

TRANSPORTATION AUTHORITY OF MARIN

BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

**TRANSPORTATION AUTHORITY OF MARIN
FINANCIAL STATEMENTS**

JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Transportation Authority of Marin (Authority) as of and for the fiscal year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Transportation Authority of Marin as of June 30, 2011, and the respective changes in financial position thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2010, the Authority adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 59, *Financial Instruments Omnibus*.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 5, 2011, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 26 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, CA
October 5, 2011

Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2011

This section of the Transportation Authority of Marin's (TAM's) basic financial statements presents management's overview and analysis of the financial activities of TAM for the fiscal year ended June 30, 2011. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

TAM collected a total of \$31.0 million various revenues in FY2010-11, of which \$20.3 million, or 65%, is Measure A sales tax revenue. The U.S. economy has struggled to recover from the prolonged recession, whose immediate causes included a large decline in house prices and a financial crisis. The slower-than-average recovery is broadly consistent with the history of recoveries following financial crises around the world. While the short-term economic outlook is still full of uncertainties, sales tax revenue seems to have reached its bottom and on the track of recovery. TAM's \$20.3 million Measure A collection in FY2010-11 is \$1.3 million, or 6.7% higher than the \$19.0 million collected in FY2009-10. This revenue improvement will help the financial picture of all the transportation projects and programs in Marin County.

With the successful passage of Measure B, the \$10 Vehicle Registration Fee (VRF) increase dedicated to transportation projects and programs, an additional \$0.3 million was collected from this new funding source in FY2010-11. Over \$2 million in annual funding is expected to be collected from this new funding source for various needed transportation projects and programs in the future.

Besides the Measure A sales tax revenue and the Measure B VRF revenue collected for carrying out various transportation-related projects and programs in the County, TAM also received about \$10.4 million for all its Congestion Management Agency (CMA) related activities. As the CMA for Marin County, TAM collected more than \$0.6 million from MTC in Congestion Management Planning and Programming funds. Cities, towns, and the County of Marin also contributed \$0.4 million for the various services/support TAM provides as the CMA. Over \$0.1 million was received from the State Transportation Improvement Program (STIP) for Planning, Programming and Monitoring activities for all state projects. \$4.3 million Regional Measure 2 (RM2) funds were received from the Metropolitan Transportation Commission (MTC) for various RM2 capital projects in Marin County. \$1.6 million TDA Article 3 funds was also received and passed to the California Department of Transportation for the construction of the multi-use path along the Highway 101. TAM collected about \$0.3 million in Transportation Funds for Clean Air (TFCA) funds, a program funded by a \$4 surcharge on motor vehicles registered in the Bay Area. TAM received \$0.1 million from the Corridor Mobility Improvement Account (CMIA), one of the several program elements of the \$19.9 billion Proposition 1B Transportation Infrastructure Bond approved by the voters back in 2006, for the 580/101 Connector Project. \$2.6 million of Traffic Congestion Relief Program (TCRP) funding was received from the State for the Marin Sonoma Narrows project. TAM also received about \$0.4 million in other various federal and local grants, including \$200,000 from the Marin Community Foundation. Those various grants are mostly for its Street Smarts, SchoolPool, Safe Routes Education programs and for electric vehicle infrastructure planning.

The troublesome financial market continues to hurt TAM's investment return. TAM was only able to earn \$0.2 million interest revenue with its cash balance. The investment revenue for FY2009-10 was \$0.3 million, \$0.7 million for FY2008-09, and \$1.2 million for FY2007-08, with similar level of cash balances.

Total FY2010-11 expenditures for TAM were \$28.9 million, of which approximately \$18.0 million was in the Measure A Sales Tax Fund, and consisted of \$0.9 million for administration, \$0.2 million for professional services, \$1.9 million for debt service, which is for the payback of the MTC loan secured to meet the cash flow needs of the Highway 101 Gap Closure Project, with the remaining \$15.0 million for Measure A projects

and programs. The other \$10.8 million expenditures were for various CMA planning/programming activities and major capital projects.

Overview of the Basic Financial Statements

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

The required financial statements include the Government-wide and Fund Financial Statements; Statement of Net Assets and Statement of Activities; Governmental Funds Balance Sheet; and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances. These statements are supported by notes to the financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of TAM.

The Basic Financial Statements

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

The Government-wide Financial Statements provide a long-term view of TAM's activities as a whole, and includes the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of TAM as a whole, including all of its capital assets and long-term liabilities on the full accrual basis of accounting, similar to that used by the private sector. The Statement of Activities provides information about all of TAM's revenues and all of its expenses, also on the full accrual basis of accounting, with the emphasis on measuring net revenues or expenditures of TAM's programs. The Statement of Activities explains in detail the change in Net Assets for the fiscal year.

All of TAM's activities are grouped into Government Activities, as explained below.

The Fund Financial Statements report TAM's operations in more detail than the Government-wide Financial Statements and focus primarily on the short-term activities of TAM's Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of TAM and are presented individually. Major Funds are explained below.

The Government-wide Financial Statements

Government-wide Financial Statements are prepared on the full accrual basis of accounting, which means they measure the flow of all economic resources of TAM as a whole. The Statement of Net Assets and the Statement of Activities present information about the following:

Governmental Activities

TAM's basic services are considered to be governmental activities. These services are supported by various transportation funding sources from various federal, state and local funding agencies.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of TAM's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by Governmental Accounting Standards Board (GASB) Statement No. 34 and replaces the

concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Major Funds present the major activities of TAM for the year, and may change from year to year as a result of changes in the pattern of TAM's activities.

TAM currently has a total of six governmental funds, with one added in FY2010-11.

CMA General Fund

This fund accounts for the revenues and expenditures for TAM's congestion management activities, primarily congestion management planning and programming work elements, and the management of various capital projects. The fund spent a total of \$9.8 million for various transportation planning and programming activities, and capital project management in FY2010-11.

