

Metropolitan Transportation Commission

Financial Statements

For the Years Ended June 30, 2003 and 2002

Metropolitan Transportation Commission
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June 30, 2003 and 2002

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Report of Independent Auditors

To the Commissioners
Metropolitan Transportation Commission

In our opinion, the financial statements of the governmental activities and the business-type activities 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 and the business-type activities, at June 30, 2003 and 2002, and the respective changes in financial position and cash flows, where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the MTC'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, which 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 provides a reasonable basis for our opinions.

The Management's Discussion and Analysis on pages 2 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The supplemental schedules on pages 64 through 82 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



October 3, 2003

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2003 and 2002

Management's Discussion and Analysis (unaudited)

Management's Discussion and Analysis

This section presents a discussion of the results of operations and financial performance of Metropolitan Transportation Commission (MTC), its blended component units, and fiduciary funds for the year ended June 30, 2003.

Fiscal year 2003 was a year of fiscal uncertainty for MTC as well as for many public agencies. The Bay Area economy remained sluggish. The region's sales tax revenue decreased for the second straight year. Yet despite this decrease and the economy, there were highlights during the fiscal year as well. Several programs made significant progress during this year.

- The TransLink® program's phase I demonstration phase, universal smart card, came to a successful conclusion. The next phase will be a full rollout for Bay Area public transit agencies.
- The 511 traveler information service, a successor to the Travinfo® system, went live in December 2002.
- The widening of the San Mateo-Hayward Bridge was completed along with the installation of 86 new call boxes on the bridge.
- The Traffic Congestion Relief Program financed a new generation of state of the art, low emission buses for the Regional Express Bus routes developed by MTC in 2001. These routes will help close regional gaps in the regional transit network. The program will cost 40 million dollars when completed.

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

A. Financial Highlights

For the years ended June 30, 2003 and June 30, 2002 net assets of MTC exceeded its liabilities by \$336,399 and \$583,603 respectively. The decrease was primarily the result of planned project draw downs in the Bay Area Toll Authority (BATA) Regional Measure 1 (RM 1) program.

Net assets in the governmental funds for the year ended June 30, 2003 decreased by \$4,296 as compared to an increase of \$4,247 for the year ended June 30, 2002 as reported under the accrual basis of accounting. Net assets in the governmental funds as of June 30, 2003 decreased by \$11,488 compared to a decrease of \$3,310 for the year ended June 30, 2002 as reported under the modified accrual basis of accounting.

At June 30, 2003 fiscal year, the general fund unrestricted reserves were \$1,953, or 2.2% of total general fund expenditures. The general fund reserves at June 30, 2002 fiscal year were \$13,244. The unreserved general fund balances decreased by \$11,291 mainly due to an increase in restricted reserves.

MTC's long-term debt increased by \$300,000 due to an issuance of toll bridge revenue backed bonds issuance by BATA in February 2003. This 2003 issue was the second in a planned \$1 billion (actual dollars) bridge project financing program.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2003 and 2002

Management's Discussion and Analysis (unaudited), *continued*

B. Overview of Government-Wide Financial Statements

The government-wide financial statements provide an overview of MTC and its blended component units. 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 change in assets and liabilities of MTC during the 2003 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 2003 and 2002 fiscal year. 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 inter-governmental sources.

MTC is composed of governmental and business-type funds. The governmental funds comprise the general fund and the special revenue funds. The business or proprietary funds are BATA and MTC Service Authority for Freeways and Expressways (SAFE). These funds are further described on page 43 of the footnotes to the financial statements.

The government-wide Statement of Net Assets and Statement of Activities are presented on pages 13-16 of this report with the accompanying footnotes being presented on pages 39-62.

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 inter-governmental 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 and six special revenue funds. 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 six 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, is on pages 17-21 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 is presented in these financial statements on pages 22-28 of this report.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2003 and 2002
Management's Discussion and Analysis (unaudited), *continued*

ii) Proprietary Funds

Proprietary funds are used to report business-type activities. MTC has two proprietary funds, BATA and SAFE. These funds are presented as blended component units of MTC on the government-wide 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 capital improvement program approved by the voters in 1988. 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 29-36.

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 (AB1107) funds. Revenue for each of these funds are derived from sales tax revenues. The revenues for the TDA fund are deposited with the respective treasurer in each of the nine counties in the region. The revenues for the AB1107 fund are deposited with the State of California. MTC has administrative oversight for the allocation of these funds.

The fiduciary funds financial statements are presented on pages 37-38 of this report.

D. Notes to the Financial Statements

The notes to the financial statements, beginning on page 39, 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 assets exceeded liabilities for fiscal 2003 by \$336,399 and by \$583,603 for fiscal 2002 as illustrated in the following table. The decrease in net assets was due to additional liability resulting from the issuance of \$300,000 in Bridge Toll revenue bonds for BATA and an increase in other liabilities of \$41,581. The increase in liabilities was offset by an increase of \$103,534 to cash and investments resulting from the bond issuance.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2003 and 2002
Management's Discussion and Analysis (unaudited), *continued*

i.) Statement of Net Assets

	Metropolitan Transportation Commission Net Assets (\$000)					
	Governmental Activities		Business Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Cash and investments	\$ 116,771	\$ 100,833	\$ 863,450	\$ 775,854	\$ 980,221	\$ 876,687
Receivables	29,318	43,066	37,636	44,556	66,954	87,622
Other assets	508	406	8,414	5,127	8,922	5,533
Loan to other agencies	39,935	32,440	2,003	2,003	41,938	34,443
Capital assets	3,146	3,466	2,137	1,274	5,283	4,740
Total assets	189,678	180,211	913,640	828,814	1,103,318	1,009,025
Long term debt, net	-	-	701,245	401,329	701,245	401,329
Other liabilities	25,626	11,863	40,048	12,230	65,674	24,093
Total liabilities	25,626	11,863	741,293	413,559	766,919	425,422
Net assets:						
Invested in capital assets, net of related debt	3,146	3,466	2,137	1,274	5,283	4,740
Restricted	123,857	101,516	130,000	125,000	253,857	226,516
Unrestricted	37,049	63,366	40,210	288,981	77,259	352,347
Total net assets	\$ 164,052	\$ 168,348	\$ 172,347	\$ 415,255	\$ 336,399	\$ 583,603

At June 30, 2003, MTC reported positive balances in all categories of net assets; for the government as a whole, as well as for its separate governmental and business-type activities. The same was true for the 2002 year.

Total restricted assets increased by \$27,341 during the year ended June 30, 2003. This increase includes \$5,000 from the business type activities due to an increase in the reserve requirement for the operating and maintenance reserve for the BATA bonds. The remaining increase of \$22,341 relates to governmental activities. This consists of an increase of \$14,396 in the reserve for encumbrances and other reserves set aside by the Commission. The remaining \$7,945 is an increase in a long term receivable from the Bay Area Rapid Transit District, pertaining to the funding of the SFO Extension Project. Total unrestricted net assets decreased by \$275,088. The governmental funds accounted for \$26,317 of this decrease and the business-type activities accounted for \$248,771. The decrease in the governmental funds is mainly due to an increase in allocation expense and a decrease in state transit revenue. The ongoing \$1.6 billion (actual dollars) RM-1 capital improvement program accounted for \$242,908 of the business-type activities decrease.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2003 and 2002
Management's Discussion and Analysis (unaudited), *continued*

ii) Statement of Activities

MTC's net assets for governmental activities decreased by \$4,296 during fiscal year 2003. A breakdown of this activity is illustrated in the table below:

Metropolitan Transportation Commission's Changes in Net Assets (\$000)						
	Governmental		Business Type		Total	
	Activities		Activities			
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 151,914	\$ 150,128	\$ 151,914	\$ 150,128
Operating grants and contributions	48,068	47,069	7,074	7,068	55,142	54,137
Capital grants and contributions	72,345	64,472	-	-	72,345	64,472
General revenues:						
Investment earnings	1,764	4,375	25,793	45,598	27,557	49,973
Total revenues	122,177	115,916	184,781	202,794	306,958	318,710
Expenses:						
General government	48,571	45,895	-	-	48,571	45,895
Allocations to other agencies	105,152	92,787	-	-	105,152	92,787
Toll bridge activities	-	-	390,063	347,029	390,063	347,029
Congestion relief	-	-	10,376	9,251	10,376	9,251
Total expenses	153,723	138,682	400,439	356,280	554,162	494,962
Increase in net assets before transfers	(31,546)	(22,766)	(215,658)	(153,486)	(247,204)	(176,252)
Transfers in (out)	27,250	27,013	(27,250)	(27,013)	-	-
Increase (decrease) in net assets	(4,296)	4,247	(242,908)	(180,499)	(247,204)	(176,252)
Net assets - beginning	168,348	164,101	415,255	595,754	583,603	759,855
Net assets - ending	\$ 164,052	\$ 168,348	\$ 172,347	\$ 415,255	\$ 336,399	\$ 583,603

Allocations to other agencies increased by \$12,365 due primarily to expenditures of \$34,952 for Regional Express Buses, as well as a reduction in expenditures by \$23,939 for the STA and AB664 programs due to decreased revenues.

The toll bridge activities expenses increased by \$43,034 due to an increase in capital transfers of \$29,548 and an increase in operating expenses incurred by the State of California Department of Transportation (Caltrans) of \$6,440. Interest expense also increased by \$7,083.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2003 and 2002
Management's Discussion and Analysis (unaudited), *continued*

F. Financial Analysis of Business-Type Activities

The following table shows the results of operations for the two years.

<u>Business Type Funds (\$000)</u>			2003	2002	% inc/(dec)
Revenues:					
Toll revenues collected by Caltrans	\$	144,200	\$	142,337	1.3%
Other operating revenues		7,734		7,797	-0.8%
Total revenues		151,934		150,134	1.2%
Operating expenses:					
Operating expenses incurred by Caltrans		35,717		29,277	22.0%
Other operating expenses		13,495		12,408	8.8%
Total operating expenses		49,212		41,685	18.1%
Operating income/(loss)		102,722		108,449	-5.3%
Non-operating revenues/(expenses)					
Interest income		25,697		45,532	-43.6%
Interest expense		(20,441)		(13,358)	53.0%
Other		7,150		7,128	0.3%
		12,406		39,302	-68.4%
Income before operating and capital transfers		115,128		147,751	-22.1%
Transfers		(27,250)		(27,012)	0.9%
Net income before capital transfers		87,878		120,739	-27.2%
Capital transfers		(330,786)		(301,238)	9.8%
Change in net assets		(242,908)		(180,499)	34.6%
Total net assets - beginning		415,255		595,754	-30.3%
Total net assets - ending	\$	172,347	\$	415,255	-58.5%

Toll revenue for the seven bridges increased by \$1,863, an increase of 1.3% from the previous year. The increase resulted from a nominal increase in vehicle traffic.

Operating expenses incurred by Caltrans increased 22% put the ETC Processing Center into full operation. Through 2002, Caltrans was in the process of developing the Concord Processing Center for Electronic Toll Collection. The \$6,440 increase in operating costs for the Center was in line with projected costs.

Interest income decreased by 44% due to lower interest rates and a reduction in cash balances resulting from ongoing bridge construction. Interest expense increased by \$7,083 due to an additional bond

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2003 and 2002
Management's Discussion and Analysis (unaudited), *continued*

issuance of \$300,000 in February 2003, which resulted in added interest in fiscal 2003 of \$3,288. Interest expense recorded on the 2001 toll revenue bonds increased by \$3,795 due to the interest rate swap entered in February 2002.

G. Financial Analysis of Governmental Activities

The fund balance of the MTC governmental funds was \$121,027 and \$132,515 for fiscal years 2003 and 2002 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 \$61,340 is reserved for encumbrances for fiscal 2003 and \$56,546 for fiscal 2002. A reserve of \$35,601 and \$50,194 for fiscal 2003 and 2002, respectively, is to be used for purposes specific to the special revenue funds. An amount of \$22,133 of the fund balance for 2003 and \$12,530 for 2002 has been reserved for specific Commission or other legal purposes. The remaining balance of \$1,953 for 2003 and \$13,245 for 2002 represents unreserved funds available for appropriation at the government's discretion.

The following table illustrates the revenues and expenditures for the past two fiscal years. Refer to page 21 for a reconciliation between the governmental funds to the Statement of Activities.

	<u>Governmental Funds (\$000)</u>		
	2003	2002	% inc/(dec)
Revenues:			
Sales taxes	\$ 8,903	\$ 9,327	-4.5%
Grants- Federal	28,129	24,334	15.6%
Grants- State and other agencies	83,381	77,881	7.1%
Investment income	1,764	4,374	-59.7%
Total revenues	122,177	115,916	5.4%
Expenditures:			
Current:			
General government	48,211	45,502	6.0%
Allocations to other agencies	112,648	100,528	12.1%
Capital outlay	56	209	-73.2%
Total expenditures	160,915	146,239	10.0%
Transfers in	27,250	27,013	0.9%
Net change in fund balance	(11,488)	(3,310)	247.1%
Fund balance - beginning	132,515	135,825	-2.4%
Fund balance - ending	\$ 121,027	\$ 132,515	-8.7%

MTC's sales tax revenue decreased for the second straight year. The federal grant revenue increased mainly due to work on the TravInfo®/511 project. The increase in state and other agency grant revenue was mainly due to a new Traffic Congestion Relief grant for the Express Bus Program for \$34,952. This increase in state and other agency grant revenue was offset partially by a State Transit Assistance revenue decrease of \$27,080 or 42.0% during fiscal 2003. Investment income declined due to the lower interest rates in fiscal 2003.

