

**TRANSPORTATION AUTHORITY
OF MARIN**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2016**

TRANSPORTATION AUTHORITY OF MARIN

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JUNE 30, 2016

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TRANSPORTATION AUTHORITY OF MARIN

BOARD OF COMMISSIONERS

JUNE 30, 2016

JUDY ARNOLD

DAMON CONNOLLY

SANDRA DONNELL

ALICE FREDERICKS

DIANE FURST

DAN HILLMER

STEVE KINSEY

P. BEACH KUHL

ERIC LUCAN

TOM MCINERNEY

STEPHANIE MOULTON-PETERS

GARY PHILLIPS

JOHN REED

KATIE RICE

KATHRIN SEARS

TOM THEODORES

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Transportation Authority of Marin (the Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Authority, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedules as listed in the table of contents 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering of the Authority's internal control over financial reporting and compliance.

Vavrinck, Trine, Day & Co. LLP

Palo Alto, California
December 1, 2016

TRANSPORTATION AUTHORITY OF MARIN

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

This section of the Transportation Authority of Marin's (the Authority) financial statements presents management's overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2016. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

FINANCIAL HIGHLIGHTS

The Authority collected a total of \$37.3 million in revenues in FY2015-16, of which \$25.7 million, or 68.9% is Measure A ½ Cent Transportation Sales Tax revenue. We have seen steady growth of the sales tax revenue in Marin County for the last six years. The Authority's \$25.7 million Measure A ½ Cent Transportation Sales Tax collection in 2015-16 is \$0.4 million, or 1.7% higher than the \$25.3 million collected in FY2014-15. This continuing health revenue improvement will help the financial picture of all the transportation projects and programs in Marin County. A total of \$2.4 million was collected under Measure B, the \$10 Vehicle Registration Fee (VRF) program in FY2015-16. The Measure A Sales Tax and Measure B VRF revenues are the two dedicated local transportation funding sources and vital to the successful implementation of all transportation projects and programs in Marin County.

Besides the Measure A ½ Cent Transportation Sales Tax revenues and the Measure B VRF revenue collection for carrying various transportation-related projects and programs in the County, the Authority also received about \$8.5 million for all its Congestion Management Agency (CMA) related activities. As the CMA for Marin County, the Authority collected about \$1.2 million from the Metropolitan Transportation Commission (MTC) in Congestion Management Planning and Programming and Priority Development Area (PDA) funds. Cities, towns, and the County of Marin also contributed \$0.6 million for the various services/support the Authority provides as the CMA. About \$0.2 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) funds were received for various RM2 capital projects in Marin County. The Authority collected about \$0.4 million in Transportation Funds for Clean Air (TFCA) funds, a program funded by a \$4 surcharge on motor vehicles registered in the Bay Area. A total of \$0.4 million of STIP Regional Improvement Program (RIP) and Highway Bridge Program funds were received from the State and Federal Highway Administration (FHWA) for the various Marin Sonoma Narrows projects. A total of \$3.9 million Congestion Management Air Quality fund was received from the FHWA for the construction of the Central Marin Ferry Connector Project. The Authority also received about \$0.1 million various funds from the federal and state governments for several small transportation projects and programs.

The Authority collected \$23,328 in interest revenue from the Marin County Investment Pool in FY2015-16. In late FY2015-16, the Authority implemented its own financial system, MIP, and also moved its remaining fund balance in the Marin County Investment Pool to Bank of Marin and CalTRUST. Currently, the Authority's investments with the CalTRUST pool amounts to \$46,968,301. Total interest revenue received from various CalTRUST funds during FY2015-16 is \$351,324. As of June 30, 2016, the unrealized gain from the various accounts is \$293,173. Including the funds in the Bank of Marin and CalTRUST, the Authority has a total cash/investment balance of \$51.9 million as of June 30, 2016.

Total FY2015-16 expenditures for the Authority were \$30.9 million, of which \$20.8 million was in the Measure A Sales Tax Fund, and consisted of \$1.3 million for administration, \$0.1 million for professional services, \$1.0 million for debt services, which is to fully pay off the MTC loan secured to meet the cash flow needs of the Highway 101 Gap Closure Project, with the remaining \$18.4 million for Measure A projects and programs. Expenditures for all Measure B VRP programs were \$1.5 million. The other \$8.6 million expenditures are for various CMA planning/programming activities and major capital projects.

TRANSPORTATION AUTHORITY OF MARIN

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

The required financial statements include the Government-wide and Fund Financial Statements, Statement of Net Position and Statement of Activities, Governmental Funds Balance Sheet, and the Governmental Fund Statement of Revenues, Expenditures and Changes in the 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 the Authority.

THE BASIC FINANCIAL STATEMENTS

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

The Government-wide Financial Statements provide a long-term view of the Authority's activities as a whole, and include the Statements of Net Position and Statement of Activities. The Statement of Net Position provides information about the financial position of the Authority 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 the Authority's revenues and expenses, also on the full accrual basis of accounting, with the emphasis on meeting net revenues or expenditures of the Authority's programs. The Statement of Activities explains in detail the change in Net Position for the fiscal year.

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

The Fund Financial Statements report the Authority's operation in more detail than the Governmental-wide Financial Statements and focus primarily on the short-term activities of the Authority'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 the Authority and are presented individually. All funds of the Authority 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 the Authority as a whole. The Statement of Net Position and the Statement of Activities present information about the following:

Government Activities

The Authority'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.

TRANSPORTATION AUTHORITY OF MARIN

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

FUND FINANCIAL STATEMENTS

The Fund Financial Statements provide detailed information about each of the Authority'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 the Authority for the fiscal year, and may change from year to year as a result of changes in the pattern of the Authority's activities.

The Authority currently has four active governmental funds with an additional fund that was closed in the current fiscal year. Following is a discussion of the results of operations of each fund during FY2015-16.

CMA General Fund

This Fund accounts for the revenues and expenditures of the Authority'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 \$7.8 million for various transportation planning and programming activities, and capital projects management, and received a total of \$8.2 million in revenue in FY2015-16.

The fund's fiscal year-end balance is \$2.1 million. 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 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. Revenue received in FY2015-16 is \$372,341. The Fund spent \$784,931 on such activities in FY2015-16.

The Fund's fiscal year-end balance is \$1.1 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 the Authority's Measure A Transportation Sales Tax Expenditure Plan, approved by Marin voters in November 2004. \$26.3 million in revenue was collected in FY2015-16. The Fund spent \$20.8 million on various Measure A related activities, with \$1.3 million for administration, \$0.1 million for professional services, \$1.0 million for debt services, which is to fully pay off for the payback of the MTC loan secured to meet the cash flow needs of the Highway 101 Gap Closure Project, with the remaining \$18.4 million for Measure A projects and programs

The Fund's fiscal year-end balance is \$42.0 million, representing funds that have not yet been expended but are restricted for various projects and programs according to the Measure A Expenditure Plan.

TRANSPORTATION AUTHORITY OF MARIN

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Corte Madera Creek Bridge Fund

This fund accounts for a portion of the revenue 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 projects had unavoidable impacts to resources under its purview and required certain mitigation 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 the Authority in FY2006-07. The Fund was fully spent and closed by June 30, 2016.

