

TRANSPORTATION AUTHORITY OF MARIN

BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

**TRANSPORTATION AUTHORITY OF MARIN
FINANCIAL STATEMENTS**

JUNE 30, 2012

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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, 2012, 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, 2012, and the respective changes in financial position 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, 2011, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2012, 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 10 and 27 through 29 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
Culver City, CA
October 15, 2012

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2012

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, 2012. 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 \$30.1 million various revenues in FY2011-12, of which \$21.3 million, or 70.7%, is Measure A sales tax revenue. We have seen steady recovery of the sales tax revenue in Marin County for the last two years. TAM's \$21.3 million Measure A collection in FY2011-12 is \$1.0 million, or 5.0% higher than the \$20.3 million collected in FY2010-11. This revenue improvement will help the financial picture of all the transportation projects and programs in Marin County. With the successful passage of Measure B, the \$10 Vehicle Registration Fee (VRF) increase dedicated to transportation projects and programs, a total of \$2.3 million was collected under this new funding source in FY2011-12. The Measure A Sales Tax and Measure B VRF revenues are the two dedicated local transportation funding sources and are vital to the successful implementation of all transportation projects and programs in Marin County.

Besides the Measure A sales tax revenue and the Measure B VRF revenue collected for carrying out various transportation-related projects and programs in the County, TAM also received about \$6.4 million for all its Congestion Management Agency (CMA) related activities. As the CMA for Marin County, TAM collected more than \$0.7 million from the Metropolitan Transportation Commission (MTC) in Congestion Management Planning and Programming funds. Cities, towns, and the County of Marin also contributed \$0.4 million for the various services/supports TAM provides as the CMA. Over \$0.4 million was received from the State Transportation Improvement Program (STIP) for Planning, Programming and Monitoring activities for all state projects. A total of \$1.3 million Regional Measure 2 (RM2) and \$0.5 million of Congestion Management Air Quality (CMAQ) federal funds were received from the Metropolitan Transportation Commission (MTC) for various RM2 capital projects in Marin County. TAM collected about \$0.3 million in Transportation Funds for Clean Air (TFCA) funds, a program funded by a \$4 surcharge on motor vehicles registered in the Bay Area. \$0.5 million of Traffic Congestion Relief Program (TCRP) fund and \$1.8 million STIP Regional Improvement Program (RIP) fund were received from the State for the various Marin Sonoma Narrows projects. TAM also received about \$0.5 million in other various federal and local grants, for different transportation projects/programs, including the Dynamic Rideshare project and Street Smarts program.

Investment return of the Marin County Investment Pool has been decreasing over the past few fiscal years. TAM collected less than \$0.1 million in interest revenue from the pool in FY2011-12. The return for FY2010-11 was \$0.3 million while the cash balance at the end of FY2010-11 was \$3.0 million lower than the cash balance at the end of FY2011-12. TAM staff will explore other investment options with its implementation of a new financial system in the upcoming fiscal year.

Total FY2011-12 expenditures for TAM were \$24.4 million, of which \$17.4 million was in the Measure A Sales Tax Fund, and consisted of \$1.0 million for administration, \$0.1 million for professional services, \$2.0 million for debt service, which is for the payback of the MTC loan secured to meet the cash flow needs of the Highway 101 Gap Closure Project, with the remaining \$14.3 million for Measure A projects and programs. Expenditures for all the new Measure B VRF programs were a little over \$0.5 million. The other \$6.5 million expenditures are for various CMA planning/programming activities and major capital projects.

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 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 and 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. All funds of TAM qualify or have been selected to be Major Funds and 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 six governmental funds, with one closed as of the end of FY2011-12.

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 \$6.0 million for various transportation planning and programming activities, and capital project management, and received a total of \$6.0 million in revenue in FY2011-12.

The fund's fiscal year-end balance is \$1.03 million, after taking into account the negative \$1.4 million prior period adjustment. The \$1.4 million was an advance payment that TAM received from the Department of Transportation for the cash flow needs of the various Marin Sonoma Narrows projects that TAM manages and was booked as FY2009-10 revenue originally. The advance payment should have booked as "deferred revenue" under liabilities when it was received. The prior period adjustment was made to correctly reflect the balance of this fund. The fund balance represents funds that have not yet been expended but are restricted for 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. Revenue received in FY2011-12 is \$350,511. The fund spent \$426,516 on such activities in FY2011-12.

The fund's fiscal year-end balance is \$1.7 million, representing funds that have not yet been expended but are restricted for air quality control and improvement 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 Measure A Transportation Sales Tax Expenditure Plan, approved by Marin voters in November 2004. \$21.3 million in revenue was collected in FY2011-12. The fund spent \$17.4 million on various Measure A related activities, including about \$1.1 million on administration and professional services and \$1.9 million for debt service.

The fund's fiscal year end balance is \$31.9 million, representing funds that have not yet been expended but are restricted for various projects and programs according to the Measure A Expenditure Plan.

Corte Madera Creek Bridge Fund

This fund accounts for a portion of 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 County Department of Public Works to TAM in FY2006-07. FY2011-12 expenditures for this fund was \$104,484 and fund balance as of June 30, 2012 is \$324,977.

