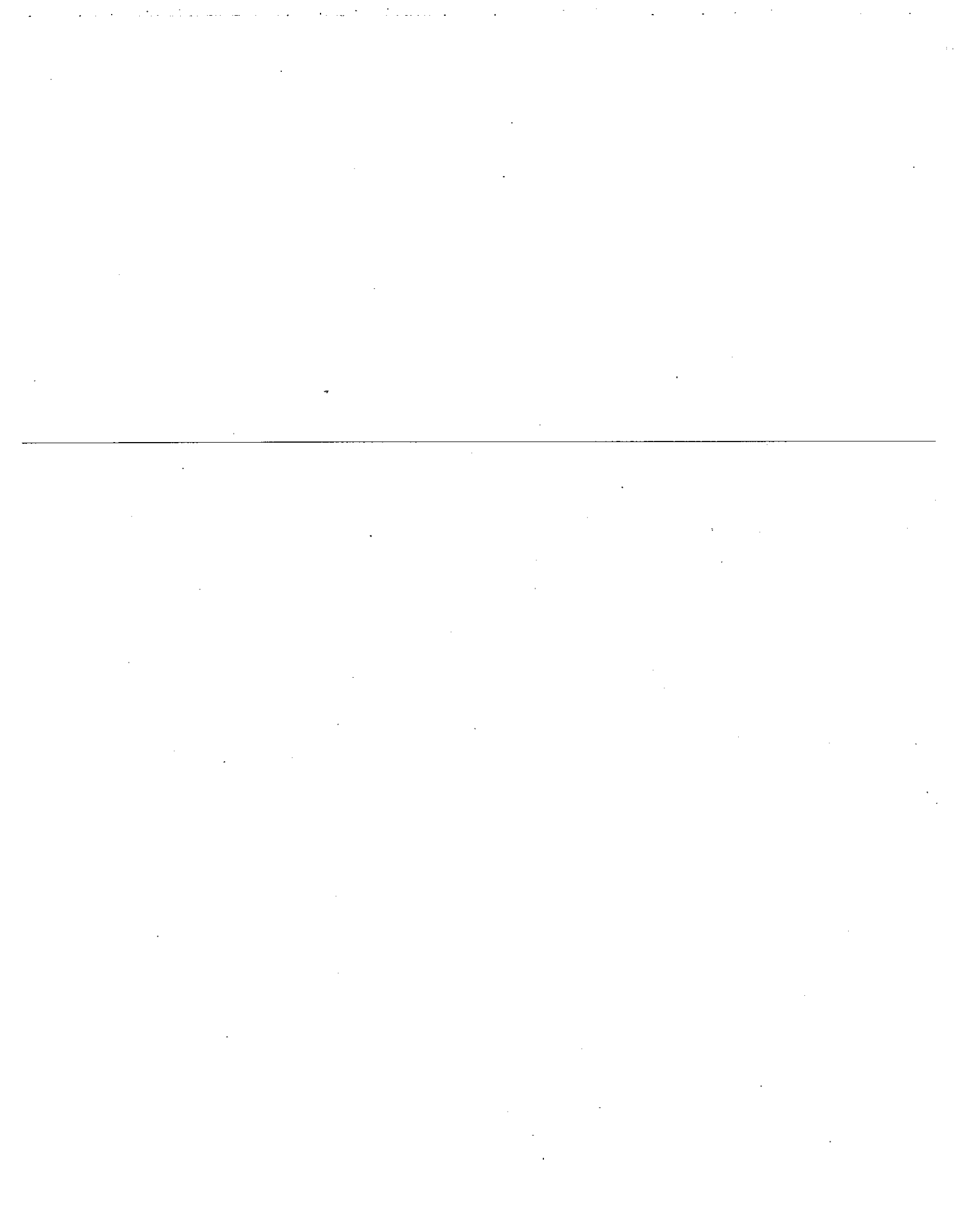


**TRANSPORTATION AGENCY FOR
MONTEREY COUNTY**

FINANCIAL STATEMENTS
June 30, 2006



TRANSPORTATION AGENCY FOR MONTEREY COUNTY

TABLE OF CONTENTS

June 30, 2006

FINANCIAL SECTION:

Independent Auditors' Report 1

Management's Discussion and Analysis 3

Basic Financial Statements:

 Government-wide Financial Statements:

 Statement of Net Assets 9

 Statement of Activities 10

 Fund Financial Statements:

 Balance Sheet – Governmental Fund 12

 Reconciliation of the Governmental
 Fund Balance Sheet to the Statement of Net Assets 13

 Statement of Revenues, Expenditures, and Changes In Fund Balance -
 Governmental Fund 14

 Reconciliation of the Governmental Fund Statement of Revenues, Expenditures,
 and Changes in Fund Balance to the Statement of Activities 15

 Statement of Revenues, Expenditures, and Changes in Fund Balance –
 Budget and Actual – General Fund 16

 Statement of Fiduciary Net Assets – Fiduciary Funds 18

 Statement of Changes in Fiduciary Net Assets – Fiduciary Funds 20

 Notes to Basic Financial Statements 22

SUPPLEMENTARY INFORMATION SECTION:

Schedule of Federal Highway Administration Funds Revenues and Expenditures –
 Budget and Actual (Accrual Basis) 31

Schedule of Service Authority for Freeways and Expressways (SAFE) Funds Revenues and Expenditures
 Budget and Actual 32

Schedule of State and Regional Planning Assistance Funds Revenues and Expenditures –
 Budget and Actual (Accrual Basis) 33