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Financial Statements for the years ended June 30, 2003 and 2002
Management's Discussion and Analysis (unaudited), *continued*

Total expenditures increased by 10% from fiscal 2002 to 2003. The increase in general government expenditures was primarily due to increase in employee salaries and benefits of \$1,463 and professional fees of \$1,220. Allocations to other agencies increased mainly due to the funds paid to transit operators for the Express Bus Program in 2003 of \$34,952. At the same time, allocations from the STA and AB664 funds decreased by \$23,938.

The deficit for fiscal years 2003 and 2002 was covered by unreserved fund balances.

i) General Fund

The final fiscal year 2003 general fund revenue budget for MTC for the year was \$106,756 an increase of \$52,574 over the original budget adopted on July 1, 2002. The following provides a condensed view of the final budgeted results compared to actual results for the year ended June 30, 2003.

	General Fund Budget			
	Adopted Budget	Final Budget	Actual	Variance
Revenues	\$ 61,889	\$ 106,756	\$ 78,062	\$ 28,694
Expenditures	66,799	124,128	88,208	35,920
Excess/(Deficiency)	(4,910)	(17,372)	(10,146)	(7,226)
Transfers in	4,135	12,307	8,125	4,182
Net Change in Fund Balance	(775)	(5,065)	(2,021)	(3,044)
Fund balance - beginning	29,234	29,234	29,234	-
Fund balance - ending	\$ 28,459	\$ 24,169	\$ 27,213	\$ (3,044)

The principal reason for the increase in the final budget from the adopted budget was due to a carryover of prior year funding and a new forty million dollar grant for the Express Bus Program.

The expenditure in the final budget increased over the adopted budget due to prior year encumbrances being brought forward.

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 deficit of \$2,021 after transfers.

The general fund's fund balance decreased by \$2,021 at June 30, 2003 due to an increase in general government expenditures.

ii) Other Major Funds

The budget for the other major funds are included on pages 23-28. The expenditures in all these funds were under budget. MTC has seven major governmental funds, including the general fund. Four of these funds are being reported as major funds as they are of particular interest to certain financial statement users.

The AB664 Net Toll revenue fund's fund balance increased by \$1,687 in fiscal 2003 due to a decrease in allocations expense for the year. The STA fund balance decreased by \$9,682 at June 30, 2003 due to a decrease in the state transit assistance revenue.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2003 and 2002
Management's Discussion and Analysis (unaudited), *continued*

H. Fiduciary Funds

The following table illustrates the results of the fiduciary funds for the past two fiscal years.

	Fiduciary Funds (\$000)					
	TDA Fund			AB1107 Fund		
	2003	2002	% inc/(dec)	2003	2002	% inc/(dec)
Additions:						
Local Transportation Fund	\$ 254,381	\$ 266,473	-4.5%	\$ -	\$ -	-
AB1107 Fees	-	-	-	55,819	57,601	-3.1%
Investment income	1,908	3,763	-49.3%	121	755	-84.0%
Total additions	256,289	270,236	-5.2%	55,940	58,356	-4.1%
Deductions:						
Allocations	231,734	325,552	-28.8%	64,820	61,957	4.6%
Administrative Expenses	9,712	10,185	-4.6%	-	-	-
Total deductions	241,446	335,737	-28.1%	64,820	61,957	4.6%
Net of additions over (under) deductions	\$ 14,843	\$ (65,501)	-122.7%	\$ (8,880)	\$ (3,601)	146.6%

The sales tax revenue declined for the second straight year in the region. Sales tax revenue for the TDA funds decreased from \$266,473 in fiscal 2002 to \$254,381, a decrease of 4.5% in fiscal 2003. Allocation expense decreased from \$325,552 in fiscal 2002 to \$231,734 in fiscal 2003 for a decrease of 28.8%. The decrease in allocations is also attributable to some of the reserves being used up in fiscal 2002 to help alleviate the shortfall in that year. Sales tax revenue for the AB1107 fund decreased from \$57,601 in fiscal 2002 to \$55,819 in fiscal 2003 for a decrease of 3.1%.

I. Capital Asset Administration

MTC's investment in capital assets for all funds, governmental and proprietary is \$5,283 as reported under the accrual basis of accounting. This investment in capital assets includes furniture and equipment, as well as improvements to the SAFE Callbox system. Eighty-six new call boxes were installed on the San Mateo-Hayward Bridge after completion of the bridge widening project. Assets relating to the seven state-owned bridges administered by BATA are recorded with Caltrans.

Additional information on the MTC's capital assets are disclosed in note 3 on pages 50-51 of this report.

J. Long-Term Debt Administration

The only long-term debt issued by MTC is \$700 million (actual dollars) in bridge toll revenue bonds issued by BATA as part of its \$1.6 billion (actual dollars) RM-1 bridge construction and rehabilitation program. The following is a summary of the debt and interest rate swap transactions in place at June 30, 2003:

In January 2001, BATA completed the first \$400 million (actual dollars) phase of a planned \$1 billion (actual dollars) construction funding program. The 2001 financing consisted of \$300 million (actual dollars) variable rate debt with \$100 million (actual dollars) in fixed rate debt. The floating rate bonds have a final maturity of 2036 and the fixed rate bonds a final maturity of 2018.

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Management's Discussion and Analysis (unaudited), *continued*

In May 2001, BATA completed a \$300 million (actual dollars), 35 year, floating-to-fixed rate swap with three counter-parties: AMBAC-FS LLP – \$150 million, CitiCorp and Morgan Stanley – \$75 million each. BATA pays a fixed rate (ranging from 4.09% to 4.10%) and receives the actual variable rate payment for years 1 through 4 and a rate based on 65% of LIBOR through 2036, the remaining term of the original financing. The AMBAC-FS LLP transaction is insured as to BATA and AMBAC-FS LLP (counter-party) default by a policy underwritten by AMBAC-Assurance Corporation.

In May 2002, BATA also completed a contract with AMBAC Financial Services to swap a future \$200 million (actual dollars) floating rate issue to a synthetic fixed-rate. The \$200 million (actual dollars) in variable rate demand obligation (VRDO) was subsequently issued in March 2003. BATA will pay a fixed payment of 4.14% and receive a floating rate payment based on 65% of the weekly LIBOR index. The transaction is insured against default, both BATA and the counter-party, by AMBAC Assurance Corporation.

BATA maintains long and short-term ratings from Standard & Poor's, Fitch Ratings, as well as Moody's Investors Services. At June 30, 2003, those ratings are:

Standard & Poor's	AA/A1
Moody's	Aa3
Fitch	AA/F1+

In addition, both the 2001 and 2003 variable rate demand bonds carry the AAA /Aaa /AAA ratings of Standard & Poor's, Moody's and Fitch respectively by virtue of the insurance policy written by AMBAC Assurance.

Additional information on MTC's long-term debt can be found in note 4 on pages 52-57 of this report.

K. Economic Factors Impacting MTC

A general economic slowdown which began in fiscal year 2001 will continue to impact the Bay Area and transportation capacity. General factors include:

- Area unemployment is above 6.0%, up from 5.4% in 2002.
- There was a general decline in sales tax revenue. Region-wide revenue declined for a second straight year, down 16% below the high of fiscal year 2001. Sales tax revenue for fiscal 2003 declined in five of the nine counties, and two of the other counties were unchanged from the 2002 year.
- While federal funding has not decreased with the economic slowdown, MTC will face reauthorization of the TEA 21 (renamed SAFETEA) in fiscal year 2004, which impacts region-wide funding.
- Interest rates remained at historical low levels drastically reducing any potential investment earnings as a revenue source.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2003 and 2002
Management's Discussion and Analysis (unaudited), *continued*

While these factors are critical to the region-wide transportation planning and funding which is MTC's principal task, these factors are not expected to significantly impact MTC operations nor the operations of SAFE or BATA.

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, 2003

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents - unrestricted	\$ 96,454,953	\$ 390,384,373	\$ 486,839,326
Cash and cash equivalents - restricted	5,187,787	-	5,187,787
Investments - unrestricted	15,128,313	343,065,198	358,193,511
Investments - restricted	-	130,000,000	130,000,000
Receivables:			
Accounts and tolls due	387,647	3,727,415	4,115,062
Interest	116,846	6,675,929	6,792,775
State funding	19,673,235	8,109,760	27,782,995
Federal funding	7,437,686	1,346,090	8,783,776
Maintenance funding	-	17,776,724	17,776,724
Indirect cost recovery	1,702,560	-	1,702,560
Prepaid items	508,682	490,347	999,029
Bond issuance costs	-	7,924,365	7,924,365
Loan to other agencies	39,935,000	2,002,933	41,937,933
Capital assets (net of accumulated depreciation)	3,145,598	2,137,004	5,282,602
Total assets	189,678,307	913,640,138	1,103,318,445
Liabilities			
Accounts payable and other current liabilities	19,853,439	1,408,241	21,261,680
Accrued liabilities	5,671,046	3,125,914	8,796,960
Due to/(from) other funds	46,356	(46,356)	-
Due to Caltrans	-	35,560,472	35,560,472
Noncurrent liabilities:			
Long-term capital leases:			
Due within one year	24,476	-	24,476
Due in more than one year	30,521	-	30,521
Long-term debt, net	-	701,244,921	701,244,921
Total liabilities	25,625,838	741,293,192	766,919,030
Net Assets			
Invested in capital assets, net of related debt	3,145,598	2,137,004	5,282,602
Restricted for:			
Capital projects	61,339,974	-	61,339,974
Other purposes	62,068,118	130,000,000	192,068,118
Unrestricted	37,498,779	40,209,942	77,708,721
Total net assets	\$ 164,052,469	\$ 172,346,946	\$ 336,399,415

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

Metropolitan Transportation Commission
Statement of Net Assets
June 30, 2002

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents - unrestricted	\$ 68,403,136	\$ 286,638,434	\$ 355,041,570
Investments - unrestricted	32,430,150	364,215,410	396,645,560
Investments - restricted	-	125,000,000	125,000,000
Receivables:			
Accounts and tolls due	494,479	4,125,638	4,620,117
Interest	502,900	9,473,977	9,976,877
State funding	35,397,349	7,154,081	42,551,430
Federal funding	5,587,370	1,171,980	6,759,350
Maintenance funding	-	22,027,480	22,027,480
Indirect cost recovery	1,083,593	-	1,083,593
Other	-	603,083	603,083
Prepaid items	406,276	507,177	913,453
Bond issuance costs	-	4,620,120	4,620,120
Loan to other agencies	32,440,000	2,002,933	34,442,933
Capital assets (net of accumulated depreciation)	3,465,851	1,273,731	4,739,582
Total assets	180,211,104	828,814,044	1,009,025,148
Liabilities			
Accounts payable and other current liabilities	8,754,202	1,347,958	10,102,160
Accrued liabilities	2,320,431	2,791,850	5,112,281
Due to/(from) other funds	716,114	(716,114)	-
Due to Caltrans	-	8,806,834	8,806,834
Noncurrent liabilities:			
Long-term capital leases:			
Due within one year	25,231	-	25,231
Due in more than one year	46,708	-	46,708
Long-term debt, net	-	401,328,849	401,328,849
Total liabilities	11,862,686	413,559,377	425,422,063
Net Assets			
Invested in capital assets, net of related debt	3,465,851	1,273,731	4,739,582
Restricted for:			
Capital projects	56,546,243	-	56,546,243
Other purposes	44,969,896	125,000,000	169,969,896
Unrestricted	63,366,428	288,980,936	352,347,364
Total net assets	\$168,348,418	\$ 415,254,667	\$ 583,603,085

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

Metropolitan Transportation Commission
Statement of Activities
For the Year Ended June 30, 2003

	Expenses	Primary Revenues				Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Governmental Activities	Business-type Activities	Total
Functions								
<i>Governmental Activities:</i>								
General government	\$ 48,570,719	\$ -	\$ 43,404,229	\$ -	\$ 43,404,229	\$ (5,166,490)	\$ -	\$ (5,166,490)
Allocations to other agencies	105,152,624	-	4,664,094	72,344,529	77,008,623	(28,144,001)	-	(28,144,001)
Total governmental activities	153,723,343	-	48,068,323	72,344,529	120,412,852	(33,310,491)	-	(33,310,491)
<i>Business-type Activities:</i>								
Toll bridge activities	390,063,272	146,105,106	305,004	-	146,410,110	-	(243,653,162)	(243,653,162)
Congestion relief	10,375,587	5,809,298	6,768,664	-	12,577,962	-	2,202,375	2,202,375
Total business-type activities	400,438,859	151,914,404	7,073,668	-	158,988,072	-	(241,450,787)	(241,450,787)
Total primary government	\$ 554,162,202	\$ 151,914,404	\$ 55,141,991	\$ 72,344,529	\$ 279,400,924	(33,310,491)	(241,450,787)	(274,761,278)
General revenues:								
Unrestricted investment earnings						1,764,255	25,793,353	27,557,608
Transfers						27,250,287	(27,250,287)	-
Total general revenues and transfers						29,014,542	(1,456,934)	27,557,608
Change in net assets						(4,295,949)	(242,907,721)	(247,203,670)
Net assets - beginning						168,348,418	415,254,667	583,603,085
Net assets - ending						\$ 164,052,469	\$ 172,346,946	\$ 336,399,415

