) of the individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

Governmental Funds

Operating Fund

This fund accounts for expenditures for TAM's congestion management activities, primarily local planning and programming work elements. Major revenue sources for this fund are all programming revenues with the exception of Transportation for Clean Air (TFCA).

BAAQMD/TFCA Fund

This fund accounts for revenues and expenditures for the TFCA capital grant TAM 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 Fund

This fund accounts for 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.

Transportation Authority of Marin
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. 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.” TAM considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are sales taxes, grants and interest revenue. Charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which TAM gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

TAM 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. TAM’s policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

C. Budgets

Annual Budget, Notice, Hearing, and Adoption

Each year no later than TAM’s June meeting, the Board shall adopt by motion the Annual Budget(s) for the ensuing fiscal year. Approval of a majority of the Commissioners shall be required for adoption of the Annual Budget thereto. In accordance with Section 180108 of the Act, notice of the time and place of a public hearing on the adoption of the Annual Budget shall be published pursuant to Section 6061 of the California Government Code not later than the 15th day prior to the date of the hearing. A preliminary proposed annual budget shall be available for public inspection at least 30 days prior to adoption.

Program Budgets

In addition to the Annual Budget, the Board may, by motion, establish Program budgets at any time for the study, implementation, or construction of any Program or any portion thereof authorized as a Program pursuant to the Expenditure Plan and Ordinance.

Transportation Authority of Marin
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

C. Budgets (concluded)

Each Program budget shall include all Program costs specifically defined, including but not limited to the following:

- (a) Estimated administrative expenses (in excess of those budgeted in the Annual Budget) allocated to the Program during planning and construction;
- (b) Estimated costs of studies and planning for the Program;
- (c) Estimated costs of right-of-way acquisition; and
- (d) Estimated costs of the engineering and construction or implementation of the Program.

D. Risk Management

TAM 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 TAM carries commercial insurance.

E. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles, 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.

NOTE 3 - CASH

TAM maintains specific cash deposits with the County of Marin (the County) and voluntarily participates in the Marin County Investment Pool. The total cash deposited with the County as of June 30, 2006 was \$12,224,590. The County is restricted by state code in the types of investments it can make. Furthermore, the County 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.

The County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County 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, 2006, TAM's cash with the County Treasurer is stated at fair value. However, the value of the pool shares in the County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of TAM's position in the pool.

Transportation Authority of Marin
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 4 - CONTINGENCY

TAM receives revenue from Federal, State and Local agencies that have requirements to be followed when expending these revenues. If the requirements are not followed, the unauthorized expenditures would be a liability to be refunded to the appropriate agency.

NOTE 5 - NET ASSETS AND FUND BALANCE

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure. Reserves are legal limitations that restrict the expenditures of the reserved funds to the applicable legal requirements. TAM cannot modify or remove these restrictions or reserves without Board action. At June 30, 2006 reservations include:

Reserved for BAAQMD-TFCA represents the portion of fund balance set aside for studies and capital projects related to air quality control.

Reserved for Measure A represents the portion of fund balance set aside for programs and projects set forth by the Transportation Sales Tax Expenditure Plan.

Reserved for Operating Fund represents that portion of fund balance reserved for operations.

Unreserved fund balance may be designated by TAM for tentative future spending plans. Designated portions of fund balance represent financial resources legally available for uses other than those tentatively planned. Such plans or intent are subject to change, have not been legally authorized, and may not result in expenditures.

GASB Statement No. 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

The Statement of Net Assets breaks out net assets as follows: *Restricted* describes the portion of Net Assets that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that TAM cannot unilaterally alter. These principally include funds received for use on air quality control studies and Measure A programs and projects.

NOTE 6 - PRIOR PERIOD ADJUSTMENT

The prior period adjustment represents an under accrual of sales tax revenue of \$2,084,100 at June 30, 2005.

Transportation Authority of Marin
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 7 - TRANSFERS

Interfund transfers at June 30, 2006 were as follows:

	<u>Measure A Fund</u>
<u>Transfers In:</u>	
Operating Fund	\$ 1,754,844
Total	<u>\$ 1,754,844</u>

The transfers out of the Measure A Fund were made for the purpose of meeting its obligation for the expenditure plan.

NOTE 8 - NEW ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board Statement No. 46

For the fiscal year ended June 30, 2006, TAM implemented GASB Statement No. 46, "*Net Assets Restricted by enabling Legislation – an amendment of GASB Statement No. 34.*" This statement is effective for fiscal periods beginning after June 15, 2005. This Statement requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. A legally enforceable enabling legislation restriction is one that a party external to TAM – such as citizens, public interest groups, the judiciary – can compel a government to honor. Implementation of GASB Statement No. 46 did not have an impact on TAM's basic financial statements for the fiscal year ended June 30, 2006.