Schedule of Planning, Programming and Monitoring Funds Revenues and Expenditures – Budget and Actual 34

Schedule of Freeway Service Patrol Revenues and Expenditures - Budget and Actual (Accrual Basis) 35

Schedule of Expenditures by Work Element – Budget and Actual (Accrual Basis)..... 36

Schedule of Allocations by Purpose – Local Transportation Fund 38

Schedule of Claims by Purpose – Local Transportation Fund 40

Schedule of Amounts Allocated and Disbursed by Purpose – State Transit Assistance Fund 42

Auditors' Report on Internal Control over Financial Reporting and on Compliance
 and Other Matters Based on an Audit of Financial Statements Performed in
 Accordance with *Government Auditing Standards* 44

FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

ROBERT M. MOSS, C.P.A.
RONALD A. LEVY, C.P.A.
CRAIG A. HARTZHEIM, C.P.A.
HADLEY Y. HUI, C.P.A.

802 EAST MAIN
SANTA MARIA, CA 93454
PHONE: (805) 925-2579
FAX: (805) 925-2147
EMAIL: mlhsm@mlhpcpas.com

INDEPENDENT AUDITORS' REPORT

Transportation Agency for Monterey County
Monterey, California

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 (Agency) as of and for the fiscal year ended June 30, 2006, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in note 1 of the notes to basic financial statements, the Agency adopted Governmental Accounting Standards Board Statement No. 46, *Net Assets Restricted by Enabling Legislation—an Amendment of GASB Statement No. 34*, effective July 1, 2005.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2006, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 8, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2006, on our consideration of the Transportation Agency for Monterey County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Transportation Agency for Monterey County's basic financial statements. The accompanying schedules of revenues and expenditures, allocations, and claims by purpose listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Transportation Agency for Monterey County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

October 20, 2006

Management's Discussion and Analysis

Overview of the Transportation Agency and Audited Finances for Fiscal Year Ending
June 30, 2006

General

The Transportation Agency for Monterey County (The Agency) is an independent 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 and 1 part-time employee. More than 95% of the Agency's funding comes from state and federal grants. Local funding is primarily from member agency contributions for congestion management activities.

Work Program Highlights

During fiscal year 2005/2006, 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 Transportation Agency developed and approved the 2006 Regional Transportation Improvement Program, which includes a list of project for regional priority funding. This program is required for receiving state funding for transportation projects.

The Transportation Agency initiated work on the Monterey Bay Sanctuary Scenic Trail Master Plan. The Plan is for the development of a multi-use recreational trail project that spans the Monterey Bay.

The Transportation Agency continued to reach out to the public on the 14-year plan to improve safety and reduce traffic congestion on area roadways and bring rail to Monterey County. Revenues for the plan would have been available through a proposed ½ cent sales tax, federal, state and local funding. A ½ cent sales tax measure was placed on the June 2006 ballot but only received 57% of the vote; a 2/3 super majority is required to pass this special type of sales tax.

The Agency initiated two major construction projects in FY 05/06. In July 2005, the Agency and the City of Monterey broke ground on the SR 68 – Ragsdale Drive Project. The project was opened to the public in January 2006 and was completed on time and within budget. Working with the County of Monterey and Union Pacific Railroad, the Agency also completed construction of 17 at-grade railroad safety upgrades to help improve travel and safety for both trains and vehicles.

The Agency worked with Caltrans on state highway projects on SR 1, SR 156 and US 101 to ensure the projects progressed in a timely manner. Several of these projects received environmental clearance in FY 05/06, including the US 101 Prunedale Improvement Project, SR 1 – Salinas Rd Project, and the US 101 – Airport Boulevard Project.

Agency staff continued work on the alternatives analyses to evaluate transportation uses for the Monterey Branch Line and for the Caltrain Extension to Monterey County project in preparation for applying for federal “New Starts” or “Small Starts” funds. For the Caltrain Extension to Monterey County project, staff obtained conceptual plan approval from key stakeholders to proceed with environmental review; finalized the Project Study Report for Caltrans review and approval; prepared the Environmental Impact Report and wrote a Traffic Congestion Relief Act application for \$19 million.

For the Monterey Branch Line Alternatives Analysis, staff continued implementing public outreach plan for the project; obtained Board approval of four alternatives to be carried forward for further evaluation in the federal alternatives analysis and participated in steering committee meeting for a Monterey Bay Area Bus Rapid Transit workshop. Staff negotiated an agreement with County Public Works Department for maintenance of the Branch Line, and with the City of Monterey for maintenance of the Agency’s property on former Fort Ord. Staff began work on plans for a transit-oriented development on the Agency’s property at the former Fort Ord, meeting with partner agencies regarding land swaps, utilities and revenue sharing issues. The Agency continued to increase lease revenue from the Monterey Branch Line right-of-way by signing leases with Graniterock and Lexus of Monterey. These leases increased rented square footage and lease rates.

The Agency continued to work with state and federal legislators on transportation and funding issues, in coordination with Agency state and federal legislative advocates. Agency staff updated and promoted the state and federal legislative program and the state legislative bill matrix. Staff coordinated with legislators, legislative staff and partner agencies on the federal reauthorization of the transportation bill and proposed state infrastructure bond measures. Staff requested appropriations for top priority projects and sought a change to a 1992 appropriation for the US 101 Prunedale project.