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

Metropolitan Transportation Commission
Statement of Activities
For the Year Ended June 30, 2002

	Expenses	Primary Revenues				Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Governmental Activities	Business-type Activities	Total
Functions								
<i>Governmental Activities:</i>								
General government	\$ 45,894,987	\$ -	\$ 40,479,572	\$ -	\$ 40,479,572	\$ (5,415,415)	\$ -	\$ (5,415,415)
Allocations to other agencies	92,787,010	-	6,589,370	64,472,632	71,062,002	(21,725,008)	-	(21,725,008)
Total governmental activities	138,681,997	-	47,068,942	64,472,632	111,541,574	(27,140,423)	-	(27,140,423)
<i>Business-type Activities:</i>								
Toll bridge activities	347,029,659	144,230,152	594,987	-	144,825,139	-	(202,204,520)	(202,204,520)
Congestion relief	9,251,327	5,897,408	6,473,376	-	12,370,784	-	3,119,457	3,119,457
Total business-type activities	356,280,986	150,127,560	7,068,363	-	157,195,923	-	(199,085,063)	(199,085,063)
Total primary government	\$ 494,962,983	\$ 150,127,560	\$ 54,137,305	\$ 64,472,632	\$ 268,737,497	(27,140,423)	(199,085,063)	(226,225,486)
General revenues:								
Unrestricted investment earnings						4,374,608	45,598,476	49,973,084
Transfers						27,012,806	(27,012,806)	-
Total general revenues and transfers						31,387,414	18,585,670	49,973,084
Change in net assets						4,246,991	(180,499,393)	(176,252,402)
Net assets - beginning						164,101,427	595,754,060	759,855,487
Net assets - ending						\$ 168,348,418	\$ 415,254,667	\$ 583,603,085

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

Metropolitan Transportation Commission
Balance Sheet – Governmental Funds
June 30, 2003

	MTC General	Transit Reserve Funds	Rail Extension Reserves	AB 664 Net Toll Revenue Reserves	Exchange	STA	Feeder Bus	Total Governmental Funds
Assets								
Cash and cash equivalents - unrestricted	\$ 25,545,901	\$ 3,116,633	\$ 5,516,897	\$ 30,944,885	\$ 13,415,331	\$ 17,839,836	\$ 75,470	\$ 96,454,953
Cash and cash equivalents - restricted	5,187,787	-	-	-	-	-	-	5,187,787
Investments	147,313	-	-	14,981,000	-	-	-	15,128,313
Receivables:								
Accounts	31,020	-	-	-	-	-	356,627	387,647
Interest	30,000	-	5,414	29,432	-	52,000	-	116,846
State Funding	2,564,690	-	-	-	-	17,108,545	-	19,673,235
Federal Funding	7,437,686	-	-	-	-	-	-	7,437,686
Indirect cost recovery	1,702,560	-	-	-	-	-	-	1,702,560
Prepaid items	508,682	-	-	-	-	-	-	508,682
Total assets	\$ 43,155,639	\$ 3,116,633	\$ 5,522,311	\$ 45,955,317	\$ 13,415,331	\$ 35,000,381	\$ 432,097	\$ 146,597,709
Liabilities and fund balances								
Liabilities								
Accounts Payable	\$ 8,843,139	\$ 169,121	\$ -	\$ 509,945	\$ 110,485	\$ 5,008,912	\$ -	\$ 14,641,602
Accruals	2,129,138	-	126	959	-	3,540,823	-	5,671,046
Due to other funds	(240,626)	5,949	(85,098)	(113,414)	37,532	442,013	-	46,356
Other	5,211,837	-	-	-	-	-	-	5,211,837
Total liabilities	15,943,488	175,070	(84,972)	397,490	148,017	8,991,748	-	25,570,841
Fund balances								
Reserved for								
Encumbrances	3,126,010	2,476,513	2,276,406	35,731,467	7,577,393	9,867,673	284,512	61,339,974
Other	22,133,118	-	-	-	-	-	-	22,133,118
Unreserved, reported in								
General fund	1,953,023	-	-	-	-	-	-	1,953,023
Special revenue funds	-	465,050	3,330,877	9,826,360	5,689,921	16,140,960	147,585	35,600,753
Total fund balances	27,212,151	2,941,563	5,607,283	45,557,827	13,267,314	26,008,633	432,097	121,026,868
Total liabilities and fund balances	\$ 43,155,639	\$ 3,116,633	\$ 5,522,311	\$ 45,955,317	\$ 13,415,331	\$ 35,000,381	\$ 432,097	
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								3,145,598
Capital leases are not due and payable in the current period and therefore are not reported in the funds								(54,997)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds								39,935,000
Net assets of governmental activities								\$ 164,052,469

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

Metropolitan Transportation Commission
Balance Sheet – Governmental Funds
June 30, 2002

	MTC General	Transit Reserve Fund	Rail Extension Reserves	AB 664 Net Toll Revenue Reserves	Exchange	STA	Feeder Bus	Total Governmental Funds
Assets								
Cash and cash equivalents - unrestricted	\$ 25,982,481	\$ 4,010,610	\$ 798,712	\$ 18,392,397	\$ 13,892,668	\$ 5,274,992	\$ 51,276	\$ 68,403,136
Investments	-	-	4,994,500	27,435,650	-	-	-	32,430,150
Receivables:								
Accounts	69,442	90,446	227,768	106,823	-	-	-	494,479
Interest	161,103	34,000	32,841	144,456	80,000	50,000	500	502,900
State Funding	3,817,603	-	-	-	-	31,579,746	-	35,397,349
Federal Funding	5,587,370	-	-	-	-	-	-	5,587,370
Indirect cost recovery	1,083,593	-	-	-	-	-	-	1,083,593
Prepaid items	406,276	-	-	-	-	-	-	406,276
Total assets	\$ 37,107,868	\$ 4,135,056	\$ 6,053,821	\$ 46,079,326	\$ 13,972,668	\$ 36,904,738	\$ 51,776	\$ 144,305,253
Liabilities and fund balances								
Liabilities								
Accounts payable	\$ 4,873,205	\$ 228,898	\$ -	\$ 2,056,381	\$ 201,901	\$ 720,637	\$ -	\$ 8,081,022
Accruals	2,167,688	-	141	152,602	-	-	-	2,320,431
Due to other funds	160,157	-	-	-	62,698	493,259	-	716,114
Other	673,180	-	-	-	-	-	-	673,180
Total liabilities	7,874,230	228,898	141	2,208,983	264,599	1,213,896	-	11,790,747
Fund balances								
Reserved for								
Encumbrances	3,459,288	2,944,179	210,615	35,080,668	8,177,070	6,674,423	-	56,546,243
Other	12,529,896	-	-	-	-	-	-	12,529,896
Unreserved, reported in								
General fund	13,244,454	-	-	-	-	-	-	13,244,454
Special revenue funds	-	961,979	5,843,065	8,789,675	5,530,999	29,016,419	51,776	50,193,913
Total fund balances	29,233,638	3,906,158	6,053,680	43,870,343	13,708,069	35,690,842	51,776	132,514,506
Total liabilities and fund balances	\$ 37,107,868	\$ 4,135,056	\$ 6,053,821	\$ 46,079,326	\$ 13,972,668	\$ 36,904,738	\$ 51,776	
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								3,465,851
Capital leases are not due and payable in the current period and therefore are not reported in the funds								(71,939)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds								32,440,000
Net assets of governmental activities								\$ 168,348,418

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, 2003

	<u>General</u>	<u>Transit Reserve Fund</u>	<u>Rail Extension Reserves</u>	<u>AB664 Net Toll Revenue Reserves</u>	<u>Exchange</u>	<u>STA</u>	<u>Feeder Bus</u>	<u>Total Governmental Funds</u>
Revenues								
Sales taxes	\$ 8,903,326	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,903,326
Grants - Federal	28,128,978	-	-	-	-	-	-	28,128,978
Grants - State	36,795,447	2,821,000	-	-	-	37,392,176	-	77,008,623
Project grants from local agencies	3,874,353	-	-	-	-	-	2,497,571	6,371,924
Investment income	359,767	29,471	166,256	621,240	108,757	452,808	25,956	1,764,255
Total revenues	78,061,871	2,850,471	166,256	621,240	108,757	37,844,984	2,523,527	122,177,106
Expenditures								
Current:								
General government	48,206,145	-	1,033	4,435	-	-	-	48,211,613
Allocations to other agencies	39,946,631	4,814,154	10,584,209	11,210,000	457,823	43,491,600	2,143,206	112,647,623
Capital outlay	55,795	-	-	-	-	-	-	55,795
Total expenditures	88,208,571	4,814,154	10,585,242	11,214,435	457,823	43,491,600	2,143,206	160,915,031
Excess (deficiency) of revenues over (under) expenditures	(10,146,700)	(1,963,683)	(10,418,986)	(10,593,195)	(349,066)	(5,646,616)	380,321	(38,737,925)
Other financing sources / uses								
Transfers in	8,125,213	999,088	9,972,589	12,280,679	-	-	-	31,377,569
Transfers out	-	-	-	-	(91,689)	(4,035,593)	-	(4,127,282)
Total other financing sources and uses	8,125,213	999,088	9,972,589	12,280,679	(91,689)	(4,035,593)	-	27,250,287
Net change in fund balances	(2,021,487)	(964,595)	(446,397)	1,687,484	(440,755)	(9,682,209)	380,321	(11,487,638)
Fund balances - beginning	29,233,638	3,906,158	6,053,680	43,870,343	13,708,069	35,690,842	51,776	132,514,506
Fund balances - ending	\$ 27,212,151	\$ 2,941,563	\$ 5,607,283	\$ 45,557,827	\$ 13,267,314	\$ 26,008,633	\$ 432,097	\$ 121,026,868

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, 2002

	<u>General</u>	<u>Transit Reserve Fund</u>	<u>Rail Extension Reserves</u>	<u>AB664 Net Toll Revenue Reserves</u>	<u>Exchange</u>	<u>STA</u>	<u>Feeder Bus</u>	<u>Total Governmental Funds</u>
Revenues								
Sales taxes	\$ 9,326,567	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,326,567
Grants - Federal	24,334,055	-	-	-	-	-	-	24,334,055
Grants - State	6,818,950	-	-	-	-	-	-	6,818,950
Project grants from local agencies	3,796,013	2,793,357	-	-	-	64,472,632	-	71,062,002
Investment income	937,771	218,144	378,603	1,620,904	608,754	607,085	3,347	4,374,608
Total revenues	45,213,356	3,011,501	378,603	1,620,904	608,754	65,079,717	3,347	115,916,182
Expenditures								
Current:								
General government	45,496,210	-	807	5,033	-	-	-	45,502,050
Allocations to other agencies	6,220,516	3,225,394	10,639,385	25,381,795	1,736,829	53,258,264	65,827	100,528,010
Capital outlay	209,565	-	-	-	-	-	-	209,565
Total expenditures	51,926,291	3,225,394	10,640,192	25,386,828	1,736,829	53,258,264	65,827	146,239,625
Excess (deficiency) of revenues over (under) expenditures	(6,712,935)	(213,893)	(10,261,589)	(23,765,924)	(1,128,075)	11,821,453	(62,480)	(30,323,443)
Other financing sources / uses								
Transfers in	12,215,318	1,169,742	10,007,625	12,482,234	-	-	-	35,874,919
Transfers out	-	-	-	-	(1,101,504)	(7,760,609)	-	(8,862,113)
Total other financing sources and uses	12,215,318	1,169,742	10,007,625	12,482,234	(1,101,504)	(7,760,609)	-	27,012,806
Net change in fund balances	5,502,383	955,849	(253,964)	(11,283,690)	(2,229,579)	4,060,844	(62,480)	(3,310,637)
Fund balances - beginning	23,731,255	2,950,309	6,307,644	55,154,033	15,937,648	31,629,998	114,256	135,825,143
Fund balances - ending	\$ 29,233,638	\$ 3,906,158	\$ 6,053,680	\$ 43,870,343	\$ 13,708,069	\$ 35,690,842	\$ 51,776	\$ 132,514,506