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 FY2009-10 and the same level of grant for FY2010-11. MCF also awarded TAM an additional \$25,000 in FY2010-11 to plan for electric vehicle charging station planning and siting study. 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. Unfortunately, MCF has discontinued its support for this effort in FY2011-12 and no additional revenues are expected. Expenditures for FY2011-12 was \$36,734 and the fund balance as of June 30, 2012 is \$0. This fund was closed on June 30, 2012.

Measure B Vehicle Registration Fee

Under Senate Bill 83, the CMA may place an initiative on the County ballot to obtain up to \$10 in additional revenue from vehicle registration payments. In 2009, TAM began evaluating the viability for obtaining revenues and the possibility of supporting a variety of underfunded transportation efforts. The process resulted in a ballot measure, Measure B, for simple majority approval to fund various exciting transportation projects and programs through the vehicle registration fee increase in the November 2010 election. With the strong support for the much needed transportation projects/programs around the County, Measure B, the \$10 vehicle registration fee increase, was passed successfully with a 63.5% approval rate.

Revenue collected from the Measure B program will help reduce traffic congestion, maintain roads, improve safety, and reduce air pollution by maintaining local and residential streets and pathways; funding transportation options for seniors and disabled persons; funding local pothole repair; providing school crossing guards and safe access to schools; and, reducing commute trip congestion and supporting a cleaner environment. This fund collected \$2.3 million in FY2011-12 and spent over \$0.5 million on various Measure B programs. Fund balance as of June 30, 2012 is \$2.0 million.

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 FY2011-12 were \$30.1 million, about \$1 million less than the budgeted amount. Both the Measure A sales tax and Measure B VRF revenues came in significantly higher than budgeted with the recovery of economy, while reimbursement-based revenues for most of the major capital projects were lower than budgeted due to project schedule changes. Total Measure A revenue collection was \$21.3 million, \$1.8 million higher than expected. Total Measure B revenue collection was \$2.3 million, \$0.3 million higher than expected. RM2 reimbursement revenue was \$1.3 million, \$1.2 million lower than expected. The total of reimbursements for both the STIP-RIP and TCRP funds was \$2.3 million, \$1.0 million less than expected. Reimbursement revenue for the Dynamic Rideshare Pilot Project was \$0.5 million, \$0.3 million lower than expected.

Total expenditures for FY2011-12 were \$24.4 million, \$13.3 million lower than the budgeted amount, which is mainly due to the slower than expected progress of various capital projects. Spending level for the Administration Category was at \$2.3 million, very close to the \$2.4 million budgeted. TAM spent \$4.9 million under the Professional Service Category, \$2.8 million lower than budgeted, mostly due to the slower than expected project progress made for the various Marin Sonoma Narrows (MSN) and RM2 capital projects, the

Dynamic Rideshare Pilot Project, and the less Project Management Oversight support needed. Expenditures for Measure A Projects/Programs were at \$14.3 million, which is \$8.8 million less than budget, mostly due to the fact that both Strategy 2 Gap Closure, and Strategy 3 Streets & Roads, expended much less than the budgeted amount. Expenditures for all Measure B Programs were at \$0.5 million, \$0.6 million less than budgeted, due to the delay of the launch and implementation of the programs. Only \$0.1 million of the \$0.5 million budgeted for the Interagency Agreements Category was spent since most of the work was delayed until FY 2012-13.

Table 1
Statement of Net Assets

	June 30, 2012	June 30, 2011	June 30, 2010
ASSETS			
Cash and investments	\$ 36,934,674	\$ 33,978,980	\$ 28,413,147
Sales tax receivable	3,562,065	3,431,459	3,008,400
Accounts receivable	2,958,433		
Prepaid expenses	2,000	2,031,490	4,033,531
Capital Assets Net of Accumulated Depreciation		4,908	9,818
Total assets	<u>43,457,172</u>	<u>39,446,837</u>	<u>35,464,896</u>
LIABILITIES			
Accounts payable	5,640,926	6,757,147	4,872,434
Deferred Revenue	902,722		
Noncurrent Liabilities			
Due within one year	1,757,765	20,765	35,422
Due in more than one year	4,630,378	8,094,338	9,821,429
Total liabilities	<u>12,931,791</u>	<u>14,872,250</u>	<u>14,729,285</u>
NET ASSETS			
Invested in Capital Asset Net of Related Debt		4,908	9,817
Restricted	30,525,381	24,569,679	20,725,794
Unrestricted			
Total net assets	<u>\$ 30,525,381</u>	<u>\$ 24,574,587</u>	<u>\$ 20,735,611</u>

The Statement of Net Assets summarizes TAM's assets and liabilities with the difference of the two reported as net assets. Table 1 summarizes the net assets of governmental activities for the fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010.

TAM's governmental net assets were \$30.5 million as of June 30, 2012, and comprised of the following:

- Cash and investments of \$36.9 million in the County of Marin Treasury.

- Receivables of \$6.5 million of sales tax and other accounts receivables.
- Liabilities, including all accounts payables, deferred revenue and long term debt, totaling \$12.9 million.
- 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 \$30.5 million as of June 30, 2012, which were all restricted for various transportation projects and programs.

