

**TRANSPORTATION AGENCY FOR
MONTEREY COUNTY**

FINANCIAL STATEMENTS
June 30, 2014

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Transportation Agency for Monterey County
Salinas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Transportation Agency for Monterey County (the Agency), as and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Transportation Agency for Monterey County, as of June 30, 2014, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As discussed in note 1 to the basic financial statements effective July 1, 2012, the Transportation Agency for Monterey County adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Correction – 2012*, GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3-10, budgetary comparison information on pages 33 and 34, and the schedule of funding progress for the Post Employment Benefits Other than Pensions on page 35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The budgetary, allocation, and claims schedules, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary, allocation, and claims schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information section is fairly stated in all material respects in relating to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2014, on our consideration of the Transportation Agency for Monterey County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Moss, Kelly & Halzheim LLP

Santa Maria, California
November 18, 2014

Management's Discussion and Analysis

Overview of the Transportation Agency and Audited Finances for Fiscal Year Ending
June 30, 2014

General

The Transportation Agency for Monterey County (Agency) is a statutorily-designated association of local officials who have joined together to solve transportation problems throughout Monterey County. Officials from each of the twelve incorporated cities in Monterey County and all five County Supervisors represent the public on the Board of Directors. The Agency's goal is to make it safer and easier for travelers to get where they want to go, whether they are commuting to work or school, transporting goods to market, visiting local attractions, going shopping, or traveling to medical appointments. The Agency works to improve safety and reduce future traffic congestion, using a combination of solutions, such as roads, buses, trains, and trails. The Agency's mission is to "develop and maintain a multimodal transportation system that enhances mobility, safety, access, environment quality, and economic activities in Monterey County."

The Board of Directors sets policy and oversees a professional staff of 13 full-time employees and 1 part-time employee. About 88% of the Agency's funding comes from state and federal grants. Local funding is primarily from member agency contributions.

Work Program Highlights

During fiscal year (FY) 2013/2014, the Transportation Agency for Monterey County undertook a wide variety of programs focusing on regional transportation planning, acting as the designated Regional Transportation Planning Agency, the Local Transportation Commission, the Congestion Management Agency, and the Service Authority for Freeways and Expressways for the Monterey County area. The Agency's activities are described in detail in the annual Work Program, and highlighted below.

The Agency underwent a goal-setting session in early 2011 and set the following as its top priority projects for the next ten years: US 101 San Juan Road interchange, Highway 156 widening, US 101 South County Frontage Roads, local road/street improvements, Salinas Rail Extension, and Monterey Branch Line light rail. In late 2012, this list was updated to include bus replacements as another top priority.

The Transportation Agency continued to reach out to the public to improve safety and reduce traffic congestion on area roadways and bring rail to Monterey County through community meetings, city council appearances, hosting and appearing on local television interview programs, newspaper editorials, and the distribution of the Agency Annual Report. Continuing this year are televised board meetings. The Agency also runs a

community outreach program for its construction projects – this includes sending out regular updates about road construction activities using traditional and social media.

The Agency worked with Caltrans on state highway projects to ensure their progress in a timely manner. Two of the Agency's high priority projects, US 101 Prunedale Improvement Project and US 101 San Juan Road Interchange Project saw significant construction progress in Fiscal Year 2013-14. The Agency is actively investigating alternative funding sources, including a tolling option, to construct the Highway 156 West Corridor Project. The Agency conducted an initial tolling traffic and revenue study, which was jointly funded by Caltrans. The results of the study indicated tolling to finance construction of the Highway 156 widening project could be feasible. The Agency Board directed staff to work with Caltrans to initiate a Supplemental Environmental Impact Report to evaluate the impacts of instituting tolling to finance the Highway 156 West Corridor project.

The lead role for the Transportation Agency on the Highway 156 West Corridor project includes participation on the project development team, identification and securing of project funding, coordination with local agencies and community members, and assistance or in some cases taking the lead on community outreach and information and media relations.

Throughout the period, Agency staff assisted the Monterey County Public Works Department on project development coordination for the Highway 1 Truck Climbing Lane project in Carmel, and intersection projects on Monterey-Salinas Highway (Route 68). The County is finalizing the environmental review phase and moving into the final design stage of the Corral De Tierra Intersection improvements at Route 68 and the project is scheduled to start construction in 2015-16. Staff also assisted the City of Marina on project development coordination for improvements at the Highway 1/Imjin Road Interchange, and worked with Caltrans and the City of Salinas to secure state bond funding to fund improvements at the Highway 101/Sanborn Rd Interchange.

Agency staff continued work on the Salinas Rail Extension and Monterey Branch Line projects. For the Salinas Rail Extension project, the Agency coordinated meetings with partner agencies and continued coordination on a state-only funded "Kick Start" project of service to Salinas with improvements at Salinas and Gilroy for the near term, deferring station construction at Pajaro/ Watsonville and Castroville until additional funding can be secured. The Agency acquired a second parcel in Salinas and kicked off the property appraisal work for an additional 9-13 parcels. The Agency also issued a Request for Proposals for the final design of the Kick Start project and selected a consultant to do the design work.

Staff continued to include the light rail into the Agency's Highway 1 corridor plans and to develop policies and practices that will optimize the land use and improve the environment around the light rail stations. Monterey Salinas Transit is proposing a busway that would run adjacent to the railroad tracks between Marina and Monterey to provide interim transit service along the corridor. The project is in the feasibility stage

and Monterey-Salinas Transit is pursuing Federal Transit Administration Very Small Starts funding.

Staff also continued discussions with the California American Water on locating a water pipeline in the Branch Line right-of-way. The City of Sand City and the Agency have ongoing discussions on the possibility of an easement for California Avenue, and shared parking near Contra Costa Street. Agency staff has also worked with the City of Marina to insure modifications to storm drain catchment basins and modifications to the intersection of Del Monte Blvd. and Beach Road don't reduce the viability of future transit service within the Monterey Branch Line right-of-way. The Agency continued to perform routine maintenance and receive lease revenues from the Monterey Branch Line right-of-way.

The Agency continued to work with state and federal legislators on transportation planning and funding issues, in coordination with Agency's state and federal legislative advocates. Much of this work focused on communicating with state and federal representatives about the Salinas Rail Extension project and state cap and trade funding for transportation. Agency staff monitored legislation, updated and promoted the state and federal legislative programs, prepared and updated the state legislative bill list, and wrote letters of support and opposition as appropriate.

The Agency adopted Complete Street Guidelines and a Complete Streets Checklist for the Monterey Bay Area in August 2013, developed in coordination with staff from Association of Monterey Bay Area Governments, the Santa Cruz County Regional Transportation Commission, and the San Benito Council of Governments. The Agency adopted revised Regional Surface Transportation Program, including adding the Complete Street Checklist to the project selection process.

The Transportation Agency oversaw the Freeway Service Patrol tow truck assistance program in Monterey County, in coordination with state and local representatives from California Highway Patrol and Caltrans, operated by local contractors. The Agency held a solicitation for the local Freeway Service Patrol tow truck operator and selected a new local contractor to start providing the service on July 1, 2013. To reduce impacts through the construction zones, the Agency added additional weekend tow truck assistance to the contract, on US 101 between the Highway 101/156 Interchange and San Juan Road, funded with monies from the Prunedale Improvement Project and the San Juan Road Interchange Project. Partnering with the local Highway Patrol officer, the Agency continued to hold localized quarterly training for tow truck operators.

The Agency continued to administer the Monterey County call box motorist assistance program, including management and monitoring the contract with and performance of the call center. The agency solicited and contracted with a new call box maintenance contractor. The new contract, started on March 30, 2014, includes site improvements to for call box accessibility.