The fund's fiscal year end fund balance is \$2.4 million, including \$1.4 million advance payment that TAM received from the Department of Transportation for the cash flow needs of the various Marin Sonoma Narrows projects that TAM manages. The rest of the fund balance represents funds that have not yet been expended but are restricted for various congestion management activities.

BAAQMD/TFCA Fund

This fund accounts for the revenues and expenditures for the Transportation for Clean Air (TFCA) capital grant that TAM receives from the Bay Area Air Quality Management District (BAAQMD). The purpose of the TFCA grant is to fund studies related to monitoring of air quality control, and any capital improvements that can contribute to the improvement of air quality. The fund spent \$699,272 on such activities in FY2010-11.

The fund's fiscal year end fund balance is \$1.7 million, representing funds that have not yet been expended but are restricted for different air quality control projects.

Measure A Sales Tax Fund

This fund accounts for the revenues and expenditures for the projects and programs set forth by the voters in TAM's Transportation Sales Tax Expenditure Plan, approved by Marin voters in November 2004. The fund spent approximately \$18.0 million on various Measure A related activities, including about \$1.1 million on administration and professional services.

The fund's fiscal year end fund balance is \$28.0 million, representing funds that have not yet been expended but are restricted for various projects and programs according to the Expenditure Plan.

Corte Madera Creek Bridge Fund

This fund accounts for the revenues and expenditures for the Central Marin Ferry Connection Project. As part of the Highway 101 Gap Closure Project implementation, the project sponsor, the Department of Transportation (Caltrans), needed to obtain a permit from the Bay Conservation and Development Commission (BCDC) to conduct some work within BCDC's jurisdiction. BCDC determined the project had unavoidable impacts to resources under its purview and required certain mitigations as a condition to the issuance of a permit. A contribution in the amount of \$400,000 was made by Caltrans and deposited in this special fund as required by BCDC. This funding is reserved for the Central Marin Ferry Connection Project, which is expected to enhance public access to the San Francisco shoreline. This fund was transferred from the Marin Department of Public Works to TAM in FY2006-07 and has a balance of \$428,496, as of June 30, 2011.

Marin Community Foundation Fund

Marin Community Foundation (MCF) is a charitable organization which provides grants to support a range of community issues in Marin County. One of the critical initiatives identified by MCF is to reduce the environmental effects of climate change. MCF awarded TAM a grant in the amount of \$175,000 to the Safe

Routes to Schools program to decrease car travel to schools in Marin County in FY2009-10 and the same level of grant for FY2010-11. MCF also awarded TAM an additional \$25,000 in FY2010-11 to plan for electric vehicle charging station planning and siting study. The funding is to be used solely to develop and promote a web-based SchoolPool program, which provides parents and students with connections that facilitate trip matching, carpooling and alternative travel to school. TAM spent \$207,346 of the funds received on various eligible activities in FY2010-11. The fund balance as June 30, 2011 is \$36,684, including about \$1,500 of interest revenue earned during FY2010-11 for the fund.

Measure B Vehicle Registration Fee

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

Revenue collected from the Measure B program will help reduce traffic congestion, maintain roads, improve safety, and reduce air pollution by maintaining local and residential streets and pathways; funding transportation options for seniors and disabled persons; funding local pothole repair; providing school crossing guards and providing safe access to schools; and, reducing commute trip congestion and supporting a cleaner environment. This new fund collected \$273,314 in FY2010-11, of which, \$159,928 was used to reimburse TAM's CMA General Fund for the ballot measure cost advanced out of the General Fund.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

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

Analyses of Governmental Funds

Governmental Funds

Actual revenues from various sources for FY2010-11 were \$31.0 million, \$2.9 million less than the budgeted amount. The revenue difference is mostly due to the lower than expected capital project expenditure reimbursement from various project fund sources. RM2 fund revenue was \$1.9 million lower than budgeted and TCRP fund revenue was \$2.7 million lower than budgeted since expenditures those major capital projects were lower than expected. Most of the smaller projects and programs also had lower than expected expenditures which also resulted in lower reimbursement revenues. On the other hand, Measure A sales tax collection for FY2010-11 was \$2.3 million higher than budgeted, in which case, no usage of Measure A reserve was needed in FY2010-11.

Total expenditures for FY2010-11 were \$28.9 million, \$14.5 million lower than the budgeted amount, which is mainly due to the slower than expected progress of various capital projects. Spending level for the Administration Category was very similar to the year before. TAM spent \$5.2 million less for Professional Services, mainly due to the slower than expected project progress made for the various Marin Sonoma Narrows (MSN) and RM2 capital projects, and less Project Management Oversight support was needed. Expenditures for Measure A Projects/Programs were also \$8.6 million less due to the fact that both Strategy 2, Gap Closure, and Strategy 3, Streets & Roads, expended much less than the budgeted amount. The \$3.4 million expenditures budgeted for the Interagency Agreements Category were mostly spent with the exception of about \$0.5 million.

Governmental Activities

Table 1
Statement of Net Assets

	June 30, 2011	June 30, 2010	June 30, 2009
ASSETS			
Cash and Investments	\$ 33,978,980	\$ 28,413,149	\$ 29,991,831
Sales Tax Receivable	3,431,459	3,008,400	2,840,200
Accounts Receivable	2,031,490	4,033,531	2,688,818
Prepaid Expenses	-	-	-
Capital Assets Net of Accumulated Depreciation	4,908	9,817	14,726
Total assets	<u>39,446,837</u>	<u>35,464,897</u>	<u>35,535,575</u>
LIABILITIES			
Accounts Payable	6,757,147	4,872,434	6,171,321
Deferred Revenue	20,765	35,422	50,080
Long Term Debt	8,094,338	9,821,429	
Total liabilities	<u>14,872,250</u>	<u>14,729,285</u>	<u>6,221,401</u>
NET ASSETS			
Invested in Capital Asset Net of Related Debt	4,908	9,817	14,726
Restricted	24,569,679	20,725,795	29,299,447
Unrestricted	-	-	-
Total net assets	<u>\$ 24,574,587</u>	<u>\$ 20,735,612</u>	<u>\$ 29,314,173</u>

TAM's governmental net assets were \$24,574,587 as of June 30, 2011, and comprised the following:

- Cash and investments of \$33,978,980 in the County of Marin Treasury.
- Receivables of \$5,462,949 of sales tax and accounts receivable.
- Capital assets net of accumulated depreciation of \$4,908.
- Liabilities, including accounts payable, deferred revenue and long term debt, totaling \$14,872,250.
- Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. Total net assets of TAM were \$24,574,587 as of June 30, 2011, of which all net assets were restricted for various transportation projects and programs.