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, the Authority 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 increases 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. The Fund collected \$2.4 million in FY2015-16 and spent over \$1.4 million on various Measure B programs. Fund balance as of June 30, 2016 is \$3.9 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 Statements.

Comparisons of Budget and Actual financial information are presented for all Funds in a combined format.

TRANSPORTATION AUTHORITY OF MARIN

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

ANALYSES OF GOVERNMENTAL FUNDS BUDGET

Governmental Funds

Actual revenues from various sources for FY2015-16 were \$37.3 million, about \$7.7 million less than the budgeted amount. Both the Measure A Sales Tax and Measure B VRF revenues came in higher than budget with the strong taxable sales and steady ownership of vehicles in Marin, 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 \$25.7 million, \$0.4 million higher than the \$25.3 million budgeted. Total Measure B revenue collection was \$2.4 million, slightly higher than the budgeted amount. The Authority received all the local CMA fee contributions from all the cities, towns and County. Revenue levels for all reimbursement based fund sources were determined by the actual expenditures of various programs/projects.

Total expenditures for FY2015-16 were \$30.9 million, \$12.5 million lower than the budget amount, which is mainly due to the slower than expected progress of various capital projects. Spending level for the Administration Category was almost the same as the \$2.8 million budgeted. The Authority spent \$1.7 million under the Professional Services Category; \$2.7 million lower than budgeted, mostly due to the slower than expected project spending for various capital projects as well as several planning efforts. Expenditures for Measure A Projects/Programs were at \$18.4 million, which is \$3.6 million less than budget with all four strategies expended less than the budgeted amounts. Expenditures for all Measure B Programs were at \$1.3 million, about \$0.4 million lower than the \$1.7 million budgeted, most due to the lower spending for the Paratransit Plus Program, the Transportation Demand Management Program and the EV Program. Only \$5.7 million of the \$11.5 million budgeted for the Interagency Agreements Category was spent since most of the work, including the construction of the Central Marin Ferry Connection Project, was spending slower than expected. Expenditure for all TFCA projects/programs was less than \$0.8 million, \$0.4 million more than budget due to the completion of a few overdue capital projects.

TRANSPORTATION AUTHORITY OF MARIN

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Table 1
Statement of Net Position

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> | <u>June 30, 2014</u> |
|---------------------------|----------------------|----------------------|----------------------|
| Assets | | | |
| Cash and Investments | \$ 51,884,455 | \$ 43,884,026 | \$ 39,652,952 |
| Sales Tax Receivable | 4,670,503 | 4,687,979 | 3,914,593 |
| Accounts Receivable | 5,403,878 | 3,456,392 | 1,872,058 |
| Prepaid Expenses | 21,444 | 40,496 | - |
| Total Assets | 61,980,280 | 52,068,893 | 45,439,603 |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payable | 9,187,709 | 5,644,771 | 8,790,039 |
| Unearned Revenue | 3,063,343 | 3,128,343 | 210,920 |
| Noncurrent Liabilities | | | |
| Due within One Year | - | 953,855 | 1,865,628 |
| Due in more than One Year | - | - | 953,855 |
| Total Liabilities | 12,251,052 | 9,726,969 | 11,820,442 |
| Net Position | | | |
| Restricted | 49,729,228 | 42,341,924 | 33,619,161 |
| Total Net Position | \$ 49,729,228 | \$ 42,341,924 | \$ 33,619,161 |

The Statement of Net Position summarizes the Authority's assets and liabilities with the difference of the two reported as net position. Table 1 summarizes the net position of governmental activities for the fiscal year ended June 30, 2016, June 30, 2015 and June 30, 2014.

The Authority's governmental net position was \$49.7 million as of June 30, 2016, and comprised of the following:

- Cash and Investments of \$51.9 million in the CalTRUST and deposits with financial institutions.
- Receivables and Prepaid Expenses of \$10.1 million in sales tax and other accounts receivables.
- Liabilities, including all accounts payables and unearned revenues, totaling \$12.3 million.
- Net position represents available funds that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. Total net position for the Authority was \$49.7 million as of June 30, 2016, which were all restricted for various transportation projects and programs.

TRANSPORTATION AUTHORITY OF MARIN

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

**Table 2
Statement of Activities**

| | FY 2016 | FY 2015 | Change |
|------------------------------------|----------------------|----------------------|---------------------|
| Revenues | | | |
| Programming Revenue: | | | |
| Operating Grants and Contributions | \$ 8,535,259 | \$ 5,657,885 | \$ 2,877,374 |
| Total Program Revenues | 8,535,259 | 5,657,885 | 2,877,374 |
| General Revenue: | | | |
| Sales Tax | 25,698,829 | 25,265,790 | 433,039 |
| Vehicle Registration Fee | 2,376,492 | 2,333,642 | 42,850 |
| Interest | 37,220 | 28,865 | 8,355 |
| Investment Income (CalTrust) | 351,877 | 185,231 | 166,646 |
| Investment Unrealized Gain/(Loss) | 293,173 | (49,132) | 342,305 |
| Total General Revenues | 28,757,591 | 27,764,396 | 993,195 |
| Expenses | | | |
| Administration | 876,328 | 652,015 | 224,313 |
| Project Management | 710,701 | 360,030 | 350,671 |
| Transportation Planning | 773,116 | 1,642,040 | (868,924) |
| Transportation Projects | 6,799,218 | 3,360,631 | 3,438,587 |
| Measure A Projects and Programs | 19,279,150 | 17,568,652 | 1,710,498 |
| Measure B Programs | 1,452,726 | 1,624,404 | (171,678) |
| Interest on Long-term Debt | 14,308 | 70,695 | (56,387) |
| Total Expenses | 29,905,547 | 25,278,467 | 4,627,080 |
| Changes in Net Position | 7,387,303 | 8,143,814 | (756,511) |
| Net Position - Beginning | 42,341,925 | 33,619,161 | 8,722,764 |
| Net Position - Ending | \$ 49,729,228 | \$ 41,762,975 | \$ 7,966,253 |

TRANSPORTATION AUTHORITY OF MARIN

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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

As Table 2 shows, \$8.5 million or 22.2% of the Authority's FY2015-16 governmental revenues, came from programming revenues and \$28.7 million, or 80.1%, came from general revenues such as Measure A sales taxes, Measure B vehicle registration fee (VRF) and interest revenue.

Measure A Sales Tax revenues are the largest revenue for the Authority, and represent about 68.9% of the Authority's FY2015-16 revenues. Sales tax revenues are general revenues that are spent under the guidelines of the Expenditure Plan approved by Marin County voters in November 2004. Measure B VRF revenue is another voter approved dedicated transportation fund source for Marin County. \$2.4 million was collected in FY2015-16 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 planning funds from MTC, the STIP/PPM funds from the California Transportation Commission (CTC). Total Operating Grants and Contribution for FY2015-16 is \$8.5 million.

Debt Administration

To meet the cash flow needs of the 101 Gap Closure project, the Authority entered into a \$12.5 million CMAQ/Measure A Fund Exchange Agreement with MTC on November 2007. The first payment to MTC was made in June 2009. The Authority paid the remaining balance on the loan in FY2015-16.

Economic Outlook and Future Projections

The Authority will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality services to the residents of Marin County.

