Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2007

METROPOLITAN
TRANSPORTATION
COMMISSION

State of California | Prepared by the MTC Finance Section

Front cover photo credits (Clockwise from upper left): Aerial photo of new Benicia-Martinez Bridge - Bill Hall, Caltrans; SF Muni light-rail vehicle - Peter Beeler; Worker repairing MacArthur Maze ramp collapse - John Huseby, Caltrans; MacArthur Maze ramp collapse detail - Noah Berger

METROPOLITAN
TRANSPORTATION
COMMISSION

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Metropolitan Transportation Commission
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June 30, 2007 and 2006

METROPOLITAN
TRANSPORTATION
COMMISSION

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October 3, 2007

Honorable Chairman
Members of the Metropolitan Transportation Commission

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Metropolitan Transportation Commission (MTC), its blended and discretely presented component units and fiduciary funds for the fiscal year ended June 30, 2007. State law requires that MTC and its component units publish a complete audited financial statement within six months of the close of each fiscal year.

Responsibility for both accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with the staff of MTC. To the best of our knowledge and belief, the enclosed information and report is accurate in all material respects, presented in conformance with Generally Accepted Accounting Principles (GAAP) and reported in a manner that presents fairly the financial position and operating results of MTC, its blended and discretely presented component units and fiduciary funds as of June 30, 2007. All disclosures reasonably necessary to enable an understanding of the government's financial activities have been included.

The goal of the independent audit is to provide reasonable assurance that the financial statements presented here for the fiscal year ended June 30, 2007, are free of material misstatement. In addition, MTC is required to undergo a Single Audit of Federal programs conducted under the provisions of OMB Circular A-133. PricewaterhouseCoopers LLP, Independent Auditors, have issued an unqualified opinion on the Metropolitan Transportation Commission's financial statements for the year ended June 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

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

The CAFR for the fiscal year ended June 30, 2007 includes financial information for all funds, accounts and fiduciary activities for which MTC has financial accountability. MTC also participates in numerous boards, groups and associations. While MTC participates in such activities, MTC does not have an ongoing financial interest or administrative control and, as such, information related to these outside groups and associations are excluded from this report. MTC is also a member of the Regional Administrative Facility

Corporation (RAFC), which is a joint powers facility management association consisting of MTC, Association of Bay Area Governments (ABAG), and the Bay Area Rapid Transit District (BART). The MTC Commission does not have financial accountability for RAFC or its expenses and as such, RAFC is excluded from this report.

Profile of the Government:

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

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

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

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

Awards and Acknowledgments:

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Transmission Commission for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the fourth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Sincerely,

Brian Mayhew
Chief Financial Officer

METROPOLITAN
TRANSPORTATION
COMMISSION

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STAFFING ORGANIZATION

May 2007

COMMISSION
Bill Dodd
Chair

EXECUTIVE OFFICE (7)
Steve Heminger
Executive Director

Rosy Leyva
Commission Secretary

Maria Leon
Exec Assistant

Kimberly Hughes
Exec Assistant

OFFICE OF CHIEF FINANCIAL OFFICER (32)
Brian Mayhew
CFO

Debbie Surya-Atmaja
Suzanne Bode
Vince Cábrieto
Sonia Elsonbaty
Abbey Haile
Leslie Kraitchman
Betty Lam
Susana Lau
Alan Lee
Jennifer Lee
Suk Li
Jeannie Lim
Jessica Lin
Lilia Lobetos
Doris Louie
Gary Louie
Nancy Louie
Mabel Melkonians
Linda McClain
Carolyn McKenzie
Rowena Pagtakhan
Renato Reyna
Eva Sun
Lourdes Tang
Carol Weismiller
Susan Woo
Kenneth Wong
Peter Wong

Vacant - Toll Auditor
Vacant - Jr Financial Analyst
Vacant - Accountant I

DEPUTY EXECUTIVE DIRECTOR, POLICY
Therese McMillan

JOINT POLICY COMMITTEE
Ted Droettboom

PLANNING (18)
Doug Kimsey
Director

Harold Brazil
Sean Co
Carolyn Clevenger
James Corless
Benjamin Espinosa
Shimon Israel
Douglas Johnson
Raymond Kan
Lisa Klein
Valerie Knepper
Therese Knudsen
Ashley Nguyen
Chuck Purvis
Janice Richards
Rupinder Singh
Kearey Smith
Garlynn Woodsong

PROGRAMMING AND ALLOCATIONS (19)
Alix Bockelman
Director

Bob Bates
Theresa Bell
Melanie Choy
Kenneth Folan
Craig Goldblatt
Kenneth Kao
Ross McKeown
Anne Richman
Raymond Odunlami
Vince Petrites
Theresa Romell
Sri Srinivasan*
Sui Tan
Glen Tepke
Christina Verdin

Vacant - Planner Analyst
Vacant - Plng Technician
Vacant - Plng Technician*

LEGISLATION AND PUBLIC AFFAIRS (17)
Randy Rentschler
Director

Catalina Alvarado
Peter Beeler
Ying Cai
David Cooper
Joe Curley
John Goodwin
Ellen Griffin
Pam Grove
Brenda Kahn
Rebecca Long
Jessica Moran
Michele Stone
Julie Tunnell
Ursula Vogler
Linda Walls

Vacant - PI Technician

DEPUTY EXECUTIVE DIRECTOR, BAY AREA TOLL AUTHORITY
Andrew Fremier

BRIDGE OVERSIGHT AND OPERATIONS (8)
Rod McMillan
Director

Stephen Baker
Jeff Gerbracht
Linda Lee
Peter Lee
Stephen Wolf
Beth Zelinski
Jason Weinstein

DEPUTY EXECUTIVE DIRECTOR, OPERATIONS
Ann Flemer

HIGHWAY AND ARTERIAL OPERATIONS (16)
Albert Yee
Director

Christina Atienza
Nancy Charles
Jeff Georgevich
Shruti Hari *
Michael Kerns
Joy Lee
Sze Lei Leong
Jaime Maldonado
Nancy Okasaki
Stefanie Pow *
Danielle Stanislaus
Radiah Taylor
John Urban *
Tom Wells

Vacant - Sr Program Coord.

ADMINISTRATIVE AND TECHNOLOGY SERVICES (27)
Teri Green
Director

Jason Agbunag
John Albrecht
Kay Bell
Tim Boyce
Tom Bryan
Valerie Campbell
Betty Cecchini
Virginia Dixon
Ty Gall
Frank Harris
Robert Hoffman
Raymond Jocson
Paula Johnson
Yong Lee
Ann Macaulay
Joel Markowitz
Irving Maxwell
Ethan Michaels
Celeste Ramos
Denise Rodrigues
Valerie Stark
Michelle Tan
Michele Trahan
Lois Tucker
Norma White

Vacant - Sr IT Sys. Analyst

TRAVELER COORDINATION AND INFORMATION (21)
Melanie Crotty
Director

Nisar Ahmed
Jacob Avidon
Janet Banner *
Shauna Callow
David Dick
Brian Gebhardt *
Nathan Gilbertson
Pierce Gould
Susan Heinrich-Beaty
Kelley Jackson*
Carol Kuester
Mike Lee *
Jim Macrae
Ben McKeever
Vanessa Mongeon
Debbie Scarborough
Thomas Spiekerman
James Stagi
Emily Van Wagner

Vacant - Translink Program Coord.

OFFICE OF GENERAL COUNSEL (4)
Francis Chin [1]
General Counsel

Melanie J. Morgan
Deputy General Counsel

Cynthia Segal
Associate Counsel

Ron Ceguera
Legal Assistant

Footnotes:
160 Regular full-time positions
9 Project-based positions*
169 Total Positions
1 Advises Commission Directly
updated 5-8-07

Steve Heminger
Executive Director

METROPOLITAN TRANSPORTATION COMMISSION

COMMISSIONERS

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

APPOINTED OFFICIALS

Steve Heminger	Executive Director
Francis Chin	Legal Counsel

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Transportation Commission, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Three Embarcadero Center
San Francisco CA 94111-4004
Telephone (415) 498 5000
Facsimile (415) 498 7100

Report of Independent Auditors

To the Commissioners of the
Metropolitan Transportation Commission:

In our opinion, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Metropolitan Transportation Commission (MTC) which collectively comprise MTC's basic financial statements as listed in the table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of MTC at June 30, 2007 and 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of MTC's management. Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

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

The accompanying management's discussion and analysis appearing on pages 2 through 15 and the budgetary comparison and funding status information identified in the table of contents under *Required Supplementary Information* and appearing on pages 77 through 80 of this report are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

PricewaterhouseCoopers LLP

October 1, 2007

Management's Discussion and Analysis

This section presents an overview of the financial activities of the Metropolitan Transportation Commission (MTC), and its blended and discretely component units for the years ended June 30, 2007 and 2006.
Fiscal year 2007 was a busy year for MTC. A number of programs were started which should bear fruit next fiscal year. MTC's general fund recorded a healthy operating surplus, and the MTC Service Authority for Freeways and Expressways (SAFE) and the Bay Area Toll Authority (BATA) also showed operating surpluses as well. The Bay Area economy improved with the region's sales tax revenue showing a small increase from the previous year.

Following are some highlights of fiscal year 2007:

- MTC released its draft long-range transportation plan update, known as the Transportation 2030 Plan, concluding an eighteen-month public outreach and plan development period.
- The 511 program supported the MacArthur Maze emergency response.
- Work is on schedule for the opening of the new Benicia-Martinez Bridge slated for late summer 2007.
- MTC has been talking to its transit partners on implementation of Propositions 1A and 1B.
- Sales tax revenue from the Transportation Development Act increased in the combined nine Bay Area counties by a modest 2.6 percent as compared to 8.3 percent in fiscal 2006.
- The TransLink program performed a rollout for two operators on a soft launch – AC Transit and the Golden Gate Bridge Highway and Transportation District. An all-out marketing campaign will begin later this year.
- The FasTrak® Stategic Plan was adopted in June 2006 and current tasks include marketing FasTrak® usage, adding more FasTrak® only lanes, and lengthening the approaches to these lanes.
- The number of vehicles using FasTrak® toll tags comprised of 42.2 percent of all paid vehicles in fiscal 2007 compared to 36.3 percent in fiscal 2006. A marketing program including toll tags sold in stores and a one-month discount given to FasTrak® users when the bridge toll increased to $4 in January 2007 were the main reasons for the increase.
- Major work was done to convert call boxes from analog to digital format and to a touch-tone text pad.

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

A. Financial Highlights

Overall, net assets continued to decrease in each of the last two years, with a $265,182 decrease for 2007 and a $922,003 decrease for 2006. The fiscal 2007 decreases are primarily the result of planned project drawdowns in the BATA Seismic Retrofit and RM 1 programs. The decreases in 2006 also reflect project drawdowns in Regional Measure 1 (RM 1) program and the effects of BATA issuing bonds to allow Infrastructure Bank (Ibank) to defease the bonds issued by Caltrans. This transaction is further described as an extraordinary item in Note 12 of the Financial Statements. The net assets decrease is a result of BATA financing the improvements with Caltrans owning the bridges. This decrease in net assets will continue into the future.

Net assets in the governmental funds increased $119,540 or 68.7 percent for 2007 compared to a $13,617 or 8.5 percent increase for 2006, as reported under the accrual basis of accounting. Net assets in the governmental funds increased by $128,104 or 112.9 percent for the year ended June 30, 2007, compared to a $13,297 gain or 13.3 percent increase for the year ended June 30, 2006, as reported under the modified accrual basis of accounting.

At June 30, 2007 fiscal year, the general fund's unreserved fund balances were $12,870 or 18.3 percent of total general fund expenditures. The general fund unreserved fund balances at June 30, 2006 fiscal year were $8,832 or 15.2 percent of the total general fund expenditures. The unreserved general fund balance increased by $4,038 or 45.7 percent in fiscal 2007 mainly due to an operating surplus of $2,801.

B. Overview of Government-Wide Financial Statements

The government-wide financial statements provide an overview of MTC and its blended and discretely presented component units. Bay Area Infrastructure Financing Authority (BAIFA), a discretely presented component unit, is presented in a separate column after the Total column in the government-wide Statement of Net Assets. The government-wide financial statements comprise a Statement of Net Assets, a Statement of Activities, and accompanying footnotes. The Statement of Net Assets presents information on the government-wide assets and liabilities of MTC at the end of the 2007 fiscal year. The difference between the assets and liabilities is reported as "Net Assets." The Statement of Activities presents government-wide information showing the change in net assets resulting from revenues earned and expenses incurred during the 2007 and 2006 fiscal years. All changes in net assets are recorded as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

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

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

The government-wide Statement of Net Assets and Statement of Activities are presented on pages 16-19 of this report with the accompanying footnotes being presented on pages 34-74.

C. Overview of the Fund Financial Statements

i.) Governmental Funds

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

MTC's governmental funds include a general fund, two major special revenue funds, other nonmajor special revenue funds and a capital projects fund. These funds are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The general fund and two of these special revenue funds are considered to be major funds. The financial statements of the governmental funds, prepared under the modified accrual basis of accounting are on pages 20-23 of this report. A schedule detailing the nonmajor special revenue funds are included on pages 82-83 of this report.

MTC adopts annual budgets for all funds. However, a comparison of budget-to-actual is required only for the governmental funds and these are presented on pages 77-79 (major funds) and 84-88 (nonmajor funds) of this report.

ii) Proprietary Funds

Proprietary funds are used to report business-type activities. MTC has two proprietary funds, BATA and MTC SAFE. These funds are presented as blended component units of MTC as if they were proprietary funds on the government-wide and fund financial statements. BATA oversees the administration of toll collection and maintenance activities for the seven state-owned bridges in the San Francisco Bay Area, as well as administers the RM 1 and RM 2 capital improvement programs approved by the voters in 1988 and 2004, respectively. AB 144 was passed on July 2005. As a result of the bill's passage, BATA received more oversight responsibilities over the seismic retrofit program. See Note 12 on page 75 for further information on the impact of AB 144. MTC SAFE administers a freeway motorist aid system providing tow truck and call box services to stranded motorists in the nine Bay Area counties.

The financial statements of the proprietary funds are prepared on an accrual basis and are on pages 25-32.

iii) Fiduciary Funds

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

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

The fiduciary funds financial statement is presented on page 33 of this report.

iv) Discretely Presented Component Unit

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

D. Notes to the Financial Statements

The notes to the financial statements, beginning on page 34, provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

E. Government-Wide Financial Analysis

Total government-wide liabilities exceeded total assets for fiscal 2007 by $1,356,625 while total government-wide liabilities exceeded assets by $1,091,443 for fiscal 2006 as illustrated in the following table. This represents a decrease in net assets for fiscal 2007 of $265,182 and a decrease of $922,003 for fiscal 2006.

i.) Statement of Net Assets

The following table shows a portion of the MTC's government-wide statements of net assets for the last 3 years:

Metropolitan Transportation Commission's Statement of Net Assets ($000)

	Governmental Activities			Business-Type Activities			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Cash and investments	$ 212,094	$ 125,529	$ 99,547	$ 2,701,811	$ 1,916,801	$ 738,684	$ 2,913,905	$ 2,042,330	$ 838,231
Receivables	81,949	19,160	20,720	28,178	62,112	13,014	110,127	81,272	33,734
Other assets	759	614	505	48,001	34,194	12,377	48,760	34,808	12,882
Loan to other agency	47,000	57,000	56,090	-	-	-	47,000	57,000	56,090
Capital assets	6,133	5,827	6,051	5,596	5,394	4,750	11,729	11,221	10,801
Total assets	347,935	208,130	182,913	2,783,586	2,018,501	768,825	3,131,521	2,226,631	951,738
Long term debt, net	-	-	-	4,132,106	3,116,841	995,292	4,132,106	3,116,841	995,292
Other liabilities	54,481	34,216	22,616	301,558	167,017	103,270	356,039	201,233	125,886
Total liabilities	54,481	34,216	22,616	4,433,664	3,283,858	1,098,562	4,488,145	3,318,074	1,121,178
Net assets:									
Invested in capital assets, net of related debt	6,015	5,827	6,051	5,596	5,539	4,895	11,611	11,366	10,946
Restricted	157,234	117,117	104,451	691,735	643,444	257,670	848,969	760,561	362,121
Unrestricted	130,205	50,970	49,795	(2,347,410)	(1,914,340)	(592,302)	(2,217,205)	(1,863,370)	(542,507)
Total net assets / (deficit)	$ 293,454	$ 173,914	$ 160,297	$ (1,650,079)	$ (1,265,357)	$ (329,737)	$ (1,356,625)	$ (1,091,443)	$ (169,440)

Government-wide cash and investments increased from $2,042,330 to $2,913,905 in the current year due mainly to the bond proceeds from the 2007 bonds issuance of $810,950 and the scheduled payment of state funds of $273,000 for the Seismic Retrofit program. For the fiscal year ended June 30, 2006, the government-wide cash and investment balances rose from $838,231 to $2,042,330. The increase is primarily due to the bond proceeds received by BATA.

Under the business-type activities, BATA's net long-term debt excluding the non-current liabilities for unearned revenue, rebate arbitrage liability and a payable due to the Bay Area Infrastructure Financing Authority (described in the following paragraph) increased $725,164 or 23.3 percent in 2007 and $2,119,416 or 212.9 percent in fiscal year 2006. The net long-term debt increase is due mainly to the issuance of the 2007 Series A-G bonds of $810,950 in May 2007, less principal payments and the application of a portion of 2007 Series F bond proceeds for the defeasance of $61,415 of the 2001 Series D Bonds. The long-term debt increase in fiscal year 2006 is the result of the issuance of the 2006 Series A-E Bonds in February 2006 and the 2006 Series F Bonds in April 2006. The debt is further described in Note 5 and Schedules 14-17 in the financial statements.

In fiscal year 2007, BATA entered into contribution agreement with the Bay Area Infrastructure Financing Authority (BAIFA). Under the contribution agreement BATA pledged and irrevocably assigned to BAIFA $1,135,000 of future state payments representing part of the State of California's share for the seismic retrofit and replacement program. The state payments are provided for in state legislation. In December 2006, BAIFA issued notes called State Payment Acceleration Notes

(SPAN) of $972,320. As BATA incurs expenses for the seismic projects, BAIFA reimburses BATA from the note proceeds. For fiscal year 2007 BATA has a net payable to BAIFA of $389,367. Of the total liability to BAIFA, $99,979 is current and $289,388 is non-current. The transactions are accounted for under Governmental Accounting Standards Board Statement Number 48 on "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues."

Under the business-type activities, other liabilities for fiscal 2007 increased by $138,439 or 82.9 percent over fiscal year 2006 due to several items. In fiscal year 2006, other liabilities increased $63,747 or 61.7 percent from the previous fiscal year. During 2007, the current portion of the payable to BAIFA resulted in $99,979 of added liability to be repaid with the upcoming year's scheduled payment of pledged revenue to BAIFA. The payable due to Caltrans decreased by $32,814 in 2007 and increased $11,023 in 2006 due to the timing of the payments. Combined accounts payable and accrued expenses increased $54,631 in 2007 and $19,596 in 2006, mainly from RM 2 claimants for capital projects and interest payable. Unearned revenues from patrons of the FasTrak® program increased by $2,508 in fiscal year 2007 and $8,867 in 2006. The current portion of long-term debt payable increased by $12,915, as additional bonds became mature in 2007, and by $23,920 in 2006. Accrued interest payable increased $10,055 over fiscal year 2006 from additional bond interest expense incurred.