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, 2003 and 2002

	2003	2002
Net change in fund balances - total governmental funds (per Statement of Revenues, Expenditure and Changes in Fund Balances)	\$(11,487,638)	\$ (3,310,637)
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 non capital lease capital outlays in the current period	(317,193)	(149,041)
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 differs from the change in fund balance by the cost of the capital asset sold.	(3,060)	(63,797)
The loan receivable from another agency is not recorded as a long-term asset in the governmental funds. Additional loan advances forwarded to the agency during the fiscal year are expensed in the governmental fund but are capitalized as a long-term asset in the statement of net assets. These amounts represents fiscal 2003 and 2002 loan advances, respectively.	7,495,000	7,741,000
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.	16,942	29,466
Change in net assets of governmental activities (per Statement of Activities)	<u>\$ (4,295,949)</u>	<u>\$ 4,246,991</u>

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

**Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – General Fund
For the Year Ended June 30, 2003**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Sales taxes for planning activities	\$ 8,891,789	\$ 8,340,672	\$ 8,903,326	\$ 562,654
Grants - Federal	27,851,860	34,124,576	28,128,978	(5,995,598)
Grants - State	12,902,151	50,092,791	36,795,447	(13,297,344)
Project grants from state and local agencies	10,986,388	12,738,703	3,874,353	(8,864,350)
Investment income	1,050,000	1,050,000	359,767	(690,233)
Other	206,755	409,123	-	(409,123)
Total revenues	61,888,943	106,755,865	78,061,871	(28,693,994)
Expenditures				
Current:				
General government	62,860,692	76,957,340	48,206,145	28,751,195
Allocations to other agencies	3,163,266	46,796,036	39,946,631	6,849,405
Capital outlay	775,000	375,000	55,795	319,205
Total expenditures	66,798,958	124,128,376	88,208,571	35,919,805
Deficiency of revenues under expenditures	(4,910,015)	(17,372,511)	(10,146,700)	7,225,811
Other financing sources				
Transfers in	4,135,015	12,307,692	8,125,213	(4,182,479)
Net change in fund balances	(775,000)	(5,064,819)	(2,021,487)	3,043,332
Fund balances - beginning	29,233,638	29,233,638	29,233,638	-
Fund balances - ending	\$ 28,458,638	\$ 24,168,819	\$ 27,212,151	\$ 3,043,332

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

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual - Transit Reserve
For the year ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Project grants from state and local agencies	\$ 2,821,291	\$ 2,821,291	\$ 2,821,000	\$ (291)
Investment income	-	-	29,471	29,471
Total revenues	2,821,291	2,821,291	2,850,471	29,180
Expenditures				
Current:				
Allocations to other agencies	4,034,903	7,278,571	4,814,154	2,464,417
Deficiency of revenues under expenditures	(1,213,612)	(4,457,280)	(1,963,683)	2,493,597
Other financing sources				
Transfers in	1,005,037	1,005,037	999,088	(5,949)
Net change in fund balances	(208,575)	(3,452,243)	(964,595)	2,487,648
Fund balances - beginning	3,906,158	3,906,158	3,906,158	-
Fund balances - ending	\$ 3,697,583	\$ 453,915	\$ 2,941,563	\$ 2,487,648

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

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual - Rail Extension Reserve
For the year ended June 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Project grants from state and local agencies	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	166,256	166,256
Total revenues	-	-	166,256	166,256
Expenditures				
Current:				
General Government			1,033	1,033
Allocations to other agencies	15,730,556	15,941,171	10,584,209	5,356,962
Total expenditures	15,730,556	15,941,171	10,585,242	5,357,995
Deficiency of revenues under expenditures	(15,730,556)	(15,941,171)	(10,418,986)	5,522,185
Other financing sources				
Transfers in	9,887,491	9,887,491	9,972,589	85,098
Net change in fund balances	(5,843,065)	(6,053,680)	(446,397)	5,607,283
Fund balances - beginning	6,053,680	6,053,680	6,053,680	-
Fund balances - ending	\$ 210,615	\$ -	\$ 5,607,283	\$ 5,607,283

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

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – AB664 Net Toll Revenue Reserves Fund
For the Year Ended June 30, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Investment income	\$ -	\$ -	\$ 621,240	\$ 621,240
Expenditures				
Current:				
General government	-	-	4,435	(4,435)
Allocations to other agencies	12,167,266	47,096,443	11,210,000	35,886,443
Total expenditures	12,167,266	47,096,443	11,214,435	35,882,008
Deficiency of revenues under expenditures	(12,167,266)	(47,096,443)	(10,593,195)	36,503,248
Other financing sources				
Transfers in	12,167,266	12,167,266	12,280,679	113,413
Net change in fund balances	-	(34,929,177)	1,687,484	36,616,661
Fund balances - beginning	43,870,343	43,870,343	43,870,343	-
Fund balances - ending	\$ 43,870,343	\$ 8,941,166	\$ 45,557,827	\$ 36,616,661

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

**Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual - Exchange
For the year ended June 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Project grants from state and local agencies	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	108,757	108,757
Total revenues	-	-	108,757	108,757
Expenditures				
Current:				
Allocations to other agencies	-	8,114,373	457,823	7,656,550
Excess (deficiency) of revenues over (under) expenditures	-	(8,114,373)	(349,066)	7,765,307
Other financing sources / (uses)				
Transfers (out) / in	-	-	(91,689)	(91,689)
Net change in fund balances	-	(8,114,373)	(440,755)	7,673,618
Fund balances - beginning	13,708,069	13,708,069	13,708,069	-
Fund balances - ending	\$ 13,708,069	\$ 5,593,696	\$ 13,267,314	\$ 7,673,618

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

**Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – STA Fund
For the Year Ended June 30, 2003**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Project grants from state and local agencies	\$ 37,727,508	\$ 36,152,968	\$ 37,392,176	\$ 1,239,208
Investment income	-	261,277	452,808	191,531
Total revenues	37,727,508	36,414,245	37,844,984	1,430,739
Expenditures				
Current:				
Allocations to other agencies	60,712,074	63,396,997	43,491,600	19,905,397
Excess (deficiency) of revenues over (under) expenditures	(22,984,566)	(26,982,752)	(5,646,616)	21,336,136
Other financing sources / (uses)				
Transfers (out) / in	(3,126,351)	(1,549,520)	(4,035,593)	(2,486,073)
Net change in fund balances	(26,110,917)	(28,532,272)	(9,682,209)	18,850,063
Fund balances - beginning	35,690,842	35,690,842	35,690,842	-
Fund balances - ending	\$ 9,579,925	\$ 7,158,570	\$ 26,008,633	\$ 18,850,063

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

**Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual - Feeder Bus
For the year ended June 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Project grants from state and local agencies	\$ 5,385,947	\$ 5,385,947	\$ 2,497,571	\$ (2,888,376)
Investment income	-	-	25,956	25,956
Total revenues	5,385,947	5,385,947	2,523,527	(2,862,420)
Expenditures				
Current:				
Allocations to other agencies	5,385,947	5,385,947	2,143,206	3,242,741
Excess (deficiency) of revenues over (under) expenditures	-	-	380,321	380,321
Other financing sources / (uses)				
Transfers (out) / in	-	-	-	-
Net change in fund balances	-	-	380,321	380,321
Fund balances - beginning	51,776	51,776	51,776	-
Fund balances - ending	\$ 51,776	\$ 51,776	\$ 432,097	\$ 380,321

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

Metropolitan Transportation Commission
Statement of Net Assets – Proprietary Funds
June 30, 2003

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 384,728,455	\$ 5,655,918	\$ 390,384,373
Short-term investments	149,838,096	10,256,002	160,094,098
Accrued interest	6,645,492	30,437	6,675,929
Prepaid expenses	111,360	186,477	297,837
Federal funding due	-	1,346,090	1,346,090
Caltrans funding due	-	7,935,784	7,935,784
Tolls due from Caltrans	3,727,415	-	3,727,415
Maintenance funding due from Caltrans	17,776,724	-	17,776,724
Prepayments to the Architectural Revolving Fund	192,510	-	192,510
Other receivables due from Caltrans	173,976	-	173,976
Total current assets	563,194,028	25,410,708	588,604,736
Non-current assets:			
Capital assets:			
Furniture and equipment, net of accumulated depreciation	2,037	89,447	91,484
Callboxes, net of accumulated depreciation	-	2,045,520	2,045,520
Capital assets, net	2,037	2,134,967	2,137,004
Non-current assets:			
Investments	182,971,100	-	182,971,100
Receivable due from Caltrans	2,002,933	-	2,002,933
Bond issuance costs	7,924,365	-	7,924,365
Total non-current assets	192,898,398	-	192,898,398
Restricted non-current assets:			
Investments	130,000,000	-	130,000,000
Total non-current assets	322,900,435	2,134,967	325,035,402
Total assets	886,094,463	27,545,675	913,640,138
Liabilities			
Current liabilities:			
Payable from unrestricted assets			
Accounts payable	207,783	1,128,455	1,336,238
Accrued expenses	66,800	190,358	257,158
Accrued interest payable	2,868,756	-	2,868,756
Retentions payable	59,624	12,379	72,003
Due to/(from) MTC	220,820	(267,176)	(46,356)
Due to Caltrans	35,560,472	-	35,560,472
Total current liabilities payable from unrestricted assets	38,984,255	1,064,016	40,048,271
Non-current liabilities:			
Long-term debt, net	701,244,921	-	701,244,921
Total liabilities	740,229,176	1,064,016	741,293,192
Net assets			
Invested in capital assets, net of related debt	2,037	2,134,967	2,137,004
Restricted net assets	130,000,000	-	130,000,000
Unrestricted net assets	15,863,250	24,346,692	40,209,942
Total net assets	\$ 145,865,287	\$ 26,481,659	\$ 172,346,946

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

Metropolitan Transportation Commission
Statement of Net Assets – Proprietary Funds
June 30, 2002

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 278,384,547	\$ 8,253,887	\$ 286,638,434
Short-term investments	34,937,000	6,976,400	41,913,400
Accrued interest	9,404,795	69,182	9,473,977
Prepaid expenses	96,172	191,751	287,923
Federal funding due	-	1,171,980	1,171,980
Caltrans funding due	-	7,154,081	7,154,081
Tolls due from Caltrans	4,125,638	-	4,125,638
Maintenance funding due from Caltrans	22,027,480	-	22,027,480
Prepayments to the Architectural Revolving Fund	219,254	-	219,254
Other receivables due from Caltrans	603,083	-	603,083
Total current assets	<u>349,797,969</u>	<u>23,817,281</u>	<u>373,615,250</u>
Non-current assets:			
Capital assets:			
Furniture and equipment, net of accumulated depreciation	4,069	180,239	184,308
Callboxes, net of accumulated depreciation	-	1,089,423	1,089,423
Capital assets, net	<u>4,069</u>	<u>1,269,662</u>	<u>1,273,731</u>
Unrestricted non-current assets:			
Investments	322,302,010	-	322,302,010
Receivable due from Caltrans	2,002,933	-	2,002,933
Bond issuance costs	4,620,120	-	4,620,120
Total unrestricted non-current assets	<u>328,925,063</u>	<u>-</u>	<u>328,925,063</u>
Restricted non-current assets:			
Investments	125,000,000	-	125,000,000
Total non-current assets	<u>453,929,132</u>	<u>1,269,662</u>	<u>455,198,794</u>
Total assets	<u>803,727,101</u>	<u>25,086,943</u>	<u>828,814,044</u>
Liabilities			
Current liabilities:			
Payable from unrestricted assets:			
Accounts payable	573,348	774,610	1,347,958
Accrued expenses	466,016	87,269	553,285
Accrued interest payable	2,167,302	-	2,167,302
Retentions payable	59,624	11,639	71,263
Due to/(from) MTC	108,207	(824,321)	(716,114)
Due to Caltrans	8,806,834	-	8,806,834
Total current liabilities payable from unrestricted assets	<u>12,181,331</u>	<u>49,197</u>	<u>12,230,528</u>
Non-current liabilities			
Long-term debt, net	401,328,849	-	401,328,849
Total liabilities	<u>413,510,180</u>	<u>49,197</u>	<u>413,559,377</u>
Net assets			
Invested in capital assets, net of related debt	4,069	1,269,662	1,273,731
Restricted net assets	125,000,000	-	125,000,000
Unrestricted net assets	265,212,852	23,768,084	288,980,936
Total net assets	<u>\$ 390,216,921</u>	<u>\$ 25,037,746</u>	<u>\$ 415,254,667</u>

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

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Change in Net Assets – Proprietary Funds
For the Year Ended June 30, 2003