With the steady growth of the Measure A sales tax revenues collection and reliable revenue stream from the Measure B VRF, the Authority will be able to continue many of the vital transportation projects/programs in Marin. The Authority hopes funding level from various federal and state resources will be stabilized in the upcoming fiscal year. All those steady revenue sources will help the financial picture of all the transportation projects and programs in Marin County.

On the expenditure side, the Authority was able to find adequate cash for the needs of various capital projects in FY2016-17 and expects this to remain the same in the upcoming fiscal year.

Request for Information

This Financial Report is intended to provide citizens, taxpayers and creditors with a general overview of the Authority'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, 900 Fifth Ave, Suite 100, San Rafael, CA 94901; (415) 226-0815.

TRANSPORTATION AUTHORITY OF MARIN

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Economic Outlook and Future Projections

The Authority will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality services to the residents of Marin County.

With the steady growth of the Measure A sales tax revenues collection and reliable revenue stream from the Measure B VRF, the Authority will be able to continue many of the vital transportation projects/programs in Marin. The Authority hopes funding level from various federal and state resources will be stabilized in the upcoming fiscal year. All those steady revenue sources will help the financial picture of all the transportation projects and programs in Marin County.

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TRANSPORTATION AUTHORITY OF MARIN

STATEMENT OF NET POSITION JUNE 30, 2016

| | Governmental Activities |
|--------------------------------|------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 51,884,455 |
| Sales Tax Receivable | 4,670,503 |
| Accounts Receivable | 5,403,878 |
| Prepaid Expenses | 21,444 |
| Total Assets | 61,980,280 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | 9,187,709 |
| Unearned Revenue | 3,063,343 |
| Total Liabilities | 12,251,052 |
| NET POSITION | |
| Restricted for: | |
| BAAQD-TFCA Project | 1,124,769 |
| Measure A Sales Tax Project | 42,042,756 |
| Measure B VRF Projects | 3,938,953 |
| Congestion Management Projects | 2,622,750 |
| Total Net Position | \$ 49,729,228 |

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

TRANSPORTATION AUTHORITY OF MARIN

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

| Functions/Programs | Expenses | Revenues Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|--|--|
| Governmental Activities: | | | |
| Congestion Management: | | | |
| Administration | \$ 876,328 | \$ 338,130 | \$ (538,198) |
| Project Management | 710,701 | - | (710,701) |
| Transportation Planning and Programming | 773,116 | 1,815,551 | 1,042,435 |
| Transportation Projects | 6,799,218 | 6,381,578 | (417,640) |
| Measure A Projects and Programs | 19,279,150 | - | (19,279,150) |
| Measure B Programs | 1,452,726 | - | (1,452,726) |
| Interest on Long-term Debt | 14,308 | - | (14,308) |
| Total Governmental Activities | \$ 29,905,547 | \$ 8,535,259 | (21,370,288) |
| General Revenues: | | | |
| Sales Tax | | | 25,698,829 |
| Vehicle Registration Fees | | | 2,376,492 |
| Interest | | | 682,270 |
| Total, General Revenues | | | 28,757,591 |
| Change in Net Position | | | 7,387,303 |
| Net Position - Beginning | | | 42,341,925 |
| Net Position - Ending | | | \$ 49,729,228 |

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

TRANSPORTATION AUTHORITY OF MARIN

**BALANCE SHEET- GOVERNMENTAL FUNDS
JUNE 30, 2016**

| | General Fund | BAAQMD/ TFCA Fund | Measure A Sales Tax Fund | Corte Madera Creek Bridge Fund | Measure B VRF Fund | Total |
|---|-------------------------|----------------------------------|-------------------------------------|---|-------------------------------|----------------------|
| ASSETS | | | | | | |
| Cash and Investments | \$ 4,621,061 | \$ 1,765,108 | \$ 41,461,741 | \$ - | \$ 4,036,545 | \$ 51,884,455 |
| Sales Tax Receivable | - | - | 4,670,503 | - | - | 4,670,503 |
| Accounts Receivable | 4,967,874 | 617 | - | - | 435,387 | 5,403,878 |
| Prepaid Expenditures | - | - | 21,444 | - | - | 21,444 |
| Total Assets | \$ 9,588,935 | \$ 1,765,725 | \$ 46,153,688 | \$ - | \$ 4,471,932 | \$ 61,980,280 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | \$ 4,477,683 | \$ 640,956 | \$ 3,536,091 | \$ - | \$ 532,979 | \$ 9,187,709 |
| Unearned Revenue | 3,063,343 | - | - | - | - | 3,063,343 |
| Total Liabilities | 7,541,026 | 640,956 | 3,536,091 | - | 532,979 | 12,251,052 |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable Revenue Amounts | - | - | 574,841 | - | - | 574,841 |
| Fund Balances: | | | | | | |
| Nonspendable | - | - | 21,444 | - | - | 21,444 |
| Restricted for: | | | | | | |
| BAAQD/TFCA | - | 1,124,769 | - | - | - | 1,124,769 |
| Measure A Sales Tax | - | - | 42,021,312 | - | - | 42,021,312 |
| Measure B VRF | - | - | - | - | 3,938,953 | 3,938,953 |
| Congestion Management | 2,047,909 | - | - | - | - | 2,047,909 |
| Total Fund Balances | 2,047,909 | 1,124,769 | 42,042,756 | - | 3,938,953 | 49,154,387 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 9,588,935 | \$ 1,765,725 | \$ 46,153,688 | \$ - | \$ 4,471,932 | \$ 61,980,280 |

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

TRANSPORTATION AUTHORITY OF MARIN

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Fund Balance of Governmental Funds \$ 49,154,387

**Amounts Reported for Governmental Activities in the Statement of Net
Position are Different From Those Reported in the Governmental Funds
Because of the Following:**

Revenues collected outside the measurement period of the Governmental Funds are deferred on the Balance Sheet. However, these revenues are considered to be earned on the Statement of Activities.

Total Net Position - Governmental Activities

574,841

\$ 49,729,228

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

TRANSPORTATION AUTHORITY OF MARIN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2016

| | General Fund | BAAQMD/TFCA Fund | Measure A Sales Tax Fund | Corte Madera Creek Bridge Fund | Measure B VRF Fund | Total |
|--|------------------|---------------------|-----------------------------|--------------------------------------|-----------------------|-------------------|
| REVENUES | | | | | | |
| Measure A Sales Tax Revenue | \$ - | \$ - | \$ 25,702,937 | \$ - | \$ - | \$ 25,702,937 |
| Measure B VRF Revenue | - | - | - | - | 2,376,492 | 2,376,492 |
| Cities/Towns and County Contribution | 559,001 | - | - | - | - | 559,001 |
| Interest County Pool | 6,460 | 1,732 | 25,467 | 8 | 3,553 | 37,220 |
| Investment Income (CalTrust) | 2,771 | 4,111 | 329,445 | - | 15,550 | 351,877 |
| Investment Unrealized Gain/Loss | 12,726 | 5,464 | 255,028 | - | 19,955 | 293,173 |
| MTC STP/CMAQ Planning Fund and OBAG Grants | 705,985 | - | - | - | - | 705,985 |
| PDA Planning Funds | 480,202 | - | - | - | - | 480,202 |
| MTC Regional Measure 2 Fund | 1,259,013 | - | - | - | - | 1,259,013 |
| Transportation For Clean Air Funding | - | 361,034 | - | - | - | 361,034 |
| Federal Highway Bridge Program Fund | 175,414 | - | - | - | - | 175,414 |
| State STIP/PPM Fund | 194,952 | - | - | - | - | 194,952 |
| STIP/RTIP/IIP Fund | 490,658 | - | - | - | - | 490,658 |
| Transportation Development Act Funds | 31,313 | - | - | - | - | 31,313 |
| Non-motorized Transportation Pilot Program | 18,090 | - | - | - | - | 18,090 |
| MTC Grant for Youth Transit Program/CMAQ | 34,483 | - | - | - | - | 34,483 |
| MTC Climate Initiatives Program Grant/CMAQ | 4,567 | - | - | - | - | 4,567 |
| CMFC NTPP/CMAQ Pass-through | 3,882,417 | - | - | - | - | 3,882,417 |
| Other Agency/Private Contributions | 338,130 | - | - | - | - | 338,130 |
| Total Revenues | 8,196,182 | 372,341 | 26,312,877 | 8 | 2,415,550 | 37,296,958 |
| EXPENDITURES | | | | | | |
| Congestion Management: | | | | | | |
| Administration: | | | | | | |
| Salaries and Benefits | 989,267 | 19,273 | 1,063,753 | - | 163,829 | 2,236,122 |
| Office Lease | 165,067 | - | 21,034 | - | - | 186,101 |