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

Table 2
Statement of Activities

	FY 2011	FY2010	Change
REVENUES			
Programming Revenue			
Operating Grants and Contributions	\$ 1,424,840	\$ 1,296,211	\$ 128,629
Capital Grants	<u>8,908,740</u>	<u>5,793,085</u>	<u>3,115,655</u>
Total Program Revenues	<u>10,333,580</u>	<u>7,089,296</u>	<u>3,244,284</u>
General Revenues			
Sales Tax	20,259,801	18,984,492	1,275,309
VRF	273,314	-	273,314
Interest	153,834	298,846	(145,012)
Misc Revenue	-	500	(500)
Total General Revenues	<u>20,686,949</u>	<u>19,283,838</u>	<u>1,403,111</u>
Total Revenues	<u>31,020,529</u>	<u>26,373,134</u>	<u>4,647,395</u>
EXPENSES			
Administration	534,598	563,768	(29,170)
Project Management	632,106	601,867	30,239
Transportation Planning and Programming	1,523,122	1,413,566	109,556
Transportation Projects	8,802,915	4,101,330	4,701,585
Measure A Projects and Programs	15,554,885	17,448,000	(1,893,115)
Interest on long-term debt	<u>133,928</u>	<u> </u>	<u>133,928</u>
Total Expenses	<u>27,181,554</u>	<u>24,128,531</u>	<u>3,053,023</u>
Change In Net Assets	3,838,975	2,244,603	1,594,372
Net Assets - Beginning	<u>20,735,612</u>	<u>18,491,009</u>	<u>2,244,603</u>
Net Assets - Ending	<u>\$ 24,574,587</u>	<u>\$ 20,735,612</u>	<u>\$ 3,838,975</u>

As Table 2 above shows, \$10,333,580 or 33.3% of TAM's FY2010-11 governmental revenues, came from program revenues and \$20,686,949, or 66.7%, came from general revenues such as sales taxes, vehicle registration fee (VRF), and interest. Program revenues were composed of operating grants and contributions of \$1,424,840, and capital grants of \$8,908,740.

Measure A Sales tax revenues are the largest revenue for TAM, and represent about 65.3% of TAM's FY2010-11 revenues. Sales tax revenues are general revenues that are spent under the guideline of the Expenditure Plan approved by the voters in November 2004. Interest earnings are also part of the general revenues.

Programming revenues include both operating grants and contributions and capital grants. Cities and County Contributions are part of the Operating Grants and Contributions revenues. Other Operating Grants and Contributions include STP/CMAQ/T-Plus planning funds, the block administration grant from MTC, the STIP/PPM funds from the California Transportation Commission (CTC), the Non-motorized Transportation Pilot Program, and a grant from the Marin Community Foundation. Total Operating Grants and Contributions for FY2010-11 is \$1,424,840.

Capital Grants include the Transportation for Clean Air (TFCA) funding from the Bay Area Air Quality Management District (BAAQMD), Regional Measure 2 (RM2) from MTC, the MSN earmark funding from the Federal Highway Administration, and the CMIA bond funding and TCRP funding from CTC, in the amount of \$8,908,740.

Capital Assets

As of June 30, 2011, the total capital asset value for TAM was \$4,908, which is the total value of TAM's Information Technology equipment that cost over \$5,000, net of the depreciation of \$19,636.

Debt Administration

To meet the cash flow needs of the 101 Gap Closure project, TAM entered into a \$12.5 million CMAQ/Measure A Funds Exchange Agreement with MTC in November 2007. The first payment to MTC was made in June 2009. It's TAM's intent to fully repay this loan by December 31, 2015 with its Measure A debt reserve funds.

Date of exchange agreement:	November 28, 2007
Original amount of exchange agreement:	\$ 12,500,000
Unpaid principal balance:	\$ 8,094,338
Maturity date:	December 31, 2015
Interest rate:	3% until 12/31/15, and 10% thereafter if any unpaid balance
Date to which interest has been paid:	June 30, 2011

Economic Outlook and Future Projections

Due to the prudent financial practice of the TAM Board, the overall financial condition of TAM reflects stability even during the prolonged recession. TAM will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the residents of Marin County.

While the overall economic picture is still full of uncertainties and struggling with various crises both domestically and globally, sales tax revenue in Marin seems to have reached its bottom in FY2009-10 and on the track of recovery in FY2010-11. TAM's \$20.3 million Measure A collection in FY2010-11 is \$1.3 million, or 6.7% higher than the \$19.0 million collected in FY2009-10. This revenue improvement will help the financial picture of all the transportation projects and programs in Marin County. TAM expects the funding level from various federal and state resources, such as STP/CMAQ planning funds, STIP PPM, TCRP and CMIA bond funding, will be stabilized in the upcoming year too.

On the expenditure side, TAM was able to find adequate cash for the needs of various capital projects in FY2010-11 and expects this will remain the same in the upcoming year.

Requests for Information

This Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of TAM's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Transportation Authority of Marin, 750 Lindero Street Suite 200, San Rafael, CA 94901-6029; (415) 226-0815.