Table 2
Statement of Activities

	FY 2012	FY2011	Change
REVENUES			
Programming Revenue			
Operating Grants and Contribution	\$ 1,129,291	\$ 1,424,840	\$ (295,549)
Capital Grants	5,250,818	8,908,740	(3,657,922)
Total Program Revenues	<u>6,380,109</u>	<u>10,333,580</u>	<u>(3,953,471)</u>
General Revenues			
Sales Tax	21,265,462	20,259,801	1,005,661
Vehicle Registration Fee	2,347,924	273,314	
Interest	77,333	153,834	(76,501)
Total General Revenues	<u>23,690,719</u>	<u>20,686,949</u>	<u>3,003,770</u>
Total Revenues	<u>30,070,828</u>	<u>31,020,529</u>	<u>(949,701)</u>
EXPENSES			
Administration	645,834	534,598	111,236
Project Management	470,120	632,106	(161,986)
Transportation Planning and	1,141,395	1,523,122	(381,727)
Transportation Projects	4,825,823	8,802,915	(3,977,092)
Measure A Projects and Programs	14,895,507	15,554,885	(659,378)
Measure B Programs	511,228		511,228
Interest on Long-term Debt	230,127	133,928	96,199
Total Expenses	<u>22,720,034</u>	<u>27,181,554</u>	<u>(4,461,520)</u>
Changes In Net Assets	<u>7,350,794</u>	<u>3,838,975</u>	<u>3,511,819</u>
Net Assets - Beginning, restated	<u>23,174,587</u>	<u>20,735,612</u>	<u>2,438,975</u>
Net Assets - Ending	<u>\$ 30,525,381</u>	<u>\$ 24,574,587</u>	<u>\$ 5,950,794</u>

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.

As Table 2 shows, \$6.4 million or 21.2% of TAM's FY2011-12 governmental revenues, came from programming revenues and \$23.7, or 78.8%, came from general revenues such as Measure A sales taxes, Measure B vehicle registration fee (VRF) and interest revenue. Program revenues were composed of operating grants and contributions of \$1.1 million, and capital grants of \$5.3 million.

Measure A Sales tax revenues are the largest revenue for TAM, and represent about 70.7% of TAM's FY2011-12 revenues. Sales tax revenues are general revenues that are spent under the guideline of the Expenditure Plan approved by the voters in November 2004. Measure B VRF revenue is another voter approved dedicated transportation fund source for Marin County. \$2.3 million was collected in FY2011-12 under this funding source. 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 block administration grant from MTC, the STIP/PPM funds from the California Transportation Commission (CTC), and the Non-motorized Transportation Pilot Program (NTPP). Total Operating Grants and Contributions for FY2011-12 is \$1.1 million.

Capital Grants include 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, STIP-RIP, and TCRP funding from CTC, in the amount of \$5.3 million.

Capital Assets

For the fiscal year ended June 30, 2012, the total capital asset book value for TAM is \$0. The depreciation cycle for TAM's capital assets, which are the Information Technology (IT) equipment that costs over \$5,000, is five years and June 30, 2012 was the end of the depreciation cycle for those capital assets. TAM is planning to upgrade most of its IT equipment by the end of 2013.

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 on November 2007. The first payment to MTC was made in June 2009. It is 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:	\$ 6,388,143
Maturity date:	December 31, 2015
Interest rate:	3% until 12/31/15, and 10% thereafter on any unpaid balance
Date to which interest has been paid:	June 30, 2012

Economic Outlook and Future Projections

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.

With the steady recovery of the Measure A sales tax revenue collection and revenue stream from the Measure B VRF, TAM will be able to continue many of the vital transportation projects/programs in Marin. TAM expects the funding level from various federal and state resources, such as STP/CMAQ/T-Plus planning funds, STIP/PPM, TCRP and CMIA bond funding, will be stabilized and improved in the upcoming fiscal year too. All those revenue improvements will help the financial picture of all the transportation projects and programs in Marin County.

On the expenditure side, TAM was able to find adequate cash for the needs of various capital projects in FY2011-12 and expects this to remain the same in the upcoming fiscal year.

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. Upon the expiration of its current lease agreement, TAM is scheduled to move into a different suite in the same office complex. TAM's new address as of December 1, 2012 will be: 781 Lincoln Avenue, Suite 160, San Rafael, CA. TAM is expected to keep all of its current phone numbers and email addresses.