The Agency continued to administer the Transportation for Livable Communities Transit-Oriented Development Incentive Program, celebrating the groundbreaking of the first project, monitoring progress on other projects, and initiating a second round of grant solicitations. Staff presented "Smart Growth" principles to Congressional staffers, gave a Transportation for Livable Communities/ Smart Growth presentation on web-based "Click, Listen & Learn" hosted by the American Public Works Association, and assisted MST staff with update of "Designing for Transit" manual.

The Transportation Agency maintained the Freeway Service Patrol program in Monterey County. The Agency selected two tow truck companies to operate on two major highways in Monterey County—Highway 101 and State Route 1 through a competitive bidding process. Contracts with the tow truck companies were extended to fiscal year 2009. Transportation Agency staff continued to coordinate the administration of the program with state and local representatives from California Highway Patrol and Caltrans, while working closely with contractors.

The Transportation Agency staff worked towards installing the last phase of the call boxes on Highway 1 along the Big Sur Coast. Staff coordinated with SBC to install phone lines at call boxes in that area, where cellular service is limited. Staff also negotiated contracts with Verizon Wireless Technologies to provide digital cellular services for call boxes in the County, and with Comarco Wireless Technologies, to provide call box system upgrades.

Monterey County Bike Week 2006 was a success, as evidenced by the continued growing number of participants. The Agency worked with Association of Monterey Bay Area Government, San Benito County and Santa Cruz County on joint marketing effort for Bike Week events, Clean Air Month activities and Rideshare Week. 2005 Monterey County General Bikeways Plan was approved and certified by Caltrans in September 2005.

The Agency screened 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.

The Agency continued work on the Regional Development Impact Fee proposal, including review and preparation of implementing documents to respond to legal issues raised by city and county legal counsels. In addition, the Agency held informational

workshops with City Councils, city and county staff and legal counsels to prepare for adoption of the Regional Development Impact Fee program.

Financial Highlights

Net assets of the Agency increased by \$397,738 from \$11,114,447 on June 30, 2005, to \$11,512,185 on June 30, 2006, due to revenues exceeding expenses. The agency has undesignated reserves, of \$1,138,051 as of June 30, 2006. The Agency requires the maintenance of undesignated reserves equal to three months of operating expenditures. Of the \$1,138,051 in undesignated reserves, \$507,399 is reserved for three months of cash flow for fiscal year 06/07.

Transportation Agency for Monterey County Revenues and Expenditures

The Agency revenues during fiscal year 2005/2006 were \$6,844,945, consisting of \$2,191,839 in state revenues, \$1,988,636 in federal revenues, \$506,049 in local revenues and Ragsdale Highway 68 revenue of \$2,158,421.

The Agency expenditures for the same period included \$1,778,229 in operating expenditures, and \$4,658,093 in direct program costs. The Agency budget separates expenditures into two types: operating and direct program. Operating expenditures include staff 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.

Direct program activities are described above in the Work Program Highlights section. The major portion of the direct program costs were \$ 2,158,311 for highways/roads, \$625,266 for alternative analyses related to the rail program on the Monterey Branch Line and the Caltrain Extension and \$952,542 for railroad crossing improvements.

The Agency operating expenses of \$1,778,229 include 76% for personnel costs, and the remainder for materials, services, and equipment purchases. The operating expenditures in fiscal year 2005/2006 were 8% more than the previous fiscal year.

Overall Financial Position

The overall financial position of the Agency improved during fiscal year 2005/2006, with an increase of \$408,623 to the total fund balance from \$1,822,446 to \$2,231,069. Except for State Rural Planning funds, which increased from \$265,000 to \$275,000, and Federal Planning funds, which increased from \$207,920 to \$336,097, the Agency operating program revenues continue with little fluctuation from year to year. The stable funding sources 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 year to year, depending on grant amounts.

Highlights of the Transportation Agency for Monterey County funds

Over the 12-month period from July 1, 2005 to June 30, 2006, the reserves designated for the call box program increased by \$76,201 from \$ 707,640 to \$783,841 and the designated reserves for the tow truck program increased from \$7,919 to \$27,064. Designations for capital replacement increased by \$17,662 from \$90,250 to \$107,872. The undesignated reserves increased by \$ 244,061 from \$893,990 to \$1,138,051.

The Agency trust funds decreased their balances by a total of \$1,578,053 during fiscal year 2005/2006, as local member agencies claimed previously obligated funds in excess of revenues. This resulted in the following net assets as of June 30, 2006:

◆ Local Transportation Fund	\$ 9,748,144
◆ State Transit Assistance Fund	\$ 573,870
◆ <u>Regional Surface Transportation Program</u>	<u>\$11,951,080</u>
 TOTAL TRUST FUNDS	 \$22,273,094

Budget Variances

The Agency's actual operating expenditures for FY2005/2006 were below the budgeted expenditures by \$43,646, due to savings in materials and services. Direct program expenditures were \$753,337 less than budgeted due to projects such as railroad crossings improvements, rail program alternative analyses, SAFE call boxes upgrades, and traffic counts being delayed into future years.

Long-term debt of the Transportation Agency consists solely of a reserve for compensated absences of employees, which had a balance on June 30, 2005 of \$67,552 and on June 30, 2006 of \$66,093.

Current Financial Issues and Concerns

Passage of Assembly Bill 2538 will increase the Agency's share from 3% (for small agencies) to 5% of State Transportation Improvement Program allocations for its planning activities. This change allows for a considerable increase in Planning, Programming and Monitoring funding available for operating expenses from fiscal year 2007-2008 and beyond. Therefore, the three-year budget from fiscal 06/07 through 08/09 related to PPM funding is adequate for the Agency's planning activities.