Net assets for business-type activities decreased $384,722 in 2007 and $935,620 for fiscal 2006. The net assets decrease in fiscal year 2007 is mainly from the Seismic Retrofit and RM 1 program drawdowns, while the decrease in 2006 is mainly due to the distribution of $1,119,563 held in an escrow account on behalf of Caltrans for the defeasance of its seismic dollar-backed bonds and drawdowns for the RM 1 program. During fiscal year 2006, Caltrans remitted $462,951 in contributions to BATA from its Toll Bridge Seismic Retrofit Fund, as stipulated in AB 144. Caltrans also identified an additional $36,452 as a payable to BATA for contributions in fiscal 2006.

The restricted net assets of business-type activities decreased in fiscal 2007 by $48,291 or 7.5 percent compared to an increase of $385,774 or 149.7 percent for fiscal 2006. In 2006, restricted net assets of business-type activities increased, mainly due to the contributions from Caltrans in the Seismic Retrofit reserve of $378,168. The monies are designated for the seismic retrofit of the Bay Area state-owned toll bridges. The total business-type unrestricted net assets decreased by $433,070 in fiscal 2007 and by $1,322,038 for 2006. These decreases are again due to the BATA Seismic Retrofit and RM 1 program drawdowns and 2006 had the additional payment to an escrow account for the defeasance of the bonds held by Caltrans.

BATA is the financing arm for the Regional Measures 1, 2, and Seismic retrofit programs. The remaining debt as of June 30, 2007, is $3,882,492. The cash proceeds from these debts are used to reimburse Caltrans for capital construction costs and for the defeasance of the Caltrans bonds held by the Ibank. Since the bridges are not capitalized under BATA, title remains with Caltrans, so the combination of distributions to Caltrans and increased debt to pay for project expenditures create a negative asset. Future toll revenues are pledged to cover debt service payments. BATA owns the toll revenue stream and the debt. Caltrans owns the bridges and is doing the capital construction work, which is reimbursed by BATA. This information is more fully described in Note 2 of this report.

ii) Statement of Activities

MTC's net assets for governmental activities increased by $119,540 or 68.7 percent for fiscal 2007 and an increase of $13,617 or 8.5 percent for fiscal 2006. The Business-type activities decreased by $384,722 or 30.4 percent for fiscal year 2007 and decreased by $935,620 or 283.7 percent in 2006. A breakdown of this activity is illustrated in the table below:

Metropolitan Transportation Commission's Statement of Activities ($000)

	Governmental Activities			Business-Type Activities			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Revenues:									
Program revenues:									
Charges for services	$ -	$ -	$ -	$ 434,341	$ 293,000	$ 256,466	$ 434,341	$ 293,000	$ 256,466
Operating grants and contributions	320,311	57,641	50,165	283,082	8,868	8,129	603,393	66,509	58,294
Capital grants and contributions	-	70,770	44,957	1,235	499,403	-	1,235	570,173	44,957
General revenues:							-	-	-
Investment earnings	10,908	3,996	2,791	97,280	44,857	21,747	108,188	48,853	24,538
Total revenues	331,219	132,407	97,913	815,938	846,128	286,342	1,147,157	978,535	384,255
Expenses:									
General government	93,884	63,297	47,452	-	-	-	93,884	63,297	47,452
Allocations to other agencies	145,647	87,731	71,885	-	-	-	145,647	87,731	71,885
Toll bridge activities		-	-	1,155,916	617,546	433,703	1,155,916	617,546	433,703
Congestion relief		-	-	16,892	12,401	11,789	16,892	12,401	11,789
Total expenses	239,531	151,028	119,337	1,172,808	629,947	445,492	1,412,339	780,975	564,829
Inc/(Dec) in net assets before transfers	91,688	(18,621)	(21,424)	(356,870)	216,181	(159,150)	(265,182)	197,560	(180,574)
Transfers in (out)	27,852	32,238	27,074	(27,852)	(32,238)	(27,074)	-	-	-
Income/loss before contributions and extraordinary item	119,540	13,617	5,650	(384,722)	183,943	(186,224)	(265,182)	197,560	(180,574)
Contributed capital	-	-	-		-	-	-	-	-
Distribution for Caltrans bond defeasance	-	-	-	-	(1,119,563)	-	-	(1,119,563)	-
Total contributed capital/distributions	-	-	-		(1,119,563)	-	-	(1,119,563)	-
Increase (decrease) in net assets	119,540	13,617	5,650	(384,722)	(935,620)	(186,224)	(265,182)	(922,003)	(180,574)
Net assets / (deficit) - Beginning	173,914	160,297	154,647	(1,265,357)	(329,737)	(143,513)	(1,091,443)	(169,440)	11,134
Net assets / (deficit) - Ending	$ 293,454	$ 173,914	$ 160,297	$ (1,650,079)	$ (1,265,357)	$ (329,737)	$ (1,356,625)	$ (1,091,443)	$ (169,440)

Charges for services program revenue increased by $141,341 for 2007, and $36,534 in fiscal 2006. The increase for charges for services in the business-type activities is explained in Section F of this discussion.

Operating grants and contributions increased by $536,884 or 807.2 percent in fiscal 2007 and increased by $8,215 or 14.1 percent in fiscal 2006. The fiscal 2007 increase represents Spillover funds of $87,637 and Proposition 42 funds of $62,887 for the STA program. Higher fuel prices in fiscal 2007 also created a significant increase in STA revenue. Caltrans paid BATA $125,000 of revenue that BATA assigned to BAIFA. Caltrans also paid BATA $148,000 of state funds as part of its required annual contribution to the seismic program.

Capital grants and contribution revenue decreased in fiscal 2007 by $568,938 or 99.8percent compared to an increase in fiscal 2006 of $525,216 or 1168.2 percent. The large decrease in 2007 is due to a large contribution of $499,403 from Caltrans for the Seismic Fund closeout in fiscal 2006. This represented the final payment to BATA to assume the consolidation of all the bridge toll revenue.

Investment earnings increased in fiscal 2007 by $59,335 or 121.5 percent and increased by $24,315 or 99.1 percent in 2006. The majority of the increases for both fiscal years 2007 and 2006 are attributable to the business-type activities. See Section F for a further explanation of the business-type activities.

Allocations to other agencies increased by $57,915 or 66.0 percent in fiscal 2007, compared to a increase in fiscal 2006 of $15,846 or 22.0 percent. The increases in fiscal years 2007 and 2006 is mainly due to the allocations from the STA fund as the STA revenue increased for both fiscal years 2007 and 2006.

MTC's net assets for business activities decreased by $384,722 or 30.4 percent in 2007. Toll bridge activities expenses increased by $538,370 or 87.2 percent versus an increase of $183,843 or 42.4 percent in fiscal 2006. The additional toll bridge activities in fiscal 2007 are due to increases in operating expenses, bond interest expense, RM 2 capital distribution to other agencies and capital distributions to Caltrans. See the next section for further explanation of these differences in the business-type activities.

BAIFA had program revenues from operating grants and contribution of $34,950 during the first eleven months consisting of $15,000 in contribution from BATA and $19,950 in interest income. Interest expense paid and accrued to date for the SPANs was $25,185 less amortization of bond premium of $2,895 for total interest expense of $22,291. Other expenses include amortization of bond issuance costs and administrative fees of $671 for total expenses of $22,962.

F. Financial Analysis of Business-Type Activites

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

Business-Type Activities ($000)

	2007	2006	2005
Revenues:			
Toll revenues collected by Caltrans	$ 422,355	$ 280,277	$ 248,141
Other operating revenues	11,987	12,723	8,325
Total revenues	434,342	293,000	256,466
Operating expenses:			
Operating expenses incurred by Caltrans	29,576	32,657	37,582
Other operating expenses	88,127	61,080	35,397
Total operating expenses	117,703	93,737	72,979
Operating income/(loss)	316,639	199,263	183,487
Non-operating revenues/(expenses)			
Interest income	97,280	44,857	21,747
Interest expense	(131,439)	(63,146)	(35,374)
Bond issuance cost	(1,066)	-	-
Operating grant	283,082	-	-
Contributions from Caltrans	1,235	499,403	-
Contribution to BAIFA	(15,000)	-	-
Distributions to other agencies for their capital purposes	(907,485)	(473,065)	(337,140)
Other	(116)	8,869	8,130
Total non-operating revenues (expenses)	(673,509)	16,918	(342,637)
Income/(loss) before transfers, contributions, and extraordinary item	(356,870)	216,181	(159,150)
Transfers			
Transfers to Metropolitan Transportation Commission	(27,852)	(32,238)	(27,074)
Income/(loss) before extraordinary item	(384,722)	183,943	(186,224)
Extraordinary item			
Distribution for Caltrans bond defeasance	-	(1,119,563)	
Change in net assets	(384,722)	(935,620)	(186,224)
Total net assets / (deficit) - beginning	(1,265,357)	(329,737)	(143,513)
Total net assets / (deficit) - ending	$ (1,650,079)	$ (1,265,357)	$ (329,737)

Fiscal year 2007, toll revenue of $422,355 for the seven bridges was $142,078 higher compared with the prior year. The increase in 2007 was primarily as a result of the collection of an extra dollar in tolls for 9.7 months that in prior fiscal year was distributed to the Caltrans Toll Bridge Seismic Retrofit Account. Assembly Bill (AB) 144 consolidated all toll revenues including the seismic dollar under BATA administration. The transfer of seismic surcharge from Caltrans to BATA in late April 2006 accounted for $93,983 of the increase in revenues in fiscal year 2007. Another factor contributing to the additional revenue in fiscal 2007 was the increase of a second seismic dollar in tolls for cash customers on January 1, 2007 and electronic toll-paying patrons on February 1, 2007. The second seismic toll dollar bought in an additional $53,101 in toll revenue in fiscal year 2007. Excluding these two factors, total toll revenue would decrease by $5,006. Total number of paid toll vehicles for all bridges decreased by 1.4 percent compared to the prior year. The paid vehicle counts increased on the Antioch and Richmond-San Rafael bridges and decreased on the Carquinez, Benicia-Martinez, San Mateo-Hayward, and Dumbarton and San Francisco-Oakland Bay bridges. Detailed traffic counts are available in the statistical section, Table 8.

Fiscal year 2006 toll revenue of $280,277 was $32,136 higher compare to 2005. The increase was due to the collection of an extra dollar in toll for 2.3 months amounting to $23,566 that previously was distributed to Caltrans Toll Bridge Seismic Retrofit Account. Another factor contributing to the increase was the discontinuance of a discount program for electronic toll patrons in effect for the first 4 months of fiscal year 2005. Fiscal year 2006 did not include such a discount resulting in $12,385 more toll revenue than 2005.

BATA's other operating revenues decrease $810 for 2007 and increase $4,369 in fiscal 2006. The 2007 decrease is the result of the discontinuance of commercial credit customer fees and lower violation revenue. The 2006 fiscal year increase in other operating revenue is a result of higher penalty assessments for toll violators implemented in June 2005.

BATA's total operating expenses rose by $19,338 or 23.7 percent in 2007 and by $20,400 or 33.3 percent in 2006. In both years, the increases in total operating expenses are due to several categories. An additional $6,888 in 2007 and $10,563 in 2006 are related to the increase in allocation expenses to other agencies for the RM 2 operating projects. Professional fees were $10,594 higher in 2007 and $8,600 higher in 2006 than in the preceding year. The increases in professional fees for fiscal 2007 and 2006 are mainly due to purchases of additional toll tags, professional services for the expanded operation of the FasTrak® program and financing activities of the new bonds. Salaries and benefits increased $2,213 in 2007 and $1,336 in 2006. The salary increases relate to the transition of Caltrans employees to BATA in mid-2006. Other expenses increased $3,228 in 2007 as a result of additional bank service charges, advertising expenses for FasTrak® and Department of Motor Vehicle fees associated with the enforcement of toll violations. Other expenses increase $4,316 in 2006. Operating expenses incurred by Caltrans in 2007 decreased $3,081 and $4,926 in 2006. The decreases are due to the consolidation of the accounting, information technology, banking and electronic toll collection activities into BATA's operations and offset some of the increases in other categories of expenses.

Investment and interest income for 2007 of $96,415 represents an increase of 118.8 percent from 2006. The 2006 interest income of $44,060 represented an increase of 107.5 percent over fiscal 2005. The increases are generated from larger cash and investment balances on hand during the years.

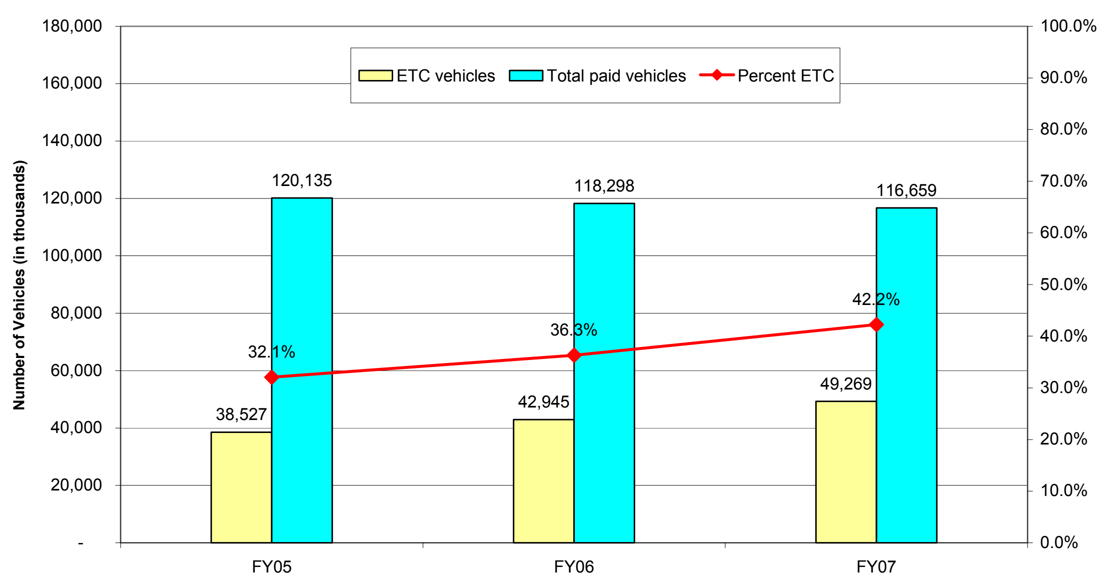
Interest expense totaled $131,439 for 2007 as compared to $63,146 for 2006. The interest expense increase of $68,293 in 2007 is primarily due to a full year interest expenses for the 2006 Series A-E of and the 2006 Series F Bonds. These bonds were issued in February and April 2006 and had incurred only partial year interest expense in 2006. The 2006 Series A-E Bonds contributed $20,072 while the 2006 Series F Bonds contributed $45,295 to the increase in interest expense. In May 2007, BATA issued the 2007 Series A-G Bonds, which added $4,309 in additional interest expenses. The interest expense for the 2001 Series Bonds was $1,484 lower as a portion of the 2007 Series F Bond proceeds were used to defease $61,415 of the 2001 Series D Bonds in 2007.

Interest expense totaled $63,146 for 2006 compared to $35,374 for 2005. The increase is primarily attributable to higher principal balances from two new bond issues. The 2006 Series A-E and the 2006 Series F bonds added $14,144 and $10,228 to interest expense for the year. Interest expense in 2006 for the 2004 Series Bonds were $2,582 higher due to a full year as compared to 9 months of interest expense.

Revenue collections from the FasTrak® electronic toll program continue to increase. Electronic toll Collection (ETC) revenue for the total number of paid vehicles comprised 42.2 percent of the total paid vehicles in fiscal 2007 compared to 36.3 percent in fiscal 2006 and 32.1 percent for fiscal 2005. The larger increase in fiscal 2007 is due to more FasTrak® only lanes and a marketing program that encourages patrons to get transponders from various outlets. The graph on the next page illustrates the increase in electronic toll collection (ETC) usage for the last three years.

Service Authority for Freeways and Expressways (SAFE) operating revenues increased by $73 or 1.2 percent in fiscal year 2007 and increase $28 or .4 percent in 2006. Operating expense for SAFE increased $4,628 or 38.1 percent in 2007 and $359 or 3 percent in 2006. The difference in operating expenses for 2007 fiscal year is due mainly to increase in depreciation of $3,584 from the previous year. The additional depreciation expenses were primarily for bringing call boxes to current code specifications and in line with the depreciated life of the assets.

ETC Usage by Fiscal Year



G. Financial Analysis of Governmental Funds

The fund balance of the MTC governmental funds was $241,609 and $113,505 for fiscal years 2007 and 2006, respectively, as reported under the modified accrual basis of accounting. The fund balance includes reserved and unreserved funds. Of the fund balance, an amount of $99,694 is reserved for capital projects for fiscal 2007 and $47,660 for fiscal 2006. A reserve of $117,335 and $44,556 for fiscal 2007 and 2006, respectively, is to be used for purposes specific to the special revenue and capital projects funds. An amount of $11,710 of the fund balance for 2007 and $12,457 for 2006 has been reserved for specific Commission or other legal purposes. The remaining balance of $12,870 for 2007 and $8,832 for 2006 represents unreserved funds available for appropriation at the government's discretion.

The following table illustrates the revenues and expenditures for the past three fiscal years. Refer to page 24 for the reconciliation of the governmental funds to the Statement of Activities.

Governmental Funds ($000)

	2007	2006	2005
Revenues:			
Sales taxes	$ 10,626	$ 10,355	9,562
Grants - Federal	44,210	37,452	32,568
Grants - State	227,808	74,084	47,340
Local agency revenues	37,666	6,520	5,653
Invesment income	9,499	3,997	2,790
Total revenues	329,809	132,408	97,913
Expenditures:			
Current:			
General government	59,181	49,945	38,805
Allocations to other agencies	156,210	95,765	81,185
Capital outlay	14,166	5,639	10,540
Total expenditures	229,557	151,349	130,530
Transfers in	27,852	32,238	27,075
Net change in fund balance	128,104	13,297	(5,542)
Fund balance - beginning	113,505	100,208	105,750
Fund balance - ending	$ 241,609	$ 113,505	$ 100,208

MTC's sales tax revenue increased for the fourth straight year. The increase for fiscal 2007 was $271 or 2.6 percent. The increase in state and other agencies revenue for fiscal 2007 was $184,870. This increase is due to revenue for the BART car replacement project of $22,680, receipt of payment on the BART loan of $10,000, and an increase of $149,456 for state transit assistance funds. The state transit assistance funds include an increase from Proposition 42 of $39,000, an increase in the revenue-based portion of $80,000 and an increase in the population-based portion of $30,000. The increase in state and other agencies revenue for fiscal 2006 was $27,611.

Total general government expenditures increased $9,236 in fiscal year 2007. The increase in fiscal 2007 is due to program expenditures of $7,115 and an increase in salaries and benefits of $2,447. Program expenditures include increases to the Spare the Air program of $2,758 and $2,473 of expenditures for the MacArthur Maze emergency response. Total general government expenditures increased $11,140 in fiscal year 2006. Allocations to other agencies increased by $60,445 or 63.1% for fiscal 2007. Since the STA revenue was higher this year, the allocations for the STA program increased by $69,383 and the allocations from the Rail Reserve fund decreased by $6,854.

The increase in capital outlay for fiscal 2007 of $8,527 is due to increased TransLink expenditures for the AC Transit and Golden Gate Bridge and Transportation District soft launch of the TransLink program, site preparation and design expenditures.

H. General Fund

The final fiscal year 2007 general fund revenue budget for MTC for the year was $87,723, an increase of $9,966 over the original budget adopted on July 1, 2006.

The following provides a condensed view of the final budgeted results compared to actual results for the year ended June 30, 2007.