The Agency worked with the Santa Cruz Regional Transportation Commission to prepare a comprehensive Monterey Bay Area 511 Implementation Plan, the Transportation Agency Board adopted it in December 2013. The Transportation Agency Board authorized staff to implement the 511 plan as well as take on implementation the Monterey County Rideshare program from the Association of Monterey Bay Area Governments.

The Agency continued bicycle and pedestrian planning efforts to improve the safety of bicyclists and pedestrians in Monterey County. These activities included the use of the Bicycle Facilities Service Request Forms and distribution of bike maps for Monterey County. The Agency also assisted agencies in funding bicycle and pedestrian projects, including the Castroville crossing project, the Moss Landing Sanctuary Scenic Trail project, the Imjin Parkway Class II bicycle lane project, and Davis Road Class II bike lane project. As part of its complete streets efforts, the Agency completed a plan bicycle and pedestrian improvements to provide regional linkages to the Carmel area. Staff also held several complete streets workshops to educate local planning and engineering staff.

The Agency continued screening incoming environmental documents and traffic impact assessments to determine consistency with Transportation Agency plans, programs, and policies, and to address impacts of proposed developments on regional transportation infrastructure. Major projects reviewed included the Fort Ord Reuse Authority's Base Reuse Plan Reassessment Document and the City of Salinas' US-101 Sanborn Road project.

The Transportation Agency continued the Regional Traffic Counts Program, and collected count data. This data was made available to AMBAG to support the regional travel demand model, utilized by Caltrans for highway project evaluations and the Corridor System Management Plan, and by our partner jurisdictions for plan and project review.

The Agency continued participating with the Monterey Bay Electric Vehicle Alliance, a public-private partnership to plan and facilitate the adoption of electric vehicles in the tri-county region. In a prior year, the Agency partnered with the International Brotherhood of Electrical Workers Local 234 to receive an Air District grant for the purchase and installation of seven charging stations. This year, the Agency finalized the charging station locations and, after a competitive bidding process, they selected SemaConnect to provide the equipment. Staff is currently working with property owners to collect the matching funds and schedule the installations.

The Agency adopted the 2014 Regional Transportation Plan in June 2014. Developed in coordination with the Association of Monterey Bay Area Governments, the Santa Cruz County Regional Transportation Commission, and the San Benito Council of Governments, the 2014 Plan complies with California Senate Bill 375 (SB 375) requirements to meet regional greenhouse gas emissions targets. The 2014 Regional Transportation Plan was folded into the 2014 Metropolitan Transportation Plan, which includes the region's first Sustainable Communities Strategy. The four agencies joined to

prepare and adopt a single environmental document covering the Regional Transportation Plans and the Metropolitan Transportation Plan, which saved money for each agency. The Agency began planning for a multimodal corridor between Marina and Salinas focused on high-quality transit service, regional bicycle connections and pedestrian safety. The first phase of the project focused on selection of a corridor alignment across the jurisdictional boundaries; Phase 2 will focus on conceptual design along various segments of this alignment. Staff worked with a consultant to conduct an opportunities and constraints analysis of alternative routes. After input from partner agencies, stakeholders and members of the community, the Agency secured approval of a preferred corridor alignment from all affected jurisdictions.

The Agency continued to administer Transportation Development Act funds in accordance with state law, coordinating with the Monterey-Salinas Transit Mobility Advisory Committee (the designated Social Services Transportation Advisory Council for Monterey County), holding public hearings regarding unmet transit needs, and adopting an unmet transit needs finding. In 2014, the Agency found that there were two unmet transit needs that were reasonable to meet. Staff worked with Monterey-Salinas Transit to apply for additional grant funding and modify existing routes to meet the identified transit needs. The Agency approved Local Transportation Fund allocations for countywide transit services consistent with the unmet needs finding.

In addition, the Agency administered and monitored delivery of projects funded by the Transportation Development Act Article 3 bicycle/pedestrian (TDA 2% program) account. Staff prepared agendas for and held meetings of the Bicycle and Pedestrian Facilities Advisory Committee to discuss transportation issues and solicit input for programming future TDA funds to projects over the next three years.

Financial Highlights

Net Position of the Agency increased from \$18,751,694 on June 30, 2013, to \$20,880,115 on June 30, 2014, due to revenues exceeding expenses and the acquisition of properties for the Salinas Rail Extension project. The Agency has unassigned reserves of \$5,977,921 as of June 30, 2014. The Agency requires the maintenance of undesignated reserves equal to six months of operating expenditures. Of the \$5,977,921 in unassigned reserves, \$1,231,642 is reserved for six months of cash flow for the operating budget for FY 2014/2015.

Transportation Agency for Monterey County Revenues and Expenditures

The Agency revenues during FY 2013/2014 were \$4,855,971, consisting primarily of \$4,198,579 in state funds. Other revenues included \$106,363 in federal funds, and \$551,029 in local funds.

The Agency budget separates expenditures into two types: operating and direct program. Operating expenditures include the staff's salaries and benefits, materials and services, and

equipment purchases. Direct program expenditures include outside consultants, contracts, expenditures that apply to a specific work program task, such as the rail program, highway projects and bicycle and pedestrian program. The Agency expenditures for the same period included \$ 2,018,298 in operating expenditures, and \$1,696,689 in direct program costs.

Direct program activities are described above in the Work Program Highlights section. The major portion of the direct program costs were \$186,933 for Freeway Service Patrol, \$94,003 for Call Boxes (SAFE), and \$1,033,090 in rail program expenditures for Salinas Rail Extension activities.

The Agency operating expenditures of \$2,018,298 included 82.9% for personnel costs and the remainder for materials, services, and equipment purchases. The operating expenditures in FY 2013/2014 were 2.3% more than the previous fiscal year.

Overall Financial Position

The overall financial position of the Agency improved during FY 2013/2014, with the total fund balance increasing from \$ 7,859,154 to \$9,000,138. Federal Planning funds decreased from \$257,185 to \$106,363, and Planning, Programming and Monitoring funds increased from \$599,194 to \$625,729. The funding sources for the Agency's operating program include Federal Planning Funds, State Rural Planning Assistance, Planning, Programming & Monitoring funds, Local Transportation Funds, State support for the tow truck program and the call boxes, and local contributions to congestion management activities. State and Federal grants for the direct programs such as rail, highway, and bicycle/pedestrian projects vary from fiscal year to year, depending on the project activities.

Highlights of the Transportation Agency for Monterey County funds

In FY 2013/2014, the Transportation Agency for Monterey County continued to follow the requirements of Governmental Accounting Standards Board (GASB) Statement No 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB 54 establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for government funds. Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a government fund.

Over the 12-month period from July 1, 2013, to June 30, 2014 the reserves for the call box program increased, from \$ 1,161,486 to \$1,250,600. The reserves for the tow truck program increased from \$354,753 to \$416,942. Designations for capital replacement remained unchanged at \$114,586. The unassigned fund balance increased from \$5,118,184 to \$5,977,921.

The Agency trust funds decreased balances by a total of \$5,189,434 during FY 2013/2014, as the local member agencies claims for previously-obligated funds were more than the revenues and \$ 8,937,500 was expended as local match for the San Juan Road Interchange Project. This resulted in the following net position as of June 30, 2014:

◆ Local Transportation Fund	\$ 3,540,207
◆ State Transit Assistance Fund	\$ 50
◆ <u>Regional Surface Transportation Program</u>	<u>\$ 9,424,613</u>
 TOTAL TRUST FUNDS	 \$12,964,870

Budget Variances

The Agency's actual operating expenditures for FY 2013/2014 were below the budgeted expenditures by \$520,636, due to savings in salaries and benefits, capital outlay and materials and services. Direct program expenditures were \$7,798,335 less than budgeted due to less than anticipated activity on certain projects, primarily due to changes in budgetary assumptions for the Salinas Rail Extension and Monterey Branch Line projects.