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 transfer 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.

Major future projects that are fully funded include the Highway 68 at Community Hospital entryway project and the Highway 68 intersection projects. The Transportation Agency for Monterey County continues to work with the California Transportation Commission and Caltrans to secure sufficient funding to complete major highway projects, including US 101 Prunedale area safety/operational and bypass projects, Salinas Road / State Route 1 interchange project, and Airport Blvd. / US 101 interchange improvements. Future projects that are partially funded and dependent on uncertain federal and state grants for completion include the rail program and the Monterey Bay Scenic Sanctuary Trail.

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 via the Internet at: info@tamc.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 ASSETS
 June 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 2,103,591
Receivables	1,170,024
Prepaid expenses	41,264
Capital assets:	
Nondepreciable	9,228,475
Depreciable - net	<u>118,734</u>
Total assets	<u>12,662,088</u>
LIABILITIES	
Accounts payable	634,038
Accrued expenses	23,772
Deferred revenue	426,000
Noncurrent liabilities	
Due in more than one year	<u>66,093</u>
Total liabilities	<u>1,149,903</u>
NET ASSETS	
Invested in capital assets, net of related debt	9,347,209
Unrestricted	<u>2,164,976</u>
Total net assets	<u>\$ 11,512,185</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, 2006

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
Governmental activities:				
Transportation	<u>\$ 6,447,207</u>	<u>\$ -</u>	<u>\$ 6,601,972</u>	<u>\$ -</u>
Total governmental activities	<u>\$ 6,447,207</u>	<u>\$ -</u>	<u>\$ 6,601,972</u>	<u>\$ -</u>

General Revenues
Investment income
Other
Total general revenues
Change in net assets
Net assets at beginning of fiscal year
Net assets at end of fiscal year

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

Net (Expense)
Revenue and
Changes in
Net Assets

\$ 154,765

154,765

44,843

198,130

242,973

397,738

11,114,447

\$ 11,512,185

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
GOVERNMENTAL FUND
BALANCE SHEET
 June 30, 2006

	<u>General Fund</u>
Assets	
Cash and investments	\$ 2,103,591
Accounts receivable	1,147,618
Interest receivable	22,406
Prepaid expenditures	<u>41,264</u>
Total assets	<u><u>\$ 3,314,879</u></u>

Liabilities and Fund Balance

Liabilities:	
Accounts payable	\$ 634,038
Accrued expenditures	23,772
Deferred revenue	<u>426,000</u>
Total liabilities	<u>1,083,810</u>

Fund Balance

Reserved:	
Reserved for prepaid expenditures	41,264
Reserved for SAFE	783,841
Reserved for railroad leases	132,977
Reserved for Freeway Service Patrol	27,064
Unreserved:	
Designated for capital replacement	107,872
Undesignated	<u>1,138,051</u>

Total fund balance	<u>2,231,069</u>
Total liabilities and fund balance	<u><u>\$ 3,314,879</u></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 ASSETS
June 30, 2006

Total Fund Balance - Governmental Fund \$ 2,231,069

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

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

Capital assets at historical cost	\$	9,525,161
		177,952
Net		9,347,209

Compensated absences have not been included in the governmental fund activity:

Compensated absences	(66,093)
----------------------	----------

Total Net Assets - Governmental Activities	<u>\$ 11,512,185</u>
--	----------------------

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, 2006

	<u>General Fund</u>
Revenues:	
Federal Revenue:	
Federal Earmark	\$ 1,083,652
Federal Trails Planning (PL)	336,097
CMAQ	568,887
	<u>1,988,636</u>
State Revenue:	
AB 2206	19,433
Freeway Service Patrol	172,757
SAFE	339,417
Rural Planning Assistance	272,000
Planning, Programming and Monitoring	400,000
RSTPI	79,747
Local Transportation Fund	908,485
	<u>2,191,839</u>
Local Revenue:	
CMP	243,076
Interest	44,843
Lease revenue	188,383
Project Management - Ragsdale	20,000
Bike week	3,614
Miscellaneous	1,353
Cities video conferencing	4,780
	<u>506,049</u>
Ragsdale 68 Revenue:	
RSTP/SHA	602,487
Traffic Mitigation	500,000
City of Monterey	229,244
SHOPP	750,000
Cal-Am Water	75,000
CSUMB	1,690
	<u>2,158,421</u>
Total revenues	<u>6,844,945</u>
Expenditures:	
Salaries and wages	973,569
Fringe benefits	383,967
Total personnel	<u>1,357,536</u>
Services and supplies	394,381
Capital outlay	26,312
Total operating expenditures	<u>1,778,229</u>
Direct programs	4,658,093
Total expenditures	<u>6,436,322</u>
Excess (deficiency) of revenues over expenditures	408,623
Fund balance, beginning of fiscal year	1,822,446
Fund balance, end of fiscal year	<u>\$ 2,231,069</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, 2006

Net change in fund balance - governmental fund \$ 408,623

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 \$26,312 is less than depreciation expense \$38,044 in the period.

(11,732)

Disposal of capital assets decrease net assets for the cost of the capital assets net of accumulated depreciation.

(612)

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 used was greater than the amount earned by \$1,459.