	General Fund Budget			
	Adopted Budget	Final Budget	Actual	Variance
Revenues	$ 77,757	$ 87,723	$ 54,382	$ (33,341)
Expenditures	97,715	116,006	70,277	45,729
Excess/(Deficiency)	(19,958)	(28,283)	(15,895)	12,388
Transfer in	17,226	25,551	18,696	(6,855)
Net change in fund balance	(2,732)	(2,732)	2,801	5,533
Fund balance - beginning	24,018	24,018	24,018	-
Fund balance - ending	$ 21,286	$ 21,286	$ 26,819	$ 5,533

The principal reason for the revenue increase in the final budget from the adopted budget was due to state and federal grants of $9,510. The expenditures associated with this increase was in the Spare the Air program and the MacArthur Maze emergency response along with prior year encumbrances brought forward from the previous year.

MTC's federal and state funding sources are on a reimbursement basis so it is not unusual for revenue to lag behind the budget. Expenditures were also well below budget, with a net increase in fund balance of $2,801 after transfers.

Actual expenditures are lower than budget as not all the programs budgeted were completed by year-end.

The general fund's fund balance increased by $2,801 at June 30, 2007 due mainly to an increase in sales tax revenue and BATA's administrative fee to MTC is based on its operating revenue which increased in fiscal 2007 from fiscal 2006 due to a full year of additional revenue from the seismic dollar whereas the seismic dollar was in effect for two months in fiscal 2006.

I. Capital Asset Administration

MTC's investment in capital assets for all funds, governmental and proprietary, is $11,730 for fiscal 2007 and $11,221 for fiscal 2006 as reported under the accrual basis of accounting. There were construction in progress costs incurred of $337 in fiscal 2007 for the seismic retrofit work of MTC's offices. Three hundred ninety six call boxes were removed due to higher usage of cell phones, with a net book value of $1,220 in fiscal 2007. Callbox enhancements were $450 for fiscal year 2007. The second floor office remodel was completed during fiscal year 2006 to include additional improvements of $1,134. Assets relating to the seven state-owned bridges administered by BATA are recorded with Caltrans.

Additional information on MTC's capital assets is disclosed in Note 4 on pages 52-54 of this report.

J. Long-Term Debt Administration

BATA issued one bond series in fiscal 2007. The 2007 Series A-G Bonds of $810,950 was issued in May 2007 to finance the costs of capital improvements projects for some of the seven Bay Area toll bridges and to refund a portion of the BATA 2001 Series D Bonds. Total 2001 Series D Bonds refunded was $61,415.

Component Unit - BAIFA. In December 2006, BATA entered into a contribution agreement with the Bay Area Infrastructure Financing Authority. Under the contribution agreement, BATA pledged and assigned its rights to future scheduled payments of $1,135,000 from the state of California to BAIFA. Annual payments to BAIFA are scheduled through year 2014. The amount represents a part of the state's share of the seismic retrofit and replacement program. In the same month BAIFA issued State Payment Acceleration Notes (SPAN) of $972,320. BAIFA deposited a portion of the bond proceeds, $887,991, in an account for reimbursement to BATA for the seismic project expenses in return for the pledged revenues. BAIFA used the remaining note proceeds for deposit in the Pledged Revenue Fund, Reserve Fund or payment for the cost of issuance.

Additional information on MTC's long-term debt can be found in Note 5 on pages 55-65 of this report.

K. Economic Factors Impacting MTC

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

- Unemployment in the Bay Area has been steady at less than 5 percent.
- There was a 2.6 percent increase in sales tax revenue for the combined nine Bay Area counties, down from the prior fiscal year by 8.3 percent. Region-wide sales tax revenue increased for the fourth straight year after two straight declining years. A small increase for sales tax revenue for fiscal 2008 is projected.
- Housing market sales and residential construction have slowed down. Rising delinquencies in sub-prime mortgages have also contributed to this.

Requests for information

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

Metropolitan Transportation Commission
Statement of Net Assets
June 30, 2007

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

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

Metropolitan Transportation Commission
Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents - unrestricted	$ 92,088,636	$ 629,067,631	$ 721,156,267
Cash and cash equivalents - restricted	1,066,701	32,875,173	33,941,874
Investments - unrestricted	32,373,444	1,055,946,690	1,088,320,134
Investments - restricted	-	198,911,600	198,911,600
Receivables:			
Accounts and tolls due	37,171	2,942,807	2,979,978
Caltrans - Seismic Contributions	-	36,451,759	36,451,759
Interest	624,455	15,866,006	16,490,461
Caltrans - funding	2,354,352	6,380,692	8,735,044
Federal funding	16,144,408	470,400	16,614,808
Prepaid items	614,288	301,373	915,661
Bond issuance costs	-	33,893,064	33,893,064
Loans to other agencies	57,000,000	-	57,000,000
Capital assets (net of accumulated depreciation)	5,826,876	5,394,086	11,220,962
Total assets	208,130,331	2,018,501,281	2,226,631,612
Liabilities			
Accounts payable	26,963,181	18,444,879	45,408,060
Accrued liabilities	3,616,162	15,646,434	19,262,596
Unearned revenue	-	29,776,639	29,776,639
Due to / (from) other funds	1,219,371	(1,219,371)	-
Due to Caltrans	-	74,663,010	74,663,010
Noncurrent liabilities:			
Due within one year	1,094,660	29,705,000	30,799,660
Due in more than one year	1,323,156	3,116,841,539	3,118,164,695
Total liabilities	34,216,530	3,283,858,130	3,318,074,660
Net Assets / (Deficit)			
Invested in capital assets, net of related debt	5,826,876	5,539,155	11,366,031
Restricted for:			
Capital projects	47,659,740	-	47,659,740
RM 2 program reserve	-	66,127,649	66,127,649
Seismic program reserve	-	378,167,638	378,167,638
Debt reserve	-	149,148,268	149,148,268
Extraordinary loss reserve	-	50,000,000	50,000,000
Long-term receivable	57,000,000	-	57,000,000
Other purposes	12,456,841	-	12,456,841
Unrestricted	50,970,344	(1,914,339,559)	(1,863,369,215)
Total net assets / (deficit)	$ 173,913,801	$ (1,265,356,849)	$ (1,091,443,048)

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

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

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

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

Metropolitan Transportation Commission
Statement of Activities
For the Year Ended June 30, 2006

	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Assets — Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Governmental Activities	Business-Type Activities	Total
Functions								
Governmental Activities:								
General government	$ 63,297,372	$ -	$ 54,326,890	$ -	$ 54,326,890	$ (8,970,482)	$ -	$ (8,970,482)
Transportation	87,731,178	-	3,314,562	70,769,703	74,084,265	(13,646,913)	-	(13,646,913)
Total governmental activities	151,028,550	-	57,641,452	70,769,703	128,411,155	(22,617,395)	-	(22,617,395)
Business-type Activities:								
Toll bridge activities	617,546,375	287,075,606	2,858,775	499,403,240	789,337,621	-	171,791,246	171,791,246
Congestion relief	12,401,445	5,924,293	6,009,468	-	11,933,761	-	(467,684)	(467,684)
Total business-type activities	629,947,820	292,999,899	8,868,243	499,403,240	801,271,382	-	171,323,562	171,323,562
Total primary government	$ 780,976,370	$ 292,999,899	$ 66,509,695	$ 570,172,943	$ 929,682,537	(22,617,395)	171,323,562	148,706,167
General revenues:								
Unrestricted investment earnings						3,996,455	44,857,379	48,853,834
Extraordinary Item						-	(1,119,562,683)	(1,119,562,683)
Transfers						32,237,731	(32,237,731)	-
Total general revenues and transfers						36,234,186	(1,106,943,035)	(1,070,708,849)
Change in net assets						13,616,791	(935,619,473)	(922,002,682)
Net assets / (deficit) - beginning						160,297,010	(329,737,376)	(169,440,366)
Net assets / (deficit) - ending						$ 173,913,801	$(1,265,356,849)	$ (1,091,443,048)

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

Metropolitan Transportation Commission
Balance Sheet – Governmental Funds
June 30, 2007

	General	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents - unrestricted	$ 24,021,806	$ 15,892,060	$ 86,955,355	$ -	$ 20,820,688	$ 147,689,909
Cash and cash equivalents - restricted	1,010,177	-	-	-	23,231,394	24,241,571
Investments - unrestricted	196,005	25,037,897	-	-	14,927,997	40,161,899
Receivables:						
Accounts	36,974	-	-	-	-	36,974
Interest	62,552	398,490	1,000,000	-	319,953	1,780,995
State/Caltrans funding	5,261,369	-	55,201,908	86,360	-	60,549,637
Federal funding	15,873,725	-	-	2,297,893	-	18,171,618
Due from other funds	928,648	62,493	-	206,652	-	1,197,793
Prepaid items	758,738	-	-	-	-	758,738
Total assets	$ 48,149,994	$ 41,390,940	$ 143,157,263	$ 2,590,905	$ 59,300,032	$ 294,589,134
Liabilities and fund balances						
Liabilities						
Accounts payable	$ 11,621,624	$ 881,342	$ 23,576,449	$ 1,238,532	$ 321,431	$ 37,639,378
Accrued liabilities	5,631,642	1,226,321	1,134,601	1,138,625	104,626	9,235,815
Due to other funds	3,067,716	677,672	150,184	-	1,199,526	5,095,098
Due to Caltrans	1,010,177	-	-	-	-	1,010,177
Total liabilities	21,331,159	2,785,335	24,861,234	2,377,157	1,625,583	52,980,468
Fund balances						
Reserved for						
Benefits Reserve	5,235,767	-	-	-	-	5,235,767
Capital Projects	2,238,803	35,793,077	31,322,343	117,700	30,221,960	99,693,883
Seismic Retrofit	979,169	-	-	-	-	979,169
Legal	2,167,438	-	-	-	-	2,167,438
STA Reserve	3,157,075	-	-	-	-	3,157,075
HOV Reseve	170,515	-	-	-	-	170,515
Unreserved, reported in						
General fund	12,870,068	-	-	-	-	12,870,068
Capital projects	-	-	-	96,048	-	96,048
Special revenue funds	-	2,812,528	86,973,686	-	27,452,489	117,238,703
Total fund balances	26,818,835	38,605,605	118,296,029	213,748	57,674,449	241,608,666
Total liabilities and fund balances	$ 48,149,994	$ 41,390,940	$ 143,157,263	$ 2,590,905	$ 59,300,032	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	6,133,478
Capital leases are not due and payable in the current period and therefore are not reported in the funds	(118,469)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds	(2,579,698)
Other long-term assets are not available for current-period expenditures and, therefore, are deferred in the funds	48,410,000
Net assets of governmental activities	$ 293,453,977

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

Metropolitan Transportation Commission
Balance Sheet – Governmental Funds
June 30, 2006

	General	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents - unrestricted	$ 19,442,347	$ 4,505,028	$ 49,003,371	$ -	$ 19,137,890	$ 92,088,636
Cash and cash equivalents - restricted	1,066,701	-	-	-	-	1,066,701
Investments - unrestricted	186,386	32,187,058	-	-	-	32,373,444
Receivables:						
Accounts	37,171	-	-	-	-	37,171
Interest	2,105	446,028	174,999	-	1,323	624,455
State/Caltrans funding	2,305,272	-		49,080	-	2,354,352
Federal funding	13,877,337	-	-	2,267,071	-	16,144,408
Prepaid items	614,288	-	-	-	-	614,288
Total assets	$ 37,531,607	$ 37,138,114	$ 49,178,370	$ 2,316,151	$ 19,139,213	$ 145,303,455
Liabilities and fund balances						
Liabilities						
Accounts payable	$ 11,404,526	$ 2,603,058	$ 12,332,486	$ 545,187	$ 77,924	$ 26,963,181
Accrued liabilities	3,615,247	872	-	-	43	3,616,162
Due to other funds	(1,506,112)	359,239	148,627	1,556,189	661,428	1,219,371
Total liabilities	13,513,661	2,963,169	12,481,113	2,101,376	739,395	31,798,714
Fund balances						
Reserved for						
Benefits Reserve	6,555,497	-	-	-	-	6,555,497
Capital Projects	2,729,122	31,164,288	4,051,083	214,775	9,500,472	47,659,740
Seismic Retrofit	3,000,000	-	-	-	-	3,000,000
Legal	468,500	-	-	-	-	468,500
STA Reserve	1,734,049	-	-	-	-	1,734,049
HOV Reserve	198,805	-	-	-	-	198,805
Equipment Reserve	499,990	-	-	-	-	499,990
Unreserved, reported in						
General fund	8,831,983	-	-	-	-	8,831,983
Special revenue funds	-	3,010,657	32,646,174	-	8,899,346	44,556,177
Total fund balances	24,017,946	34,174,945	36,697,257	214,775	18,399,818	113,504,741
Total liabilities and fund balances	$ 37,531,607	$ 37,138,114	$ 49,178,370	$ 2,316,151	$ 19,139,213	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds						5,826,876
Capital leases are not due and payable in the current period and therefore are not reported in the funds						(148,435)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds						(2,269,381)
Other long-term assets are not available for current-period expenditures and, therefore, are deferred in the funds						57,000,000
Net assets of governmental activities						$ 173,913,801

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

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

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

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

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2006

	General	AB 664 Net Toll Revenue Reserve	STA	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues						
Sales taxes	$ 10,040,904	$ -	$ -	$ 314,165	$ -	$ 10,355,069
Grants - Federal	34,121,212	-	-	3,330,508	-	37,451,720
Grants - State	406,603	-	70,721,804	49,080	2,906,778	74,084,265
Local agency revenues	3,520,101	-	-	-	3,000,000	6,520,101
Investment income	756,282	1,867,630	534,650	-	837,893	3,996,455
Total revenues	48,845,102	1,867,630	71,256,454	3,693,753	6,744,671	132,407,610
Expenditures						
Current:						
General government	49,890,289	4,748	-	49,080	584	49,944,701
Allocations to other agencies	8,033,499	13,237,524	59,482,306	-	15,011,348	95,764,677
Capital outlay	238,823	-	-	5,400,217	-	5,639,040
Total expenditures	58,162,611	13,242,272	59,482,306	5,449,297	15,011,932	151,348,418
Excess / (deficiency) of revenues over / (under) expenditures	(9,317,509)	(11,374,642)	11,774,148	(1,755,544)	(8,267,261)	(18,940,808)
Other financing sources / uses						
Transfers in	12,251,035	11,636,478	-	1,755,544	10,336,611	35,979,668
Transfers out	(153,499)	-	(3,200,757)	115,835	(503,516)	(3,741,937)
Total other financing sources and uses	12,097,536	11,636,478	(3,200,757)	1,871,379	9,833,095	32,237,731
Net change in fund balances	2,780,027	261,836	8,573,391	115,835	1,565,834	13,296,923
Fund balances - beginning	21,237,919	33,913,109	28,123,866	98,940	16,833,984	100,207,818
Fund balances - ending	$ 24,017,946	$ 34,174,945	$ 36,697,257	$ 214,775	$ 18,399,818	$ 113,504,741

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

Metropolitan Transportation Commission
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities
For the Years Ended June 30, 2007 and 2006

	2007	2006
Net change in fund balances - total governmental funds (per Statement of Revenues, Expenditures and Changes in Fund Balances)	$ 128,103,925	$ 13,296,923
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded (not exceeded) non capital lease capital outlays in the current period.	306,602	(380,349)
Proceeds from the sale of capital assets provide financial resources to governmental funds while only the gain on the sale of the capital asset is reported in the statement of activities. Therefore, the change in net assets differ from the change in fund balance by the cost of the capital asset sold.	-	(96)
Interest Income on Long Term Loan Receivable not recognized in fiscal year 2007 for governmental reporting purposes	1,410,000	-
Prepayment of the principal of the long-term receivable from BART is not recorded as a long term asset in the governmental funds for fiscal 2007. Loan advances (repayments received) to/from the agency were recorded as expense (income) in the governmental fund but were capitalized as a long-term asset in the statement of net assets.	(10,000,000)	910,000
Principal repayment on capital leases in an expenditure in the governmental funds; however, the principal element of the repayment reduces long-term liabilities in the statement of net assets. This amount is the effect of the differing treatment of capital lease principal repayment.	29,967	24,253
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in govermental funds:		
Compensated absences	(310,318)	(233,940)
Change in net assets of governmental activities (per Statement of Activities)	$ 119,540,176	$ 13,616,791

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

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

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Assets			
Current assets:			
Cash and cash equivalents - unrestricted	$ 637,567,885	$ 3,568,917	$ 641,136,802
Cash and cash equivalents - restricted	430,010,452	-	430,010,452
Short-term investments - unrestricted	1,165,012,570	13,664,232	1,178,676,802
Short-term investments - restricted	219,446,149		219,446,149
Due from MTC	1,098,734	2,798,571	3,897,305
Accounts receivable	2,317,736	-	2,317,736
Accrued interest	22,475,984	197,043	22,673,027
Prepaid expenses	2,300,090	73,735	2,373,825
State/Caltrans funding	20,231	2,054,680	2,074,911
Funding due from local agency	383,981	-	383,981
Funding due from federal agency	-	727,775	727,775
Total current assets	2,480,633,812	23,084,953	2,503,718,765
Non-current assets:			
Investments	30,779,566	-	30,779,566
Restricted non -current assets:			
Cash and cash equivalents	6,761,137	-	6,761,137
Investments	195,000,000	-	195,000,000
Bonds issuance costs	45,627,447	-	45,627,447
Capital assets:			
Furniture and equipment, net of accumulated depreciation	1,179,822	7,919	1,187,741
Call boxes, net of accumulated depreciation	-	1,492,081	1,492,081
Building	1,495,092	1,421,416	2,916,508
Total non-current assets	280,843,064	2,921,416	283,764,480
Total assets	2,761,476,876	26,006,369	2,787,483,245
Liabilities			
Current liabilities:			
Accounts payable	41,454,296	1,430,030	42,884,326
Accrued expenses	23,139,411	74,440	23,213,851
Accrued interest payable	21,518,162	-	21,518,162
Unearned revenue	32,284,694	-	32,284,694
Retentions payable	848,826	256,886	1,105,712
Long-term debt - current	42,620,000	-	42,620,000
Due to Caltrans	41,849,473	-	41,849,473
Due to Bay Area Infrastructure Financing Authority	99,979,552		99,979,552
Total current liabilities	303,694,414	1,761,356	305,455,770
Non-current liabilities:			
Patron deposits	2,612,869	-	2,612,869
Rebate arbitrage liability	233,922	-	233,922
Due to Bay Area Infrastructure Financing Authority	289,387,836	-	289,387,836
Long-term debt, net	3,839,871,690	-	3,839,871,690
Total non - current liabilities	4,132,106,317	-	4,132,106,317
Total liabilities	4,435,800,731	1,761,356	4,437,562,087
Net assets / (deficit)			
Invested in capital assets, net of related debt	2,674,914	2,921,416	5,596,330
Restricted net assets	691,734,520	-	691,734,520
Unrestricted net assets	(2,368,733,289)	21,323,597	(2,347,409,692)
Total net assets / (deficit)	$ (1,674,323,855)	$ 24,245,013	$(1,650,078,842)

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

Metropolitan Transportation Commission
Statement of Net Assets – Proprietary Funds
June 30, 2006