TRANSPORTATION AUTHORITY OF MARIN

STATEMENT OF NET ASSETS

June 30, 2011

ASSETS	Governmental Activities
Cash and investments	\$ 33,978,980
Sales tax receivable	3,431,459
Accounts receivable	2,031,490
Capital assets, net of accumulated depreciation	<u>4,908</u>
Total assets	<u>39,446,837</u>
LIABILITIES	
Accounts payable	6,757,147
Unearned revenue	20,765
Noncurrent liabilities:	
Due within one year	1,706,195
Due in more than one year	<u>6,388,143</u>
Total liabilities	<u>14,872,250</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,908
Restricted for:	
BAAQD-TFCA Project	1,734,290
Measure A Sales Tax Project	19,909,648
Corte Madera Creek Bridge Project	428,496
Marin Community Foundation	36,684
Measure B VRF Projects	113,386
Congestion Management Projects	<u>2,347,175</u>
Total net assets	<u><u>\$ 24,574,587</u></u>

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

TRANSPORTATION AUTHORITY OF MARIN

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

		Program Revenues		Net (Expense)
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities:				
Administration	\$ 534,598	\$ -	\$ -	\$ (534,598)
Project management	632,106		473,900	(158,206)
Transportation planning and programming	1,523,122	1,424,840		(98,282)
Transportation projects	8,802,915		8,434,840	(368,075)
Measure A projects and programs	15,554,885			(15,554,885)
Interest on long-term debt	133,928			(133,928)
	<u>\$ 27,181,554</u>	<u>\$ 1,424,840</u>	<u>\$ 8,908,740</u>	<u>(16,847,974)</u>
General Revenues:				
Sales tax				20,259,801
Vehicle registration fees				273,314
Interest				153,834
				<u>20,686,949</u>
Total General Revenues				20,686,949
Change in net assets				3,838,975
Net assets at beginning of fiscal year				<u>20,735,612</u>
Net assets at end of fiscal year				<u>\$ 24,574,587</u>

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

TRANSPORTATION AUTHORITY OF MARIN

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2011

ASSETS	General Fund	BAAQD/TFCA Fund	Measure A Sales Tax Fund	Corte Madera Creek Bridge Fund	Marin Community Foundation Fund	Measure B VRF Fund	Total
Cash and investments	\$ 2,990,225	\$ 2,269,330	\$ 28,171,677	\$ 428,496	\$ 119,252	\$ -	\$ 33,978,980
Sales tax receivable			3,431,459				3,431,459
Accounts receivable	1,833,290					198,200	2,031,490
Due from other funds	84,814						84,814
Total assets	\$ 4,908,329	\$ 2,269,330	\$ 31,603,136	\$ 428,496	\$ 119,252	\$ 198,200	\$ 39,526,743
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 2,540,389	\$ 535,040	\$ 3,599,150	\$ -	\$ 82,568	\$ -	\$ 6,757,147
Due to other funds						84,814	84,814
Deferred revenue	20,765						20,765
Total liabilities	2,561,154	535,040	3,599,150		82,568	84,814	6,862,726
Fund balances:							
Restricted for:							
BAAQD/TFCA		1,734,290					1,734,290
Measure A Sales Tax			28,003,986				28,003,986
Corte Madera Creek Bridge				428,496			428,496
Marin Community Foundation					36,684		36,684
Measure B VRF						113,386	113,386
Congestion Management	2,347,175						2,347,175
Total fund balances	2,347,175	1,734,290	28,003,986	428,496	36,684	113,386	32,664,017
Total liabilities and fund balances	\$ 4,908,329	\$ 2,269,330	\$ 31,603,136	\$ 428,496	\$ 119,252	\$ 198,200	\$ 39,526,743

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

TRANSPORTATION AUTHORITY OF MARIN

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

FUND BALANCE OF GOVERNMENTAL FUNDS \$ 32,664,017

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Fund because of the following:

Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Fund Balance Sheet.

Capital assets at historical cost	\$ 24,544	
Less: accumulated depreciation	<u>(19,636)</u>	4,908

Long-term liabilities: In the Governmental Funds Balance Sheet, only current liabilities are reported. In the Statement of Net Assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities consist of:

Funding exchange agreement payable	<u>(8,094,338)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 24,574,587

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

TRANSPORTATION AUTHORITY OF MARIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

REVENUES	General Fund	BAAQD/TFCA Fund	Measure A Sales Tax Fund	Corte Madera Creek Bridge Fund	Marin Community Foundation Fund	Measure B VRF Fund	Total
Measure A	\$ -	\$ -	\$ 20,259,801	\$ -	\$ -	\$ -	\$ 20,259,801
Measure B						273,313	273,313
Cities and counties	430,001						430,001
Interest	8,305	10,690	132,281	2,153	404	1	153,834
STP/CMAQ	496,673						496,673
T-Plus	99,024						99,024
MTC block grant administration	41,961						41,961
STIP/PPM	144,062						144,062
RM2	4,277,780						4,277,780
TDA Article 3	1,560,500						1,560,500
Non-motorized transportation pilot program	13,120						13,120
TFCA/BAAQMD		338,400					338,400
MSN federal earmark	144,842						144,842
CMIA bond revenue	80,511						80,511
TCRP	2,506,707						2,506,707
Miscellaneous - project contribution					200,000		200,000
Total revenues	9,803,486	349,090	20,392,082	2,153	200,404	273,314	31,020,529
EXPENDITURES							
Administration:							
Salaries & benefits	1,019,665	16,920	717,793				1,754,378
Office lease			143,910				143,910
Equipment			10,251				10,251
Telephone/internet services			18,097				18,097
Office supplies	929		10,041				10,970
Insurance			5,144				5,144
Audit			10,720				10,720
Legal	22,036	7,167	6,643				35,846
Document reproduction	710		8,694				9,404
Memberships	2,450		3,645				6,095
Travel/meetings/conferences	10,882		5,443				16,325
Professional development	355		2,012				2,367
Miscellaneous expenditures	984		820				1,804

(Continued)

TRANSPORTATION AUTHORITY OF MARIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011
(Continued)