1,459

Change in net assets - governmental activities

\$ 397,738

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

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final
	Original	Final		Budget Positive (Negative)
Revenues:				
Federal Revenue:				
Federal Earmark Trails	\$ 984,000	\$ 984,000	\$ 1,083,652	\$ 99,652
Federal Planning (PL)	336,097	336,097	336,097	
Federal New Starts	990,644	990,644		(990,644)
CMAQ	400,000	400,000	568,887	168,887
	<u>2,710,741</u>	<u>2,710,741</u>	<u>1,988,636</u>	<u>(722,105)</u>
State Revenue:				
AB-2206			19,433	19,433
Freeway Service Patrol	162,500	162,500	172,757	10,257
SAFE	464,562	464,562	339,417	(125,145)
Rural Planning Assistance	272,000	272,000	272,000	
Planning, Programming and Monitoring	400,000	400,000	400,000	
RSTPP	1,500,000	1,500,000		(1,500,000)
RSTPI	272,039	272,039	79,747	(192,292)
Prop 116 Rail Bond	352,187	352,187		(352,187)
Local Transportation Fund	908,485	908,485	908,485	
	<u>4,331,773</u>	<u>4,331,773</u>	<u>2,191,839</u>	<u>(2,139,934)</u>
Local Revenue:				
Air District Rule 431 Capital	40,000	40,000		(40,000)
Monterey-Salinas Transit	40,903	40,903		(40,903)
CMP	243,076	243,076	243,076	
Interest			44,843	44,843
Bike week			3,614	3,614
Lease revenue	141,000	141,000	188,383	47,383
Project Management - Ragsdale			20,000	20,000
Miscellaneous			1,353	1,353
Cities video conferencing			4,780	4,780
	<u>464,979</u>	<u>464,979</u>	<u>506,049</u>	<u>41,070</u>
Ragsdale 68 Revenue:				
RSTP/SHA			602,487	602,487
Traffic Mitigation			500,000	500,000
City of Monterey			229,244	229,244
SHOPP			750,000	750,000
Cal-Am Water			75,000	75,000
CSUMB			1,690	1,690
			<u>2,158,421</u>	<u>2,158,421</u>
	<u>7,507,493</u>	<u>7,507,493</u>	<u>6,844,945</u>	<u>(662,548)</u>
Total revenues				

continued

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

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final
	Original	Final		Budget Positive (Negative)
Expenditures:				
Salaries and wages	\$ 934,033	\$ 934,033	\$ 973,569	\$ (39,536)
Fringe benefits	397,690	397,690	383,967	13,723
Total personnel	<u>1,331,723</u>	<u>1,331,723</u>	<u>1,357,536</u>	<u>(25,813)</u>
Services and supplies	446,218	446,218	394,381	51,837
Capital outlay	43,934	43,934	26,312	17,622
Total operating expenditures	<u>1,821,875</u>	<u>1,821,875</u>	<u>1,778,229</u>	<u>43,646</u>
Direct Programs:				
Freeway Service Patrol (FSP)	210,000	210,000	213,302	(3,302)
Call Boxes (SAFE)	297,551	297,551	149,936	147,615
Bicycle and Pedestrian	229,000	229,000	131,540	97,460
Regional Transportation Plan (RTP)	70,000	70,000	84,040	(14,040)
Regional Impact Fees	7,000	7,000	16,571	(9,571)
Public Education Program (PEP)	132,145	132,145	160,671	(28,526)
Legislative Program	116,000	116,000	114,841	1,159
Railroad Crossing Improvements	800,000	800,000	952,542	(152,542)
Rail and FORA property	41,000	41,000	51,073	(10,073)
Rail-Cal Trans extension	1,342,831	1,342,831	436,432	906,399
Rail-Monterey Branch Line	565,903	565,903	188,834	377,069
Highways/Roads	1,500,000	1,500,000	2,158,311	(658,311)
Traffic Counts & ITS Projects	100,000	100,000		100,000
Total Direct Programs	<u>5,411,430</u>	<u>5,411,430</u>	<u>4,658,093</u>	<u>753,337</u>
Total expenditures	<u>7,233,305</u>	<u>7,233,305</u>	<u>6,436,322</u>	<u>796,983</u>
Excess (deficiency) of revenues over expenditures	274,188	274,188	408,623	134,435
Fund balance, beginning of fiscal year	<u>1,822,446</u>	<u>1,822,446</u>	<u>1,822,446</u>	
Fund balance, end of fiscal year	<u>\$ 2,096,634</u>	<u>\$ 2,096,634</u>	<u>\$ 2,231,069</u>	<u>\$ 134,435</u>

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

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

	<u>Private Purpose Trust Funds</u>		
	<u>Local Transportation Fund</u>	<u>State Transit Assistance Fund</u>	<u>State Highway Account Fund</u>
ASSETS			
Cash and investments	\$ 7,720,208	\$ 240,075	\$ 12,245,457
Interest receivable	94,107	3,814	145,302
Sales tax receivable	2,298,300		
Due from other agencies		329,981	
Total assets	<u>10,112,615</u>	<u>573,870</u>	<u>12,390,759</u>
LIABILITIES			
Liabilities:			
Due to other agencies	<u>364,471</u>		<u>439,679</u>
Total liabilities	<u>364,471</u>		<u>439,679</u>
NET ASSETS			
Unrestricted	<u>9,748,144</u>	<u>573,870</u>	<u>11,951,080</u>
Total net assets	<u>\$ 9,748,144</u>	<u>\$ 573,870</u>	<u>\$ 11,951,080</u>