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Assets			
Current assets:			
Cash and cash equivalents - unrestricted	$ 628,730,183	$ 337,448	$ 629,067,631
Cash and cash equivalents - restricted	32,875,173	-	32,875,173
Short-term investments	817,800,548	15,827,362	833,627,910
Short-term investments - restricted	23,911,600	-	23,911,600
Accounts receivable	2,191,939	-	2,191,939
Receivable- Caltrans Seismic Contributions	36,451,759	-	36,451,759
Accrued interest	15,744,857	121,149	15,866,006
Prepaid expenses	98,499	202,874	301,373
State/Caltrans funding	-	6,380,692	6,380,692
Funding due from local agency	750,868	-	750,868
Funding due from federal agency	-	470,400	470,400
Total current assets	1,558,555,426	23,339,925	1,581,895,351
Non-current assets:			
Capital assets:			
Furniture and equipment, net of accumulated depreciation	1,177,863	15,751	1,193,614
Call boxes, net of accumulated depreciation	-	1,153,544	1,153,544
Building	1,564,511	1,482,417	3,046,928
Capital assets, net	2,742,374	2,651,712	5,394,086
Non-current assets:			
Investments	222,318,780	-	222,318,780
Bond issuance costs	33,893,064	-	33,893,064
Total non-current assets	256,211,844	-	256,211,844
Restricted non-current assets:			
Investments	175,000,000	-	175,000,000
Total non-current assets	433,954,218	2,651,712	436,605,930
Total assets	1,992,509,644	25,991,637	2,018,501,281
Liabilities			
Current liabilities:			
Accounts payable	17,151,330	1,042,301	18,193,631
Accrued expenses	3,873,103	309,764	4,182,867
Accrued interest payable	11,463,567	-	11,463,567
Unearned revenue	29,776,639	-	29,776,639
Retentions payable	219,749	31,499	251,248
Long-term debt - current	29,705,000	-	29,705,000
Due to / (from) MTC	290,905	(1,510,276)	(1,219,371)
Due to Caltrans	74,663,010	-	74,663,010
Total current liabilities	167,143,303	(126,712)	167,016,591
Non-current liabilities:			
Patron deposits	2,133,400	-	2,133,400
Long-term debt, net	3,114,708,139	-	3,114,708,139
Total liabilities	3,283,984,842	(126,712)	3,283,858,130
Net assets / (deficit)			
Invested in capital assets, net of related debt	2,742,374	2,796,781	5,539,155
Restricted net assets	643,443,555	-	643,443,555
Unrestricted net assets	(1,937,661,127)	23,321,568	(1,914,339,559)
Total net assets / (deficit)	$ (1,291,475,198)	$ 26,118,349	$(1,265,356,849)

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

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

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

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

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Change in Fund Net Assets – Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Operating revenues			
Toll revenues collected by Caltrans	$ 280,276,856	$ -	$ 280,276,856
Department of Motor Vehicles registration fees	-	5,924,293	5,924,293
Other operating revenues	6,798,750	-	6,798,750
Total operating revenues	287,075,606	5,924,293	292,999,899
Operating expenses			
Operating expenses incurred by Caltrans	32,656,652	-	32,656,652
Towing contracts	-	8,179,464	8,179,464
Professional fees	22,633,672	1,335,381	23,969,053
Allocations to other agencies	17,380,548	-	17,380,548
Salaries and benefits	2,739,722	801,832	3,541,554
Repairs and maintenance	2,373	855,359	857,732
Communications charges	437	335,957	336,394
Depreciation and amortization	844,809	201,280	1,046,089
Other operating expenses	5,331,041	438,673	5,769,714
Total operating expenses	81,589,254	12,147,946	93,737,200
Operating income / (loss)	205,486,352	(6,223,653)	199,262,699
Non-operating revenues / (expenses)			
Investment income	44,059,545	797,834	44,857,379
Interest expense	(63,146,496)	-	(63,146,496)
Caltrans/other agency operating grants	2,858,775	5,450,857	8,309,632
Federal operating grants	-	558,611	558,611
Contributions from Caltrans	499,403,240	-	499,403,240
Distributions to other agencies for their capital purposes	(71,065,762)	(253,500)	(71,319,262)
Distributions to Caltrans for their capital purposes	(401,744,862)	-	(401,744,862)
Total non-operating revenues / (expenses), net	10,364,440	6,553,802	16,918,242
Income/(loss) before transfers and extraordinary item	215,850,792	330,149	216,180,941
Transfers			
Transfers to Metropolitan Transportation Commission	(30,771,061)	(1,466,670)	(32,237,731)
Income/(loss) before extraordinary item	185,079,731	(1,136,521)	183,943,210
Extraordinary item			
Distribution for Caltrans bond defeasance	(1,119,562,683)	-	(1,119,562,683)
Change in net assets	(934,482,952)	(1,136,521)	(935,619,473)
Total net assets / (deficit) - beginning	(356,992,246)	27,254,870	(329,737,376)
Total net assets / (deficit) - ending	$ (1,291,475,198)	$ 26,118,349	$ (1,265,356,849)

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

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

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

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

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

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

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

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Cash flows from operating activities			
Cash receipts from users	$ 295,429,345	$ 5,924,293	$ 301,353,638
Cash payments to Caltrans and suppliers for services	(63,870,058)	(11,263,234)	(75,133,292)
Other receipts	6,798,870	(4,007,386)	2,791,484
Net cash provided by / (used in) operating activities	238,358,157	(9,346,327)	229,011,830
Cash flows from non-capital financing activities			
Caltrans and other local agency grants	2,566,130	5,450,857	8,016,987
Payment for defeasance of Caltrans bonds	(1,119,562,683)	-	(1,119,562,683)
Proceeds from issuance of revenue bonds	2,149,205,000	-	2,149,205,000
Bond issuance costs	(22,493,021)	-	(22,493,021)
Interest paid on bonds & capital leases	(55,448,135)	-	(55,448,135)
Federal operating grants	-	558,611	558,611
Transfers to MTC	(30,771,061)	(1,466,670)	(32,237,731)
Contributions from Caltrans	462,951,481	-	462,951,481
Bond principal payment	(5,785,000)	-	(5,785,000)
Distributions to Caltrans	(396,066,944)	-	(396,066,944)
Distributions to other agencies	(71,065,762)	(253,499)	(71,319,261)
Net cash provided by / (used in) non-capital financing activities	913,530,005	4,289,299	917,819,304
Cash flows from capital and related financing activities			
Amounts charged against Architecture Revolving Fund (ARF)	61,146	-	61,146
Expenditures for facilities, property and equipment	(609,200)	(525,000)	(1,134,200)
Net cash provided by / (used in) capital and related financing activities	(548,054)	(525,000)	(1,073,054)
Cash flows from investing activities			
Proceeds from sale & maturities of investments	1,610,136,533	55,839,858	1,665,976,391
Purchase of investments	(2,461,537,969)	(51,809,114)	(2,513,347,083)
Interest and dividends received	31,541,215	744,182	32,285,397
Net cash provided by / (used in) investing activities	(819,860,221)	4,774,926	(815,085,295)
Net increase / (decrease) in cash and cash equivalents	331,479,887	(807,102)	330,672,785
Balances - Beginning of year	330,125,469	1,144,550	331,270,019
Balances - End of year	$ 661,605,356	$ 337,448	$ 661,942,804
Schedule of noncash activities			
Loss on abandonmnet of capital asset - noncash	$ -	$ 8,529	$ 8,529

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

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds, *continued*
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Reconciliation of operating income to net cash provided by / (used in) operating activities			
Operating income / (loss)	$ 205,486,352	$ (6,223,653)	$ 199,262,699
Adjustments to reconcile operating income to net cash provided by / (used in) operating activities:			
Depreciation and amortization	844,806	201,280	1,046,086
Net effect of changes in:			
Loss on abandonment of asset	-	8,529	8,529
Due from Caltrans	6,344,345	-	6,344,345
Accounts receivable	(2,191,939)	-	(2,191,939)
Prepaid expenses and other assets	(33,665)	(562)	(34,227)
Due to Caltrans	5,345,354	(4,007,386)	1,337,968
Unearned revenue	11,000,083	-	11,000,083
Other receivables due from Caltrans	120	-	120
Accounts payable and accrued expenses	11,562,701	675,465	12,238,166
Net cash provided by / (used in) operating activities	$ 238,358,157	$ (9,346,327)	$ 229,011,830

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

Metropolitan Transportation Commission
Statement of Fiduciary Assets and Liabilities – Agency Funds
June 30, 2007 and 2006

	2007	2006
Assets		
Cash and cash equivalents	$ 85,939,453	$ 100,214,022
Receivables - interest	256,294	-
Receivables - other	46,722	-
Total Assets	$ 86,242,469	$ 100,214,022
Liabilities		
Accounts payable	$ 8,032,609	$ 7,758,425
Accrued expenses	1,046,295	-
Due to other governments	77,163,565	92,455,597
Total Liabilities	$ 86,242,469	$ 100,214,022

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

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

Blended component units

i.) Bay Area Toll Authority

The Bay Area Toll Authority (BATA) is a public agency created by Senate Bill 226 effective January 1, 1998. Senate Bill 226 amended Streets and Highway Code Section 30950 et seq. and transferred to BATA certain California Transportation Commission (CTC) and State of California, Department of Transportation (Caltrans) duties and responsibilities for the disposition of toll revenues collected from toll bridges owned and operated by Caltrans in the San Francisco Bay Area. These responsibilities also include administration of the Regional Measure 1 capital improvement program approved by the voters in 1988. The toll bridges are the Antioch Bridge, Benicia-Martinez Bridge, Carquinez Bridge, Dumbarton Bridge, Richmond-San Rafael Bridge, San Francisco-Oakland Bay Bridge and San Mateo-Hayward Bridge.

Pursuant to Senate Bill 226, a five year Cooperative Agreement was signed on March 2, 1998 defining the roles and responsibilities of BATA and Caltrans. A new ten-year agreement was signed in January 2003 and amended in 2005. The current ten-year agreement was signed in 2006.

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

In March 2004, seven Bay Area counties approved Regional Measure 2 (RM2). Regional Measure 2 increased the bridge toll by one dollar for all seven bridges in order to fund various capital and operating programs for congestion relief. BATA controls the RM2 allocations. This dollar surcharge became effective July 1, 2004.

Caltrans' responsibilities include the ownership, operation and maintenance of the bridges. Under the terms of the Cooperative Agreement signed in January 2003, BATA assumed responsibility for electronic toll collection starting in April 2004. BATA's FasTrak® Center consolidated its operations to include Golden Gate Bridge Highway and Transportation District on May 30, 2005.

The California State Legislature approved Assembly Bill (AB) 144 on July 18, 2005, which transferred additional Caltrans responsibilities to BATA, namely toll plaza administration responsibility. This responsibility includes consolidation of all the bridge revenue, including the state seismic dollar for the seven bridges, under BATA's administration. The state seismic dollar was formerly administered by Caltrans to be used to complete the Seismic Retrofit Program. AB 144 also created a new seismic project oversight board, called the Toll Bridge Project Oversight Committee. This Committee consists of Caltrans, BATA, and the California Transportation Commission. This Committee has oversight for the Benicia-Martinez Bridge project and the state toll bridge seismic retrofit program, which includes reviewing bid documents, change orders, and monitoring ongoing costs. The bill also gave BATA unlimited project level toll revenue setting authority to complete the Seismic Retrofit Program. Caltrans had previously issued bonds that were backed by the revenue generated by the seismic dollar. BATA issued bonds to defease the Caltrans bonds, which had been issued by the California Infrastructure and Economic Development Bank (Ibank). BATA distributed the bond proceeds to the escrow bank for defeasance of the Caltrans bonds on April 25, 2006.

BATA is a proprietary fund as it generates revenue from toll bridge receipts.

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

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

In 1993, the MTC SAFE's responsibilities were expanded, pursuant to a jointly adopted Memorandum of Understanding between the MTC SAFE, Caltrans, and the California Highway Patrol (CHP), to participate in the development and implementation of a Freeway Service Patrol (FSP) program in the San Francisco Bay Area. The three principal sources of funding for the FSP program are state-legislated grants, federal grants, and funding from federal traffic mitigation programs. In addition, the Call Box program supports the FSP program by transferring funds each year.

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

iii.) MTC Special Revenue Funds

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

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

Transit Reserve Fund – The 1988 Regional Measure 1 toll increase authorizes up to 3 percent of toll revenue to be used for congestion-relieving transit operations and capital projects in the bridge corridors and an additional 2 percent of the increase to be used for ferry service capital projects. The calculation of the transit reserves was revised in Section 30913 (b) of the Streets and Highway Code to 1/3 of 2 percent of base toll revenues collected on all seven Bay Area state-owned bridges effective January 1, 2004. When the state-owned toll bridges became eligible for federal funding in April 2000, transit operations could no longer be funded because federal funding guidelines allow toll revenues to be used for transit capital projects only.

Caltrans entered into a Cooperative Agreement with BATA and MTC whereby Caltrans transferred state funding (Five Percent Unrestricted State Funds) to MTC to replace the Toll Funds previously used for transit operations. As a result of this agreement, new programming and allocation policies were established in MTC Resolution No. 3288, with the Unrestricted State Funds supporting ferry operations and other transit/bicycle projects, and toll revenue transfers limited to ferry capital improvements.

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

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

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

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

iv.) MTC Capital Projects Fund

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

Discretely presented component unit

i.) Bay Area Infrastructure Financing Authority

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

For the year ended June 30, 2006, MTC adopted GASB Statement No. 44, *Economic Condition Status Reporting: The Statistical Section*. GASB 44 provides guidance and objectives for the statistical reporting of information found in GASB 34 financial statements. For the year ended June 30, 2007, MTC adopted GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment to GASB Statement No. 34, which clarifies and modifies the reporting requirements related to the restriction of net assets resulting from enabling legislation.

GASB Statement No.42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* which establishes accounting and financial reporting standards for impairment of capital assets as well as GASB Statement No. 47, *Accounting for Termination Benefits*, which provides guidance on how employers should account for benefits associated with either voluntary or involuntary terminations have been adopted by MTC for fiscal year ended June 30, 2006.

The adoption of the above pronouncements did not have a material effect on the financial statements of MTC.

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

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

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

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance on the accounting and reporting of obligations and costs related to existing pollution remediation, the requirements of which are effective for financial statements for periods beginning after December 15, 2007. This statement is not expected to have a material impact on the financial statements of MTC.

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

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

MTC reports the following governmental funds:

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

Special revenue funds are used to account for proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes. MTC's special revenue funds include the AB 664 Net Toll Revenue Reserves Fund, the STA Fund, the Transit Reserve Fund, the Rail Extension Reserve Fund, the Exchange Fund, the Feeder Bus Fund and the BART Car Exchange Fund, which is new for fiscal 2007.

In fiscal 2007, the following funds are considered nonmajor special revenue funds: the Transit Reserve Fund, the Rail Extension Reserve Fund, the Exchange Fund, the Feeder Bus Fund and the BART Car Exchange Fund. Since these funds did not meet the major fund test, management has included them in Other Governmental Funds. The individual funds are presented in Schedules 1 and 2 for fiscal 2007.

The opening fund balance of the combined non-major special revenue funds is as follows:

	Opening Balance 2007
Transit Reserve Fund	$ 441,125
Rail Extension Reserve Fund	7,488,632
Exchange Fund	10,425,453
Feeder Bus Fund	44,608
BART Car Exchange	0
Total	$18,399,818

The *capital projects fund* is used to account for the financial resources used in the acquisition and development of major capital projects. There are two projects included in this fund in fiscal 2007 – the TransLink project and the Fund Management Project.

In fiscal 2007 and 2006, the following funds are considered major governmental funds: MTC General Fund, AB 664 Net Toll Revenue Reserves Fund, STA Fund, and Capital Projects. The balance sheet and statements of revenues, expenditures and changes in fund balances and budget to actual statements of revenues and change in fund balances are presented for these funds.

MTC reports the following major proprietary funds:

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

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

MTC reports the following discretely presented component unit:

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

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

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

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

D. Budgetary Accounting

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

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

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

- Annual budgets are adopted on the accrual basis for the proprietary fund types.

E. Encumbrances

Encumbrance accounting is employed in the general and special revenue funds. Under this method, purchase orders, contracts, memoranda of understanding and other commitments outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. These commitments will be recognized in subsequent year appropriations.

F. Cash and Investments

MTC applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires certain investments (generally investments in interest earning investment contracts, external investment pools, open ended mutual funds, debt securities, and equity securities) to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. Investments are stated at fair value based upon quoted market prices. Net increases or decreases in the fair value of investments are shown in the Statements of Revenues, Expenditures and Changes in Fund Balance for all governmental fund types and in the Statements of Revenues, Expenditures and Changes in Net Assets for the proprietary funds.

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

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit (or time deposits) placed with commercial banks and savings and loans
- Bankers' acceptances
- Authorized pooled investment programs
- Commercial paper – Rated "A1 or P1"
- Corporate notes – Rated "A" or better
- Municipal bonds
- Mutual funds – Rated "AAA"
- Asset backed securities

Other investment types authorized by state law and not prohibited in the MTC investment policy

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, MTC considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash and cash equivalents. Deposits in the investment pool of the County of Alameda are presented as cash and cash equivalents as they are available for immediate withdrawal and there is no risk of loss of principal.

Restricted Cash

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

Restricted Investments

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

G. Capital Assets

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

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

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

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

	Years
Buildings and improvements	10 - 45
Office furniture and equipment	3 - 10
Leased equipment	5
Automobiles	3
Call boxes	10

H. Net Assets

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

	2007	2006
Restricted for Capital Projects	$ 99,693,883	$ 47,659,740
Other Purposes:		
RM 2 program reserve	159,260,022	66,127,649
Seismic program reserve	357,474,498	378,167,638
Debt covenant - operating & maintenance reserve	125,000,000	125,000,000
Debt covenant - reserve fund	-	24,148,268
Self insurance reserve	50,000,000	50,000,000
Long-term receivable restricted for use by rail reserve	48,410,000	57,000,000
Other	9,130,266	12,456,841
Total Other Purposes	$ 749,274,786	$ 712,900,396

I. Retirement Plans

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

J. Postemployment Healthcare Benefits

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

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

K. Compensated Absences

MTC's regular staff employees accumulate vacation pay and sick leave pay based on the agreement with the Committee for Staff Representation pursuant to the Meyers–Milias–Brown Act. A liability exists for accumulated vacation and sick leave. The compensated absences liability presented in the government-wide governmental activities totals $2,579,698 and $2,269,381 at June 30, 2007 and 2006, respectively. Unused accumulated sick and vacation leave is paid at the time of employment termination up to a maximum of 240 hours for sick leave as well as the total accumulated vacation leave per employee from the general fund.

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

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

A summary of changes in compensated absences for the year ended June 30, 2006 is as follows:

	Beginning Balance July 1, 2005	Additions	Reductions	Ending Balance June 30, 2006	Due Within One Year
Compensated Absences	$2,035,441	$1,576,300	$ (1,342,360)	$ 2,269,381	$ 1,064,694
Total Compensated Absences	$2,035,441	$1,576,300	$ (1,342,360)	$ 2,269,381	$ 1,064,694

L. Pledged Revenue to Bay Area Infrastructure Financing Authority

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

In fiscal year 2007, the amount of pledged payments from the state to BAIFA was $125,000,000. SPAN proceeds distributed to BATA were $514,387,836.

The accounting for the above transactions are prescribed by GASB Statement 48 which establishes criteria to ascertain whether proceeds derived from an exchange of an interest in expected cash flows from specific receivables or specific future revenues for immediate cash payments be reported as revenue or as collateralized borrowing. The requirements of GASB Statement No. 48 are effective for financial statements for periods beginning after December 15, 2006. BATA has adopted this pronouncement early for fiscal 2007 and as a result have reported the exchange of the SPAN proceeds for the interest in expected future cash flow from Caltrans as collateralized borrowing by BATA and a receivable by BAIFA.

M. Unearned Revenue

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

N. Toll Revenues Collected by Caltrans

After toll revenues are collected by Caltrans and transferred to BATA at the toll plazas, BATA accounts for the cash collection from the operation of the bridges and transfers revenues for the seismic retrofit charges to Caltrans. After the bond defeasance in April 2006, the revenue for the seismic retrofit charges also remained with BATA. This revenue is used for seismic retrofit program. BATA recognizes toll revenue as amounts are earned from vehicle utilization of the toll bridges.