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Operating revenues			
Toll revenues collected by Caltrans	\$ 144,199,876	\$ -	\$ 144,199,876
Department of Motor Vehicles registration fees	-	5,809,298	5,809,298
Other operating revenues	1,905,230	19,172	1,924,402
Total operating revenues	146,105,106	5,828,470	151,933,576
Operating expenses			
Operating expenses	35,717,351	-	35,717,351
Towing contracts	-	6,821,624	6,821,624
Professional fees	2,641,139	1,277,236	3,918,375
Repairs and maintenance	791	1,232,486	1,233,277
Communications charges	6,966	414,998	421,964
Depreciation and amortization	142,585	471,964	614,549
Other operating expenses	327,761	157,279	485,040
Total operating expenses	38,836,593	10,375,587	49,212,180
Operating income / (loss)	107,268,513	(4,547,117)	102,721,396
Non-operating revenues / (expenses)			
Interest income	25,434,363	262,556	25,696,919
Interest expense	(20,440,983)	-	(20,440,983)
Caltrans operating grants	305,004	5,638,413	5,943,417
Federal operating grants	-	1,111,079	1,111,079
Gain / (loss) on sale of investments	96,434	-	96,434
Total non-operating revenues, net	5,394,818	7,012,048	12,406,866
Income before operating and capital transfers	112,663,331	2,464,931	115,128,262
Transfers			
Transfers to Metropolitan Transportation Commission	(24,891,991)	(2,358,296)	(27,250,287)
Net income before capital transfers	87,771,340	106,635	87,877,975
Capital transfers			
Transfers to Caltrans	(329,518,305)	-	(329,518,305)
Transfer to other agencies	(1,267,391)	-	(1,267,391)
Transfers between programs	(1,337,278)	1,337,278	-
Total capital transfers	(332,122,974)	1,337,278	(330,785,696)
Change in net assets	(244,351,634)	1,443,913	(242,907,721)
Total net assets - beginning	390,216,921	25,037,746	415,254,667
Total net assets - ending	\$ 145,865,287	\$ 26,481,659	\$ 172,346,946

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

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Change in Net Assets – Proprietary Funds
For the Year Ended June 30, 2002

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Operating revenues			
Toll revenues collected by Caltrans	\$ 142,337,259	\$ -	\$ 142,337,259
Department of Motor Vehicles registration fees	-	5,897,408	5,897,408
Other operating revenues	1,892,893	6,588	1,899,481
Total operating revenues	144,230,152	5,903,996	150,134,148
Operating expenses			
Operating expenses incurred by Caltrans	29,276,930	-	29,276,930
Towing contracts	-	5,781,261	5,781,261
Professional fees	2,777,475	1,243,449	4,020,924
Repairs and maintenance	-	1,148,377	1,148,377
Communications charges	-	342,928	342,928
Depreciation and amortization	104,778	566,348	671,126
Other operating expenses	274,444	168,964	443,408
Total operating expenses	32,433,627	9,251,327	41,684,954
Operating income / (loss)	111,796,525	(3,347,331)	108,449,194
Non-operating revenues / (expenses)			
Interest income	45,052,336	479,994	45,532,330
Interest expense	(13,357,928)	-	(13,357,928)
Caltrans operating grants	594,987	5,201,753	5,796,740
Federal operating grants	-	1,163,811	1,163,811
Operating grants from other agencies	-	101,224	101,224
Gain / (loss) on sale of investments	81,644	(15,498)	66,146
Total non-operating revenues, net	32,371,039	6,931,284	39,302,323
Income before operating and capital transfers	144,167,564	3,583,953	147,751,517
Transfers			
Transfers to Metropolitan Transportation Commission	(25,248,871)	(1,763,935)	(27,012,806)
Net income before capital transfers	118,918,693	1,820,018	120,738,711
Capital transfers			
Transfers to Caltrans	(300,347,398)	-	(300,347,398)
Transfer to other agencies	(890,706)	-	(890,706)
Total capital transfers	(301,238,104)	-	(301,238,104)
Change in net assets	(182,319,411)	1,820,018	(180,499,393)
Total net assets - beginning	572,536,332	23,217,728	595,754,060
Total net assets - ending	\$ 390,216,921	\$ 25,037,746	\$ 415,254,667

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, 2003

	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	\$ 144,598,099	\$ 5,809,298	\$ 150,407,397
Cash payments to suppliers for services	(12,607,726)	(10,004,160)	(22,611,886)
Other receipts/(payments)	6,585,093	19,172	6,604,265
Net cash provided by / (used in) operating activities	138,575,466	(4,175,690)	134,399,776
Cash flows from non-capital financing activities			
Caltrans operating grants	305,004	5,787,585	6,092,589
Federal operating grants	-	6,094	6,094
Net cash provided by non-capital financing activities	305,004	5,793,679	6,098,683
Cash flows from capital and related financing activities			
Interest paid on bonds & capital leases	(19,739,529)	-	(19,739,529)
Amounts charged against ARF	26,744	-	26,744
Proceeds from issuance of revenue bonds	300,000,000	-	300,000,000
Bond issuance cost	(3,528,727)	-	(3,528,727)
Transfers to MTC	(24,891,991)	(1,237,657)	(26,129,648)
Transfers to SAFE	(1,337,278)	1,337,278	-
Expenditures for facilities, property and equipment	-	(1,337,278)	(1,337,278)
Transfer to Caltrans for capital expenses	(329,518,305)	-	(329,518,305)
Transfer to Other Agencies	(1,267,391)	-	(1,267,391)
Net cash used in capital and related financing activities	(80,256,477)	(1,237,657)	(81,494,134)
Cash flows from investing activities			
Proceeds from sale & maturities of investments	2,285,664,707	30,239,894	2,315,904,601
Purchase of investments	(2,265,956,208)	(33,519,496)	(2,299,475,704)
Interest and dividends received	28,011,416	301,301	28,312,717
Net cash provided by (used in) investing activities	47,719,915	(2,978,301)	44,741,614
Net increase (decrease) in cash and cash equivalents	106,343,908	(2,597,969)	103,745,939
Balances - Beginning of year	278,384,547	8,253,887	286,638,434
Balances - End of year	\$ 384,728,455	\$ 5,655,918	\$ 390,384,373
Schedule of noncash activities			
Change in the fair value of investments that are not cash and cash equivalents	\$ 278,685	\$ -	\$ 278,685

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, 2003

	Business-type Activities - Enterprise Funds		
	<u>Bay Area Toll Authority</u>	Service Authority for Freeways and <u>Expressways</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by / (used in) operating activities			
Operating income / (loss)	\$ 107,268,513	\$ (4,547,117)	\$ 102,721,396
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	142,585	471,964	614,549
Net effect of changes in:			
Tolls due from Caltrans	398,223	-	398,223
Maintenance funding due from Caltrans	4,250,756	-	4,250,756
Prepaid expenses and other assets	(15,188)	5,274	(9,914)
Due to Caltrans	26,753,638	-	26,753,638
Other receivables due from Caltrans	429,107	-	429,107
Accounts payable and accrued expenses	(652,168)	(105,811)	(757,979)
Net cash provided by / (used in) operating activities	\$ 138,575,466	\$ (4,175,690)	\$ 134,399,776

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, 2002

	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	\$ 142,145,243	\$ 5,920,585	\$ 148,065,828
Cash payments to suppliers for services	(36,571,248)	(9,380,546)	(45,951,794)
Other receipts/(payments)	18,419,087	6,588	18,425,675
Net cash provided by / (used in) operating activities	123,993,082	(3,453,373)	120,539,709
Cash flows from non-capital financing activities			
Caltrans operating grants	594,987	498,130	1,093,117
Federal operating grants	-	156,972	156,972
Operating grants from other agencies	-	101,224	101,224
Net cash provided by non-capital financing activities	594,987	756,326	1,351,313
Cash flows from capital and related financing activities			
Interest paid on bonds & capital leases	(12,626,631)	-	(12,626,631)
Amounts charged against ARF	36,155	-	36,155
Acquisition of capital assets	-	(35,264)	(35,264)
Transfers to MTC	(25,248,871)	(1,763,935)	(27,012,806)
Advances from MTC	-	242,033	242,033
Transfer to Caltrans for capital expenses	(300,347,398)	-	(300,347,398)
Transfer to Other Agencies	(890,706)	-	(890,706)
Net cash used in capital and related financing activities	(339,077,451)	(1,557,166)	(340,634,617)
Cash flows from investing activities			
Proceeds from sale & maturities of investments	1,442,585,760	32,812,615	1,475,398,375
Purchase of investments	(1,596,001,190)	(35,678,910)	(1,631,680,100)
Interest and dividends received	37,543,113	527,330	38,070,443
Net cash used in investing activities	(115,872,317)	(2,338,965)	(118,211,282)
Net decrease in cash and cash equivalents	(330,361,699)	(6,593,178)	(336,954,877)
Balances - Beginning of year	608,746,246	14,847,065	623,593,311
Balances - End of year	\$ 278,384,547	\$ 8,253,887	\$ 286,638,434
Schedule of noncash activities			
Change in the fair value of investments that are not cash and cash equivalents	\$ 4,550,565	\$ -	\$ 4,550,565

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, 2002

	Business-type Activities - Enterprise Funds		
	<u>Bay Area Toll Authority</u>	<u>Service Authority for Freeways and Expressways</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by / (used in) operating activities			
Operating income / (loss)	\$ 111,796,525	\$ (3,347,331)	\$ 108,449,194
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	104,778	566,348	671,126
Net effect of changes in:			
Registration fees receivable	-	23,177	23,177
Tolls due from Caltrans	(192,016)	-	(192,016)
Maintenance funding due from Caltrans	15,506,163	-	15,506,163
TransBay Study funding due from Caltrans	1,623,114	-	1,623,114
Prepaid expenses and other assets	(96,172)	(7,924)	(104,096)
Due to Caltrans	(4,802,246)	-	(4,802,246)
Other receivables due from Caltrans	(603,083)	-	(603,083)
Accounts payable and accrued expenses	656,019	(687,643)	(31,624)
Net cash provided by / (used in) operating activities	\$ 123,993,082	\$ (3,453,373)	\$ 120,539,709

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

Metropolitan Transportation Commission
Statement of Fiduciary Net Assets – Fiduciary Funds
June 30, 2003 and 2002

	2003 Fudiciary <u>Funds</u>	2002 Fudiciary <u>Funds</u>
Assets		
Restricted assets held by participating counties	\$ 73,136,486	\$ 52,784,924
Restricted assets held by State Board of Equalization	4,983,274	8,779,857
Due from State of California	282,631	813,715
Interest receivable	-	116,920
Total Assets	<u>\$ 78,402,391</u>	<u>\$ 62,495,416</u>
Liabilities		
Accounts payable	\$ 9,146,500	\$ -
Accrued expenses	797,757	-
Due to other governments	68,458,134	62,495,416
Total Liabilities	<u>\$ 78,402,391</u>	<u>\$ 62,495,416</u>

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

Metropolitan Transportation Commission
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds
For the Years Ended June 30, 2003 and 2002

	2003 Fiduciary <u>Funds</u>	2002 Fiduciary <u>Funds</u>
Additions		
Local Transportation Fund	\$ 254,380,642	\$ 266,473,341
AB1107 fees	55,818,684	57,600,759
Investment earnings		
Interest	2,029,002	4,518,218
Total additions	<u>312,228,328</u>	<u>328,592,318</u>
Deductions		
Allocations	296,553,526	387,508,842
Administrative	9,712,084	10,185,267
Total deductions	<u>306,265,610</u>	<u>397,694,109</u>
Net of additions over (under) deductions	5,962,718	(69,101,791)
Due to other governments, July 1, 2002	<u>62,495,416</u>	<u>131,597,207</u>
Due to other governments, June 30, 2003	<u>\$ 68,458,134</u>	<u>\$ 62,495,416</u>

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

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2003 and 2002

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.

The accompanying financial statements present MTC and its blended component units. MTC is the primary government as defined in Governmental Accounting Standards Board Statement No. 14 as it has separate legal status. 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 they are financially accountable to MTC. 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.

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 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.

BATA is required to prepare and adopt a budget by July 1 for each fiscal year. BATA adopted a Long Range Plan 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

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2003 and 2002

Notes to Financial Statements

Streets and Highway Code and to pay Caltrans for costs incurred and as authorized in the annual budgets adopted by BATA.

The responsibilities of Caltrans reside with the ownership, operation and maintenance of the bridges, including the collection of the toll revenues, the installation, maintenance and operations of toll collections facilities and equipment, the generation and maintenance of proper records relating to the collection, accounting, allocation and the disbursements of all toll funds collected. Under the terms of the Cooperative Agreement signed in January 2003, BATA will assume responsibility for electronic toll collection starting in December 2004.

Except for the seismic retrofit charge, all the toll revenues and certain other income are transferred to BATA to be managed in accordance with the Cooperative Agreement.

The activities of BATA are structured as a single enterprise with operating revenue and expense recorded by individual bridges.

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

In June 1988, the MTC SAFE was created to receive funds 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. The MTC SAFE is responsible for administering a freeway motorist aid system in the participating counties, referred to as the Callbox 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 MTC SAFE now receives additional funding under this program to provide tow truck services to stranded motorists. Three principal sources of funding for the FSP program include state-legislated grants, federal grants, and funding from federal traffic mitigation programs. In addition, the Callbox 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.

iii.) MTC Special Revenue Funds

Transit Reserves Fund – The 1998 Regional Measure 1 toll increase authorizes up to 3 percent of toll revenue to be used for congestion-relieving transit operation and capital projects in the bridge corridors and an additional 2 percent of the increase to be used for ferry service capital projects. When the state-owned toll bridges became eligible for federal funding in April 2000, transit operations could no

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2003 and 2002

Notes to Financial Statements

longer be funded because federal funding guidelines allow toll revenues to be used for transit capital projects but not for transit operations. As such, MTC no longer funds transit operations with toll revenue.