TRANSPORTATION AUTHORITY OF MARIN

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities
ASSETS	
Cash and investments	\$ 36,934,674
Sales tax receivable	3,562,065
Accounts receivable	2,958,433
Prepaid expenses	2,000
Capital assets, net of accumulated depreciation	
Total assets	<u>43,457,172</u>
LIABILITIES	
Accounts payable	5,640,926
Unearned revenue	902,722
Noncurrent liabilities:	
Due within one year	1,757,765
Due in more than one year	<u>4,630,378</u>
Total liabilities	<u>12,931,791</u>
NET ASSETS	
Invested in capital assets, net of related debt	
Restricted for:	
BAAQD-TFCA Project	1,658,285
Measure A Sales Tax Project	25,560,180
Corte Madera Creek Bridge Project	324,977
Measure B VRF Projects	1,951,361
Congestion Management Projects	<u>1,030,578</u>
Total net assets	<u><u>\$ 30,525,381</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, 2012

		Program Revenues		Net (Expense)
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities:				
Administration	\$ 645,834	\$ -	\$ -	\$ (645,834)
Project management	470,120		430,002	(40,118)
Transportation planning and programming	1,141,395	1,129,291		(12,104)
Transportation projects	4,825,823		4,820,816	(5,007)
Measure A projects and programs	14,895,507			(14,895,507)
Measure B programs	511,228			(511,228)
Interest on long-term debt	230,127			(230,127)
Total Governmental Activities	\$ 22,720,034	\$ 1,129,291	\$ 5,250,818	(16,339,925)
General Revenues:				
Sales tax				21,265,462
Vehicle registration fees				2,347,924
Interest				77,333
Total General Revenues				23,690,719
Change in net assets				7,350,794
Net assets at beginning of fiscal year				24,574,587
Prior period adjustments				(1,400,000)
Net assets at beginning of fiscal year, restated				23,174,587
Net assets at end of fiscal year				\$ 30,525,381

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

TRANSPORTATION AUTHORITY OF MARIN

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2012

ASSETS	General Fund	BAAQD/TFCA Fund	Measure A Sales Tax Fund	Corte Madera Creek Bridge Fund	Marin Community Foundation Fund	Measure B VRF Fund	Total
Cash and investments	\$ 915,522	\$ 1,679,572	\$ 32,210,233	\$ 405,718	\$ 50	\$ 1,723,579	\$ 36,934,674
Sales tax receivable			3,562,065				3,562,065
Accounts receivable	2,562,186					396,247	2,958,433
Prepaid expenditures	2,000						2,000
Total assets	\$ 3,479,708	\$ 1,679,572	\$ 35,772,298	\$ 405,718	\$ 50	\$ 2,119,826	\$ 43,457,172
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,546,408	\$ 21,287	\$ 3,823,975	\$ 80,741	\$ 50	\$ 168,465	\$ 5,640,926
Deferred revenue	902,722						902,722
Total liabilities	2,449,130	21,287	3,823,975	80,741	50	168,465	6,543,648
Fund balances:							
Nonspendable	2,000						2,000
Restricted for:							
BAAQD/TFCA		1,658,285					1,658,285
Measure A Sales Tax			31,948,323				31,948,323
Corte Madera Creek Bridge				324,977			324,977
Marin Community Foundation							
Measure B VRF						1,951,361	1,951,361
Congestion Management	1,028,578						1,028,578
Total fund balances	1,030,578	1,658,285	31,948,323	324,977		1,951,361	36,913,524
Total liabilities and fund balances	\$ 3,479,708	\$ 1,679,572	\$ 35,772,298	\$ 405,718	\$ 50	\$ 2,119,826	\$ 43,457,172

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, 2012

FUND BALANCE OF GOVERNMENTAL FUNDS \$ 36,913,524

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Fund Balance Sheet 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>(24,544)</u>

Long-term liabilities: In the Governmental Funds 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>(6,388,143)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 30,525,381

TRANSPORTATION AUTHORITY OF MARIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

REVENUES	General Fund	BAAQD/TFCA Fund	Measure A Sales Tax Fund	Corte Madera Creek Bridge Fund	Marin Community Foundation Fund	Measure B VRF Fund	Total
Measure A	\$ -	\$ -	\$ 21,265,462	\$ -	\$ -	\$ -	\$ 21,265,462
Measure B						2,347,924	2,347,924
Cities and counties	430,001						430,001
Interest	3,556	4,130	67,224	965	50	1,408	77,333
STP/CMAQ	470,754						470,754
T-Plus	191,855						191,855
MTC block grant administration	40,921						40,921
STIP/PPM	425,761						425,761
RM2	1,343,290						1,343,290
Non-motorized transportation pilot program	26,600						26,600
TFCA/BAAQMD		346,381					346,381
MSN federal earmark	246,194						246,194
CMIA bond revenue	2,786						2,786
TCRP	503,385						503,385
STIP-RIP	1,843,315						1,843,315
Dynamic rideshare grant	55,101						55,101
Federal CMAQ	453,764						453,764
Total revenues	6,037,283	350,511	21,332,686	965	50	2,349,332	30,070,827
EXPENDITURES							
Administration:							
Salaries & benefits	1,102,936	16,618	782,540			38,939	1,941,033
Office lease			155,503				155,503
Equipment			3,868				3,868
Telephone/internet services			16,530				16,530
Office supplies	166		18,882				19,048
Insurance			5,157				5,157
Audit	6,720		10,500				17,220
Legal	62,820		5,245				68,065
Document reproduction	1,356		5,336				6,692
Memberships	2,843		6,285				9,128
Travel/meetings/conferences	14,822	14	9,237			85	24,158
Professional development	2,442					43	2,485
Miscellaneous expenditures	165		1,847				2,012

(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, 2012
(Continued)