Long-term debt of the Transportation Agency consists of a reserve for compensated absences of employees and Other Post-Employment Benefits, which had a balance on June 30, 2014 of \$248,640. The Agency paid off its CalPERS side fund liability in FY 13/14.

Current Financial Issues and Concerns

The biggest risk to the agency continues to be a reduction in federal and state planning funds for an extended period of time or activities being ruled as ineligible. The Association of Monterey Bay Area Governments reduced the amount of Federal Highway Planning Funds provided to the Agency from approximately \$280,000 in past years to \$100,000 in FY 2013/2014 and \$65,000 in upcoming FY 2014/2015. There also has been a significant reduction in STIP Planning, Programming and Planning funding for operations. The Agency is working to reduce discretionary expenses should these decreases be permanent, and has an adequate reserve to cover a temporary decrease in funding. Additionally, since Regional Surface Transportation Program funds have been allocated to the US 101/San Juan Road interchange project, future funds from this program will not be reliable. As a result, the annual report, public outreach, and program management in the future years will need to be reduced or funds will need to be allocated from another yet to be identified funding source. Continuing to secure new revenue sources to meet existing and increasing transportation needs remains a challenge.

The Agency continues to control expenditures to stay within its budget, and maintain a prudent cash reserve. Cash flow is enhanced by the implementation of an electronic fund transfer system that results in the timely transfers of state and federal grants to the Agency. Payments to consultants and contractors are closely coordinated with claims to state and federal funding sources to assure prompt reimbursement to the Agency. The

Agency pays claims submitted by its local jurisdictions in a timely manner, so that local agencies have prompt access to their funds held in trust by the Transportation Agency for Monterey County.

The Transportation Agency for Monterey County continues to work with the California Transportation Commission, Caltrans and the U.S. Congress to secure sufficient funding to construct its top six priority projects: Highway 156 widening/improvements, US 101 South County Frontage Roads, Local Street and Road Maintenance, Salinas Rail Extension, the Monterey Branch Line light rail and bus replacements.

The countywide traffic impact fee will provide additional funding for future regional roadway projects. However, additional federal stimulus funds, earmarks or state bond funds are likely to be unavailable for future projects, leaving the county dependent on regional and local fees, state and federal gasoline taxes and related funding. Tolling is also being explored as a funding option in the Highway 156 corridor, and the Agency supports a reduced threshold for the approval of local transportation sales taxes.

Additionally, there is an uncertainty related to the unresolved contractor claims for the Salinas Road Interchange. Caltrans is working with DeSilva Gates, the Salinas Road Interchange contractor, to resolve outstanding claims of \$248,000, but resolution may not occur until 2015. The Agency is responsible for covering any costs on the project above the funding already allocated to the project. Repayment would most likely come from the State Transportation Improvement Program (STIP) or from the Regional Surface Transportation Program (RSTP).

Finally, the Caltrans incurred cost audit, dated January 15, 2014, identified \$9,460,292 in reimbursed costs that "were not adequately supported and in compliance with respective Agreement provisions, and State and federal regulations." These funds were utilized to prepare project management, environmental and design work for the Rail to Salinas project, as well as construction management for the Beach Range Road and Carmel Hill Trail projects. Staff is working with Caltrans to address the audit recommendations by preparing for Board adoption of several new policies, procedures and contract templates, and expanding its staff training program. Staff is also in negotiation with Caltrans to establish a repayment amount (substantially less than the unsupported audit amount) which would be a new liability to be paid back over an extended period of time.

More Information

Anyone seeking clarification, having questions, or desiring more information about the topics discussed in this Management's Discussion and Analysis is requested to contact the Transportation Agency for Monterey County office at: info@tamcmonterey.org or by calling 831-775-0903. You may also access the Agency website at www.tamcmonterey.org to view copies of the fiscal and performance audits and budgets.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 8,570,789
Receivables	626,885
Capital assets:	
Nondepreciable	11,399,039
Depreciable - net	<u>729,578</u>
Total assets	<u>21,326,291</u>
LIABILITIES	
Accounts payable	115,159
Accrued expenses	59,574
Unearned revenue	22,803
Noncurrent liabilities	
Due in more than one year	<u>248,640</u>
Total liabilities	<u>446,176</u>
NET POSITION	
Net investment in capital assets	12,128,617
Restricted:	
SAFE	1,250,599
Freeway Service Patrol	416,942
Unrestricted	<u>7,083,957</u>
Total net position	<u><u>\$ 20,880,115</u></u>

The notes to basic financial statements are an integral part of this statement.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

		Program Revenues		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
Transportation	\$ 2,727,550	\$ -	\$ 4,575,699	\$ -
Total governmental activities	\$ 2,727,550	\$ -	\$ 4,575,699	\$ -

General Revenues
Investment income
Lease revenue

Total general revenues

Change in net position

Net position, beginning of fiscal year

Net position, end of fiscal year

The notes to basic financial statements are an integral part of this statement.

Net (Expense)
Revenue and
Changes in
Net Position

\$ 1,848,149

1,848,149

29,597
250,675

280,272

2,128,421

18,751,694

\$ 20,880,115

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
GOVERNMENTAL FUND
BALANCE SHEET
 June 30, 2014

	<u>General Fund</u>
Assets	
Cash and investments	\$ 8,570,789
Accounts receivable	<u>626,885</u>
Total assets	<u>\$ 9,197,674</u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ 115,159
Accrued expenditures	59,574
Unearned revenue	<u>22,803</u>
Total liabilities	<u>197,536</u>
Fund Balance	
Restricted:	
SAFE	1,250,600
Freeway Service Patrol	416,942
Committed:	
OPEB	85,219
Assigned:	
Commuter rail leases	20,807
Railroad leases	1,134,063
Capital replacement	114,586
Unassigned	<u>5,977,921</u>
Total fund balance	<u>9,000,138</u>
Total liabilities and fund balance	<u>\$ 9,197,674</u>

The notes to basic financial statements are an integral part of this statement.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
RECONCILIATION OF THE GOVERNMENTAL
FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 June 30, 2014

Total Fund Balance - Governmental Fund \$ 9,000,138

Amounts reported for governmental activities in the statement of net position are different because:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$	12,403,670	
Accumulated depreciation		<u>(275,053)</u>	
Net			12,128,617

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences		161,547	
OPEB obligation		<u>87,093</u>	<u>(248,640)</u>

Total Net Position - Governmental Activities \$ 20,880,115

The notes to basic financial statements are an integral part of this statement.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2014

	<u>General Fund</u>
Revenues:	
Federal Revenues:	
Federal Planning (PL)	\$ 99,951
FHWA 511 Planning	6,412
	<u>106,363</u>
State Revenues:	
TCRP	1,002,438
Freeway Service Patrol	235,104
SAFE	353,141
Rural Planning Assistance	409,175
Planning, Programming and Monitoring	625,729
RSTPI & RSTPP	117,384
Local Transportation Fund	916,182
Prop 116 Rail Bond	265,880
Caltrans PIP and FSP PIP	98,170
SCS Complete Streets	41,575
San Juan Road Outreach	25,984
Multi Modal Corridor	106,573
PTA Coast Daylight	1,244
	<u>4,198,579</u>
Local Revenues:	
CMP	243,076
Interest	29,597
Lease revenue - MBL Row and Commuter Rail	250,675
Bike week	500
Miscellaneous	41
Roundabout Public Outreach	14,623
Multi modal Corridor - FOR A	12,517
	<u>551,029</u>
Total revenues	<u>4,855,971</u>
Expenditures:	
Salaries and wages	1,136,804
Fringe benefits	537,045
Total personnel	1,673,849
Services and supplies	344,449
Total operating expenditures	2,018,298
Direct programs	1,696,689
Total expenditures	<u>3,714,987</u>
Excess (deficiency) of revenues over expenditures	1,140,984
Fund balance, beginning of fiscal year	<u>7,859,154</u>
Fund balance, end of fiscal year	<u>\$ 9,000,138</u>