EXPENDITURES (Continued)	General Fund	BAAQD/TFCA Fund	Measure A Sales Tax Fund	Corte Madera Creek Bridge Fund	Marin Community Foundation Fund	Measure B VRF Fund	Total
Professional services:							
Traffic model maintenance	70,031						70,031
T-Plus	11,187						11,187
PMO consultant	53,360		8,462				61,822
Public outreach services	87,193		32,310				119,503
101 construction consultant			120,485				120,485
MSN congestion pricing study	125,745						125,745
MSN Redwood landfill interchange design	1,506,229						1,506,229
MSN San Antonio curve design	883,841						883,841
MSN project management	108,174						108,174
State legislative assistance	35,000						35,000
Financial advisor	13,663						13,663
Human resources/Board support			48,850				48,850
Information technology support			19,179				19,179
Consulting pool	40,263		12,904				53,167
Hwy 101 Greenbrae/Twin Cities	832,554						832,554
Central Marin ferry connection	312,507						312,507
580/101 connector	76,022						76,022
580/101 right of way	39,892						39,892
Education	13,120				182,346		195,466
Transportation demand management		101,560					101,560
Planning initiatives	6,310				25,000		31,310
Support for SB83	27,348						27,348
SB 83 ballot measure cost						159,928	159,928
Measure A							
Bike/Ped path maintenance			40,000				40,000
Strategy 1 - transit			9,165,493				9,165,493
Strategy 2 - gap closure			1,016,659				1,016,659
Strategy 3 - streets & roads			2,837,624				2,837,624
Strategy 4 - safe routes			1,968,042				1,968,042
Interagency Agreements							
County Calpark RM2 project	2,892,000						2,892,000
San Rafael station study match	10,000						10,000
Other capital expenditures:							
TFCA - Calpark project		53,625					53,625
TFCA - Puerto Suello Hill Park		520,000					520,000
TDA Article 3 payment to Caltrans	1,560,500						1,560,500

(Continued)

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

TRANSPORTATION AUTHORITY OF MARIN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011
(Continued)**

EXPENDITURES (Continued)	General Fund	BAAQD/TFCA Fund	Measure A Sales Tax Fund	Corte Madera Creek Bridge Fund	Marin Community Foundation Fund	Measure B VRF Fund	Total
Debt service:							
Principal			1,727,091				1,727,091
Interest			133,928				133,928
Total expenditures	9,762,950	699,272	18,074,240		207,346	159,928	28,903,736
Excess (deficiency) of revenues over (under) expenditures	40,536	(350,182)	2,317,842	2,153	(6,942)	113,386	2,116,793
Fund balances, beginning of fiscal year	2,306,639	2,084,472	25,686,144	426,343	43,626		30,547,224
Fund balances, end of fiscal year	<u>\$ 2,347,175</u>	<u>\$ 1,734,290</u>	<u>\$ 28,003,986</u>	<u>\$ 428,496</u>	<u>\$ 36,684</u>	<u>\$ 113,386</u>	<u>\$ 32,664,017</u>

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

TRANSPORTATION AUTHORITY OF MARIN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

NET CHANGE IN FUND BALANCE \$ 2,116,793

Amounts reported for governmental activities in the statement of activities differ because of the following:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Long-term liabilities: In the Governmental Funds Balance Sheet, only current (4,909)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balances 1,727,091

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 3,838,975

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2011

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

TAM's responsibilities include the development and administration of the Transportation Sales Tax Expenditure Plan, approved by Marin voters in November 2004. With the passage of Measure A, TAM now manages the implementation of the transportation projects and programs financed by the ½-cent, 20-year sales tax. TAM also serves as the designated Congestion Management Agency (CMA) for Marin County, providing countywide planning and programming for transportation related needs. As both the sales tax authority and the CMA for Marin County, TAM plays a leading role in the planning, financing, and implementation of transportation projects and programs in Marin County.

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

B. Basis of Presentation

Government-wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Authority. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) funds and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Authority's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column.

C. Major Funds

GASB Statement No. 34 defines major funds and requires that the Authority's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures equal to or greater than ten percent of their fund-type total and five percent of the grand total of all fund types. The Authority has determined that all of its funds are major funds.

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

C. Major Funds (Continued)

The Authority reported the following major governmental funds in the accompanying financial statements:

CMA General Fund - This fund accounts for revenues and expenditures for the Authority's congestion management activities, primarily congestion management planning and programming work elements, and the management of various capital projects. Major revenue sources for this fund are all programming revenues with the exception of Transportation for Clean Air (TFCA) funds.

BAAQMD/TFCA Fund - This fund accounts for revenues and expenditures for the TFCA capital grant the Authority receives from the Bay Area Air Quality Management District (BAAQMD). The purpose of the TFCA grant is to fund studies related to the monitoring of air quality control, and any capital improvements that can contribute to the improvement of air quality.

Measure A Sales Tax Fund - This fund accounts for revenues and expenditures for the projects and programs set forth by the voters in the Authority's Transportation Sales Tax Expenditure Plan, approved by Marin voters in November 2004.

Corte Madera Creek Bridge Fund - This fund accounts for revenues and expenditures for the Central Marin Ferry Connection Project. As part of the Highway 101 Gap Closure Project implementation, the project sponsor, the Department of Transportation (Caltrans), needed to obtain a permit from the Bay Conservation and Development Commission (BCDC) to conduct some work within BCDC's jurisdiction. BCDC determined the project had unavoidable impacts to resources under its purview and required certain mitigations as a condition to the issuance of a permit. A contribution in the amount of \$400,000 was made by Caltrans and deposited in this special fund as required by BCDC. This funding is reserved for the Central Marin Ferry Connection Project, which is expected to enhance public access to the San Francisco shoreline. This fund was transferred from the Marin Department of Public Works to the Authority in FY 2006-07.

Marin Community Foundation Fund – This fund accounts for grant monies received from the Marin Community Foundation for the Safe Routes to Schools program.

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

D. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when *measurable and available*. The Authority considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisition under capital leases are reported as *other financing sources*.

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

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

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

E. Budgets and Budgetary Accounting

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

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Capital Assets

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at their estimated fair value at the date of donation. The Authority's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$5,000. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets which range from 15 to 20 years for field equipment, 5 to 10 years for office equipment, and 8 to 10 years for vehicles.

