



METROPOLITAN
TRANSPORTATION
COMMISSION

Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2008

State of California

Prepared by MTC Finance Section

Metropolitan Transportation Commission
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June 30, 2008 and 2007

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**METROPOLITAN
TRANSPORTATION
COMMISSION**

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September 29, 2008

Honorable Chairman
Members of the Metropolitan Transportation Commission

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Metropolitan Transportation Commission (MTC), its blended and discretely presented component units and fiduciary funds for the fiscal year ended June 30, 2008. State law requires that MTC and its component units publish a complete audited financial statement within six months of the close of each fiscal year.

Responsibility for both accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with the management and staff of MTC. To the best of our knowledge and belief, the enclosed information and report is accurate in all material respects, presented in conformance with Generally Accepted Accounting Principles (GAAP) and reported in a manner that presents fairly the financial position and operating results of MTC, its blended and discretely presented component units and fiduciary funds as of June 30, 2008. All disclosures reasonably necessary to enable an understanding of the government's financial activities have been included.

MTC management and staff is also responsible for the accounting and internal financial controls. MTC maintains a system of internal controls designed, we believe, to provide reasonable protection for MTC's assets. In addition, MTC undertook a comprehensive enterprise risk management evaluation, which resulted in recommendations that will be implemented in the future.

The goal of the independent audit is to provide reasonable assurance that the financial statements presented here for the fiscal year ended June 30, 2008, are free of material misstatement. In addition, MTC is required to undergo a Single Audit of Federal programs conducted under the provisions of OMB Circular A-133. The agency's Independent Auditors, PricewaterhouseCoopers LLP, have issued an unqualified opinion on the Metropolitan Transportation Commission's financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

GAAP also requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements. This narrative is presented in the form of Management's Discussion and Analysis (MD&A) which can be found immediately following the independent auditor's report.

The CAFR for the fiscal year ended June 30, 2008 includes financial information for all funds, accounts and fiduciary activities for which MTC has financial accountability.

Bill Dodd, Chair
Napa County and Cities

Scott Haggerty, Vice Chair
Alameda County

Tom Ammiano
City and County of San Francisco

Tom Azumbrado
U.S. Department of Housing
and Urban Development

Tom Bates
Cities of Alameda County

Bob Blanchard
Sonoma County and Cities

Dean J. Chu
Cities of Santa Clara County

Dave Cortese
Association of Bay Area Governments

Dorene M. Giacomini
U.S. Department of Transportation

Federal D. Glover
Contra Costa County

Anne W. Halsted
San Francisco Bay Conservation
and Development Commission

Steve Kinsey
Marin County and Cities

Sue Lempert
Cities of San Mateo County

Jon Rubin
San Francisco Mayor's Appointee

Bijan Sartipi
State Business, Transportation
and Housing Agency

James P. Spering
Solano County and Cities

Adrienne J. Tissier
San Mateo County

Amy Worth
Cities of Contra Costa County

Ken Yeager
Santa Clara County

Steve Heminger
Executive Director

Ann Flemer
Deputy Executive Director, Operations

Andrew B. Fremier
Deputy Executive Director,
Bay Area Toll Authority

Therese W. McMillan
Deputy Executive Director, Policy

MTC also participates in numerous boards, groups and associations. While MTC participates in such activities, MTC does not have an ongoing financial interest or administrative control and, as such, information related to these outside groups and associations are excluded from this report. MTC is also a member of the Regional Administrative Facility Corporation (RAFC), which is a joint powers facility management association consisting of MTC, the Association of Bay Area Governments (ABAG), and the Bay Area Rapid Transit District (BART). The MTC Commission does not have financial accountability for RAFC or its expenses and as such, RAFC is excluded from this report.

Profile of the Government:

MTC was established under the laws of the State of California in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area: Alameda, Contra Costa, Marin, Napa, the City and County of San Francisco, San Mateo, Santa Clara, Solano and Sonoma. The Commission consists of sixteen voting and three non-voting members representing the following:

Agency	Voting Members	Non-Voting Members
Alameda County	2	
Contra Costa County	2	
Marin County	1	
Napa County	1	
City & County of San Francisco	2	
San Mateo County	2	
Santa Clara County	2	
Solano County	1	
Sonoma County	1	
Association of Bay Area Governments (ABAG)	1	
San Francisco Bay Conservation & Development Commission	1	
U.S. Department of Transportation		1
U.S. Department of Housing & Urban Development		1
State Business, Transportation & Housing Agency		1
Total:	16	3

Each Commissioner's term of office is four years or until a successor is appointed.

MTC commissioners also serve as the governing authority for MTC Service Authority for Freeways & Expressways (MTC SAFE), the Bay Area Toll Authority (BATA) and the Bay Area Infrastructure Financing Authority (BAIFA). The Commission is responsible for adopting budgets for operating and project costs, as well as setting general policy direction. An Executive Director appointed by the Commission is responsible for carrying out Commission direction and day-to-day administration of MTC and its employees.

During the 2008 fiscal year, the Bay Area Toll Authority (BATA) was significantly impacted by the market dislocation that resulted from the sub-prime mortgage fallout. As a result of sub-prime exposure, the two insurers of BATA's toll revenue bonds were downgraded and caused Auction Rate bonds to fail, and Variable Rate Demand bonds to trade at rates as high as nine percent. Ultimately, BATA was forced to restructure its \$2.9 billion Insured Variable Rate Debt portfolio, completing \$500 million during fiscal 2008. The bonds restructured in 2008 traded at significantly lower interest costs.

Awards and Acknowledgments:

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Transmission Commission for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the fourth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the service of the finance staff. I thank the MTC finance staff for the hard work in producing this report in an accurate and timely manner.

Sincerely,



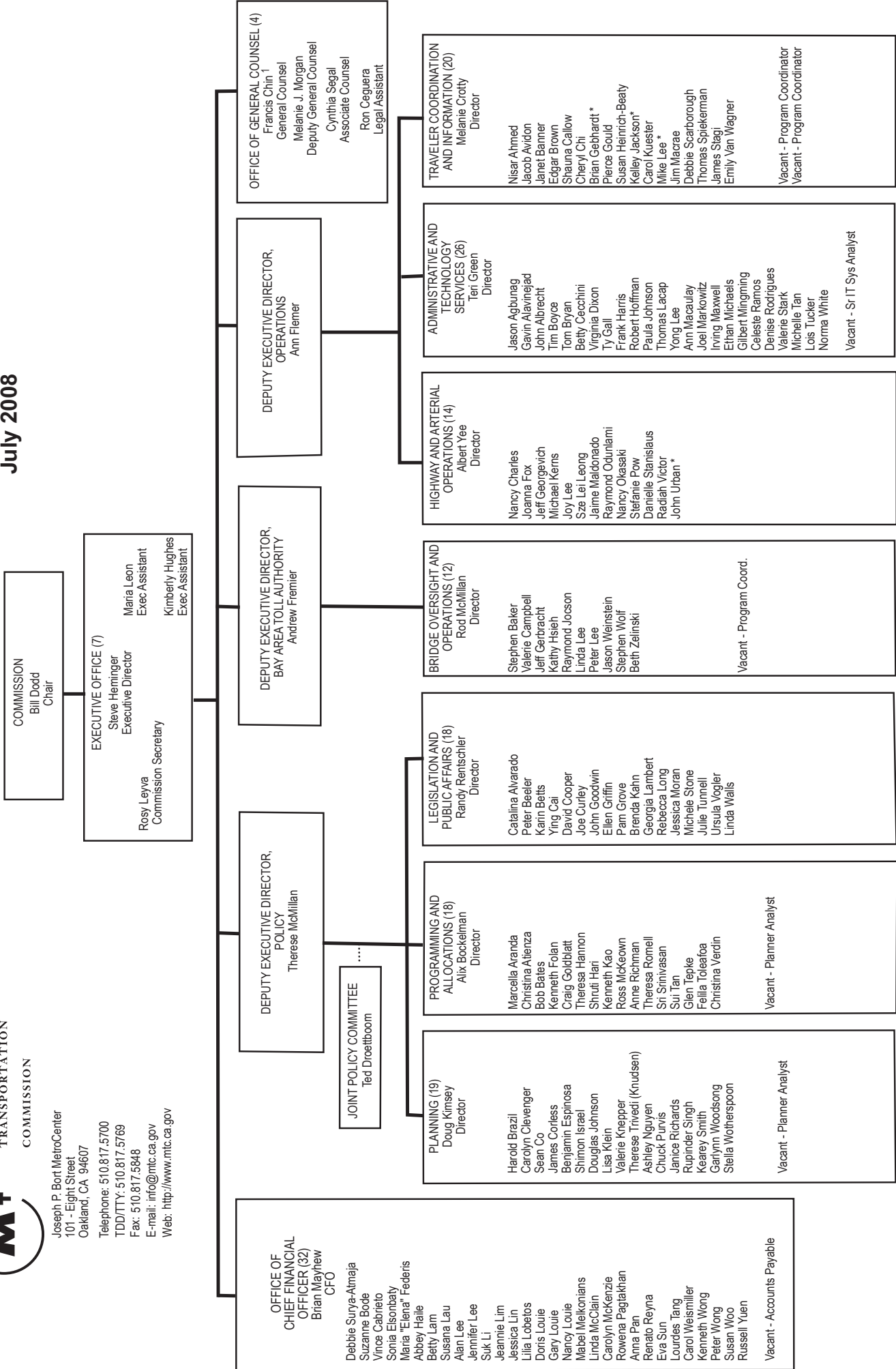
Brian Mayhew
Chief Financial Officer



METROPOLITAN
TRANSPORTATION
COMMISSION

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STAFFING ORGANIZATION
July 2008



Steve Heminger
Executive Director

Footnotes:
166 Regular full-time positions
4 Project-based positions*
170 Total Positions
1 Advises Commission Directly
updated 07-23-08

METROPOLITAN TRANSPORTATION COMMISSION

COMMISSIONERS

Bill Dodd, Chair	Napa County and Cities
Scott Haggerty, Vice Chair	Alameda County
Tom Ammiano	City and County of San Francisco
Tom Azumbrado	US Department of Housing and Urban Development
Tom Bates	Cities of Alameda County
Jake Mackenzie	Sonoma County and Cities
Dean Chu	Cities of Santa Clara County
Dave Cortese	Association of Bay Area Governments
Dorene M. Giacomini	US Department of Transportation
Federal Glover	Contra Costa County
Anne W. Halsted	San Francisco Bay Conservation and Development Commission
Steve Kinsey	Marin County and Cities
Sue Lempert	Cities of San Mateo County
Jon Rubin	San Francisco Mayor's Appointee
Bijan Sartipi	State Business, Transportation and Housing Agency
James P. Spering	Solano County and Cities
Adrienne J. Tissier	San Mateo County
Amy Worth	Cities of Contra Costa County
Ken Yeager	Santa Clara County

APPOINTED OFFICIALS

Steve Heminger	Executive Director
Francis Chin	Legal Counsel

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Transportation Commission, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

Report of Independent Auditors

To the Commissioners of the
Metropolitan Transportation Commission:

In our opinion, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Metropolitan Transportation Commission (MTC) which collectively comprise MTC's basic financial statements as listed in the table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of MTC at June 30, 2008 and 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of MTC's management. Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 1C, during the year ending June 30, 2007 MTC adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and the provisions for GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

The accompanying management's discussion and analysis appearing on pages 2 through 13 and the budgetary comparison and funding status information identified in the table of contents under *Required Supplementary Information* and appearing on pages 77 through 80 of this report are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. 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 the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise MTC's basic financial statements. The supplementary schedules identified in the table of contents under *Other Supplementary Information* and appearing on pages 82 through 101 of this report are presented for purposes of additional analysis and are not a required part of the basic financial statements. These supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The letters, charts, schedules and other information identified in the table of contents under *Introductory Section* and *Statistical Section* and appearing on pages i through vii and pages 103-118 of this report, respectively, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

PricewaterhouseCoopers LLP

September 26, 2008

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Management's Discussion and Analysis (unaudited)

Management's Discussion and Analysis

(Except as otherwise stated, all amounts described below are expressed in thousands of dollars – '000 removed)

This section presents an overview of the financial activities of the Metropolitan Transportation Commission (MTC), as well as its blended and discretely component units for the years ended June 30, 2008 and 2007.

A. Financial Highlights

In fiscal years 2008 and 2007, net assets decreased by \$533,312 and \$265,182, respectively. The decrease in assets is the result of planned project drawdowns in the BATA Seismic Retrofit and Regional Measure 1 (RM1) construction programs. The net assets decrease is a result of BATA financing the improvements with Caltrans owning the bridges. This decrease in net assets will continue into the future.

Net assets in the governmental funds increased \$19,465 or 6.63 percent for 2008 compared to a \$119,540 or 68.7 percent increase for 2007, as reported under the accrual basis of accounting. The net assets increase in fiscal 2008 is mainly comprised of a \$5,000 repayment of the loan from BART, \$24,135 revenue for the BART car replacement fund, and a decrease of STA assets of \$15,727 due to lower revenue. The increase to net assets for fiscal 2007 is due to several factors including a \$10,000 repayment of the loan from BART, \$23,414 revenue for the BART car replacement fund, and an increase to the STA fund of \$81,599 due from the increase in STA revenue. Net assets in the governmental funds increased by \$57,755 or 23.9 percent for the year ended June 30, 2008, compared to a \$128,104 gain or 112.9 percent increase for the year ended June 30, 2007, as reported under the modified accrual basis of accounting. The increase of \$57,755 in fiscal 2008 is due principally to \$24,135 revenue for the BART car replacement fund, a decrease of STA assets of \$15,727 due to lower revenue, and a \$47,000 payment from BATA as an assignment of the loan from BART. The increase in net assets for fiscal 2007 under the modified accrual basis consists of a \$10,000 payment of the loan from BART, \$23,414 revenue for the BART car replacement fund, and an increase to the STA fund of \$81,599 due to the increase in STA revenue.

At June 30, 2008 fiscal year, the general fund's unreserved fund balances were \$11,198 or 14.6 percent of total general fund expenditures for fiscal 2008. The general fund unreserved fund balance at June 30, 2007 fiscal year was \$12,870 or 18.3 percent of the total general fund expenditures. The unreserved general fund balance decreased by \$1,672 or 13.0 percent in fiscal 2008 as compared to a \$4,038 or 45.7 percent increase in fiscal 2007. The change was largely due to an operating deficit of \$7,557 in fiscal 2008.

Following are some operational highlights from fiscal year 2008:

- The 511 Program upgraded system equipment, deployed a new transit trip planner and debuted a personalized 'My 511' service for traffic users.
- The Freeway Service Patrol (FSP) in-vehicle telecommunications equipment was upgraded to automate data collection, analysis and the tracking of vehicles. The new Benicia-Martinez Bridge opened to traffic in August 2007. The bridge features included two open road tolling (ORT) lanes, which has significantly reduced traffic congestion in the corridor.
- MTC held a joint ABAG/MTC Fall Forum to kick off the 2009 Regional Transportation Plan update (known as Transportation 2035).

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Management's Discussion and Analysis (unaudited) continued

- MTC adopted a state-mandated Regional Rail Plan in October 2007.
- Caltrans accepted the Skyway work as complete on the San Francisco-Oakland Bay Bridge East Span Seismic Replacement Project.
- The project to convert call boxes from analog to digital format and to a touch-tone text pad was completed.

The most significant financial impact during 2008 resulted from the sub-prime mortgage fallout. Losses in sub-prime mortgage values hurt insurance firms who lost their "AAA" ratings for the first time. Bonds insured by Ambac and XL Capital Assurance increased in cost and were ultimately refunded.

B. Overview of Government-Wide Financial Statements

The government-wide financial statements provide an overview of MTC, as well as its blended and discretely presented component units. Bay Area Infrastructure Financing Authority (BAIFA), a discretely presented component unit, is presented in a separate column after the Total column in the government-wide Statement of Net Assets. The government-wide financial statements comprise a Statement of Net Assets, a Statement of Activities, and accompanying footnotes. The Statement of Net Assets presents information on the government-wide assets and liabilities of MTC at the end of the 2008 fiscal year. The difference between the assets and liabilities is reported as "Net Assets." The Statement of Activities presents government-wide information showing the change in net assets resulting from revenues earned and expenses incurred during the 2008 and 2007 fiscal years. All changes in net assets are recorded as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

The government-wide financial statements distinguish business-type activities, which recover a significant portion of costs from user fees or charges, from governmental activities that are principally supported by grants, contributions, taxes and intergovernmental sources.

MTC is composed of governmental and business-type funds, as well as one discretely presented component unit. The governmental funds are comprised of the general fund, the special revenue funds and the capital project funds. The business or proprietary funds are BATA, MTC SAFE, and BAIFA. BATA and MTC SAFE are blended component units whose transactions are presented as if they were business-type funds. BAIFA is a discretely presented component unit on the government-wide financial statements. These funds are further described on Note 1A to the Financial Statements.

The government-wide Statement of Net Assets and Statement of Activities are presented on pages 14-17 of this report with the accompanying footnotes being presented on pages 32-75.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Management's Discussion and Analysis (unaudited) continued

C. Overview of the Fund Financial Statements

i.) Governmental Funds

Governmental funds are used to account for the MTC activities and are supported primarily by grants, contributions, sales taxes, and intergovernmental revenue sources. Government funds focus on the annual inflows and outflows of resources as well as on the balance of resources available to be spent at fiscal year-end rather than the longer term focus of governmental activities as seen in the government-wide financial statements. The governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison of governmental funds to governmental activities.

MTC's governmental funds include a general fund, two major special revenue funds, other nonmajor special revenue funds and a capital projects fund. These funds are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The general fund and two of the special revenue funds are considered to be major funds. The financial statements of the governmental funds, prepared under the modified accrual basis of accounting are on pages 18-21 of this report. A schedule detailing the nonmajor special revenue funds are included on pages 82-83 of this report.

MTC adopts annual budgets for all funds. However, a comparison of budget-to-actual is required only for the governmental funds and these are presented on pages 77-80 (major funds) and 84-88 (nonmajor funds) of this report.

ii.) Proprietary Funds

Proprietary funds are used to report business-type activities. MTC has two proprietary funds, BATA and MTC SAFE. These funds are presented as blended component units of MTC as if they were proprietary funds on the government-wide and fund financial statements. BATA oversees the administration of toll collection and maintenance activities for the seven state-owned bridges in the San Francisco Bay Area, as well as administers BATA RM 1 and RM 2 capital improvement programs approved by the voters in 1988 and 2004, respectively. AB 144 was passed on July 2005. As a result of the bill's passage, BATA received more oversight responsibilities over the seismic toll revenue as well as the retrofit program. MTC SAFE administers a freeway motorist aid system providing tow truck and call box services to stranded motorists in the nine Bay Area counties.

The financial statements of the proprietary funds are prepared on an accrual basis and are on pages 23-30

iii.) Fiduciary Funds

Fiduciary funds are used to account for resources held in a trust or agent capacity for the benefit of parties outside MTC. These funds are not reflected in the government-wide financial statements, as the resources cannot be used to support the programs of MTC or those of its component units. The fiduciary funds of MTC use the economic resources measurement focus and the accrual basis of accounting.

MTC reports on two fiduciary funds, Transportation Development Act (TDA) and BART Half-Cent Sales Tax (AB 1107) funds. Revenue for each of these funds are derived from sales tax revenues. The revenues for the TDA fund are deposited in MTC's name as fiduciary with the respective treasurer in each of the

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Management's Discussion and Analysis (unaudited) continued

nine counties in the region. The revenues for the AB 1107 fund are deposited with the State of California. MTC has administrative oversight for the allocation of these funds.

The fiduciary funds financial statement is presented on page 31 of this report.

iv) Discretely Presented Component Unit

The Bay Area Infrastructure Authority (BAIFA) was established in August 2006, as a separate public entity pursuant to the California Joint Exercise of Power Act, to plan projects and obtain funding in the form of grants, contributions, appropriations, loans and other assistance and apply funds received to pay debt service on bonds issued by BAIFA to finance or refinance public transportation and related capital improvement projects. BAIFA is presented as a proprietary fund in the discretely presented component unit column of the government-wide financial statement as it does not meet the criteria for blending under the provisions of GASB Statement No. 14.

D. Notes to the Financial Statements

The notes to the financial statements, beginning on page 32, provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

E. Government-Wide Financial Analysis

Total government-wide liabilities exceeded total assets for fiscal 2008 by \$1,889,937 while total government-wide liabilities exceeded assets by \$1,356,625 for fiscal 2007 as illustrated in the following table. This represents a decrease in net assets for fiscal 2008 of \$533,312 and a decrease of \$265,182 for fiscal 2007. The cause of the net asset deficit is the impact of BATA financing the improvements on the seven state-owned toll bridges.

i.) Statement of Net Assets

The following table shows a portion of the MTC's government-wide statements of net assets for the last three years:

Metropolitan Transportation Commission's Statement of Net Assets (\$000)									
	Governmental			Business-Type			Total		
	Activities			Activities					
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Cash and investments	\$ 273,188	\$ 212,094	\$ 125,529	\$ 2,901,882	\$ 2,701,811	\$ 1,916,801	\$ 3,175,070	\$ 2,913,905	\$ 2,042,330
Receivables	80,962	81,949	19,160	12,912	28,178	62,112	93,874	110,127	81,272
Other assets	8,139	759	614	51,695	48,001	34,194	59,834	48,760	34,808
Loan to other agency	42,000	47,000	57,000	-	-	-	42,000	47,000	57,000
Capital assets	8,855	6,133	5,827	8,206	5,596	5,394	17,061	11,729	11,221
Total assets	413,144	347,935	208,130	2,974,695	2,783,586	2,018,501	3,387,839	3,131,521	2,226,631
Long term liabilities	38,668	1,441	1,323	4,905,498	4,132,106	3,116,841	4,944,166	4,133,547	3,118,164
Other liabilities	61,557	53,040	32,893	272,053	301,558	167,017	333,610	354,598	199,910
Total liabilities	100,225	54,481	34,216	5,177,551	4,433,664	3,283,858	5,277,776	4,488,145	3,318,074
Net assets:									
Invested in capital assets,									
net of related debt	8,768	6,015	5,827	8,206	5,596	5,539	16,974	11,611	11,366
Restricted	200,513	157,234	117,117	338,458	691,735	643,444	538,971	848,969	760,561
Unrestricted	103,638	130,205	50,970	(2,549,520)	(2,347,410)	(1,914,340)	(2,445,882)	(2,217,205)	(1,863,370)
Total net assets / (deficit)	\$ 312,919	\$ 293,454	\$ 173,914	\$ (2,202,856)	\$ (1,650,079)	\$ (1,265,357)	\$ (1,889,937)	\$ (1,356,625)	\$ (1,091,443)

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Management's Discussion and Analysis (unaudited) continued

Cash and investments increased by \$261,165 from 2007 to 2008 and by \$871,575 from 2006 to 2007. The increase is mainly the result of proceeds of two BATA toll revenue bonds issues.

Long-term liabilities increased by \$810,619 or 19.6 percent in 2008 and \$1,015 or 32.3 percent in 2007 due to the issuance of two new BATA bonds totaling to \$1,007,760, less \$500,000 defeasance of a portion of 2006 series bonds.

In fiscal year 2007, BATA entered into a contribution agreement with the BAIFA. Under the contribution agreement, BATA pledged and irrevocably assigned to BAIFA \$1,135,000 of future state payments representing part of the State of California's share for the seismic retrofit and replacement program. The state payments are provided for in state legislation. In December 2006, BAIFA issued notes called State Payment Acceleration Notes (SPAN) of \$972,320. As BATA incurs expenses for the seismic projects, BAIFA reimburses BATA from the note proceeds. The transactions are accounted for under Governmental Accounting Standards Board Statement Number 48 on "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues."

Other liabilities decreased by \$20,988 or 5.9 percent in 2008 compared to an increase of \$154,688 or 77.4 percent in 2007. The decrease in 2008 and the increase in 2007 are due to several factors, including combined accounts payable and accrued expenses decrease due to late billing by RM2 claimants in 2007. The payable to Caltrans increased by \$34,226 due to a large invoice in June 2008 and unearned revenues from patrons of the FasTrak[®] program in both fiscal years 2008 and 2007. In addition, the current portion of the amount due to BAIFA decreased by \$56,980 based on the payment schedule.

The net deficit increased by \$533,312 in 2008 following an increase of \$265,182 in 2007. The increase in the net deficit for both fiscal years is mainly from the drawdowns of the Seismic Retrofit and RM 1 programs. BATA is the financing arm for the Regional Measures 1, 2, and Seismic Retrofit programs. The bond proceeds from these debt obligations are used to reimburse Caltrans for capital construction costs on the seven state-owned toll bridges. Since the bridges are not capitalized under BATA and title remains with Caltrans, the combination of distributions to Caltrans and increased debt to pay for project expenditures creates a negative asset or a deficit. Future toll revenues are pledged to cover debt service payments. BATA owns the toll revenue stream and the debt. Caltrans owns the bridges and is doing the capital construction work, which is reimbursed by BATA. This information is more fully described in Note 2 of this report.

ii) Statement of Activities

The net assets for governmental activities increased in both 2008 and 2007 while negative net assets also increased over the same period for business type activities. The increase in negative net assets is the result of BATA project financing and expense activities. A breakdown of this activity is illustrated in the table below:

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Metropolitan Transportation Commission's Statement of Activities (\$000)									
	Governmental			Business-Type			Total		
	Activities			Activities					
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Revenues:									
Program revenues:									
Charges for services	\$ -	\$ -	\$ -	\$ 497,712	\$ 434,341	\$ 293,000	\$ 497,712	\$ 434,341	\$ 293,000
Operating grants and contributions	212,272	320,311	57,641	110,372	283,082	8,868	322,644	603,393	66,509
Capital grants and contributions	9,858	-	70,770	-	1,235	499,403	9,858	1,235	570,173
General revenues:									
Investment earnings	11,390	10,908	3,996	116,704	97,280	44,857	128,094	108,188	48,853
Total revenues	233,520	331,219	132,407	724,788	815,938	846,128	958,308	1,147,157	978,535
Expenses:									
General government	90,203	93,884	63,297	-	-	-	90,203	93,884	63,297
Allocations to other agencies	152,775	145,647	87,731	-	-	-	152,775	145,647	87,731
Toll bridge activities	-	-	-	1,234,968	1,155,916	617,546	1,234,968	1,155,916	617,546
Congestion relief	-	-	-	13,675	16,892	12,401	13,675	16,892	12,401
Total expenses	242,978	239,531	151,028	1,248,643	1,172,808	629,947	1,491,621	1,412,339	780,975
Inc/(Dec) in net assets before transfers	(9,458)	91,688	(18,621)	(523,855)	(356,870)	216,181	(533,313)	(265,182)	197,560
Transfers in (out)	28,922	27,852	32,238	(28,922)	(27,852)	(32,238)	-	-	-
Income/loss before contributions and extraordinary item	19,464	119,540	13,617	(552,777)	(384,722)	183,943	(533,313)	(265,182)	197,560
Contributed capital	-	-	-	-	-	-	-	-	-
Distribution for Caltrans bond defeasance	-	-	-	-	-	(1,119,563)	-	-	(1,119,563)
Total contributed capital/distributions	-	-	-	-	-	(1,119,563)	-	-	(1,119,563)
Increase (decrease) in net assets	19,464	119,540	13,617	(552,777)	(384,722)	(935,620)	(533,313)	(265,182)	(922,003)
Net assets / (deficit) - Beginning	293,454	173,914	160,297	(1,650,079)	(1,265,357)	(329,737)	(1,356,625)	(1,091,443)	(169,440)
Net assets / (deficit) - Ending	\$ 312,918	\$ 293,454	\$ 173,914	\$ (2,202,856)	\$ (1,650,079)	\$ (1,265,357)	\$ (1,889,938)	\$ (1,356,625)	\$ (1,091,443)

Management does not believe that Governmental Funds and Business-type Activities are comparable for analytical purposes. While the combined schedules show a total picture of MTC responsibilities, the two activities must be seen in their parts to evaluate MTC's financial results. State and federal laws restrict MTC's various funding sources to specific responsibilities that cannot be combined or commingled. Additional explanation will be found under the Business-type Activities as well as the schedule of Governmental Funds.

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F. Financial Analysis of Business-Type Activities

The following table shows the results of operations for the last three years.