The notes to basic financial statements are an integral part of this statement.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Net change in fund balance - governmental fund \$ 1,140,984

Amounts reported for governmental activities in the statement of activities are different because:

Capital assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of \$944,978 is more than depreciation expense of \$40,016 in the period. 904,962

In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation earned was more than the amount used by \$4,101. (4,101)

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between OPEB costs and actual employer contribution was: (19,886)

In governmental funds, the repayments of the PERS side fund debt is reported as a retirement expense. In the government-wide statements, repayments are reported as a decrease in the long-term liabilities. This is the amount of contributions: 106,462

Change in net position - governmental activities \$ 2,128,421

The notes to basic financial statements are an integral part of this statement.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Private Purpose Trust Funds			Totals
	Local Transportation Fund	State Transit Assistance Fund	State Highway Account Fund	
ASSETS				
Cash and investments	\$ 2,109,146	\$ 85	\$ 11,058,203	\$ 13,167,434
Accounts receivable	2,497,800	669,268	75	3,167,143
Total assets	<u>4,606,946</u>	<u>669,353</u>	<u>11,058,278</u>	<u>16,334,577</u>
LIABILITIES				
Liabilities:				
Due to other agencies	<u>1,066,739</u>	<u>669,303</u>	<u>1,633,665</u>	<u>3,369,707</u>
Total liabilities	<u>1,066,739</u>	<u>669,303</u>	<u>1,633,665</u>	<u>3,369,707</u>
NET POSITION				
Unrestricted	<u>3,540,207</u>	<u>50</u>	<u>9,424,613</u>	<u>12,964,870</u>
Total net position	<u>\$ 3,540,207</u>	<u>\$ 50</u>	<u>\$ 9,424,613</u>	<u>\$ 12,964,870</u>

The notes to basic financial statements are an integral part of this statement.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust Funds			Totals
	Local Transportation Fund	State Transit Assistance Fund	State Highway Account Fund	
Additions:				
Sales tax	\$ 15,024,314	\$ 2,646,367	\$ -	\$ 17,670,681
State Highway Account funds			4,388,441	4,388,441
Interest and loss recovery	12,241	664	46,751	59,656
Total additions	<u>15,036,555</u>	<u>2,647,031</u>	<u>4,435,192</u>	<u>22,118,778</u>
Deductions:				
Claims paid to:				
Greenfield	1,868		8,986	10,854
Monterey			25,803	25,803
Salinas			400,000	400,000
Seaside			3,620	3,620
County of Monterey	151,358		290,754	442,112
TAMC	914,984		9,097,500	10,012,484
Monterey - Salinas Transit	<u>13,766,041</u>	<u>2,647,298</u>		<u>16,413,339</u>
Total deductions	<u>14,834,251</u>	<u>2,647,298</u>	<u>9,826,663</u>	<u>27,308,212</u>
Change in net position	202,304	(267)	(5,391,471)	(5,189,434)
Net position - beginning of fiscal year	<u>3,337,903</u>	<u>317</u>	<u>14,816,084</u>	<u>18,154,304</u>
Net position - end of fiscal year	<u>\$ 3,540,207</u>	<u>\$ 50</u>	<u>\$ 9,424,613</u>	<u>\$ 12,964,870</u>

The notes to basic financial statements are an integral part of this statement.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The transportation planning process for Monterey County is performed by staff of the Transportation Agency for Monterey County (TAMC). The Agency operates in cooperation with the Association of Monterey Bay Area Governments to support the regional transportation planning process.

California Assembly Bill 1886, authorized changes in the Monterey County Transportation Agency membership as of January 1, 1993. The Agency was reorganized at that time as the Transportation Agency for Monterey County (TAMC), and now encompasses the Congestion Management Agency, the Local Transportation Agency, the Regional Transportation Planning Agency, and the Service Authority for Freeways and Expressways.

A. The Reporting Entity

The Agency is comprised of five members of the Monterey County Board of Supervisors and one member appointed from each incorporated city within Monterey County. Accordingly, these financial statements present only the activities of the Transportation Agency for Monterey County and are not intended to present fairly the financial position and results of operations of the County of Monterey in conformity with accounting principles generally accepted in the United States of America.

The Cities and County of Monterey approve annual allocations under the Transportation Development Act (TDA), Section 99400 (a) to support the planning process. The Agency also receives TDA funds for administration under Section 99233.1. In addition, the Cities and County contribute funds to support the Congestion Management Program. The Agency also receives funding from various other governmental agencies to support the transportation planning process.

The reporting entity is the Transportation Agency for Monterey County. There are no component units included in this report which meets the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39 and No. 61.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Government-wide Financial Statements (Continued):

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Agency's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The Agency does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Agency, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Agency.

Fund Financial Statements:

Fund financial statements report detailed information about the Agency. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Agency, "available" means collectible within the current period or within 60 days after fiscal year-end.

Non-exchange transactions, in which the Agency receives value without directly giving equal value in return, include property taxes, and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Agency must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Agency on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the Agency are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operating of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures/expenses. The Agency's resources are allocated to and accounted for in individual funds based upon the purpose for which they are being spent and the means by which spending activities are controlled. The Agency's accounts are organized into major and fiduciary funds, as follows:

Major Governmental Fund:

General Fund— The operating fund of the Agency. It is used to account for all financial resources except those required to be account for in another fund.

Fiduciary Funds:

Trust funds are used to separately account for assets held by the Transportation Agency for Monterey County in a trustee capacity. Trust funds are mandated by legislature or by contract terms. TAMC exercises oversight responsibility for the following trust funds.

Local Transportation Fund (LTF)
State Transit Assistance Fund (STA)
State Highway Account Fund (SHA)

F. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the major funds. All annual appropriations lapse at fiscal year end.

G. Cash and Investments

The Agency holds its cash in the County of Monterey Treasury. The County maintains a cash and investment pool, and allocates interest to the various funds based upon the average monthly cash balances. Investments are stated at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of two years.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental column in the government-wide financial statements. Depreciation is charged as an expense against operations and the capital assets, net of accumulated depreciation, is reported on the statement of net position. The estimated useful lives are as follows:

Equipment	3 to 7 years
Buildings and improvements	10 to 20 years

I. Unearned Revenue

Cash is received for federal and state special projects and programs and recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

J. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

K. Compensated Absences

All vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated employee sick leave benefits are not recognized as liabilities of the Agency. The Agency's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

L. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the Agency's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the Agency intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Agency.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Agency considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Agency considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Minimum Fund Balance

The Agency holds a six month fund balance reserve for general operations within the unassigned fund balance in the general fund.

O. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 65

For the fiscal year ended June 30, 2014, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the GASB Statement No. 65 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2014.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 66

For the fiscal year ended June 30, 2014, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction - 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement No. 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement No. 62 and Statements No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 70

For the fiscal year ended June 30, 2014, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the Agency's financial statements for the fiscal year ended June 30, 2014.