O. Operating Expenditures Incurred by Caltrans

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

P. Distributions to Caltrans for Their Capital Purposes

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

Q. Contribution From Caltrans

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

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

R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

S. Operating and Non-operating Revenues and Expenses

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

2. UNRESTRICTED ASSET DEFICIT

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

A reconciliation of Cash, Cash Equivalents and Investments as shown on the Statement of Net Assets for all funds at June 30, 2007 and 2006 is as follows:

	2007	2006
Cash and cash equivalents	$ 415,848,708	$ 391,433,547
Investments	2,498,055,579	1,650,896,328
Total cash, cash equivalents and investments	$2,913,904,287	$2,042,329,875
Reported as:		
Unrestricted cash and cash equivalents	$ 788,826,711	$ 721,156,267
Unrestricted investments	1,249,618,267	1,088,320,134
Total unrestricted cash, cash equivalents and investments	2,038,444,978	1,809,476,401
Restricted cash and cash equivalents	461,013,160	33,941,874
Restricted investments	414,446,149	198,911,600
Total restricted cash, cash equivalents and investments	875,459,309	232,853,474
Total cash, cash equivalents and investments	$2,913,904,287	$2,042,329,875

The composition of cash, cash equivalents and investments at June 30, 2007 and 2006 is as follows:

	2007	2006
Cash at banks	$ 122,744,051	$ 107,616,268
Money market accounts	199,156,464	228,423,197
County of Alameda	93,948,193	55,394,082
Total cash and cash equivalents	415,848,708	391,433,547
Government-sponsored enterprises		
Federal Home Loan Board	838,305,725	489,350,448
Federal Home Loan Mortgage	1,447,496,624	901,485,830
Federal National Mortgage Association	9,878,284	9,653,100
Tennesse Valley Authority	9,940,496	10,025,500
Federal Farm Credit Board	65,682,202	9,818,800
Commercial paper - Corporate	26,458,016	106,313,022
Certificates of Deposit	75,001,309	123,971,080
Corporate Bonds	25,000,000	-
Local Agency Investment Fund	292,923	278,548
Total investments	2,498,055,579	1,650,896,328
Total cash, cash equivalents and investments	$ 2,913,904,287	$ 2,042,329,875

MTC holds a position in the investment pool of County of Alameda in the amount of $93,948,193. These funds in the Alameda County pool are not registered with the Securities and Exchange Commission (SEC). The County of Alameda is restricted by state code in the types of investments it can make. Further, the County Treasurer has a written investment policy approved by the Board of Supervisors and also has an investment committee which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, reverse repurchase agreements, and the State Treasurer's investment pool. The fair value in the investment pool of County of Alameda is the same as the fair value of the position in the external investment pool at June 30, 2007. The investment holdings with the County of Alameda account for 3 percent of MTC's investment portfolio. Deposits with the County of Alameda are highly liquid and there is no risk of loss of principal and as such are considered to be cash and cash equivalents.

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

MTC's portfolio includes five mutual fund investments. The mutual funds are Cadre Institutional Investors Trust (Cadre), Blackrock Treasury Trust Mutual Fund, Columbia

Treasury Reserve Fund, Dreyfus Treasury Cash Management Fund, and Blackrock T Fund. The mutual fund investments in MTC's investment portfolio are expressed as a percentage of MTCs total cash and investment as follows:

	2007	2006
Highmark	0%	7%
Cadre	1%	1%
Columbia Treasury	1%	1%
Dreyfus	1%	1%
Blackrock T Fund	1%	1%
Blackrock Treasury Trust	2%	n/a

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

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

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

Dreyfus Treasury Cash Management fund is part of the overnight sweep fund utilized by Bank of New York custodial accounts and invests exclusively in securities issued or guaranteed by the U.S. government and repurchase agreements fully collateralized by such obligations. The fund is rated "AAA" by both Standard & Poor's and Moody's.

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

State law and MTC policy limit mutual fund investment to 20 percent of the portfolio, with no more than 10 percent of the portfolio in any single fund. All the mutual fund holdings are highly and there is no risk of loss of principal and as such are considered to be cash and cash equivalents.

The government-sponsored enterprise (GSE) holdings carry "AAA" ratings. Neither State law nor MTC policy imposes a limit to the amount of GSE within the portfolio. The holdings include Federal Home Loan Board (FHLB) and Federal Home Loan Mortgage (FHLMC).

MTC holds a position in corporate notes as permitted under MTC's investment policy. Corporate notes must be rated "A" or better with a maximum maturity of 5 years and cannot exceed 10% of the investment portfolio. As of June 30, 2007, MTC holds $25,000,000 in corporate notes. The corporate notes constitute 1 percent of MTC's total investment holdings.

MTC holds positions in both commercial paper and certificates of deposits as permitted under MTC's investment policy. Commercial paper must have the highest letter and numerical rating provided by Standard & Poor's and Moody's. Eligible commercial paper is further limited to issuing corporations organized and operating in the United States and having total assets of $500,000,000 and having an "A" or higher rating for issuer's debt, other than commercial paper. Purchases cannot exceed 180 days maturity, 10 percent of the outstanding paper of a single issuing corporation and 10 percent of the agency's investment portfolio. As of June 30, 2007, MTC holds $26,458,016 (market value) in commercial paper. The commercial paper investments constitute 1 percent of MTC's total investment holdings.

Certificates of Deposits (CDs) must be issued by a nationally chartered or state-chartered bank and cannot exceed 10 percent of the investment portfolio. As of June 30, 2007, MTC holds $75,001,309 (market value) in negotiable CDs. The CDs constitute 3 percent of MTC's total investment holdings.

MTC also has $1,010,177 cash restricted for costs for the Express Bus purchases funded with the Traffic Relief Program funds. BATA has restricted cash of $35,171,456 for the FasTrak® program, funded with patron holders funds for the Electronic Toll Collection (ETC) program.

A. <u>Deposit and Investment Risk Factors</u>

There are many factors that can affect the value of investments. MTC invests substantially in fixed income securities, which are affected by credit risk, custodial credit risk, concentration of credit risk, and interest rate risk.

i.) Credit Risk

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

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

ii.) Custodial Credit Risk

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

iii) Concentration of Credit Risk

Concentration of credit risk is the risk associated with lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory or credit developments.

Investments in issuers that represent 5 percent or more of total cash and investments at June 30, 2007 and 2006 are as follows:

	2007	**2006**
Federal Home Loan Board (FHLB)	29%	24%
Federal Home Loan Mortgage (FHLMC)	50%	44%

iv) Interest Rate Risk

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

MTC holds $45 million in investments tied to floating rate benchmarks. Depending on the structure, the rate on the investment will reset monthly or quarterly and is based on a LIBOR (London Interbank Offering Rate) or a CMT (Constant Maturity Treasuries-2 yr TSY) index.

In addition to the floating rate investments in the portfolio, MTC also holds $15 million in investments with step-up coupon features. The coupon will step up or increase after a period of time has elapsed.

The floating rate and step-up coupon securities are summarized as follows:

Investment	Par Value	Structure	Final Maturity
FHLMC	$20 million	1 month LIBOR + 8 basis points to 10/07 Fixed at 5.15% from 10/07 to maturity	4/09
FHLB	$10 million	Previous coupon reset + 25 basis points Initial index – 3 months LIBOR	3/08
FHLMC	$15 million	Fixed at 4% the first year (to 7/06) Steps to 4.5% the second year (to 7/07) Steps to 5% the third year	7/08
MBIA	$15 million	3 month LIBOR + 20 basis points to 3/07 2-year CMT + 20 basis points from 3/07 to maturity	9/08

The weighted average maturity of MTC's Government Sponsored Enterprise (GSE) securities (expressed in number of years) at June 30, 2007 and 2006 are as follows:

	2007	**2006**
Government-sponsored enterprises		
Federal Home Loan Board	0.30	0.81
Federal Home Loan Mortgage	0.56	0.85
Federal National Mortgage Association	5.82	6.82
Tennesse Valley Authority	3.56	4.56
Federal Farm Credit Board	0.22	2.31

Corporate notes have a maturity of slightly over one year with a weighted average of 379 days.

Commercial paper and certificates of deposits have maturities of less than 1 year. The weighted average maturity for commercial paper is 36 days and the weighted average maturity for certificates of deposits is 73 days. Interest rate risk is considered to be minimal for these types of securities.

4. CAPITAL ASSETS

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

Governmental activities

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

Business-type activities

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

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

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

A summary of changes in capital assets for the year ended June 30, 2006 is as follows:

Governmental activities

	Beginning Balance July 1, 2005	Additions	Retirements	Ending Balance June 30, 2006
Capital assets, being depreciated:				
Buildings and improvements	$ 8,104,977	$ 1,144,589	$ (1,050,000)	$ 8,199,566
Office furniture and equipment	2,940,094	94,482	(2,059)	3,032,517
Leased equipment	83,430	168,489	(83,430)	168,489
Automobiles	176,412	30,886	(13,925)	193,373
Total cash assets being depreciated	11,304,913	1,438,446	(1,149,414)	11,593,945
Less accumulated depreciation for:				
Buildings and improvements	2,432,996	417,864	-	2,850,860
Office furniture and equipment	2,575,483	149,246	(1,430)	2,723,299
Leased equipment	69,412	28,047	(72,185)	25,274
Automobiles	176,413	5,148	(13,925)	167,636
Total accumulated depreciation	5,254,304	600,305	(87,540)	5,767,069
Total capital assets, net	$ 6,050,609	$ 838,141	$ (1,061,874)	$ 5,826,876

Business-type activities

	Beginning Balance July 1, 2005	Additions	Retirements	Ending Balance June 30, 2006
Capital assets, being depreciated:				
Office furniture and equipment	$ 2,455,238	$ -	$ -	$ 2,455,238
Building and improvements	2,000,000	1,134,200	-	3,134,200
Call boxes	8,011,526	-	(11,906)	7,999,620
Total cash assets being depreciated	12,466,764	1,134,200	(11,906)	13,589,058
Less accumulated depreciation for:				
Office furniture and equipment	1,017,863	243,761	-	1,261,624
Building and improvements	-	87,272	-	87,272
Call boxes	6,698,589	150,864	(3,377)	6,846,076
Total accumulated depreciation	7,716,452	481,897	(3,377)	8,194,972
Total capital assets, net	$ 4,750,312	$ 652,303	$ (8,529)	$ 5,394,086

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

Governmental activities:	
General government	$ 600,305
Total depreciation expense - governmental activities	$ 600,305
Business-type activities:	
Toll bridge	$ 280,617
Congestion relief	201,280
Total depreciation expense - business-type activities	$ 481,897

5. LONG-TERM DEBT

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

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

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

General Revenue Bonds were issued during May 2007 (2007 Series A-G) to (i) finance the costs of the design and construction of eligible Regional Measure 1 projects for the Bay Area bridges, Regional Measure 2 transportation projects and the Toll Bridge Seismic Retrofit capital program for the Bay Area bridges, (ii) pay costs incurred in connection with the issuance of the 2007 Series A-G General Revenue Bonds, and (iii) pay a refunding for a portion of General Revenue Bonds 2001 Series D.

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

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

Business-type activities

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

(1) 2001 Series A, B and C bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.

(2) 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018. The bonds carry interest carry interest rates ranging from 4.0% in 2006 to 5.0% in 2018, or an all in true interest cost of 4.86%.

(3) 2003 Series A and B bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.

(4) Of the $150,000,000 2003 Series C revenue bonds, $50,000,000 are issued as variable rate demand bonds with a floating to fixed interest rate swap. Refer to interest rate swap desription within this footnote.

(5) 2004 Series A, B and C bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.

(6) 2006 Series A-E bonds are issued as variable rate demand bonds with a total of 4 floating-to-fixed interest rate swap transaction in place. The blended swap rate for this 2006 series is 3.73%. Refer to interest rate swap description within this footnote.

(7) 2006 Series F bonds are issued as fixed rate bonds with a final maturity of 2031. The bonds carry interest rates ranging from 3.4% in 2007 to 5.0% in 2031, or an all in true interest cost of 4.59%.

(8) 2007 Series A-E, and G bonds are issued as variable rate demand bonds. There are 4 floating to fixed interst rate swaps awith an effective date of November 1, 2007 for the series. Refer to interest rate swap description within this footnote.

(9) 2007 Series F bonds are issued as fixed bonds with a final maturity of 2031. The bonds carry interst rates ranging from 4% in 2008 to 5% in 2031 with an all in true interest rate cost of 4.44%.

(10) Amount issued includes 2001 Series D refunding of $61,415,000 (maturities 2012-2018)

(11) Net of Deferred charge on 2001 Series D bond refunding of $2,256,715 less 2007 amortization of $25,644

(12) 2006 Bay Area Infrastructure Financing Authority SPANs were issued as fixed rate bonds with a final maturity of 2017. The bonds carried interest rates ranging from 4.0% in 2007 to 5.0% in 2017, or an all-in true interest cost of 4.27%

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

Business-type activities

	Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2005	Additions	Reductions	Ending Balance June 30, 2006	Due Within One Year
2001 Revenue Bond Series A	5/24/2001	4.09%-4.10% (1)	2036	$ 150,000,000	$ 150,000,000	$ -	$ -	$ 150,000,000	$ -
2001 Revenue Bond Series B	5/24/2001	4.120% (1)	2029	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series C	5/24/2001	4.110% (1)	2025	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series D	5/24/2001	4.830% (2)	2018	100,000,000	100,000,000	-	5,785,000	94,215,000	6,015,000
2003 Revenue Bond Series A	2/12/2003	4.139% (3)	2038	75,000,000	75,000,000	-	-	75,000,000	-
2003 Revenue Bond Series B	2/12/2003	4.139% (3)	2038	75,000,000	75,000,000	-	-	75,000,000	-
2003 Revenue Bond Series C	2/12/2003	2.9%-4.139% (4)	2037	150,000,000	150,000,000	-	-	150,000,000	-
2004 Revenue Bond Series A	10/5/2004	3.416% (5)	2039	75,000,000	75,000,000	-	-	75,000,000	-
2004 Revenue Bond Series B	10/5/2004	3.416% (5)	2039	150,000,000	150,000,000	-	-	150,000,000	-
2004 Revenue Bond Series C	10/5/2004	3.416% (5)	2039	75,000,000	75,000,000	-	-	75,000,000	-
2006 Revenue Bond Series (A-E)	2/8/2006	3.730% (6)	2045	1,000,000,000	-	1,000,000,000	-	1,000,000,000	-
2006 Revenue Bond Series F	4/25/2006	4.580% (7)	2031	1,149,205,000	-	1,149,205,000	-	1,149,205,000	23,690,000
				$ 3,149,205,000	$ 1,000,000,000	$ 2,149,205,000	$ 5,785,000	$ 3,143,420,000	$ 29,705,000
Unamortized bond premium					1,077,069	-	83,929	993,140	
Net long-term debt as of June 30, 2006					$ 1,001,077,069	$ 2,149,205,000	$ 5,868,929	$ 3,144,413,140	

(1) 2001 Series A, B and C bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.

(2) 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018. The bonds carry interest carry interest rates ranging from 4.0% in 2006 to 5.0% in 2018, or a true interest cost of 4.83%.

(3) 2003 Series A and B bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.

(4) Of the $150,000,000 2003 Series C revenue bonds, $50,000,000 are issued as variable rate demand bonds with a floating to fixed interest rate swap transaction in place. The remaining $100,000,000 are issued as floating rate bonds with a final maturity of 2038. Interest rates in the variable rate demand bond averaged 2.93% as of June 30, 2006.

(5) 2004 Series A, B and C bonds are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.

(6) 2006 Series A-E bonds are issued as variable rate demand bonds with a total of 4 floating-to-fixed interest rate swap transaction in place. The blended swap rate for this 2006 series is 3.73%. Refer to interest rate swap description within this footnote.

(7) 2006 Series F bonds are issued as fixed rate bonds with a final maturity of 2031. The bonds carry interest rates ranging from 3.4% in 2007 to 5.0% in 2031, or a true interest cost of 4.58%.

Annual funding requirements

The annual funding requirements (principal and interest) for the long-term debt outstanding of the business-type activities at June 30, 2007 are as follows:

Business-type activities

Fiscal Year Ending	Principal Payments	Interest Payments	Total Payments
2008	$ 42,620,000	$ 157,216,570	$ 199,836,570
2009	43,965,000	155,482,131	199,447,131
2010	45,730,000	153,692,957	199,422,957
2011	47,880,000	151,831,955	199,711,955
2012-2016	283,975,000	728,136,847	1,012,111,847
2017-2021	405,380,000	660,224,945	1,065,604,945
2022-2026	513,685,000	569,317,488	1,083,002,488
2027-2031	651,040,000	454,156,784	1,105,196,784
2032-2036	673,920,000	319,498,701	993,418,701
2037-2041	591,075,000	184,600,719	775,675,719
2042-2047	563,980,000	68,095,234	632,075,234
	$ 3,863,250,000	$ 3,602,254,331	$ 7,465,504,331

Component Unit - BAIFA

Fiscal Year Ending	Principal Payments	Interest Payments	Total Payments
2008	$ 105,180,000	$ 41,518,064	$ 146,698,064
2009	69,770,000	37,026,878	106,796,878
2010	8,720,000	34,047,699	42,767,699
2011	17,020,000	33,675,355	50,695,355
2012	19,020,000	32,948,601	51,968,601
2013-2018	752,610,000	119,927,647	872,537,647
	$ 972,320,000	$ 299,144,244	$ 1,271,464,244

Toll Revenue Bonds

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

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

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

BATA has covenanted to maintain an operations and maintenance reserve of two times the adopted operations and maintenance budget. At June 30, 2007, BATA had restricted $125 million as the restricted operations. These amounts are shown as restricted investments for the year ended June 30, 2007. BATA has also covenanted to maintain an emergency extraordinary loss reserve of not less than $50 million. In addition, the BATA board has authorized the reserves of $600 million for emergency extraordinary loss reserves and $70 million for a bridge rehabilitation reserve.

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

In May 2007, BATA issued the 2007 Series A-G Bonds in the principal amount of $810,950,000, with a premium of $21,232,527. Part of the proceeds from the 2007 Series F Bonds, $63,844,361, was deposited in an escrow fund held by the Trustee and applied to the defeasance and eventual redemption on April 1, 2011 of $61,415,000 outstanding principal amount of BATA's San Francisco Bay Area Toll Bridge Revenue Bonds, 2001 Series D, maturing on April 1, 2012 through April 1, 2018. The difference between the reacquisition price and the net carrying amount of the old debt is $2,256,715 which is reported as a deferred charge. The current year amortization of the deferred charge is $25,644 leaving an ending balance of $2,231,071. The transaction resulted in a reduction of debt service payments over the next 11 years of $2,776,348 and provided an economic gain of $2,227,336.

Component Unit – BAIFA

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

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

Interest Rate and Forward Interest Rate Swap Agreements

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

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

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

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

BATA will receive from Ambac and Bank of America a variable rate payment based on 68 percent of the one-month LIBOR rate. BATA will receive from Citibank a variable rate payment based on 53.8 percent of the one-month LIBOR rate and 74 basis points. BATA will receive from JP Morgan a variable rate payment based on 67.8 percent of the 10 year LIBOR rate in years 1 through 30 (first leg) and a variable rate payment based on 75.105 percent of the one-month LIBOR in years 31 through 39 (second leg).

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

On November 30, 2005, BATA approved another forward contract to swap variable-to-fixed rate bonds with a notional amount of $1 billion. The effective forward swap date on this contract is November 1, 2007. Counterparties to the transactions are Ambac for $420 million, JP Morgan for $270 million, Citibank for $260 million and Bank of America for $50 million. During the 40 year term, BATA will pay each respective counterparty based on a fixed rate ranging from 3.63 percent to 4.00 percent. In exchange, BATA will receive a variable rate based on ranging percentages of LIBOR.