	Business-Type Activities (\$000)								
	Bay Area Toll Authority			MTC SAFE			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Revenues:									
Toll revenues collected by Caltrans	\$ 477,377	\$ 422,355	\$ 280,277	\$ -	\$ -	\$ -	\$ 477,377	\$ 422,355	\$ 280,277
Other operating revenues	14,309	5,989	6,799	6,026	5,998	5,924	20,335	11,987	12,723
Total revenues	491,686	428,344	287,076	6,026	5,998	5,924	497,712	434,342	293,000
Operating expenses:									
Operating exp incurred by Caltrans	30,271	29,576	32,657	-	-	-	30,271	29,576	32,657
Other operating expenses	70,820	71,351	48,932	13,698	16,776	12,148	84,518	88,127	61,080
Total operating expenses	101,091	100,927	81,589	13,698	16,776	12,148	114,789	117,703	93,737
Operating income/(loss)	390,595	327,417	205,487	(7,672)	(10,778)	(6,224)	382,923	316,639	199,263
Non-operating revenues/(expenses)									
Interest income	116,134	96,415	44,060	570	865	798	116,704	97,280	44,858
Interest expense	(191,859)	(131,439)	(63,146)	-	-	-	(191,859)	(131,439)	(63,146)
Financing fees	(7,622)	-	-	-	-	-	(7,622)	-	-
Bond issuance cost	(1,387)	(1,066)	-	-	-	-	(1,387)	(1,066)	-
Operating grant	102,832	275,590	2,859	7,540	7,491	6,009	110,372	283,081	8,868
Contributions from Caltrans	-	1,235	499,403	-	-	-	-	1,235	499,403
Contribution to BAIFA	-	(15,000)	-	-	-	-	-	(15,000)	-
Dist other agencies for their cap purp	(933,009)	(907,485)	(472,812)	-	-	(253)	(933,009)	(907,485)	(473,065)
Other	-	-	-	23	(115)	-	23	(115)	-
Total non-oper revenues (exp)	(914,911)	(681,750)	10,364	8,133	8,241	6,554	(906,778)	(673,509)	16,918
Income/(loss) before transfers, contributions, and extraordinary item	(524,316)	(354,333)	215,851	461	(2,537)	330	(523,855)	(356,870)	216,181
Transfers									
Transfers to MTC/between programs	(27,208)	(28,516)	(30,771)	(1,714)	664	(1,467)	(28,922)	(27,852)	(32,238)
Inc (loss) before extraordinary item	(551,524)	(382,849)	185,080	(1,253)	(1,873)	(1,137)	(552,777)	(384,722)	183,943
Extraordinary item									
Dist for Caltrans bond defeasance	-	-	(1,119,563)	-	-	-	-	-	(1,119,563)
Change in net assets	(551,524)	(382,849)	(934,483)	(1,253)	(1,873)	(1,137)	(552,777)	(384,722)	(935,620)
Total net assets / (deficit) - beginning	(1,674,324)	(1,291,475)	(356,992)	24,245	26,118	27,255	(1,650,079)	(1,265,357)	(329,737)
Total net assets / (deficit) - ending	\$ (2,225,848)	\$ (1,674,324)	\$ (1,291,475)	\$ 22,992	\$ 24,245	\$ 26,118	\$ (2,202,856)	\$ (1,650,079)	\$ (1,265,357)

BATA is the largest of MTC's business-type activities and one of the largest toll enterprises in the country. During 2008, BATA received the benefit of having a full year of revenue from the second seismic dollar. BATA also suffered significant increases in debt costs as a result of the failure of sub-prime mortgages and auction rate market for insured tax-exempt debt. BATA started the process of lowering debt costs by completing the restructuring of its entire \$2.9 billion variable rate debt portfolio with \$500 million insured auction and variable rate bonds completed during fiscal 2008. The remaining \$2.4 billion balance of the insured variable rate portfolio was successfully restructured in fiscal 2009.

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BATA's toll revenue of \$477,377 increased by \$55,022 in 2008 which followed an increase of \$142,078 in 2007. The increase is a result of a full year collecting the second seismic dollar which became effective January 1, 2007. However, the total number of paid toll vehicles for all bridges decreased by 1.8 percent in 2008 after a drop of 1.4 percent in fiscal 2007. Management believes this decrease in toll traffic is the result of increased transit ridership as well as increased violations. Management is evaluating this change as well as updating the violation system. Detailed traffic counts are available in the Statistical Section, Table 8.

BATA's other operating revenue consisting primarily of toll violation payments, increased by \$8,320 for fiscal 2008 after dropping slightly in 2007. The increase is due to the improved collection of violation penalties particularly through the holds placed by the California Department of Motor Vehicles (DMV). The DMV hold program, initiated in 2007, was in effect for all of fiscal 2008.

BATA's total operating expenses rose by \$164 or 1.6 percent in 2008 on top of a 23 percent increase for 2007. The increases are mainly the result of the expended operation of the FasTrak[®] program and financing activities of the new bonds. Salaries and benefits increased \$612 in 2008 and \$2,213 in 2007. The salary increases relate to the transition of Caltrans employees to BATA in fiscal 2007. Other expenses increased by \$1,819 in 2008 as a result of additional bank service charges and advertising expenses for FasTrak[®], Department of Motor Vehicle fees associated with the enforcement of toll violations, and an increase in insurance expense.

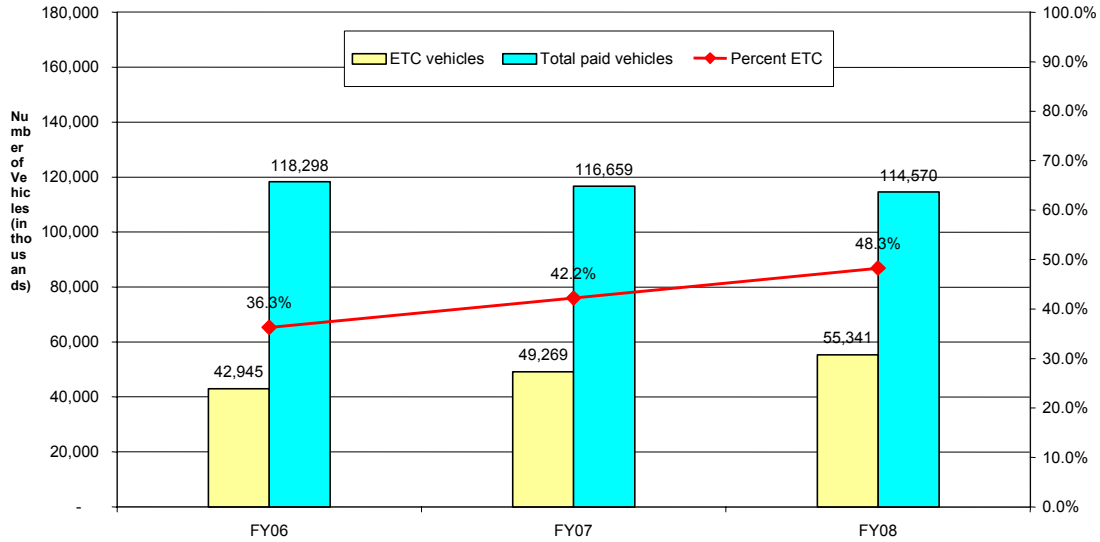
BATA's investment and interest income for 2008 of \$116,134 represents an increase of 20.5 percent over 2007 after an increase of \$52 million in 2007. The increases were generated from larger cash balances on hand, as well as increasing investment rates.

BATA's interest expense increased by \$61 million and \$68 million for fiscal 2008 and 2007 respectively. Two factors impacted the increased debt costs: the addition of \$1 billion in new debt, and the market disruption resulting from the sub-prime and auction rate market failures in 2008. In October 2007, BATA issued \$500 million in insured variable rate debt and was also impacted by a full year of debt service costs on the 2007 issuance of \$810,950 toll revenue bonds. BATA also saw a spike in interest rate costs when the auction bond market, as well as the value of municipal bond insurance, failed.

Revenue collections from the FasTrak[®] electronic toll program continue to increase. Electronic toll collection (ETC) revenue comprised 48.3 percent of the total paid vehicles in fiscal 2008 compared to 42.2 percent in the prior fiscal year. The graph on the next page illustrates the increase in electronic toll collection usage for the last three years.

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ETC Usage by Fiscal Year



The growth in ETC processing has had the positive impact of improving traffic flow on the bridges, but has experienced an increase in toll violations. As a result, toll violation revenue (“other revenue”) almost tripled in the past year.

MTC Service Authority for Freeways and Expressways (SAFE) operating revenues increased by \$28 or 0.5 percent in fiscal year 2008 and increased \$73 or 1.2 percent in 2007. Operating expense for SAFE decreased \$3,078, or 18.3 percent in 2008 and increased by \$4,628 or 38.1 percent in 2007. The difference in operating expense for fiscal 2008 is mainly due to a decrease in depreciation expense of \$3,519 as fiscal 2007 depreciation included expenses for upgrading call boxes and an increase in towing expense of \$663 due to the addition of new beats for the Freeway Service Patrol program. The difference in operating expenses for 2007 fiscal year is due mainly to increase in depreciation of \$3,584 from the previous year. The additional depreciation expenses were primarily for bringing call boxes to current code specifications and in line with the depreciated life of the assets.

G. Financial Analysis of Governmental Funds

The fund balance, including restricted and unrestricted funds, has increased in each of the last three years. The fund balance of the MTC governmental funds was \$299,364 and \$241,609 for fiscal years 2008 and 2007, respectively, as reported under the modified accrual basis of accounting. The fund balance includes an amount of \$144,719 reserved for capital projects for fiscal 2008 and \$99,694 for fiscal 2007. The unreserved balance of \$136,978 and \$117,335 for fiscal 2008 and 2007, respectively, is to be used for purposes specific to the special revenue and capital projects funds. An amount of \$6,469 of the fund balance for 2008 and \$11,710 for 2007 has been reserved for specific Commission or other legal purposes. The remaining balance of \$11,198 and \$12,870 for 2008 and 2007 respectively, represent unreserved funds available for appropriation at the government’s discretion.

The following table illustrates the revenues and expenditures for the past three fiscal years. Refer to page 22 for the reconciliation of the governmental funds to the Statement of Activities.

Metropolitan Transportation Commission
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	<u>Governmental Funds (\$000)</u>		
	2008	2007	2006
Revenues:			
Sales taxes	\$ 10,799	\$ 10,626	\$ 10,355
Grants - Federal	50,727	44,210	37,452
Grants - State	127,565	227,808	74,084
Local agency revenues	33,039	37,666	6,520
Investment income	12,800	9,499	3,997
Total revenues	234,930	329,809	132,408
Expenditures:			
Current:			
General government	74,153	59,181	49,945
Allocations to other agencies	163,201	156,210	95,765
Capital outlay	15,743	14,166	5,639
Total expenditures	253,097	229,557	151,349
Transfers in	75,922	27,852	32,238
Net change in fund balance	57,755	128,104	13,297
Fund balance - beginning	241,609	113,505	100,208
Fund balance - ending	\$ 299,364	\$ 241,609	\$ 113,505

Overall revenue dropped \$95 million or 29 percent in 2008 and increased by \$197,401 in fiscal 2007. While MTC's sales tax revenue increased in 2008, . Four of the nine counties, Alameda, Contra Costa, Solano, and Sonoma had decreases for fiscal 2008. These counties also were adversely affected by the sub-prime housing market. The decrease in state and other agency revenue for fiscal 2008 of \$104,870 stems mainly from a decrease of \$96,471 of State Transit Assistance (STA) revenue.

Overall, governmental fund expenditures grew \$23 million in 2008 and increased by \$78 million in 2007. The 2008 general government expenditures increased by \$14,972 due mostly to pre-funding the Other Post Employment Benefit (OPEB) liability. More information on the pre-funding of the OPEB liability is provided in Note 9. The general government expenditures increased by \$9,236 in 2007 due to additional program expenditures due mostly to additional program expenditures. Additional program expenditures include increases to the Spare the Air program of \$2,758 and \$2,473 of expenditures for the MacArthur Maze emergency response. Allocations to other agencies increased by \$6,991 or 4.47 percent for fiscal 2008 as compared to \$60,445 or 63.1 percent for fiscal 2007 as a result of higher STA revenue.

The capital outlay expenditures increased by \$1,577 in fiscal 2008 and \$8,527 in fiscal 2007. The increase in capital outlay expenditures of \$3,757 includes the seismic retrofit expenditures for MTC building.

The increase of \$48,070 for transfer in 2008 is the result of MTC receiving \$47,000 as proceeds from the BART loan assignment. Under the agreement, MTC assigned the balance of the BART loan to BATA in exchange for an up-front payment.

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H. General Fund Budget

The MTC general fund budget was amended by \$10 million or 11.5 percent in increased revenue and approximately \$15 million in additional expenditures. The actual revenue-to-expenditure balance for 2008 reflects an operating deficit of \$7.6 million.

The following provides a condensed view of the final budgeted results compared to actual results for the year ended June 30, 2008.

	<u>General Fund Budget</u>			
	Adopted Budget	Final Budget	Actual	Variance
Revenues	\$ 91,034	\$ 101,460	\$ 54,612	\$ (46,848)
Expenditures	143,325	157,549	76,564	80,985
Excess/(Deficiency)	(52,291)	(56,089)	(21,952)	34,137
Transfer in	41,019	43,843	14,395	(29,448)
Net change in fund balance	(11,272)	(12,246)	(7,557)	4,689
Fund balance - beginning	26,819	26,819	26,819	-
Fund balance - ending	\$ 15,547	\$ 14,573	\$ 19,262	\$ 4,689

The revenue increase was the result of increased federal grants while the expense side included the budget for the grant, as well as pre-funding the agency's OPEB obligation. It is pre-funding over \$7.7 million in OPEB liability that caused the general fund imbalance for 2008.

MTC's federal and state funding sources are on a reimbursement basis so it is not unusual for revenue to lag behind the budget. Actual expenditures were also well below budget as not all programs were completed by year-end and several major ones were budgeted but were not completed.

I. Capital Asset Administration

MTC's investment in capital assets for all funds, governmental and proprietary, is \$17,061 for fiscal 2008 and \$11,730 for fiscal 2007 as reported under the accrual basis of accounting. The new Open Road Tolling lanes at the Benicia-Martinez Bridge increased capitalized costs by \$2,792 for fiscal 2008. Also, construction-in-progress costs incurred of \$3,166 in fiscal 2008 and \$337 for fiscal 2007 for the seismic retrofit work of MTC's offices. Also in fiscal 2007, 396 call boxes were removed due to higher usage of cell phones, with a net book value of \$1. Call box enhancements were \$450 for fiscal year 2007. Assets relating to the seven state-owned bridges administered by BATA are recorded with Caltrans.

Additional information on MTC's capital assets is disclosed in Note 4 on pages 51-54 of this report.

J. Long-Term Debt Administration

BATA bond insurers Ambac and XL Capital Assurance were downgraded several notches below "AAA" by the three major rating agencies in early 2008. As a result, all of BATA's insured variable rate bonds experienced interest rate spikes in the weekly resets. Refer to Schedule 14 for further detailed information.

The market turmoil of 2008 also had an impact on the BATA debt and swap portfolio. Part of the 2008 turmoil was the collapse of the auction rate market compounded by the downgrade of the bond insurers. As a result, BATA incurred an increase of nearly \$60 million in additional interest costs during 2008.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Management's Discussion and Analysis (unaudited) continued

BATA restructured the entire \$2.9 billion variable rate debt portfolio beginning with \$500 million during fiscal 2008.

Component Unit - BAIFA. In December 2006, BATA entered into a contribution agreement with the Bay Area Infrastructure Financing Authority. Under the contribution agreement, BATA pledged and assigned its rights to future scheduled payments of \$1,135,000 from the State of California to BAIFA. Annual payments to BAIFA are scheduled through year 2014. The amount represents a part of the state's share of the Seismic Retrofit and Replacement Program. In the same month, BAIFA issued State Payment Acceleration Notes (SPAN) of \$972,320. BAIFA deposited a portion of the bond proceeds of \$887,991 in the project fund for reimbursement to BATA for the seismic project expenses in return for the pledged revenues. BAIFA used the remaining note proceeds for deposit in the Pledged Revenue Fund, Reserve Fund or payment for the cost of issuance. As of fiscal year end 2008, BAIFA has reimbursed BATA all the proceeds from the SPANs in the project fund for the costs of seismic retrofit projects. BAIFA also has received \$225,000 to date of the \$1,135,000 schedule pledged revenue from the state.

Additional information on MTC's long-term debt can be found in Note 5 on pages 55-67 of this report.

K. Economic Factors Impacting MTC

The Bay Area economy has been impacted by gas prices, the slowdown in sales and construction of the housing market, and an increase in the number of foreclosures. There are further concerns about the collapse of the sub-prime mortgages. The Association of Bay Area Governments sees moderate growth for the remainder of the year. General factors include:

- Continued volatility in the liquidity, financial and housing markets. There were record high foreclosures the last quarter of fiscal 2008 in California. More BATA bond refundings will occur for bonds that had insurer downgrades in the first quarter of fiscal 2009.
- Unemployment in the Bay Area has increased to 5.8 percent.
- There was a 1.6 percent increase in sales tax revenue for the combined nine Bay Area counties, and the fiscal 2007 increase was 2.6 percent. Region-wide sales tax revenue increased for the fifth straight year after two straight declining years. Sales tax revenue for fiscal 2009 is projected to be flat unless the sales tax is increased.
- Basic living expenses such as fuel and food prices have increased with inflation.

Requests for information

This financial report is designed to provide a general overview of the Metropolitan Transportation Commission's financial position for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Metropolitan Transportation Commission, 101 8th Street, Oakland, CA 94607.

Metropolitan Transportation Commission
Statement of Net Assets
June 30, 2008

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Bay Area
	Activities	Activities		Infrastructure Financing Authority
Assets				
Cash and cash equivalents - unrestricted	\$ 146,684,310	\$ 1,398,957,426	\$ 1,545,641,736	\$ -
Cash and cash equivalents - restricted	710,665	894,850,999	895,561,664	222,949,723
Investments - unrestricted	79,128,260	324,652,881	403,781,141	-
Investments - restricted	46,664,674	283,421,023	330,085,697	-
Receivables:				
Accounts and tolls due	143,983	2,355,089	2,499,072	-
Due from Bay Area Toll Authority	-	-	-	688,090,461
Interest	1,440,410	6,347,811	7,788,221	207,837
State/ Caltrans funding	46,283,945	3,928,637	50,212,582	-
Federal funding	33,093,681	280,346	33,374,027	-
Prepaid items	407,520	533,736	941,256	3,750
Bond issuance costs	-	51,161,294	51,161,294	10,272,865
Loan to other agency	42,000,000	-	42,000,000	-
OPEB Prefunding	7,731,865	-	7,731,865	-
Capital assets (net of accumulated depreciation)	8,855,077	8,205,986	17,061,063	-
Total assets	413,144,390	2,974,695,228	3,387,839,618	921,524,636
Liabilities				
Accounts payable	39,897,831	38,021,371	77,919,202	-
Accrued liabilities	12,290,364	40,554,465	52,844,829	17,423,750
Unearned revenue	-	37,431,091	37,431,091	-
Due to Caltrans	-	77,086,143	77,086,143	-
Noncurrent liabilities:				
Long term debt				
Due within one year	-	43,965,000	43,965,000	69,770,000
Due in more than one year	-	4,293,890,298	4,293,890,298	843,059,269
Due to/ (from) other funds				
Due within one year	8,005,250	(8,005,250)	-	-
Due in more than one year	37,000,000	(37,000,000)	-	-
Due to BAIFA				
Due within one year	-	43,000,000	43,000,000	-
Due in more than one year	-	645,090,461	645,090,461	-
Other noncurrent liabilities				
Due within one year	1,363,748	-	1,363,748	-
Due in more than one year	1,668,279	3,517,474	5,185,753	-
Total liabilities	100,225,472	5,177,551,053	5,277,776,525	930,253,019
Net Assets / (Deficit)				
Invested in capital assets, net of related debt	8,768,236	8,205,986	16,974,222	-
Restricted for:				
Capital projects	144,719,381	-	144,719,381	-
RM 2 program reserve	-	138,457,885	138,457,885	-
Debt reserve	-	150,000,000	150,000,000	-
Extraordinary loss reserve	-	50,000,000	50,000,000	-
Long-term loan/interest receivable	42,000,000	-	42,000,000	-
OPEB Prefund	7,731,865	-	7,731,865	-
STA Reserve	4,175,455	-	4,175,455	-
Other purposes	1,886,102	-	1,886,102	-
Unrestricted	103,637,879	(2,549,519,696)	(2,445,881,817)	(8,728,383)
Total net assets / (deficit)	\$ 312,918,918	\$ (2,202,855,825)	\$ (1,889,936,907)	\$ (8,728,383)

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

Metropolitan Transportation Commission
Statement of Net Assets
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Bay Area Infrastructure Financing Authority
Assets				
Cash and cash equivalents - unrestricted	\$ 147,689,909	\$ 641,136,802	\$ 788,826,711	\$ -
Cash and cash equivalents - restricted	24,241,571	436,771,589	461,013,160	651,622,694
Investments - unrestricted	40,161,899	1,209,456,368	1,249,618,267	-
Investments - restricted	-	414,446,149	414,446,149	-
Receivables:				
Accounts and tolls due	36,974	2,701,717	2,738,691	-
Due from Bay Area Toll Authority	-	-	-	389,367,388
Interest	3,190,995	22,673,027	25,864,022	1,677,912
Caltrans - funding	60,549,637	2,074,911	62,624,548	-
Federal funding	18,171,618	727,775	18,899,393	-
Prepaid items	758,738	2,373,825	3,132,563	-
Bond issuance costs	-	45,627,447	45,627,447	11,365,646
Loan to other agency	47,000,000	-	47,000,000	-
Capital assets (net of accumulated depreciation)	6,133,478	5,596,330	11,729,808	-
Total assets	347,934,819	2,783,585,940	3,131,520,759	1,054,033,640
Liabilities				
Accounts payable	37,639,378	43,990,038	81,629,416	-
Accrued liabilities	9,235,815	44,732,013	53,967,828	19,176,750
Unearned revenue	-	32,284,694	32,284,694	-
Due to / (from) other funds	3,897,305	(3,897,305)	-	-
Due to Caltrans	1,010,177	41,849,473	42,859,650	-
Noncurrent liabilities:				
Long term debt				
Due within one year	-	42,620,000	42,620,000	105,180,000
Due in more than one year	-	3,839,871,690	3,839,871,690	917,688,994
Due to BAIFA				
Due within one year	-	99,979,552	99,979,552	-
Due in more than one year	-	289,387,836	289,387,836	-
Other noncurrent liabilities				
Due within one year	1,257,108	-	1,257,108	-
Due in more than one year	1,441,059	2,846,791	4,287,850	-
Total liabilities	54,480,842	4,433,664,782	4,488,145,624	1,042,045,744
Net Assets / (Deficit)				
Invested in capital assets, net of related debt	6,015,009	5,596,330	11,611,339	-
Restricted for:				
Capital projects	99,693,883	-	99,693,883	-
RM 2 program reserve	-	159,260,022	159,260,022	-
Seismic program reserve	-	357,474,498	357,474,498	-
Debt reserve	-	125,000,000	125,000,000	-
Extraordinary loss reserve	-	50,000,000	50,000,000	-
Long-term loan/interest receivable	48,410,000	-	48,410,000	-
Debt service	-	-	-	11,987,896
Other purposes	9,130,266	-	9,130,266	-
Unrestricted	130,204,819	(2,347,409,692)	(2,217,204,873)	-
Total net assets / (deficit)	\$ 293,453,977	\$ (1,650,078,842)	\$ (1,356,624,865)	\$ 11,987,896

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

Metropolitan Transportation Commission Statement of Activities For the Year Ended June 30, 2008

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Operating		Capital		Primary Government		Component Unit	
	Charges for Services	Grants and Contributions	Grants and Contributions	Contributions	Governmental Activities	Business-Type Activities	Total	Bay Area Infrastructure Financing Auth
<i>Governmental Activities:</i>								
General government	\$ 85,202,758	\$ -	\$ 89,565,914	\$ -	\$ 4,363,156	\$ -	\$ 4,363,156	\$ -
Transportation	152,775,596	-	117,706,667	9,858,000	(25,210,929)	-	(25,210,929)	-
Total governmental activities	237,978,354	-	207,272,581	9,858,000	(20,847,773)	-	(20,847,773)	-
<i>Business-type Activities:</i>								
Toll bridge activities	1,234,968,178	491,685,881	102,832,315	-	-	(640,449,982)	(640,449,982)	-
Congestion relief	13,675,326	6,026,423	7,540,099	-	-	(108,804)	(108,804)	-
Total business-type activities	1,248,643,504	497,712,304	110,372,414	-	-	(640,558,786)	(640,558,786)	-
Total primary government	\$ 1,486,621,858	\$ 497,712,304	\$ 317,644,995	\$ 9,858,000	\$ (20,847,773)	\$ (640,558,786)	\$ (661,406,559)	\$ -
<i>Component Unit</i>								
BAIFA	\$ 38,473,976	\$ -	\$ 17,757,697	\$ -	-	-	-	\$ (20,716,279)
<i>General revenues:</i>								
Restricted investment earnings					1,454,256	-	1,454,256	-
Unrestricted investment earnings					9,936,121	116,704,140	126,640,261	-
Transfers					28,922,337	(28,922,337)	-	-
Total general revenues and transfers					40,312,714	87,781,803	128,094,517	-
Change in net assets					19,464,941	(552,776,983)	(533,312,042)	(20,716,279)
Net assets / (deficit) - beginning					293,453,977	(1,650,078,842)	(1,356,624,865)	11,987,896
Net assets / (deficit) - ending					\$ 312,918,918	\$ (2,202,855,825)	\$ (1,889,936,907)	\$ (8,728,383)

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

Metropolitan Transportation Commission Statement of Activities For the Year Ended June 30, 2007

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Primary Government			Component Unit
						Governmental Activities	Business-Type Activities	Total	Bay Area Infrastructure Financing Auth
<i>Governmental Activities:</i>									
General government	\$ 93,884,140	\$ -	\$ 92,502,501	\$ -	\$ 92,502,501	\$ (1,381,639)	\$ -	\$ (1,381,639)	\$ -
Transportation	145,646,986	-	227,808,567	-	227,808,567	82,161,581	-	82,161,581	-
Total governmental activities	239,531,126	-	320,311,068	-	320,311,068	80,779,942	-	80,779,942	-
<i>Business-type Activities:</i>									
Toll bridge activities	1,155,916,387	428,343,830	275,590,146	1,234,760	705,168,736	-	(450,747,651)	(450,747,651)	-
Congestion relief	16,891,976	5,997,648	7,491,482	-	13,489,130	-	(3,402,846)	(3,402,846)	-
Total business-type activities	1,172,808,363	434,341,478	283,081,628	1,234,760	718,657,866	-	(454,150,497)	(454,150,497)	-
Total primary government	\$ 1,412,339,489	\$ 434,341,478	\$ 603,392,696	\$ 1,234,760	\$ 1,038,968,934	\$ 80,779,942	\$ (454,150,497)	\$ (373,370,555)	\$ -
<i>Component Unit</i>									
BAIFA (For the eleven months ended)	\$ 22,961,933	\$ -	\$ 34,949,829	\$ -	\$ 34,949,829	-	-	-	\$ 11,987,896
<i>General revenues:</i>									
Restricted investment earnings						1,410,000	-	1,410,000	-
Unrestricted investment earnings						9,498,532	97,280,206	106,778,738	-
Transfers						27,851,702	(27,851,702)	-	-
Total general revenues and transfers						38,760,234	69,428,504	108,188,738	-
Change in net assets						119,540,176	(384,721,993)	(265,181,817)	11,987,896
Net assets / (deficit) - beginning						173,913,801	(1,265,356,849)	(1,091,443,048)	-
Net assets / (deficit) - ending	\$ 293,453,977	\$ (1,650,078,842)	\$ (1,356,624,865)	\$ (1,356,624,865)	\$ 11,987,896	\$ 80,779,942	\$ (1,356,624,865)	\$ (1,356,624,865)	\$ 11,987,896

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

Metropolitan Transportation Commission

Balance Sheet – Governmental Funds

June 30, 2008

	General	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents - unrestricted	\$ 13,513,068	\$ 17,505,808	\$ 75,875,918	\$ -	\$ 39,789,516	\$ 146,684,310
Cash and cash equivalents - restricted	149,990	-	-	-	560,675	710,665
Investments - unrestricted	205,862	25,318,171	-	-	53,604,227	79,128,260
Investments - restricted	-	-	-	-	46,664,674	46,664,674
Receivables:						
Accounts	13,999	-	-	999,464	-	1,013,463
Interest	1,587	78,160	750,000	-	610,663	1,440,410
State/Caltrans funding	3,401,966	-	42,824,841	57,138	-	46,283,945
Federal funding	23,335,418	-	-	8,888,782	-	32,224,200
Due from other funds	3,553,759	-	3,943,000	1,431,550	-	8,928,309
Prepaid items	407,520	-	-	-	-	407,520
Total assets	<u>\$ 44,583,169</u>	<u>\$ 42,902,139</u>	<u>\$ 123,393,759</u>	<u>\$ 11,376,934</u>	<u>\$ 141,229,755</u>	<u>\$ 363,485,756</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 13,726,611	\$ 3,655,005	\$ 19,522,644	\$ 1,910,520	\$ 1,083,051	\$ 39,897,831
Accrued liabilities	4,197,352	2,207,874	278,636	5,580,400	26,102	12,290,364
Due to other funds	7,397,699	286,258	1,023,278	2,369,469	856,855	11,933,559
Total liabilities	<u>25,321,662</u>	<u>6,149,137</u>	<u>20,824,558</u>	<u>9,860,389</u>	<u>1,966,008</u>	<u>64,121,755</u>
Fund balances						
Reserved for						
Benefits Reserve	2,202	-	-	-	-	2,202
Capital Projects	2,253,688	34,176,473	24,101,448	36,916	84,250,856	144,819,381
Seismic Retrofit	-	-	-	659,151	-	659,151
Professional Services Reserve	746,451	-	-	-	-	746,451
STA Reserve	4,175,455	-	-	-	-	4,175,455
HOV Reserve	478,298	-	-	-	-	478,298
Prepays Reserve	407,520	-	-	-	-	407,520
Unreserved, reported in						
General fund	11,197,893	-	-	-	-	11,197,893
Capital projects	-	-	-	820,479	-	820,479
Special revenue funds	-	2,576,529	78,467,753	-	-	82,044,282
Total fund balances	<u>19,261,507</u>	<u>36,753,002</u>	<u>102,569,201</u>	<u>1,516,546</u>	<u>55,012,891</u>	<u>136,057,173</u>
Total liabilities and fund balances	<u>\$ 44,583,169</u>	<u>\$ 42,902,139</u>	<u>\$ 123,393,759</u>	<u>\$ 11,376,935</u>	<u>\$ 141,229,755</u>	<u>\$ 299,564,003</u>
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds						8,855,077
Other Post Employment Benefit (OPEB) Prefund Asset						7,731,865
Capital leases are not due and payable in the current period and therefore are not reported in the funds						(86,841)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds						(2,945,186)
Net assets of governmental activities						<u>\$ 312,918,918</u>