NOTE 2 - CASH AND INVESTMENTS

The Agency maintains all of its cash in the County of Monterey Treasury. The County Treasurer pools and invests the Agency's cash with other funds under her control. Interest earned on pooled investments is apportioned quarterly into participating funds based upon each fund's average daily deposit balance. Any investment gains or losses are proportionately shared by all funds in the pool.

On June 30, 2014 the Agency had the following cash and investments on hand:

Cash and investments with County Treasurer	\$ 21,373,685
Petty cash	200
Cash in bank	<u>364,338</u>
Total cash and investments	<u>\$ 21,738,223</u>

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash and investments listed above are presented on the accompanying basic financial statements as follows:

Cash and investments, statement of net position	\$ 8,570,789
Cash and investments, statement of fiduciary net position	<u>13,167,434</u>
Total cash and investments	<u>\$ 21,738,223</u>

Investments Authorized by the Agency's Investment Policy

The Agency's investment policy only authorizes investment in the local government investment pool administered by the County of Monterey. The Agency's investment policy does not contain any specific provisions intended to limit the Agency's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
County of Monterey Treasury Pool	\$ 21,373,685	\$ 21,373,685	\$ -	\$ -	\$ -
Total	<u>\$ 21,373,685</u>	<u>\$ 21,373,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
County of Monterey Treasury Pool	\$ 21,373,685	N/A	\$ -	\$ -	\$ -	\$ 21,373,685
Total	<u>\$ 21,373,685</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,373,685</u>

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Agency's investments.

Custodial Credit Risk

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

As of June 30, 2014, none of the Agency's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as County of Monterey Treasury Investment Pool).

Investment in County of Monterey Treasury Investment Pool

The Agency is a participant in the County of Monterey Treasury Investment Pool that is regulated by the California Government Code. The fair value of the Agency's investment in this pool is reported in the accompanying basic financial statements at the amounts based upon the Agency's pro-rata share of the fair value provided by the County of Monterey Treasury Investment Pool for the entire County of Monterey Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County of Monterey Treasury Investment Pool, which are recorded on an amortized cost basis.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets, not being depreciated				
Right of Way	\$ 11,166,475	\$ 232,564	\$ -	\$ 11,399,039
Total capital assets, not being depreciated	<u>\$ 11,166,475</u>	<u>\$ 232,564</u>	<u>\$ -</u>	<u>\$ 11,399,039</u>
Capital assets, being depreciated				
Building	\$ -	\$ 712,414	\$ -	\$ 712,414
Leasehold improvements	24,293			24,293
Equipment	267,924			267,924
Total capital assets, being depreciated	292,217	712,414		1,004,631
Less accumulated depreciation	235,037	40,016		275,053
Total capital assets, being depreciated, net	<u>\$ 57,180</u>	<u>\$ 672,398</u>	<u>\$ -</u>	<u>\$ 729,578</u>
Governmental activities, capital assets, net	<u>\$ 11,223,655</u>	<u>\$ 904,962</u>	<u>\$ -</u>	<u>\$ 12,128,617</u>

NOTE 4 – LONG-TERM DEBT

Changes in long-term liabilities

The following is a summary of long-term liability activity for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Compensated absences	\$ 157,446	\$ 122,424	\$ 118,323	\$ 161,547
PERS side fund	106,462		106,462	
OPEB	67,207	24,098	4,212	87,093
Total	<u>\$ 331,115</u>	<u>\$ 146,522</u>	<u>\$ 228,997</u>	<u>\$ 248,640</u>

NOTE 5 – EMPLOYEES' RETIREMENT SYSTEMS

Plan Description

The Agency contributes to the Miscellaneous Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

NOTE 5 – EMPLOYEES’ RETIREMENT SYSTEMS (continued)

Funding Policy

Active plan members are required to contribute 7.0% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the Agency is required to contribute an actuarially determined rate. The actuarial methods and assumptions used to determine the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2013-2014, was 12.292% of annual payroll until December 2013 and then 10.781% from December 2013 through June 2014. The contribution requirements of the plan members are established by State statutes. The Agency’s contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$123,471, \$132,542, and \$141,207, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 6 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Agency provides post-retirement medical benefits, in accordance with State statutes, to all employees retiring from the Agency and enrolled in an insurance program under the California Public Employees’ Medical and Hospital Care Act (PEMHCA). The CalPERS PEMHCA Plan is a defined contribution, multiple employer, healthcare plan providing benefits to active and retired employees. The healthcare plan is administered by the California Public Employees Retirement Agency. Copies of the CalPERS annual financial report may be obtained from the Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

As required by the GASB Statement No. 45, an actuary will determine the Agency's Annual Required Contributions (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAAL) over a period not to exceed 30 years.

The GASB Statement No. 45, does not require pre-funding of OPEB benefits. Therefore, the Agency's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The Agency has elected not to establish an irrevocable trust at this time.

As a PEMHCA employer, TAMC has selected the equal contribution method, where it contributes exactly the same amount for retirees as contributed toward active employee medical plan coverage. TAMC currently pays the minimum employer contribution (MEC), \$119 in 2014, for both active and retired employees. TAMC continues to pay this portion of the premium for eligible survivors of retired employees. During fiscal year 2013-2014, expenditures of \$4,212 were recognized for post-retirement health insurance contributions on a pay as you go basis.

The Agency is required to record the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Statement No.45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is 2.0 percent of annual covered payroll.

Annual OPEB Cost

For fiscal year 2013-2014, the Agency’s annual OPEB cost (expense) of \$24,098 was equal to the ARC plus additional interest and adjustments. The Agency’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is, as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 19,646	\$ 2,984	15.2%	\$ 48,270
June 30, 2013	\$ 22,687	\$ 3,750	16.5%	\$ 67,207
June 30, 2014	\$ 24,098	\$ 4,212	17.5%	\$ 87,093

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

NOTE 6 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Annual OPEB Cost (continued)

The following table shows the components of the Agency’s annual OPEB cost for the current fiscal year, the amount actually contributed to the plan, and changes in the Agency’s net OPEB obligation for the post-employment healthcare benefits:

Annual required contributions	\$	24,346
Interest on Net OPEB Obligation/(Asset)		2,668
Adjustment to the ARC		(2,916)
Annual OPEB cost (expense)		24,098
Contributions made		4,212
Increase/(decrease) in net OPEB obligation		19,886
Net OPEB obligation, beginning of fiscal year		67,207
Net OPEB obligation, end of fiscal year	\$	87,093

Funded Status and Funding Progress

The Funded status of the plan as of July 1, 2012, is as follows:

Actuarial accrued liability (AAL)	\$	202,958
Actuarial value of plan assets		
Unfunded actuarial accrued liability (UAAL)		202,958
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)		1,164,628
UAAL as a percentage of covered payroll		17.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multiyear trend information that shows whether the actuarial value of the 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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the level percentage of payroll method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 4.5 percent. The actuarial value of plan assets was not calculated in this, the first actuarial valuation, as there are no assets to value. The Plan unfunded actuarial accrued liability is being amortized over a 30-year amortization period.