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

TRANSPORTATION AUTHORITY OF MARIN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

| | General Fund | BAAQMD/TFCA Fund | Measure A Sales Tax Fund | Corte Madera Creek Bridge Fund | Measure B VRF Fund | Total |
|---|-----------------|---------------------|-----------------------------|--------------------------------------|-----------------------|---------|
| EXPENDITURES - continued | | | | | | |
| Office Relocation Cost | 120,408 | - | 3,903 | - | - | 124,311 |
| Agencywide IT and Computer Equipment Upgrade | 7,218 | - | 8,859 | - | - | 16,077 |
| Equipment Purchase/Lease | - | - | 8,200 | - | - | 8,200 |
| Telephone/Internet/Web Hosting Services | (10) | - | 23,671 | - | - | 23,661 |
| Office Supplies | 851 | - | 24,197 | - | - | 25,048 |
| Update/Improvement of TAM Website | - | - | 15,825 | - | - | 15,825 |
| Insurance | - | - | 5,739 | - | - | 5,739 |
| Financial Audit | - | - | 22,000 | - | - | 22,000 |
| Legal Services | 10,667 | - | (5,791) | - | - | 4,876 |
| Document Reproduction | 7,705 | - | 7,116 | - | 300 | 15,121 |
| Memberships | 6,910 | - | 5,200 | - | - | 12,110 |
| Travel/Meetings/Conferences | 8,991 | - | 15,482 | - | 1,060 | 25,533 |
| Professional Development | - | - | 850 | - | - | 850 |
| Human Resources/Board Support | - | - | 25,789 | - | - | 25,789 |
| Information Technology/Web Support | 37,058 | - | 33,767 | - | - | 70,825 |
| Implementation of Financial Software System | - | - | 35,911 | - | - | 35,911 |
| Miscellaneous Expenditures | 490 | - | 2,309 | - | 1,065 | 3,864 |
| Professional Services: | | | | | | |
| CMP Update/Traffic Monitoring | 9,120 | - | - | - | - | 9,120 |
| Traffic Model Maintenance and Update | 5,001 | - | - | - | - | 5,001 |
| Countywide Bike/Pedestrian Plan Update | 33,489 | - | - | - | - | 33,489 |
| Fairfax-San Rafael Transit Corridor Feasibility Study | 60,141 | - | - | - | - | 60,141 |
| Project Management Oversight | 224,504 | - | 13,898 | - | - | 238,402 |
| MSN Redwood Landfill Interchange Design/Construction | 24,908 | - | - | - | - | 24,908 |
| MSN San Antonio Curve Correction Construction Support | 140,559 | - | - | - | - | 140,559 |
| MSN San Antonio Bridge Replacement Design | 135,975 | - | - | - | - | 135,975 |

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

TRANSPORTATION AUTHORITY OF MARIN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

| | General Fund | BAAQMD/TFCA Fund | Measure A Sales Tax Fund | Corte Madera Creek Bridge Fund | Measure B VRF Fund | Total |
|--|-----------------|---------------------|-----------------------------|--------------------------------------|-----------------------|-----------|
| EXPENDITURES - continued | | | | | | |
| MSN Orange Ave Soundwall Mitigation | 66,901 | - | - | - | - | 66,901 |
| HOV Gap Closure Irwin Creek Mitigation Design | 30,185 | - | - | - | - | 30,185 |
| HOV Gap Closure Mitigation Irwin Creek Construction Management/Construction | 88,206 | - | - | - | - | 88,206 |
| State Legislative Assistance | 35,000 | - | - | - | - | 35,000 |
| Financial Advisor/Sales Tax Audit Services | 10,013 | - | 3,000 | - | - | 13,013 |
| North-South Greenway Gap Closure PA&ED/PS&E | 499,066 | - | - | - | - | 499,066 |
| TAM Junction PA&ED/PS&E/CM | 123,766 | - | - | - | - | 123,766 |
| Highway 101 Tiburon/E. Blithedale Bike/Ped Improvement | 26,781 | - | - | - | - | 26,781 |
| Public Outreach Service | 6,288 | - | - | - | - | 6,288 |
| Street Smart Program Implementation | 18,090 | - | - | - | - | 18,090 |
| Sausalito South Gateway Improvement Study | 40,382 | - | - | - | - | 40,382 |
| Youth Transit Program Implementation | - | - | - | - | 3,759 | 3,759 |
| Countywide Transportation Strategic Plan | - | - | 97,309 | - | - | 97,309 |
| Consulting Pool | 11,410 | - | 9,644 | - | - | 21,054 |
| Measure A Sales Tax Programs/Projects | | | | | | |
| Measure A Compliance Audit | - | - | 15,000 | - | - | 15,000 |
| Bike/Ped Path Maintenance/GGT Shuttle Service | - | - | 130,375 | - | - | 130,375 |
| Central Marin Ferry Connector - SMART Insurance Policy | - | - | 8,708 | - | - | 8,708 |
| Substrategy 1.1 - Local Bus Transit Service | - | - | 7,639,767 | - | - | 7,639,767 |
| Substrategy 1.2 - Rural Bus Transit System | - | - | 891,087 | - | - | 891,087 |
| Substrategy 1.3 - Special Needs Transit Services | - | - | 2,217,833 | - | - | 2,217,833 |
| Substrategy 1.4 - Bus Transit Facilities | - | - | 934,159 | - | - | 934,159 |
| Substrategy 3.1 - Major Roads | - | - | 1,329,891 | - | - | 1,329,891 |
| Substrategy 3.2 - Local Roads | - | - | 2,956,277 | - | - | 2,956,277 |
| Substrategy 4.1 - Safe Routes to Schools | - | - | 783,549 | - | - | 783,549 |
| Substrategy 4.2 - Crossing Guards | - | - | 1,000,813 | - | - | 1,000,813 |
| Strategy 4.3 Safe Pathways Plan Development | - | - | 187,652 | - | - | 187,652 |
| Straetgy 4.3 Safe Pathway Capital Projects | - | - | 262,180 | - | - | 262,180 |