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

Metropolitan Transportation Commission

Balance Sheet – Governmental Funds

June 30, 2007

	General	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents - unrestricted	\$ 24,021,806	\$ 15,892,060	\$ 86,955,355	\$ -	\$ 20,820,688	\$ 147,689,909
Cash and cash equivalents - restricted	1,010,177	-	-	-	23,231,394	24,241,571
Investments - unrestricted	196,005	25,037,897	-	-	14,927,997	40,161,899
Receivables:						
Accounts	36,974	-	-	-	-	36,974
Interest	62,552	398,490	1,000,000	-	319,953	1,780,995
State/Caltrans funding	5,261,369	-	55,201,908	86,360	-	60,549,637
Federal funding	15,873,725	-	-	2,297,893	-	18,171,618
Due from other funds	928,648	62,493	-	206,652	-	1,197,793
Prepaid items	758,738	-	-	-	-	758,738
Total assets	<u>\$ 48,149,994</u>	<u>\$ 41,390,940</u>	<u>\$ 143,157,263</u>	<u>\$ 2,590,905</u>	<u>\$ 59,300,032</u>	<u>\$ 294,589,134</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 11,621,624	\$ 881,342	\$ 23,576,449	\$ 1,238,532	\$ 321,431	\$ 37,639,378
Accrued liabilities	5,631,642	1,226,321	1,134,601	1,138,625	104,626	9,235,815
Due to other funds	3,067,716	677,672	150,184	-	1,199,526	5,095,098
Due to Caltrans	1,010,177	-	-	-	-	1,010,177
Total liabilities	<u>21,331,159</u>	<u>2,785,335</u>	<u>24,861,234</u>	<u>2,377,157</u>	<u>1,625,583</u>	<u>52,980,468</u>
Fund balances						
Reserved for						
Benefits Reserve	5,235,767	-	-	-	-	5,235,767
Capital Projects	2,238,803	35,793,077	31,322,343	117,700	30,221,960	99,693,883
Seismic Retrofit	979,169	-	-	-	-	979,169
Professional Services Reserve	2,167,438	-	-	-	-	2,167,438
STA Reserve	3,157,075	-	-	-	-	3,157,075
HOV Reserve	170,515	-	-	-	-	170,515
Unreserved, reported in						
General fund	12,870,068	-	-	-	-	12,870,068
Capital projects	-	-	-	96,048	-	96,048
Special revenue funds	-	2,812,528	86,973,686	-	-	89,786,214
Total fund balances	<u>26,818,835</u>	<u>38,605,605</u>	<u>118,296,029</u>	<u>213,748</u>	<u>27,452,489</u>	<u>117,238,703</u>
Total liabilities and fund balances	<u>\$ 48,149,994</u>	<u>\$ 41,390,940</u>	<u>\$ 143,157,263</u>	<u>\$ 2,590,905</u>	<u>\$ 59,300,032</u>	<u>\$ 241,608,666</u>
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds						6,133,478
Capital leases are not due and payable in the current period and therefore are not reported in the funds						(118,469)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds						(2,579,698)
Other long-term assets are not available for current-period expenditures and, therefore, are deferred in the funds						48,410,000
Net assets of governmental activities						<u>\$ 293,453,977</u>

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

**Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2008**

	General	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Sales taxes	\$ 10,276,412	\$ -	\$ -	\$ 523,006	\$ -	\$ 10,799,418
Grants - Federal	38,555,203	-	-	12,172,171	-	50,727,374
Grants - State	893,463	-	123,706,000	-	2,965,204	127,564,667
Local agencies revenues	4,097,121	-	-	761,001	28,181,000	33,039,122
Investment income - unrestricted	790,306	1,912,883	4,155,551	-	4,487,382	11,346,122
Investment income - restricted	-	-	-	-	1,454,256	1,454,256
Total revenues	54,612,505	1,912,883	127,861,551	13,456,178	37,087,842	234,930,959
Expenditures						
Current:						
General government	66,056,858	4,338	-	968,062	7,123,887	74,153,145
Allocations to other agencies	10,425,579	14,823,889	133,798,751	-	4,152,955	163,201,174
Capital outlay	82,517	-	-	15,661,122	-	15,743,639
Total expenditures	76,564,954	14,828,227	133,798,751	16,629,184	11,276,842	253,097,958
Excess / (deficiency) of revenues over / (under) expenditures	(21,952,449)	(12,915,344)	(5,937,200)	(3,173,006)	25,811,000	(18,166,999)
Other financing sources / uses						
Other financing source	-	-	-	-	47,000,000	47,000,000
Transfers in	20,418,598	11,083,741	3,943,000	4,475,804	9,857,581	49,778,724
Transfers out	(6,023,477)	(21,000)	(13,732,628)	-	(1,079,283)	(20,856,388)
Total other financing sources and uses	14,395,121	11,062,741	(9,789,628)	4,475,804	55,778,298	75,922,336
Net change in fund balances	(7,557,328)	(1,852,603)	(15,726,828)	1,302,798	81,589,298	57,755,337
Fund balances - beginning	26,818,835	38,605,605	118,296,029	213,748	57,674,449	241,608,666
Fund balances - ending	\$ 19,261,507	\$ 36,753,002	\$ 102,569,201	\$ 1,516,546	\$ 139,263,747	\$ 299,364,003

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

**Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2007**

	General	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Sales taxes	\$ 10,488,137	\$ -	\$ -	\$ 138,025	\$ -	\$ 10,626,162
Grants - Federal	33,606,619	-	-	10,604,097	-	44,210,716
Grants - State	4,348,726	-	220,177,635	346,360	2,935,846	227,808,567
Local Agencies Revenues	4,585,623	-	-	-	33,080,000	37,665,623
Investment income	1,352,416	1,927,225	3,572,649	-	2,646,242	9,498,532
Total revenues	54,381,521	1,927,225	223,750,284	11,088,482	38,662,088	329,809,600
Expenditures						
Current:						
General government	58,809,099	4,108	-	346,825	21,432	59,181,464
Allocations to other agencies	10,562,521	8,814,785	128,864,904	-	7,967,297	156,209,507
Capital outlay	905,026	-	-	13,261,380	-	14,166,406
Total expenditures	70,276,646	8,818,893	128,864,904	13,608,205	7,988,729	229,557,377
Excess / (deficiency) of revenues over / (under) expenditures	(15,895,125)	(6,891,668)	94,885,380	(2,519,723)	30,673,359	100,252,223
Other financing sources / uses						
Transfers in	18,696,014	11,322,328	-	2,518,696	10,005,726	42,542,764
Transfers out	-	-	(13,286,608)	-	(1,404,454)	(14,691,062)
Total other financing sources and uses	18,696,014	11,322,328	(13,286,608)	2,518,696	8,601,272	27,851,702
Net change in fund balances	2,800,889	4,430,660	81,598,772	(1,027)	39,274,631	128,103,925
Fund balances - beginning	24,017,946	34,174,945	36,697,257	214,775	18,399,818	113,504,741
Fund balances - ending	\$ 26,818,835	\$ 38,605,605	\$ 118,296,029	\$ 213,748	\$ 57,674,449	\$ 241,608,666

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

**Metropolitan Transportation Commission
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances – Governmental Funds to the Statement of Activities
 For the Years Ended June 30, 2008 and 2007**

	2008	2007
Net change in fund balances – total governmental funds (per Statement of Revenues, Expenditures and Changes in Fund Balances)	\$ 57,755,337	\$ 128,103,925
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded (not exceeded) non capital lease capital outlays in the current period.	2,721,598	306,602
Proceeds from the sale of capital assets provide financial resources to governmental funds while only the gain on the sale of the capital asset is reported in the statement of activities. Therefore, the change in net assets differ from the change in fund balance by the cost of the capital asset sold.	-	-
Interest Income on Long Term Loan Receivable not recognized in fiscal year 2008 for governmental reporting purposes	(1,410,000)	1,410,000
Repayment of the principal of the long-term receivable from BART is not recorded as a long term asset in the governmental funds for fiscal 2008. Loan advances (repayments received) to/from the agency were recorded as expense (income) in the governmental fund but were capitalized as a long-term asset in the statement of net assets.	(5,000,000)	(10,000,000)
Intra-entity transfer from BATA to MTC in fiscal year 2008	(47,000,000)	-
Repayment of Intra-entity loan between MTC and BATA in fiscal year 2008	5,000,000	
Principal repayment on capital leases in an expenditure in the governmental funds; however, the principal element of the repayment reduces long-term liabilities in the statement of net assets. This amount is the effect of the differing treatment of capital lease principal repayment.	31,628	29,967
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Other Post Employment Benefits prefunding	7,731,865	-
Compensated absences	(365,487)	(310,318)
Change in net assets of governmental activities (per Statement of Activities)	<u>\$ 19,464,941</u>	<u>\$ 119,540,176</u>

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

Metropolitan Transportation Commission
Statement of Net Assets – Proprietary Funds
June 30, 2008

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Assets			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 1,383,997,166	\$ 14,960,260	\$ 1,398,957,426
Cash and cash equivalents - restricted	691,584,902	-	691,584,902
Short-term investments - unrestricted	324,551,310	101,571	324,652,881
Short-term investments - restricted	44,719,500	-	44,719,500
Due from MTC	5,343,678	3,454,699	8,798,377
Accounts receivable	2,071,747	120	2,071,867
Accrued interest	6,334,118	13,693	6,347,811
Prepaid expenses	476,606	57,130	533,736
State/Caltrans funding	1,203,418	2,725,219	3,928,637
Funding due from local agency	283,222	-	283,222
Funding due from federal agency	-	280,346	280,346
Total current assets	<u>2,460,565,667</u>	<u>21,593,038</u>	<u>2,482,158,705</u>
Non-current assets:			
Restricted non-current assets:			
Cash and cash equivalents	203,266,097	-	203,266,097
Investments	238,701,523	-	238,701,523
Due from MTC	37,000,000	-	37,000,000
Bonds issuance costs	51,161,294	-	51,161,294
Capital assets:			
Furniture and equipment, net of accumulated depreciation	2,914,363	2,043	2,916,406
Intangible Assets, net of accumulated amortization	1,016,164	-	1,016,164
Call boxes, net of accumulated depreciation	-	1,487,328	1,487,328
Building	1,425,672	1,360,416	2,786,088
Total non-current assets	<u>535,485,113</u>	<u>2,849,787</u>	<u>538,334,900</u>
Total assets	<u>2,996,050,780</u>	<u>24,442,825</u>	<u>3,020,493,605</u>
Liabilities			
Current liabilities:			
Accounts payable	36,132,835	1,300,844	37,433,679
Accrued expenses	11,306,634	101,823	11,408,457
Accrued interest payable	29,146,008	-	29,146,008
Due to MTC	793,127	-	793,127
Unearned revenue	37,431,091	-	37,431,091
Retentions payable	539,103	48,589	587,692
Long-term debt - current	43,965,000	-	43,965,000
Due to Caltrans	77,086,143	-	77,086,143
Due to Bay Area Infrastructure Financing Authority	43,000,000	-	43,000,000
Total current liabilities	<u>279,399,941</u>	<u>1,451,256</u>	<u>280,851,197</u>
Non-current liabilities:			
Patron deposits	3,221,656	-	3,221,656
Rebate arbitrage liability	295,818	-	295,818
Due to Bay Area Infrastructure Financing Authority	645,090,461	-	645,090,461
Long-term debt, net	4,293,890,298	-	4,293,890,298
Total non - current liabilities	<u>4,942,498,233</u>	<u>-</u>	<u>4,942,498,233</u>
Total liabilities	<u>5,221,898,174</u>	<u>1,451,256</u>	<u>5,223,349,430</u>
Net assets / (deficit)			
Invested in capital assets, net of related debt	5,356,199	2,849,787	8,205,986
Restricted net assets	338,457,885	-	338,457,885
Unrestricted net assets	(2,569,661,478)	20,141,782	(2,549,519,696)
Total net assets / (deficit)	<u>\$ (2,225,847,394)</u>	<u>\$ 22,991,569</u>	<u>\$(2,202,855,825)</u>

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

Metropolitan Transportation Commission
Statement of Net Assets – Proprietary Funds
June 30, 2007

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Assets			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 637,567,885	\$ 3,568,917	\$ 641,136,802
Cash and cash equivalents - restricted	430,010,452	-	430,010,452
Short-term investments - unrestricted	1,165,012,570	13,664,232	1,178,676,802
Short-term investments - restricted	219,446,149	-	219,446,149
Due from MTC	1,566,946	2,798,571	4,365,517
Accounts receivable	2,317,736	-	2,317,736
Accrued interest	22,475,984	197,043	22,673,027
Prepaid expenses	2,300,090	73,735	2,373,825
State/Caltrans funding	20,231	2,054,680	2,074,911
Funding due from local agency	383,981	-	383,981
Funding due from federal agency	-	727,775	727,775
Total current assets	<u>2,481,102,024</u>	<u>23,084,953</u>	<u>2,504,186,977</u>
Non-current assets:			
Investments	30,779,566	-	30,779,566
Restricted non-current assets:			
Cash and cash equivalents	6,761,137	-	6,761,137
Investments	195,000,000	-	195,000,000
Bonds issuance costs	45,627,447	-	45,627,447
Capital assets:			
Furniture and equipment, net of accumulated depreciation	1,179,822	7,919	1,187,741
Call boxes, net of accumulated depreciation	-	1,492,081	1,492,081
Building	1,495,092	1,421,416	2,916,508
Total non-current assets	<u>280,843,064</u>	<u>2,921,416</u>	<u>283,764,480</u>
Total assets	<u>2,761,945,088</u>	<u>26,006,369</u>	<u>2,787,951,457</u>
Liabilities			
Current liabilities:			
Accounts payable	41,454,296	1,430,030	42,884,326
Accrued expenses	23,139,411	74,440	23,213,851
Accrued interest payable	21,518,162	-	21,518,162
Due to MTC	468,212	-	468,212
Unearned revenue	32,284,694	-	32,284,694
Retentions payable	848,826	256,886	1,105,712
Long-term debt - current	42,620,000	-	42,620,000
Due to Caltrans	41,849,473	-	41,849,473
Due to Bay Area Infrastructure Financing Authority	99,979,552	-	99,979,552
Total current liabilities	<u>304,162,626</u>	<u>1,761,356</u>	<u>305,923,982</u>
Non-current liabilities:			
Patron deposits	2,612,869	-	2,612,869
Rebate arbitrage liability	233,922	-	233,922
Due to Bay Area Infrastructure Financing Authority	289,387,836	-	289,387,836
Long-term debt, net	3,839,871,690	-	3,839,871,690
Total non - current liabilities	<u>4,132,106,317</u>	<u>-</u>	<u>4,132,106,317</u>
Total liabilities	<u>4,436,268,943</u>	<u>1,761,356</u>	<u>4,438,030,299</u>
Net assets / (deficit)			
Invested in capital assets, net of related debt	2,674,914	2,921,416	5,596,330
Restricted net assets	691,734,520	-	691,734,520
Unrestricted net assets	(2,368,733,289)	21,323,597	(2,347,409,692)
Total net assets / (deficit)	<u>\$ (1,674,323,855)</u>	<u>\$ 24,245,013</u>	<u>\$(1,650,078,842)</u>

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

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Change in Fund Net Assets –
Proprietary Funds
For the Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Operating revenues			
Toll revenues collected by Caltrans	\$ 477,377,104	\$ -	\$ 477,377,104
Department of Motor Vehicles registration fees	-	6,026,423	6,026,423
Other operating revenues	14,308,777	-	14,308,777
Total operating revenues	<u>491,685,881</u>	<u>6,026,423</u>	<u>497,712,304</u>
Operating expenses			
Operating expenses incurred by Caltrans	30,271,065	-	30,271,065
Towing contracts	-	8,819,101	8,819,101
Professional fees	27,496,352	1,858,320	29,354,672
Allocations to other agencies	26,696,240	-	26,696,240
Salaries and benefits	5,564,793	865,995	6,430,788
Repairs and maintenance	2,005	1,028,982	1,030,987
Communications charges	1,512	248,700	250,212
Depreciation and amortization	680,663	265,525	946,188
Other operating expenses	10,377,909	612,049	10,989,958
Total operating expenses	<u>101,090,539</u>	<u>13,698,672</u>	<u>114,789,211</u>
Operating income / (loss)	<u>390,595,342</u>	<u>(7,672,249)</u>	<u>382,923,093</u>
Non-operating revenues / (expenses)			
Investment income	116,134,231	569,909	116,704,140
Interest expense	(191,859,414)	-	(191,859,414)
Financing fees	(7,622,197)	-	(7,622,197)
Bond issuance costs	(1,386,813)	-	(1,386,813)
Caltrans/other agency operating grants	102,832,315	5,849,763	108,682,078
Federal operating grants	-	1,690,336	1,690,336
Distributions to other agencies for their capital purposes	(126,008,087)	-	(126,008,087)
Distributions to Caltrans for their capital purposes	(807,001,128)	-	(807,001,128)
Gain/(loss) on sale/abandonment of equipment	-	23,346	23,346
Total non-operating revenues / (expenses), net	<u>(914,911,093)</u>	<u>8,133,354</u>	<u>(906,777,739)</u>
Income/(loss) before transfers	<u>(524,315,751)</u>	<u>461,105</u>	<u>(523,854,646)</u>
Transfers			
Transfers to Metropolitan Transportation Commission	<u>(27,207,788)</u>	<u>(1,714,549)</u>	<u>(28,922,337)</u>
Change in net assets	<u>(551,523,539)</u>	<u>(1,253,444)</u>	<u>(552,776,983)</u>
Total net assets / (deficit) - beginning	<u>(1,674,323,855)</u>	<u>24,245,013</u>	<u>(1,650,078,842)</u>
Total net assets / (deficit) - ending	<u>\$ (2,225,847,394)</u>	<u>\$ 22,991,569</u>	<u>\$ (2,202,855,825)</u>

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

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Change in Fund Net Assets –
Proprietary Funds
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds		
	Bay Area	Service Authority	Total
	Toll Authority	for Freeways and Expressways	
Operating revenues			
Toll revenues collected by Caltrans	\$ 422,354,852	\$ -	\$ 422,354,852
Department of Motor Vehicles registration fees	-	5,997,648	5,997,648
Other operating revenues	5,988,978	-	5,988,978
Total operating revenues	<u>428,343,830</u>	<u>5,997,648</u>	<u>434,341,478</u>
Operating expenses			
Operating expenses incurred by Caltrans	29,575,582	-	29,575,582
Towing contracts	-	8,156,063	8,156,063
Professional fees	33,228,254	1,919,100	35,147,354
Allocations to other agencies	24,268,599	-	24,268,599
Salaries and benefits	4,952,859	860,590	5,813,449
Repairs and maintenance	18,311	1,186,394	1,204,705
Communications charges	6,346	383,520	389,866
Depreciation and amortization	317,782	3,784,820	4,102,602
Other operating expenses	8,559,150	485,699	9,044,849
Total operating expenses	<u>100,926,883</u>	<u>16,776,186</u>	<u>117,703,069</u>
Operating income / (loss)	<u>327,416,947</u>	<u>(10,778,538)</u>	<u>316,638,409</u>
Non-operating revenues / (expenses)			
Investment income	96,415,260	864,946	97,280,206
Interest expense	(131,438,684)	-	(131,438,684)
Bond issuance costs	(1,065,694)	-	(1,065,694)
Caltrans/other agency operating grants	275,590,146	5,979,971	281,570,117
Federal operating grants	-	1,511,511	1,511,511
Contributions from Caltrans	1,234,760	-	1,234,760
Contributions to BAIFA	(15,000,000)	-	(15,000,000)
Distributions to other agencies for their capital purposes	(123,418,931)	-	(123,418,931)
Distributions to Caltrans for their capital purposes	(784,066,195)	-	(784,066,195)
Gain/loss on sale/abandonment of equipment	-	(115,790)	(115,790)
Total non-operating revenues / (expenses), net	<u>(681,749,338)</u>	<u>8,240,638</u>	<u>(673,508,700)</u>
Income/(loss) before transfers	<u>(354,332,391)</u>	<u>(2,537,900)</u>	<u>(356,870,291)</u>
Transfers			
Transfers to Metropolitan Transportation Commission	(26,516,266)	(1,335,436)	(27,851,702)
Transfers between programs	(2,000,000)	2,000,000	-
Change in net assets	<u>(382,848,657)</u>	<u>(1,873,336)</u>	<u>(384,721,993)</u>
Total net assets / (deficit) - beginning	<u>(1,291,475,198)</u>	<u>26,118,349</u>	<u>(1,265,356,849)</u>
Total net assets / (deficit) - ending	<u>\$ (1,674,323,855)</u>	<u>\$ 24,245,013</u>	<u>\$ (1,650,078,842)</u>

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

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Cash flows from operating activities			
Cash receipts from users	\$ 483,378,277	\$ 6,026,423	\$ 489,404,700
Cash payments to Caltrans, suppliers and employees for services	(106,177,323)	(13,726,762)	(119,904,085)
Other receipts/(payments)	13,137,751	(2,364,840)	10,772,911
Net cash provided by / (used in) operating activities	390,338,705	(10,065,179)	380,273,526
Cash flows from non-capital financing activities			
Caltrans and other local agency grants	102,933,074	5,173,386	108,106,460
Proceeds from issuance of revenue bonds	991,749,273	-	991,749,273
Interest paid on bonds	(184,855,997)	-	(184,855,997)
Financing fees	(7,622,197)	-	(7,622,197)
Payment for refunding of bonds	(500,000,000)	-	(500,000,000)
Federal operating grants	-	2,137,765	2,137,765
Transfers to MTC/SAFE	(25,421,766)	-	(25,421,766)
Due from MTC/SAFE	(42,250,000)	-	(42,250,000)
Bond principal payments	(42,620,000)	-	(42,620,000)
Distributions to Caltrans	(765,676,398)	-	(765,676,398)
Distributions to other agencies	(142,318,990)	-	(142,318,990)
Contributions from BAIFA	398,723,073	-	398,723,073
Distributions to BAIFA	(100,000,000)	-	(100,000,000)
Net cash provided by / (used in) non-capital financing activities	(317,359,928)	7,311,151	(310,048,777)
Cash flows from capital and related financing activities			
Transfers between programs	-	-	-
Expenditures for facilities, property and equipment	(3,012,135)	(193,926)	(3,206,061)
Proceeds from sale of facilities, property and equipment	-	23,376	23,376
Net cash provided by / (used in) capital and related financing activities	(3,012,135)	(170,550)	(3,182,685)
Cash flows from investing activities			
Proceeds from maturities of investments	9,581,299,161	27,708,662	9,609,007,823
Purchase of investments	(8,576,385,520)	(14,146,006)	(8,590,531,526)
Interest and dividends received	129,628,408	753,265	130,381,673
Net cash provided by / (used in) investing activities	1,134,542,049	14,315,921	1,148,857,970
Net increase / (decrease) in cash and cash equivalents	1,204,508,691	11,391,343	1,215,900,034
Balances - beginning of year	1,074,339,474	3,568,917	1,077,908,391
Balances - end of year	\$ 2,278,848,165	\$ 14,960,260	\$ 2,293,808,425
Schedule of noncash activities			
Loss on abandonment of capital asset - noncash	\$ -	\$ -	\$ -

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

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds, *continued*
For the Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds		
	<u>Bay Area Toll Authority</u>	<u>Service Authority for Freeways and Expressways</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by / (used in) operating activities			
Operating income / (loss)	\$ 390,595,342	\$ (7,672,249)	\$ 382,923,093
Adjustments to reconcile operating income to net cash provided by / (used in) operating activities:			
Depreciation and amortization	680,663	265,525	946,188
Net effect of changes in:			
Due to MTC	12,161	(2,370,677)	(2,358,516)
Due from State/ Federal	(1,183,187)	5,837	(1,177,350)
Accounts receivable	245,989	(120)	245,869
Prepaid expenses and other assets	75,209	16,605	91,814
Due to Caltrans	(6,088,060)	-	(6,088,060)
Unearned revenue	5,146,397	-	5,146,397
Patron deposits	608,787	-	608,787
Accounts payable and accrued expenses	245,404	(310,100)	(64,696)
Net cash provided by / (used in) operating activities	\$ 390,338,705	\$ (10,065,179)	\$ 380,273,526

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

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Cash flows from operating activities			
Cash receipts from users	\$ 425,216,579	\$ 6,022,674	\$ 431,239,253
Cash payments to Caltrans, suppliers and employees for services	(100,843,158)	(12,903,877)	(113,747,035)
Other receipts	5,677,842	1,677,255	7,355,097
Net cash provided by / (used in) operating activities	330,051,263	(5,203,948)	324,847,315
Cash flows from non-capital financing activities			
Caltrans and other local agency grants	275,957,033	5,979,971	281,937,004
Proceeds from issuance of revenue bonds	756,953,196	-	756,953,196
Bond issuance costs	(1,807,296)	-	(1,807,296)
Deferred bond premium	-	-	-
Interest paid on bonds & capital leases	(121,312,593)	-	(121,312,593)
Payment for refunding of bonds	-	-	-
Federal operating grants	-	1,254,136	1,254,136
Transfers to MTC/SAFE	(29,615,000)	-	(29,615,000)
Contributions from Caltrans	37,686,519	-	37,686,519
Bond principal payment	(29,705,000)	-	(29,705,000)
Distributions to Caltrans	(817,804,761)	-	(817,804,761)
Distributions to other agencies	(80,263,086)	-	(80,263,086)
Contributions from BAIFA	514,367,388	-	514,367,388
Distributions to BAIFA	(125,000,000)	-	(125,000,000)
Contributions to BAIFA	(15,000,000)	-	(15,000,000)
Net cash provided by / (used in) non-capital financing activities	364,456,400	7,234,107	371,690,507
Cash flows from capital and related financing activities			
Transfers between programs	-	2,000,000	2,000,000
Expenditures for facilities, property and equipment	(250,321)	(3,781,375)	(4,031,696)
Proceeds from sale of facilities, property and equipment	-	30,502	30,502
Net cash provided by / (used in) capital and related financing activities	(250,321)	(1,750,873)	(2,001,194)
Cash flows from investing activities			
Proceeds from maturities of investments	4,562,753,306	39,146,335	4,601,899,641
Purchase of investments	(4,938,196,268)	(37,079,314)	(4,975,275,582)
Interest and dividends received	93,919,738	885,162	94,804,900
Net cash provided by / (used in) investing activities	(281,523,224)	2,952,183	(278,571,041)
Net increase / (decrease) in cash and cash equivalents	412,734,118	3,231,469	415,965,587
Balances - beginning of year	661,605,356	337,448	661,942,804
Balances - end of year	\$ 1,074,339,474	\$ 3,568,917	\$ 1,077,908,391
Schedule of noncash activities			
Loss on abandonment of capital asset - noncash	\$ -	\$ 145,070	\$ 145,070

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

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds, *continued*
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds		
	<u>Bay Area Toll Authority</u>	<u>Service Authority for Freeways and Expressways</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by / (used in) operating activities			
Operating income / (loss)	\$ 327,416,947	\$ (10,778,538)	\$ 316,638,409
Adjustments to reconcile operating income to net cash provided by / (used in) operating activities:			
Depreciation and amortization	317,781	3,784,820	4,102,601
Net effect of changes in:			
Due to MTC	(290,905)	(2,623,731)	(2,914,636)
Due from Caltrans	-	4,326,012	4,326,012
Accounts receivable	(125,797)	-	(125,797)
Prepaid expenses and other assets	(2,201,591)	(15,932)	(2,217,523)
Due to Caltrans	925,029	-	925,029
Unearned revenue	2,508,055	-	2,508,055
Patron deposits	479,469	-	479,469
Other receivables due from Caltrans	(20,231)	-	(20,231)
Accounts payable and accrued expenses	1,042,506	103,421	1,145,927
Net cash provided by / (used in) operating activities	\$ 330,051,263	\$ (5,203,948)	\$ 324,847,315

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

Metropolitan Transportation Commission
Statement of Fiduciary Assets and Liabilities – Agency Funds
June 30, 2008 and 2007

	2008	2007
Assets		
Cash and cash equivalents	\$ 78,248,746	\$ 85,939,453
Receivables - interest	210,099	256,294
Receivables - other	-	46,722
	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 78,458,845</u></u>	<u><u>\$ 86,242,469</u></u>
Liabilities		
Accounts payable	\$ 2,856,679	\$ 8,032,609
Accrued liabilities	2,263,087	1,046,295
Due to other governments	73,339,079	77,163,565
	<u> </u>	<u> </u>
Total Liabilities	<u><u>\$ 78,458,845</u></u>	<u><u>\$ 86,242,469</u></u>

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

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Metropolitan Transportation Commission (MTC) was established under Government Code Section 66500 et seq. the laws of the State of California (State) in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area, which includes the City and County of San Francisco and the Counties of Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

The MTC's principal sources of revenue to fund its operations include state grants, a percentage of the sales tax revenues collected in the nine Bay Area Counties under the State Transportation Development Act of 1971 (TDA) and grants from the U.S. Department of Transportation, Office of the Secretary of Transportation (U.S. DOT), including the Federal Highway Administration (FHWA), Federal Transit Administration (FTA) and other federal, state and local agencies. These are the principal sources of revenue susceptible to accrual under the modified accrual method described later within this note.

The accompanying financial statements present MTC, its blended component units, and its discretely presented component unit. MTC is the primary government as defined in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. Its governing board is separately appointed and it is fiscally independent of other governments. The blended component units discussed below are included as part of the reporting entity because their boards are substantially the same as the primary government's board. The blended component units, although legally separate entities are, in substance, part of the MTC's operations and financial data from these units are combined with financial data of MTC in preparing the government-wide financial statements. The Commission serves as the governing body for MTC and all its blended component units.

MTC has one discretely presented component unit – Bay Area Infrastructure Financing Authority (BAIFA). As such, BAIFA is presented in a separate column on the face of the government-wide financial statements on the far right column.

Blended component units

i.) Bay Area Toll Authority

The Bay Area Toll Authority (BATA) is a public agency created by Senate Bill 226 effective January 1, 1998 with responsibilities for the disposition of toll revenues collected from toll bridges owned and operated by Caltrans in the San Francisco Bay Area. These responsibilities also include administration of the Regional Measure 1 capital improvement program approved by the voters in 1988. The bridges for which BATA manages the disposition of toll revenues are the Antioch Bridge, Benicia-Martinez Bridge, Carquinez Bridge, Dumbarton Bridge, Richmond-San Rafael Bridge, San Francisco-Oakland Bay Bridge and San Mateo-Hayward Bridge.

Pursuant to Senate Bill 226, a five year Cooperative Agreement was signed on March 2, 1998 defining the roles and responsibilities of BATA and Caltrans with respect to the

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2008 and 2007

Notes to Financial Statements

collection and disposition of toll bridge revenues. The current ten-year agreement was signed in 2006.