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

Totals

\$ 20,205,740
243,223
2,298,300
329,981

23,077,244

804,150

804,150

22,273,094

\$ 22,273,094

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2006

	Private Purpose Trust Funds		
	Local Transportation Fund	State Transit Assistance Fund	State Highway Account Fund
Additions:			
Sales tax	\$ 14,216,587	\$ 1,336,839	\$ -
State Highway Account funds			13,154
Interest	266,697	19,316	507,537
Total revenues	14,483,284	1,356,155	520,691
Deductions:			
Claims paid to:			
Carmel	121,678		
Del Rey Oaks	53,840		
Gonzales	250,783	19,065	37,000
Greenfield	271,804		
King City	309,380	93,072	
Marina	668,355		28,814
Monterey	969,074		636,069
Pacific Grove	489,298		157,194
Salinas	4,701,702		411,149
Seaside	1,031,055		
Soledad	8,573	95,653	466,458
County of Monterey	3,078,132		1,603,445
TAMC	908,485		79,747
Monterey - Salinas Transit		1,138,358	310,000
Total expenditures	12,862,159	1,346,148	3,729,876
Change in net assets	1,621,125	10,007	(3,209,185)
Net assets - beginning of fiscal year	8,127,019	563,863	15,160,265
Net assets - end of fiscal year	\$ 9,748,144	\$ 573,870	\$ 11,951,080

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

Totals

\$ 15,553,426

13,154

793,550

16,360,130

121,678

53,840

306,848

271,804

402,452

697,169

1,605,143

646,492

5,112,851

1,031,055

570,684

4,681,577

988,232

1,448,358

17,938,183

(1,578,053)

23,851,147

\$ 22,273,094

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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

A. The Reporting Entity

The Commission 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 Statement No. 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets 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. *Agency 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, 2006

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.

Deferred revenue:

Deferred revenues arises when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as deferred 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 deferred revenue.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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 a separate accounting entity. The operating of each fund are accounted for with a separate set a self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures/expenses. Agency 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.

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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 \$500 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 assets. The estimated useful lives are as follows:

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

I. Deferred 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. Deferred 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 assets. 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, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. New Accounting Pronouncement

Governmental Accounting Standards Board Statement No. 46

For the fiscal year ended June 30, 2006, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 46, "Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34". This statement is effective for fiscal periods beginning after June 15, 2005. This Statement requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. A legally enforceable enabling legislation restriction is on that a party external to the Agency - such as citizens, public interest groups, or the judiciary – can compel a government to honor. Implementation of GASB Statement No. 46 did not have an impact on the Agency's basic financial statements for the fiscal year ended June 30, 2006.

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.

Investments are carried at fair value. On June 30, 2006, the District had the following cash and investments on hand:

Cash and investments with the County Treasurer	\$ 22,339,842
Cash in bank	<u>(30,511)</u>
Total cash and investments	<u>\$ 22,309,331</u>

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

Cash and investments, statement of net assets	\$ 2,103,591
Cash and investments, statement of fiduciary net assets	<u>20,205,740</u>
Total cash and investments	<u>\$ 22,309,331</u>

Investments Authorized by the District'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 on the next page that shows the distribution of the Agency's investments by maturity:

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

NOTE 2 - CASH AND INVESTMENTS (Continued)

<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 Investment Pool	\$ 22,339,842	\$ 22,339,842	\$ -	\$ -	\$ -
Total	\$ 22,339,842	\$ 22,339,842	\$ -	\$ -	\$ -

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 Investment Pool	\$22,339,842	N/A	\$ -	\$ -	\$ -	\$22,339,842
Total	\$22,339,842		\$ -	\$ -	\$ -	\$22,339,842

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 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.

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

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

NOTE 2 - CASH AND INVESTMENTS (Continued)

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.

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2006</u>
Governmental activities				
Nondepreciable capital assets:				
Right of Way	\$ 9,228,475	\$ -	\$ -	\$ 9,228,475
Total nondepreciable capital assets	<u>9,228,475</u>			<u>9,228,475</u>
Depreciable capital assets:				
Leasehold and improvements	24,293			24,293
Equipment	<u>290,419</u>	<u>26,312</u>	<u>44,338</u>	<u>272,393</u>
Total depreciable capital assets	314,712	26,312	44,338	296,686
Less accumulated depreciation	<u>183,634</u>	<u>38,044</u>	<u>43,726</u>	<u>177,952</u>
Net depreciable capital assets	<u>131,078</u>	<u>(11,732)</u>	<u>(612)</u>	<u>118,734</u>
Net capital assets	<u>\$ 9,359,553</u>	<u>\$ (11,732)</u>	<u>\$ (612)</u>	<u>\$ 9,347,209</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, 2006, is shown below:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Due within</u> <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 67,552	\$ -	\$ 1,459	\$ 66,093	\$ -
Governmental activities Long-term liabilities	<u>\$ 67,552</u>	<u>\$ -</u>	<u>\$ 1,459</u>	<u>\$ 66,093</u>	<u>\$ -</u>

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 5- NET ASSETS

The government-wide and fiduciary funds financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted, and unrestricted.

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents net assets of the Agency, not restricted for any project or other purpose.