EXPENDITURES (Continued)	General Fund	BAAQD/TFCA Fund	Measure A Sales Tax Fund	Corte Madera Creek Bridge Fund	Marin Community Foundation Fund	Measure B VRF Fund	Total
Professional services:							
Traffic model maintenance	26,842						26,842
CMP update/Traffic monitoring	34,993						34,993
T-Plus	11,375						11,375
Dynamic rideshare pilot program	49,406	58,635					108,041
PMO consultant	17,966		29,757				47,723
Public outreach services	19,915						19,915
MSN congestion pricing study	31,915						31,915
MSN Redwood landfill interchange design	2,437,153						2,437,153
MSN San Antonio curve design	308,711						308,711
MSN project management	86,132						86,132
State legislative assistance	35,000						35,000
Financial advisor	4,950						4,950
Human resources/Board support	17,908		27,391				45,299
Information technology support			19,850				19,850
Consulting pool	24,228		15,138				39,366
Hwy 101 Greenbrae/Twin Cities	1,053,622						1,053,622
Central Marin ferry connection	523,077						523,077
580/101 right of way	46,732						46,732
Education	26,685				36,734		63,419
Planning initiatives	3,000						3,000
Measure A							
Measure A compliance audits			17,500				17,500
Bike/Ped path maintenance			40,000				40,000
Strategy 1 - transit			8,991,209				8,991,209
Strategy 2 - gap closure			288,646				288,646
Strategy 3 - streets & roads			2,724,637				2,724,637
Strategy 4 - safe routes			2,276,969				2,276,969
Measure B							
Element 2 - seniors and disabled mobility						276,677	276,677
Element 3 - reduce congestion and pollution						195,613	195,613
Interagency Agreements							
Old Redwood Highway roadway improvement				104,484			104,484
Other capital expenditures:							
TFCA - TDM projects		31,119					31,119
TFCA - EV projects		166,740					166,740
TFCA - Central Marin Ferry Connection		153,390					153,390

(Continued)

TRANSPORTATION AUTHORITY OF MARIN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012
(Continued)**

EXPENDITURES (Continued)	General Fund	BAAQD/TFCA Fund	Measure A Sales Tax Fund	Corte Madera Creek Bridge Fund	Marin Community Foundation Fund	Measure B VRF Fund	Total
Debt service:							
Principal			1,706,195				1,706,195
Interest			230,127				230,127
Total expenditures	5,953,880	426,516	17,388,349	104,484	36,734	511,357	24,421,320
Excess (deficiency) of revenues over (under) expenditures	83,403	(76,005)	3,944,337	(103,519)	(36,684)	1,837,975	5,649,507
Fund balances, beginning of fiscal year	2,347,175	1,734,290	28,003,986	428,496	36,684	113,386	32,664,017
Prior period adjustment	(1,400,000)						(1,400,000)
Fund balances, beginning of fiscal year, restated	947,175	1,734,290	28,003,986	428,496	36,684	113,386	31,264,017
Fund balances, end of fiscal year	<u>\$ 1,030,578</u>	<u>\$ 1,658,285</u>	<u>\$ 31,948,323</u>	<u>\$ 324,977</u>	<u>\$ -</u>	<u>\$ 1,951,361</u>	<u>\$ 36,913,524</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, 2012

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	\$ 5,649,507
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.	(4,908)
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	<u>1,706,195</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 7,350,794</u></u>

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2012

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 of all fund types. The Authority has determined that all of its funds are major funds.

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2012

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 a portion of 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 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.

Measure B VRF Fund - This fund accounts for revenues and expenditures for the projects and programs set forth by the voters in the Authority's \$10 Vehicle Registration Fee Expenditure Plan, approved by the Marin voters in November 2010.

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.

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

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.

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 consists of 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- Restrictions of fund balance of governmental funds are amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as prepaid items or inventories, or are legally or contractually required to be maintained intact. The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

H. Net Assets and Fund Balances (Continued)

the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

I. Deferred Revenue

Under both the accrual and modified accrual basis of accounting, revenues are recognized only when earned. Thus, the government-wide statement of net assets and governmental funds defer revenue recognition for resources that have been received at fiscal year-end, but not yet earned.

J. 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.

K. New Accounting Pronouncements

The Authority has implemented the requirements of GASB Statement No. 64 during the fiscal year ended June 30, 2012.

Governmental Accounting Standards Board Statement No. 64 - *Derivative Instruments: Application of Hedge Accounting Termination Provisions*

This Statement is effective for periods beginning after June 15, 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of the GASB Statement No. 64, did not have an impact on the Authority's financial statements for the fiscal year ended June 30, 2012.

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>\$ 36,934,674</u>
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Cash and investments as of June 30, 2012 consist of the following:

Deposits with County of Marin	<u>\$ 36,934,674</u>
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Total cash and investments	<u>\$ 36,934,674</u>
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TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2012

Note 2: Cash and Investments (Continued)

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	\$50 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>More Than 60 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>	
Deposits with County of Marin	\$ 36,934,674	\$ 36,934,674	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>\$ 36,934,674</u>	<u>\$ 36,934,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

C. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill 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.