Caltrans' responsibilities include the ownership, operation and maintenance of the bridges. Under the terms of the Cooperative Agreement, BATA has responsibility for electronic toll collection. BATA's FasTrak[®] Center consolidated its operations to include Golden Gate Bridge Highway and Transportation District on May 30, 2005.

BATA is required to prepare and adopt a budget by July 1 for each fiscal year. BATA adopted a Long Range Plan for Regional Measure 1 (RM 1) projects as required by the Streets and Highway Code. With the concurrence of Caltrans, the plan gives first priority to projects and expenditures that are deemed necessary by Caltrans to preserve and protect the bridges as provided by the Streets and Highway Code and to pay Caltrans for costs incurred and as authorized in the annual budgets adopted by BATA.

In March 2004, seven Bay Area counties approved Regional Measure 2 (RM 2). Regional Measure 2 increased the bridge toll by one dollar for all seven bridges in order to fund various capital and operating programs for congestion relief. BATA controls the RM 2 allocations. This dollar surcharge became effective July 1, 2004.

The California State Legislature approved Assembly Bill (AB) 144 on July 18, 2005, which transferred additional Caltrans responsibilities to BATA, namely toll plaza administration responsibility. This responsibility includes consolidation of all the bridge revenue, including the state seismic dollar for the seven bridges, under BATA's administration. The state seismic dollar was formerly administered by Caltrans to be used to complete the Seismic Retrofit Program. AB 144 also created a new seismic project oversight board, called the Toll Bridge Project Oversight Committee. This Committee consists of Caltrans, BATA, and the California Transportation Commission. This Committee has oversight for the state toll bridge seismic retrofit program, which includes reviewing bid documents, change orders, and monitoring ongoing costs. The bill also gave BATA unlimited project level toll revenue setting authority to complete the Seismic Retrofit Program. BATA is a proprietary fund as it generates revenue from toll bridge receipts.

ii.) MTC Service Authority for Freeways and Expressways (MTC SAFE)

In June 1988, the MTC SAFE was created to receive fees collected by the Department of Motor Vehicles pursuant to Streets and Highways Code Section 2500 et seq., which permits the collection of up to \$1 per registered vehicle in participating counties. These fees represent charges for services rendered to external users. The MTC SAFE is responsible for administering a freeway motorist aid system in the participating counties, referred to as the Call Box program. The following counties are participants in the MTC SAFE: San Francisco, Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

In 1993, the MTC SAFE's responsibilities were expanded, pursuant to a jointly adopted Memorandum of Understanding between the MTC SAFE, Caltrans, and the California

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Highway Patrol (CHP), to participate in the development and implementation of a Freeway Service Patrol (FSP) program in the San Francisco Bay Area. The three principal sources of funding for the FSP program are state-legislated grants, federal grants, and funding from federal traffic mitigation programs. In addition, the Call Box program supports the FSP program by transferring funds each year.

The management of the MTC SAFE has contracted with the MTC to utilize the administrative personnel and facilities of the MTC at no cost.

iii.) MTC Special Revenue Funds

MTC maintains various special revenue funds as follows:

AB 664 Net Toll Revenue Reserve Fund – These funds are allocated, seventy percent to East Bay and thirty percent to West Bay, to capital projects that further the development of public transit in the vicinity of the three southern Bay Area bridges, including transbay and transbay feeder transit services. Substantially all of the current AB 664 Net Toll Revenue Reserves are used to match federal transit funds designated for replacement buses and capital facility improvement. Under Section 30884 (a) of the Streets and Highway Code, the AB 664 Net Toll Revenue Fund receives 16 percent the base toll revenues collected on the three southern bridges, San Francisco-Oakland Bridge, Dumbarton Bridge, and San Mateo-Hayward Bridge.

State Transit Assistance (STA) Fund – State Transit Assistance Funds are used for transit and Paratransit operating assistance, transit capital projects, and regional transit coordination. STA funds are derived from the state sales tax on fuel and apportioned by state statute between population-based and revenue-based accounts. PUC Section 99313 defines population-based funds and PUC Section 99314 defines revenue-based funds.

Transit Reserve Fund – MTC maintains a Transit Reserve Fund pursuant to Regional Measure 1, which was amended in 1988. The calculation of the transit reserves is set forth in Section 30913 (b) of the Streets and Highway Code as one third of 2 percent of base toll revenues collected on all seven Bay Area state-owned bridges.

Caltrans also has a Cooperative Agreement with BATA and MTC whereby Caltrans transferred state funding (Five Percent Unrestricted State Funds) to MTC for ferry operations and other transit/bicycle projects.

Rail Reserve Fund – Rail reserve extension funds are allocated exclusively for rail transit capital extension and improvement projects that are designed to reduce vehicular traffic congestion on the San Francisco-Oakland Bay Bridge. Seventy percent of the Rail Reserves are allocated for East Bay rail improvements and the remaining 30 percent for West Bay rail improvements. Under Section 30914 (a.4) of the Streets and Highway Code, the rail reserve fund receives 21 percent of base toll revenues collected on the San Francisco-Oakland Bay Bridge.

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Exchange Fund – Exchange Funds are used for MTC projects adopted as part of its State Transit Program (STP) and Congestion Mitigation and Air Quality Improvement (CMAQ) programs.

BART Car Exchange Fund – Funds deposited are restricted for the purpose of the BART car replacement projects.

Feeder Bus Fund – Funds deposited are to reimburse various transit operators for operating the BART Express Bus Program.

iv.) **MTC Capital Projects Fund**

MTC Capital Projects Fund is used to account for the financial resources used in the acquisition and development of major capital projects. The TransLink project, Fund Management project and MTC MetroCenter Seismic Retrofit project are the capital projects included in the current fiscal year.

Discretely presented component unit

i.) **Bay Area Infrastructure Financing Authority**

The Bay Area Infrastructure Financing Authority (BAIFA) was established in August 2006 pursuant to the California Joint Exercise of Powers Act, consisting of Sections 6500 through 6599.2 of the California Government Code to provide for the joint exercise powers common to MTC and BATA, where two or more public agencies may enter into an agreement to establish an agency to exercise any power common to the contracting parties. The governing board of BAIFA consists of four MTC Commissioners and two BATA Commissioners. BAIFA is authorized to plan projects and obtain funding in the form of grants, contributions, appropriations, loans and other assistance from the United States and from the state of California and apply funds received to pay debt service on bonds issued by BAIFA to finance or refinance public transportation and related capital improvements projects. BAIFA is presented as a proprietary fund in the discretely presented component unit column of the government-wide financial statements because it does not meet the criteria for blending under the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. Statement of Net Assets and Statement of Activities) report information on all non-fiduciary activities of MTC and its component units. The effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial

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statements. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

MTC presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management’s Discussion & Analysis – for State and Local Governments* as amended. GASB 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into three net asset categories; namely, those invested in capital assets, net of related debt, restricted net assets and unrestricted net assets.

With respect to the business-type activities of MTC and as required under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, MTC continues to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. MTC has elected under GASB Statement No. 20 not to apply all FASB Statements and Interpretations issued after November 30, 1989, due to the governmental nature of MTC’s operations.

MTC adopted GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which provides guidance on how state and local governments should account for and report costs and obligations associated with postemployment healthcare and other nonpension benefits commonly referred to as other postemployment benefits or OPEB for the year ended June 30, 2007. For additional information and impact on adoption see Note 9.

For the year ended June 30, 2007, MTC adopted GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment to GASB Statement No. 34, which clarifies and modifies the reporting requirements related to the restriction of net assets resulting from enabling legislation. The adoption of this standard did not have a material effect on the financial statements of MTC.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which establishes criteria to ascertain whether proceeds derived from an exchange of an interest in expected cash flows from specific receivables or specific future revenues for immediate cash payments be reported as revenue or as a liability, has been adopted for year ended June 30, 2007 and applied to BATA. The adoption of this standard did not have a material effect on the financial statements.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance on the accounting and reporting of obligations and

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costs related to existing pollution remediation, the requirements of which are effective for financial statements for the year ending June 30, 2009. This statement is not expected to have a material impact on the financial statements of MTC.

GASB Statement No. 50, *Pension Disclosures*, an amendment to GASB Statements No. 25 and No. 27, which more closely aligns financial reporting requirements for pensions with that of other postemployment benefits (OPEB) has been adopted by MTC for the fiscal year ended June 30, 2008. See Note 8 for detailed information. GASB Statement No. 51, *Accounting and Financial Reporting of Intangible Assets*, which establishes accounting and financial reporting requirements for intangible assets, has been adopted by MTC for the year ended June 30, 2008. The adoption of these standards did not have a material effect on the financial statements; see Note 4 for detailed information.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, establishes consistent standards for the reporting of land and other real estate held as investments at their historical cost, the requirements of which are effective for the year ending June 15, 2009. This statement is not applicable to MTC as MTC is not a Foundation.

GASB Statement No. 53, *Accounting and Financial Reporting of Derivative Instruments* address the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments, the requirements of which are effective for financial statements for the year ending June 30, 2010. We are currently assessing the impact of the adoption of this standard.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or 30 days after to pay liabilities of the current period. All revenue sources included in the governmental funds, namely federal, state and local grants as well as sales tax revenue, utilize this revenue recognition methodology.

MTC reports the following governmental funds:

The *general fund* is used to account for those financial resources that are not required to be accounted for in another fund. MTC's general fund is its primary operating fund.

Special revenue funds are used to account for proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes. MTC's special revenue funds include the AB 664 Net Toll Revenue Reserves Fund, the STA Fund, the Transit Reserve Fund, the Rail Reserve Fund, the Exchange Fund, the Feeder Bus Fund and the BART Car Exchange Fund.

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In fiscal 2008 and 2007, the following funds are considered nonmajor special revenue funds: the AB 664 Net Toll Revenue Reserves Fund, the Transit Reserve Fund, the Rail Reserve Fund, the Exchange Fund, the Feeder Bus Fund and the BART Car Exchange Fund. Since these funds did not meet the major fund test, management has included them in Other Governmental Funds, with the exception of AB 664 Net Toll Revenue Reserves Fund, which MTC has elected to present as a major fund in order to provide consistent presentation with prior years.

The opening fund balance of the combined nonmajor special revenue funds is as follows:

	Opening Balance 2008	Opening Balance 2007
Transit Reserve Fund	\$ 614,527	\$ 441,125
Rail Reserve Fund	24,523,338	7,488,632
Exchange Fund	9,075,663	10,425,453
Feeder Bus Fund	46,932	44,608
BART Car Exchange	23,413,989	-
Total	<u>\$ 57,674,449</u>	<u>\$ 18,399,818</u>

The *capital projects fund* is used to account for the financial resources used in the acquisition and development of major capital projects. There are three projects included in this fund in fiscal 2008 – the TransLink project, the Fund Management Project and the MTC MetroCenter Seismic Retrofit Project. In fiscal 2007, there were two projects included in this fund – the TransLink project and the Fund Management Project.

In fiscal 2008 and 2007, the following funds are considered major governmental funds: MTC General Fund, AB 664 Net Toll Revenue Reserves Fund, STA Fund, and Capital Projects. The balance sheet and statements of revenues, expenditures and changes in fund balances and budget to actual statements of revenues and change in fund balances are presented for these funds.

MTC reports the following major proprietary funds:

The *Bay Area Toll Authority (BATA) fund* is used to account for the activities of BATA with responsibilities for the disposition of toll revenues collected from toll bridges owned and operated by the state in the San Francisco Bay Area. BATA is a blended component unit of MTC.

The *MTC Service Authority for Freeways and Expressways (SAFE) fund* is used to account for the activities of MTC SAFE with responsibilities for administering a freeway motorist aid system in the participating counties as well as providing tow truck services to stranded motorists. MTC SAFE is a blended component unit of MTC.

MTC reports the following discretely presented component unit:

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The *Bay Area Infrastructure Financing Authority (BAIFA) fund* is used to account for the activities of BAIFA with the financing of debt backed by assigned revenue from BATA. The fund also reimburses BATA for its expenses from seismic projects.

Additionally, MTC reports the following fiduciary funds to account for assets held by MTC in a trustee capacity or as an agent. These agency funds are custodial in nature and do not have a measurement of results of operations. They are on the accrual basis of accounting.

The *AB 1107 Fund* is used to account for the activities of the AB 1107 Program. AB 1107 funds are sales tax revenue collected under the ordinance adopted pursuant to Section 29140 of the Public Utilities Code. These funds are administered by MTC for allocation to the Alameda-Contra Costa Transit District (AC Transit) and the City and County of San Francisco for its municipal railway system (MUNI) on the basis of regional priorities established by the MTC.

The *Transportation Development Act (TDA) Program fund* is used to account for the activities of the TDA Program. In accordance with state regulations and memoranda of understanding with operators and local municipalities, MTC is responsible for the administration of sales tax revenue derived from the TDA.

D. Budgetary Accounting

Enabling legislation and adopted policies and procedures provide that MTC approve an annual budget by June 30 of each year. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental and proprietary funds. MTC also approves a life of project budget whenever new capital projects are approved. MTC presents a preliminary budget in May and a final budget in June. MTC conducts hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but not later than June 30, adopts the final budget for the following fiscal year. The appropriated budget is prepared by fund, project and expense type. The legal level of control is at the fund level and the governing body must approve additional appropriations. Budget amendments are recommended when needed. Operating appropriations lapse at fiscal year-end.

MTC employs the following practices and procedures in establishing budgetary data as reflected in the basic financial statements:

- Annual budgets are adopted on the modified accrual basis of accounting for governmental fund types. These include the general fund, plus major and non-major special revenue funds. Capital budgets are adopted on a project life-to-date basis.
- Annual budgets are adopted on the accrual basis for the proprietary fund types.

E. Encumbrances

Encumbrance accounting is employed in the general and special revenue funds. Under this method, purchase orders, contracts, memoranda of understanding and other commitments

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outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. These commitments will be recognized in subsequent year appropriations.

F. Cash and Investments

MTC applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which generally requires certain investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. Investments are stated at fair value based upon quoted market prices. MTC reports their money market investments and participating interest-earning investment contracts at amortized cost. This is permissible under this standard provided those investments have a remaining maturity at time of purchase of one year or less and that the fair value of those investments is not significantly affected by the credit standing of the issuer or other factors. Net increases or decreases in the fair value of investments are shown in the Statements of Revenues, Expenditures and Changes in Fund Balance for all governmental fund types and in the Statements of Revenues, Expenditures and Changes in Net Assets for the proprietary funds.

MTC invests its available cash under the prudent investor rule. The prudent investor rule states, in essence, that “in investing ... property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs..” This policy affords the MTC a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq. Some of the investments may include the following:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit issued by a nationally or state chartered bank
- Bankers’ acceptances
- Authorized pooled investment programs
- Commercial paper – Rated “A1 or P1”
- Corporate notes – Rated “A” or better
- Municipal bonds
- Mutual funds – Rated “AAA”
- Other investment types authorized by state law and not prohibited in the MTC investment policy

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, MTC considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash and cash equivalents as they are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value. Deposits in the cash management pool of the County of Alameda are presented as cash and cash equivalents as they are available for immediate withdrawal or deposit at any time without prior notice or penalty.

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Restricted Cash

Certain cash is restricted as these assets are either advances used for a specific purpose with the balance being refunded upon project completion, prepaid customer deposits for the FasTrak[®] program, or funds restricted for debt service.

Restricted Investments

Certain investments are classified as restricted on the Statement of Net Assets because their use is limited externally by applicable bond covenants, laws or regulations or there exists an imposed restriction through enabling legislation.

G. Capital Assets

Capital assets, which include buildings and improvements, office furniture and equipment, leased equipment, automobiles and call boxes and software, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital asset acquisitions are recorded at historical cost. Depreciation and amortization expenses for the governmental activities are charged against general government function.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimate useful life in excess of three years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation and amortization are computed using the straight-line method that is based upon the estimated useful lives of individual capital assets. The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Buildings and improvements	10 - 45
Office furniture and equipment	3 - 10
Intangible assets	7
Leased equipment	5
Automobiles	3
Call boxes	10

H. Net Assets

Net assets represent residual interest in assets after liabilities are deducted. Net assets consist of three sections: Invested in capital assets, net of related debt, as well as restricted and unrestricted. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. Restricted net assets consist of amounts restricted for capital expenditures and other purposes as follows:

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	2008	2007
Restricted for Capital Projects	<u>\$ 144,719,381</u>	<u>\$ 99,693,883</u>
Other Purposes:		
RM 2 program reserve	138,457,885	159,260,022
Seismic program reserve	-	357,474,498
Debt covenant - operating & maintenance reserve	150,000,000	125,000,000
Self insurance reserve	50,000,000	50,000,000
Long-term receivable restricted for use		
by rail reserve	42,000,000	48,410,000
OPEB Prefunding	7,731,865	-
STA Reserve	4,175,455	-
Other	<u>1,886,102</u>	<u>9,130,266</u>
Total Other Purposes	<u>\$ 394,251,307</u>	<u>\$ 749,274,786</u>

I. Retirement Plans

MTC provides a defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission (the "Plan") which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers in the State. Refer to Note 8 for additional information.

J. Postemployment Healthcare Benefits

MTC pays certain health care insurance premiums for retired employees. Employees may become eligible for these benefits if they reach normal retirement age while working for the MTC. The number of participants eligible to receive benefits was 53 and 49 for the years ended June 30, 2008 and 2007.

For the year ended June 30, 2007, MTC adopted GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which provides guidance on how state and local governments should account for and report costs and obligations associated with postemployment healthcare and other nonpension benefits commonly referred to as other postemployment benefits or OPEB. In accordance with the adoption of GASB Statement No. 45, the cost of retiree health care insurance premiums of \$428,810 and \$353,378 for fiscal years 2008 and 2007 have been applied toward the annual required contribution (ARC) of \$1,372,945 and \$2,155,931 for fiscal years 2008 and 2007. In addition, MTC contributed \$8,676,000 towards the Unfunded Actuarial Accrued Liability (UAAL) in fiscal year 2008. See Note 9 for additional information.

K. Compensated Absences

MTC's regular staff employees accumulate vacation pay and sick leave pay based on the agreement with the Committee for Staff Representation pursuant to the Meyers-Milias-

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Brown Act. A liability exists for accumulated vacation and sick leave. The compensated absences liability presented in the government-wide governmental activities totals \$2,945,185 and \$2,579,698 at June 30, 2008 and 2007, respectively. Unused accumulated sick and vacation leave is paid at the time of employment termination up to a maximum of 240 hours for sick leave as well as the total accumulated vacation leave per employee from the general fund.

A summary of changes in compensated absences for the year ended June 30, 2008 is as follows:

	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008	Due Within One Year
Compensated Absences	\$2,579,698	\$1,990,581	\$ (1,625,094)	\$ 2,945,185	\$ 1,327,452
Total Compensated Absences	<u>\$2,579,698</u>	<u>\$1,990,581</u>	<u>\$ (1,625,094)</u>	<u>\$ 2,945,185</u>	<u>\$ 1,327,452</u>

A summary of changes in compensated absences for the year ended June 30, 2007 is as follows:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Due Within One Year
Compensated Absences	\$2,269,381	\$1,807,481	\$ (1,497,164)	\$ 2,579,698	\$ 1,224,129
Total Compensated Absences	<u>\$2,269,381</u>	<u>\$1,807,481</u>	<u>\$ (1,497,164)</u>	<u>\$ 2,579,698</u>	<u>\$ 1,224,129</u>

L. Pledged Revenue to Bay Area Infrastructure Financing Authority

In December 2006, BATA entered into a contribution agreement with the state of California whereby BATA pledged to transfer the state's future scheduled payments designated for the Toll Bridge Seismic Retrofit Program to the Bay Area Infrastructure Financing Authority (BAIFA). BAIFA issued \$972,320,000 of bonds called State Payment Acceleration Notes (SPANs) collateralized solely by BATA's pledge of state payments. BAIFA agreed to apply the proceeds from the SPANs for the costs of issuance and for the seismic retrofit program. The scheduled payments are identified and authorized by state statutes. State payments pledged by BATA total \$1,135,000,000. Pledged state payments are scheduled from fiscal years 2007 to 2014. In the contribution agreement, BATA has pledged and assigned to BAIFA all BATA's rights to the future state payments.

In fiscal year 2008, the amount of pledged payments from the state received by BATA and paid to BAIFA was \$100,000,000. SPAN proceeds distributed to BATA were \$398,702,625.

The accounting for the above transactions are prescribed by GASB Statement 48, *Sales and Pledges of Receivables and Intra-Entity Transfers of Assets and Future Revenues*,

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which establishes criteria to ascertain whether proceeds derived from an exchange of an interest in expected cash flows from specific receivables or specific future revenues for immediate cash payments be reported as revenue or as collateralized borrowing. BATA has adopted this pronouncement early for fiscal 2007 and as a result has reported the exchange of the SPAN proceeds for the interest in expected future cash flow from Caltrans as collateralized borrowing by BATA and a receivable by BAIFA.

M. Unearned Revenue

The unearned revenue in BATA represents the funds collected by the Regional Customer Service Center (RCSC) that are prepayments for tolls or represents a deposit from patrons. The patrons are issued transponders with the prepaid amounts for usage against tolls on the California bridges. Patrons are required to contribute a deposit if they pay by check.

N. Toll Revenues Collected by Caltrans

After toll revenues are collected by Caltrans and transferred to BATA at the toll plazas, BATA accounts for the cash collection from the operation of the bridges. This revenue is used for seismic retrofit program. BATA recognizes toll revenue as amounts are earned from vehicle utilization of the toll bridges.

O. Operating Expenditures Incurred by Caltrans

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for certain costs incurred for bridge operating expenditures. These expenses include maintenance, administration and operations costs.

P. Distributions to Caltrans for Their Capital Purposes

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for bridge capital expenses. Expenses are reflected to the extent Caltrans bills are presented to MTC that relate to the period through the end of the fiscal year.

Q. Contribution From Caltrans

As provided by the Assembly Bill (AB) 144 and in accordance with the Cooperative Agreement between BATA and Caltrans, Caltrans has transferred to BATA a portion of the revenues and existing fund balances collected on or before April 25, 2006. The transfer was \$462,951,481 in cash. A receivable of \$36,451,759 was received in early fiscal 2007.

In fiscal 2007, Caltrans transferred the remaining balance of \$1,234,760 in cash to BATA.

R. Use of 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 the reported amounts of assets and liabilities and disclosure of

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contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

S. Operating and Non-operating Revenues and Expenses

Operating revenues are those necessary for principal operations of the entity. Operating expenses are those related to user service activities. Non-operating revenues and expenses are all others revenues and expenses not related to user service activities.

2. UNRESTRICTED NET ASSET DEFICIT

MTC's unrestricted net asset deficit arises due to the nature of the activities of BATA. BATA is responsible for providing Caltrans funding for bridge repairs related to the seven state-owned bridges. Expenses related to these payments to Caltrans are treated as expenses since BATA does not own or maintain title to the bridges. This deficit will be reduced through operating income earned in the future as the toll revenue debt is retired.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

A reconciliation of Cash, Cash Equivalents and Investments as shown on the Statement of Net Assets for all funds at June 30, 2008 and 2007 is as follows:

	2008	2007
Unrestricted cash and cash equivalents	\$1,545,641,736	\$ 788,826,711
Unrestricted investments	<u>403,781,141</u>	<u>1,249,618,267</u>
Total unrestricted cash, cash equivalents and investments	<u>1,949,422,877</u>	<u>2,038,444,978</u>
Restricted cash and cash equivalents	895,561,664	461,013,160
Restricted investments	<u>330,085,697</u>	<u>414,446,149</u>
Total restricted cash, cash equivalents and investments	<u>1,225,647,361</u>	<u>875,459,309</u>
Total cash, cash equivalents and investments	<u><u>\$3,175,070,238</u></u>	<u><u>\$2,913,904,287</u></u>

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The composition of cash, cash equivalents and investments at June 30, 2008 and 2007 is as follows:

	2008	2007
Cash at banks	\$ 212,431,178	\$ 122,744,051
Money market accounts	257,753,035	199,156,464
County of Alameda	66,853,720	93,948,193
Government-sponsored enterprises		
Federal Home Loan Board	1,453,341,737	838,305,725
Federal Home Loan Mortgage	1,159,103,018	1,447,496,624
Federal National Mortgage Association	-	9,878,284
Tennessee Valley Authority	10,279,896	9,940,496
Federal Farm Credit Board	-	65,682,202
Commercial paper - Corporate	-	26,458,016
Certificates of Deposit	-	75,001,309
Corporate Bonds	15,000,000	25,000,000
Local Agency Investment Fund	307,654	292,923
Total cash, cash equivalents and investments	<u>\$ 3,175,070,238</u>	<u>\$ 2,913,904,287</u>

MTC holds a position in the investment pool of County of Alameda in the amount of \$66,853,720 and \$93,948,193 at June 30, 2008 and 2007. The Transportation Development Act (TDA) requires that STA and Local Transportation (TDA) funds be deposited with the County Treasury. The County of Alameda is restricted by state code in the types of investments it can make. Further, the County Treasurer has a written investment policy approved by the Board of Supervisors and also 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 prime rated by at least two agencies if maturity is greater than 30 days, banker's acceptances, repurchase agreements, reverse repurchase agreements, and the State Treasurer's investment pool. The position in the external investment pool at the County of Alameda is recorded at fair value at June 30, 2008 determined by the fair value per share of the pools underlying portfolio. The investment holdings with the County of Alameda account for approximately 2 percent of MTC's investment portfolio. Deposits with the County of Alameda are available for immediate withdrawal.

MTC holds \$307,654 and \$292,923 at June 30, 2008 and 2007 in the Local Agency Investment Fund (LAIF). MTC's investment policy allows investment in LAIF as authorized by Government Code section 16429. LAIF is a program created by statute as an investment alternative for California's local governments and special districts. LAIF investments account for approximately 0.01 percent of MTC's total cash and investment portfolio.

MTC's portfolio includes four and five money market mutual fund investments at June 30, 2008 and 2007 respectively. The mutual funds are Cadre Reserve Fund (Cadre), Columbia Treasury Reserve Advisor Fund, Dreyfus Treasury and Agency Cash Management Fund, BlackRock T Fund Institutional and the BlackRock Treasury Trust. The mutual fund investments in MTC's investment portfolio are expressed as a percentage of MTC's total cash and investments as follows:

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	2008	2007
Cadre Reserve Fund – US Gov’t Series	1%	1%
Columbia Treasury Reserve Advisor	1%	1%
Dreyfus Treasury and Agency Cash Management	1%	1%
BlackRock T Fund Institutional	5%	1%
BlackRock Treasury Trust	0%	2%

Cadre is owned by Public Financial Management and is rated “AAA” by both Standard & Poor’s Corporation and Moody’s. The fund invests in short term debt securities issued or guaranteed by the U.S. government or an agency of the U.S. government and repurchase agreements collateralized by US government securities.

Columbia Treasury Reserve Advisor funds are part of the overnight sweep fund utilized by Bank of America checking accounts and invests exclusively in U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury and U.S. government obligations. The fund is rated “AAA” by both Standard & Poor’s and Moody’s.

The Dreyfus Treasury and Agency Cash Management fund is part of the overnight sweep fund utilized by Bank of New York custodial accounts and invests exclusively in securities issued or guaranteed by the U.S. government and repurchase agreements in respect of these securities. The fund is rated “AAA” by both Standard & Poor’s and Moody’s.

The BlackRock T Fund Institutional part of the overnight sweep fund utilized by UBOC accounts and invests primarily in money market instruments including U.S. Treasury bills, notes, obligations guaranteed by the U.S. Treasury and repurchase agreements fully collateralized by such obligations. The fund is rated “AAA” by both Standard & Poor’s and Moody’s.

The BlackRock Treasury Trust fund is part of the overnight sweep fund utilized by Union Bank of California (UBOC) custodial accounts and invests primarily in U.S. Treasury, such as Treasury bills, notes and trust receipts. The fund is rated “AAA” by both Standard & Poor’s and Moody’s.

State law and MTC policy limit mutual fund investments to 20 percent of the portfolio, with no more than 10 percent of the portfolio in any single fund. All the mutual fund holdings are highly rated by Standard & Poor’s and Moody’s, and are considered to be cash and cash equivalents.

The Government-Sponsored Enterprises (GSE) holdings carry “AAA” ratings. Neither State law nor MTC policy imposes a limit to the amount of GSE within the portfolio. The holdings include Federal Home Loan Board (FHLB), Federal Home Loan Mortgage (FHLMC), and Tennessee Valley Authority (TVA).

MTC holds a position in corporate notes as permitted under MTC’s investment policy. Corporate notes must be rated “A” or better with a maximum maturity of 5 years and cannot exceed 10 percent of the investment portfolio. MTC holds \$15,000,000 and \$25,000,000 at

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June 30, 2008 and 2007 in corporate notes. The corporate notes constitute 0.5 and 1.0 percent at June 30, 2008 and 2007 of MTC's total cash and investment holdings.

MTC also has \$149,990 and \$0 at June 30, 2008 and 2007 restricted cash in an escrow account and \$560,075 and \$1,010,177 at June 30, 2008 and 2007 restricted cash for the BART car replacement project. BATA has restricted cash of \$40,757,514 and \$35,171,456 at June 30, 2008 and 2007 for the FasTrak[®] program, consisting of deposits or prepayments made by patrons of the FasTrak[®] electronic toll collection program and \$22,336 and \$0 at June 30 2008 and 2007 restricted cash in an escrow account.

A. Deposit and Investment Risk Factors

There are many factors that can affect the value of investments. MTC invests substantially in fixed income securities, which are affected by credit risk, custodial credit risk, concentration of credit risk, and interest rate risk. MTC invests funds in accordance with the provisions of Section 53600 of the Government Code. The provisions of the code address specific deposit and investment risk. The credit ratings of MTC's income securities holdings are discussed in Note 1.F.

i.) Credit Risk

Fixed income securities are subject to credit risk, which is the possibility that the security issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by at least one of the nationally recognized independent credit-rating agencies, for example Moody's Investor Services or Standard & Poor's. The lower the rating is, the greater the chance (in the opinion of Moody's or Standard & Poor's) that the bond issuer will default, or fail to meet its obligations.

ii.) Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be recovered. All securities are held in independent safekeeping accounts maintained with Union Bank of California (UBOC) and Bank of New York (BONY), and are held in the name of MTC. All security trades clear through both banks. All checking and sweep accounts are insured to FDIC limits or fully collateralized. As a result, custodial credit risk is remote.

iii) Concentration of Credit Risk

Concentration of credit risk is the risk associated with lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the

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organization to greater risks resulting from adverse economic, political, regulatory or credit developments.