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

TRANSPORTATION AUTHORITY OF MARIN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

| | <u>General Fund</u> | <u>BAAQMD/TFCA Fund</u> | <u>Measure A Sales Tax Fund</u> | <u>Corte Madera Creek Bridge Fund</u> | <u>Measure B VRF Fund</u> | <u>Total</u> |
|---|-------------------------|-----------------------------|-------------------------------------|---|-------------------------------|----------------------|
| EXPENDITURES - continued | | | | | | |
| Measure B VRF Programs | | | | | | |
| Element 1.2 - Bike/Ped Pathways Maintenance | - | - | - | - | 219,109 | 219,109 |
| Element 2.1 - Mobility Management Programs | - | - | - | - | 146,172 | 146,172 |
| Element 2.2 - Paratransit and Low Income Scholarships | - | - | - | - | 195,852 | 195,852 |
| Element 2.3 - Paratransit Plus | - | - | - | - | 182,503 | 182,503 |
| Element 2.4 - Volunteer Drive and Gap Grant | - | - | - | - | 205,808 | 205,808 |
| Element 3.1 - Safe Routes to School | - | - | - | - | 195,811 | 195,811 |
| Element 3.2 - Trans. Demand Management | - | - | - | - | 117,819 | 117,819 |
| Element 3.3 - Discretionary Fuel (EV) Programs | - | - | - | - | 27,500 | 27,500 |
| Interagency Agreements: | | | | | | |
| CMFC - County Construction Agreement RM2 | 452,536 | - | - | - | - | 452,536 |
| CMFC - County Construction Agreement NTPP/CMAQ | 3,882,621 | - | - | - | - | 3,882,621 |
| Highway 101 Ramp Metering Local Support | 13,009 | - | - | - | - | 13,009 |
| San Rafael Transit Needs and Relocation Study Funding Agreement | 217,548 | - | - | - | - | 217,548 |
| San Rafael Downtown Parking and Wayfinding Study | 126,151 | - | - | - | - | 126,151 |
| MTC Youth Transit Grant Funding Agreement | 34,722 | - | - | - | - | 34,722 |
| North-South Greenway (Southern Segment) - County Project Management | 154,856 | - | - | 10,010 | - | 164,866 |
| North-South Greenway (Southern Segment) - SMART Boundary Survey | 10,906 | - | - | - | - | 10,906 |
| Other Capital Expenditures: | | | | | | |
| TFCA - TDM Projects/Vanpool Incentive | - | 23,235 | - | - | - | 23,235 |
| TFCA - Reimbursement of Various Capital Projects | - | 742,423 | - | - | - | 742,423 |
| Debt Service - MTC Loan Repayment: | | | | | | |
| Principal | - | - | 953,854 | - | - | 953,854 |
| Interest | - | - | 14,308 | - | - | 14,308 |
| Total Expenditures | 7,836,756 | 784,931 | 20,767,118 | 10,010 | 1,460,587 | 30,859,402 |
| Excess (deficiency) of | | | | | | |
| Revenues Over Expenditures | 359,426 | (412,590) | 5,545,759 | (10,002) | 954,963 | 6,437,556 |
| Fund Balance - Beginning | 1,688,483 | 1,537,359 | 36,496,997 | 10,002 | 2,983,990 | 42,716,831 |
| Fund Balance - Ending | \$ 2,047,909 | \$ 1,124,769 | \$ 42,042,756 | \$ - | \$ 3,938,953 | \$ 49,154,387 |

The accompanying notes are an integral part of the 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 YEAR ENDED JUNE 30, 2016

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

| | |
|--|-----------------------------------|
| NET CHANGE IN FUND BALANCES | \$ 6,437,556 |
| Amounts Reported for Governmental Activities in the Statement of Activities are Different Because: | |
| Governmental funds defer certain revenues that are not recognized with the Authority's accrual period such as sales tax. On the Statement of Activities, however, the amounts are considered to be earned and are recognized as revenues in the current period. | (4,108) |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities. Repayment of debt principal is added back to fund balances. | 953,855 |
| Change in Net Position of Governmental Activities | <u><u>\$ 7,387,303</u></u> |

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

NOTES TO BASIC FINANCIAL STATEMENTS

TRANSPORTATION AUTHORITY OF MARIN

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The Authority’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, the Authority now manages the implementation of the transportation projects and programs financed by the ½-cent, 20 years sales tax. The Authority 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, the Authority plays a leading role in planning, financing, and implementation of transportation projects and programs in Marin County.

The Authority’s 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 interest groups prioritizes infrastructure improvements and makes recommendations to the Authority. 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, reports directly to the public on issues related to the Measure A sales tax and Measure B VRF revenues and expenditures.

Basis of Presentation

Government-wide Statements - The Statement of Net Position 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 government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority’s activities. Direct expenses are those 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 operations or capital requirements of a particular program. Revenues 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 on a separate column.

TRANSPORTATION AUTHORITY OF MARIN

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Major Funds

Generally accepted accounting principles defines major funds and requires that the Authority's major governmental type funds be identified and presented separately in the fund financial statements. The Authority has determined that all of its funds are major funds.

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 revenues 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 ½ Cent Transportation 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 revenue 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 projects had unavoidable impacts to resources under its purview and required certain mitigation 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 the Authority in FY2006-07. The fund was closed in the current fiscal year.

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.

TRANSPORTATION AUTHORITY OF MARIN

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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* measurements 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 six months after fiscal year-end, except for sales tax revenues which are accrued for if received 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 assets acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisition under capital leases are reported as *other financing sources*.

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

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

Budget and Budgetary Accounting

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

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.

TRANSPORTATION AUTHORITY OF MARIN

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Net Position and Fund Balances

Government-wide Financial Statements

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

Unrestricted Net Position - This amount consists of all net assets that do not meet the definition of “net investments in capital assets” or “restricted net position”.

Fund Financial Statements

Fund Balances - Restrictions of fund balances of governmental funds are amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. The non-spendable 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 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. The Authority had no assigned fund balances as of year-end.

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

Spending Order Policy

When expenses are incurred for both restricted and unrestricted fund balances available, the Authority considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Unearned Revenue

Under modified accrual basis of accounting used by governmental funds, revenues are recognized as soon as they are measurable and available. Under the full accrual basis of accounting used by the government-wide financial statement, revenues are recognized when earned. Thus, the government-wide statement of net position and governmental funds defer revenue recognition for resources that have been received at fiscal year-end, but not yet earned.

TRANSPORTATION AUTHORITY OF MARIN

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Investment Valuations

The Authority recognizes the fair value measurement of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority's investments in the CalTrust Pool are uncategorized as deposits and withdrawals are made on the basis of \$1 and not fair value.