The Agency did not pre-fund retiree healthcare costs nor did the Agency establish an irrevocable trust for retiree healthcare costs. The Agency did establish a committed fund balance, in the amount of \$85,219. However, because the assets are not in an irrevocable trust, the \$85,219 cannot be used to reduce the actuarial accrued liability shown above. The decision not to use an irrevocable trust was made because of the current national and state economic issues and the possibility that the funds may be required to provide current services.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 – PUBLIC EMPLOYEES RETIREMENT SYSTEM SIDE FUND

At the time the Agency joined the Public Employees Retirement System (PERS) Risk Pool, a side fund was required to be created to account for the difference between the funded status of the pool and the funded status of the Agency's plan, in addition to the existing plans unfunded liability. The side fund will be credited, on an annual basis, with the actuarial investment return assumption which was 7.75% prior to July 1, 2012 and 7.5% after that date. A side fund liability will cause the Agency's required PERS employer contribution rate to be increased by the amortization of the side fund. The side fund was paid off with a lump sum payment of \$100,493 in December 2013.

NOTE 8 – NET POSITION

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is *net investment in capital assets* consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. *Restricted net position* is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. *Unrestricted net position* consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

NOTE 9 – CONTINGENCIES

During a Caltrans cost audit in January 2014, Caltrans identified \$9,460,292 in reimbursed costs that "were not adequately supported and in compliance with respective agreement provisions, and State and Federal regulations." These funds were utilized to prepare project management, environmental, and design work for the Rail to Salinas project, as well as construction management for the Beach Range Road and Carmel Hill Trail projects. Staff is working with Caltrans to address the audit recommendations by preparing for Board adoption of several new policies, procedures, and contract templates, and expanding its staff training program. Staff is also in negotiation with Caltrans to establish a repayment amount which staff estimates will be substantially less than the full \$9.46 million. The amount of the repayment is undeterminable as of the date of the audit.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available for issuance which is November 18, 2014.

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REQUIRED SUPPLEMENTARY INFORMATION SECTION

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final
	Original	Final		Budget Positive (Negative)
Revenues:				
Federal Revenues:				
SHOPP TEA - Carmel Hill	\$ 2,174	\$ 2,174	\$ -	\$ (2,174)
Federal Planning (PL)	100,000	100,000	99,951	(49)
FHWA 511 Planning	12,500	12,500	6,412	(6,088)
	<u>114,674</u>	<u>114,674</u>	<u>106,363</u>	<u>(8,311)</u>
State Revenues:				
TCRP	3,813,588	3,813,588	1,002,438	(2,811,150)
Freeway Service Patrol	240,392	240,392	235,104	(5,288)
SAFE	435,319	435,319	353,141	(82,178)
Rural Planning Assistance	412,000	461,727	409,175	(52,552)
Planning, Programming and Monitoring	455,000	455,000	625,729	170,729
RSTPI & RSTPP	483,035	483,035	117,384	(365,651)
Local Transportation Fund	908,485	908,485	916,182	7,697
Prop 116 Rail Bond	4,080,766	4,080,766	265,880	(3,814,886)
Caltrans PIP and FSP PIP	149,800	149,800	98,170	(51,630)
SCS Complete Streets			41,575	41,575
San Juan Road Outreach and FSP	67,000	67,000	25,984	(41,016)
Multi Modal Corridor	125,000	125,000	106,573	(18,427)
PTA Coast Daylight			1,244	1,244
	<u>11,170,385</u>	<u>11,220,112</u>	<u>4,198,579</u>	<u>(7,021,533)</u>
Local Revenues:				
CMP	243,076	243,076	243,076	
Interest			29,597	29,597
Lease revenue - MBL Row and Commuter				
Rail	210,000	210,000	250,675	40,675
Cities video conferencing	3,000	3,000		(3,000)
Bike week	6,500	6,500	500	(6,000)
Miscellaneous			41	41
Air District 2766- Roundabout	40,000	40,000	14,623	(25,377)
Air District 2766-EV Chargers	19,250	19,250		(19,250)
Multi modal Corridor - FOR A			12,517	12,517
MBL Reserve	100,000	100,000		(100,000)
OP- Reserve	77,346	77,346		(77,346)
	<u>699,172</u>	<u>699,172</u>	<u>551,029</u>	<u>(148,143)</u>
Total revenues	<u>11,984,231</u>	<u>12,033,958</u>	<u>4,855,971</u>	<u>(7,177,987)</u>

continued

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final
	Original	Final		Budget Positive (Negative)
Expenditures:				
Salaries and wages	\$ 1,412,863	\$ 1,431,090	\$ 1,136,804	\$ 294,286
Fringe benefits	616,004	616,004	537,045	78,959
Total personnel	2,028,867	2,047,094	1,673,849	373,245
Services and supplies	491,840	491,840	344,449	147,391
Total operating expenditures	2,520,707	2,538,934	2,018,298	520,636
Direct Programs:				
Triennial Audit	35,000	35,000	13,864	21,136
Plans Coordination	87,000	87,000		87,000
Legislative Advocacy			84,192	(84,192)
Public Involvement	200,000	200,000	88,488	111,512
511 Travel Plan	80,000	80,000	145	79,855
Freeway Service Patrol (FSP)	197,667	197,667	186,933	10,734
Call Boxes (SAFE)	288,044	288,044	94,003	194,041
Rideshare			307	(307)
Data Collection	50,000	50,000	13,709	36,291
Electric Vehicle Chargers	19,250	19,250	173	19,077
Bicycle and Pedestrian	7,500	7,500	1,692	5,808
Carmel Hill Trail	2,574	2,574	4,057	(1,483)
Tri-County Bike Week			11,074	(11,074)
Bike Map	17,000	17,000		17,000
RTIP & EIR Update	26,000	57,500	59,548	(2,048)
Video Conferencing	3,000	3,000		3,000
RDIF Agency	10,000	10,000	6,204	3,796
RTIP/ Project Delivery			182	(182)
Project Management	90,000	90,000	124	89,876
HW 156 improvement			5,560	(5,560)
FSP-PIP	37,500	37,500	349	37,151
San Juan Road-FSP	27,000	27,000		27,000
Marina-Salinas Multimodal Corridor	100,000	100,000	76,605	23,395
Commuter Rail	7,960,989	7,960,989	1,033,089	6,927,900
Branch Line Maintenance	19,842	19,842	5,441	14,401
Rail and FORA property	45,158	45,158	9,393	35,765
Rail-Monterey Branch Line	160,000	160,000		160,000
Commuter Rail Leases			1,082	(1,082)
Coast Daylight			475	(475)
Total Direct Programs	9,463,524	9,495,024	1,696,689	7,798,335
Total expenditures	11,984,231	12,033,958	3,714,987	8,318,971
Excess (deficiency) of revenues over expenditures			1,140,984	1,140,984
Fund balance, beginning of fiscal year	7,859,154	7,859,154	7,859,154	
Fund balance, end of fiscal year	\$ 7,859,154	\$ 7,859,154	\$ 9,000,138	\$ 1,140,984

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT BENEFITS
OTHER THAN PENSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The following table provides required supplementary information regarding the Agency's post employment healthcare benefits.

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL)	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2009	\$ -	\$ 120,494	\$ 120,494	0.0%	\$ 1,139,000	10.6%
July 1, 2012	\$ -	\$ 202,958	\$ 202,958	0.0%	\$ 1,164,628	17.4%



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT ON
TRANSPORTATION DEVELOPMENT ACT COMPLIANCE**

Board of Directors
Transportation Agency for Monterey County
Salinas, California

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Transportation Agency of Monterey County' (the Agency) compliance with the types of compliance requirements described in the *Transportation Development Act Guidebook*, published by the State of California Department of Transportation applicable for the fiscal year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Transportation Development Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Agency's compliance based on our audit of the compliance with applicable statutes, rules and regulations of the Transportation Development Act (TDA), Sections 99233.1 and 99234, the California Code of Regulations (CCR), and the allocation instructions and resolutions of Transportation Agency of Monterey County as required by Section 6662 and 6666 of the CCR. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Transportation Development Act Guidebook*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state laws and regulations applicable to the Fund occurred. An audit includes examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Compliance with the Transportation Development Act

In our opinion, the funds allocated to and received by Transportation Agency of Monterey County pursuant to the TDA, complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements of the Transportation Development Act and the allocation instructions and resolutions of Transportation Agency of Monterey County for the fiscal year ended June 30, 2014.