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2012

Note 2: Cash and Investments (Continued)

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	\$ 36,934,674	N/A	\$ -	\$ 36,934,674	\$ -	\$ -	\$ -
Total	<u>\$ 36,934,674</u>		<u>\$ -</u>	<u>\$ 36,934,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*The most recent rating is as of June 30, 2011. The June 30, 2012 rating was not available as of the date of these financial statements.

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, 2012, 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, 2012, was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, being depreciated:				
Technical equipment	\$ 24,544	\$ -	\$ -	\$ 24,544
Total capital assets, being depreciated	24,544			24,544
Less accumulated depreciation	(19,636)	(4,908)		(24,544)
Total capital assets, being depreciated, net	4,908	(4,908)		
Capital assets, net	<u>\$ 4,908</u>	<u>\$ (4,908)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation of \$4,908 was charged to administration in the statement of activities.

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2012

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-Marin 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 31% and 31% respectively, as of June 30, 2012. 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
2013	\$ 125,295
	\$ 125,295

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 absence 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, 2012, the outstanding balance was \$6,388,143.

Future debt service requirements for the agreement are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
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
Totals	<u>\$ 6,388,143</u>	<u>\$ 388,994</u>	<u>\$ 6,777,137</u>

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2012

Note 6: Long-term Debt (Continued)

Metropolitan Transportation Commission Funding Exchange Agreement (Continued)

Long-term debt activity for the fiscal year ended June 30, 2012, was as follows:

	<u>July 1, 2011</u> Balance	<u>Reductions</u>	<u>June 30, 2012</u> Balance	<u>Due Within</u> <u>One Year</u>
MTC Funding Exchange Agreement	\$ 8,094,338	\$ (1,706,195)	\$ 6,388,143	\$ 1,757,765
Governmental activities Long-term liabilities	<u>\$ 8,094,338</u>	<u>\$ (1,706,195)</u>	<u>\$ 6,388,143</u>	<u>\$ 1,757,765</u>

Note 7: Commitments and Contingencies

The Authority is subject to litigation arising in the normal course of business. In the opinion of the Authority's attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

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.

The Authority has various cooperative agreements with governmental entities and contracts with vendors. As of June 30, 2012, the Authority's total outstanding commitments were approximately \$73.4 million, with \$38.8 million expended and \$34.6 million still outstanding.

Note 8: Risk Management

The Authority is exposed to various risks of losses related to torts; theft of; damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority carries commercial insurance through Alliant Insurance Services, Inc. for general liability, automobile, property coverage, and public officials' errors and omissions.

Coverage is as follows:

- a. General liability - \$1,000,000 each occurrence
- b. Damage to rented premises - \$1,000,000 each occurrence
- c. Automobile liability - \$1,000,000 each accident
- d. Public officials errors and omissions - \$1,000,000 each occurrence and annual aggregate.

All deductibles are \$2,500

Crime coverage for LGS employees is provided by Alteris Insurance and is limited to \$1,000,000, with a \$50,000 deductible.

Note 9: Prior Period Adjustments

A prior period adjustment of (\$1,400,000) was made in the Statement of Activities for an understatement of unearned revenue in the prior fiscal year.

A prior period adjustment of (\$1,400,000) was made in the General Fund for an understatement of deferred revenue 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, 2012

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Measure A	\$ 19,500,000	\$ 19,500,000	\$ 21,265,462	\$ 1,765,462
Measure B	2,050,000	2,050,000	2,347,924	297,924
Cities and counties	430,000	430,000	430,001	1
Interest	180,000	180,000	77,333	(102,667)
STP/CMAQ	459,000	459,000	470,754	11,754
T-Plus	160,000	160,000	191,855	31,855
MTC block grant administration	102,000	102,000	40,921	(61,079)
STIP/PPM	110,000	770,000	425,761	(344,239)
RM2	2,540,284	2,540,284	1,343,290	(1,196,994)
Non-motorized transportation pilot program	100,000	100,000	26,600	(73,400)
TFCA/BAAQMD	345,000	345,000	346,381	1,381
MSN federal earmark	127,689	127,689	246,194	118,505
CMIA bond revenue	150,000	150,000	2,786	(147,214)
STIP-RIP	1,000,000	1,000,000	1,843,315	843,315
Dynamic rideshare grant	330,000	330,000	55,101	(274,899)
TCRP	2,300,000	2,300,000	503,385	(1,796,615)
Federal CMAQ		500,000	453,764	(46,236)
Other agency contributions	175,000			
Total revenue	30,058,973	31,043,973	30,070,827	(973,146)

EXPENDITURES

Administration:

Salaries & benefits	1,915,065	1,915,065	1,941,033	(25,968)
Office lease	175,000	175,000	155,503	19,497
Equipment	15,000	15,000	3,868	11,132
Agency car/bike leasing/purchase	10,000	10,000		10,000
Telephone/internet services	30,000	30,000	16,530	13,470
Office supplies	25,000	25,000	19,048	5,952
Insurance	8,000	8,000	5,157	2,843
Audit	25,000	25,000	17,220	7,780
Legal	70,000	70,000	68,065	1,935
Accounting/payroll	10,000	10,000		10,000
Document reproduction	30,000	30,000	6,692	23,308
Memberships	10,000	10,000	9,128	872
Travel/meetings/conferences	20,000	20,000	24,158	(4,158)
Professional development	5,000	5,000	2,485	2,515
Miscellaneous expenditures	5,000	5,000	2,012	2,988