Investments in issuers that represent 5 percent or more of total cash and investments at June 30, 2008 and 2007 are as follows:

	2008	2007
Federal Home Loan Board (FHLB)	46%	29%
Federal Home Loan Mortgage (FHLMC)	36%	50%

iv) Interest Rate Risk

Interest rate risk is the risk that the market value of fixed-income securities will decline because of rising interest rates. The prices of fixed-income securities with a longer time to maturity, measured by duration in years, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. MTC's policy is to buy and hold investments to maturity.

MTC holds \$65 million in investments tied to floating rate benchmarks. Depending on the structure, the rate on the investment will reset monthly or quarterly and is based on a LIBOR (London Interbank Offering Rate) or a CMT (Constant Maturity Treasuries-2 year TSY) index.

The floating rate securities are summarized as follows:

Investment	Par Value	Structure	Final Maturity
MBIA Inc	\$15 million	2 year CMT + (plus) 20 basis points from 3/07 to maturity	9/08
FHLB	\$5 million	1 month LIBOR – (net) 14 basis points to maturity	8/09
FHLB	\$20 million	3 month LIBOR – (net) 23 basis points to maturity	12/08
FHLB	\$25 million	3 month LIBOR – (net) 18 basis points to maturity	12/09

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The weighted average maturities of MTC's Government Sponsored Enterprises (GSE) securities (expressed in number of years) at June 30, 2008 and 2007 are as follows:

	2008	2007
Government-sponsored enterprises		
Federal Home Loan Board	0.14	0.30
Federal Home Loan Mortgage	0.19	0.56
Federal National Mortgage Association	-	5.82
Tennessee Valley Authority	2.55	3.56
Federal Farm Credit Board	-	0.22

The Corporate note has a maturity of 67 and 379 days at June 30, 2008 and 2007.

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4. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2008 is as follows:

Governmental activities

	Beginning Balance July 1, 2007	Additions	Retirements	Ending Balance June 30, 2008
Capital assets, not being depreciated:				
Construction in progress	\$ 337,020	\$ 3,165,681	\$ -	\$ 3,502,701
Total capital assets, not being depreciated	<u>337,020</u>	<u>3,165,681</u>	<u>-</u>	<u>3,502,701</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,751,073	\$ 103,631	\$ -	\$ 8,854,704
Office furniture and equipment	3,048,677	29,670	-	3,078,347
Leased equipment	168,489	-	-	168,489
Automobiles	177,029	27,151	(16,345)	187,835
Total capital assets being depreciated	<u>12,145,268</u>	<u>160,452</u>	<u>(16,345)</u>	<u>12,289,375</u>
Less accumulated depreciation for:				
Buildings and improvements	3,291,096	492,078	-	3,783,174
Office furniture and equipment	2,837,155	63,185	-	2,900,340
Leased equipment	58,972	33,697	-	92,669
Automobiles	161,587	15,574	(16,345)	160,816
Total accumulated depreciation	<u>6,348,810</u>	<u>604,534</u>	<u>(16,345)</u>	<u>6,936,999</u>
Total capital assets, being depreciated, net	<u>5,796,458</u>	<u>(444,082)</u>	<u>-</u>	<u>5,352,376</u>
Governmental activities capital assets, net	<u>\$ 6,133,478</u>	<u>\$ 2,721,599</u>	<u>\$ -</u>	<u>\$ 8,855,077</u>

Business-type activities

	Beginning Balance July 1, 2007	Additions	Retirements	Ending Balance June 30, 2008
Capital assets, being depreciated:				
Office furniture and equipment	\$ 2,705,559	\$ 2,209,270	\$ -	\$ 4,914,829
Building and improvements	3,134,200	-	-	3,134,200
Intangible assets	-	1,152,679	-	1,152,679
Call boxes	11,020,145	193,926	(25,115)	11,188,956
Total capital assets being depreciated	<u>16,859,904</u>	<u>3,555,875</u>	<u>(25,115)</u>	<u>20,390,664</u>
Less accumulated depreciation for:				
Office furniture and equipment	1,517,818	480,605	-	1,998,423
Building and improvements	217,692	130,420	-	348,112
Intangible assets	-	136,515	-	136,515
Call boxes	9,528,064	198,648	(25,084)	9,701,628
Total accumulated depreciation	<u>11,263,574</u>	<u>946,188</u>	<u>(25,084)</u>	<u>12,184,678</u>
Total capital assets, being depreciated, net	<u>5,596,330</u>	<u>2,609,687</u>	<u>(31)</u>	<u>8,205,986</u>
Business-type activities capital assets, net	<u>\$ 5,596,330</u>	<u>\$ 2,609,687</u>	<u>\$ (31)</u>	<u>\$ 8,205,986</u>

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 604,534
Total depreciation expense - governmental activities	<u>\$ 604,534</u>

Business-type activities:

Toll bridge	\$ 680,663
Congestion relief	<u>265,525</u>
Total depreciation expense - business-type activities	<u>\$ 946,188</u>

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A summary of changes in capital assets for the year ended June 30, 2007 is as follows:

Governmental activities

	Beginning Balance July 1, 2006	Additions	Retirements	Ending Balance June 30, 2007
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 337,020	\$ -	\$ 337,020
Total capital assets, not being depreciated	<u>-</u>	<u>337,020</u>	<u>-</u>	<u>337,020</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,199,566	\$ 551,507	\$ -	\$ 8,751,073
Office furniture and equipment	3,032,517	16,160	-	3,048,677
Leased equipment	168,489	-	-	168,489
Automobiles	193,373	-	(16,344)	177,029
Total capital assets being depreciated	<u>11,593,945</u>	<u>567,667</u>	<u>(16,344)</u>	<u>12,145,268</u>
Less accumulated depreciation for:				
Buildings and improvements	2,850,860	440,236	-	3,291,096
Office furniture and equipment	2,723,299	113,856	-	2,837,155
Leased equipment	25,274	33,698	-	58,972
Automobiles	167,636	10,295	(16,344)	161,587
Total accumulated depreciation	<u>5,767,069</u>	<u>598,085</u>	<u>(16,344)</u>	<u>6,348,810</u>
Total capital assets, being depreciated, net	<u>5,826,876</u>	<u>(30,418)</u>	<u>-</u>	<u>5,796,458</u>
Governmental activities capital assets, net	<u>\$ 5,826,876</u>	<u>\$ 306,602</u>	<u>\$ -</u>	<u>\$ 6,133,478</u>

Business-type activities

	Beginning Balance July 1, 2006	Additions	Retirements	Ending Balance June 30, 2007
Capital assets, being depreciated:				
Office furniture and equipment	\$ 2,455,238	\$ 250,321	\$ -	\$ 2,705,559
Building and improvements	3,134,200	-	-	3,134,200
Call boxes	7,999,620	4,055,746	(1,035,221)	11,020,145
Total capital assets being depreciated	<u>13,589,058</u>	<u>4,306,067</u>	<u>(1,035,221)</u>	<u>16,859,904</u>
Less accumulated depreciation for:				
Office furniture and equipment	1,261,624	256,194	-	1,517,818
Building and improvements	87,272	130,420	-	217,692
Call boxes	6,846,076	3,715,989	(1,034,001)	9,528,064
Total accumulated depreciation	<u>8,194,972</u>	<u>4,102,603</u>	<u>(1,034,001)</u>	<u>11,263,574</u>
Total capital assets, being depreciated, net	<u>5,394,086</u>	<u>203,464</u>	<u>(1,220)</u>	<u>5,596,330</u>
Business-type activities capital assets, net	<u>\$ 5,394,086</u>	<u>\$ 203,464</u>	<u>\$ (1,220)</u>	<u>\$ 5,596,330</u>

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 598,085
Total depreciation expense - governmental activities	<u>\$ 598,085</u>
Business-type activities:	
Toll bridge	\$ 317,782
Congestion relief	3,784,820
Total depreciation expense - business-type activities	<u>\$ 4,102,602</u>

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5. LONG-TERM DEBT

Toll Revenue Bonds were issued by BATA during May 2001, February 2003 and October 2004 to (i) finance the cost of the design and construction of eligible projects of Regional Measure 1 projects for the Bay Area Bridges, (ii) to finance a Reserve Fund for the Series 2001, 2003, and 2004 Toll Revenue Bonds, and (iii) pay costs incurred in connection with the issuance of the Series 2001, 2003 and 2004 Toll Revenue Bonds.

Toll Revenue Bonds were issued by BATA during February 2006 (2006 Series A-E) to (i) finance the costs of the design and construction of eligible Regional Measure 1 projects for the Bay Area Bridges, Regional Measure 2 transportation projects and the Toll Bridge Seismic Retrofit capital program for the Bay Area Bridges, (ii) to finance a Reserve Fund for the 2006 Series A-E Toll Revenue Bonds, and (iii) pay costs incurred in connection with the issuance of the 2006 Series A-E General Revenue Bonds.

Toll Revenue Bonds were issued by BATA during April 2006 (2006 Series F) to (i) defease the California Infrastructure and Economic Development Bank (Ibank) debt obligations related to the seismic surcharge, (ii) to finance a Reserve Fund for the 2006 Series F Toll Revenue Bonds, and (iii) pay costs incurred in connection with the issuance of the 2006 Series F Toll Revenue Bonds.

Toll Revenue Bonds were issued during May 2007 (2007 Series A1-D1, E1-E2, F, and G1) to (i) finance the costs of the design and construction of eligible Regional Measure 1 projects for the Bay Area bridges, and the Toll Bridge Seismic Retrofit capital program for the Bay Area bridges, (ii) pay costs incurred in connection with the issuance of the 2007 Series A1-D1, E1-E2, F, and G1 Toll Revenue Bonds, and (iii) pay a refunding for a portion of Toll Revenue Bonds 2001 Series D.

Toll Revenue Bonds were issued during October 2007 (2007-2 Series A2-D2, E3, G2-G3) to (i) finance the costs of the design and construction of eligible Regional Measure 1 projects for the Bay Area bridges and the Toll Bridge Seismic Retrofit capital program for the Bay Area bridges, and (ii) pay costs incurred in connection with the issuance of the 2007 Series A2-D2, E3, and G2-G3 Toll Revenue Bonds.

Toll Revenue Bonds were issued during June 2008 (2008 Series A1-E1 and G1) to (i) refund the portion of the Toll Revenue Bonds 2006 Series (A2-A3, B2, D1, D3, and E2) variable rate bonds insured by XL Capital Assurance and (ii) pay costs incurred in connection with the issuance of the 2008 Series A1-E1, and G1 Toll Revenue Bonds. This refunding was recorded as a current refunding in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*.

Component Unit – BAIFA – State Payment Acceleration Notes (SPANs) were issued during December 2006 (2006 SPANs) to (i) finance the costs of the design and construction of the Toll Bridge Seismic Retrofit Capital Program for the Bay Area bridges and (ii) pay costs incurred in connection with the issuance of the 2006 SPANs. More information is presented in Note 1.L.

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A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

Business-type activities

	Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008	Due Within One Year
2001 Revenue Bond Series A	5/24/2001	4.09%-4.10% ⁽¹⁾	2036	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -	150,000,000	\$ -
2001 Revenue Bond Series B	5/24/2001	4.120% ⁽¹⁾	2029	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series C	5/24/2001	4.110% ⁽¹⁾	2025	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series D	5/24/2001	4.860% ⁽²⁾	2011	100,000,000	26,785,000	-	(6,225,000)	20,560,000	6,570,000
2003 Revenue Bond Series A	2/12/2003	4.139% ⁽³⁾	2038	75,000,000	75,000,000	-	(1,500,000)	73,500,000	1,500,000
2003 Revenue Bond Series B	2/12/2003	4.139% ⁽³⁾	2038	75,000,000	75,000,000	-	(1,400,000)	73,600,000	1,600,000
2003 Revenue Bond Series C	2/12/2003	4.139%-7.0% ⁽⁴⁾	2037	150,000,000	150,000,000	-	(1,700,000)	148,300,000	1,700,000
2004 Revenue Bond Series A	10/5/2004	3.416% ⁽⁵⁾	2039	75,000,000	75,000,000	-	(1,245,000)	73,755,000	1,305,000
2004 Revenue Bond Series B	10/5/2004	3.416% ⁽⁵⁾	2039	150,000,000	150,000,000	-	(2,490,000)	147,510,000	2,610,000
2004 Revenue Bond Series C	10/5/2004	3.416% ⁽⁵⁾	2039	75,000,000	75,000,000	-	(1,245,000)	73,755,000	1,300,000
2006 Revenue Bond Series (A-E)	2/8/2006	3.730% ⁽⁶⁾	2045	1,000,000,000	1,000,000,000	-	(500,000,000)	500,000,000	-
2006 Revenue Bond Series F	4/25/2006	4.590% ⁽⁷⁾	2031	1,149,205,000	1,125,515,000	-	(26,425,000)	1,099,090,000	27,350,000
2007 Rev Bond Ser(A1-D1,E1-E2, G1)	5/15/2007	3.740% ⁽⁸⁾	2047	500,000,000	500,000,000	-	-	500,000,000	-
2007 Revenue Bond Series F	5/15/2007	4.440% ⁽⁹⁾	2031	310,950,000	310,950,000	-	(390,000)	310,560,000	30,000
2007 Rev Bond Ser(A2-D2,E3 G2-G3)	10/25/2007	3.740% ⁽¹⁰⁾	2047	500,000,000	-	500,000,000	-	500,000,000	-
2008 Revenue Bond Series(A1-E1, G1)	6/5/2008	3.730% ⁽¹¹⁾	2045	507,760,000	-	507,760,000	-	507,760,000	-
Unamortized bond premium				\$ 4,967,915,000	\$ 3,863,250,000	\$ 1,007,760,000	\$ (542,620,000)	\$ 4,328,390,000	\$ 43,965,000
Deferred charge on refunding					21,472,761		(911,954)	20,560,807	
Net long-term debt as of June 30, 2008					(2,231,071)	(9,090,067)	225,629	(11,095,509)	
					\$ 3,882,491,690	\$ 998,669,933	\$ (543,306,325)	\$ 4,337,855,298	
Component Unit-BAIFA 2006 SPANs	12/14/2006	4.27% ⁽¹²⁾	2017	\$ 972,320,000	\$ 972,320,000	-	\$ (105,180,000)	\$ 867,140,000	\$ 69,770,000
Unamortized bond premium				50,548,994	-	-	(4,859,725)	45,689,269	
Net long-term debt as of June 30, 2008				\$ 1,022,868,994	\$ -	\$ -	\$ (110,039,725)	\$ 912,829,269	

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- (1) 2001 Series A, B and C bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.
- (2) 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018 before the defeasance. Post defeasance final maturity is 2011. The bonds carry interest rates ranging from 4.0% in 2006 to 5.5% in 2011 with a true interest cost of 4.86%.
- (3) 2003 Series A and B bonds are issued as variable rate bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.
- (4) Of the \$150,000,000 2003 Series C revenue bonds, \$50,000,000 are issued as variable rate demand bonds with a floating to fixed interest rate swap. Refer to interest rate swap description within this footnote.
- (5) 2004 Series A, B and C bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.
- (6) 2006 Series A-E bonds are issued as variable rate bonds with a total of 4 floating-to-fixed interest rate swap transactions in place. The blended swap rate for this 2006 series is 3.73%
Refer to interest rate swap description within this footnote.
- (7) 2006 Series F bonds are issued as fixed rate bonds with a final maturity of 2031. The bonds carry interest rates ranging from 3.4% in 2007 to 5.0% in 2031, or a true interest cost of 4.59%.
- (8) 2007 Series A1-D1, E1-E2, and G1 bonds are issued as variable rate bonds with a total of four floating to fixed interest rate swap transactions in place. The blended swap rate for this 2007 Series is 3.74%
Refer to interest rate swap description within this footnote.
- (9) 2007 Series F bonds are issued as fixed bonds with a final maturity of 2031. The bonds carry interest rates ranging from 4% in 2008 to 5% in 2031 with a true interest rate cost of 4.44%.
- (10) 2007 Series A2-D2, E3, and C2-C3 are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.
- (11) 2008 Series A1-E1, and G1 are issued as variable rate demand bonds to refund \$500 million of the 2006 Series (A2-A3, B2, D1, D3, and E2) bonds insured by XL Capital Assurance.
- (12) 2006 Bay Area Infrastructure Financing Authority SPANs were issued as fixed rate bonds with a final maturity of 2017. The bonds carried interest rates ranging from 4.0% in 2007 to 5.0% in 2017, or a true interest cost of 4.27%.

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A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

Business-type activities

	Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Due Within One Year
2001 Revenue Bond Series A	5/24/2001	4.09%-4.10% ⁽¹⁾	2036	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -	150,000,000	\$ -
2001 Revenue Bond Series B	5/24/2001	4.120% ⁽¹⁾	2029	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series C	5/24/2001	4.110% ⁽¹⁾	2025	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series D	5/24/2001	4.860% ⁽²⁾	2011	100,000,000	94,215,000	-	(67,430,000)	26,785,000	6,225,000
2003 Revenue Bond Series A	2/12/2003	4.139% ⁽³⁾	2038	75,000,000	75,000,000	-	-	75,000,000	1,500,000
2003 Revenue Bond Series B	2/12/2003	4.139% ⁽³⁾	2038	75,000,000	75,000,000	-	-	75,000,000	1,400,000
2003 Revenue Bond Series C	2/12/2003	3.6%-4.139% ⁽⁴⁾	2037	150,000,000	150,000,000	-	-	150,000,000	1,700,000
2004 Revenue Bond Series A	10/5/2004	3.416% ⁽⁵⁾	2039	75,000,000	75,000,000	-	-	75,000,000	1,245,000
2004 Revenue Bond Series B	10/5/2004	3.416% ⁽⁵⁾	2039	150,000,000	150,000,000	-	-	150,000,000	2,490,000
2004 Revenue Bond Series C	10/5/2004	3.416% ⁽⁵⁾	2039	75,000,000	75,000,000	-	-	75,000,000	1,245,000
2006 Revenue Bond Series (A-E)	2/8/2006	3.730% ⁽⁶⁾	2045	1,000,000,000	1,000,000,000	-	-	1,000,000,000	-
2006 Revenue Bond Series F	4/25/2006	4.590% ⁽⁷⁾	2031	1,149,205,000	1,149,205,000	(23,690,000)	-	1,125,515,000	26,425,000
2007 Rev Bond Ser (A1-D1,E1-E2, G1)	5/15/2007	3.43%-3.75% ⁽⁸⁾	2047	500,000,000	-	500,000,000	-	500,000,000	-
2007 Revenue Bond Series F	5/15/2007	4.440% ⁽⁹⁾	2031	310,950,000	-	310,950,000 ⁽¹⁰⁾	-	310,950,000	390,000
				\$ 3,960,155,000	\$ 3,143,420,000	\$ 810,950,000	\$ (91,120,000)	\$ 3,863,250,000	\$ 42,620,000
Unamortized bond premium				993,140	21,232,527	(752,906)		21,472,761	
Deferred charge on 2001 Series D refunding				-	(2,256,715)	25,644		(2,231,071) ⁽¹¹⁾	
Net long-term debt as of June 30, 2007				\$ 3,144,413,140	\$ 829,925,812	\$ (91,847,262)	\$ (91,847,262)	\$ 3,882,491,690	
Component Unit-BAIFA 2006 SPANs	12/14/2006	4.27% ⁽¹²⁾	2017	\$ 972,320,000	\$ -	\$ 972,320,000	\$ -	\$ 972,320,000	\$ 105,180,000
Unamortized bond premium				-	53,443,870	(2,894,876)		50,548,994	
Net long-term debt as of June 30, 2007				\$ -	\$ 1,025,763,870	\$ (2,894,876)	\$ (2,894,876)	\$ 1,022,868,994	

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- (1) 2001 Series A, B and C bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.
- (2) 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018. The bonds carry interest rates ranging from 4.0% in 2006 to 5.0% in 2018, or an all in true interest cost of 4.86%.
- (3) 2003 Series A and B bonds are issued as variable rate bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.
- (4) Of the \$150,000,000 2003 Series C revenue bonds, \$50,000,000 are issued as variable rate demand bonds with a floating to fixed interest rate swap. Refer to interest rate swap description within this footnote.
- (5) 2004 Series A, B and C bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.
- (6) 2006 Series A-E bonds are issued as variable rate bonds with a total of four floating-to-fixed interest rate swap transaction in place. The blended swap rate for this 2006 series is 3.73%.
Refer to interest rate swap description within this footnote.
- (7) 2006 Series F bonds are issued as fixed rate bonds with a final maturity of 2031. The bonds carry interest rates ranging from 3.4% in 2007 to 5.0% in 2031, or an all in true interest cost of 4.59%.
- (8) 2007 Series A1 -E1, and G1 bonds are issued as variable rate bonds. There are 4 floating to fixed interest rate swaps awith an effective date of November 1, 2007 for the series. Refer to interest rate swap description within this footnote.
- (9) 2007 Series F bonds are issued as fixed bonds with a final maturity of 2031. The bonds carry interest rates ranging from 4% in 2008 to 5% in 2031 with an all in true interest rate cost of 4.44%.
- (10) Amount issued includes 2001 Series D refunding of \$61,415,000 (maturities 2012-2018)
- (11) Net of Deferred charge on 2001 Series D bond refunding of \$2,256,715 less 2007 amortization of \$25,644
- (12) 2006 Bay Area Infrastructure Financing Authority SPANs were issued as fixed rate bonds with a final maturity of 2017. The bonds carry interest rates ranging from 4.0% in 2007 to 5.0% in 2017, or an all-in true interest cost of 4.27%

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Annual funding requirements

The annual funding requirements (principal and interest) for the long-term debt outstanding of the business-type activities at June 30, 2008 are as follows:

Business-type activities			
Fiscal Year Ending	Principal Payments	Interest Payments	Total Payments
2009	\$ 43,965,000	\$ 177,664,198	\$ 221,629,198
2010	45,730,000	175,859,600	221,589,600
2011	47,880,000	173,982,554	221,862,554
2012	49,970,000	172,017,260	221,987,260
2013-2017	315,270,000	826,172,446	1,141,442,446
2018-2022	425,135,000	751,893,092	1,177,028,092
2023-2027	538,540,000	655,756,401	1,194,296,401
2028-2032	680,245,000	533,964,980	1,214,209,980
2033-2037	805,925,000	382,181,061	1,188,106,061
2038-2042	736,345,000	220,700,170	957,045,170
2043-2047	639,385,000	69,483,716	708,868,716
	<u>\$ 4,328,390,000</u>	<u>\$ 4,139,675,478</u>	<u>\$ 8,468,065,478</u>

Component Unit - BAIFA

Fiscal Year Ending	Principal Payments	Interest Payments	Total Payments
2009	\$ 69,770,000	\$ 37,026,878	\$ 106,796,878
2010	8,720,000	34,047,699	42,767,699
2011	17,020,000	33,675,355	50,695,355
2012	19,020,000	32,948,601	51,968,601
2013	19,795,000	32,136,447	51,931,447
2014-2018	732,815,000	87,791,200	820,606,200
	<u>\$ 867,140,000</u>	<u>\$ 257,626,180</u>	<u>\$ 1,124,766,180</u>

Toll Revenue Bonds

The Bay Area Toll Authority Bridge Toll Revenue Bonds are payable solely from “Pledged Revenues.” The Master Indenture, dated as of May 1, 2001 defines Pledged Revenues as all bridge toll revenue as well as revenue and all amounts held by the Trustee in each fund and account established under the indenture except for amounts in the Rebate Fund and amounts on deposit in any fund or account established to hold the proceeds of a drawing on any Liquidity Instrument.

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In the fifth supplemental indenture dated February 2006, BATA covenanted to maintain toll revenue at levels that result in net operating revenue greater than 1.2 times annual debt service costs as defined in the master indenture dated May 1, 2001. In addition, BATA has agreed to maintain tolls at a level where net operating revenue plus the balance in the operations and maintenance charges is at least 1.25 times total “fixed costs” as well as maintaining tolls at levels exceeding 1.0 times all fixed costs as costs are defined in this indenture.

BATA has also covenanted in the 2001 Indenture that no additional bonds shall be issued, unless the additional bonds are issued for refunding of 2001 Series bond purposes, or Net Revenue equates to greater than 150 percent of the combined maximum annual debt service, including the 2001 bonds and additional bonds.

BATA has covenanted to maintain an operations and maintenance reserve of two times the adopted operations and maintenance budget. At June 30, 2008, BATA had restricted \$150 million as the restricted operations and maintenance reserve. BATA has also covenanted to maintain an emergency extraordinary loss reserve of not less than \$50 million. These amounts are shown as restricted assets for the year ended June 30, 2008. In addition, the BATA board has authorized a total of \$600 million for emergency extraordinary loss reserves and \$70 million for a bridge rehabilitation reserve.

The bonds issued by BATA are collateralized by a first lien on all of its revenues and are not an obligation of the MTC primary government or any component unit other than BATA.

In October 2007, BATA issued the 2007 Series A2-D2, E3, & G2-G3 Variable Rate Demands Bonds (VRDB) in the principal amount of \$500,000,000. The bond proceeds were used to pay for the capital improvement expenses of the seven bridges, to add an additional surety bond to the reserve fund and to pay for the costs of issuing the 2007-2 series bonds.

In June 2008, BATA issued 2008 Series A1-E1, and G1 VRDB in the amount of \$507,760,000. A portion of the proceeds, \$500,000,000, was applied to the refunding of the 2006 Series A2-A3, B2, D1, D3, and E2 VRDB insured by XL Capital Assurance. In early 2008, XL Capital Assurance was downgraded several notches below “AAA”, which caused market volatility in the weekly pricing of the BATA variable rate bonds. The difference between reacquisition price and the net carrying amount of the old debt is \$9,090,067, which is reported as a deferred charge. The transaction was completed for the business purpose of removing a bond insurance policy that had caused interest rates to increase sharply and does not provide any economic gain or loss. The remainder of the proceeds, \$7,760,000 was applied to issuance and other banking costs.

Although some of the BATA bonds are subject to weekly auctions or weekly remarketing, in the event the auction or remarketing fails, BATA would not be required to repurchase the bonds.

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Component Unit – BAIFA

The BAIFA State Payment Acceleration Notes (SPANs) are payable solely from “Pledged Revenues” of BAIFA. The Indenture of Trust, dated December 1, 2006, defines Pledged Revenues as all scheduled payments allocated by the California Transportation Commission (CTC) to BAIFA, as well as revenue and all amounts held by the Trustee in each fund and account established under the indenture.

The SPANs issued by BAIFA do not constitute debt or liability of the State, MTC, or BATA or any other political subdivisions of the State other than BAIFA. More information is presented in Note 1.L.

Interest Rate and Forward Interest Rate Swap Agreements

In January 2002, BATA completed a contract to swap variable-to-fixed rate bonds with a notional amount of \$300 million. Counterparties to the transaction are Ambac for \$150 million, Citigroup for \$75 million and Morgan Stanley for \$75 million. During the 34-year term of the swap, BATA will pay each respective counterparty based on a fixed rate ranging from 4.09 percent to 4.12 percent while receiving a variable rate payment based on 65 percent of the one-month LIBOR index. The variable rate bonds associated with this swap were issued as part of BATA’s 2001 \$300 million Toll Bridge Revenue Bond issue.

BATA completed a contract with Ambac to swap variable-to-fixed rate bonds with a notional amount of \$200 million. The contract calls for BATA to pay Ambac a fixed rate of 4.139 percent with an effective date of March 2003. In exchange, BATA will receive a variable rate payment based on 65 percent of the one-month LIBOR rate for 35 year term of the 2003 financing. The variable rate bonds associated with this swap (\$75 million for Series A, \$75 million for Series B, and \$50 million for Series C) were issued as part of BATA’s 2003 \$300 million Toll Bridge Revenue Bond issue. In fiscal year 2008, \$3.0 million notional associated with this swap was amortized.

In August 2004, BATA completed a contract with Ambac to swap variable-to-fixed rate bonds with a notional amount of \$300 million with an effective date of October 2004. The contract calls for BATA to pay Ambac a fixed rate of 3.416 percent. In exchange, BATA will receive a variable rate based on 54 percent of the one-month LIBOR rate and 54 basis points for 35 year term of the 2004 financing. The variable rate bonds associated with this swap were issued as part of BATA’s 2004 \$300 million Toll Bridge Revenue Bond issue. In fiscal year 2008, \$4.98 million notional associated with this swap was amortized.

In November 2005, BATA approved a contract to swap variable-to-fixed rate bonds with a notional amount of \$1 billion with an effective date of February 2006. Counterparties to the transactions are Ambac for \$500 million, JP Morgan AAA ISDA for \$245 million, Citibank for \$225 million and Bank of America for \$30 million. During the 39 year-term of the swap, BATA will pay each respective counterparty based on a fixed rate ranging from 3.63 percent to 4.00 percent. In exchange, BATA will receive a variable rate payment based on varying percentages of LIBOR.

BATA will receive from Ambac and Bank of America a variable rate payment based on 68 percent of the one-month LIBOR rate. BATA will receive from Citibank a variable rate

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payment based on 53.8 percent of the one-month LIBOR rate and 74 basis points. BATA will receive from JP Morgan a variable rate payment based on 67.8 percent of the 10 year LIBOR rate in years 1 through 30 (first leg) and a variable rate payment based on 75.105 percent of the one-month LIBOR in years 31 through 39 (second leg).

The variable rate bonds associated with this swap were issued as part of BATA's 2006 \$1 billion Toll Bridge Revenue Bond issuance.

On November 30, 2005, BATA approved another contract to swap variable-to-fixed rate bonds with a notional amount of \$1 billion. The effective swap date on this contract was November 2007. Counterparties to the transactions are Ambac for \$420 million, JP Morgan for \$270 million, Citibank for \$260 million and Bank of America for \$50 million. During the 39-year term, BATA will pay each respective counterparty based on a fixed rate ranging from 3.63 percent to 4.00 percent. In exchange, BATA will receive a variable rate based on ranging percentages of LIBOR.