This report is intended solely for the information and use of the Board of Directors, management of the Transportation Agency of Monterey County, and for filing with the appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim, LLP

Santa Maria, California
November 18, 2014

SUPPLEMENTARY INFORMATION SECTION

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
SCHEDULE OF FEDERAL HIGHWAY ADMINISTRATION FUNDS
REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Work Elements/ Budget	Actual	Variance Favorable (Unfavorable)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Federal Planning (PL)	\$ 100,000	\$ 99,951	\$ (49)
Total revenues	<u>100,000</u>	<u>99,951</u>	<u>(49)</u>
Expenditures:			
1010 Work program administration	20,000	20,000	
1120 Planning coordination	10,000	10,000	
2510 Regional transportation model	2,000	1,951	49
6220 Regional transportation plan	50,000	50,000	
6410 Regional trans imp plan (RTIP)	<u>18,000</u>	<u>18,000</u>	
Total expenditures	<u>100,000</u>	<u>99,951</u>	<u>49</u>
Excess (deficit) of revenues over expenditures	<u>\$ -</u>		<u>\$ -</u>
Federal Planning carryover, beginning of fiscal year		<u> </u>	
Federal Planning carryover, end of fiscal year		<u>\$ -</u>	

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
SCHEDULE OF SERVICE AUTHORITY FOR FREEWAYS AND EXPRESSWAYS (SAFE) FUNDS
REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Work Elements/ Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
SAFE	\$ 340,000	\$ 352,775	\$ 12,775
Loss recovery		366	366
Total revenues	<u>340,000</u>	<u>353,141</u>	<u>13,141</u>
Expenditures:			
Salaries/Fringe/Materials and services	25,000	63,021	(38,021)
Direct programs	173,142	94,003	79,139
FSP match	60,098	58,770	1,328
511 support	25,000	8,846	16,154
Electric vehicle chargers	10,000	13,375	(3,375)
Prunedale improvement project		6,206	(6,206)
Rideshare	<u>35,000</u>	<u>19,806</u>	<u>15,194</u>
Total expenditures	<u>328,240</u>	<u>264,027</u>	<u>64,213</u>
Excess (deficit) of revenues over expenditures	<u>\$ 11,760</u>	89,114	<u>\$ 77,354</u>
SAFE carryover, beginning of fiscal year		<u>1,161,486</u>	
SAFE carryover, end of fiscal year		<u>\$ 1,250,600</u>	

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
SCHEDULE OF STATE AND REGIONAL PLANNING ASSISTANCE FUNDS
REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Work Elements/ Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Rural planning assistance	\$ 461,727	\$ 409,175	\$ (52,552)
Total revenues	<u>461,727</u>	<u>409,175</u>	<u>(52,552)</u>
Expenditures:			
1010 Work program administration	55,897	48,265	7,632
1120 Planning coordination	50,000	50,000	
2510 Regional transportation model	3,822	99	3,723
4110 Document review	30,000	2,346	27,654
6140 Bicycle/Pedestrian planning	58,000	58,000	
6220 Regional transportation plan	131,015	131,015	
6410 Regional trans imp plan (RTIP)	41,000	41,000	
6710 Corridor studies	42,943	29,400	13,543
6722 Multi-modal Corridor	49,050	49,050	
Total expenditures	<u>461,727</u>	<u>409,175</u>	<u>52,552</u>
Excess (deficit) of revenues over expenditures	<u>\$ -</u>		<u>\$ -</u>
State and regional planning assistance carryover, beginning of fiscal year		<u> </u>	
State and regional planning assistance carryover, end of fiscal year		<u>\$ -</u>	

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
SCHEDULE OF PLANNING, PROGRAMMING AND MONITORING FUNDS
REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Work Elements/ Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Planning, Programming and Monitoring	\$ 455,000	\$ 625,729	\$ 170,729
Total revenues	<u>455,000</u>	<u>625,729</u>	<u>170,729</u>
Expenditures:			
1120 Planning coordination	175,042	87,211	87,831
1130 Public involvement program	63,677	40,900	22,777
6010 Sust. Comm. Strategies		36,472	(36,472)
6140 Bicycle/Pedestrian planning	40,167	13,538	26,629
6220 Regional transportation plan		68,536	(68,536)
6410 Regional trans imp plan (RTIP)	31,028	61,280	(30,252)
6500 Project development	145,086	243,008	(97,922)
6502 SR 156 West Project Mgmt operating		19,797	(19,797)
6550 Complete St Project Implementation operating		3,034	(3,034)
6718 Hwy 156 improvements		5,498	(5,498)
6800 Rail planning		41,909	(41,909)
6806 Monterey Branch line alternative analysis		4,546	(4,546)
Total expenditures	<u>455,000</u>	<u>625,729</u>	<u>(170,729)</u>
Excess (deficit) of revenues over expenditures	<u>\$ -</u>		<u>\$ -</u>
Planning, Programming and Monitoring carryover, beginning of fiscal year		<u>-</u>	
Planning, Programming and Monitoring carryover, end of fiscal year		<u>\$ -</u>	

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
SCHEDULE OF FREEWAY SERVICE PATROL
REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

	Work Elements/ Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Freeway service patrol	\$ 240,392	\$ 235,079	\$ (5,313)
Local match (SAFE)	60,098	58,770 *	(1,328)
Loss recovery		25	25
Total revenues	<u>300,490</u>	<u>293,874</u>	<u>(6,616)</u>
Expenditures:			
Salaries/Fringe/Materials & Supplies	25,000	44,752	(19,752)
Direct programs	<u>192,000</u>	<u>186,933</u>	<u>5,067</u>
Total expenditures	<u>217,000</u>	<u>231,685</u>	<u>(14,685)</u>
Excess (deficit) of revenues over expenditures	<u>\$ 83,490</u>	62,189	<u>\$ (21,301)</u>
Freeway service patrol carryover, beginning of fiscal year		<u>354,753</u>	
Freeway service patrol carryover, end of fiscal year		<u>\$ 416,942</u>	

* The Agency is required to provide a local match of 20% of eligible costs and 25% of total grant received. The Agency has met this requirement.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
SCHEDULE OF EXPENDITURES BY WORK ELEMENT
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014