NOTE 2 – CASH AND INVESTMENTS

Classification

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

| | |
|---|----------------------|
| Cash and Investments, Statement of Net Position | <u>\$ 51,884,455</u> |
|---|----------------------|

Cash and Investments as of June 30, 2016 consist of the following:

| | |
|----------------------------|----------------------|
| Bank of Marin | \$ 4,916,154 |
| Deposits with CalTrust | <u>46,968,301</u> |
| Total Cash and Investments | <u>\$ 51,884,455</u> |

TRANSPORTATION AUTHORITY OF MARIN

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS - continued

Investment Authority 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 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:

| Authorized Investment Type | Maximum Remaining Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|--|----------------------------------|---------------------------------------|--|
| 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 |

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:

| Investment Type | Totals | Remaining Maturity 12 Months or Less |
|-----------------------------|----------------------|---|
| Deposits with Bank of Marin | \$ 4,916,154 | \$ 4,916,154 |
| Deposits with CalTrust | 46,968,301 | 46,968,301 |
| Total | <u>\$ 51,884,455</u> | <u>\$ 51,884,455</u> |

TRANSPORTATION AUTHORITY OF MARIN

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS - continued

Disclosures Relating to Credit Risks

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. The following represents the rating of the Authority's cash and investments as of June 30, 2016:

| Investment Type | Amount | Rating as of Fiscal Year End | | |
|-----------------------------|---------------------|------------------------------|---------------------|---------------------|
| | | AAA | AA | Unrated |
| Deposits with Bank of Marin | \$ 4,916,154 | \$ 4,916,154 | \$ - | \$ - |
| Deposits with CalTrust | 46,968,301 | - | 1,824,116 | 45,144,186 |
| Total | <u>\$51,884,455</u> | <u>\$ 4,916,154</u> | <u>\$ 1,824,116</u> | <u>\$45,144,186</u> |

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, 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 investments 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 53652 requires that a financial institution secure deposits made by state or local government 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 pledge securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institution to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code described above.

NOTE 3 – OPERATING LEASE

Operating Lease

The Authority had a five-year fully serviced lease with the Landlord to rent 5,202 square feet of office space at 781 Lincoln Avenue, Suite 160 in the City of San Rafael. The 60-month lease commenced on December 1, 2013 and will end on November 30, 2017. However, BioMarin purchased the office complex several years ago with the intent to make it the company's main campus and provided tenants with attractive incentives to terminate their leases early and relocate to other locations. TAM negotiated some favorable early lease termination terms with BioMarin in 2015 and entered into a five-year lease to rent 7,621 square feet of office space at 900 Fifth Ave, Suite 100 in Downtown San Rafael. The base rent commences at \$19,052 per month and ends at \$21,444 per month.

TRANSPORTATION AUTHORITY OF MARIN

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 4 – EMPLOYMENT AGREEMENT

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)/Regional Government Service (RGS), for all its eleven employees. LGS/RGS provides staffing, payroll, insurance and various other administrative services to small governmental agencies throughout California. The Authority pays LGS hourly rates for each employee's hours worked during the year. The hourly rates for each employee include salary, fringe benefits, insurance costs, costs of retirement liabilities and other postemployment benefits (OPEB), and a flat administration fee for all service provided. The Authority prepays the expected monthly fee prior to the service month.

Because the Authority has no employees of its own, there are no accrued payroll or compensated absence liabilities on the books of the Authority. Any benefits or accrued compensation due to the employees are the responsibility of LGS / RGS and already reflected in the rates charged.

NOTE 5 – 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 rate charged is 0% through December 31, 2010, and then 3% on the outstanding principal balance until December 31, 2015. If there is any outstanding principal balance after December 31, 2015, interest rate charged will be 10%. The Authority paid off the remaining balance of \$953,855 and the loan has no outstanding balance as of June 30, 2016.

The activity for the loan for the fiscal year ended June 30, 2016, was as follows:

| | Balance | | | Balance |
|--------------------------------|--------------|-----------|------------|---------------|
| | July 1, 2015 | Additions | Deductions | June 30, 2016 |
| MTC Funding Exchange Agreement | \$ 953,855 | \$ - | \$ 953,855 | \$ - |

NOTE 6 – 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, 2016, the Authority's total outstanding commitments were approximately \$63 million, with \$43 million expended and \$20 million still outstanding.

TRANSPORTATION AUTHORITY OF MARIN

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 7 – 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. There were no claims that exceeded the insurance coverage amounts in the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

TRANSPORTATION AUTHORITY OF MARIN

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – ALL FUNDS FOR THE YEAR ENDED JUNE 30, 2016

| | Original | Final | Actual | Variations - Positive (Negative) Final to Actual |
|--|-------------------|-------------------|-------------------|--|
| REVENUES | | | | |
| Measure A Sales Tax Revenue | \$ 25,250,000 | \$ 25,250,000 | \$ 25,702,937 | \$ 452,937 |
| Measure B VRF Revenue | 2,350,000 | 2,350,000 | 2,376,492 | 26,492 |
| Cities/Towns and County Contribution | 559,000 | 559,000 | 559,001 | 1 |
| Interest Revenue | 180,000 | 180,000 | 389,097 | 209,097 |
| MTC STP/CMAQ Planning Fund and OBAG Grants | 1,331,521 | 1,331,521 | 705,985 | (625,536) |
| PDA Planning Funds | 602,820 | 602,820 | 480,202 | (122,618) |
| MTC Regional Measure 2 Fund | 5,674,916 | 5,674,916 | 1,259,013 | (4,415,903) |
| Transportation For Clean Air Funding | 358,000 | 358,000 | 361,034 | 3,034 |
| Federal Highway Bridge Program Fund | 200,000 | 200,000 | 175,414 | (24,586) |
| State STIP/PPM Fund | 1,047,514 | 1,047,514 | 194,952 | (852,562) |
| STIP/RTIP/IIP Fund | 422,819 | 422,819 | 490,658 | 67,839 |
| Transportation Development Act Funds | 50,000 | 50,000 | 31,313 | (18,687) |
| Non-motorized Transportation Pilot Program | 27,000 | 27,000 | 18,090 | (8,910) |
| MTC Grant for Youth Transit Program/CMAQ | 78,000 | 78,000 | 34,483 | (43,517) |
| MTC Climate Initiatives Program Grant/CMAQ | 78,288 | 78,288 | 4,567 | (73,721) |
| CMFC NTPP/CMAQ Pass-through | | 6,200,000 | 3,882,417 | (2,317,583) |
| Other Agency/Private Contributions | 338,130 | 338,130 | 338,130 | - |
| Total Revenues | 38,548,008 | 44,748,008 | 37,003,785 | (7,744,223) |
| EXPENDITURES | | | | |
| Administration | | | | |
| Salaries and Benefits | 2,074,057 | 2,074,057 | 2,236,122 | (162,065) |
| Office Lease | 230,000 | 230,000 | 186,101 | 43,899 |
| Office Relocation Cost | 80,000 | 80,000 | 124,311 | (44,311) |
| Agencywide IT and Computer Equipment Upgrade | 20,000 | 20,000 | 16,077 | 3,923 |
| Equipment Purchase/Lease | 25,000 | 25,000 | 8,200 | 16,800 |
| Telephone/Internet/Web Hosting Services | 23,000 | 23,000 | 23,661 | (661) |
| Office Supplies | 35,000 | 35,000 | 25,048 | 9,952 |
| Update/Improvement of TAM Website | 30,000 | 30,000 | 15,825 | 14,175 |
| Insurance | 15,000 | 15,000 | 5,739 | 9,261 |
| Financial Audit | 20,000 | 20,000 | 22,000 | (2,000) |
| Legal Services | 70,000 | 70,000 | 4,876 | 65,124 |
| Document Reproduction | 35,000 | 35,000 | 15,121 | 19,879 |
| Memberships | 25,000 | 25,000 | 12,110 | 12,890 |
| Travel/Meetings/Conferences | 25,000 | 25,000 | 25,533 | (533) |
| Carshare Membership | 3,000 | 3,000 | - | 3,000 |
| Professional Development | 5,000 | 5,000 | 850 | 4,150 |
| Human Resources/Board Support | 50,000 | 50,000 | 25,789 | 24,211 |
| Information Technology/Web Support | 35,000 | 35,000 | 70,825 | (35,825) |
| Implementation of Financial Software System | - | 40,000 | 35,911 | 4,089 |
| Miscellaneous Expenditures | 13,500 | 13,500 | 3,864 | 9,636 |

