Bay Area Infrastructure Financing Authority

Financial Statements

For The Fiscal Years Ended June 30, 2010 and 2009

Bay Area Infrastructure Financing Authority
Table of Contents
June 30, 2010

PRICEWATERHOUSECOOPERS

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

Report of Independent Auditors

To the Governing Board of the
Bay Area Infrastructure Financing Authority:

In our opinion, the accompanying statement of net assets and the related statements of revenues, expenses and changes in net assets and cash flows present fairly, in all material respects, the financial position of the Bay Area Infrastructure Financing Authority (BAIFA), a discretely presented component unit of the Metropolitan Transportation Commission (MTC) at June 30, 2010 and 2009, and changes in its financial position and its cash flows 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 BAIFA's management. Our responsibility is to express an opinion 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 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 opinion.

The management's discussion and analysis for the year ended June 30, 2010 on pages 2 through 5 is not a required part of the basic financial statements but is 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.

PricewaterhouseCoopers LLP

October 7, 2010

Management's Discussion and Analysis

This financial report is designed to provide a general overview of the Bay Area Infrastructure Financing Authority's (BAIFA) proprietary fund, a discretely presented component unit of the Metropolitan Transportation Commission. This Management's Discussion and Analysis presents an overview of the financial activities for the years ended June 30, 2010 and 2009. The discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

BAIFA was created on August 1, 2006 by a Joint Exercise of Powers Agreement between Metropolitan Transportation Commission (MTC) and the Bay Area Toll Authority (BATA). 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 (the State) and to apply funds received to pay debt service on notes issued by BAIFA to finance or refinance public transportation and related capital improvements projects.

The governing board of BAIFA consists of four MTC Commissioners and two BATA Commissioners. The further makeup of the BAIFA board comprises the BATA Commission chair and vice chair and MTC's chair and vice chair of the Commission and Programming and Allocations Committees. Neither MTC nor BATA is responsible for any debt, liabilities or obligations of BAIFA. BATA provides administrative services, including accounting and management, at no charge to BAIFA.

A. Financial Highlights

BATA and the State of California entered into a Funds Transfer Cooperative Agreement on August 1, 2006. The purpose of this agreement was to establish the terms and conditions for the State to transfer its contribution to BATA for the seismic retrofit and replacement projects. The schedule of payments lists the payments due from the State from fiscal years 2007 through 2014.

BAIFA and BATA entered into a contribution agreement on December 1, 2006 whereby BATA has assigned to BAIFA all of BATA's rights to the payments due from the State. As the State makes the annual payments, BATA has irrevocably assigned this revenue to BAIFA, which in turn has assigned the funds to a trustee under the indenture of trust.

BAIFA then issued $972,320,000 State Payment Acceleration Notes (SPANs) in December 2006. These SPANs are secured solely by the future scheduled payments from the State to BATA pursuant to the Funds Transfer Cooperative Agreement and further assigned to BAIFA and the trustee. In fiscal year 2007, BATA also contributed $15,000,000 to BAIFA as additional security for the SPANs. Neither MTC nor BATA is responsible for BAIFA's debt or obligations.

The proceeds from the SPANs are restricted for the reimbursement of BATA's costs for the seismic retrofit and replacement projects and are reimbursed as the costs are incurred.

All the proceeds from the SPANS in the project fund account to reimburse BATA for the costs of seismic retrofit and replacement projects was exhausted in fiscal year 2008.

B. Overview of the BAIFA Financial Statements

BAIFA's basic financial statements include the *Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets*, and *Statement of Cash Flows*. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

The *Statement of Net Assets* reports assets, liabilities and the difference as net assets. The net assets are restricted for debt service of BAIFA as discussed further below. The *Statement of Revenues, Expenses, and Changes in Net Assets* consists of operating revenues and expenses and non-operating revenue and expenses. The *Statement of Cash Flows* is presented using the direct method.

The *Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets,* and *Statement of Cash Flows* are presented on pages 6-9 of this report.

