

TRANSPORTATION AUTHORITY OF MARIN

SAN RAFAEL, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2005

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

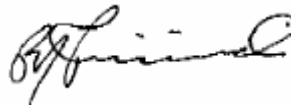
Board of Directors
Transportation Authority of Marin
San Rafael, California

We have audited the accompanying basic financial statements of the business-type activities and the major fund of Transportation Authority of Marin as of June 30, 2005 and for the fiscal year then ended, as listed in the table of contents. These basic financial statements are the responsibility of Transportation Authority of Marin's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year summarized information has been derived from Transportation Authority of Marin's June 30, 2004 financial statements and, in our report dated July 30, 2005 we expressed an unqualified opinion on those financial statements.

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

In our opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of the business-type activities and the major fund of Transportation Authority of Marin as of June 30, 2005, and the respective changes in financial position and cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

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



R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
April 3, 2006

Transportation Authority of Marin
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

This section of Transportation Authority of Marin's (the Authority's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2005. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Introduction to the Basic Financial Statements

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

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

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

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

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

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

The Transportation Authority of Marin (TAM) is a political subdivision of the State of California. TAM was created in 2004 by the Marin County Board of Supervisors to develop and administer the Transportation Sales Tax Expenditure Plan, approved by Marin voters in November 2004. With the passage of Measure A, TAM now manages the implementation of the transportation programs financed by the ½-cent, 20-year sales tax. TAM also serves as the designated Congestion Management Agency (CMA) for the County, providing countywide planning and programming for transportation related needs. TAM plays a leading role in the planning, financing and implementation of transportation projects and programs in the County.

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

Transportation Authority of Marin
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2005

Analytical Overview

Summary

Total assets of the Authority have increased this year by \$1,768,963. This classification is comprised of cash and investments of \$1,485,386, and accounts receivable of \$765,178.

Liabilities have increased this year, in this case by \$3,780,647, as a result of a new loan agreement.

The overall change to Retained Earnings is a decrease of \$2,011,684, resulting in a June 30, 2005 balance of (\$1,567,986). While the sales tax did not start collection until April 2005, a loan from the County of Marin enabled TAM to make an advance allocation to the Marin County Transit District, thereby preventing drastic cuts in local bus transit service. While this action resulted in a temporary negative balance, the loan was completely repaid in full July 2005.

Table 1
Business-Type Net Assets

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
Cash and investments	\$ 1,485,386	\$ 213,657
Other assets	<u>765,178</u>	<u>267,944</u>
Total assets	<u>2,250,564</u>	<u>481,601</u>
Accounts payable	318,550	37,903
Loan payable – due within one year	<u>3,500,000</u>	<u>-</u>
Total liabilities	<u>3,818,550</u>	<u>37,903</u>
Net assets:		
Unrestricted	<u>(1,567,986)</u>	<u>443,698</u>
Total net assets	<u>\$ (1,567,986)</u>	<u>\$ 443,698</u>

Comparative Analysis of Current and Prior Year Activities and Balances

	<u>6/30/05</u>	<u>6/30/04</u>	<u>Increase (Decrease)</u>	
Operating revenues	\$ 350,000	\$ 430,000	\$ (80,000)	
Operating expenses	<u>4,468,158</u>	<u>695,893</u>	<u>3,772,265</u>	Note 1
Net operating income	<u>\$ (4,118,158)</u>	<u>\$ (265,893)</u>	<u>\$ 3,692,265</u>	
Other income	<u>\$ 2,106,474</u>	<u>\$ 533,390</u>	<u>\$ 1,573,084</u>	Note 2

Note 1 – The increase is related to an advance allocation to the Marin County Transit District.

Note 2 – The Other Income increase was related to the new sales tax measure.

Transportation Authority of Marin
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005

Economic Outlook and Major Initiatives

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

The economic condition of the Authority as it appears on the balance sheet reflects financial stability and the potential for organizational growth. The Authority continues to be encouraged by development throughout its boundaries. The Authority will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

Contacting the Authority's Financial Management

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

Transportation Authority of Marin
STATEMENTS OF NET ASSETS
 June 30, 2005
 (With Comparative Totals for June 30, 2004)