TRANSPORTATION AUTHORITY OF MARIN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – ALL FUNDS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Variances - Positive (Negative) Final to Actual</u> |
|---|-----------------|--------------|---------------|--|
| EXPENDITURES - continued | | | | |
| Professional Services | | | | |
| CMP Update/Traffic Monitoring | 50,000 | 50,000 | 9,120 | 40,880 |
| Traffic Model Maintenance and Update | 250,000 | 250,000 | 5,001 | 244,999 |
| Semi-Annual Origin Destination Counts | 75,000 | 75,000 | - | 75,000 |
| Countywide Bike/Pedestrian Plan Update | 50,000 | 50,000 | 33,489 | 16,511 |
| Fairfax-San Rafael Transit Corridor Feasibility Study | 85,000 | 85,000 | 60,141 | 24,859 |
| Project Management Oversight | 185,000 | 185,000 | 238,402 | (53,402) |
| MSN Redwood Landfill Interchange Design/Construction | 50,000 | 50,000 | 24,908 | 25,092 |
| MSN San Antonio Curve Correction Construction Support | 300,000 | 300,000 | 140,559 | 159,441 |
| MSN San Antonio Bridge Replacement Design | 375,000 | 375,000 | 135,975 | 239,025 |
| MSN Orange Ave Soundwall Mitigation | 120,000 | 120,000 | 66,901 | 53,099 |
| HOV Gap Closure Irwin Creek Mitigation Design | 100,000 | 100,000 | 30,185 | 69,815 |
| HOV Gap Closure Mitigation Irwin Creek Construction | | | | |
| Management/Construction | 300,000 | 300,000 | 88,206 | 211,794 |
| State Legislative Assistance | 35,000 | 35,000 | 35,000 | - |
| Financial Advisor/Sales Tax Audit Services | 15,000 | 15,000 | 13,013 | 1,987 |
| North-South Greenway Gap Closure PA&ED/PS&E | 1,300,000 | 1,300,000 | 499,066 | 800,934 |
| TAM Junction PA&ED/PS&E/CM | 250,000 | 250,000 | 123,766 | 126,234 |
| Highway 101 Tiburon/E. Blithedale Bike/Ped Improvement | 100,000 | 100,000 | 26,781 | 73,219 |
| Public Outreach Service | 20,000 | 20,000 | 6,288 | 13,712 |
| Street Smart Program Implementation | 27,000 | 27,000 | 18,090 | 8,910 |
| Richmond/San Rafael Bridge Support Study and Coordination | 200,000 | 200,000 | - | 200,000 |
| Carshare Pilot Program Implementation | 70,000 | 70,000 | - | 70,000 |
| Sausalito South Gateway Improvement Study | 37,500 | 37,500 | 40,382 | (2,882) |
| Youth Transit Program Implementation | 3,000 | 3,000 | 3,759 | (759) |
| Countywide Transportation Strategic Plan | 350,000 | 350,000 | 97,309 | 252,691 |
| Consulting Pool | 65,000 | 65,000 | 21,054 | 43,946 |
| Measure A | | | | |
| Measure A Compliance Audit | 20,000 | 20,000 | 15,000 | 5,000 |
| Bike/Ped Path Maintenance/GGT Shuttle Service | 107,000 | 107,000 | 130,375 | (23,375) |
| Central Marin Ferry Connector - SMART Insurance Policy | 25,000 | 25,000 | 8,708 | 16,292 |
| Substrategy 1.1 - Local Bus Transit Service | 9,000,000 | 9,000,000 | 7,639,767 | 1,360,233 |
| Substrategy 1.2 - Rural Bus Transit System | 1,200,000 | 1,200,000 | 891,087 | 308,913 |
| Substrategy 1.3 - Special Needs Transit Services | 2,203,546 | 2,203,546 | 2,217,833 | (14,287) |
| Substrategy 1.4 - Bus Transit Facilities | 1,500,000 | 1,500,000 | 934,159 | 565,841 |
| TE/TLC/STP Swap Project | 484,000 | 484,000 | - | 484,000 |
| Substrategy 3.1 - Major Roads | 1,970,000 | 1,970,000 | 1,329,891 | 640,109 |
| Substrategy 3.2 - Local Roads | 2,956,277 | 2,956,277 | 2,956,277 | - |
| Substrategy 4.1 - Safe Routes to Schools | 810,000 | 810,000 | 783,549 | 26,451 |
| Substrategy 4.2 - Crossing Guards | 1,050,000 | 1,050,000 | 1,000,813 | 49,187 |
| Strategy 4.3 Safe Pathways Plan Development | 100,000 | 100,000 | 187,652 | (87,652) |
| Straetgy 4.3 Safe Pathway Capital Projects | 500,000 | 500,000 | 262,180 | 237,820 |

TRANSPORTATION AUTHORITY OF MARIN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – ALL FUNDS – CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Variances - Positive (Negative) Final Variances</u> |
|---|-----------------------------|-----------------------------|-----------------------------|--|
| EXPENDITURES - continued | | | | |
| Measure B | | | | |
| Element 1.2 - Bike/Ped Pathways Maintenance | 111,625 | 111,625 | 219,109 | (107,484) |
| Element 2.1 - Mobility Management Programs | 137,578 | 137,578 | 146,172 | (8,594) |
| Element 2.2 - Paratransit and Low Income Scholarships | 223,000 | 223,000 | 195,852 | 27,148 |
| Element 2.3 - Paratransit Plus | 290,000 | 290,000 | 182,503 | 107,497 |
| Element 2.4 - Volunteer Drive and Gap Grant | 262,808 | 262,808 | 205,808 | 57,000 |
| Element 3.1 - Safe Routes to School | 172,000 | 172,000 | 195,811 | (23,811) |
| Element 3.2 - Trans. Demand Management | 267,000 | 267,000 | 117,819 | 149,181 |
| Element 3.3 - Discretionary Fuel (EV) Programs | 240,000 | 240,000 | 27,500 | 212,500 |
| Interagency Agreements | | | | |
| CMFC - County Construction Agreement RM2 | 3,720,000 | 3,720,000 | 452,536 | 3,267,464 |
| CMFC - County Construction Agreement NTPP/CMAQ | | 6,200,000 | 3,882,621 | 2,317,379 |
| CMFC - SMART Construction Oversight | 10,000 | 10,000 | - | 10,000 |
| Highway 101 Ramp Metering Local Support | 100,000 | 100,000 | 13,009 | 86,991 |
| San Rafael Transit Needs and Relocation Study Funding Agreement | 240,000 | 240,000 | 217,548 | 22,452 |
| San Rafael Downtown Parking and Wayfinding Study | 210,000 | 210,000 | 126,151 | 83,849 |
| MTC Youth Transit Grant Funding Agreement | 75,000 | 75,000 | 34,722 | 40,278 |
| North-South Greenway (Southern Segment) - County Project Management | 500,000 | 500,000 | 164,866 | 335,134 |
| North-South Greenway (Southern Segment) - SMART Boundary Survey | 20,000 | 20,000 | 10,906 | 9,094 |
| Other Capital Expenditures | | | | |
| TFCA - TDM Projects/Vanpool Incentive | 16,000 | 16,000 | 23,235 | (7,235) |
| TFCA - Reimbursement of Various Capital Projects | 414,000 | 414,000 | 742,423 | (328,423) |
| Debt Service | | | | |
| Principal | 953,854 | 953,854 | 953,854 | - |
| Interest | 14,308 | 14,308 | 14,308 | - |
| Total Expenditures | <u>37,129,053</u> | <u>43,369,053</u> | <u>30,859,402</u> | <u>12,509,651</u> |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | 1,418,955 | 1,378,955 | 6,144,383 | 4,765,428 |
| Fund Balance - Beginning | <u>42,716,831</u> | <u>42,716,831</u> | <u>42,716,831</u> | - |
| Fund Balance - Ending - Budgetary Basis | <u>\$ 44,135,786</u> | <u>\$ 44,095,786</u> | | <u>\$ 4,765,428</u> |
| Reconciling Items | | | | |
| GASB 31 | | | 293,173 | |
| Fund Balance - Ending - GAAP Basis | | | <u>\$ 49,154,387</u> | |