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 Extension Reserves Fund – Arise from 90 percent of the 25 cent toll increase on two-axle vehicles crossing the San Francisco-Oakland Bay Bridge as authorized by Regional Measure 1. Rail 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.

AB664 Net Toll Revenue Reserves Fund – Are generated from a 1997 toll increase on the three southern bay area bridges; namely, the Dumbarton Bridge, the San Francisco-Oakland Bay Bridge and the San Mateo-Hayward Bridge. The increase consisted of a charge of 25 cents per two-axle vehicle on the San Francisco-Oakland Bay Bridge and 5 cents per two-axle vehicle on the San Mateo-Hayward and Dumbarton Bridges. These funds are allocated to capital projects that further the development of public transit in the vicinity of these three southern bay area bridges, including transbay and transbay feeder transit services. Substantially all of the current AB664 Net Toll Revenue Reserves are used to match federal transit funds designated for replacement buses and capital facility improvement.

Exchange Funds – Are used for the MTC projects adopted as part of its State Transit Program (STP) and Congestion Mitigation and Air Quality Improvement (CMAQ) programs. STP funds include flexible funding for projects on any Federal-aid highway, including the National Highway System, bridge projects, public roads, transit capital projects, and intracity and intercity bus terminals and facilities. CMAQ funds provide funding for up to 3 years for capital projects and new operating programs as in the areas of TCMs, Cold Start Programs, Alternative Fuels, Traffic Flow Improvements, Specific Transit Improvements such as new, lower emission transit vehicles, TransLink®, Travel Demand Management, Bicycle and Pedestrian Facilities and Outreach and Rideshare Activities.

State Transit Assistance (STA) Fund – 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 and revenue-based accounts. PUC Section 99313 defines population based funds and PUC Section 99314 defines revenue based funds.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2003 and 2002

Notes to Financial Statements

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of MTC and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues 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

For the year ended June 30, 2002, MTC adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management’s Discussion & Analysis – for State and Local Governments* as amended by GASB Statement No. 37, *Basic Financial Statements – Management’s Discussion & Analysis – for State and Local Governments: Omnibus*. 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, 2002, MTC also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. GASB 38 modifies, establishes, and rescinds certain financial statement disclosure requirements. For the year ended June 30, 2003, MTC adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosure*.

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 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. MTC has elected under GASB Statement No. 20 to not apply all FASB Statements and Interpretations issued after November 30, 1989, due to the governmental nature of MTC’s operations.

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.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2003 and 2002

Notes to Financial Statements

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 soon enough thereafter to pay liabilities of the current period.

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 MTC Bridge Toll Funds, the Exchange Fund, the STA Fund and the Feeder Bus Fund. The MTC Bridge Toll Funds comprise the Transit Reserves Fund, the Rail Extension Reserves Fund and the AB664 Net Toll Revenue Reserves Fund.

The major governmental funds comprise the General Fund, Transit Reserve Fund, Rail Extension Reserve Fund, the AB664 Net Toll Revenue Reserves Fund, the Exchange Fund, the STA Fund, and the Feeder Bus Fund. 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 all governmental 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.

Additionally, MTC reports the following fiduciary funds to account for assets held by MTC in a trustee capacity or as an agent:

The *AB1107 fund* is used to account for the activities of the AB1107 Program. AB1107 funds are sales tax revenue collected under the ordinance adopted pursuant to Section 29140 of the Public Utilities Code. These funds are administered by the 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.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2003 and 2002

Notes to Financial Statements

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, the 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 on a basis consistent with Accounting Principles Generally Accepted in the United States of America 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 and special revenue funds.
- 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.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2003 and 2002
Notes to Financial Statements

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 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, 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.

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.

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 callboxes, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets 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:

	<u>Years</u>
Buildings and improvements	10 - 45
Office furniture and equipment	3 - 10
Leased equipment	5
Automobiles	3
Callboxes	10

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2003 and 2002
Notes to Financial Statements

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. Amounts restricted for other purposes represent net assets restricted for expenditures other than those relating to capital expenditures. These include funds set aside for legal contingencies, High Occupancy Vehicle (“HOV”) costs, building replacement costs and a loan receivable from an agency.

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. Postretirement Health Benefits

The 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 39 for the year ended June 30, 2003. The cost of retiree health care insurance premiums is recognized as an expense as premiums are paid. For the years ended June 30, 2003 and 2002, those costs totaled \$152,096 and \$120,377, respectively.

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–Milius–Brown Act. A liability exists for accumulated vacation and sick leave. Unused accumulated sick and vacation leave is paid at the time of employment termination up to a maximum of 400 hours for vacation and 240 hours for sick leave per employee.

L. Maintenance Funding due from Caltrans

In accordance with Amendment No. 2 to the Cooperative Agreement between BATA and Caltrans, Caltrans agreed to reimburse BATA for tow services financed with toll funds from fiscal year 1993 through fiscal year 2001. The reimbursement receivable totals \$17,776,724 and \$22,027,480 at June 30, 2003 and 2002, respectively. The settlement of the maintenance funding due from the State is to be provided in the form of an offset of capital expenses incurred and to be incurred on the Richmond-San Rafael Bridge Trestle Project and Richmond-San Rafael Bridge Deck project. For the years ended June 30, 2003 and 2002, Caltrans incurred \$4,250,756 and \$15,506,163, respectively in expenses as an offset against the settlement.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2003 and 2002
Notes to Financial Statements

M. Toll revenues Collected by Caltrans

Except for the seismic retrofit charge, Caltrans collects all toll revenues from the operation of the bridges and transfers such revenues to BATA. BATA recognizes toll revenue as amounts are earned from vehicle utilization of the toll bridges.

N. 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.

O. Transfers to Caltrans for Capital Expenditures

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for certain costs incurred for bridge capital expenditures.

P. 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.

Q. Operating and Nonoperating Revenues and Expenses

Operating revenues and expenses are those related to user service activities. While non-operating revenue and expenses are all others revenues and expenses not related to user service activities.

2. CASH AND INVESTMENTS

Investments are stated at fair value. As a matter of policy, MTC holds investments to maturity with the objective of preservation and safeguarding of capital until the date of anticipated need.

At June 30, 2003 and 2002, the MTC's carrying amount of cash in checking and money market accounts was \$162,401,355 and \$151,888,694, respectively while the bank balance was \$162,969,269 and \$152,747,004, respectively with the difference represented primarily by outstanding checks. Of the bank balances at June 30, 2003 and 2002, \$211,589 and \$393,374 was insured by federal depository insurance or collateralized by securities held by MTC's agent in MTC's name and an amount of \$162,189,766 is required by Section 53652 of the California Government Code to be collateralized 110% by the pledging financial institutions, except promissory notes secured by first trust deeds, or letters of credit issued by the Federal Home Loan Bank of San Francisco which require collateral levels of 150% and 105%, respectively. Such collateral is not required to be in MTC's name.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2003 and 2002

Notes to Financial Statements

The California Government Code requires California banking institutions to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling. The market value of pledged securities must be in accordance with Title 5, Division 2, Chapter 4, Article 2 of the Government Code for the State of California. California law also allows financial institutions to collateralize public fund deposits by pledging first trust deed mortgage notes having a value of 150% of a governmental unit's total deposits. The MTC may waive collateral requirements for deposits that are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation.

The 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 "A" or better
- Corporate notes – Rated "A" or better
- Municipal bonds
- Mutual funds – Rated "A" or better
- Asset backed securities
- Other investment types authorized by state law and not prohibited in the MTC investment policy

BATA has covenanted to maintain an operations and maintenance reserve of two times the adopted operations and maintenance budget, as well as an extraordinary reserve of \$50 million. At June 30, 2003, BATA had restricted \$80 million as the restricted operations and maintenance reserve and \$50 million as the restricted extraordinary costs reserve. These amounts are shown as restricted long-term investments for the year ended June 30, 2003. MTC also has \$5,187,787 cash restricted for costs for the Express Bus purchases funded with the Traffic Relief Program funds.

The MTC holds a position in the investment pool of County of Alameda in the amount of \$27,917,359. 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

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2003 and 2002
Notes to Financial Statements

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, 2003.

A reconciliation of Cash and Investments as shown on the Statement of Net Assets for all funds at June 30, 2003 and 2002 is as follows:

	2003	2002
Cash	\$ 162,401,355	\$ 151,888,694
Investments	<u>817,819,269</u>	<u>724,798,436</u>
Total cash and investments	<u><u>\$ 980,220,624</u></u>	<u><u>\$ 876,687,130</u></u>
Reported as:		
Unrestricted cash and cash equivalents	\$ 486,839,326	\$ 355,041,570
Unrestricted investments	<u>358,193,511</u>	<u>396,645,560</u>
Total unrestricted cash and investments	<u>845,032,837</u>	<u>751,687,130</u>
Restricted cash and cash equivalents	5,187,787	-
Restricted investments	<u>130,000,000</u>	<u>125,000,000</u>
Total restricted cash and investments	<u>135,187,787</u>	<u>125,000,000</u>
Total cash and investments	<u><u>\$ 980,220,624</u></u>	<u><u>\$ 876,687,130</u></u>

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2003 and 2002
Notes to Financial Statements

3. CAPITAL ASSETS

A summary of changes in capital assets for the years ended June 30, 2003 and 2002 is as follows:

Governmental activities

	Beginning Balance July 1, 2002	Additions	Retirements	Ending Balance June 30, 2003
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,698,808	\$ 19,651	\$ -	\$ 4,718,459
Office furniture and equipment	2,764,993	36,144	(115,020)	2,686,117
Leased equipment	83,430	-	-	83,430
Automobiles	185,548	-	(9,136)	176,412
Total cash assets being depreciated	<u>7,732,779</u>	<u>55,795</u>	<u>(124,156)</u>	<u>7,664,418</u>
Less accumulated depreciation for:				
Buildings and improvements	1,901,416	174,380	-	2,075,796
Office furniture and equipment	2,200,996	160,662	(111,960)	2,249,698
Leased equipment	12,166	19,082	-	31,248
Automobiles	152,350	18,864	(9,136)	162,078
Total accumulated depreciation	<u>4,266,928</u>	<u>372,988</u>	<u>(121,096)</u>	<u>4,518,820</u>
Total capital assets, net	<u>\$ 3,465,851</u>	<u>\$ (317,193)</u>	<u>\$ (3,060)</u>	<u>\$ 3,145,598</u>

Business-type activities

	Beginning Balance July 1, 2002	Additions	Retirements	Ending Balance June 30, 2003
Capital assets, being depreciated:				
Office furniture and equipment	\$ 1,075,462	\$ -	\$ (22,992)	\$ 1,052,470
Callboxes	9,144,800	1,337,278	-	10,482,078
Total cash assets being depreciated	<u>10,220,262</u>	<u>1,337,278</u>	<u>(22,992)</u>	<u>11,534,548</u>
Less accumulated depreciation for:				
Office furniture and equipment	891,154	92,814	(22,982)	960,986
Callboxes	8,055,377	381,181	-	8,436,558
Total accumulated depreciation	<u>8,946,531</u>	<u>473,995</u>	<u>(22,982)</u>	<u>9,397,544</u>
Total capital assets, net	<u>\$ 1,273,731</u>	<u>\$ 863,283</u>	<u>\$ (10)</u>	<u>\$ 2,137,004</u>

Metropolitan Transportation Commission
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3. CAPITAL ASSETS (continued)

Governmental activities

	Beginning Balance July 1, 2001	Additions	Retirements	Ending Balance June 30, 2002
Capital assets, being depreciated				
Buildings and improvements	\$ 4,578,057	\$ 120,751	\$ -	\$ 4,698,808
Office furniture and Equipment	2,698,664	66,329	-	2,764,993
Leased Equipment	63,797	83,430	(63,797)	83,430
Automobiles	163,063	22,485	-	185,548
Total capital assets being depreciated	<u>7,503,581</u>	<u>292,995</u>	<u>(63,797)</u>	<u>7,732,779</u>
Less accumulated depreciation for				
Buildings and improvements	1,731,203	170,213	-	1,901,416
Office furniture and Equipment	2,003,563	197,433	-	2,200,996
Leased Equipment	44,658	12,166	(44,658)	12,166
Automobiles	128,898	23,452	-	152,350
Total accumulated depreciation	<u>3,908,322</u>	<u>403,264</u>	<u>(44,658)</u>	<u>4,266,928</u>
Total capital assets, net	<u>\$ 3,595,259</u>	<u>\$ (110,269)</u>	<u>\$ (19,139)</u>	<u>\$ 3,465,851</u>

Business-type activities

	Beginning Balance July 1, 2001	Additions	Retirements	Ending Balance June 30, 2002
Capital assets, being depreciated				
Office furniture and Equipment	\$ 1,040,198	\$ 35,264	\$ -	\$ 1,075,462
Callboxes	9,144,800	-	-	9,144,800
Total capital assets being depreciated	<u>10,184,998</u>	<u>35,264</u>	<u>-</u>	<u>10,220,262</u>
Less accumulated depreciation for				
Office furniture and Equipment	798,704	92,450	-	891,154
Callboxes	7,579,450	475,927	-	8,055,377
Total accumulated depreciation	<u>8,378,154</u>	<u>568,377</u>	<u>-</u>	<u>8,946,531</u>
Total capital assets, net	<u>\$ 1,806,844</u>	<u>\$ (533,113)</u>	<u>\$ -</u>	<u>\$ 1,273,731</u>