(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, 2012
(Continued)

EXPENDITURES (Continued)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Professional services:				
CMP	\$ 100,000	\$ 100,000	\$ 34,993	\$ 65,007
Traffic model maintenance	65,000	65,000	26,842	38,158
T-Plus	100,000	100,000	11,375	88,625
Dynamic rideshare pilot program	250,000	250,000	108,041	141,959
PMO consultant	150,000	150,000	47,723	102,277
Public outreach services	85,000	85,000	19,915	65,085
MSN congestion pricing study	25,000	25,000	31,915	(6,915)
MSN Redwood landfill interchange design	1,100,000	1,870,000	2,437,153	(567,153)
MSN San Antonio curve design	1,936,325	1,936,325	308,711	1,627,614
MSN project management	200,000	200,000	86,132	113,868
Federal legislative assistance	25,000	25,000		25,000
State legislative assistance	35,000	35,000	35,000	
Financial advisor	40,000	40,000	4,950	35,050
Human resources/Board support	30,000	30,000	45,299	(15,299)
Information technology support	30,000	30,000	19,850	10,150
Consulting pool	80,000	80,000	39,366	40,634
Hwy 101 Greenbrae/Twin Cities	960,000	960,000	1,053,622	(93,622)
Central Marin ferry connection	1,320,000	1,320,000	523,077	796,923
580/101 right of way	150,000	150,000	46,732	103,268
Education	191,000	66,000	63,419	2,581
Transportation demand management	75,000	75,000		75,000
Planning initiatives	75,000	75,000	3,000	72,000
Electric vehicle study	50,000	50,000		50,000
Measure A:				
Measure A compliance audit	20,000	20,000	17,500	2,500
Bike/per path maintenance	75,000	75,000	40,000	35,000
Interest fund commitment to Strategy 2	425,000	425,000		425,000
Strategy 1 - transit	9,853,944	9,853,944	8,991,209	862,735
Strategy 2 - gap closure	3,492,368	3,492,368	288,646	3,203,722
Strategy 3 - streets & roads	6,650,000	6,650,000	2,724,637	3,925,363
Strategy 4 - safe routes	2,492,664	2,617,664	2,276,969	340,695
Measure B:				
DMV initial programming and setup cost	56,000			
Reimbursement of Measure B ballot cost	159,928			
Element 2 - seniors and disabled mobility	653,789	653,789	276,677	377,112
Element 3 - reduce congestion and pollution	450,000	450,000	195,613	254,387
Interagency agreements:				
Old Redwood Highway roadway improvement	420,000	420,000	104,484	315,516
Station planning study - agreement with Larkspur	100,000	100,000		100,000
Other capital expenditures:				
TFCA - Puerto Suello Hill Park	520,000	520,000		520,000
TFCA - TDM projects	160,000	160,000	31,119	128,881
TFCA - EV projects	127,000	127,000	166,740	(39,740)
TFCA - Central Marin Ferry Connection	142,000	142,000	153,390	(11,390)
TDA Article 3 payment to Caltrans	1,560,500			
Debt service:				
Principal	1,706,195	1,706,195	1,706,195	
Interest	230,130	230,130	230,127	3
Total expenditures	<u>38,719,908</u>	<u>37,713,480</u>	<u>24,421,320</u>	<u>13,292,160</u>

(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, 2012
(Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (8,660,935)	\$ (6,669,507)	\$ 5,649,507	\$ 12,319,014
Fund balances at beginning of period	32,664,017	32,664,017	32,664,017	
Prior period adjustment			(1,400,000)	(1,400,000)
Fund balances at beginning of period, restated	32,664,017	32,664,017	31,264,017	(1,400,000)
Fund balances at end of period	<u>\$ 24,003,082</u>	<u>\$ 25,994,510</u>	<u>\$ 36,913,524</u>	<u>\$ 10,919,014</u>

TRANSPORTATION AUTHORITY OF MARIN
Board of Commissioners
June 30, 2012

Susan Adams
Judy Arnold
Sandra Donnell
Alice Fredericks
Diane Furst
Ford Greene
Dan Hillmer
R. Scot Hunter
Mike Kelly
Steve Kinsey
Eric Lucan
Stephanie Moulton-Peters
Gary Phillips
John Reed
Katie Rice
Kathrin Sears



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
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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 Transportation Authority of Marin's compliance with the 5% administration cost cap limit of the Marin County Transportation Sales Tax Expenditure Plan, the Transportation Development Act, and STIP Agreement #PPM11-6406(009) for the fiscal year ended June 30, 2012. Compliance with laws, regulations, contracts, and grant agreements is the responsibility of the management of the Authority. Our responsibility is to express an opinion on the Authority's compliance 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 noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with regulations referred to above.

In our opinion, the Authority complied, in all material respects, with the regulations referred to above for the fiscal year ended June 30, 2012.