H. Net Assets and Fund Balances

Government-wide Financial Statements

Invested in Capital Assets, Net of Related Debt- This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that contributed to the acquisition, construction, or improvement of the capital assets.

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

Unrestricted Net Assets- This amount consists of all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

Fund Financial Statements

Fund Balances- Restrictions of fund balance of governmental funds are amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The 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.

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2011

Note 1: Summary of Significant Accounting Policies (Continued)

H. Net Assets and Fund Balances (Continued)

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

I. 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.

J. New Accounting Pronouncements

The Authority has implemented the requirements of GASB Statements No. 54 and No. 59 during the fiscal year ended June 30, 2011.

GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions

This Statement is effective for periods beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

GASB Statement No. 59 – Financial Instruments Omnibus

This Statement is effective for financial statements for periods beginning after June 15, 2010. The objective of this Statement is to establish standards to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement did not have an effect on these financial statements.

Note 2: Cash and Investments

Classification

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

Cash and investments, Statement of Net Assets	<u>\$ 33,978,980</u>
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Cash and investments as of June 30, 2011 consist of the following:

Deposits with County of Marin	<u>\$ 33,978,980</u>
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Total cash and investments	<u>\$ 33,978,980</u>
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TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2011

Note 2: Cash and Investments (Continued)

A. Investments Authorized by the California Government Code and the Authority's Investment Policy

The table below identifies the investment types that are authorized for the Authority by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. The Authority has adopted a formal investment policy. The allowable investments, according to the Authority's investment policy, are listed below:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	None	\$50 million
Certificates of Deposit	None	30%	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Obligations	None	None	None
U.S. Government Securities	None	None	None
State of California and Local Agency Bonds	None	None	None
Bankers Acceptances	180 days	30%	None
Medium-Term Notes	2 years	30%	None
Commercial Paper	270 days	25%	None
Marin County Cash Pool	None	None	None
Repurchase Agreements	1 year	None	None

B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining maturity (in Months)</u>					
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>	<u>49-60 Months</u>	<u>More Than 60 Months</u>
Deposits with County of Marin	\$ 33,978,980	\$ 33,978,980	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>\$ 33,978,980</u>	<u>\$ 33,978,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

C. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, debt agreements, and the actual rating as of fiscal year end for each investment type.

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2011

Note 2: Cash and Investments (Continued)

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End*			
				AAA	AA	A	Not Rated
Deposits with County of Marin	\$ 33,978,980	N/A	\$ -	\$ 33,978,980	\$ -	\$ -	\$ -
Total	<u>\$ 33,978,980</u>		<u>\$ -</u>	<u>\$ 33,978,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*The most recent rating is as of June 30, 2010. The June 30, 2011 rating was not available as of the date of these financial statements.

D. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2011, there were no Authority deposits with financial institutions in excess of federal depository insurance limits.

Note 3: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets, being depreciated:				
Technical equipment	\$ 24,544	\$ -	\$ -	\$ 24,544
Total capital assets, being depreciated	24,544			24,544
Less accumulated depreciation	(14,727)	(4,909)		(19,636)
Total capital assets, being depreciated, net	9,817	(4,909)		4,908
Capital assets, net	<u>\$ 9,817</u>	<u>\$ (4,909)</u>	<u>\$ -</u>	<u>\$ 4,908</u>

Depreciation of \$4,909 was charged to administration in the statement of activities.

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2011

Note 4: Operating Lease

On November 28, 2007, the Authority entered into a 5-year lease with SR Corporate Center Phase One, LLC (Landlord) to rent 9,098 square feet of office space. The base rent commences at \$21,836/month and ends at \$25,059/month. The base rent does not include operating expenses which are determined annually by the Landlord. The Authority subleases to two other agencies (Marin Transit and Sonoma-Marin Area Rail Transit) who reimburse the Authority 28% and 24% of the total rent, respectively, according to the sublease. The reimbursement percentages can fluctuate based on available and occupied square footage of office space in the suite, and are 31% and 31% respectively, as of June 30, 2011. These two Agencies have signed subleases with the Authority, with terms that coincide with the lease with the Landlord. The Authority nets the rent expense with the rental income received from the two agencies in the Authority's financial records. The following is a schedule, by fiscal year, of future minimum lease payments required under the operating lease:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Payment</u> <u>Amount</u>
2012	\$ 296,468
2013	125,295
	<u>\$ 421,763</u>

Note 5: Employment Agreements

The Authority has no employees of its own. The Authority has entered into an employment agreement with a joint powers authority, Local Government Services (LGS) for nine employees. The Authority also has two employees on loan from the County of Marin (County). LGS provides staffing, payroll, and related administrative services to small governmental agencies. The Authority pays LGS and the County hourly rates for each employee. The hourly rates for each employee include salary, fringe benefits, and a flat administration fee (LGS), or overhead charge (County). For LGS, the Authority repays the expected monthly fee prior to the service month.

Because the Authority has no employees of its own, there is no accrued payroll or compensated absence liabilities on the books of the Authority. Any benefits or accrued compensation due to the employees of LGS or the County are the responsibility of their respective employers.

Note 6: Long-term Debt

Metropolitan Transportation Commission Funding Exchange Agreement

In November 2007 the Transportation Authority of Marin entered into an agreement with the Metropolitan Transportation Commission (Commission), the regional transportation planning agency for the San Francisco Bay Area. The Authority has requested the assistance of the Commission to avoid certain debt financing costs by providing Congestion Mitigation and Air Quality Improvement (CMAQ) program funds available now in exchange for Measure A funds available in future years. Under the terms of this agreement the Commission has loaned the Authority \$12,500,000, payable over 8 years, with repayments commencing on June 30, 2009. Interest is 0% through December 31, 2010, and then is charged at 3% on the outstanding principal balance until December 31, 2015. If there is any outstanding principal balance after December 31, 2015, interest will be charged at 10%. As of June 30, 2011, the outstanding balance was \$8,094,338.