C. Financial Analysis

Statement of Net Assets

The following table is a summary of BAIFA's statement of net deficits as for the last three fiscal years:

	2010	2009	2008
Cash and investments	$ 173,471,392	$ 153,179,488	$ 222,949,723
Receivables	493,145	201,910	207,837
Other assets	8,011,028	9,141,996	10,276,615
Receivable due from BATA	546,066,041	645,066,041	688,090,461
Total assets	728,041,606	807,589,435	921,524,636
Interest payable	15,468,666	16,157,583	17,423,750
Debt payable, net	785,464,247	831,829,258	912,829,269
Total liabilities	800,932,913	847,986,841	930,253,019
Net assets			
Unrestricted	(72,891,307)	(40,397,406)	(8,728,383)
Total net deficit	$ (72,891,307)	$ (40,397,406)	$ (8,728,383)

Cash and investments increased by $20,291,904 in 2010, as compared to a decrease of $69,770,235 in 2009. The increase in 2010 is due to a larger pledged payment from BATA. The decrease in 2009 is mainly due to debt service payments.

The receivable due from BATA decreased by $99,000,000 in 2010 and by $43,024,420 in 2009. The decrease in both years is mainly due to pledged revenue received from BATA.

Debt payable decreased in both 2010 and 2009 by $46,365,011 and $81,000,011 respectively. The decrease in both years is due to principal payments on the debt and amortization of the bond premium.

The increase in the net deficit of $32,493,901 in 2010 and $31,669,023 in 2009 is a result of the adoption of GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". The exchange of BAIFA's SPAN proceeds to BATA for the expected future cash flow from Caltrans to BATA is treated as a collateralized borrowing between BATA and BAIFA. Once the receivable balance is reduced to zero, the amount received from BATA will be recorded as revenue and will reduce the net deficit. See Note 4 to the financial statements for more information.

Statement of Revenues, Expenses, and Net Assets

The following table is the summary of BAIFA's statement of revenues, expenses and net assets for the last three fiscal years:

	2010	2009	2008
Operating revenue			
Investment income	$ 1,521,009	$ 3,541,026	$ 17,757,697
Total operating revenue	1,521,009	3,541,026	17,757,697
Operating expenses			
Interest expense	32,810,920	34,001,422	37,307,875
Other expenses	1,203,990	1,208,627	1,166,101
Total operating expenses	34,014,910	35,210,049	38,473,976
Decrease in net assets	(32,493,901)	(31,669,023)	(20,716,279)
Net assets/ (deficit) - beginning	(40,397,406)	(8,728,383)	11,987,896
Net deficit - ending	$ (72,891,307)	$ (40,397,406)	$ (8,728,383)

BAIFA's operating revenues decreased by $2,020,017 from 2009 to 2010 and by $14,216,671 from 2008 to 2009. The decrease in both years is the result of lower interest income, due to lower interest rates.

Total interest expense decreased by $1,190,502 in 2010 and by $3,306,453 in 2009. The decrease in both fiscal years is due to interest expense on lower debt outstanding.

C. Notes to the Financial Statements

The notes to the financial statements, beginning on page 10, provide additional information that is essential to a full understanding of the data provided in this management discussion and the financial statements.

D. Economic Factors

The Bay Area economy continued to be in a recession with high unemployment and property values still unsettled. General factors include:

- The economy continues to show signs of a weak recovery. Home sales are still slow and most mortgage loans are for refinancing.

- Concerns about consumer spending.
- Unemployment in the Bay Area is at 10.8 percent as of June 2010. Jobs do not show signs of improvement.
- Sales tax revenue decreased in the region for the second straight year.
- The condition of the State budget will prolong tough economic conditions in the Bay Area.

Requests for information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer and Auditor, Bay Area Infrastructure Financing Authority, 101 8th Street, Oakland, CA 94607.

Bay Area Infrastructure Financing Authority
Statement of Net Assets
For the Years Ended June 30, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and Cash Equivalents - restricted	$ 48,402,656	$ 27,091,938
Interest Receivable - restricted	493,145	196,567
Due from Bay Area Toll Authority - restricted	152,975,580	99,024,420
Total current assets	201,871,381	126,312,925
Non-current assets:		
Cash and Cash Equivalents - restricted	94,211,429	118,698,248
Interest Receivable - restricted	-	5,343
Long term investment - restricted	30,857,307	7,389,302
Bond issuance costs	8,011,028	9,141,996
Due from Bay Area Toll Authority - restricted	393,090,461	546,041,621
Total non-current assets	526,170,225	681,276,510
Total assets	728,041,606	807,589,435
Liabilities		
Current liabilities:		
Interest payable	15,468,666	16,157,583
Long-term debt, current	17,020,000	8,720,000
Total current liabilities	32,488,666	24,877,583
Non-current liabilities:		
Long-term debt, net	768,444,247	823,109,258
Total liabilities	800,932,913	847,986,841
Net Deficit		
Unrestricted	(72,891,307)	(40,397,406)
Total net deficit	$ (72,891,307)	$ (40,397,406)