INDEPENDENT AUDITOR'S REPORTS

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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the Transportation Authority of Marin the (Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinck, Trine, Day & Co. LLP

Palo Alto, California
December 1, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE 5% ADMINISTRATION CAP AND TRANSPORTATION DEVELOPMENT ACT**

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

Report on Compliance

We have audited the Transportation Authority of Marin's the (Authority) compliance with the 5% administration cost cap limit (the Limit) contained in the Marin County Transportation Sales Tax Expenditure Plan and the Authority's compliance with the Transportation Development Act for the fiscal year ended June 30, 2016.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of Authority's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the Authority's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the applicable statutes, rules and regulations of the Transportation Development Act as required by Section 6667 of Title 21 of the California Code of Regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have occurred. An audit includes examining, on a test basis, evidence about 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 of Authority's compliance with those requirements.

Opinion

In our opinion, the Authority complied, in all material respects, with the requirements referred to above for the fiscal year ended June 30, 2016.

The purpose of this report is solely to describe the scope of our testing of the compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 1, 2016

TRANSPORTATION AUTHORITY OF MARIN

Required Communications

June 30, 2016



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

We have audited the financial statements of the governmental activities and each major fund of the Transportation Authority of Marin (Authority) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Compliance Supplement, as well as certain information related to the planned scope and timing of our audit. 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 Authority are described in Note 1 to the financial statements.

We noted no transactions entered into by the Authority during the 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 estimates affecting the financial statements were:

There were no significant accounting estimates made on the financial statements.

The financial statements disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' 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 December 1, 2016.

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 Authority's financial statements or a determination of the type of auditors' 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 governmental unit'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 Matters

We applied certain limited procedures to management's discussion and analysis, and the schedule of revenues, expenditures, and changes in fund balances – budget and actual for all funds, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

Restriction on Use

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

Vavreck, Trine, Day & Co. LLP

Palo Alto, California
December 1, 2016

TRANSPORTATION AUTHORITY OF MARIN

Single Audit Report on
Federal Awards

For The Year Ended June 30, 2016

TRANSPORTATION AUTHORITY OF MARIN

For The Year Ended June 30, 2016

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

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

We have audited, 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, the financial statements of the governmental activities and each major fund of the Transportation Authority of Marin (Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable provisions of Section 6666 of Title 21 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 1, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

We have audited the Transportation Authority of Marin's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2016. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the governmental activities and each major fund of the Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated December 1, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Vavrinck, Trine, Day & Co. LLP

Palo Alto, California
December 1, 2016

TRANSPORTATION AUTHORITY OF MARIN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | CFDA Number | Pass-through Identifying Number | Federal Expenditures |
|--|----------------|---------------------------------------|----------------------------|
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| Highway Planning and Construction | | | |
| Passed through | | | |
| Metropolitan Transportation Commission | | | |
| STP/CMAQ Planning | | | |
| | 20.205 | CMA Planning Agreement FY2013-17 | \$ 705,985 |
| | | | |
| MTC Youth Transit Grant | 20.205 | Proj# RSTPL- 6406(014) | 34,483 |
| Passed through | | | |
| California Department of Transportation | | | |
| Central Marin Ferry Connector | 20.205 | Proj# CML-6406(010) | 3,882,417 |
| Car Share Pilot Program | 20.205 | Proj# CML-6406(016) | 4,567 |
| PDA Grants | 20.205 | Proj # RSTPL- 6406(014) | 480,202 |
| HBRRF Highway Bridge Fund | 20.205 | Proj# BRL0-5927(104) | 175,414 |
| Non-motorized Transportation Pilot Program | 20.205 | Proj# NMPTL 6406(006) | 18,090 |
| Total U.S. Department of Transportation | | | <u><u>\$ 5,301,157</u></u> |

TRANSPORTATION AUTHORITY OF MARIN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2016

1. REPORTING ENTITY

The financial reporting entity consists of the primary government, Transportation Authority of Marin (Authority).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various grant programs have been recorded within the general fund, special revenue funds, and capital project funds of the Authority. The Authority utilizes the modified accrual method of accounting for the general, special revenue, and capital project funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly. The Authority has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Schedule of Expenditures of Federal Awards

The accompanying schedule presents the activity of all federal financial assistance programs of the Authority. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the MTC and the State of California are also included in the schedule.

The schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the Authority.

3. PROGRAM DESCRIPTIONS

U. S. Department of Transportation Highway Planning and Construction

The Highway Planning and Construction program assists State transportation agencies in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing and rehabilitating the National Highway System (NHS), including the Eisenhower Interstate System (EIS); and for transportation improvements to most other public roads; to provide aid for the repair of Federal-aid highways following disasters; to foster safe highway design; to replace or rehabilitate deficient or obsolete bridges; and to provide for other special purposes.

TRANSPORTATION AUTHORITY OF MARIN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

I. SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

| | |
|---|----------------------|
| Type of auditor's report issued: | <u>Unmodified</u> |
| Internal control over financial reporting: | |
| Material weakness identified? | <u>None</u> |
| Significant deficiency identified? | <u>None reported</u> |
| Noncompliance material to financial statements noted? | <u>No</u> |

FEDERAL AWARDS

| | |
|---|----------------------|
| Internal control over major programs: | |
| Material weakness identified? | <u>No</u> |
| Significant deficiency identified? | <u>None reported</u> |
| Type of auditor's report issued on compliance for major programs: | <u>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance | <u>No</u> |

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| <u>20.205</u> | <u>Highway Planning and Construction</u> |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 750,000</u> |
| Auditee qualified as low-risk auditee? | <u>Yes</u> |

TRANSPORTATION AUTHORITY OF MARIN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

II. FINANCIAL STATEMENT FINDINGS

None reported.

TRANSPORTATION AUTHORITY OF MARIN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

TRANSPORTATION AUTHORITY OF MARIN

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

None reported.