	2005	2004
<u>ASSETS</u>		
Cash and investments	\$ 1,485,386	\$ 213,657
Sales tax receivable	568,400	-
Other receivable	195,000	266,810
Interest receivable	1,778	1,134
Total current assets	2,250,564	481,601
<u>LIABILITIES</u>		
Accounts payable	318,550	37,903
Loan payable	3,500,000	-
Total current liabilities	3,818,550	37,903
<u>NET ASSETS</u>		
Net assets	(1,567,986)	443,698
Total net assets	\$ (1,567,986)	\$ 443,698

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

Transportation Authority of Marin
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the Fiscal Year Ended June 30, 2005
 (With Comparative Totals for the fiscal year ended June 30, 2004)

	2005	2004
Operating revenue:		
Member contributions	\$ 350,000	\$ 430,000
Operating expenses:		
County Department Public Works - staff time	542,143	389,412
Multi Modal Transportation Studies and transit contract	3,907,090	272,583
Conference, meeting, and miscellaneous expenses	18,925	33,898
Total operating expenses	4,468,158	695,893
Operating income (loss)	(4,118,158)	(265,893)
Non-operating revenue:		
Sales Tax	1,709,361	-
Federal/state/local grants	390,000	530,000
Interest	6,923	3,356
Miscellaneous	190	34
Total non-operating revenue	2,106,474	533,390
Change in net assets	(2,011,684)	267,497
Net assets, beginning of period	443,698	176,201
Net assets, end of period	\$ (1,567,986)	\$ 443,698

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

Transportation Authority of Marin
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2005
(With Comparative Totals for the fiscal year ended June 30, 2004)

	2005	2004
Cash flows from operating activities:		
Member contributions	\$ 421,810	\$ 358,190
Payments to suppliers	<u>(4,187,511)</u>	<u>(710,610)</u>
Net cash provided (used) by operating activities	<u>(3,765,701)</u>	<u>(352,420)</u>
Cash flows from non-capital financing activities:		
Loan proceeds	3,500,000	-
Sales tax	1,140,961	-
Federal/state/local grants	<u>390,190</u>	<u>487,534</u>
Net cash provided (used) by non-capital financing activities	<u>5,031,151</u>	<u>487,534</u>
Cash flows from investing activities:		
Interest earned	<u>6,279</u>	<u>2,752</u>
Net cash provided by investing activities	<u>6,279</u>	<u>2,752</u>
Net increase (decrease) in cash and cash equivalents	1,271,729	137,866
Cash and cash equivalents - beginning of period	<u>213,657</u>	<u>75,791</u>
Cash and cash equivalents - end of period	<u><u>\$ 1,485,386</u></u>	<u><u>\$ 213,657</u></u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:		
Operating income (loss)	\$ (4,118,158)	\$ (265,893)
Changes in certain assets and liabilities:		
Accounts receivable	71,810	(71,810)
Accounts payable	<u>280,647</u>	<u>(14,717)</u>
Net cash provided (used) by operating activities	<u><u>\$ (3,765,701)</u></u>	<u><u>\$ (352,420)</u></u>

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

Transportation Authority of Marin
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Information:

On March 2, 2004, the Marin County Board of Supervisors created the Transportation Authority of Marin (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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Accounting

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

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

B. Basis of Accounting

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

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

Transportation Authority of Marin
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

C. Use of Estimates

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

D. Risk Management

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

E. Cash and Cash Equivalents

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

NOTE 3 - CASH AND INVESTMENTS

County of Marin Investment Pool

The Authority maintains specific cash deposits with the County of Marin (the County) and involuntarily participates in the external investment pool of the County. The total cash deposited with the County as of June 30, 2005 and 2004 was \$1,485,386 and \$213,657, respectively. The County is restricted by state code in the types of investments it can make. Furthermore, the County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment.

The County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2005, the Authority's cash with the County Treasurer is stated at fair value. However, the value of the pool shares in the County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Authority's position in the pool.

NOTE 4 - NET ASSETS

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

Net Assets is the excess of all the Authority's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement No. 34. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Transportation Authority of Marin
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 4 - NET ASSETS (concluded)

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

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

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

The negative net asset balance of \$1,567,986 at June 30, 2005 is the result of contract payments to the Marin County Transit District in advance of sales tax revenues to be received by the Authority in fiscal year 2006. Management of the Authority believes the Authority will continue as a going concern. The basic financial statements do not include any adjustments that might be necessary if the Authority is unable to continue as a going concern.

NOTE 5 - LOAN PAYABLE

The Authority received a short term loan from the County of Marin of \$3,500,000 at June 30, 2005. The loan carries an interest rate of 2.14% and was completely repaid in July 2005.