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

Bay Area Infrastructure Financing Authority
Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2010 and 2009

	2010	2009
Operating Revenue		
Investment income	$ 1,521,009	$ 3,541,026
Total operating revenue	1,521,009	3,541,026
Operating Expenses		
Interest Expense	32,810,920	34,001,422
Amortization of bond issuance costs	1,130,968	1,130,869
Administrative/Audit Fees	73,022	77,758
Total operating expenses	34,014,910	35,210,049
Operating loss	(32,493,901)	(31,669,023)
Changes in net deficit	(32,493,901)	(31,669,023)
Net deficit - beginning	(40,397,406)	(8,728,383)
Net deficit - ending	$ (72,891,307)	$ (40,397,406)

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

Bay Area Infrastructure Financing Authority
Statement of Cash Flows
For the Years Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Cash receipt from investment income	$ 951,769	$ 3,643,200
Cash payment for interest expense and other	(38,602,870)	(40,347,188)
Net cash used in operating activities	(37,651,101)	(36,703,988)
Cash flows from non-capital financing activities		
Bond principal payment	(41,335,000)	(75,970,000)
Pledge seismic retrofit payments from Bay Area Toll Authority	99,000,000	43,000,000
Net cash provided by/ (used in) non-capital financing activities	57,665,000	(32,970,000)
Cash flows from investing activities		
Proceeds from maturities of investments	128,164,039	171,338,341
Purchase of investments	(151,354,039)	(178,823,890)
Net cash used in investing activities	(23,190,000)	(7,485,549)
Net decrease in cash and cash equivalents	(3,176,101)	(77,159,537)
Balances - Beginning of period	145,790,186	222,949,723
Balances - End of year	$ 142,614,085	$ 145,790,186

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

Bay Area Infrastructure Financing Authority
Statement of Cash Flows
For the Years Ended June 30, 2010 and 2009

Reconciliation of operating income to net cash used in operating activities		**2010**		**2009**
Operating loss	$	(32,493,901)	$	(31,669,023)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Bonds interest payable		(688,917)		(1,266,167)
Interest income		(569,240)		102,174
Prepaid item		-		3,750
Amortization of bonds premium		(5,030,011)		(5,030,011)
Amortization of bonds issuance costs		1,130,968		1,130,869
Due to Bay Area Toll Authority		-		24,420
Net cash used in operating activities	$	(37,651,101)	$	(36,703,988)

1. Reporting Entity

The Bay Area Infrastructure Financing Authority (BAIFA) was established on August 1, 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. 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 notes issued by BAIFA to finance or refinance public transportation and related capital improvements projects. BAIFA's governing body consists of four Commissioners from MTC and two Commissioners from BATA.

MTC was established under Government Code Section 66500 et seq. of 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.

BATA was established pursuant to Chapter 4.3 of Division 17 of the California Streets and Highways Code Section 30950 et seq. with the power under section 30951 to apply for, accept, receive, and disburse grants, loans, and other assistance from any agency of the United States or of the State of California and to plan projects within its jurisdiction. BATA is a blended component unit of MTC because their governing boards are substantially the same.

BAIFA is a discretely presented component unit in the MTC financial statements because it does not qualify for blending under the provisions of Governmental Accounting Standards Board (GASB) Statement No 14, *The Financial Reporting Entity.* As such, it is presented as a proprietary fund in the component unit column of the government-wide financial statements of MTC. Neither MTC nor BATA have any obligations for BAIFA's debt, liabilities or other obligations. It was created to obtain financing or refinancing for public transportation and related capital improvement projects for a fee.

In December 2006 BAIFA issued $972,320,000 in State Payment Acceleration Notes (SPANs) collateralized solely by BATA's pledge and assignment of future state revenues. BATA and BAIFA have entered into an agreement whereby BATA has pledged and irrevocably assigned its rights to future scheduled payments from the State of California for the seismic retrofit or replacement expenses of state-owned toll bridges. BAIFA will use these payments for paying debt service and BAIFA's administration costs. The state's scheduled payments for the seismic retrofit and replacement cost are predetermined by state legislation. As the payments are received, they are reported as current restricted assets.

This standalone financial statement is for the benefit of the users of BAIFA's financial statements who need more disclosure of information and to see the financial information segregated for this entity.