BATA will receive from Ambac and Bank of America a variable rate payment based on 68 percent of the one-month LIBOR rate. BATA will receive from Citibank a variable-rate payment based on 53.80 percent of the one-month LIBOR rate and 74 basis points. BATA will receive from JP Morgan a variable-rate payment based on 69.33 percent of the five year LIBOR rate in years 1 through 30 (first leg) and a variable-rate payment based on 75.08 percent of the one-month LIBOR in years 31 through 39 (second leg).

Five hundred million dollars of the variable-rate bonds associated with this $1 billion dollar swap were issued in May 2007. The remaining $500 million of the variable-rate bonds associated with this swap will be issued prior to November 1, 2007.

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

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

As of June 30, 2007, counterparties posted a combined $49 million in collateral with a third party safekeeping agent. Details of the collateral are included on Schedules 14-17.

As of June 30, 2007, the swap counterparties carried the following ratings:

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

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

	Notional Value	Counterparty	Fixed Rate	Value due from / (to) counterparty
	$ 75 million	Ambac	4.110%	$ (3,104,673)
	$ 75 million	Ambac	4.120%	(3,533,873)
	$ 75 million	Morgan Stanley	4.090%	(3,607,255)
	$ 75 million	Citigroup	4.100%	(3,709,124)
	$ 200 million	Ambac	4.139%	(9,365,179)
	$ 300 million	Ambac	3.416%	7,132,936
	$500 million	Ambac	3.647%	19,138,946
	$30 million	Bank of America	3.633%	1,208,989
	$225 million	Citibank	3.638%	6,768,880
	$245 million	JP Morgan Chase	4.000%	10,049,928
*	$420 million	Ambac	3.641%	16,524,028
*	$50 million	Bank of America	3.626%	2,076,729
*	$260 million	Citibank	3.636%	7,912,337
*	$270 million	JP Morgan Chase	4.000%	11,505,683
				$ 58,998,352

* Five hundred million dollars of the variable-rate bonds associated with this $1 billion swap were issued in May 2007. The remaining $500 million of the variable-rate bonds associated with this swap will be issued prior to November 1, 2007.

The termination value, or fair value, BATA would receive from terminating all swaps is $59 million on June 30, 2007.

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

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

As of June 30, 2007, debt service requirements of the variable rate debt and net swap payments for 2001 Series A, B and C are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Interest Remarketing and Liquidity	Total Payment
4/1/2008	$ -	$ 10,778,100	$ 1,941,000	$ 900,000	$ 13,619,100
4/1/2009	-	10,778,100	1,941,000	900,000	13,619,100
4/1/2010	-	10,778,100	1,941,000	900,000	13,619,100
4/1/2011	-	10,778,100	1,941,000	900,000	13,619,100
4/1/2012	-	10,778,100	1,941,000	900,000	13,619,100
4/1/2013-2036	300,000,000	181,064,895	32,607,506	15,119,400	228,791,801
	$ 300,000,000	$ 234,955,395	$ 42,312,506	$ 19,619,400	$ 296,887,301

As of June 30, 2007, debt service requirements of the variable rate debt and net swap payments for 2003 Series A, B and C are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Remarketing and Liquidity	Total Payment
4/1/2008	$ 3,000,000	$ 7,185,400	$ 1,362,000	$ 600,000	$ 9,147,400
4/1/2009	3,200,000	7,077,619	1,341,570	591,000	9,010,189
4/1/2010	3,300,000	6,962,653	1,319,778	581,400	8,863,831
4/1/2011	3,500,000	6,844,094	1,297,305	571,500	8,712,899
4/1/2012	3,600,000	6,718,349	1,273,470	561,000	8,552,819
4/1/2013-2038	183,400,000	105,205,034	19,941,723	8,784,900	133,931,657
	$ 200,000,000	$ 139,993,149	$ 26,535,846	$ 11,689,800	$ 178,218,795

As of June 30, 2007, debt service requirements of the variable rate debt and net swap payments for 2004 Series A, B and C are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Remarketing and Liquidity	Total Payment
4/1/2008	$ 4,980,000	$ 10,778,100	$ 8,100	$ 900,000	$ 11,686,200
4/1/2009	5,215,000	10,599,184	7,966	885,060	11,492,210
4/1/2010	5,385,000	10,411,824	7,825	869,415	11,289,064
4/1/2011	5,590,000	10,218,357	7,679	853,260	11,079,296
4/1/2012	5,775,000	10,017,525	7,528	836,490	10,861,543
4/1/2013-2039	273,055,000	158,887,696	119,408	13,267,545	172,274,649
	$ 300,000,000	$ 210,912,686	$ 158,506	$ 17,611,770	$ 228,682,962

As of June 30, 2007, debt service requirements of the variable rate debt and net swap payments for 2006 Series A-E are as follows:

Payment Date	Notional Amortization	Variable Interest**	Interest Rate Swaps, Net***	Remarketing and Liquidity	Total Payment
4/1/2008	$ -	$ 35,927,000	$ 1,020,000	$ 3,000,000	$ 39,947,000
4/1/2009	-	35,927,000	1,020,000	3,000,000	39,947,000
4/1/2010	-	35,927,000	1,020,000	3,000,000	39,947,000
4/1/2011	-	35,927,000	1,020,000	3,000,000	39,947,000
4/1/2012	-	35,927,000	1,020,000	3,000,000	39,947,000
4/1/2013-2045	1,000,000,000	973,739,541	27,645,346	81,309,840	1,082,694,727
	$ 1,000,000,000	$ 1,153,374,541	$ 32,745,346	$ 96,309,840	$ 1,282,429,727

	Series 2001 Bonds*	**Series 2003 Bonds**	**Series 2004 Bonds**	**Series 2006 Bonds**
Interest Rate Swap				
Fixed payment to counter party	4.105%	4.139%	3.416%	3.730%
LIBOR percentage of payments****	-3.458%	-3.458%	-3.413%	-3.628%
Net interest rate swap payments***	0.647%	0.681%	0.003%	0.102%
Variable rate bond coupon payments**	3.593%	3.593%	3.593%	3.593%
Synthetic interest rate on bonds	4.240%	4.274%	3.596%	3.695%
Remarketing/liquidity fee	0.300%	0.300%	0.300%	0.300%
Total Cost	4.540%	4.574%	3.896%	3.995%

* Converted to 65% one month LIBOR on 1/1/06
** The blended variable rate as of June 30, 2007
*** Net receipt/(payment)
**** LIBOR rates as of June 30, 2007

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

Arbitrage

IRS Code Section 148 requires interest earned on the proceeds of a tax-exempt bond issuance that exceed the arbitrage yield on the bonds be rebated back to the IRS. BATA incurred a calculated rebate arbitrage liability of $233,922 for the fiscal 2007 year that is being held in a restricted account with the trustee for potential future payment to the IRS.

6. LEASES

Capital Leases

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

Governmental Activities Year Ending June 30	Amount
2008	$ 42,735
2009	42,736
2010	42,736
2011	10,684
Total	138,891
Less interest amounts	(20,422)
Present value of net minimum lease payments	$ 118,469

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

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

Due to/from other funds

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

The composition of interfund transfers as of June 30, 2006, is as follows:

	Transfer In:				
Transfer Out:	General	AB 664 Net Toll Revenue Reserve	Capital Projects	Other Governmental Funds	Total
Exchange	$ -	$ -	$ 503,516	$ -	$ 503,516
STA	2,004,858	-	1,233,564	-	3,238,422
BATA	8,779,507	11,636,478	18,464	10,336,611	30,771,060
SAFE	1,466,670	-	-	-	1,466,670
Total	$ 12,251,035	$ 11,636,478	$ 1,755,544	$ 10,336,611	$ 35,979,668

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	BATA	$ 290,905
General	STA	$ 148,627
Capital Projects	Exchange	$ 106,308
SAFE	General	$ 1,510,276

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

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

8. EMPLOYEES' RETIREMENT PLAN

Plan Description

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

The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by state statutes within the Public Employees' Retirement Law. The MTC selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

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

- MTC pays the Base Rate of 17.395% in effect on July 1, 2006 (10.395% employer contribution and 7% employee share, per employee's gross earnings), and the FY 2007-08 Base Rate. The Base Rate will increase effective FY 2008-09 by a percentage equivalent to the actual increase in cost attributable to the BATA employees hired in FY 2005-06.

- Members pay 3.402% of eligible gross earnings (2.402% employer contribution and 1.00% employee contribution) to cover the full cost of the enhancement.

- MTC and members will share equally in payment for additional PERS increases, up to 2% above the Base Rate and the 3.402% enhancement cost, each paying up to an additional 1%.

- Per MOU agreement, any PERS contribution rate increases exceeding the additional 2% referenced above, will result in re-opening the MOU to determine further cost-sharing arrangements.

Annual Pension Cost

The required contribution for the year ended June 30, 2007 was $2,647,617 determined as part of the June 30, 2005 actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of payroll. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses) and (b) projected salary increases that vary by duration of service. Both (a) and (b) include an inflation component of 3.0 percent and an annual production growth of .25%. The actuarial value of the Plan's asset was determined using a technique that smoothes the effect of short-term volatility in market value of investments over a fifteen-year period depending on the size of investment gains and/or losses.

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/2005	$ 1,190,870	100%
6/30/2006	$ 2,324,948	100%
6/30/2007	$ 2,647,617	100%

The MTC's funding progress information as of June 30, 2005 is illustrated as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2003	$ 43,680,162	$ 44,901,919	$ 1,221,757	97.3%	$ 11,177,301	10.9%
June 30, 2004	45,753,197	48,662,374	$ 2,909,177	94.0%	11,714,647	24.8%

The latest available actuarial valuation was as of June 30, 2005 showing an under-funded status.

9. POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

MTC's defined benefit postemployment healthcare plan provides medical benefits to eligible retired employees and their eligible dependants. MTC maintains the same medical plans for its retirees as for its active employees, with the general exception that once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer. Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 with 5 years of service to MTC. Benefits are paid for the lifetime of the retiree, spouse or surviving spouse, and dependents up to the age of 23.

MTC is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by the California Public Employees' Retirement System (CalPERS) for provision of healthcare insurance programs for both active and retired employees.

Funding Policy

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

Annual OPEB Cost

MTC's annual Other Postemployement Benefit (OPEB) expense is based on the annual required contribution (ARC) of the employer less healthcare costs paid on behalf of its retirees. The following table represents annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation. This is the first year of implementation of the new GASB standard:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2007	$ 1,802,553	100%	$ -

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2006 was as follows:

Actuarial accrued liability (AAL)	$ 14,376,476
Actual value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 14,376,476
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	$ 15,193,161
UAAL as a percentage of covered payroll	94.62%

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

Actuarial Methods and Assumptions

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

In the July 1, 2006 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a discount rate of 6.0%, a return on assets of 5.0%, and an annual healthcare cost trend rate of 10% initially, reduced 1% annually to a rate of 5 % after 5 years based on the average employer premiums as of the valuation date.

The MTC's funding progress information as of June 30, 2007 is illustrated as follows:

Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/06	$ -	$ 14,376,476	$ 14,376,476	0.0%	$ 15,193,161	94.6%

10. COMMITMENTS AND CONTINGENCIES

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

MTC is involved in various claims and litigation that is considered normal to the MTC's regional planning activities. MTC has established a $2.1 million reserve for such contingencies. In the opinion of the MTC's management, the ultimate resolution of these matters will not have a material adverse effect on the MTC's government-wide financial position.

Commitment and Loan to Bay Area Rapid Transit District

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

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

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

On September 1, 1999, the San Francisco Bay Area Transit Financing Authority (the Authority), a joint powers agency, created pursuant to a joint exercise of powers agreement between BART and MTC, issued $65,650,000 in Bridge Toll Notes (the Notes). The Notes are were paid in full and the outstanding bonds were retired in February 2007. Financial statements of the Authority can be obtained from BART, 300 Lakeside Drive, Oakland, California 94604.

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

On June 28, 2006, MTC and BART revised the terms of the $60 million loan agreement. The new agreement extends the $60 million loan to June 30, 2015 with an interest rate of 3%. The amount of principal payments received is $13 million as of June 30, 2007.

For the year ended June 30, 2007, the total loan outstanding with BART is $47 million.

Fiscal Year	**Principal Payments**
2008	$ 5,000,000
2009	5,000,000
2010	8,000,000
2011	8,000,000
2012	8,000,000
2013	8,000,000
2014	5,000,000
	$ 47,000,000

11. RISK MANAGEMENT

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

12. EXTRAORDINARY ITEM – AB 144 IMPACT OF CONSOLIDATION OF BRIDGE TOLL REVENUE

On July 16, 2005, the California State Legislature approved Assembly Bill (AB) 144, which transferred toll administration responsibility from Caltrans to BATA. This transfer of responsibility includes:

- Consolidation of all toll revenue dollars, including the state seismic toll dollar for the seven bridges, under BATA administration.

- Creation of a new Caltrans, California Transportation Commission, and BATA Toll Bridge Project Oversight Board.

- Unlimited project-level toll-setting authority to complete the Seismic Retrofit Program and BATA's responsibilities under the "Act."

Caltrans had bonds outstanding issued by the California Infrastructure and Economic Development Bank (Ibank) which were backed by the revenue from the seismic toll dollar. The seismic toll dollar was set aside for completion of projects under the Seismic Retrofit Programs. Before the state owned seismic toll dollar could be transferred over to BATA, these bonds had to be defeased. This defeasance was considered an extraordinary item in fiscal year 2006. BATA issued bonds in April 2006 to handle this. Most of the bond proceeds were paid to Deutsche Bank National Trust Company to act as escrow agent for the defeasance of the Ibank bonds. These proceeds will be invested and will be used to pay the principal and interest of the Ibank bonds as they become due. With the payment of $1,119,562,683 to the escrow agent, BATA now owns all the bridge toll revenue from all the State owned Bay Area bridges.

In addition, BATA approved a financing plan of $6.2 billion in September 2005 to fund the new seismic retrofit and other bridge toll projects.

Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

Metropolitan Transportation Commission
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund
For the Year Ended June 30, 2007

Schedule I

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues				
Sales taxes for planning activities	$ 10,300,000	$ 10,300,000	$ 10,488,137	$ 188,137
Grants - Federal	55,569,273	57,282,913	33,606,619	(23,676,294)
Grants - State	1,856,620	5,906,620	4,348,726	(1,557,894)
Local Agencies Revenues	9,530,387	13,733,339	4,585,623	(9,147,716)
Investment Income	500,000	500,000	1,352,416	852,416
Total revenues	77,756,280	87,722,872	54,381,521	(33,341,351)
Expenditures				
Current:				
General Government	86,144,673	104,434,958	58,809,099	45,625,859
Allocations to Other Agencies	10,665,419	10,665,419	10,562,521	102,898
Capital outlay	905,026	905,026	905,026	-
Total expenditures	97,715,118	116,005,403	70,276,646	45,728,757
Deficiency of revenues under expenditures	(19,958,838)	(28,282,531)	(15,895,125)	12,387,406
Other financing sources				
Transfers in	17,226,922	25,550,614	18,696,014	(6,854,600)
Net change in fund balances	(2,731,916)	(2,731,917)	2,800,889	5,532,806
Fund balances - beginning	24,017,946	24,017,946	24,017,946	-
Fund balances - ending	$ 21,286,030	$ 21,286,029	$ 26,818,835	$ 5,532,806

Metropolitan Transportation Commission
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – AB 664 Net Toll Revenue Reserves Fund
For the Year Ended June 30, 2007

Schedule II

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues				
Investment Income	$ -	$ -	$ 1,927,225	$ 1,927,225
Total Revenues	-	-	1,927,225	1,927,225
Expenditures				
Current:				
General Governement	-	-	4,108	(4,108)
Allocations to Other Agencies	41,888,531	41,888,531	8,814,785	33,073,746
Total expenditures	41,888,531	41,888,531	8,818,893	33,069,638
Deficiency of revenues under expenditures	(41,888,531)	(41,888,531)	(6,891,668)	34,996,863
Other financing sources				
Transfers in	11,957,106	11,957,106	11,322,328	(634,778)
Net change in fund balances	(29,931,425)	(29,931,425)	4,430,660	34,362,085
Fund balances - beginning	34,174,945	34,174,945	34,174,945	-
Fund balances - ending	$ 4,243,520	$ 4,243,520	$ 38,605,605	$ 34,362,085

Metropolitan Transportation Commission
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – State Transit Assistance Fund
For the Year Ended June 30, 2007

Schedule III

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues				
Grants - State	$ 219,873,076	$ 220,340,817	$ 220,177,635	$ (163,182)
Investment Income	-	1,650,772	3,572,649	1,921,877
Total revenues	219,873,076	221,991,589	223,750,284	1,758,695
Expenditures				
Current:				
Allocations to Other Agencies	223,924,158	226,042,671	128,864,904	97,177,767
Total expenditures	223,924,158	226,042,671	128,864,904	97,177,767
Excess (deficiency) of revenues over (under) expenditures	(4,051,082)	(4,051,082)	94,885,380	98,936,462
Other financing sources / (uses)				
Transfers (out) / in	-	-	(13,286,608)	(13,286,608)
Net change in fund balances	(4,051,082)	(4,051,082)	81,598,772	85,649,854
Fund balances - beginning	36,697,257	36,697,257	36,697,257	-
Fund balances - ending	$ 32,646,175	$ 32,646,175	$ 118,296,029	$ 85,649,854

Metropolitan Transportation Commission
Schedules of Funding Progress
For the Year Ended June 30, 2007 — Schedule IV

Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2003	$ 43,680,162	$ 44,901,919	$ 1,221,757	97.3%	$ 11,177,301	10.9%
June 30, 2004	45,753,197	48,662,374	$ 2,909,177	94.0%	11,714,647	24.8%
June 30, 2005	49,691,002	55,528,976	$ 5,837,974	89.5%	11,623,784	50.2%

Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/06	$ -	$ 14,376,476	$ 14,376,476	0.0%	$ 15,193,161	94.6%

OTHER SUPPLEMENTARY INFORMATION

Metropolitan Transportation Commission
Combining Balance Sheet – Other Governmental Funds
For the Year Ended June 30, 2007

Schedule 1

	Transit Reserves	Rail Reserves	Exchange	BART Car Exchange	Feeder Bus	Total Other Funds
Assets						
Cash and cash equivalents - unrestricted	$ 786,065	$ 10,309,111	$ 9,678,580	$ -	$ 46,932	$ 20,820,688
Cash and cash equivalents - restricted	-	-	-	23,231,394	-	23,231,394
Short term investments - unrestricted	-	14,927,997	-	-	-	14,927,997
Interest receivable	-	137,213	-	182,740	-	319,953
Total assets	$ 786,065	$ 25,374,321	$ 9,678,580	$ 23,414,134	46,932	$ 59,300,032
Liabilities and fund balances						
Liabilities						
Accounts payable	$ 132,781	$ -	$ 188,650	$ -	$ -	$ 321,431
Accrued liabilities	-	466	104,015	145	-	104,626
Due to other funds	38,757	850,517	310,252	-	-	1,199,526
Total liabilities	171,538	850,983	602,917	145	-	1,625,583
Fund balances						
Reserved for						
Capital Projects	439,249	-	6,368,600	23,413,989	122	30,221,960
Unreserved, reported in						
Special revenue funds	175,278	24,523,338	2,707,063	-	46,810	27,452,489
Total fund balances	614,527	24,523,338	9,075,663	23,413,989	46,932	57,674,449
Total liabilities and fund balances	$ 786,065	$ 25,374,321	$ 9,678,580	$ 23,414,134	$ 46,932	$ 59,300,032