Work Element:			Variance
	Budget	Actual	Favorable (Unfavorable)
1010 Work program administration operating	\$ 95,091	\$ 72,441	\$ 22,650
1020 LTF administration operating	68,380	63,474	4,906
1020 LTF Direct	35,000	13,864	21,136
1120 Planning coordination & Interagency liaison operating	273,065	155,255	117,810
1122 Legislative advocacy operating	47,495	26,038	21,457
1122 Legislative advocacy direct	87,000	84,192	2,808
1130 Public involvement program operating	109,620	43,162	66,458
1130 Public involvement program direct	200,000	88,488	111,512
1750 Traveler info system feasibility plan operating	31,590	14,806	16,784
1750 Traveler info system feasibility plan direct	80,000	144	79,856
1770 Freeway Service Patrol operating	35,786	43,537	(7,751)
1770 Freeway Service Patrol direct	197,667	186,933	10,734
1780 SAFE operating	46,937	63,021	(16,084)
1780 SAFE direct	288,044	94,003	194,041
1790 Rideshare operating	50,551	19,806	30,745
1790 Rideshare direct		307	(307)
2310 Data collection operating	23,734	11,363	12,371
2310 Data collection direct	50,000	13,709	36,291
2510 Regional transportation model operating	7,482	2,363	5,119
4110 Document review operating	32,487	2,563	29,924
4150 Electric vehicle charger operating	10,315	13,203	(2,888)
4150 Electric vehicle charger direct	19,250	172	19,078
6010 Sust. Comm. Strategies operating		92,931	(92,931)
6140 Bicycle/Pedestrian planning operating	81,167	81,892	(725)
6140 Bicycle/Pedestrian planning direct		1,692	(1,692)
6142 Carnel Hill trail operating		2,572	(2,572)
6142 Carnel Hill trail direct	2,574	4,057	(1,483)
6144 Bike protection operating		118	(118)
6148 Tri-County bike week operating	4,832	147	4,685
6148 Tri-County bike week direct	7,500	11,074	(3,574)
6149 Bicycle Facilities Map operating	3,104	608	2,496
6149 Bicycle Facilities Map	17,000		17,000
6220 Regional transportation plan operating	159,788	201,317	(41,529)
6220 Regional transportation plan direct	57,500	59,548	(2,048)
6260 Congestion management program operating	2,157	570	1,587
6260 Congestion management program direct	3,000		3,000
6262 RDIF Agency operating	22,122	19,178	2,944
6262 RDIF Agency direct	10,000	6,204	3,796
6263 Regional impact fee operating	13,399	22,351	(8,952)
6410 Regional trans imp plan (RTIP) operating	90,028	126,702	(36,674)
6410 Regional trans imp plan (RTIP) direct		182	(182)
6500 Project development operating	334,580	253,471	81,109
6500 Project development direct	90,000	124	89,876
6501 Roundabout Outreach operating	40,631	15,840	24,791
6502 SR 156 West Project Mgmt operating		21,220	(21,220)
6550 Complete St Project Implementation operating		3,373	(3,373)
6710 Corridor studies operating	42,943	30,994	11,949
6715 Prunedale improvement operating	113,900	104,026	9,874
6718 Hwy 156 improvements operating		5,450	(5,450)
6718 Hwy 156 improvements direct		5,560	(5,560)
6719 PIP - FSP operating	9,044	918	8,126
6719 PIP - FSP direct	37,500	349	37,151
6720 San Juan Road Outreach	82,204	27,783	54,421
6721 San Juan Road-FSP	36,044	296	35,748
6722 Multi-modal Corridor operating	132,798	103,661	29,137
6722 Multi-modal Corridor direct	100,000	76,605	23,395
6723 INVEST-101 operating	25,757	2,411	23,346
6800 Railroad operating	20,708	44,367	(23,659)
6803 Commuter rail operating	320,042	249,556	70,486
6803 Commuter rail direct	7,960,987	1,033,090	6,927,897
6804 Railroad leases operating	90,384	83,548	6,836
6804 Railroad leases direct	19,842	5,441	14,401
6805 Railroad Fort Ord property operating	5,153	4,873	280
6805 Railroad Fort Ord property direct	45,158	9,393	35,765
6806 Mtry Branch line alternative analysis operating	80,855	4,713	76,142
6806 Mtry Branch line alternative analysis direct	160,000		160,000
6807 Commuter rails lease operating	21,763	2,760	19,003
6807 Commuter rails lease direct		1,082	(1,082)
6808 Coast Daylight operating		835	(835)
6808 Coast Daylight direct		475	(475)
0000 Unallowable		40,870	(40,870)
911 Admin overhead		(62,084)	62,084
Total expenditures by work element	\$ 12,033,958	\$ 3,714,987	\$ 8,318,971

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TRANSPORTATION AGENCY FOR MONTEREY COUNTY
LOCAL TRANSPORTATION FUND
SCHEDULE OF ALLOCATIONS BY PURPOSE
Fiscal Year Ended June 30, 2013

	<u>Pedestrian and Bicycle Sec. 99234</u>	<u>Public Transportation Other Sec. 99260 (a)</u>	<u>Special Transportation Sects. 99260.7, 99400 (c)</u>	<u>Streets and Roads Sec. 99400(a)</u>
Administration	\$ -	\$ -	\$ -	\$ -
Monterey County and Unincorporated Area	247,830	3,233,983		
Cities:				
Carmel		108,629		
Del Rey Oaks		47,401		
Gonzales		238,706		
Greenfield		476,604		
King City		376,087		
Marina		577,237		
Monterey		821,573		
Pacific Grove		439,336		
Salinas		4,399,455		
Sand		9,728		
Seaside		957,250		
Soledad		457,696		
Allocations	<u>\$ 247,830</u>	<u>\$ 12,143,685</u>	<u>\$ -</u>	<u>\$ -</u>

References are to Code Sections of the Public Utilities Code, Chapter 4, Transportation Development Act.

Regional Transportation Planning Sec. 99231.1	Total Allocations
\$ 908,485	\$ 908,485
	3,481,813
	108,629
	47,401
	238,706
	476,604
	376,087
	577,237
	821,573
	439,336
	4,399,455
	9,728
	957,250
	457,696
<u>\$ 908,485</u>	<u>\$ 13,300,000</u>

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
LOCAL TRANSPORTATION FUND
SCHEDULE OF CLAIMS BY PURPOSE
Fiscal Year Ended June 30, 2014

	Pedestrian and Bicycle Sec. 99234	Public Transportation Other Sec. 99260 (a)	Special Transportation Sects. 99260.7, 99400 (c)	Streets and Roads Sec. 99400 (a)
Administration	\$ 6,500	\$ -	\$ -	\$ -
Monterey County and Unincorporated Area	151,358	3,638,327		
Cities:				
Carmel		123,344		
Del Rey Oaks		53,822		
Gonzales		271,071		
Greenfield		545,815		1,868
King City		427,060		
Marina		655,359		
Monterey		927,183		
Pacific Grove		498,619		
Salinas		5,002,651		
Sand		11,049		
Seaside		1,088,243		
Soledad		523,498		
Claims	<u>\$ 157,858</u>	<u>\$ 13,766,041</u>	<u>\$ -</u>	<u>\$ 1,868</u>

References are to Code Sections of the Public Utilities Code, Chapter 4, Transportation Development Act.

Regional Transportation Planning Sec. 99233.1	Total Claims Paid
\$ 908,484	\$ 914,984
	3,789,685
	123,344
	53,822
	271,071
	547,683
	427,060
	655,359
	927,183
	498,619
	5,002,651
	11,049
	1,088,243
	523,498
<u>\$ 908,484</u>	<u>\$ 14,834,251</u>

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
STATE TRANSIT ASSISTANCE FUND
SCHEDULE OF AMOUNTS ALLOCATED AND DISBURSED BY PURPOSE
Fiscal Year Ended June 30, 2014

	Monterey- Salinas Transit Sects. 6730(b) 6730(a) 6731(c) <u>Operating, Capital</u>	City of Greenfield Sects. 6730(a) 6730(b) <u>Capital</u>	City of Gonzales Sec. 6730(b) <u>Capital</u>	City of Soledad Sec. 6730(b) <u>Capital</u>	City of King Sec. 6730(b) <u>Capital</u>	<u>Total</u>
Allocations	\$ 2,674,812	\$ -	\$ -	\$ -	\$ -	\$ 2,674,812
Disbursements:						
2013-14 Claims	\$ 2,647,298	\$ -	\$ -	\$ -	\$ -	\$ 2,647,298
Total disbursements	\$ 2,647,298	\$ -	\$ -	\$ -	\$ -	2,647,298