BATA will receive from Ambac and Bank of America a variable rate payment based on 68 percent of the one-month LIBOR rate. BATA will receive from Citibank a variable-rate payment based on 53.80 percent of the one-month LIBOR rate and 74 basis points. BATA will receive from JP Morgan a variable-rate payment based on 69.33 percent of the 1-year LIBOR rate in years 1 through 34 (first leg) and a variable-rate payment based on 75.08 percent of the one-month LIBOR in years 35 through 39 (second leg).

The \$500 million dollars in variable-rate bonds associated with this \$1 billion dollar swap were issued as part of BATA's 2007 Series A1-D1, E1-E2, and G1 Bonds. BATA issued the remaining \$500 million of the variable-rate bonds associated with this swap as part of the 2007 Series A2-D2, E3, G2-G3 Bonds.

BATA entered into these transactions as a means of lowering long-term debt costs while maintaining a hedge against increases in short-term rates. BATA is aware that swap transactions contain certain associated risks not traditionally associated with fixed-rate issues, particularly the risk of counterparty failure. However, BATA has structured the transaction with reasonable safeguards, including downgrade and collateral provisions required of all counterparties, insurance guaranteeing performance on the Ambac components, as well as BATA's unilateral ability to cancel any transaction with 15 days notice.

The swap contracts address credit risk by requiring the counterparties to post collateral if two triggering mechanisms are breached: counterparty credit ratings fall below "A+" or "Aa3" from Standard & Poor's and Moody's respectively; and the swap carries a positive fair value in excess of \$10 million.

As of June 30, 2008, counterparties posted a combined \$19.7 million in collateral with a third party safekeeping agent.

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As of June 30, 2008, the swap counterparties carried the following ratings:

	Standard & Poor's	Moody's
Ambac	AA	Aa3
JP Morgan AAA ISDA	AAA	Aaa
Citigroup/Citibank	AA-/AA	Aa3/Aa1
Bank of America	AA+	Aaa
Morgan Stanley	A+	Aa3

Cancellation of any or all of the swap transactions is subject to a market value calculation at the time of termination. The market value calculation is used to determine what, if any, termination payment is due from or to the counterparty. At June 30, 2008 and 2007, the financial and investment advisory firm of Public Financial Management (PFM) established the termination value as of June 30, 2008 and 2007 as follows:

Notional Value	Counterparty	Fixed Rate	Value due from / (to) counterparty Jun 30, 2008	Value due from / (to) counterparty Jun 30, 2007
\$75 million	Ambac	4.110%	\$ (7,898,320)	\$ (3,104,673)
\$75 million	Ambac	4.120%	(9,215,923)	(3,533,873)
\$75 million	Morgan Stanley	4.090%	(9,995,740)	(3,607,255)
\$75 million	Citigroup	4.100%	(10,105,118)	(3,709,124)
\$200 million	Ambac	4.139%	(23,360,198)	(9,365,179)
\$300 million	Ambac	3.416%	(9,421,674)	7,132,936
\$500 million	Ambac	3.647%	(25,143,744)	19,138,946
\$30 million	Bank of America	3.633%	(1,443,910)	1,208,989
\$225 million	Citibank	3.638%	(9,004,894)	6,768,880
\$245 million	JP Morgan Chase	4.000%	(8,670,225)	10,049,928
\$420 million	Ambac	3.641%	(20,975,864)	16,524,028
\$50 million	Bank of America	3.626%	(2,376,005)	2,076,729
\$260 million	Citibank	3.636%	(10,486,639)	7,912,337
\$270 million	JP Morgan Chase	4.000%	(10,501,712)	11,505,683
			<u>\$ (158,599,966)</u>	<u>\$ 58,998,352</u>

The termination value, or fair value, BATA would pay to terminate all swaps is \$159 million on June 30, 2008. The termination value, or fair value, BATA would receive to terminate all swaps is \$59 million on June 30, 2007.

BATA's intent, however, is to maintain the swap transactions for the life of the financing. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, BATA has not adopted Financial Accounting Standards Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and has not recorded the termination value due to or from the counterparties.

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The schedule that follows shows the total interest cost of the swap payments. The total cost is determined by calculating the fixed rate payment to the counterparty, netting the variable rate payment received from the counterparty, plus any associated administrative costs associated with the swap and variable rate obligation.

As of June 30, 2008, debt service requirements of the variable rate debt and net swap payments for 2001 Series A, B and C are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Remarketing and Liquidity****	Total Payment
4/1/2009	\$ -	\$ 20,062,500	\$ 7,519,209	\$ 900,000	\$ 28,481,709
4/1/2010	-	20,062,500	7,519,209	900,000	28,481,709
4/1/2011	-	20,062,500	7,519,209	900,000	28,481,709
4/1/2012	-	20,062,500	7,519,209	900,000	28,481,709
4/1/2013	-	20,062,500	7,519,209	900,000	28,481,709
4/1/2014-2036	300,000,000	316,974,125	118,798,489	14,219,400	449,992,014
	<u>\$ 300,000,000</u>	<u>\$ 417,286,625</u>	<u>\$ 156,394,534</u>	<u>\$ 18,719,400</u>	<u>\$ 592,400,559</u>

As of June 30, 2008, debt service requirements of the variable rate debt and net swap payments for 2003 Series A, B and C are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Remarketing and Liquidity****	Total Payment
4/1/2009	\$ 3,200,000	\$ 10,576,248	\$ 5,004,594	\$ 591,000	\$ 16,171,842
4/1/2010	3,300,000	10,404,452	4,923,301	581,400	15,909,153
4/1/2011	3,500,000	10,227,286	4,839,468	571,500	15,638,254
4/1/2012	3,600,000	10,039,383	4,750,554	561,000	15,350,937
4/1/2013	3,800,000	9,846,111	4,659,099	550,200	15,055,410
4/1/2014-2038	179,600,000	147,364,184	69,731,522	8,234,700	225,330,406
	<u>\$ 197,000,000</u>	<u>\$ 198,457,664</u>	<u>\$ 93,908,538</u>	<u>\$ 11,089,800</u>	<u>\$ 303,456,002</u>

As of June 30, 2008, debt service requirements of the variable rate debt and net swap payments for 2004 Series A, B and C are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Remarketing and Liquidity****	Total Payment
4/1/2009	\$ 5,215,000	\$ 21,573,338	\$ 4,565,242	\$ 885,060	\$ 27,023,640
4/1/2010	5,385,000	21,191,991	4,484,543	869,415	26,545,949
4/1/2011	5,590,000	20,798,213	4,401,214	853,260	26,052,687
4/1/2012	5,775,000	20,389,444	4,314,712	836,490	25,540,646
4/1/2013	6,040,000	19,967,147	4,225,348	819,165	25,011,660
4/1/2014-2039	267,015,000	303,429,263	64,210,188	12,448,380	380,087,831
	<u>\$ 295,020,000</u>	<u>\$ 407,349,396</u>	<u>\$ 86,201,247</u>	<u>\$ 16,711,770</u>	<u>\$ 510,262,413</u>

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As of June 30, 2008, debt service requirements of the variable rate debt and net swap payments for 2006 Series A-E are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Remarketing and Liquidity****	Total Payment
4/1/2009	\$ -	\$ 34,818,975	\$ 15,883,851	\$ 5,000,000	\$ 55,702,826
4/1/2010	-	34,818,975	15,883,851	5,000,000	55,702,826
4/1/2011	-	34,818,975	15,883,851	5,000,000	55,702,826
4/1/2012	-	34,818,975	15,883,851	5,000,000	55,702,826
4/1/2013	-	34,818,975	15,883,851	5,000,000	55,702,826
4/1/2014-2045	1,000,000,000	908,889,464	414,620,618	130,516,400	1,454,026,482
	<u>\$ 1,000,000,000</u>	<u>\$ 1,082,984,339</u>	<u>\$ 494,039,873</u>	<u>\$ 155,516,400</u>	<u>\$ 1,732,540,612</u>

As of June 30, 2008, debt service requirements of the variable rate debt and net swap payments for 2007 Series A-E are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Remarketing and Liquidity****	Total Payment
4/1/2009	\$ -	\$ 64,868,000	\$ 16,057,167	\$ 3,000,000	\$ 83,925,167
4/1/2010	-	64,868,000	16,057,167	3,000,000	83,925,167
4/1/2011	-	64,868,000	16,057,167	3,000,000	83,925,167
4/1/2012	-	64,868,000	16,057,167	3,000,000	83,925,167
4/1/2013	-	64,868,000	16,057,167	3,000,000	83,925,167
4/1/2014-2047	1,000,000,000	1,770,507,192	438,264,319	81,882,000	2,290,653,511
	<u>\$ 1,000,000,000</u>	<u>\$ 2,094,847,192</u>	<u>\$ 518,550,154</u>	<u>\$ 96,882,000</u>	<u>\$ 2,710,279,346</u>

	Series 2001 Bonds*	Series 2003 Bonds	Series 2004 Bonds	Series 2006 Bonds	Series 2007 Bonds
Interest Rate Swap					
Fixed payment to counter party	4.105%	4.139%	3.416%	3.731%	3.740%
LIBOR percentage of payments*****	-1.599%	-1.599%	-1.868%	-2.142%	-2.134%
Net interest rate swap payments***	2.506%	2.540%	1.548%	1.589%	1.606%
Variable rate bond coupon payments**	6.688%	5.369%	7.313%	3.482%	6.487%
Synthetic interest rate on bonds	9.194%	7.909%	8.861%	5.071%	8.093%
Remarketing/liquidity fee****	0.300%	0.300%	0.300%	0.500%	0.300%
Total Cost	<u>9.494%</u>	<u>8.209%</u>	<u>9.161%</u>	<u>5.571%</u>	<u>8.393%</u>

* Converted to 65% one month LIBOR on 1/1/06

** The ending average variable rate as of last June 2008 reset

*** Net receipt/(payment)

**** Remarketing/liquidity fees

***** LIBOR rates as of last June 30, 2008 reset

For further swap details, refer to Schedules 14-17, Schedule of Interest Rate Swap – BATA Proprietary Fund.

Arbitrage

IRS Code Section 148 requires interest earned on the proceeds of a tax-exempt bond issuance that exceed the arbitrage yield on the bonds be rebated back to the IRS. BATA incurred a

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cumulative rebate arbitrage liability of \$295,818 as of fiscal year 2008 that is being held in a restricted account with the trustee for potential future payment to the IRS.

6. LEASES

Capital Leases

MTC leases copier equipment under capital leases which expire at the end of fiscal year 2011. The assets and liabilities under this capital lease are recorded at the present value of the minimum lease payments. Minimum future lease payments under the capital lease are comprised of the following:

Governmental Activities Year Ending June 30	Amount
2009	\$ 42,736
2010	42,736
2011	<u>10,684</u>
Total	96,156
Less interest amounts	<u>(9,315)</u>
Present value of net minimum lease payments	<u><u>\$ 86,841</u></u>

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7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund transfers as of June 30, 2008, is as follows:

Transfer Out:	Transfer In:					Total
	General	AB 664 Net Toll Revenue Reserve	Capital Projects	STA	Nonmajor Governmental Funds	
Exchange	\$ -	\$ -	\$ 1,079,283	\$ -	\$ -	\$ 1,079,283
STA	12,737,870	-	994,757	-	-	13,732,627
General	-	-	2,080,477	3,943,000	-	6,023,477
AB664	21,000	-	-	-	-	21,000
BATA	5,945,179	11,083,741	321,287	-	9,857,581	27,207,788
SAFE	1,714,549	-	-	-	-	1,714,549
Total	\$ 20,418,598	\$ 11,083,741	\$ 4,475,804	\$ 3,943,000	\$ 9,857,581	\$ 49,778,724

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	Capital	\$ 1,069,902
General	STA	\$ 622,707
General	Other Governmental	\$ 49,242
General	BATA	\$ 512,340
General	Capital	\$ 1,299,567
Capital	STA	\$ 400,571
Capital	Other Governmental	\$ 750,192
Capital	BATA	\$ 280,787
STA	General	\$ 3,943,000
SAFE	General	\$ 3,454,699
BATA	AB664	\$ 286,258
BATA	Other Governmental	\$ 57,419
BATA	MTC	\$ 42,000,000

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

The composition of interfund transfers as of June 30, 2007, is as follows:

Transfer Out:	Transfer In:				
	General	AB 664 Net Toll Revenue Reserve	Capital Projects	Nonmajor Governmental Funds	Total
Exchange	\$ -	\$ -	\$ 1,404,454	\$ -	\$ 1,404,454
STA	12,172,366	-	1,114,242	-	13,286,608
BATA	5,188,212	11,322,328	-	10,005,726	26,516,266
SAFE	1,335,436	-	-	-	1,335,436
Total	\$ 18,696,014	\$ 11,322,328	\$ 2,518,696	\$ 10,005,726	\$ 42,542,764

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	BATA	\$ 468,212
General	STA	\$ 150,184
General	Other Governmental	\$ 310,252
AB664	General	\$ 62,493
Capital	General	\$ 206,652
SAFE	General	\$ 2,798,571
BATA	AB664	\$ 677,672
BATA	Other Governmental	\$ 889,274

Transfers are used to move revenues from the fund with collection authority to the program fund that accounts for the various grant programs based on both budgetary and matching fund requirements.

Outstanding receivables and payables between funds are due to timing differences resulting from when expenditures are incurred and reimbursement payments are made.

8. EMPLOYEES' RETIREMENT PLAN

Plan Description

MTC's single employer defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission ("the Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Metropolitan Transportation Commission

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Notes to Financial Statements

The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by state statutes within the Public Employees' Retirement Law. The MTC selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS website or by writing to CalPERS fiscal Services Division, PO Box 942703, Sacramento, California 94229.

Funding Policy

Members in the Plan are required to contribute a percent of their annual covered salary, which is established by California state statute. MTC is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its employees. The actuarial methods and assumptions are those adopted and amended by the CalPERS Board of Administration. Pursuant to an election by MTC employees, a contract amendment was executed with CalPERS in fiscal 2007, amending the retirement benefit formula from 2 percent at 55 to 2 ½ percent at 55. MTC employees agreed to contribute the full cost of this enhancement and share in future retirement cost increases. The full cost of MTC's retirement benefit is allocated as follows:

- MTC pays the Base Rate of 17.395 percent in effect on July 1, 2006 (10.395 percent employer contribution and 7 percent employee share, per employee's gross earnings), and the FY 2007-08 Base Rate. The Base Rate will increase effective FY 2008-09 by a percentage equivalent to the actual increase in cost attributable to the BATA employees hired in FY 2005-06.
- Members pay 3.402 percent of eligible gross earnings (2.402 percent employer contribution and 1.0 percent employee contribution) to cover the full cost of the enhancement.
- MTC and members will share equally in payment for additional CalPERS increases, up to 2.0 percent above the Base Rate and the 3.402 percent enhancement cost, each paying up to an additional 1 percent.
- Per agreement, any CalPERS contribution rate increases exceeding the additional 2 percent referenced above, will result in re-opening the agreement to determine further cost-sharing arrangements.

Annual Pension Cost and Funding Progress

The required contribution was \$2,813,755 and \$2,647,617 for the years ended June 30, 2008 and 2007 determined as part of the June 30, 2006 and June 30, 2005 actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of payroll. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses) and (b) projected salary increases that vary by duration of service. Both (a) and (b) include an inflation component of 3.0 percent and an

Metropolitan Transportation Commission
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annual production growth of .25 percent. The actuarial value of the Plan's asset was determined using a technique that smoothes the effect of short-term volatility in market value of investments over a fifteen-year period depending on the size of investment gains and/or losses.

The following table shows the MTC's required contributions and the percentage contributed for the current year and each of the two preceding years:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2006	\$ 2,324,948	100%
June 30, 2007	2,647,617	100%
June 30, 2008	2,813,755	100%

The MTC's funding progress information as of June 30, 2006 is illustrated as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2004	\$ 45,753,197	\$ 48,662,374	\$ 2,909,177	94.0%	\$ 11,714,647	24.8%
June 30, 2005	49,691,002	55,528,976	5,837,974	89.5%	11,623,784	50.2%
June 30, 2006	54,611,669	61,472,801	6,861,132	88.8%	14,292,965	48.0%

The latest available actuarial valuation was as of June 30, 2006 showing an under-funded status.

9. POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

MTC's single employer defined benefit other postemployment healthcare (OPEB) plan, or MTC's California Employer's Retirement Benefit Trust (CERBT) account, provides health plan coverage through the CalPERS Health Plan to eligible retired employees and their eligible dependants. MTC maintains the same medical plans for its retirees as for its active employees, with the general exception that once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer. Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 with 5 years of service to MTC. Benefits are paid for the lifetime of the retiree, spouse or surviving spouse, and dependents up to the age of 23.

MTC is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for provision of healthcare insurance programs for both active and retired employees. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report

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may be obtained from the CalPERS website or by writing to CalPERS fiscal Services Division, PO Box 942703, Sacramento, California 94229.

Funding Policy

MTC contributions are based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting of Post Employment Benefits Other Than Benefits*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. MTC's payments of monthly retiree premiums of \$428,810 and \$353,378 for the years ended 2008 and 2007 were applied toward the required annual employer contribution of \$1,372,945 and \$2,155,931 for the years ended 2008 and 2007. The ARC is based on separate actuarial computations for the active and retiree employee groups.

Annual OPEB Cost, Funded Status and Funding Progress

MTC's annual Other Postemployment Benefit (OPEB) expense is based on the ARC of the employer less healthcare costs paid on behalf of its retirees as well as any other contributions made to the plan during the year. The following table represents annual OPEB cost for the year, the percentage of costs contributed to the plan, and changes in the net OPEB obligation. Governmental and Business-Type Activities funded 100% of the ARC attributable to them. Any net OPEB obligation/(asset) resulted solely from Governmental Activities.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
June 30, 2006	n/a	n/a	n/a
June 30, 2007	\$ 2,155,931	16.4%	\$ 1,802,533
June 30, 2008	1,372,945	794.4%	(7,731,865)

The funded status of the plan as of July 1, 2008 was as follows:

Annual required contribution (ARC)	\$ 1,337,526
Interest on net OPEB obligation	139,698
Adjustment to ARC	(104,279)
Annual OPEB Cost	1,372,945
Less Contributions made	(10,907,363)
Increase in net OPEB obligation	(9,534,418)
Net OPEB obligation - beginning of year	1,802,553
Net OPEB obligation/(asset) - end of year	<u>\$ (7,731,865)</u>

The MTC's funding progress information as of June 30, 2008 is illustrated as follows:

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006	\$ -	\$ 14,376,476	\$ 14,376,476	0.0%	\$ 15,193,161	94.6%
January 1, 2007	-	10,297,911	10,297,911	0.0%	22,965,687	44.8%

Actuarial valuations must make certain assumptions regarding the probability of occurrence of certain events such as employment turnover, retirement, and mortality, as well as economic assumptions regarding future healthcare costs and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress on Schedule IV, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided as the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members. The actuarial methods and assumptions used include techniques designed to reduce effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The valuation date was changed from July 1 to January 1 to align the valuation date with the health plan's premium renewal period. In the January 1, 2007 actuarial valuation, the cost method was changed from the Projected Unit Credit cost method to Entry Age Normal cost method. This change in method was required in order for MTC to participate in the trust fund managed by CalPERS. The actuarial assumptions include a discount rate of 7.75 percent, an increase from 6.0 percent to reflect the expected return on assets in the CalPERS' retiree health trust fund, a return on assets of 5.0 percent, and an annual healthcare cost trend rate of 9.0 percent in the first year (from the 2007 premium year to the 2008 premium year), 8.0 percent the next year, and grading down 1.0 percent annually, to 5.0 percent per year thereafter.

Demographic assumptions were changed to conform to the CalPERS assumption model, which was required in order for MTC to participate in the trust fund managed by CalPERS. Demographic assumptions are the same as those used by CalPERS in its valuation of pension benefits under its Miscellaneous 2.5 percent @ 55 formula for miscellaneous employees. MTC employees participate in CalPERS and accrue pension benefits under this formula.

Metropolitan Transportation Commission
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10. COMMITMENTS AND CONTINGENCIES

MTC's administered projects are subject to audit by the respective grantors. The final determination of allowable project costs can be made only after the grantor's audits are completed and final rulings by the grantor's administrative departments are obtained. Disallowed expenditures, if any, must be borne by nonfederal funds. In the opinion of MTC's management, such disallowances, if any, would not have a material adverse effect on the accompanying government-wide financial statements.

MTC is involved in various claims and litigation that are considered normal to the MTC's regional planning activities. MTC has established a \$746,451 accrual for certain of these contingencies. In the opinion of the MTC's management, the ultimate resolution of these matters will not have a material adverse effect on the MTC's government-wide financial position.

Commitment and Loan to Bay Area Rapid Transit District

On March 11, 1999, MTC, the San Mateo County Transit District (Samtrans) and the Bay Area Rapid Transit District (BART) (collectively the Parties) entered into a Memorandum of Understanding (MOU) defining the terms and conditions by which additional funds would be made available for the SFO Extension Project (the Project). On September 1, 1999, the Parties agreed to provide a total of \$198.5 million to the Project, with BART providing \$50 million, Samtrans providing \$72 million, and MTC providing \$76.5 million.

MTC's commitment included a \$60 million loan (the Loan) for the Project's cash flow requirements and \$16.5 million for additional budget items. In addition, MTC agreed to pay for interest and financing costs not to exceed \$11.8 million, for a total commitment of \$88.3 million.

To fund the Loan, MTC agreed to advance \$60 million from the Rail Reserve Fund (East Bay Account) for Project cash flows. Under the MOU, BART was to repay this advance without interest, upon authorization and receipt of federal funds anticipated pursuant to BART's full funding grant agreement with the U.S. Department of Transportation (the FTA grant). MTC further agreed to allocate \$16.5 million to BART from the Rail Reserve Fund (West Bay Account) for budget items, and utilize a combination of bridge toll revenues and other sources to pay interest and financing costs up to \$11.8 million.

On February 12, 2001, MTC and BART executed an Acknowledgement Agreement (the Agreement) which modified the repayment terms of the Loan. Under the Agreement, MTC acknowledged that the FTA grant proceeds, originally pledged to repay the Loan, will be pledged and assigned in favor of bonds (the Bonds) issued by the Association of Bay Area Governments to refinance the Notes and finance the Project. The Agreement confirms BART's obligation to repay the Loan, as set forth in the MOU; however, such repayment will be made from the general resources of BART and subject to the prior pledge in favor of the Bonds.

On June 28, 2006, MTC and BART revised the terms of the \$60 million loan agreement. The new agreement extends the \$60 million loan to June 30, 2015 with an interest rate of 3 percent.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2008 and 2007
Notes to Financial Statements

On November 28, 2007, the MTC Commission authorized the pledging of the then remaining proceeds of the \$47 million BART loan receivable balance from the Rail Reserve Fund to BATA. As a result BATA transferred \$47 million for their operating cash to the Rail Reserve Fund thereby providing cash flow to the Rail Reserve Fund (East Bay Account) to be used for the BART Oakland airport connector project. MTC retains all of its contract protections and enforcement rights against BART until the BART obligations to the East Bay Rail Reserve are satisfied. MTC also retains the legal obligation and responsibility to seek any payment due from BART. The pledge of the \$47 million BART loan from MTC to BATA is an Intra-Entity Transfers of Assets which bears an interest rate of 3.0 percent. GASB statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues* provides guidance on the accounting and reporting of Intra-Entity Transfers of Assets.

As of June 30, 2008 and 2007, the total loan outstanding with BART is \$42 million and \$47 million. Remaining payments due under the loan are as follows:

Fiscal Year	Principal Payments
2009	\$ 5,000,000
2010	8,000,000
2011	8,000,000
2012	8,000,000
2013	8,000,000
2014	5,000,000
	\$ 42,000,000

11. RISK MANAGEMENT

MTC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. MTC purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by the MTC from insurance companies. To date, there have been no significant reductions in any of the MTC's insurance coverage, and no settlement amounts have exceeded commercial insurance coverage for the past three years.

12. SUBSEQUENT EVENT

In August 2008, BATA issued \$2.4 billion in bonds to refund the remaining debt that was insured by AMBAC to complete the refunding of all insured variable and auction rate bonds. AMBAC was downgraded earlier in 2008 from "AAA" to "AA", and as a result it caused a market disruption in the weekly pricing of the variable rate bonds.. The new bonds refunded BATA 2001 Series A – C, 2003 Series A – C, 2004 Series A – C, 2006 Series A1, B1, C, D2, and E1, 2007 Series A1 to E1, A2 – E2, E3, and G1– G3.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**Metropolitan Transportation Commission
Schedule of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – General Fund
For the Year Ended June 30, 2008**

Schedule I

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales taxes for planning activities	\$ 10,600,000	\$ 10,600,000	\$ 10,276,412	\$ (323,588)
Grants - Federal	70,813,492	79,689,134	38,555,203	(41,133,931)
Grants - State	2,953,562	4,088,829	893,463	(3,195,366)
Local Agencies Revenues	5,816,657	6,232,325	4,097,121	(2,135,204)
Investment Income - unrestricted	850,000	850,000	790,306	(59,694)
Total revenues	91,033,711	101,460,288	54,612,505	(46,847,783)
Expenditures				
Current:				
General Government	130,307,975	143,831,991	66,056,858	77,775,133
Allocations to Other Agencies	12,621,931	13,321,931	10,425,579	2,896,352
Capital outlay	395,000	395,000	82,517	312,483
Total expenditures	143,324,906	157,548,922	76,564,954	80,983,968
Deficiency of revenues under expenditures	(52,291,195)	(56,088,634)	(21,952,449)	34,136,185
Other financing sources				
Transfers in	41,019,098	43,843,191	14,395,121	(29,448,070)
Net change in fund balances	(11,272,097)	(12,245,443)	(7,557,328)	4,688,115
Fund balances - beginning	26,818,835	26,818,835	26,818,835	-
Fund balances - ending	\$ 15,546,738	\$ 14,573,392	\$ 19,261,507	\$ 4,688,115

Metropolitan Transportation Commission
Schedule of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – AB 664 Net Toll Revenue Reserves Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Investment Income - unrestricted	\$ -	\$ -	\$ 1,912,883	\$ 1,912,883
Total Revenues	-	-	1,912,883	1,912,883
Expenditures				
Current:				
General Government	-	-	4,338	4,338
Allocations to Other Agencies	49,762,888	49,975,605	14,823,889	(35,151,716)
Total expenditures	49,762,888	49,975,605	14,828,227	(35,147,378)
Deficiency of revenues under expenditures	(49,762,888)	(49,975,605)	(12,915,344)	37,060,261
Other financing sources				
Transfers in	11,370,000	11,370,000	11,062,741	(307,259)
Net change in fund balances	(38,392,888)	(38,605,605)	(1,852,603)	36,753,002
Fund balances - beginning	38,605,605	38,605,605	38,605,605	-
Fund balances - ending	\$ 212,717	\$ -	\$ 36,753,002	\$ 36,753,002

**Metropolitan Transportation Commission
Schedule of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – State Transit Assistance Fund
For the Year Ended June 30, 2008**

Schedule III

	Budgeted Amounts			Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			
Revenues					
Grants - State	\$ 72,682,234	\$ 111,517,984	\$	123,706,000	\$ 12,188,016
Investment Income - unrestricted	-			4,155,551	4,155,551
Total revenues	72,682,234	111,517,984		127,861,551	16,343,567
Expenditures					
Current:					
Allocations to Other Agencies	190,587,851	229,307,252		133,798,751	95,508,501
Total expenditures	190,587,851	229,307,252		133,798,751	95,508,501
Excess (deficiency) of revenues over (under) expenditures	(117,905,617)	(117,789,268)		(5,937,200)	111,852,068
Other financing sources / (uses)					
Transfers (out) / in	-	-		(9,789,628)	(9,789,628)
Net change in fund balances	(117,905,617)	(117,789,268)		(15,726,828)	102,062,440
Fund balances - beginning	118,296,029	118,296,029		118,296,029	-
Fund balances - ending	\$ 390,412	\$ 506,761	\$	102,569,201	\$ 102,062,440

**Metropolitan Transportation Commission
Schedules of Funding Progress
For the Year Ended June 30, 2008**

Schedule IV

Pension Plan (Required Supplementary Information)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2004	\$ 45,753,197	\$ 48,662,374	\$ 2,909,177	94.0%	\$ 11,714,647	24.8%
June 30, 2005	49,691,002	55,528,976	5,837,974	89.5%	11,623,784	50.2%
June 30, 2006	54,611,669	61,472,801	6,861,132	88.8%	14,292,965	48.0%

Postemployment Benefits (Required Supplementary Information)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006	\$ -	\$ 14,376,476	\$ 14,376,476	0.0%	\$ 15,193,161	94.6%
January 1, 2007	-	10,297,911	10,297,911	0.0%	22,965,687	44.8%

OTHER SUPPLEMENTARY INFORMATION

**Metropolitan Transportation Commission
Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2008**

Schedule 1

	Transit <u>Reserves</u>	Rail <u>Reserves</u>	<u>Exchange</u>	BART <u>Car Exchange</u>	Feeder <u>Bus</u>	Total Nonmajor Governmental <u>Funds</u>
Assets						
Cash and cash equivalents - unrestricted	\$ 757,729	\$ 30,756,069	\$ 8,227,209	\$ -	\$ 48,509	\$ 39,789,516
Cash and cash equivalents - restricted	-	-	-	560,675	-	560,675
Investments - unrestricted	-	53,604,227	-	-	-	53,604,227
Investments - restricted	-	-	-	46,664,674	-	46,664,674
Interest receivable	-	286,767	-	323,896	-	610,663
Total assets	\$ 757,729	\$ 84,647,063	\$ 8,227,209	\$ 47,549,245	\$ 48,509	\$ 141,229,755
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 352,532	-	\$ 730,519	-	\$ -	1,083,051
Accrued liabilities	3,314	1,888	20,900	-	-	26,102
Due to other funds	23,398	34,022	799,435	-	-	856,855
Total liabilities	379,244	35,910	1,550,854	-	-	1,966,008
Fund balances						
Reserved for Capital Projects	364,145	31,000,000	5,337,344	47,549,245	122	84,250,856
Unreserved, reported in Special revenue funds	14,340	53,611,153	1,339,011	-	48,387	55,012,891
Total fund balances	378,485	84,611,153	6,676,355	47,549,245	48,509	139,263,747
Total liabilities and fund balances	\$ 757,729	\$ 84,647,063	\$ 8,227,209	\$ 47,549,245	\$ 48,509	\$ 141,229,755