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
Culver City, CA
October 15, 2012

TRANSPORTATION AUTHORITY OF MARIN

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

June 30, 2012

TRANSPORTATION AUTHORITY OF MARIN
June 30, 2012

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MOSS, LEVY & HARTZHEIM LLP

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October 15, 2012

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

In planning and performing our audit of the financial statements of the Transportation Authority of Marin (Authority), as of and for the fiscal year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weakness and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit we noted certain other matters involving internal controls and their operations, and are submitting for your consideration, the related recommendations designed to help the Authority make improvements and achieve operational efficiencies. These recommendations are described in the current year recommendations section as #2012-01 through #2012-03. Our comments reflect our desire to be of continuing assistance to the Authority.

The Authority's written responses to the items identified in our audit are described in the current year recommendations section. We did not audit the Authority's responses and, accordingly, we express no opinion on them. In addition, we would be pleased to discuss the recommendations in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

We have included in this letter a summary of communications with the members of the Board of Commissioners as required by professional auditing standards. We would like to thank the Authority's management and staff for the courtesy and cooperation extended to us during the course of our engagement. The accompanying communications and recommendations are intended solely for the information and use of management, the members of the Board of Commissioners, and others within the Authority, and are not intended to be, and should not be, used by anyone other these specified parties.

Very yours truly,

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA



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October 15, 2012

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 for the fiscal year ended June 30, 2012. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 24, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Transportation Authority of Marin are described in Note 1 to the basic financial statements. As discussed in Note 1 of the notes to the basic financial statements, one new accounting policy was adopted during the fiscal year. The new policy is Governmental Accounting Standards Board (GASB) Statement No. 64. We noted no transactions entered into by the Authority during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 estimate affecting the financial statements was:

Management's estimate of the useful lives of capital assets is based on industry guidelines and historical data. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that they were reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting reporting, or auditing matter, whether or not resolved to our satisfaction, 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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2012.

Management 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 Transportation Authority of Marin'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 accountant 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.

Other Audit Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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
Culver City, CA

CURRENT YEAR RECOMMENDATIONS

Other Matters

2012-01 Untimely Employee Performance Reviews:

During our test of LGS invoices, we noted that employee performance reviews were not being performed timely.

Effect:

Due to the untimely reviews, there were large retroactive adjustments paid to LGS employees.

Recommendation:

We recommend that the Authority perform the reviews on an annual basis, as required.

Authority's Response:

TAM was conducting an agency-wide classification study which further refined staff roles and responsibilities. Performance evaluations were delayed as work plans were refined to reflect the upcoming position workload. Staff annual reviews were not conducted timely also due to other competing work needs in the last year. TAM's management agrees with this finding and has already started to take actions to improve the process. Management will work with employees to ensure timely completion of annual reviews in the future.

2012-02 Lack of Inquiry of Conflicts of Interest for Members of Proposal Review Committees:

During the review of the procurement process, it was noted that members of committees that engage in review and recommendations of proposals to the Board of Commissioners do not submit a form which confirms that a conflict of interest is not present with the contractors or consultants submitting proposals.

Effect:

We are unable to evaluate whether members of the review committees that provide recommendations to the Authority's Board of Commissioners have financial interests in contractors or consultants that they are evaluating.

Recommendation:

We recommend that the Authority obtain conflict of interest questionnaires from all individuals who provide recommendations on contractors or consultants to the Board of Commissioners.

Authority's Response:

Staff notes that Review Panels do not make recommendations directly to the TAM Board, but rather to the Executive Director who uses the recommendation as well as other screening results to make a final recommendation to the TAM Board. Staff has been making the effort to prevent potential conflict of interest issues through whom it selects for the review panel.

Staff agrees that TAM can improve this process by developing a No Conflict certification for panel members. Note that panel members are typically employees of other local and/or regional government agencies and fill out Annual Form 700 Economic Interest Statements which cover their activity.

Staff has also surveyed peer agencies since this issue was brought up to management's attention. Only one of the five agencies surveyed require review panel members to sign a conflict of interest certification as part of the review process.

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Other Matters (Continued)

2012-03 Lack of an IT Disaster Recovery Plan:

During our review of internal control, we noted that the Authority lacked an IT disaster recovery plan.

Effect:

The Authority's operation is highly dependent on its computer server and financial software database. Without a disaster recovery plan, there is no guidance or checklist on how to get these systems back on-line should a disaster occur.

Recommendation:

We recommend that the Authority develop an IT disaster recovery plan.

Authority's Response:

TAM has an IT recovery procedure in place and the IT team has also been regularly testing all IT equipment and backing up data on the network. Staff agrees with the audit team that TAM should document the procedure by developing a formal IT disaster recovery plan.

STATUS OF PRIOR YEAR RECOMMENDATIONS

2011-01 Lack of approval signature on timesheet:

During our review of the LGS invoice for February 2011, we noted that one employee approved his own timesheet.

Effect:

Without proper approval of an employee's timesheet, it is difficult to determine if the hours worked are appropriate and proper.

Recommendation:

We recommend that all employees' timesheets be reviewed and approved by a responsible official.

Status:

Implemented.