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4. LONG-TERM DEBT

General Revenue Bonds were issued during May 2001 and February 2003 to (i) finance the cost of the design and construction of eligible projects, including capital improvements and Regional Measure I projects for the Bay Area Bridges, (ii) to finance a Reserve Fund for the Series 2001 and 2003 General Revenue Bonds, and (iii) pay costs incurred in connection with the issuance of the Series 2001 General Revenue Bonds. A summary of changes in long-term debt for years ended June 30, 2003 and 2002 is as follows:

Business-type activities

	Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2002	Additions	Reductions	Ending Balance June 30, 2003	Due Within One Year
2001 Revenue Bond Series A	5/24/2001	4.09%-4.10% *	2036	\$150,000,000	\$150,000,000	\$ -	\$ -	\$ 150,000,000	\$ -
2001 Revenue Bond Series B	5/24/2001	4.12% *	2029	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series C	5/24/2001	4.11% *	2025	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series D	5/24/2001	4.83% **	2018	100,000,000	100,000,000	-	-	100,000,000	-
2003 Revenue Bond Series A	2/12/2003	4.13% ***	2038	75,000,000	-	75,000,000	-	75,000,000	-
2003 Revenue Bond Series B	2/12/2003	4.13% ***	2038	75,000,000	-	75,000,000	-	75,000,000	-
2003 Revenue Bond Series C	2/12/2003	4.14% ****	2038	150,000,000	-	150,000,000	-	150,000,000	-
				<u>\$ 700,000,000</u>	<u>400,000,000</u>	<u>300,000,000</u>	<u>-</u>	<u>700,000,000</u>	<u>\$ -</u>
Unamortized bond premium					1,328,849	-	83,928	1,244,921	
Net long-term debt					<u>\$401,328,849</u>	<u>\$ 300,000,000</u>	<u>\$ 83,928</u>	<u>\$ 701,244,921</u>	

* 2001 Series A, B and C 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. Of the \$150,000,000 Series A bonds, \$75,000,000 was swapped to a fixed rate of 4.09% and \$75,000,000 was swapped to a fixed rate of 4.10%.

** 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018. The bonds carry interest rates ranging from 3.85% in 2006 to 5.12% in 2018, for a true interest cost of 4.83%.

*** 2003 Series A and B are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Series A and B bonds were swapped to a fixed rate of 4.13%

**** 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 \$50,000,000 bonds were swapped to a fixed rate of 4.14%. 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 0.90% as of June 30, 2003.

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4. LONG-TERM DEBT (continued)

Business-type activities

	Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2001	Additions	Reductions	Ending Balance June 30, 2002	Due Within One Year
2001 Revenue Bond Series A	5/24/2001	4.09%-4.10% *	2036	\$150,000,000	\$150,000,000	\$ -	\$ -	\$ 150,000,000	\$ -
2001 Revenue Bond Series B	5/24/2001	4.12% *	2029	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series C	5/24/2001	4.11% *	2025	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series D	5/24/2001	4.83% **	2018	100,000,000	100,000,000	-	-	100,000,000	-
				<u>\$ 400,000,000</u>	<u>400,000,000</u>	<u>-</u>	<u>-</u>	<u>400,000,000</u>	<u>\$ -</u>
Unamortized bond premium					<u>1,412,776</u>	<u>-</u>	<u>83,928</u>	<u>1,328,849</u>	
Net long-term debt					<u>\$401,412,776</u>	<u>\$ -</u>	<u>\$ 83,928</u>	<u>\$ 401,328,849</u>	

* 2001 Series A, B and C 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. Of the \$150,000,000 Series A bonds, \$75,000,000 was swapped to a fixed rate of 4.09% and \$75,000,000 was swapped to a fixed rate of 4.10%.

** 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018. The bonds carry interest rates ranging from 3.85% in 2006 to 5.12% in 2018, for a true interest cost of 4.83%.

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Annual funding requirements

The annual funding requirements (principal and interest) for the long-term debt outstanding of the business-type activities at June 30, 2003 are as follows:

Business-type activities			
Fiscal Year Ending	Principal Payments	Interest Payments	Total Payments
2004	\$ -	\$ 29,608,986	\$ 29,608,986
2005	-	29,500,618	29,500,618
2006	5,785,000	29,473,437	35,258,437
2007	6,015,000	29,240,504	35,255,504
2008-2012	59,485,000	139,813,589	199,298,589
2013-2017	75,200,000	124,508,415	199,708,415
2018-2022	95,415,000	105,713,573	201,128,573
2023-2027	120,500,000	83,840,242	204,340,242
2028-2032	152,600,000	56,289,740	208,889,740
2033-2038	185,000,000	22,231,288	207,231,288
	<u>\$ 700,000,000</u>	<u>\$ 650,220,392</u>	<u>\$ 1,350,220,392</u>

Toll Revenue Bonds

The 2001 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.

BATA has covenanted to maintain bridge toll rates sufficient to meet operations, maintenance and debt service costs. In addition, BATA will seek authority from the State legislature if net toll revenue is less than 1.0 times “fixed charges” as defined by the Master indenture, or the sum of net toll revenue and amounts in the operations and maintenance reserve is less than 1.25 times fixed charges (see detail in Schedule 6).

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% 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, as well as an extraordinary loss reserve of \$50 million. At June 30, 2003, BATA had restricted \$80 million as the restricted operations and maintenance reserve and \$50 million as the restricted extraordinary loss reserve. These amounts are shown as restricted long-term investments for the year ended June 30, 2003.

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

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Interest Rate and Forward Interest Rate Swap Agreements

In January 2002, BATA completed a floating-to-fixed rate swap transaction with a notional value of \$300 million. Counterparties to the transaction are Ambac for \$150 million, CitiCorp for \$75 million and Morgan Stanley for \$75 million. During the 35-year term of the swap, BATA will pay each respective counterparty based on a fixed rate ranging from 4.09% to 4.12% while receiving a floating rate payment equivalent to the actual floating rate payment in years 1 through 4 and a floating rate payment based on 65% of the one-month LIBOR index in years 5 through 35. The variable rate bonds associated with this swap were issued as part of BATA's 2001 \$400 million Toll Bridge Revenue bond issue.

In May 2002, BATA approved a forward contract with Ambac to swap variable-to-fixed rate bonds in a notional amount of \$200 million. The contract calls for BATA to pay Ambac a fixed rate of 4.139%. In exchange, BATA will receive a variable rate payment based on 65% of the one-month LIBOR rate for the life of the 2003 financing. The variable rate bonds associated with this swap were issued as part of BATA's 2003 \$300 million Toll Bridge Revenue Bond issue.

BATA entered into these transactions as a means of controlling 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 counter-parties to post collateral if two triggering mechanisms are reached: counter-party credit ratings fall below "AA-" 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, 2003, Morgan Stanley had a long term rating of "A+" from Standard & Poor's which falls below the "AA-" threshold. However, no collateral is required because the fair value does not exceed \$10 million. The ratings for Ambac and CitiCorp are "AAA/Aaa" and "AA-/Aa1" from Standard & Poor's and Moody's respectively.

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, 2003 the financial and investment advisory firm of Public Financial Management (PFM) established the termination value as of June 30, 2003 as follows:

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<u>Notional Value</u>	<u>Counterparty</u>	<u>Fixed Rate</u>	<u>Value due from / (to) counterparty</u>
\$ 75 million	Ambac	4.110%	\$ (10,501,700)
\$ 75 million	Ambac	4.120%	(11,047,100)
\$ 75 million	Morgan Stanley	4.090%	(11,700,100)
\$ 75 million	Salomon Smith Barney	4.100%	(11,822,900)
\$ 200 million	Ambac	4.139%	(31,642,400)
			<u>\$ (76,714,200)</u>

The termination value, if BATA terminated or defaulted on all swaps is approximately \$76.7 million.

BATA's intent, however, is to maintain the swap transactions for the 35 year 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 the counterparties. A complete summary of swap values and terms is contained in Schedule 18.

The schedule below 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. The counterparty fixed rate payment is 4.105% and 4.139% for the 2001 and 2003 swap transactions, respectively. The total cost is 4.435% for the 2001 swap and 4.469% for the 2003 swap.

As of June 30, 2003, debt service requirements of the variable rate debt and net swap payments for 2001 Series A, B and C as are as follows:

<u>Payment Date</u>	<u>Principal Payment</u>	<u>Interest (Variable)*</u>	<u>Interest Rate Swaps, Net***</u>	<u>Interest Remarketing and Liquidity****</u>	<u>Total Payment</u>
4/1/2004*	\$ -	\$ 12,315,000	\$ -	\$ 900,000	\$ 13,215,000
4/1/2005*	-	12,315,000	-	900,000	13,215,000
4/1/2006**	-	2,662,500	9,741,000	900,000	13,303,500
4/1/2007	-	2,662,500	9,741,000	900,000	13,303,500
4/1/2008	-	2,662,500	9,741,000	900,000	13,303,500
4/1/2009-2036	300,000,000	55,378,225	202,606,306	18,719,400	576,703,931
	<u>\$ 300,000,000</u>	<u>\$ 87,995,725</u>	<u>\$ 231,829,306</u>	<u>\$ 23,219,400</u>	<u>\$ 643,044,431</u>

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

<u>Payment Date</u>	<u>Principal Payment</u>	<u>Interest (Variable)**</u>	<u>Interest Rate Swaps, Net***</u>	<u>Interest Remarketing and Liquidity****</u>	<u>Total Payment</u>
4/1/2004	\$ -	\$ 1,775,000	\$ 6,562,000	\$ 600,000	\$ 8,937,000
4/1/2005	-	1,775,000	6,562,000	600,000	8,937,000
4/1/2006	-	1,775,000	6,562,000	600,000	8,937,000
4/1/2007	-	1,775,000	6,562,000	600,000	8,937,000
4/1/2008	3,000,000	1,775,000	6,562,000	600,000	11,937,000
4/1/2009-2038	197,000,000	32,807,325	121,285,446	11,089,800	362,182,571
	<u>\$ 200,000,000</u>	<u>\$ 41,682,325</u>	<u>\$ 154,095,446</u>	<u>\$ 14,089,800</u>	<u>\$ 409,867,571</u>

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	Series 2001 Bonds	Series 2003 Bonds
Interest Rate Swap		
Fixed payment to counterparty*	4.105%	4.139%
65% Libor	-0.858%	-0.858%
Net interest rate swap payments***	3.247%	3.281%
Variable Rate bond coupon payments**	0.888%	0.888%
Synthetic interest rate on bonds	4.135%	4.169%
Remarketing/liquidity fee****	0.300%	0.300%
Total Cost	4.435%	4.469%

**For Series 2001 Bonds, the above rate calculation takes effect as of April 1, 2006.

5. LEASES

Capital Leases

The MTC leases certain equipment under capital leases expiring in MTC's fiscal year end 2007. 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

<u>Year Ending June 30</u>	<u>Amount</u>
2004	\$ 22,597
2005	22,597
2006	9,968
2007	7,350
Total	62,512
Less interest amounts	(7,515)
Present value of net minimum lease payments	\$ 54,997

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Operating Leases

MTC conducts some of its operations from office space that is leased under a six-year operating lease which commenced on May 5, 1999. Monthly rent under this lease for the year ended June 30, 2003 and 2002 was \$28,860 and \$28,860, respectively.

Future minimum rental payments required under the above operating leases as of June 30, 2003 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2004	\$ 361,061
2005	<u>361,061</u>
Total	<u><u>\$ 722,122</u></u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2003 is as follows:

Transfer from:	Transfer to:					Total
	General Fund	5% Transit Transfers	90% Regional Rail	AB664 Bridge Toll		
Exchange	\$ 91,689	\$ -	\$ -	\$ -	\$ 91,689	
STA	4,035,593	-	-	-	4,035,593	
BATA	1,639,635	999,088	9,972,589	12,280,679	24,891,991	
SAFE	2,358,296	-	-	-	2,358,296	
Total	<u>\$ 8,125,213</u>	<u>\$ 999,088</u>	<u>\$ 9,972,589</u>	<u>\$ 12,280,679</u>	<u>\$ 31,377,569</u>	

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	BATA	\$ 220,820
General Fund	STA	\$ 442,013
General Fund	Exchange	\$ 37,532
SAFE	General Fund	\$ 267,176

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The composition of interfund balances as of June 30, 2002 is as follows:

Transfer from:	Transfer to:				Total
	General Fund	5% Transit Transfers	90% Regional Rail	AB664 Bridge Toll	
Exchange	\$ 1,101,504	\$ -	\$ -	\$ -	\$ 1,101,504
STA	7,760,609	-	-	-	7,760,609
BATA	1,589,270	1,169,742	10,007,625	12,482,234	25,248,871
SAFE	1,763,935	-	-	-	1,763,935
Total	\$ 12,215,318	\$ 1,169,742	\$ 10,007,625	\$ 12,482,234	\$ 35,874,919

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General Fund	BATA	\$ 108,207
General Fund	STA	\$ 493,259
General Fund	Exchange	\$ 62,698
SAFE	General Fund	\$ 824,321

7. EMPLOYEES' RETIREMENT PLAN AND POSTRETIREMENT BENEFITS

Plan Description

MTC's 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 7% of their annual covered salary which is established by California state statute. However, due to a collective bargaining agreement, MTC has a legal obligation to contribute this 7% on behalf of the covered employees. Therefore, employees have no obligation to contribute to the Plan. MTC is also required to contribute the actuarially determined remaining amounts necessary to

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fund the benefits for its employees. The actuarial methods and assumptions are those adopted and amended by the CalPERS Board of Administration.