**Metropolitan Transportation Commission
Combining Statement of Revenues, Expenses and Changes in Fund Balances --
Nonmajor Governmental Funds
For the Year Ended June 30, 2008**

Schedule 2

	<u>Transit Reserves</u>	<u>Rail Reserves</u>	<u>Exchange</u>	<u>BART Car Exchange</u>	<u>Feeder Bus</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues						
Grants - State	\$ 2,965,204	\$ -	\$ -	\$ -	\$ -	\$ 2,965,204
Project grants from local agencies	-	5,000,000	500,000	22,681,000	-	28,181,000
Investment income - unrestricted	60,106	4,128,140	297,559	-	1,577	4,487,382
Investment income - restricted	-	-	-	1,454,256	-	1,454,256
Total revenues	3,025,310	9,128,140	797,559	24,135,256	1,577	37,087,842
Expenditures						
Current:						
General government	-	5,006,303	2,117,584	-	-	7,123,887
Allocations to other agencies	4,152,955	-	-	-	-	4,152,955
Total expenditures	4,152,955	5,006,303	2,117,584	-	-	11,276,842
Excess / (deficiency) of revenues over / (under) expenditures	(1,127,645)	4,121,837	(1,320,025)	24,135,256	1,577	25,811,000
Other financing sources / uses						
Other financing source	-	47,000,000	-	-	-	47,000,000
Transfers in	891,603	8,965,978	-	-	-	9,857,581
Transfers out	-	-	(1,079,283)	-	-	(1,079,283)
Total other financing sources and uses	891,603	55,965,978	(1,079,283)	-	-	55,778,298
Net change in fund balances	(236,042)	60,087,815	(2,399,308)	24,135,256	1,577	81,589,298
Fund balances - beginning	614,527	24,523,338	9,075,663	23,413,989	46,932	57,674,449
Fund balances - ending	\$ 378,485	\$ 84,611,153	\$ 6,676,355	\$ 47,549,245	\$ 48,509	\$ 139,263,747

Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances --
Budget and Actual -- Transit Reserves Fund
For the Year Ended June 30, 2008

Schedule 3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Grants - State	\$ 3,067,909	\$ 3,068,319	\$ 2,965,204	\$ (103,115)
Investment Income - unrestricted	-	-	60,106	60,106
Total revenues	3,067,909	3,068,319	3,025,310	(43,009)
Expenditures				
Current:				
Allocations to Other Agencies	4,687,334	4,496,527	4,152,955	343,572
Deficiency of revenues under expenditures	(1,619,425)	(1,428,208)	(1,127,645)	300,563
Other financing sources				
Transfers in	915,000	915,000	891,603	(23,397)
Net change in fund balances	(704,425)	(513,208)	(236,042)	277,166
Fund balances - beginning	614,527	614,527	614,527	-
Fund balances - ending	\$ (89,898)	\$ 101,319	\$ 378,485	\$ 277,166

**Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances --
Budget and Actual -- Rail Reserve Fund
For the Year Ended June 30, 2008**

Schedule 4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Agency Revenue	\$ -	\$ -	\$ 5,000,000	\$ 5,000,000
Investment Income - unrestricted	-	2,115,000	4,128,140	2,013,140
Total revenues	-	2,115,000	9,128,140	7,013,140
Expenditures				
Current:				
General Government	-	5,000,000	5,006,303	(6,303)
Allocations to Other Agencies	23,549,534	77,638,338	-	77,638,338
Total expenditures	23,549,534	82,638,338	5,006,303	77,632,035
Deficiency of revenues under expenditures	(23,549,534)	(80,523,338)	4,121,837	84,645,175
Other financing sources				
Other financing sources (Uses)	-	47,000,000	47,000,000	-
Transfers in	9,000,000	9,000,000	8,965,978	(34,022)
Net change in fund balances	(14,549,534)	(24,523,338)	60,087,815	84,611,153
Fund balances - beginning	24,523,338	24,523,338	24,523,338	-
Fund balances - ending	\$ 9,973,804	\$ -	\$ 84,611,153	\$ 84,611,153

**Metropolitan Transportation Commission
 Schedule of Revenues, Expenses and Changes in Fund Balances --
 Budget and Actual-- Exchange Fund
 For the Year Ended June 30, 2008**

Schedule 5

	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Agencies Revenues	\$ -	\$ -	\$ 500,000	\$ 500,000
Investment Income - unrestricted	-	-	297,559	297,559
Total revenues	-	-	797,559	797,559
Expenditures				
Current:				
Professional Fees	3,896,737	3,896,737	2,117,584	1,779,153
Allocations to Other Agencies	4,169,638	4,169,638	-	4,169,638
Total expenditures	8,066,375	8,066,375	2,117,584	5,948,791
Excess / (deficiency) of revenues over / (under) expenditures	(8,066,375)	(8,066,375)	(1,320,025)	6,746,350
Other financing sources / (uses)				
Transfers (out) / in	-	-	(1,079,283)	(1,079,283)
Net change in fund balances	(8,066,375)	(8,066,375)	(2,399,308)	5,667,067
Fund balances - beginning	9,075,663	9,075,663	9,075,663	-
Fund balances - ending	\$ 1,009,288	\$ 1,009,288	\$ 6,676,355	\$ 5,667,067

**Metropolitan Transportation Commission
 Schedule of Revenues, Expenses and Changes in Fund Balances –
 Budget and Actual – BART Car Exchange Fund
 For the Year Ended June 30, 2008**

Schedule 6

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Project grants from local agencies	\$ -	\$ -	\$ 22,681,000	\$ 22,681,000
Investment income - restricted	-	-	1,454,256	1,454,256
Total revenues	-	-	24,135,256	24,135,256
Expenditures				
Current:				
General Government	-	-	-	-
Allocations to other agencies	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	24,135,256	24,135,256
Net change in fund balances	-	-	24,135,256	24,135,256
Fund balances - beginning	23,413,989	23,413,989	23,413,989	-
Fund balances - ending	\$ 23,413,989	\$ 23,413,989	\$ 47,549,245	\$ 24,135,256

**Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances --
Budget and Actual -- Feeder Bus Fund
For the Year Ended June 30, 2008**

Schedule 7

	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment income - unrestricted	\$ 121	\$ 121	\$ 1,577	\$ 1,456
Total revenues	121	121	1,577	1,456
Expenditures				
Current:				
Allocations to other agencies	121	121	-	121
Total expenditures	121	121	-	121
Excess / (deficiency) of revenues over / (under) expenditures	-	-	1,577	1,577
Net change in fund balances	-	-	1,577	1,577
Fund balances - beginning	46,932	46,932	46,932	-
Fund balances - ending	\$ 46,932	\$ 46,932	\$ 48,509	\$ 1,577

Metropolitan Transportation Commission
Schedule of Expenditures – Governmental General Fund
For the Year Ended June 30, 2008

Schedule 8

Expenditures by natural classification*:	
Salaries & benefits	\$ 24,764,040
Travel	211,193
Professional fees	38,170,971
Overhead	3,498,578
Printing & reproduction	340,158
Other	<u>39,980</u>
Reported as general government expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 67,024,920</u>
Salaries & benefits - MTC*	\$ 24,764,040
Salaries & benefits - BATA	5,266,565
Salaries & benefits - SAFE	865,995
Total salaries & benefits	<u>\$ 30,896,600</u>
Overhead - MTC*	\$ 3,498,578
Overhead - SAFE	426,777
Total Overhead	<u>\$ 3,925,355</u>

*Includes Capital Projects

Metropolitan Transportation Commission
Schedule of Overhead, Salaries and Benefits Expenditures – Governmental
General Fund
For the Year Ended June 30, 2008

Schedule 9

	Direct Costs*	Indirect Costs	Unallowable Costs	Total
Salaries	\$ 10,521,071	\$ 3,170,356	\$ 284,601	\$ 13,976,029
Benefits	6,988,824	2,030,853	7,900,895	16,920,572
TOTAL SALARIES AND BENEFITS	\$ 17,509,895	\$ 5,201,209	\$ 8,185,496	\$ 30,896,601
Reimbursable overhead:**				
Agency Temps		\$ 260,828	\$ -	\$ 260,828
Training		60,651	6,354	67,005
Personnel recruitment		128,744	-	128,744
Public hearings		10,652	-	10,652
Advertising		44,917	-	44,917
Communications		120,419	-	120,419
Utilities		136,597	-	136,597
Meeting room rental		6,456	-	6,456
Equipment rental		1,783	-	1,783
Parking rental		9,375	-	9,375
Storage rental		23,928	-	23,928
Computer maintenance & repair		36,505	-	36,505
Auto expense		15,797	-	15,797
Equipment maintenance & repair		733	1,849	2,582
General maintenance		28,034	-	28,034
Janitorial service		116,097	-	116,097
Office supplies		78,291	-	78,291
Printing & graphics supplies		61,440	-	61,440
Computer supplies		33,860	-	33,860
Computer software		303,872	-	303,872
Computer hardware		205,786	-	205,786
Furniture & fixtures		20,443	-	20,443
Postage & mailing		177,178	-	177,178
Memberships		49,977	21,502	71,479
Library acquisitions & subscriptions		38,572	3,593	42,165
Law library		20,634	-	20,634
Computer time & services		17,931	-	17,931
Advisory member stipend		44,650	62,800	107,450
Audit fees		26,272	380,899	407,171
Newswire service		15,881	-	15,881
Insurance		109,807	-	109,807
Other		14,128	95,059	109,187
Miscellaneous		-	47,048	47,048
Travel		132,350	172,578	304,928
Professional Fees		118,230	106,867	225,097
Bldg Maintenance		327,188	-	327,188
Subtotal Indirect Costs		<u>2,798,006</u>	<u>898,549</u>	<u>3,696,555</u>
Depreciation expense		<u>604,534</u>	<u>-</u>	<u>604,534</u>
Total indirect costs including depreciation expense		<u>3,402,540</u>	<u>898,549</u>	<u>4,301,089</u>
Indirect Cost Recovered		<u>8,832,550</u>		
Indirect (Over)/Under Absorbed		<u>\$ (228,800)</u>		

*Direct Costs include BATA and SAFE Salaries and Benefits per Indirect Cost Plan for FY 07-08.

** Overhead distributed to BATA and SAFE per Indirect Cost Plan for FY 07-08.

Metropolitan Transportation Commission
Schedule of Expenditures – Federal Highway Administration Grant
No. 08OWPMTCM
For the Year Ended June 30, 2008

Schedule 10

	ABAG	MTC	Total
Authorized Expenditures			
Federal	\$ 1,163,422	\$ 7,374,365	\$ 8,537,787
Local Match	150,734	955,427	1,106,161
Total authorized expenditures	<u>1,314,156</u>	<u>8,329,792</u>	<u>9,643,948</u>
Actual Expenditures *			
Association of Bay Area Governments (ABAG)	1,163,422	-	1,163,422
MTC			
<i>Program No. Program Name</i>			
1112 Implement Public Information Program	-	926,857	926,857
1121 Develop and Produce the RTP	-	600,258	600,258
1122 Travel Models and Data	-	832,308	832,308
1124 Integrate MTS with National & International Transportation	-	234,126	234,126
1125 Non-Motorized Transportation	-	6,765	6,765
1156 Library Services	-	397,740	397,740
1211 MTS Management Strategies	-	29,821	29,821
1212 Develop MTS Performance Measures	-	137,051	137,051
1229 Refine Regional Transport ERP	-	297,515	297,515
1236 Implement Freeway Management Program	-	697,388	697,388
1311 Develop and Implement Welfare to Work Program	-	131,069	131,069
1412 Air Quality Conformity	-	(265)	(265)
1511 Financial Analysis and Planning	-	218,979	218,979
1512 Federal Programming, Monitoring and TIP Development	-	807,543	807,543
1514 Allocate Funds/Admin Assistance Program	-	323,770	323,770
1515 State Programming and Project Monitoring	-	136,291	136,291
Total Expenditures	<u>1,163,422</u>	<u>5,777,216</u>	<u>6,940,638</u>
Balance of Federal Highway Administration Grant	<u>\$ -</u>	<u>\$ 1,597,149</u>	<u>\$ 1,597,149</u>

* Expenditures reported at federal reimbursement rate (88.53%)

**Metropolitan Transportation Commission
Schedule of Computations Demonstrating
Bond Covenant Compliance – BATA Proprietary Fund
For the Year Ended June 30, 2008**

Schedule 11

	2008
Revenue	
Toll revenues collected by Caltrans	\$ 477,377,104
Investment income	116,134,231
Other operating revenues	<u>14,308,777</u>
Total revenue	<u>607,820,112</u>
Operating expenses	
Operating expenses - Caltrans	30,271,065
Services and charges - BATA	<u>35,820,374</u>
Total operating before depreciation and amortization	66,091,439
Depreciation and amortization	<u>680,663</u>
Total operating expenses	<u>66,772,102</u>
Net operating income	541,048,010
Debt service and financing fees	
Interest expense	191,859,414
Financing fees	7,622,197
Bond issuance costs	<u>1,386,813</u>
Total debt service and financing fees	<u>200,868,424</u>
Income before grants & operating transfers	340,179,586
Caltrans/ other agency operating grants	102,832,315
Operating transfers	
Metropolitan Transportation Commission administrative transfers	6,266,466
Metropolitan Transportation Commission transit transfers	
AB 664 expenses	11,083,741
90% rail expenses	8,965,978
5% transit expenses	891,603
Transfers to Regional Measure 2 operators	<u>26,696,240</u>
Total operating transfers	<u>53,904,028</u>
Net income before capital transfers	<u>389,107,873</u>
Capital project transfers	
Regional Measure 1 transfers	83,000,142
Maintenance A transfers	4,810,988
Bridge rehabilitation transfers	20,795,870
Regional Measure 2 transfers	108,064,703
Bridge Seismic transfers	698,394,128
Transfers to other agencies	<u>17,943,384</u>
Total capital transfers	<u>933,009,215</u>
Net loss before contributions	(543,901,342)
Change in net assets	(543,901,342)
Total net assets/(deficits) - beginning	<u>(1,674,323,855)</u>
Total net assets/(deficits) - ending	<u>\$ (2,218,225,197)</u>

Metropolitan Transportation Commission
Schedule of Computations Demonstrating
Bond Covenant Compliance – BATA Proprietary Fund, *continued*
For the Year Ended June 30, 2008

Schedule 11

	2008
Net revenue ¹	\$ 577,549,047
Debt service ²	\$ 234,479,414
Debt service coverage ³	2.46
Debt service coverage - bond covenant requirement	1.20
Net revenue ¹	\$ 577,549,047
Debt service ² , operating transfer, financing fees ⁴	\$ 300,816,627
Fixed charge coverage	1.92
Fixed charge coverage - bond covenant requirement	1.00
Net revenue ¹ plus operations & maintenance reserve	\$ 727,549,047
Fixed charges ⁵	\$ 300,816,627
Fixed charge coverage	2.42
Fixed charge coverage - bond covenant requirement	1.25
Self insurance reserve	\$ 50,000,000
Self insurance reserve - bond covenant requirement	\$ 50,000,000
Operations & maintenance reserve	\$ 150,000,000

¹ Total revenue less Caltrans operating expenses

² Interest expense plus principal retirement of \$42,620,000

³ Based on debt outstanding from May 24, 2001 to June 5, 2008

⁴ Including BATA service and charges (excluding depreciation) = 1.68

⁵ Fixed charges comprise debt service, financing fees, and operating transfers (including BATA expense = 2.11)

**Metropolitan Transportation Commission
Schedule of Operating Revenues and Expenses – BATA Proprietary Fund – By Bridge
For the Year Ended June 30, 2008**

Schedule 12

	Carquinez Bridge	Benicia - Martinez Bridge	Antioch Bridge	Richmond - San Rafael Bridge	San Francisco - Oakland Bay Bridge	San Mateo - Hayward Bridge	Dumbarton Bridge	Total
Operating revenues								
Toll revenues collected by Caltrans	\$85,225,636	\$73,663,301	\$10,545,060	\$49,389,963	\$ 161,335,048	\$59,628,110	\$ 37,589,986	\$ 477,377,104
Other operating revenues	2,721,659	2,376,260	234,167	1,393,272	4,788,429	1,887,870	907,120	14,308,777
Total operating revenues	87,947,295	76,039,561	10,779,227	50,783,235	166,123,477	61,515,980	38,497,106	491,685,881
Operating expenses								
Operating expenditures incurred by Caltrans	4,182,242	4,583,503	1,597,556	2,608,782	11,153,914	3,695,705	2,449,363	30,271,065
Services and charges	7,755,757	6,703,554	959,628	4,494,616	14,681,913	5,426,315	3,420,788	43,442,571
Allocations to other agencies	4,766,052	4,119,454	589,709	2,762,023	9,022,299	3,334,568	2,102,135	26,696,240
Depreciation	121,518	105,032	15,036	70,422	230,038	85,020	53,597	680,663
Total operating expenses	16,825,569	15,511,543	3,161,929	9,935,843	35,088,164	12,541,608	8,025,883	101,090,539
Operating income	\$71,121,726	\$60,528,018	\$ 7,617,298	\$40,847,392	\$ 131,035,313	\$48,974,372	\$ 30,471,223	\$ 390,595,342

Metropolitan Transportation Commission
Combining Statement of Changes in Assets and Liabilities by Participant –
Agency Funds
For the Year Ended June 30, 2008

Schedule 13

	Balance			Balance
<u>County of Alameda</u>	July 1, 2007	Additions	Deductions	June 30, 2008
Assets				
Cash and cash equivalents	\$ 13,382,021	71,101,394	69,587,478	\$ 14,895,937
Receivables - interest	165,000	150,000	165,000	150,000
Total Assets	<u>\$ 13,547,021</u>	<u>71,251,394</u>	<u>69,752,478</u>	<u>\$ 15,045,937</u>
Liabilities				
Accounts payable	\$ 454,255	70,366,011	70,573,689	\$ 246,577
Accrued payable	230,364	841,108	230,364	841,108
Due to other governments	12,862,402	44,275	(1,051,575)	13,958,252
Total Liabilities	<u>\$ 13,547,021</u>	<u>71,251,394</u>	<u>69,752,478</u>	<u>\$ 15,045,937</u>
<u>County of Contra Costa</u>				
Assets				
Cash and cash equivalents	\$ 14,762,377	36,524,977	35,273,778	\$ 16,013,576
Receivables - interest	24,276	13,389	24,276	13,389
Receivables - other	46,722	-	46,722	-
Total Assets	<u>\$ 14,833,375</u>	<u>36,538,366</u>	<u>35,344,776</u>	<u>\$ 16,026,965</u>
Liabilities				
Accounts payable	\$ 530,145	33,814,553	33,967,358	\$ 377,340
Accrued payable	112,199	480,372	112,199	480,372
Due to other governments	14,191,031	2,243,441	1,265,219	15,169,253
Total Liabilities	<u>\$ 14,833,375</u>	<u>36,538,366</u>	<u>35,344,776</u>	<u>\$ 16,026,965</u>
<u>County of Marin</u>				
Assets				
Cash and cash equivalents	\$ 1,270,906	11,099,127	10,836,507	\$ 1,533,526
Receivables - interest	20,000	20,000	20,000	20,000
Total Assets	<u>\$ 1,290,906</u>	<u>11,119,127</u>	<u>10,856,507</u>	<u>\$ 1,553,526</u>
Liabilities				
Accounts payable	\$ -	10,583,053	10,392,617	\$ 190,436
Accrued payable	23,010	-	23,010	-
Due to other governments	1,267,896	536,074	440,880	1,363,090
Total Liabilities	<u>\$ 1,290,906</u>	<u>11,119,127</u>	<u>10,856,507</u>	<u>\$ 1,553,526</u>

Metropolitan Transportation Commission
Combining Statement of Changes in Assets and Liabilities by Participant –
Agency Funds, *continued*
For the Year Ended June 30, 2008

Schedule 13

	Balance			Balance
<u>County of Napa</u>	July 1, 2007	Additions	Deductions	June 30, 2008
Assets				
Cash and cash equivalents	\$ 12,041,301	8,763,510	8,794,899	\$ 12,009,912
Total Assets	<u>\$ 12,041,301</u>	<u>8,763,510</u>	<u>8,794,899</u>	<u>\$ 12,009,912</u>
Liabilities				
Accounts payable	\$ 48,340	8,510,009	8,534,604	\$ 23,745
Accrued payable	-	34,729	-	34,729
Due to other governments	11,992,961	218,772	260,295	11,951,438
Total Liabilities	<u>\$ 12,041,301</u>	<u>8,763,510</u>	<u>8,794,899</u>	<u>\$ 12,009,912</u>
<u>County of San Francisco</u>				
Assets				
Cash and cash equivalents	\$ 1,587,606	39,234,196	38,997,785	\$ 1,824,017
Total Assets	<u>\$ 1,587,606</u>	<u>39,234,196</u>	<u>38,997,785</u>	<u>\$ 1,824,017</u>
Liabilities				
Accounts payable	\$ 34,082	35,908,060	35,723,755	\$ 218,387
Accrued payable	4,861	-	4,861	-
Due to other governments	1,548,663	3,326,136	3,269,169	1,605,630
Total Liabilities	<u>\$ 1,587,606</u>	<u>39,234,196</u>	<u>38,997,785</u>	<u>\$ 1,824,017</u>
<u>County of Santa Mateo</u>				
Assets				
Cash and cash equivalents	\$ 3,140,757	35,109,714	35,462,008	\$ 2,788,463
Receivables - interest	47,018	26,710	47,018	26,710
Total Assets	<u>\$ 3,187,775</u>	<u>35,136,424</u>	<u>35,509,026</u>	<u>\$ 2,815,173</u>
Liabilities				
Accounts payable	\$ 106,322	34,236,867	34,208,414	\$ 134,775
Accrued payable	-	150,689	-	150,689
Due to other governments	3,081,453	748,868	1,300,612	2,529,709
Total Liabilities	<u>\$ 3,187,775</u>	<u>35,136,424</u>	<u>35,509,026</u>	<u>\$ 2,815,173</u>
<u>County of Santa Clara</u>				
Assets				
Cash and cash equivalents	\$ 12,999,912	95,634,913	103,510,304	\$ 5,124,521
Total Assets	<u>\$ 12,999,912</u>	<u>95,634,913</u>	<u>103,510,304</u>	<u>\$ 5,124,521</u>
Liabilities				
Accounts payable	\$ 5,008,308	96,277,719	101,247,666	\$ 38,361
Accrued payable	466,779	398,818	466,779	398,818
Due to other governments	7,524,825	(1,041,624)	1,795,859	4,687,342
Total Liabilities	<u>\$ 12,999,912</u>	<u>95,634,913</u>	<u>103,510,304</u>	<u>\$ 5,124,521</u>

Metropolitan Transportation Commission
Combining Statement of Changes in Assets and Liabilities by Participant –
Agency Funds, *continued*
For the Year Ended June 30, 2008

Schedule 13

	Balance			Balance
<u>County of Solano</u>	July 1, 2007	Additions	Deductions	June 30, 2008
Assets				
Cash and cash equivalents	\$ 10,701,655	16,382,382	19,846,423	\$ 7,237,614
Total Assets	<u>\$ 10,701,655</u>	<u>16,382,382</u>	<u>19,846,423</u>	<u>\$ 7,237,614</u>
Liabilities				
Accounts payable	\$ 1,515,594	17,744,177	19,240,935	\$ 18,836
Accrued payable	175,408	519,260	175,408	519,260
Due to other governments	9,010,653	(1,881,055)	430,080	6,699,518
Total Liabilities	<u>\$ 10,701,655</u>	<u>16,382,382</u>	<u>19,846,423</u>	<u>\$ 7,237,614</u>
<u>County of Sonoma</u>				
Assets				
Cash and cash equivalents	\$ 16,052,918	24,829,160	24,060,898	\$ 16,821,180
Total Assets	<u>\$ 16,052,918</u>	<u>24,829,160</u>	<u>24,060,898</u>	<u>\$ 16,821,180</u>
Liabilities				
Accounts payable	\$ 335,563	24,511,429	23,238,770	\$ 1,608,222
Accrued payable	33,674	(161,889)	33,674	(161,889)
Due to other governments	15,683,681	479,620	788,454	15,374,847
Total Liabilities	<u>\$ 16,052,918</u>	<u>24,829,160</u>	<u>24,060,898</u>	<u>\$ 16,821,180</u>
<u>AB 1107</u>				
Assets				
Cash and cash equivalents	\$ -	67,666,387	67,666,387	\$ -
Total Assets	<u>\$ -</u>	<u>67,666,387</u>	<u>67,666,387</u>	<u>\$ -</u>
Liabilities				
Accounts payable	\$ -	67,666,387	67,666,387	\$ -
Total Liabilities	<u>\$ -</u>	<u>67,666,387</u>	<u>67,666,387</u>	<u>\$ -</u>
<u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 85,939,453	406,345,760	414,036,467	\$ 78,248,746
Receivables - interest	256,294	210,099	256,294	210,099
Receivables - other	46,722	-	46,722	-
Total Assets	<u>\$ 86,242,469</u>	<u>406,555,859</u>	<u>414,339,483</u>	<u>\$ 78,458,845</u>
Liabilities				
Accounts payable	\$ 8,032,609	399,618,265	404,794,195	\$ 2,856,679
Accrued payable	1,046,295	2,263,087	1,046,295	2,263,087
Due to other governments	77,163,565	4,674,507	8,498,993	73,339,079
Total Liabilities	<u>\$ 86,242,469</u>	<u>406,555,859</u>	<u>414,339,483</u>	<u>\$ 78,458,845</u>

**Metropolitan Transportation Commission
 Schedule of Interest Rate Swap Summary – BATA Proprietary Fund
 For the Year Ended June 30, 2008**

Schedule 14

COUNTERPARTY	SERIES 2001	SERIES 2003	SERIES 2004	SERIES 2006 A-E	SERIES 2007	TOTAL	PERCENTAGE BY COUNTERPARTY	RATINGS (S&P/MOODYS)
Artrac	\$150,000,000	\$197,000,000	\$295,020,000	\$500,000,000	\$420,000,000	\$1,562,020,000	56%	AA/Aa3
Citigroup/Citibank	\$75,000,000	-	-	\$225,000,000	\$260,000,000	\$560,000,000	20%	AA-/Aa3
JP Morgan AAA ISDA	-	-	-	\$245,000,000	\$270,000,000	\$515,000,000	18%	AAA/Aaa
Bank of America	-	-	-	\$30,000,000	\$50,000,000	\$80,000,000	3%	AA+/Aaa
Morgan Stanley	\$75,000,000	-	-	-	-	\$75,000,000	3%	A+/Aa3
Total Swap Notional	\$300,000,000	\$197,000,000	\$295,020,000	\$1,000,000,000	\$1,000,000,000	\$2,792,020,000		

Termination Value	(\$37,215,101)	(\$23,360,198)	(\$9,421,674)	(\$44,262,772)	(\$44,340,220)	(\$158,599,965)
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Average Basis Cost (FY 07-08)	0.86%	0.91%	0.68%	0.75%	0.84%	0.80%
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Average Basis Cost Since Inception	0.17%*
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* Average since swap inception

**Metropolitan Transportation Commission
Schedule of Interest Rate Swap for Series 2001, 2003 and 2004 – BATA Proprietary Fund
For the Year Ended June 30, 2008**

Schedule 15

	SERIES A-2001	SERIES A-2001	SERIES B-2001	SERIES C-2001	SERIES 2003	SERIES 2004	TOTAL
Notional Amount	\$75,000,000	\$75,000,000	\$75,000,000	\$75,000,000	\$197,000,000	\$295,020,000	\$792,020,000
Trade Date	1/10/2002	1/10/2002	1/10/2002	1/10/2002	5/7/2002	8/31/2004	
Effective Date	1/14/2002	1/14/2002	1/14/2002	1/14/2002	3/3/2003	10/5/2004	
Swap Mode	65% One Mth LIBOR (4)	65% One Mth LIBOR (4)	65% One Mth LIBOR (4)	65% One Mth LIBOR (4)	65% One Mth LIBOR (4)	54% One Mth LIBOR+0.54%	
Maturity	4/1/2036	4/1/2036	4/1/2029	4/1/2025	4/1/2038	4/1/2039	
Basis Cost	Yes	Yes	Yes	Yes	Yes	Yes	
All in Rate							
contracted cost	4.0900%	4.1000%	4.1200%	4.1100%	4.1390%	3.4155%	
basis cost (1)	5.0889%	5.0889%	5.0889%	5.0889%	3.7701%	5.4444%	
liquidity/remarketing	0.3000%	0.3000%	0.3000%	0.3000%	0.3000%	0.3000%	
	9.4789%	9.4889%	9.5089%	9.4989%	8.2091%	9.1599%	
Counterparty (CP)	Morgan Stanley	Citigroup	Ambac	Ambac	Ambac	Ambac	
S&P/Moodys	A+/Aa3	A+/Aa3	A+/Aa3	A+/Aa3	A+/Aa3	AA/Aa3	
Ratings Outlook	Negative	Negative	Negative	Negative	Negative	Negative	
Termination Value							
Due from/(to) CP	(\$9,995,740)	(\$10,105,118)	(\$9,215,923)	(\$7,898,320)	(\$23,360,198)	(\$9,421,674)	(\$69,996,973)
Credit Risk							
CP Collateral Posting (2)	No	No	No	No	No	No	
1a) CP < A+ (S&P)	No	No	No	No	No	No	
or							
1b) CP < Aa3 (Moody's)	No	No	No	No	No	No	
and							
2) Termination Value > \$10,000,000	No	No	No	No	No	No	
Termination Risk (3)	No	No	No	No	No	No	
Tax Risk	Yes	Yes	Yes	Yes	Yes	Yes	
Rollover Risk	No	No	No	No	No	No	
Amortization Risk	No	No	No	No	No	No	