2. Summary of Significant Accounting Policies

Basis of Presentation
The financial statements for BAIFA have been prepared in accordance with accounting principles generally accepted in the United States of America using the economic resources measurement focus and the accrual basis of accounting.

Measurement Focus, Basis of Accounting and Financial Statement Presentation
BAIFA follows GASB Statement No. 34, *Basic Financial Statements – Management's Discussion & Analysis – for State and Local Governments* as amended.

With respect to proprietary funds as required under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, BAIFA will continue 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.

BAIFA applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires certain investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. Investments are stated at fair value based upon quoted market prices. Net increases or decreases in the fair value of investments are shown in the Statements of Revenues, Expenses and Changes in Net Assets for the proprietary funds. For investments with remaining maturities of less than a year from date of purchase, amortized cost is applied.

BAIFA applies the provisions of 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 or as a collateralized borrowing. For additional information on a collateralized borrowing between BAIFA and BATA, see Note 4.

GASB Statement No. 58 *Accounting and Financial Reporting for Chapter 9 Bankruptcies,* which provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filling for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will improve financial reporting by providing more consistent recognition, measurement, display, and disclosure guidance for government that file for Chapter 9 bankruptcy. In addition, these requirements will provide financial statement users with better information regarding the effect of bankruptcy upon governments that file for Chapter 9 petition. This standard was issue in December 2009 and is effective for periods beginning after June 15, 2009. This standard did not have any effect on the financial statements.

GASB Statement No. 57 *OPEB Measurements by Agent Employers and Agent Multiple –Employer Plans*, address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB). The requirements in this Statement will allow more agent employers to use the alternatives measurement method to produce actuarially based information for purposes of financial reporting. This standard was issued in December 2009 and is effective for periods beginning after June 15, 2011. GASB Statement No. 59, *Financial Instruments Omnibus*, updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of these Statements will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. This standard was issued in June 2010 and is effective for the period beginning after June 15, 2010. Neither standard will have any effect on the financial statements.

Cash and Cash Equivalents

BAIFA considers all highly liquid investments with maturity of three months or less at date of purchase to be cash and cash equivalents. Cash and cash equivalents are classified as restricted in the Statement of Net Assets because their use is limited externally by applicable bond covenants or an imposed external restriction.

Variable rate demand obligations (VRDOs) are also presented as cash and cash equivalents. VRDOs have liquidity instruments and allow the securities to be put at any time with seven days notice and there is no significant risk of principal.

Net Deficit

Net deficit represent residual interest in assets after liabilities are deducted. Net deficit consist of three sections: Invested in capital assets, net of related debt, as well as restricted and unrestricted, if applicable. The unrestricted net deficit of $72,891,307 in fiscal year 2010 is the result of the transactions between BAIFA and BATA. BAIFA will be accumulating a net deficit every year until the BAIFA receivable from BATA is zero. After that, the subsequent payments of the state pledged revenues will reduce BAIFA's net deficit. See Note 4 for more information.

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.

3. Cash and Investments

BAIFA 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 BAIFA 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 guidelines of Permitted Investments as defined in the Indenture of Trust. Investments include the following:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit issued by a national or state chartered bank
- Bankers' acceptances
- Authorized pooled investment programs
- Commercial paper – Rated "A1 or P1"
- Municipal bonds
- Mutual funds – Rated "AAA"/ "Aaa"

Deposit and Investment Risk Factors

There are many factors that can affect the value of investments. BAIFA invests substantially in fixed income securities, which are affected by credit risk, custodial credit risk, concentration of credit risk, and interest rate risk. Most of BAIFA investments are classified as cash and cash equivalents since they are liquid and have original or remaining maturities of 90 days or less at the time of purchase.

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.

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. See information about credit quality ratings of debt securities under "Concentration of Credit Risk" below.

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 an independent trust account maintained with Deutsche Bank and held in the name of BAIFA. Security trades clear through the Deutsche Bank trust accounts that are fully insured or collateralized. As a result, BAIFA believes 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.

The S&P rating for the investments that represent 5% or more of total cash and investments held are as follows:

	2010	2009
East Bay California Municipal Utility District	AAA	AAA
Airport Commission City and County of San Francisco	-	A
County of Alameda California	A	A
Metropolitan Water District of Southern California	AAA	AAA
Goldman Sachs Fin Square Fund Institutional Shares	AAA	AAA
Eastern Municipal Water District California	AA	-
Federal Home Loan Mortgage Corporation	AAA	-

iv.) Interest Rate Risk

The weighted average to maturity of BAIFA's securities expressed in days at June 30, 2010 and 2009 are as follows:

	2010	2009
East Bay California Municipal Utility District	7*	7*
Airport Commission City and County of San Francisco	-	7*
County of Alameda California	519	884
Metropolitan Water District of Southern California	7*	7*
Sacramento California Suburban Water District	7*	7*
Eastern Municipal Water District California	7*	-
Los Angeles California Dept of Water & Power	7*	-
Federal Home Loan Mortgage Corporation	849	-

*The maturity dates are not final maturity dates. Variable rate demand bonds have a 7 day put.