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SUPPLEMENTARY INFORMATION SECTION

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
SCHEDULE OF FEDERAL HIGHWAY ADMINISTRATION FUNDS
REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (ACCRUAL BASIS)
For the Fiscal Year Ended June 30, 2006

	Work Elements/ Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Federal Planning (PL)	\$ 336,097	\$ 336,097	\$ -
Total revenues	<u>336,097</u>	<u>336,097</u>	
Expenditures:			
101 Work program	60,000	60,000	
112 Planning coordination	55,097	55,097	
113 Public participation	60,000	60,000	
614 Bicycle & pedestrian	40,000	40,000	
621 Elderly and Disabled (ADA)	10,000	10,000	
641 Regional transportation improvement program	70,000	70,000	
680 Rail program	41,000	41,000	
Total expenditures	<u>336,097</u>	<u>336,097</u>	
Excess (deficit) of revenues over expenditures	<u>\$ -</u>		<u>\$ -</u>
Federal Planning carryover, beginning of fiscal year			
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, 2006

	Work Elements/ Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
SAFE	\$ 331,530	\$ 339,417	\$ 7,887
Total revenues	<u>331,530</u>	<u>339,417</u>	<u>7,887</u>
Expenditures:			
Salaries	12,756	11,750	1,006
Fringe	5,431	4,370	1,061
Materials and services	15,792	14,128	1,664
Direct Programs	297,551	149,936	147,615
FSP Match	<u> </u>	<u>83,032</u>	<u>(83,032)</u>
Total expenditures	<u>331,530</u>	<u>263,216</u>	<u>68,314</u>
Excess (deficit) of revenues over expenditures	<u>\$ -</u>	76,201	<u>\$ 76,201</u>
SAFE carryover, beginning of fiscal year		<u>707,640</u>	
SAFE carryover, end of fiscal year		<u>\$ 783,841</u>	

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
SCHEDULE OF STATE AND REGIONAL PLANNING ASSISTANCE FUNDS
REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (ACCRUAL BASIS)
For the Fiscal Year Ended June 30, 2006

	Work Elements/ Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Rural planning assistance	\$ 272,000	\$ 272,000	\$ -
Total revenues	<u>272,000</u>	<u>272,000</u>	
Expenditures:			
101 Work program	30,000	30,000	
113 Public involvement	60,000	60,000	
614 Bicycle & pedestrian	40,000	40,000	
621 Elderly and disabled (ADA)	5,000	5,000	
641 Regional transportation improvement program	60,000	60,000	
680 Rail program	<u>77,000</u>	<u>77,000</u>	
Total expenditures	<u>272,000</u>	<u>272,000</u>	
Excess (deficit) of revenues over expenditures	<u>\$ -</u>		<u>\$ -</u>
State and regional planning assistance carryover, beginning of fiscal year			
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, 2006

	Work Elements/ Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Planning, Programming and Monitoring	\$ 400,000	\$ 400,000	\$ -
Total revenues	<u>400,000</u>	<u>400,000</u>	
Expenditures:			
113 Public participation	75,000	235,671	(160,671)
614 Bicycle/Pedestrian planning	30,000	30,000	
622 Regional transportation planning update	30,000	9,400	20,600
641 Regional transportation improvement program	100,000		100,000
671 Corridor studies and state highways	80,000	93,945	(13,945)
680 Rail planning	85,000	30,984	54,016
Total expenditures	<u>400,000</u>	<u>400,000</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 (ACCRUAL BASIS)
For the Fiscal Year Ended June 30, 2006

	Work Elements/ Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Freeway service patrol	\$ 162,500	\$ 172,757	\$ 10,257
Local match (SAFE)	<u>83,032</u>	<u>83,032</u> *	
Total revenues	<u>245,532</u>	<u>255,789</u>	<u>10,257</u>
Expenditures:			
Salaries	13,339	9,065	4,274
Fringe	5,679	3,722	1,957
Contract services	210,000	213,302	(3,302)
Materials and services	<u>16,514</u>	<u>10,555</u>	<u>5,959</u>
Total expenditures	<u>245,532</u>	<u>236,644</u>	<u>8,888</u>
Excess (deficit) of revenues over expenditures	<u>\$ -</u>	19,145	<u>\$ 19,145</u>
Freeway service patrol carryover, beginning of fiscal year		<u>7,919</u>	
Freeway service patrol carryover, end of fiscal year		<u>\$ 27,064</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 (ACCRUAL BASIS)
For the Fiscal Year Ended June 30, 2006

		Budget	Actual	Variance Favorable (Unfavorable)
Work Element:				
101	Work program administration operating	\$ 133,772	\$ 88,961	\$ 44,811
102	LTF administration operating	42,847	68,113	(25,266)
112	Planning coordination & Interagency liaison operating	101,976	114,841	(12,865)
112	Planning coordination & Interagency liaison direct	116,000	318,196	(202,196)
113	Public involvement program operating	165,277	209,365	(44,088)
113	Public involvement program direct	132,145	160,671	(28,526)
177	Freeway Service Patrol operating	35,532	23,341	12,191
177	Freeway Service Patrol direct	210,000	213,302	(3,302)
178	SAFE operating	33,979	30,249	3,730
178	SAFE direct	297,551	149,936	147,615
231	Data collection operating	8,809	5,337	3,472
231	Data collection direct	100,000		100,000
251	Regional transportation model	8,809	1,116	7,693
411	Document review	56,385	47,297	9,088
614	Bicycle/Pedestrian planning operating	151,387	148,517	2,870
614	Bicycle/Pedestrian planning direct	229,000	131,540	97,460
621	Elderly and disabled	43,863	50,530	(6,667)
622	Regional transportation plan operating	15,040	9,507	5,533
626	Congestion management program operating	275,701	141,428	134,273
626	Congestion management program direct	7,000	16,571	(9,571)
634	Transit planning/Livable Communities operating	60,393	30,522	29,871
635	So Mo County Rural Study operating		1,457	(1,457)
641	Regional trans imp plan (RTIP) operating	171,582	121,293	50,289
641	Regional trans imp plan (RTIP) direct	70,000	84,040	(14,040)
671	Corridor study operating	162,731	226,663	(63,932)
671	Corridor study direct	1,500,000	2,158,311	(658,311)
680	Rail planning operating	353,792	256,337	97,455
680	Rail planning direct	2,749,734	1,628,881	1,120,853
Total expenditures by work element		<u>\$ 7,233,305</u>	<u>\$ 6,436,322</u>	<u>\$ 796,983</u>