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

Schedule 2

	Transit Reserves	Rail Reserves	Exchange	BART Car Exchange	Feeder Bus	Total Other Funds
Revenues						
Grants - State	$ 2,935,846	$ -	$ -	$ -	$ -	$ 2,935,846
Project grants from local agencies	-	10,000,000	400,000	22,680,000	-	33,080,000
Investment income	125,749	1,253,810	510,599	753,760	2,324	2,646,242
Total revenues	3,061,595	11,253,810	910,599	23,433,760	2,324	38,662,088
Expenditures						
Current:						
General government	-	1,661	-	19,771	-	21,432
Allocations to other agencies	3,794,436	3,316,926	855,935	-	-	7,967,297
Total expenditures	3,794,436	3,318,587	855,935	19,771	-	7,988,729
Excess / (deficiency) of revenues over / (under) expenditures	(732,841)	7,935,223	54,664	23,413,989	2,324	30,673,359
Other financing sources / uses						
Transfers in	906,243	9,099,483	-	-	-	10,005,726
Transfers out	-	-	(1,404,454)	-	-	(1,404,454)
Total other financing sources and uses	906,243	9,099,483	(1,404,454)	-	-	8,601,272
Net change in fund balances	173,402	17,034,706	(1,349,790)	23,413,989	2,324	39,274,631
Fund balances - beginning	441,125	7,488,632	10,425,453	-	44,608	18,399,818
Fund balances - ending	$ 614,527	$ 24,523,338	$ 9,075,663	$ 23,413,989	$ 46,932	$ 57,674,449

Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances – Budget and Actual – Transit Reserves Fund
For the Year Ended June 30, 2007

Schedule 3

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Grants - State	$ 2,935,846	$ 2,935,846	$ 2,935,846	$ -
Local Agencies Revenues	-	-	-	-
Investment Income	-	-	125,749	125,749
Total revenues	2,935,846	2,935,846	3,061,595	125,749
Expenditures				
Current:				
Allocations to Other Agencies	4,237,078	4,237,078	3,794,436	442,642
Deficiency of revenues under expenditures	(1,301,232)	(1,301,232)	(732,841)	568,391
Other financing sources				
Transfers in	943,231	943,231	906,243	(36,988)
Net change in fund balances	(358,001)	(358,001)	173,402	531,403
Fund balances - beginning	441,125	441,125	441,125	-
Fund balances - ending	$ 83,124	$ 83,124	$ 614,527	$ 531,403

Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances – Budget and Actual – Rail Reserves Fund
For the Year Ended June 30, 2007

Schedule 4

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Local Agencies Revenues	$ -	$ -	$ 10,000,000	$ 10,000,000
Investment Income	-	-	1,253,810	1,253,810
Total revenues	-	-	11,253,810	11,253,810
Expenditures				
Current:				
General Government	-	-	1,661	(1,661)
Allocations to Other Agencies	10,948,693	10,948,693	3,316,926	7,631,767
Total expenditures	10,948,693	10,948,693	3,318,587	7,630,106
Deficiency of revenues under expenditures	(10,948,693)	(10,948,693)	7,935,223	18,883,916
Other financing sources				
Transfers in	9,902,723	9,902,723	9,099,483	(803,240)
Net change in fund balances	(1,045,970)	(1,045,970)	17,034,706	18,080,676
Fund balances - beginning	7,488,632	7,488,632	7,488,632	-
Fund balances - ending	$ 6,442,662	$ 6,442,662	$ 24,523,338	$ 18,080,676

Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances – Budget and Actual– Exchange Fund
For the Year Ended June 30, 2007

Schedule 5

	Budgeted Amounts			
	Original	Final	Actual Amounts	Final Budget Positive (Negative)
Revenues				
Local Agencies Revenues	$ -	$ -	$ 400,000	$ 400,000
Investment Income	-	-	510,599	510,599
Total revenues	-	-	910,599	910,599
Expenditures				
Current:				
Professional Fees	2,589,866	2,589,866	-	2,589,866
Allocations to Other Agencies	5,449,821	5,449,821	855,935	4,593,886
Total expenditures	8,039,687	8,039,687	855,935	7,183,752
Excess / (deficiency) of revenues over / (under) expenditures	(8,039,687)	(8,039,687)	54,664	(3,683,287)
Other financing sources / (uses)				
Transfers (out) / in	-	-	(1,404,454)	(1,404,454)
Net change in fund balances	(8,039,687)	(8,039,687)	(1,349,790)	(5,087,741)
Fund balances - beginning	10,425,453	10,425,453	10,425,453	-
Fund balances - ending	$ 2,385,766	$ 2,385,766	$ 9,075,663	$ (5,087,741)

Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances – Budget and Actual – BART Car Exchange Fund
For the Year Ended June 30, 2007

Schedule 6

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues				
Project grants from local agencies	$ -	$ -	$ 22,680,000	$ 22,680,000
Investment income	-	-	753,760	753,760
Total revenues	-	-	23,433,760	23,433,760
Expenditures				
Current:				
General Government	-	-	19,771	(19,771)
Allocations to other agencies	-	-	-	-
Total expenditures	-	-	19,771	(19,771)
Excess of revenues over expenditures	-	-	23,413,989	23,413,989
Net change in fund balances	-	-	23,413,989	23,413,989
Fund balances - beginning			-	-
Fund balances - ending	$ -	$ -	$ 23,413,989	$ 23,413,989

Metropolitan Transportation Commission
Schedule of Revenues, Expenses and Changes in Fund Balances – Budget and Actual – Feeder Bus Fund
For the Year Ended June 30, 2007

Schedule 7

	Budgeted Amounts			
	Original	Final	Actual Amounts	Final Budget Positive (Negative)
Revenues				
Investment income	$ -	$ -	$ 2,324	$ 2,324
Total revenues	-	-	2,324	2,324
Expenditures				
Current:				
Allocations to other agencies	121	121	-	121
Total expenditures	121	121	-	121
Excess / (deficiency) of revenues over / (under) expenditures	(121)	(121)	2,324	2,203
Net change in fund balances	(121)	(121)	2,324	2,203
Fund balances - beginning	44,608	44,608	44,608	-
Fund balances - ending	$ 44,487	$ 44,487	$ 46,932	$ 2,203

Metropolitan Transportation Commission
Schedule of Expenditures – Governmental General Fund
For the Year Ended June 30, 2007 — Schedule 8

Expenditures by natural classification:	
Salaries & benefits	$ 17,165,727
Travel	411,514
Professional fees	38,188,562
Overhead	1,809,527
Printing & reproduction	336,250
Other	897,519
Reported as general government expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	$ 58,809,099

Salaries & benefits - MTC	$ 13,499,360
Salaries & benefits - BATA	4,642,930
Salaries & benefits - SAFE*	860,590
Total salaries & benefits	$ 19,002,880

*SAFE salaries and benefits are excluded from direct salaries on Schedule 9.

Metropolitan Transportation Commission
Schedule of Overhead, Salaries and Benefits Expenditures – Governmental General Fund
For the Year Ended June 30, 2007 — Schedule 9

	Direct Costs*	Indirect Costs	Total
Salaries	$ 10,558,025	$ 2,250,493	$ 12,808,518
Benefits	7,584,265	1,415,873	9,000,138
TOTAL SALARIES AND BENEFITS	$ 18,142,290	$ 3,666,367	$ 21,808,656
Reimbursable overhead:			
Travel		$ 36,270	$ 36,270
Transit tickets		8,314	8,314
Training		27,248	27,248
Personnel recruitment		72,523	72,523
Public hearings		20,572	20,572
Advertising		19,108	19,108
Communications		142,443	142,443
Utilities		132,497	132,497
Meeting room rental		9,178	9,178
Equipment rental		636	636
Parking rental		14,016	14,016
Storage rental		18,924	18,924
Computer maintenance & repair		408,823	408,823
Auto expense		22,048	22,048
Equipment maintenance & repair		11,578	11,578
General maintenance		11,881	11,881
Janitorial service		108,804	108,804
Office supplies		95,867	95,867
Printing & graphics supplies		69,259	69,259
Computer supplies		53,040	53,040
Computer software		25,327	25,327
Computer hardware		82,725	82,725
Furniture & fixtures		47,512	47,512
Postage & mailing		91,766	91,766
Memberships		70,414	70,414
Library acquisitions & subscriptions		34,149	34,149
Law library		23,089	23,089
Computer time & services		16,898	16,898
Advisory member stipend		31,600	31,600
County auditor fees		14,956	14,956
Newswire service		13,655	13,655
Insurance		82,564	82,564
Miscellaneous		340	340
Subtotal		1,818,022	1,818,022
Over absorbed for year ended June 30, 2007		741,019	741,019
Carryforward provision for year ended June 30, 2005		(753,083)	(753,083)
Total indirect costs excluding depreciation expense		1,805,957	1,805,957
Depreciation expense		598,085	598,085
Total indirect costs		$ 2,404,043	$ 2,404,043

*Direct Costs exclude SAFE Salaries and Benefits per Indirect Cost Plan for FY 06-07

Metropolitan Transportation Commission
Schedule of Expenditures – Federal Highway Administration Grant No. 07OWPMTCM
For the Year Ended June 30, 2007 — Schedule 10

		ABAG	MTC	Total
Authorized Expenditures				
Federal		$ 1,428,914	$ 8,103,000	$ 9,531,914
Local Match		163,896	929,414	1,093,310
Total authorized expenditures		1,592,810	9,032,414	10,625,224
Actual Expenditures *				
Assocation of Bay Area Governments (ABAG)		1,428,914	-	1,428,914
MTC				
Program No.	*Program Name*			
1112	Implement Public Information Program	-	1,103,174	1,103,174
1121	Develop and Produce the RTP	-	385,342	385,342
1122	Travel Models and Data	-	561,205	561,205
1124	Integrate MTS with National & International Trasportation	-	181,648	181,648
1125	Non-Motorized Transportation	-	28,697	28,697
1154	Graphics	-	362,335	362,335
1156	Library Services	-	359,189	359,189
1161	Computer Services	-	1,604,847	1,604,847
1211	MTS Management Strategies	-	43,103	43,103
1212	Develop MTS Performance Measures	-	138,143	138,143
1234	Arterial Operations Coordination	-	6,694	6,694
1311	Develop and Implement Welfare to Work Program	-	249,803	249,803
1412	Air Quality Conformity	-	218,755	218,755
1511	Financial Analysis and Planning	-	275,780	275,780
1512	Federal Programming, Monitoring and TIP Development	-	813,391	813,391
1513	Conduct Project Review	-	21,948	21,948
1514	Allocate Funds/Admin Assistance Program	-	312,485	312,485
1515	State Programming and Project Monitoring	-	311,395	311,395
Total Expenditures		1,428,914	6,977,934	8,406,848
Balance of Federal Highway Administration Grant		$ -	$ 1,125,066	$ 1,125,066

* Expenditures reported at federal reimbursement rate (88.53%)

Metropolitan Transportation Commission
Schedule of Computations Demonstrating
Bond Covenant Compliance – BATA Proprietary Fund
For the Year Ended June 30, 2007 — Schedule 11

	2007
Revenue	
Tolls	$ 422,354,852
Investment income	96,415,260
Other	5,988,978
Total revenue	524,759,090
Operating expenses	
Operating expenses	29,575,582
Services and charges	46,764,920
Depreciation and amortization	317,782
Total operating expenses	76,658,284
Net operating income	448,100,806
Debt service	131,438,684
Bond issuance costs	1,065,694
Income before grants & operating transfers	315,596,428
Caltrans/ other agency operating grants	275,590,146
Operating transfers	
Metropolitan Transportation Commission administrative transfers	5,188,212
Metropolitan Transportation Commission transit transfers	
AB 664 expenses	11,322,328
90% rail expenses	9,099,483
5% transit expenses	906,243
Transfers to Regional Measure 2 operators	24,268,599
Total operating transfers	50,784,865
Net income before capital transfers	540,401,709
Capital project transfers	
SAFE transfers	2,000,000
Regional Measure 1 transfers	150,873,904
Bridge rehabilitation transfers	23,239,153
Regional Measure 2 transfers	107,053,381
Bridge Seismic transfers	609,953,138
Transfers to other agencies	16,365,550
Total capital transfers	909,485,126
Net loss before contributions	(369,083,417)
Contributions	
Contributions from Caltrans	1,234,760
Contributions to Bay Area Infrastructure Financing Authority	(15,000,000)
Total contributions	(13,765,240)
Change in net assets	(382,848,657)
Total net assets/(deficits) - beginning	(1,291,475,198)
Total net assets/(deficits) - ending	$ (1,674,323,855)

Metropolitan Transportation Commission
Schedule of Computations Demonstrating
Bond Covenant Compliance – BATA Proprietary Fund, *continued*
For the Year Ended June 30, 2007 Schedule 11

Net revenue	$	448,100,806
Debt service	$	161,143,684
Debt service coverage[1]		2.78
Debt service coverage - bond covenant requirement		1.20
Net revenue	$	448,100,806
Debt service, operating expenses[2], operating transfer	$	288,269,051
Fixed charge coverage		1.55
Fixed charge coverage - bond covenant requirement		1.00
Net revenue plus operations & maintenance reserve	$	573,100,806
Fixed charges[3]	$	211,928,549
Fixed charge coverage		2.70
Fixed charge coverage - bond covenant requirement		1.25
Self insurance reserve	$	50,000,000
Self insurance reserve - bond covenant requirement	$	50,000,000
Caltrans Operations & maintenance reserve	$	125,000,000
Caltrans Operations & maintenance reserve - bond coverage requirement	$	59,151,164

[1] Based on debt outstanding from May 24, 2001, February 14, 2003, October 5, 2004, February 8, 2006, April 25, 2006 and May 15, 2007.
[2] Operating transfers exclude depreciation expense.
[3] Fixed charges comprise debt service and operating transfers.

Metropolitan Transportation Commission
Schedule of Operating Revenues and Expenses – BATA Proprietary Fund – By Bridge
For the Year Ended June 30, 2007 — Schedule 12

	Carquinez Bridge	Benicia - Martinez Bridge	Antioch Bridge	Richmond - San Rafael Bridge	San Francisco - Oakland Bay Bridge	San Mateo - Hayward Bridge	Dumbarton Bridge	Total
Operating revenues								
Toll revenues collected by Caltrans	$77,320,278	$62,637,940	$ 9,905,926	$43,400,541	$ 141,806,435	$53,621,361	$ 33,662,371	$ 422,354,852
Other operating revenues	923,518	859,378	91,992	535,145	2,388,798	766,145	424,002	5,988,978
Total operating revenues	78,243,796	63,497,318	9,997,918	43,935,686	144,195,233	54,387,506	34,086,373	428,343,830
Operating expenses								
Operating expenditures incurred by Caltrans	4,090,439	4,054,125	1,554,190	2,643,871	11,130,421	3,695,590	2,406,946	29,575,582
Services and charges	8,417,686	7,014,738	935,298	4,676,492	15,900,073	6,079,440	3,741,193	46,764,920
Allocations to other agencies	4,368,348	3,640,290	485,372	2,426,860	8,251,323	3,154,918	1,941,488	24,268,599
Depreciation	57,201	47,667	6,356	31,778	108,045	41,312	25,423	317,782
Total operating expenses	16,933,674	14,756,820	2,981,216	9,779,001	35,389,862	12,971,260	8,115,050	100,926,883
Operating income	$61,310,122	$48,740,498	$ 7,016,702	$34,156,685	$ 108,805,371	$41,416,246	$ 25,971,323	$ 327,416,947

Metropolitan Transportation Commission
Combining Statement of Changes in Assets and Liabilities by Participant – Agency Funds
For the Year Ended June 30, 2007 — Schedule 13

County of Alameda	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Assets				
Cash and cash equivalents	$ 17,760,412	65,198,453	69,576,844	$ 13,382,021
Receivables - interest	-	165,000	-	165,000
Total Assets	$ 17,760,412	65,363,453	69,576,844	$ 13,547,021
Liabilities				
Accounts payable	$ 5,124,366	62,569,286	67,239,397	$ 454,255
Accrued expenses	-	230,364	-	230,364
Due to other governments	12,636,046	2,563,803	2,337,447	12,862,402
Total Liabilities	$ 17,760,412	65,363,453	69,576,844	$ 13,547,021
County of Contra Costa				
Assets				
Cash and cash equivalents	$ 16,355,193	36,076,300	37,669,116	$ 14,762,377
Receivables - interest	-	24,276	-	24,276
Receivables - other	-	46,722	-	46,722
Total Assets	$ 16,355,193	36,147,298	37,669,116	$ 14,833,375
Liabilities				
Accounts payable	$ 392,287	36,699,122	36,561,264	$ 530,145
Accrued expenses	-	112,199	-	112,199
Due to other governments	15,962,906	(664,023)	1,107,852	14,191,031
Total Liabilities	$ 16,355,193	36,147,298	37,669,116	$ 14,833,375
County of Marin				
Assets				
Cash and cash equivalents	$ 2,206,420	11,019,026	11,954,540	$ 1,270,906
Receivables - interest	-	20,000	-	20,000
Total Assets	$ 2,206,420	11,039,026	11,954,540	$ 1,290,906
Liabilities				
Accounts payable	$ 828,539	10,688,470	11,517,009	$ -
Accrued expenses	-	23,010	-	23,010
Due to other governments	1,377,881	327,546	437,531	1,267,896
Total Liabilities	$ 2,206,420	11,039,026	11,954,540	$ 1,290,906

County of Napa	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Assets				
Cash and cash equivalents	$ 10,774,928	7,559,207	6,292,834	$ 12,041,301
Total Assets	$ 10,774,928	7,559,207	6,292,834	$ 12,041,301
Liabilities				
Accounts payable	$ -	6,031,320	5,982,980	$ 48,340
Due to other governments	10,774,928	1,527,887	309,854	11,992,961
Total Liabilities	$ 10,774,928	7,559,207	6,292,834	$ 12,041,301
County of San Francisco				
Assets				
Cash and cash equivalents	$ 5,562,627	37,714,402	41,689,423	$ 1,587,606
Total Assets	$ 5,562,627	37,714,402	41,689,423	$ 1,587,606
Liabilities				
Accounts payable	$ 7,623	38,417,889	38,391,430	$ 34,082
Accrued expenses	-	4,861	-	4,861
Due to other governments	5,555,004	(708,348)	3,297,993	1,548,663
Total Liabilities	$ 5,562,627	37,714,402	41,689,423	$ 1,587,606
County of Santa Mateo				
Assets				
Cash and cash equivalents	$ 6,195,111	33,506,187	36,560,541	$ 3,140,757
Receivables - interest	-	47,018	-	47,018
Total Assets	$ 6,195,111	33,553,205	36,560,541	$ 3,187,775
Liabilities				
Accounts payable	$ 32,561	35,284,580	35,210,819	$ 106,322
Due to other governments	6,162,550	(1,731,375)	1,349,722	3,081,453
Total Liabilities	$ 6,195,111	33,553,205	36,560,541	$ 3,187,775
County of Santa Clara				
Assets				
Cash and cash equivalents	$ 11,203,908	87,326,013	85,530,009	$ 12,999,912
Total Assets	$ 11,203,908	87,326,013	85,530,009	$ 12,999,912
Liabilities				
Accounts payable	$ 691,524	82,758,574	78,441,790	$ 5,008,308
Accrued expenses	-	466,779	-	466,779
Due to other governments	10,512,384	4,100,660	7,088,219	7,524,825
Total Liabilities	$ 11,203,908	87,326,013	85,530,009	$ 12,999,912