Investments in issuers that represent 5 percent or more of total cash and investments at June 30, 2010 and 2009 are as follows:

	2010	2009
East Bay California Municipal Utility District	12%	15%
Airport Commission City and County of San Francisco	-	12%
County of Alameda California	5%	5%
Metropolitan Water District of Southern California	17%	20%
Goldman Sachs Fin Square Fund Institutional Shares	43%	48%
Eastern Municipal Water District California	6%	-
Federal Home Loan Mortgage Corporation	13%	-

Restricted Cash and Cash Equivalents

Cash and cash equivalents is restricted as these assets are used for a specific purpose. BAIFA's cash and cash equivalents of $142,614,085 are restricted for debt service.

4. Due From Bay Area Toll Authority

In December 2006, BATA entered into an agreement (the contribution agreement) with BAIFA under which BAIFA would advance proceeds from the issuance of SPAN notes to BATA to allow BATA to complete certain seismic retrofit projects. BATA will repay these advances to BAIFA through its pledge and assignment of future scheduled payments of $1,135,000,000 from the State of California. The $1,135,000,000 represents a part of the state's share of the seismic retrofit and replacement program. BAIFA has received $367,000,000 to date of the $1,135,000,000 scheduled pledged revenue from the state. Once the receivable balance is reduced to zero, the amount received from BATA will be recorded as revenue, offsetting expenses and thus will reduce the net deficit. The pledged revenues from the state are used for debt service payments.

The receivable due from BATA as of June 30, 2010 is $546,066,041 and is non-interest bearing. In accordance with the contribution agreement, BATA is obligated to repay the amount from the pledged seismic retrofit payments. BAIFA will maintain a balance due from BATA until the balance is repaid from the annual pledged revenue.

5. Long Term Debt

SPANs were issued December 2006 to (1) finance the cost of the retrofit and replacement projects and (2) pay costs incurred in connection with the issuance of the SPANs.

A summary of the debt for the year ended June 30, 2010 is as follows:

Business-type activities

	Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Due Within One Year
2006 State Payment Acceleration Notes	12/14/2006	4.0 - 5.0%	2017	$ 972,320,000	$ 791,170,000	$ -	$ 41,335,000	$ 749,835,000	$ 17,020,000
Unamortized bond premium					40,659,258	-	5,030,011	35,629,247	
Net long-term debt as of June 30, 2010					$ 831,829,258	$ -	$ 46,365,011	$ 785,464,247	

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 the debt for the year ended June 30, 2009 is as follow:

Business-type activities

	Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009	Due Within One Year
2006 State Payment Acceleration Notes	12/14/2006	4.0 - 5.0%	2017	$ 972,320,000	$ 867,140,000	$ -	$ 75,970,000	$ 791,170,000	$ 8,720,000
Unamortized bond premium					45,689,269	-	5,030,011	40,659,258	
Net long-term debt as of June 30, 2009					$ 912,829,269	$ -	$ 81,000,011	$ 831,829,258	

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%.

6. Annual Funding Requirements

The annual funding requirements (principal and interest) for the long-term debt outstanding of the business-type activities at June 30, 2010 are as follows:

Fiscal Year Ending	Principal Payments	Interest Payments	Total Payments
2011	$ 17,020,000	$ 32,017,955	$ 49,037,955
2012	-	31,291,201	31,291,201
2013	-	31,291,201	31,291,201
2014	40,350,000	31,291,201	71,641,201
2015	61,745,000	29,568,256	91,313,256
2016-2018	630,720,000	80,795,232	711,515,232
	$ 749,835,000	$ 236,255,046	$ 986,090,046

7. Subsequent Events

In August 1, 2010, BAIFA made a partial optional bond redemption of $18,025,000 of the SPANs maturing August 1, 2013. The Authority redeemed the SPANs that bear the highest interest rate for such maturity date. It lowered the SPANs balance for such maturity date from $40,350,000 to $22,325,000.