TRANSPORTATION AUTHORITY OF MARIN
Notes to Basic Financial Statements
June 30, 2011

Note 6: Long-term Debt (Continued)

Metropolitan Transportation Commission Funding Exchange Agreement (Continued)

Future debt service requirements for the agreement are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2012	\$ 1,706,195	\$ 230,129	\$ 1,936,324
2013	1,757,765	178,559	1,936,324
2014	1,810,894	125,431	1,936,325
2015	1,865,628	70,696	1,936,324
2016	953,856	14,308	968,164
Totals	<u>\$ 8,094,338</u>	<u>\$ 619,123</u>	<u>\$ 8,713,461</u>

Long-term debt activity for the fiscal year ended June 30, 2011, was as follows:

	July 1, 2010 Balance	Reductions	June 30, 2011 Balance	Due Within One Year
MTC Funding Exchange Agreement	\$ 9,821,429	\$ (1,727,091)	\$ 8,094,338	\$ 1,706,195
Governmental activities Long-term liabilities	<u>\$ 9,821,429</u>	<u>\$ (1,727,091)</u>	<u>\$ 8,094,338</u>	<u>\$ 1,706,195</u>

Note 7: Commitments and Contingencies

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

The Authority has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material.

The Authority has various cooperative agreements with governmental entities. As of June 30, 2011, the Authority expended approximately \$65.2 million of these commitments and had outstanding commitments approximating \$15.9 million.

Note 8: Interfund

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. Normally, these balances occur as a result of expenditures/ expenses being paid prior to receiving revenue which causes a deficit in pooled cash.

The composition of interfund balances, as of June 30, 2011, is as follows:

Due to/from other funds

	Interfund Receivables	Interfund Payables
General Fund	\$ 84,814	\$ -
Measure B VRF Fund		84,814
	<u>\$ 84,814</u>	<u>\$ 84,814</u>

TRANSPORTATION AUTHORITY OF MARIN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2011

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Measure A	\$ 18,000,000	\$ 18,000,000	\$ 20,259,801	\$ 2,259,801
Measure B			273,313	273,313
Cities and counties	430,000	430,000	430,001	1
Interest	400,000	400,000	153,834	(246,166)
STP/CMAQ	435,000	435,000	496,673	61,673
T-Plus	160,000	160,000	99,024	(60,976)
MTC block grant administration	102,000	102,000	41,961	(60,039)
MTC freeway performance initiative	200,000	200,000		(200,000)
STIP/PPM	162,000	162,000	144,062	(17,938)
RM2	6,128,365	6,128,365	4,277,780	(1,850,585)
Community based transportation	4,000	4,000		(4,000)
TDA article 3	1,560,500	1,560,500	1,560,500	
Non-motorized transportation pilot program	16,000	16,000	13,120	(2,880)
TFCA/BAAQMD	345,000	345,000	338,400	(6,600)
MSN federal earmark	245,000	254,892	144,842	(110,050)
CMIA bond revenue	330,000	330,000	80,511	(249,489)
TCRP	5,161,379	5,161,379	2,506,707	(2,654,672)
Miscellaneous - project contribution	200,000	200,000	200,000	
Total revenue	<u>33,879,244</u>	<u>33,889,136</u>	<u>31,020,529</u>	<u>(2,868,607)</u>

EXPENDITURES

Administration:

Salaries & benefits	1,841,720	1,841,720	1,754,378	87,342
Office lease	200,000	200,000	143,910	56,090
Equipment	10,000	10,000	10,251	(251)
Telephone/internet services	30,000	30,000	18,097	11,903
Office supplies	25,000	25,000	10,970	14,030
Insurance	8,000	8,000	5,144	2,856
Audit	18,860	18,860	10,720	8,140
Legal	40,000	40,000	35,846	4,154
Accounting/payroll	10,000	10,000		10,000
Document reproduction	30,000	30,000	9,404	20,596
Memberships	10,000	10,000	6,095	3,905
Travel/meetings/conferences	20,000	20,000	16,325	3,675
Professional development	5,000	5,000	2,367	2,633
Miscellaneous expenditures	5,000	5,000	1,804	3,196

(Continued)

TRANSPORTATION AUTHORITY OF MARIN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - BUDGETARY BASIS**

**For the Fiscal Year Ended June 30, 2011
(Continued)**

EXPENDITURES (Continued)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Professional services:				
CMP	75,000	75,000		75,000
Traffic model maintenance	65,000	65,000	70,031	(5,031)
T-Plus	75,000	75,000	11,187	63,813
PMO consultant	155,000	155,000	61,822	93,178
Public outreach services	45,000	45,000	119,503	(74,503)
101 construction consultant	35,000	35,000	120,485	(85,485)
Community based transportation plan	4,000	4,000		4,000
MSN congestion pricing study	245,000	245,000	125,745	119,255
MSN Redwood landfill interchange design	2,242,000	2,242,000	1,506,229	735,771
MSN San Antonio curve design	2,562,000	2,562,000	883,841	1,678,159
MSN project management	200,000	200,000	108,174	91,826
Federal legislative assistance	25,000	25,000		25,000
State legislative assistance	35,000	35,000	35,000	
Financial advisor	35,000	35,000	13,663	21,337
Human resources/Board support	30,000	30,000	48,850	(18,850)
Information technology support	30,000	30,000	19,179	10,821
Consulting pool	75,000	75,000	53,167	21,833
Hwy 101 Greenbrae/Twin Cities	1,200,000	1,200,000	832,554	367,446
Central Marin ferry connection	1,729,109	1,729,109	312,507	1,416,602
580/101 connector	110,000	110,000	76,022	33,978
580/101 right of way	300,000	300,000	39,892	260,108
Education	191,000	191,000	195,466	(4,466)
Transportation demand management	75,000	75,000	101,560	(26,560)
Hwy 101 freeway performance study	200,000	200,000		200,000
Marin ferry connection	50,000	50,000	31,310	18,690
Support for SB83	25,000	25,000	27,348	(2,348)
SB 83 ballot measure cost	300,000	300,000	159,928	140,072
Measure A:				
Bike/per path maintenance	75,000	75,000	40,000	35,000
Interest fund commitment to Strategy 2	525,000	525,000		525,000
Strategy 1 - transit	9,999,732	9,999,732	9,165,493	834,239
Strategy 2 - gap closure	4,242,326	4,242,326	1,016,659	3,225,667
Strategy 3 - streets & roads	6,425,655	6,425,655	2,837,624	3,588,031
Strategy 4 - safe routes	2,395,000	2,395,000	1,968,042	426,958
Interagency agreements:				
County Calpark RM2 project - construction	2,892,000	2,892,000	2,892,000	
Old Redwood Highway roadway improvement	420,000	420,000		420,000
San Rafael station study match	15,000	15,000	10,000	5,000
San Rafael for 580/101 outreach	50,000	50,000		50,000
Other capital expenditures:				
TFCA - Calpark project	53,625	53,625	53,625	
TFCA - Puerto Suello Hill Park	520,000	520,000	520,000	
Other TFCA projects	1,560,500	1,560,500	1,560,500	
Debt service:				
Principal	1,727,091	1,727,091	1,727,091	
Interest	133,928	133,928	133,928	
Total expenditures	43,401,546	43,401,546	28,903,736	14,497,810