County of Solano	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Assets				
Cash and cash equivalents	$ 12,163,863	16,494,476	17,956,684	$ 10,701,655
Total Assets	$ 12,163,863	16,494,476	17,956,684	$ 10,701,655
Liabilities				
Accounts payable	$ 105,482	18,704,416	17,294,304	$ 1,515,594
Accrued expenses	-	175,408	-	175,408
Due to other governments	12,058,381	(2,385,348)	662,380	9,010,653
Total Liabilities	$ 12,163,863	16,494,476	17,956,684	$ 10,701,655
County of Sonoma				
Assets				
Cash and cash equivalents	$ 17,991,560	21,106,976	23,045,618	$ 16,052,918
Total Assets	$ 17,991,560	21,106,976	23,045,618	$ 16,052,918
Liabilities				
Accounts payable	$ 576,043	21,997,229	22,237,709	$ 335,563
Accrued expenses	-	33,674	-	33,674
Due to other governments	17,415,517	(923,927)	807,909	15,683,681
Total Liabilities	$ 17,991,560	21,106,976	23,045,618	$ 16,052,918
AB 1107				
Assets				
Cash and cash equivalents	$ -	66,359,382	66,359,382	$ -
Total Assets	$ -	66,359,382	66,359,382	$ -
Liabilities				
Accounts payable	$ -	66,359,382	66,359,382	$ -
Total Liabilities	$ -	66,359,382	66,359,382	$ -
Total - All Agency Funds				
Assets				
Cash and cash equivalents	$ 100,214,022	382,360,422	396,634,991	$ 85,939,453
Receivables - interest	-	256,294	-	256,294
Receivables - other	-	46,722	-	46,722
Total Assets	$ 100,214,022	382,663,438	396,634,991	$ 86,242,469
Liabilities				
Accounts payable	$ 7,758,425	379,510,268	379,236,084	$ 8,032,609
Accrued expenses	-	1,046,295	-	1,046,295
Due to other governments	92,455,597	2,106,875	17,398,907	77,163,565
Total Liabilities	$ 100,214,022	382,663,438	396,634,991	$ 86,242,469

Metropolitan Transportation Commission
Schedule of Interest Rate Swap Summary – BATA Proprietary Fund
For the Year Ended June 30, 2007

Schedule 14

COUNTERPARTY	SERIES 2001	SERIES 2003	SERIES 2004	SERIES 2006 A-E	SERIES 2007	TOTAL	PERCENTAGE BY COUNTERPARTY	RATINGS (S&P/MOODYS)
Ambac	$150,000,000	$200,000,000	$300,000,000	$500,000,000	$420,000,000	$1,570,000,000	56%	AAA/Aaa
Citigroup/Citibank	$75,000,000	-	-	$225,000,000	$260,000,000	$560,000,000	20%	AA/Aaa
JP Morgan AAA ISDA	-	-	-	$245,000,000	$270,000,000	$515,000,000	18%	AAA/Aaa
Bank of America	-	-	-	$30,000,000	$50,000,000	$80,000,000	3%	AA+/Aaa
Morgan Stanley	$75,000,000	-	-	-	-	$75,000,000	3%	A+/Aa3
Total Swap Notional	$300,000,000	$200,000,000	$300,000,000	$1,000,000,000	$1,000,000,000	$2,800,000,000		

Termination Value	($13,954,926)	($9,365,179)	$7,132,936	$37,166,743	$38,018,778	$58,998,352

Average Basis Costs (FY 06-07)	(0.02%)	(0.15%)	0.03%	(0.25%)	N/A	(0.15%)*

* Weighted portfolio average (FY 06-07)

Metropolitan Transportation Commission
Schedule of Interest Rate Swap for Series 2001, 2003 and 2004 – BATA Proprietary Fund
For the Year Ended June 30, 2007 Schedule 15

	SERIES A-2001	SERIES A-2001	SERIES B-2001	SERIES C-2001	SERIES 2003	SERIES 2004	TOTAL
Notional Amount	$75,000,000	$75,000,000	$75,000,000	$75,000,000	$200,000,000	$300,000,000	$800,000,000
Trade Date	1/10/2002	1/10/2002	1/10/2002	1/10/2002	5/7/2002	8/31/2004	
Swap Mode	65% One Mth LIBOR (1)	65% One Mth LIBOR (1)	65% One Mth LIBOR (1)	65% One Mth LIBOR (1)	65% One Mth LIBOR(1)	54% One Mth LIBOR+0.54%	
Maturity	4/1/2036	4/1/2036	4/1/2029	4/1/2025	4/1/2038	4/1/2039	
Basis Cost	Yes	Yes	Yes	Yes	Yes	Yes	
All in Rate							
contracted cost =	4.0900%	4.1000%	4.1200%	4.1100%	4.1390%	3.4155%	
average series basis cost (FY 06-07)	-0.0200%	-0.0200%	-0.0200%	-0.0200%	-0.1500%	0.0300%	
liquidity/remarketing	0.3000%	0.3000%	0.3000%	0.3000%	0.3000%	0.3000%	
	4.3700%	4.3800%	4.4000%	4.3900%	4.2890%	3.7455%	
Counterparty (CP)	Morgan Stanley	Citigroup	Ambac	Ambac	Ambac	Ambac	
S&P/Moodys	A+/Aa3	AA/Aa1	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa	
Ratings Outlook	Stable/Stable	Stable/Stable	Stable/Stable	Stable/Stable	Stable/Stable	Stable/Stable	
Termination Value							
Due from/(to) CP	($3,607,255)	($3,709,124)	($3,533,873)	($3,104,673)	($9,365,179)	$7,132,936	($16,187,168)
Credit Risk							
CP Collateral Posting (2)							
1a) CP < A+ (S&P)	No	No	No	No	No	No	
or							
1b) CP < Aa3 (Moodys)	No	No	No	No	No	No	
and							
2) Termination Value >$10,000,000	No	No	No	No	No	No	
Termination Risk (3)	No	No	No	No	No	No	
Tax Risk	Yes	Yes	Yes	Yes	Yes	Yes	
Rollover Risk	No	No	No	No	No	No	
Amortization Risk	No	No	No	No	No	No	

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

Metropolitan Transportation Commission
Schedule of Interest Rate Swap for Series 2006 – BATA Proprietary Fund
For the Year Ended June 30, 2007 Schedule 16

	SERIES A 2006	SERIES B 2006	SERIES 2006	SERIES 2006	TOTAL
Trade Date	$245,000,000	$225,000,000	$500,000,000	$30,000,000	$1,000,000,000
Trade Date	11/15/2005	11/15/2005	11/15/2005	11/15/2005	
Swap Mode	67.8% 10 Yr LIBOR CMS (1)	53.8% One Mth LIBOR+0.74%	68% One Mth LIBOR	68% One Mth LIBOR	
	75.105% One Mth LIBOR				
Maturity	4/1/2045	4/1/2045	4/1/2045	4/1/2045	
Basis Cost	Yes	Yes	Yes	Yes	
All in Rate					
contracted cost =	4.0000%	3.6375%	3.6468%	3.6330%	
average series basis cost (FY 06-07)	-0.2500%	-0.2500%	-0.2500%	-0.2500%	
liquidity/remarketing	0.3000%	0.3000%	0.3000%	0.3000%	
	4.0500%	3.6875%	3.6968%	3.6830%	
Counterparty (CP)	JP Morgan AAA ISDA	Citibank	Ambac	Bank of America	
S&P/Moodys	AAA/Aaa	AA+/Aaa	AAA/Aaa	AA+/Aaa	
Ratings Outlook	N/A	Stable/Stable	Stable/Stable	Stable/Stable	
Termination Value					
Due from/(to) CP	$10,049,928	$6,768,880	$19,138,946	$1,208,989	$37,166,743
Credit Risk					
CP Collateral Posting (2)					
1a) CP < A+ (S&P)	No	No	No	No	
or					
1b) CP < Aa3 (Moodys)	No	No	No	No	
and					
2) Termination Value >$10,000,000	Yes	No	Yes	No	
Collateral Posted by CP	$24,881,657 (3)				
Termination Risk (4)	No	No	No	No	
Tax Risk	Yes	Yes	Yes	Yes	
Rollover Risk	No	No	No	No	
Amortization Risk	No	No	No	No	

(1) Amended on 6/1/06 from 75.105% one month LIBOR; swap mode is in 2 legs, converts back to 75.105% one month LIBOR on 4/1/2036
(2) Unilateral collateral posting by CP
(3) Collateral posted by CP under terms and conditions of JP Morgan ISDA; $0 threshold regardless of ratings
(4) Unilateral termination at BATA's discretion

Metropolitan Transportation Commission
Schedule of Interest Rate Forward Swap for Series 2007 – BATA Proprietary Fund
For the Year Ended June 30, 2007 Schedule 17

	SERIES A 2007	SERIES B 2007	SERIES 2007	SERIES 2007	TOTAL
Notional Amount	$270,000,000	$260,000,000	$420,000,000	$50,000,000	$1,000,000,000
Trade Date	11/30/2005	11/30/2005	11/30/2005	11/30/2005	
Effective Date (5)	11/1/2007	11/1/2007	11/1/2007	11/1/2007	
Swap Mode	69.33% 5 Yr LIBOR CMS (1)	53.8% One Mth LIBOR+0.74%	68% One Mth LIBOR	68% One Mth LIBOR	
	75.08% One Mth LIBOR				
Maturity	4/1/2046	4/1/2047	4/1/2047	4/1/2047	
Basis Cost	Yes	Yes	Yes	Yes	
All in Rate					
contracted cost	4.0000%	3.6360%	3.6407%	3.6255%	
Counterparty (CP)	JP Morgan AAA ISDA	Citibank	Ambac	Bank of America	
S&P/Moodys	AAA/Aaa	AA+/Aaa	AAA/Aaa	AA+/Aaa	
Ratings Outlook	N/A	Stable/Stable	Stable/Stable	Stable/Stable	
Termination Value					
Due from/(to) CP	$11,505,683	$7,912,337	$16,524,028	$2,076,729	$38,018,777
Credit Risk					
CP Collateral Posting (2)					
1a) CP < A+ (S&P)	No	No	No	No	
or					
1b) CP < Aa3 (Moodys)	No	No	No	No	
and					
2) Termination Value > $10,000,000	Yes	No	Yes	No	
Colleral Posted by CP	$23,971,152 (3)				
Termination Risk (4)	Yes	Yes	Yes	Yes	
Market Access Risk	Adverse Market Conditions May Affect BATA's Ability to Finance and Deliver $1 Billion in Bonds Prior to 11/1/07	Adverse Market Conditions May Affect BATA's Ability to Finance and Deliver $1 Billion in Bonds Prior to 11/1/07	Adverse Market Conditions May Affect BATA's Ability to Finance and Deliver $1 Billion in Bonds Prior to 11/1/07	Adverse Market Conditions May Affect BATA's Ability to Finance and Deliver $1 Billion in Bonds Prior to 11/1/07	
Tax Risk	Yes	Yes	Yes	Yes	
Rollover Risk	No	No	No	No	
Amortization Risk	No	No	No	No	

(1) Amended on 6/1/06 from 75.08% one month LIBOR; swap mode is in 2 legs, converts back to 75.08% one month LIBOR on 4/1/2041
(2) Unilateral collateral posting by CP
(3) Collateral posted by cp under terms and conditions of JP Morgan AAA ISDA; $0 threshold regardless of ratings
(4) Unilateral termination at BATA's discretion upon financing and delivery of $1 billion bonds
(5) Forward swap executed in 2005 with an effective trade date of 11/1/07

Statistical Section

STATISTICAL SECTION

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

Contents **Page**

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

Table 1

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

Metropolitan Transportation Commission
Changes in Net Assets
By Fiscal Year

Table 2

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

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

Table 2

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

Metropolitan Transportation Commission
Fund Balances of Governmental Funds
By Fiscal Year

Table 3

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

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

Table 4

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

Metropolitan Transportation Commission
Primary Government Revenues
By Fiscal Year

Table 5

		PROGRAM REVENUES			GENERAL REVENUES		
Fiscal Year		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Restricted Investment Earnings	Unrestricted Investment Earnings	Total
1998		142,325,259	17,980,234	N/A	-	40,482,734	$ 200,788,227
1999		142,457,747	22,522,983	N/A	-	41,034,464	$ 206,015,194
2000		146,570,469	31,848,657	36,779,136	-	44,447,110	$ 259,645,372
2001	*	150,759,047	38,906,141	44,648,314	-	50,626,342	$ 284,939,844
2002		150,127,560	44,810,738	64,472,632	-	49,973,084	$ 309,384,014
2003	**	151,914,404	46,238,665	72,344,529	-	27,557,608	$ 298,055,206
2004		152,936,898	47,604,184	42,343,900	-	12,274,572	$ 255,159,554
2005	***	256,466,211	48,732,356	44,957,468	-	24,537,489	$ 374,693,524
2006	****	292,999,899	66,509,695	570,172,943	-	48,853,834	$ 978,536,371
2007	*****	434,341,478	603,392,696	1,234,760	1,410,000	106,778,738	$ 1,147,157,672

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

Metropolitan Transportation Commission
Primary Government Expenses by Function
By Fiscal Year

Table 6

Fiscal Year	General Government	Allocations to Other Agencies	Toll Bridge Activities	Congestion Relief	Total
1998	$ 18,526,363	$ 35,212,654	$ 52,105,544	$ 9,890,973	$ 115,735,534
1999	21,079,858	14,650,657	85,250,887	10,921,898	131,903,300
2000	29,698,823	185,263,198	33,982,565	11,849,116	260,793,702
2001	38,845,325	58,179,156	277,944,435	9,618,902	384,587,818
2002	45,894,987	92,787,010	347,029,659	9,251,327	494,962,983
2003	48,570,719	105,152,624	390,063,272	10,375,587	554,162,202
2004	47,237,837	81,873,193	451,929,595	10,869,417	591,910,042
2005	47,451,629	71,885,313	433,703,072	11,788,922	564,828,936
2006	63,297,372	87,731,178	617,546,375	12,401,445	780,976,370
2007	93,884,140	145,646,986	1,155,916,387	16,891,976	1,412,339,489

Metropolitan Transportation Commission
Toll Revenues – By Bridge
By Fiscal Year

Table 7

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

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

Table 8

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

Metropolitan Transportation Commission
Average Toll Rate Revenues ($000) – By Bridge
By Fiscal Year

Table 9

	2007			2006			2005			2004			2003			2002		
	No. of Paid Vehicle	Average Toll Rate	Total Revenue	No. of Paid Vehicle	Average Toll Rate	Total Revenue	No. of Paid Vehicle	Average Toll Rate	Total Revenue	No. of Paid Vehicle	Average Toll Rate	Total Revenue	No. of Paid Vehicle	Average Toll Rate	Total Revenue	No. of Paid Vehicle	Average Toll Rate	Total Revenue
San Francisco Bay Bridge	45,569	$3.11	$141,806	46,254	$2.03	$94,093	48,093	$1.79	$85,880	49,181	$0.98	$48,360	49,413	$0.99	$48,788	50,081	$0.97	$48,549
San Mateo Hayward Bridge	16,902	3.17	53,621	16,948	2.10	35,638	16,552	1.83	30,370	16,717	1.06	17,799	15,772	1.06	16,690	15,183	1.05	15,887
Dumbarton Bridge	11,108	3.03	33,662	10,957	1.99	21,839	10,780	1.72	18,559	11,183	0.97	10,850	11,539	0.96	11,114	12,276	0.94	11,549
Carquinez Bridge	22,763	3.40	77,320	22,710	2.28	51,767	23,103	2.01	46,459	23,610	1.17	27,665	23,306	1.18	27,475	23,136	1.16	26,948
Benicia Martinez Bridge	18,230	3.44	62,638	18,292	2.27	41,579	18,262	2.00	36,530	18,775	1.18	22,070	18,518	1.18	21,793	18,412	1.17	21,491
Antioch Bridge	2,729	3.63	9,906	2,688	2.48	6,675	2,676	2.19	5,851	2,659	1.36	3,619	2,523	1.36	3,422	2,480	1.36	3,369
Richmond San Rafael Bridge	12,665	3.43	43,401	12,646	2.27	28,686	12,544	1.95	24,493	13,037	1.14	14,814	13,062	1.14	14,918	13,037	1.12	14,544

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

Table 10

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Toll Revenue	Per Toll Vehicle
2002	$ 400,000,000	$ -	$ 400,000,000	$ 142,337,259	$ 2.97
2003	700,000,000	-	700,000,000	144,199,876	5.22
2004	700,000,000	-	700,000,000	145,176,202	5.18
2005	1,000,000,000	-	1,000,000,000	248,140,901	7.58
2006	3,149,205,000	24,148,268	3,125,056,732	280,276,856	23.95
2007	3,960,155,000	24,148,268	3,936,006,732	422,354,852	30.28

* No Debt prior to 2001

** Bonded debt rep 99% of all outstanding debt

Metropolitan Transportation Commission
Pledged-Revenue Coverage
By Fiscal Year

Table 11

Tolls Revenue Bonds

				Debt Service		
Fiscal Year	Toll Revenue	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2002	$ 142,337,259	$ 32,433,627	$ 109,903,632	$ -	$ 13,357,928	8.23
2003	144,199,876	38,836,593	105,363,283	-	20,440,983	5.15
2004	145,176,202	48,028,344	97,147,858	-	26,663,420	3.64
2005	248,140,901	54,371,891	193,769,010	-	35,373,668	5.48
2006	280,276,856	81,589,254	198,687,602	5,785,000	63,146,496	2.88
2007	422,354,852	100,926,883	321,427,969	91,120,000	131,438,684	1.44

Metropolitan Transportation Commission
Miscellaneous Statistics
June 30, 2007 — Table 12

Date of Incorporation	1970
Form of Government	Commissioners with Appointed Executive Director
Number of Commissioners	16 Voting and 3 Non-Voting Members
Number of Employees (Approved Positions)	166
Type of Tax Support	3.5 % of TDA Sales Tax
Region in Which Commission Operates	San Francisco Bay Area San Jose, San Francisco & Oakland Combined Statistic Area including San Benito & Santa Cruz
Number of Counties in the Region	9
Area of Authority in Square Miles	6,980
Population of Region in Which Commission Operates	7,204,492
Number of Toll Bridges in the Region	8
Traffic for All Toll Bridges - Number of Vehicles (excluding Golden Gate Bridge Highway District)	129,966,228
Toll Revenues (excluding Golden Gate Bridge Highway District)	$422,354,852
Number of Call Boxes in the Region	2,152

Metropolitan Transportation Commission
Demographic Statistics for Nine San Francisco Bay Area Counties
Last Ten Calendar Years — Table 13

Year	Population[1]	Per Capita Income[4]	Median Age[4]	School Enrollment[2]	Unemployment Rate[3]
1998	6,566,100	N/A	N/A	955,843	3.52%
1999	6,658,500	N/A	N/A	968,039	3.02%
2000	6,764,500	30,934	36.6	975,710	2.50%
2001	6,861,500	N/A	N/A	980,475	4.06%
2002	6,936,700	N/A	N/A	972,766	6.47%
2003	6,994,500	N/A	N/A	976,025	6.46%
2004	7,009,400	N/A	N/A	974,281	5.30%
2005	7,096,575	N/A	N/A	973,751	4.49%
2006	7,126,284	N/A	N/A	971,392	4.61%
2007	7,204,492	N/A	N/A	970,721	4.19%

Data Sources

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

[2] California Department of Education

[3] State of California, Employment Development Department

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

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

Table 14

Functions	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Governmental Activities										
General government	50	52	57	58	58	56	55	56	65	65
Transportation	52	53	53	58	58	59	59	58	68	68
Business-type Activities										
Toll bridge activities	3	6	6	8	8	9	9	10	30	30
Congestion relief	4	5	5	5	5	5	6	6	6	6
	109	116	121	129	129	129	129	130	169	169

Metropolitan Transportation Commission
Ratio of Retiree Medical Premium to Covered Payroll
By Fiscal Year — Table 15

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

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