(1) Blended series basis cost at end of June
(2) Unilateral collateral posting by CP
(3) Unilateral termination at BATA's discretion
(4) Prior to 1/1/06 was cost of fund

**Metropolitan Transportation Commission
 Schedule of Interest Rate Swap for Series 2006 – BATA Proprietary Fund
 For the Year Ended June 30, 2008**

Schedule 16

	SERIES A 2006	SERIES B 2006	SERIES 2006	SERIES 2006	TOTAL
Notional Amount	\$245,000,000	\$225,000,000	\$500,000,000	\$30,000,000	\$1,000,000,000
Trade Date	11/15/2005	11/15/2005	11/15/2005	11/15/2005	
Effective Date	2/8/2006	2/8/2006	2/8/2006	2/8/2006	
Swap Mode	67.8% 10 Yr LIBOR CMS (4) 75.105% One Mth LIBOR	53.8% One Mth LIBOR+0.74%	68% One Mth LIBOR	68% One Mth LIBOR	
Maturity	4/1/2045	4/1/2045	4/1/2045	4/1/2045	
Basis Cost	Yes	Yes	Yes	Yes	
All in Rate					
contracted cost	4.0000%	3.6375%	3.6468%	3.6330%	
basis costs (1)	1.3395%	1.3395%	1.3395%	1.3395%	
liquidity/remarketing	0.5000%	0.5000%	0.5000%	0.5000%	
	5.8395%	5.4770%	5.4863%	5.4725%	
Counterparty (CP)	JP Morgan AAA ISDA	Citibank	Ambac	Bank of America	
S&P/Moodys	AAA/Aaa	AA/Aa1	AA/Aa3	AA+/Aaa	
Ratings Outlook	N/A	Negative	Negative	Negative/Stable	
Termination Value					
Due from/(to) CP	(\$8,670,225)	(\$9,004,894)	(\$25,143,744)	(\$1,443,910)	(\$44,262,773)
Credit Risk					
CP Collateral Posting (2)	No	No	No	No	
1a) CP < A+ (S&P)	No	No	No	No	
or					
1b) CP < Aa3 (Moody's)	No	No	No	No	
and					
2) Termination Value > \$10,000,000	No	No	No	No	
Collateral Posted by CP	\$9,002,978 (5)				
Termination Risk (3)	No	No	No	No	
Tax Risk	Yes	Yes	Yes	Yes	
Rollover Risk	No	No	No	No	
Amortization Risk	No	No	No	No	

(1) Blended series basis cost at end of June

(2) Unilateral collateral posting by CP

(3) Unilateral termination at BATA's discretion

(4) Amended on 6/1/06 from 75.105% one month LIBOR; swap mode is in 2 legs, converts back to 75.105% one month LIBOR on 4/1/2036

(5) Collateral posted by CP under terms and conditions of JP Morgan AAA ISDA; \$0 threshold regardless of ratings

**Metropolitan Transportation Commission
 Schedule of Interest Rate Forward Swap for Series 2007 – BATA Proprietary Fund
 For the Year Ended June 30, 2008**

Schedule 17

	SERIES A 2007	SERIES B 2007	SERIES 2007	SERIES 2007	TOTAL
Notional Amount	\$270,000,000	\$260,000,000	\$420,000,000	\$50,000,000	\$1,000,000,000
Trade Date	11/30/2005	11/30/2005	11/30/2005	11/30/2005	
Effective Date	11/1/2007	11/1/2007	11/1/2007	11/1/2007	
Swap Mode	69.33% 5 Yr LIBOR CMS (4) 75.08% One Mth LIBOR	53.8% One Mth LIBOR+0.74%	68% One Mth LIBOR	68% One Mth LIBOR	
Maturity	4/1/2046	4/1/2047	4/1/2047	4/1/2047	
Basis Cost	Yes	Yes	Yes	Yes	
All in Rate					
contracted cost	4.0000%	3.6360%	3.6407%	3.6255%	
basis costs (1)	4.3525%	4.3525%	4.3525%	4.3525%	
liquidity/remarketing	0.3000%	0.3000%	0.3000%	0.3000%	
	8.6525%	8.2885%	8.2932%	8.2780%	
Counterparty (CP)	JP Morgan AAA ISDA	Citibank	Ambac	Bank of America	
S&P/Moodys	AAA/Aaa	AA/Aa1	AA/Aa3	AA+/Aaa	
Ratings Outlook	N/A	Negative	Negative	Negative/Stable	
Termination Value					
Due from/(to) CP	(\$10,501,712)	(\$10,486,639)	(\$20,975,864)	(\$2,376,005)	(\$44,340,220)
Credit Risk					
CP Collateral Posting (2)	No	No	No	No	
1a) CP < A+ (S&P)	No	No	No	No	
or					
1b) CP < Aa3 (Moody's)	No	No	No	No	
and					
2) Termination Value > \$10,000,000	No	No	No	No	
Collateral Posted by CP	\$10,654,713 (5)				
Termination Risk (3)	No	No	No	No	
Tax Risk	Yes	Yes	Yes	Yes	
Rollover Risk	No	No	No	No	
Amortization Risk	No	No	No	No	

(1) Blended series basis cost at end of June

(2) Unilateral collateral posting by CP

(3) Unilateral termination at BATA's discretion

(4) Amended on 6/1/06 from 75.08% one month LIBOR; swap mode is in 2 legs, converts back to 75.08% one month LIBOR on 4/1/2041

(5) Collateral posted by CP under terms and conditions of JP Morgan AAA ISDA; \$0 threshold regardless of ratings

STATISTICAL SECTION

This part of the MTC’s comprehensive annual financial report presents detailed information to aid in understanding information contained in the financial statements, note disclosures, and required supplementary information.

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Financial Trends	103
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These schedules provide trend information to assist the reader in understanding the change in MTC’s financial performance over time.

Revenue Capacity	108
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These schedules include information to help the reader assess MTC’s most significant local revenue source, Toll Bridge Revenue.

Debt Capacity	113
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These schedules provide information to help the reader assess the affordability of MTC’s current levels of outstanding debt and it’s ability to issue additional debt in the future.

Demographic and Economic Information	115
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These schedules offer demographic and economic indicators to help the reader understand the environment in which MTC’s financial activities take place.

Operating Information	117
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These schedules contain service and infrastructure data to help the reader understand how the information in MTC’s financial report relates to the services provided and the activities performed.

**Metropolitan Transportation Commission
Net Assets (deficit) by Component
By Fiscal Year**

Table 1

	FISCAL YEAR							
	2002	2003	2004	2005	2006	2007	2008	
Governmental activities								
Invested in capital assets, net of related debt	\$ 3,465,851	\$ 3,145,598	\$ 2,945,486	\$ 6,050,609	\$ 5,826,876	\$ 6,015,009	\$ 8,768,236	
Restricted	101,516,139	123,408,092	116,531,998	104,451,116	117,116,581	157,234,149	200,512,803	
Unrestricted	63,366,428	37,498,779	35,169,154	49,795,285	50,970,344	130,204,819	103,637,879	
Total governmental activities net assets	\$ 168,348,418	\$ 164,052,469	\$ 154,646,638	\$ 160,297,010	\$ 173,913,801	\$ 293,453,977	\$ 312,918,918	
Business-type activities								
Invested in capital assets, net of related debt	\$ 1,273,731	\$ 2,137,004	\$ 1,885,998	\$ 4,895,382	\$ 5,539,155	\$ 5,596,330	\$ 8,205,986	
Restricted	125,000,000	130,000,000	175,000,000	257,670,228	643,443,555	691,734,520	338,457,885	
Unrestricted	288,980,936	40,209,942	(320,399,132)	(592,302,986)	(1,914,339,559)	(2,347,409,692)	(2,549,519,696)	
Total business-type activities net assets	\$ 415,254,667	\$ 172,346,946	\$ (143,513,134)	\$ (329,737,376)	\$ (1,265,356,849)	\$ (1,650,078,842)	\$ (2,202,855,825)	
Total Primary government								
Invested in capital assets, net of related debt	\$ 4,739,582	\$ 5,282,602	\$ 4,831,484	\$ 10,945,991	\$ 11,366,031	\$ 11,611,339	\$ 16,974,222	
Restricted	226,516,139	253,408,092	291,531,998	362,121,344	760,560,136	848,968,669	538,970,688	
Unrestricted	352,347,364	77,708,721	(285,229,978)	(542,507,701)	(1,863,369,215)	(2,217,204,873)	(2,445,881,817)	
Total primary government net assets	\$ 583,603,085	\$ 336,399,415	\$ 11,133,504	\$ (169,440,366)	\$ (1,091,443,048)	\$ (1,356,624,865)	\$ (1,889,936,907)	

Metropolitan Transportation Commission Changes in Net Assets By Fiscal Year

Table 2

	FISCAL YEAR						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental activities:							
General government	\$ 45,894,987	\$ 48,570,719	\$ 47,237,837	\$ 47,451,629	\$ 63,297,372	\$ 93,884,140	\$ 85,202,758
Transportation	92,787,010	105,152,624	81,873,193	71,885,313	87,731,178	145,646,986	152,775,596
Total governmental activities expenses	138,681,997	153,723,343	129,111,030	119,336,942	151,028,550	239,531,126	237,978,354
Business-type activities:							
Toll bridge activities	\$ 347,029,659	\$ 390,063,272	\$ 451,929,596	\$ 433,703,072	\$ 617,546,375	\$ 1,155,916,387	\$ 1,234,968,178
Congestion relief	9,251,327	10,375,587	10,869,417	11,788,922	12,401,445	16,891,976	13,675,326
Total business-type activities expenses	356,280,986	400,438,859	462,799,013	445,491,994	629,947,820	1,172,808,363	1,248,643,504
Total primary government expenses	\$ 494,962,983	\$ 554,162,202	\$ 591,910,043	\$ 564,828,936	\$ 780,976,370	\$ 1,412,339,489	\$ 1,486,621,858
Program Revenues							
Governmental activities:							
Charges for services							
Operating grants and contributions	\$ 47,068,942	\$ 48,068,323	\$ 49,973,776	\$ 50,164,492	\$ 57,641,452	\$ 320,311,068	\$ 207,272,581
Capital grants and contributions	64,472,632	72,344,529	42,343,900	44,957,468	70,769,703	-	9,858,000
Total governmental activities program revenues	111,541,574	120,412,852	92,317,676	95,121,960	128,411,155	320,311,068	217,130,581
Business-type activities:							
Charges for services	150,127,560	151,914,404	152,936,898	256,466,211	292,999,899	434,341,478	497,712,304
Operating grants and contributions	7,068,363	7,073,668	6,717,919	8,129,406	8,868,243	283,081,628	110,372,414
Capital grants and contributions	-	-	-	-	499,403,240	1,234,760	-
Total business-type activities program revenues	157,195,923	158,988,072	159,654,817	264,595,617	801,271,382	718,657,866	608,084,718
Total primary government program revenues	\$ 268,737,497	\$ 279,400,924	\$ 251,972,493	\$ 359,717,577	\$ 929,682,537	\$ 1,038,968,934	\$ 825,215,299
Net (expense)/revenue							
Governmental activities	\$ (27,140,423)	\$ (33,310,491)	\$ (36,793,354)	\$ (24,214,982)	\$ (22,617,395)	\$ 80,779,942	\$ (20,847,773)
Business-type activities	(199,085,063)	(241,450,787)	(303,144,196)	(180,896,377)	171,323,562	(454,150,497)	(640,558,786)
Total primary government net expense	\$(226,225,486)	\$(274,761,278)	\$(339,937,550)	\$(205,111,359)	\$ 148,706,167	\$(373,370,555)	\$(661,406,559)

Metropolitan Transportation Commission
Changes in Net Assets, continued
By Fiscal Year

Table 2

	FISCAL YEAR						
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Restricted investment earnings	\$ 4,374,608	\$ 1,764,255	\$ 1,089,784	\$ 2,790,946	\$ 3,996,455	\$ 9,498,532	\$ 1,454,256
Unrestricted investment earnings	-	-	-	-	-	1,410,000	9,936,121
Transfers	27,012,806	27,250,287	26,297,739	27,074,408	32,237,731	27,851,702	28,922,337
Total governmental activities	31,387,414	29,014,542	27,387,523	29,865,354	36,234,186	38,760,234	40,312,714
Business-type activities:							
Unrestricted investment earnings	45,598,476	25,793,353	11,184,788	21,746,543	44,857,379	97,280,206	116,704,140
Contributed capital	-	-	2,397,067	-	-	-	-
Extraordinary item	-	-	-	-	(1,119,562,683)	-	-
Transfers	(27,012,806)	(27,250,287)	(26,297,739)	(27,074,408)	(32,237,731)	(27,851,702)	(28,922,337)
Total business-type activities	18,585,670	(1,456,934)	(12,715,884)	(5,327,865)	(1,106,943,035)	69,428,504	87,781,803
Total primary government	\$ 49,973,084	\$ 27,557,608	\$ 14,671,639	\$ 24,537,489	\$ (1,070,708,849)	\$ 108,188,738	\$ 128,094,517
Change in Net Assets							
Governmental activities	\$ 4,246,991	\$ (4,295,949)	\$ (9,405,831)	\$ 5,650,372	\$ 13,616,791	\$ 119,540,176	\$ 19,464,941
Business-type activities	(180,499,393)	(242,907,721)	(315,860,080)	(186,224,242)	(935,619,473)	(384,721,993)	(552,776,983)
Total primary government	\$(176,252,402)	\$(247,203,670)	\$(325,265,911)	\$(180,573,870)	\$(922,002,682)	\$(265,181,817)	\$(533,312,042)

**Metropolitan Transportation Commission
Fund Balances of Governmental Funds
By Fiscal Year**

Table 3

	FISCAL YEAR						
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund							
Reserved	\$ 15,989,184	\$ 25,259,128	\$ 20,309,372	\$ 15,646,616	\$ 15,185,963	\$ 13,948,767	\$ 8,063,614
Unreserved	13,244,454	1,953,023	4,133,130	5,591,303	8,831,983	12,870,068	11,197,893
Total general fund	<u>\$ 29,233,638</u>	<u>\$ 27,212,151</u>	<u>\$ 24,442,502</u>	<u>\$ 21,237,919</u>	<u>\$ 24,017,946</u>	<u>\$ 26,818,835</u>	<u>\$ 19,261,507</u>
All other governmental funds							
Reserved	\$ 53,086,955	\$ 58,213,964	\$ 48,412,626	\$ 43,938,244	\$ 44,930,618	\$ 97,455,080	\$ 143,224,844
Unreserved, reported in:							
Capital projects fund	-	-	-	-	-	96,048	820,479
Special revenue funds	50,193,913	35,600,753	31,072,469	35,031,655	44,556,177	117,238,703	136,057,173
Total all other governmental funds	<u>\$ 103,280,868</u>	<u>\$ 93,814,717</u>	<u>\$ 79,485,095</u>	<u>\$ 78,969,899</u>	<u>\$ 89,486,795</u>	<u>\$ 214,789,831</u>	<u>\$ 280,102,496</u>

**Metropolitan Transportation Commission
Changes in Fund Balances of Governmental Funds
By Fiscal Year**

Table 4

	FISCAL YEAR						
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues							
Sales taxes	\$ 9,326,567	\$ 8,903,326	\$ 9,087,510	\$ 9,561,542	\$ 10,355,069	\$ 10,626,162	\$ 10,799,418
Grants - Federal	24,334,055	28,128,978	30,979,398	32,567,639	37,451,720	44,210,716	50,727,374
Grants - State	71,062,002	77,008,623	45,820,602	47,339,486	74,084,265	227,808,567	127,564,667
Local agencies revenues	6,818,950	6,371,924	6,430,166	5,653,293	6,520,101	37,665,623	33,039,122
Investment income - unrestricted	4,374,608	1,764,255	1,089,784	2,790,946	3,996,455	9,498,532	11,346,122
Investment income - restricted	-	-	-	-	-	-	1,454,256
Total revenues	115,916,182	122,177,106	93,407,460	97,912,906	132,407,610	329,809,600	234,930,959
Expenditures							
General government	45,502,050	48,211,613	44,957,866	38,805,441	49,944,701	59,181,464	74,153,145
Allocation to other agencies	100,528,010	112,647,623	91,680,593	81,184,603	95,764,677	156,209,507	163,201,174
Capital outlay	209,565	55,795	166,011	10,539,500	5,639,040	14,166,406	15,743,639
Total expenditures	146,239,625	160,915,031	136,804,470	130,529,544	151,348,418	229,557,377	253,097,958
Excess of revenues over (under) expenditures	(30,323,443)	(38,737,925)	(43,397,010)	(32,616,638)	(18,940,808)	100,252,223	(18,166,999)
Other financing sources (uses)							
Other financing source	-	-	-	-	-	-	47,000,000
Transfer in	35,874,919	31,377,569	29,963,801	29,374,731	35,979,668	42,542,764	49,778,724
Transfer out	(8,862,113)	(4,127,282)	(3,666,062)	(2,300,323)	(3,741,937)	(14,691,062)	(20,856,388)
Total other financing sources (uses)	27,012,806	27,250,287	26,297,739	27,074,408	32,237,731	27,851,702	75,922,336
Net change in fund balances	\$ (3,310,637)	\$ (11,487,638)	\$ (17,099,271)	\$ (5,542,230)	\$ 13,296,923	\$ 128,103,925	\$ 57,755,337

**Metropolitan Transportation Commission
Primary Government Revenues
By Fiscal Year**

Table 5

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES			Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Restricted Investment Earnings	Unrestricted Investment Earnings		
1999	\$ 142,457,747	\$ 22,522,983	N/A	\$ -	\$ 41,034,464	\$	206,015,194
2000	146,570,469	31,848,657	36,779,136	-	44,447,110		259,645,372
2001	* 150,759,047	38,906,141	44,648,314	-	50,626,342		284,939,844
2002	150,127,560	44,810,738	64,472,632	-	49,973,084		309,384,014
2003	** 151,914,404	46,238,665	72,344,529	-	27,557,608		298,055,206
2004	152,936,898	47,604,184	42,343,900	-	12,274,572		255,159,554
2005	*** 256,466,211	48,732,356	44,957,468	-	24,537,489		374,693,524
2006	**** 292,999,899	66,509,695	570,172,943	-	48,853,834		978,536,371
2007	***** 434,341,478	603,392,696	1,234,760	1,410,000	106,778,738		1,147,157,672
2008	***** 497,712,304	317,644,995	9,858,000	1,454,256	126,640,261		953,309,816

* Excludes \$400 million bond proceeds
 ** Excludes \$300 million bond proceeds
 *** Excludes \$300 million bond proceeds
 **** Excludes \$2,149 million bond proceeds
 ***** Excludes \$811 million bond proceeds
 ***** Excludes \$1,008 million bond proceeds

**Metropolitan Transportation Commission
Primary Government Expenses by Function
By Fiscal Year**

Table 6

Fiscal Year	General Government		Transportation	Toll Bridge Activities		Congestion Relief		Total		
1999	\$	21,079,858	\$	14,650,657	\$	85,250,887	\$	10,921,898	\$	131,903,300
2000		29,698,823		185,263,198		33,982,565		11,849,116		260,793,702
2001		38,845,325		58,179,156		277,944,435		9,618,902		384,587,818
2002		45,894,987		92,787,010		347,029,659		9,251,327		494,962,983
2003		48,570,719		105,152,624		390,063,272		10,375,587		554,162,202
2004		47,237,837		81,873,193		451,929,595		10,869,417		591,910,042
2005		47,451,629		71,885,313		433,703,072		11,788,922		564,828,936
2006		63,297,372		87,731,178		617,546,375		12,401,445		780,976,370
2007		93,884,140		145,646,986		1,155,916,387		16,891,976		1,412,339,489
2008		85,202,758		152,775,596		1,234,968,178		13,675,326		1,486,621,858

**Metropolitan Transportation Commission
Toll Revenue – By Bridge
By Fiscal Year**

Table 7

Fiscal Year	San Francisco-Oakland Bay Bridge	San Mateo-Hayward Bridge	Dumbarton Bridge	Carquinez Bridge	Benicia-Martinez Bridge	Antioch Bridge	Richmond-San Rafael Bridge	Total Revenue
2002	\$ 48,549,475	\$ 15,887,162	\$ 11,548,514	\$ 26,948,118	\$ 21,490,553	\$ 3,369,095	\$ 14,544,342	\$ 142,337,259
2003	48,788,086	16,689,764	11,114,225	27,475,268	21,792,680	3,422,296	14,917,557	144,199,876
2004	48,359,687	17,798,598	10,849,858	27,665,208	22,070,380	3,618,949	14,813,522	145,176,202
2005	85,879,816	30,369,927	18,559,373	46,458,835	36,529,638	5,850,611	24,492,701	248,140,901
2006	94,092,670	35,638,094	21,839,387	51,766,708	41,578,791	6,675,489	28,685,717	280,276,856
2007	141,806,435	53,621,361	33,662,371	77,320,278	62,637,940	9,905,926	43,400,541	422,354,852
2008	161,335,048	59,628,110	37,589,986	85,225,636	73,663,301	10,545,060	49,389,963	477,377,104

**Metropolitan Transportation Commission
Paid and Free Vehicles – By Bridge (in Number of Vehicles)
By Fiscal Year**

Table 8

Fiscal Year	San Francisco- Oakland Bay Bridge	San Mateo- Hayward Bridge	Dumbarton Bridge	Carquinez Bridge	Benicia- Martinez Bridge	Antioch Bridge	Richmond- San Rafael Bridge	Total Traffic
2002	50,081,390	15,183,309	12,275,888	23,135,711	18,412,461	2,480,315	13,036,822	134,605,896
2003	49,412,655	15,771,699	11,539,424	23,305,920	18,517,754	2,522,697	13,062,238	134,132,387
2004	49,181,230	16,716,970	11,182,599	23,610,150	18,775,231	2,659,370	13,036,614	135,162,164
2005	48,092,917	16,551,900	10,779,979	23,103,224	18,261,679	2,676,269	12,544,235	132,010,203
2006	46,253,979	16,948,414	10,957,158	22,709,571	18,292,428	2,687,915	12,645,557	130,495,022
2007	45,568,951	16,901,880	11,108,116	22,762,879	18,230,344	2,729,276	12,664,782	129,966,228
2008	45,139,513	16,376,583	10,767,813	21,795,287	18,508,003	2,559,936	12,528,248	127,675,383

**Metropolitan Transportation Commission
Average Toll Rate Revenue (\$000) – By Bridge
By Fiscal Year**

Table 9

	2002			2003			2004			2005			2006			2007			2008		
	No. of Paid Vehicle	Ave Toll Rate	Total Revenue	No. of Paid Vehicle	Ave Toll Rate	Total Revenue	No. of Paid Vehicle	Ave Toll Rate	Total Revenue	No. of Paid Vehicle	Ave Toll Rate	Total Revenue	No. of Paid Vehicle	Ave Toll Rate	Total Revenue	No. of Paid Vehicle	Ave Toll Rate	Total Revenue	No. of Paid Vehicle	Ave Toll Rate	Total Revenue
San Francisco-Oakland Bay Bridge	45,118	\$1.08	\$48,549	44,996	\$1.08	\$48,788	44,646	\$1.08	\$48,360	43,357	\$1.98	\$85,880	41,265	\$2.28	\$94,093	40,134	\$3.53	\$141,807	39,555	\$4.08	\$161,335
San Mateo-Hayward Bridge	13,726	1.16	15,887	14,343	1.16	16,690	15,201	1.17	17,799	14,790	2.05	30,370	15,131	2.36	35,638	14,881	3.60	53,621	14,358	4.15	59,628
Dumbarton Bridge	10,779	1.07	11,549	10,224	1.09	11,114	9,977	1.09	10,850	9,298	2.00	18,559	9,529	2.29	21,839	9,516	3.54	33,662	9,194	4.09	37,590
Carquinez Bridge	21,678	1.24	26,948	21,824	1.26	27,475	22,054	1.25	27,665	21,344	2.18	46,459	20,914	2.48	51,767	20,722	3.73	77,320	19,875	4.29	85,226
Benicia-Martinez Bridge	17,733	1.21	21,491	17,794	1.22	21,793	17,988	1.23	22,070	17,116	2.13	36,530	17,071	2.44	41,579	16,975	3.69	62,638	17,440	4.22	73,663
Antioch Bridge	2,325	1.45	3,369	2,354	1.45	3,422	2,478	1.46	3,619	2,472	2.37	5,851	2,479	2.69	6,675	2,517	3.94	9,906	2,366	4.46	10,545
Richmond-San Rafael Bridge	12,468	\$1.17	\$14,544	12,513	\$1.19	\$14,918	12,399	\$1.19	\$14,814	11,758	\$2.08	\$24,493	11,908	\$2.41	\$28,686	11,913	\$3.64	\$43,401	11,782	\$4.19	\$49,390

**Metropolitan Transportation Commission
Ratios of General Bonded Debt Outstanding
By Fiscal Year**

Table 10

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund		Total	Toll Revenue	Per Toll Vehicle
		\$	-			
2002	\$ 400,000,000	\$ -	-	\$ 400,000,000	\$ 142,337,259	\$ 2.97
2003	700,000,000	-	-	700,000,000	144,199,876	5.22
2004	700,000,000	-	-	700,000,000	145,176,202	5.18
2005	1,000,000,000	-	-	1,000,000,000	248,140,901	7.58
2006	3,143,420,000	24,148,268	-	3,119,271,732	280,276,856	23.90
2007	3,863,250,000	24,148,268	-	3,839,101,732	422,354,852	29.54
2008	4,328,390,000	238,449,821	-	4,089,940,179	477,377,104	32.03

Notes:

*No Debt prior to 2001

**Bonded debt represents 99 percent of all outstanding debt

**Metropolitan Transportation Commission
Pledged-Revenue Coverage
By Fiscal Year**

Table 11

Fiscal Year	Tolls Revenue Bonds			Debt Service			Coverage
	Toll Revenue	Less: Operating Expenses	Net Available Revenue	Principal	Interest		
2002	\$ 142,337,259	\$ 32,433,627	\$ 109,903,632	\$ -	\$ 13,357,928		8.23
2003	144,199,876	38,836,593	105,363,283	-	20,440,983		5.15
2004	145,176,202	48,028,344	97,147,858	-	26,663,420		3.64
2005	248,140,901	54,371,891	193,769,010	-	35,373,668		5.48
2006	280,276,856	81,589,254	198,687,602	5,785,000	63,146,496		2.88
2007	422,354,852	100,926,883	321,427,969	29,705,000	131,438,684		1.99
2008	477,377,104	101,090,539	376,286,565	42,620,000	191,859,414		1.60

**Metropolitan Transportation Commission
Miscellaneous Statistics
June 30, 2008**

Table 12

Date of Incorporation	1970
Form of Government	Commissioners with Appointed Executive Director
Number of Commissioners	16 Voting and 3 Non-Voting Members
Number of Employees (Approved Positions)	170
Type of Tax Support	3.5 % of TDA Sales Tax
Region in Which Commission Operates	San Francisco Bay Area San Jose, San Francisco & Oakland Combined Statistic Area including San Benito & Santa Cruz
Number of Counties in the Region	9
Area of Authority in Square Miles	6,980
Population of Region in Which Commission Operates	7,301,080
Number of Toll Bridges in the Region	8
Traffic for All Toll Bridges - Number of Vehicles (excluding Golden Gate Bridge Highway District)	127,675,383
Toll Revenues (excluding Golden Gate Bridge Highway District)	\$477,377,104
Number of Call Boxes in the Region	2,250

**Metropolitan Transportation Commission
Demographic Statistics for Nine San Francisco Bay Area Counties
Last Ten Calendar Years**

Table 13

<u>Year</u>	<u>Population¹</u>	<u>Per Capita Income⁴</u>	<u>Median Age⁴</u>	<u>School Enrollment²</u>	<u>Unemployment Rate³</u>
1999	6,658,500	N/A	N/A	968,039	3.02%
2000	6,764,500	30,934	36.6	975,710	2.50%
2001	6,861,500	N/A	N/A	980,475	4.06%
2002	6,936,700	N/A	N/A	972,766	6.47%
2003	6,994,500	N/A	N/A	976,025	6.46%
2004	7,009,400	N/A	N/A	974,281	5.30%
2005	7,096,575	N/A	N/A	973,751	4.49%
2006	7,126,284	N/A	N/A	971,392	4.61%
2007	7,204,492	N/A	N/A	970,721	4.19%
2008	7,301,080	N/A	N/A	974,089	5.81%

Data Sources

¹ State of California, Dept. of Finance, Demographic Research Unit

² California Department of Education

³ State of California, Employment Development Department

⁴ Bureau of Census conducts survey every ten years for the Median Age and Per Capita Income of the nine-county region as a whole.

**Metropolitan Transportation Commission
Full-Time Equivalent Employees by Function
Last Ten Fiscal Years**

Table 14

Functions	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Governmental Activities										
General government	52	57	58	58	56	55	56	65	65	66
Transportation	53	53	58	58	59	59	58	68	68	67
Business-type Activities										
Toll bridge activities	6	6	8	8	9	9	10	30	30	33
Congestion relief	5	5	5	5	5	6	6	6	6	4
	<u>116</u>	<u>121</u>	<u>129</u>	<u>129</u>	<u>129</u>	<u>129</u>	<u>130</u>	<u>169</u>	<u>169</u>	<u>170</u>

Metropolitan Transportation Commission
Ratio of Retiree Medical Premium to Covered Payroll
By Fiscal Year

Table 15

<u>Fiscal Year</u>	<u>Retiree Premiums</u>	<u>Covered Payroll</u>	<u>% of Covered Payroll</u>
2000	\$ 77,882	\$ 8,383,503 *	0.9%
2001	99,109	9,035,190 *	1.1%
2002	120,377	10,346,350 *	1.2%
2003	152,096	11,177,301 *	1.4%
2004	217,975	11,289,637 *	1.9%
2005	268,105	11,694,664 *	2.3%
2006	308,512	12,687,014 *	2.4%
2007	353,378	15,193,161 *	2.3%
2008	428,810	16,122,962 *	2.7%

* From MTC records