(Continued)

TRANSPORTATION AUTHORITY OF MARIN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS - BUDGETARY BASIS**

**For the Fiscal Year Ended June 30, 2011
(Continued)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Excess (deficiency) of revenues over (under) expenditures	(9,522,302)	(9,512,410)	2,116,793	11,629,203
Fund balances at beginning of period	30,547,224	30,547,224	30,547,224	
Reserve	1,425,000	1,425,000		(1,425,000)
Fund balances at end of period	<u>\$ 22,449,922</u>	<u>\$ 22,459,814</u>	<u>\$ 32,664,017</u>	<u>\$ 10,204,203</u>

TRANSPORTATION AUTHORITY OF MARIN
Board of Commissioners
June 30, 2011

Susan Adams
Judy Arnold
Al Boro
Larry Bragman
Hal Brown
Carole Dillon-Knutson
Sandra Donnell
Alice Fredericks
Diane Furst
Ford Greene
R. Scot Hunter
Mike Kelly
Steve Kinsey
Joan Lundstrom
Stephanie Moulton-Peters
Kathrin Sears



MOSS, LEVY & HARTZHEIM LLP

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

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Transportation Authority of Marin as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 5, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain other matters that we reported to the management of the Authority in a separate letter dated October 5, 2011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

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

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, CA
October 5, 2011



MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Transportation Authority of Marin as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 5, 2011. 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.

Compliance with laws, regulations, contracts, and grant agreements is the responsibility of the management of the Authority. As part of obtaining reasonable assurance about whether the Transportation Authority of Marin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the 5% administration cost cap limit of the Marin County Transportation Sales Tax Expenditure Plan, the Transportation Development Act, and STIP Agreement #PPM09-6406(007), 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* and the standards referred to in the paragraph above.

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

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, CA
October 5, 2011

TRANSPORTATION AUTHORITY OF MARIN

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

**For the Fiscal Year Ended
June 30, 2011**

TRANSPORTATION AUTHORITY OF MARIN
June 30, 2011

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October 5, 2011

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

Honorable Board Members:

In planning and performing our audit of the financial statements of the Transportation Authority of Marin (Authority), as of and for the fiscal year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We do not consider any of the other matters presented in the current year recommendations section to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. As a result of our audit, we noted no significant deficiencies in internal control.

During our audit we noted a certain other matter involving internal controls and their operations, and are submitting, for your consideration, a related recommendation designed to help the Authority make improvements and achieve operational efficiencies. This recommendation is described in the current year recommendations section as Finding 2011-1. Our comment reflects our desire to be of continuing assistance to the Authority.

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

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

Very truly yours,



MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA



MOSS, LEVY & HARTZHEIM LLP

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October 5, 2011

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

Honorable Board Members:

We have audited the financial statements of the Transportation Authority of Marin for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 5, 2011. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 19, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Transportation Authority of Marin are described in Note 1 to the financial statements. Two new accounting policies were adopted during the fiscal year. The new policies are GASB Statement No. 54 and 59, with GASB Statement No. 54 having an effect on the financial statements. We noted no transactions entered into by the Transportation Authority of Marin during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Authority's financial statements was:

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 5, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Transportation Authority of Marin's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

This information is intended solely for the use of the Board of Commissioners of the Transportation Authority of Marin and management of the Transportation Authority of Marin and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA

CURRENT YEAR RECOMMENDATIONS

Other Matters

2011-1 Finding – Lack of approval signature on a timesheet:

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

Effect:

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

Recommendation:

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

Management's Response:

The staff who signed his own timesheet in this case was the Acting Executive Director for that time period. Management will make sure another staff will be assigned to sign off the Acting Executive Director's timesheet in the future.

STATUS OF PRIOR YEAR RECOMMENDATIONS

2010-1 Finding – Lack of changing of passwords and off-site storage of back-up computer files:

During our review of information technology internal controls, we noted that computer passwords are only changed upon user request and there is no off-site storage of back-up computer files.

Effect:

Without mandatory changing of computer passwords and off-site storage of back-up computer files, the network system could become accessible by unauthorized individuals, as well as a loss of computer data could occur.

Recommendation:

We recommend that all employee passwords be changed on an annual basis. Also, there should be adequate off-site storage and retention of back-up computer data.

Status:

Implemented

2010-2 Finding – No official instructions for employees to report suspected fraud:

During our on-site observation and interviews with employees, we noted that there are no official written instructions given to employees to report suspected fraud.

Effect:

If employees are not aware of their options to report suspected fraud, there is a less likely chance of the employees actually reporting their suspicions, which could cause fraud to occur and go undetected.

Recommendation:

We recommend that the Authority implement a policy for employees to report suspected fraud and post notification of this policy and the proper procedures in a visible place for all employees to see.

Status:

Implemented