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TRANSPORTATION AGENCY FOR MONTEREY COUNTY
LOCAL TRANSPORTATION FUND
SCHEDULE OF ALLOCATIONS BY PURPOSE
Fiscal Year Ended June 30, 2006

	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	\$ -	\$ -	\$ -	\$ -
Monterey County and Unincorporated Area		1,219,595	279,928	1,412,538
Cities:				
Carmel		104,533	17,145	
Del Rey Oaks		46,927	6,913	
Gonzales			37,872	674,316
Greenfield		112,996	88,995	410,000
King City		51,600		400,000
Marina		498,459	79,896	
Monterey		842,674	126,400	
Pacific Grove		424,190	65,108	
Salinas		4,065,502	636,198	
Seaside		891,852	139,203	
Soledad				654,000
Allocations	<u>\$ -</u>	<u>\$ 8,258,328</u>	<u>\$ 1,477,658</u>	<u>\$ 3,550,854</u>

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

Regional Transportation Planning Sec. 99402	Total Allocations
\$ 908,485	\$ 908,485
161,065	3,073,126

	121,678
	53,840
2,919	715,107
24,560	636,551
5,596	457,196
	578,355
	969,074
	489,298
	4,701,700
	1,031,055
8,573	662,573
<u>\$ 1,111,198</u>	<u>\$ 14,398,038</u>

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
LOCAL TRANSPORTATION FUND
SCHEDULE OF CLAIMS BY PURPOSE
Fiscal Year Ended June 30, 2006

	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	\$ -	\$ -	\$ -	\$ -
Monterey County and Unincorporated Area		1,023,451	518,157	1,408,459
Cities:				
Carmel		104,533	17,145	
Del Rey Oaks		46,927	6,913	
Gonzales			37,872	209,992
Greenfield		38,388	88,995	139,861
King City		33,855		271,529
Marina	90,000	498,459	79,896	
Monterey		842,674	126,400	
Pacific Grove		424,190	65,108	
Salinas		4,065,502	636,200	
Seaside		891,852	139,203	
Soledad				
Claims	<u>\$ 90,000</u>	<u>\$ 7,969,831</u>	<u>\$ 1,715,889</u>	<u>\$ 2,029,841</u>

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

Regional Transportation Planning Sec. 99402	Total Claims Paid
\$ 908,485	\$ 908,485
128,065	3,078,132

	121,678
	53,840
2,919	250,783
4,560	271,804
3,996	309,380
	668,355
	969,074
	489,298
	4,701,702
	1,031,055
<u>8,573</u>	<u>8,573</u>
<u>\$ 1,056,598</u>	<u>\$ 12,862,159</u>

TRANSPORTATION AGENCY FOR MONTEREY COUNTY
STATE TRANSIT ASSISTANCE FUND
SCHEDULE OF AMOUNTS ALLOCATED AND DISBURSED BY PURPOSE
Fiscal Year Ended June 30, 2006

	Monterey- Salinas Transit Sects. 6730(b) 6730(a) 6731(c) Capital	City of Greenfield Sects. 6730(a) 6731(b) Operating	City of Gonzales Sec. 6731(b) Operating
Allocations	<u>\$ 1,138,358</u>	<u>\$ 17,279</u>	<u>\$ 19,065</u>
Disbursements: 2005-06 Claims	<u>\$ 1,138,358</u>	<u>\$ -</u>	<u>\$ 19,065</u>
Total disbursements	<u>\$ 1,138,358</u>	<u>\$ -</u>	<u>\$ 19,065</u>

City of Soledad Sec. 6731(b)	City of King Sec. 6731(b)	
<u>Operating</u>	<u>Operating</u>	<u>Total</u>
<u>\$ 122,540</u>	<u>\$ 93,072</u>	<u>\$ 1,390,314</u>
<u>\$ 95,653</u>	<u>\$ 93,072</u>	<u>\$ 1,346,148</u>
<u>\$ 95,653</u>	<u>\$ 93,072</u>	<u>\$ 1,346,148</u>



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

ROBERT M. MOSS, C.P.A.
RONALD A. LEVY, C.P.A.
CRAIG A. HARTZHEIM, C.P.A.
HADLEY Y. HUI, C.P.A.

802 EAST MAIN
SANTA MARIA, CA 93454
PHONE: (805) 925-2579
FAX: (805) 925-2147
EMAIL: mlhsm@mlhcpas.com

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

Transportation Agency for Monterey County
Monterey, California

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Transportation Agency for Monterey County as of and for the fiscal year ended June 30, 2006, and have issued our report thereon dated October 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Transportation Agency for Monterey County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion in the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the Transportation Agency for Monterey County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. As part of our audit, we tested for whether the Transportation Agency for Monterey County complied with laws, rules and regulations of the Transportation Development Act, Sections 99233.1 and 99400 (a), as amended, including Section 6666 of Title 21 of the California Administrative Code; and compliance requirements for state subvention funding as outlined by the California Division of Transportation Planning; and the allocation instructions and resolutions of the Transportation Agency for Monterey County. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, management, and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

October 20, 2006