Annual Pension Cost

For the years ended June 30, 2003 and 2002, because of previously determined actuarial surplus, MTC was not required to make actual cash transfers to PERS. The amounts due, employer and member, were deducted from the surplus. Therefore, actual and required contributions were \$0. The required contribution for the year ended June 30, 2003 was determined as part of the June 30, 1998 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included a) 8.25% 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 3.5%. 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 three-year period depending on the size of investment gains and/or losses. The Plan's unfunded actuarial excess asset is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 1998 was 30 years.

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

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
6/30/2001	-	100%
6/30/2002	-	100%
6/30/2003	-	100%

Funding progress information for MTC for 2002 is not available. The account surplus is expected to be exhausted in 2005. The MTC's funding progress information as of June 30, 2002 is illustrated as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Excess of Assets over AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Excess as a Percentage of Covered Payroll</u>
June 30, 2000	\$ 43,765,185	\$ 29,898,463	\$ 13,866,722	146.4%	\$ 8,283,503	167.4%
June 30, 2001	45,552,447	32,924,078	\$ 12,628,369	138.4%	9,035,190	139.8%
June 30, 2002	43,102,147	36,565,796	\$ 6,536,351	117.9%	10,346,350	63.2%

8. 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

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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 \$2.5 million reserve for use 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). The Parties agreed to provide a total of \$198.5 million to the Project by September 1, 1999, 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 has agreed to advance \$60 million from the East Bay Rail Extension Reserve Account (the East Bay Account) for Project cash flows. BART will 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 agrees 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 limited obligations of the Authority, payable from and secured solely by a pledge of bridge toll revenues, from the East Bay Account, allocated to BART by MTC. The Notes are insured by ACA Capital and are to be paid in semi-annual installments until February 1, 2007 at interest rates ranging from 4.25% to 5.75%. Financial statements of the Authority can be obtained from BART, 800 Madison Avenue, Oakland, California 94607.

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 has 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;

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2003 and 2002
Notes to Financial Statements

however, such repayment will be made from the general resources of BART, and, subject to the prior pledge in favor of the Bonds.

The following schedule provides a summary of MTC's remaining bridge toll allocation commitment to BART:

Governmental Activities	Regional	Regional	<u>Total</u>
	Measure I	Measure I	
	<u>East Bay</u>	<u>West Bay</u>	
<u>Year Ending June 30</u>			
2004	\$ 7,000,000	\$ 3,000,000	\$ 10,000,000
2005	7,000,000	3,000,000	10,000,000
2006	7,000,000	3,000,000	10,000,000
2007	301,000	3,000,000	3,301,000
Total	<u>\$ 21,301,000</u>	<u>\$ 12,000,000</u>	<u>\$ 33,301,000</u>

During the year ended June 30, 2003, MTC paid \$10,000,000 to BART increasing the total loan made to BART to \$39,935,000.

9. 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.

SUPPLEMENTARY INFORMATION

**Metropolitan Transportation Commission
Schedule of Expenditures – Governmental General Fund
For the Year Ended June 30, 2003**

Schedule 1

Expenditures by natural classification:	
Salaries & benefits	\$ 13,165,394
Travel	283,280
Professional fees	32,001,815
Overhead	1,244,695
Printing & Reproduction	350,045
Other	<u>1,160,916</u>
Reported as general government expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 48,206,145</u>

**Metropolitan Transportation Commission
Schedule of Overhead, Salaries and Benefit Expense -
Governmental General Fund
For the Year Ended June 30, 2003**

Schedule 2

	Direct Costs	Indirect Costs	Total
Salaries	\$ 8,265,298	\$ 1,591,835	\$ 9,857,133
Benefits	2,856,511	451,750	3,308,261
TOTAL SALARIES AND BENEFITS	\$ 11,121,809	\$ 2,043,585	\$ 13,165,394
Reimbursable overhead:			
Printing and reprographics		\$ 45,336	\$ 45,336
Computer services		519,307	519,307
Conference and training		69,323	69,323
Auto expense		13,493	13,493
Travel expense/local mileage		13,533	13,533
Transit tickets		3,581	3,581
Meeting room/office rent		241,358	241,358
Office supplies		74,973	74,973
Equipment Rental		37,852	37,852
Equipment maintenance and repair		23,080	23,080
Mailing and postage		143,253	143,253
Communications		86,834	86,834
Insurance		84,454	84,454
Subscriptions		17,794	17,794
Library acquisitions		18,311	18,311
Personnel recruitment		61,101	61,101
Public hearings		21,003	21,003
County auditor		20,908	20,908
Press clippings		1,719	1,719
Provide Graphic Services		2,488	2,488
Law library		20,930	20,930
Parking		20,227	20,227
Legislative analysis services/supplies		161	161
RAFC maintenance - Third floor		10,233	10,233
Janitorial services		40,858	40,858
Newswire services		5,402	5,402
Utilities		68,865	68,865
Storage rental		15,226	15,226
Advertisement/legal notices		16,171	16,171
Advisory committees		14,750	14,750
Miscellaneous		5,297	5,297
Audio Reproduction/Supply		358	358
Equipment less than \$5,000 in cost		17,177	17,177
Memberships		75,283	75,283
Subtotal		1,810,639	1,810,639
Under absorbed for year ended June 30, 2003		(739,687)	(739,687)
Carryforward provision		173,743	173,743
Total indirect costs excluding depreciation expense		1,244,695	1,244,695
Depreciation expense		372,988	372,988
Total indirect costs		<u>\$ 1,617,683</u>	<u>\$ 1,617,683</u>

Metropolitan Transportation Commission
Schedule of Expenditures - Federal Highway Administration Grant
No. 020WPM TCM
For the Year Ended June 30, 2003

Schedule 3

	ABAG	MTC	Total
Authorized expenditures			
Federal	\$ 759,046	\$ 4,454,279	\$ 5,213,325
Local Match	98,342	577,099	675,441
Total authorized expenditures	857,388	5,031,378	5,888,766
Actual Expenditures *			
ABAG	759,046	-	759,046
MTC			
<u>Program No.</u> <u>Program Name</u>			
1111 Support the Commission		183,900	183,900
1112 Implement Public Information Program		400,000	400,000
1114 Support advisory committees		195,061	195,061
1121 2001 RTP follow-up		200,000	200,000
1122 Travel models and data		269,834	269,834
1123 Corridor Studies		110,000	110,000
1124 Support Airport, Seaport Freight Planning Committees		10,000	10,000
1125 Non-motorized transportation		10,000	10,000
1131 Legislative Program		200,000	200,000
1154 Graphics		150,000	150,000
1155 Computer support		400,000	400,000
1156 Library services		170,000	170,000
1211 Implement corridor-level management strategies		25,000	25,000
1212 Develop MTS performance measures		75,000	75,000
1213 Implement Freeway Management program		82,868	82,868
1221 Implement TransLink		300,000	300,000
1222 Regional rideshare program		50,000	50,000
1223 Regional transportation marketing program		50,000	50,000
1224 Implement regional traveler info services		100,000	100,000
1225 Regional transit information system		50,000	50,000
1227 Coordination projects		100,000	100,000
1229 Refine regional transportation emergency response program		60,000	60,000
1233 Improve pavement management system (PMS)		225,000	225,000
1234 Support partners' efforts to improve the arterial system		10,000	10,000
1241 Develop and implement system integration plans		100,000	100,000
1242 Develop regional architecture		27,738	27,738
1243 Build regional ITS architecture		12,441	12,441
1311 Assist counties		100,000	100,000
1312 Support Title VI and Environmental Justice		25,000	25,000
1411 Air quality		50,000	50,000
1511 Financial analysis and planning		75,000	75,000
1512 Federal programming, monitoring and TIP development		290,000	290,000
1515 State programming and project monitoring		200,000	200,000
1611 Implement Transportation for Livable		30,000	30,000
Total Expenditures	759,046	4,336,842	5,095,888
Balance of Federal Highway Administration Grant	\$ -	\$ 117,437	\$ 117,437

* Expenditures reported at federal reimbursement rate (88.53%)

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Changes in
Fund Net Assets – SAFE Proprietary Fund – By Program
For the Year Ended June 30, 2003

Schedule 4

	Callbox Program	Freeway Service Patrol Program	Total
Operating revenues			
Department of Motor Vehicles registration fees	\$ 5,809,298	\$ -	\$ 5,809,298
Other operating revenues	3,754	15,418	19,172
Total operating revenues	5,813,052	15,418	5,828,470
Operating expenses			
Towing contracts	-	6,821,624	6,821,624
Professional fees	1,032,226	245,010	1,277,236
Repairs and maintenance	1,126,771	105,715	1,232,486
Communications charges	323,948	91,050	414,998
Depreciation and amortization	382,495	89,469	471,964
Other Operating Expenses	35,148	122,131	157,279
Total Operating Expenses	2,900,588	7,474,999	10,375,587
Operating income / (loss)	2,912,464	(7,459,581)	(4,547,117)
Unrestricted non-operating revenues / (expenses)			
Interest Income	262,556	-	262,556
Caltrans operating Grants	62,061	6,507,227	6,569,288
Federal operating grants	-	180,204	180,204
Total non-operating revenues, net	324,617	6,687,431	7,012,048
Income before operating and capital transfers	3,237,081	(772,150)	2,464,931
Transfers to MTC	(1,741,660)	(616,636)	(2,358,296)
Transfers between programs	(1,388,786)	1,388,786	-
Contributed capital	1,337,278	-	1,337,278
Change in net assets	1,443,913	-	1,443,913
Total net assets - beginning	25,037,746	-	25,037,746
Total net assets - ending	\$ 26,481,659	\$ -	\$ 26,481,659

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Changes in Fund Net Assets –
SAFE Proprietary Fund – Callbox Program – By County
For the Year Ended June 30, 2003

Schedule 5

	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma	Total
Revenues										
Department of Motor Vehicles										
registration fees	\$ 1,210,791	\$ 845,747	\$ 230,419	\$ 122,451	\$ 484,723	\$ 681,362	\$ 1,436,908	\$ 346,984	\$ 449,913	\$ 5,809,298
Caltrans operating grants	12,935	9,035	2,462	1,308	5,178	7,279	15,351	3,707	4,806	62,061
Investment earnings and other revenues	55,505	38,771	10,563	5,613	22,221	31,235	65,871	15,906	20,625	266,310
Total Revenues	1,279,231	893,553	243,444	129,372	512,122	719,876	1,518,130	366,597	475,344	6,137,669
Expenses	604,278	424,350	103,016	96,517	62,885	414,763	747,820	211,932	235,027	2,900,588
Income before operating and capital transfers	674,953	469,203	140,428	32,855	449,237	305,113	770,310	154,665	240,317	3,237,081
Interfund transfers	(141,473)	(461,543)	(185,483)	(51,612)	(66,834)	226,306	(731,977)	(190,150)	(190,402)	(1,793,168)
Change in net assets	533,480	7,660	(45,055)	(18,757)	382,403	531,419	38,333	(35,485)	49,915	1,443,913
Total net assets - beginning	5,334,413	3,327,948	(18,557)	(53,519)	3,447,815	2,781,426	7,942,130	(143,725)	2,419,815	25,037,746
Total net assets - ending	\$ 5,867,893	\$ 3,335,608	\$ (63,612)	\$ (72,276)	\$ 3,830,218	\$ 3,312,845	\$ 7,980,463	\$ (179,210)	\$ 2,469,730	\$26,481,659

**Metropolitan Transportation Commission
Schedule of Computations Demonstrating
Bond Covenant Compliance – BATA Proprietary Fund
For the Year Ended June 30, 2003**

Schedule 6

	2003	2002
Revenue		
Tolls	\$ 144,199,876	\$ 142,337,259
Interest	25,434,363	45,133,980
Other	2,306,668	2,487,880
Total revenue	<u>171,940,907</u>	<u>189,959,119</u>
Operating expenses		
Operating expenses	35,717,351	29,276,930
Services and charges	2,976,657	3,051,919
Depreciation	142,585	104,778
Total operating expenses	<u>38,836,593</u>	<u>32,433,627</u>
Net operating income	133,104,314	157,525,492
Debt service	<u>20,440,983</u>	<u>13,357,928</u>
Income before operating transfers	112,663,331	144,167,564
Operating transfers		
Metropolitan Transportation Commission Administrative Transfers	1,639,635	1,589,270
Metropolitan Transportation Commission Transit Transfers		
AB664 expenses	12,280,679	12,482,234
90% rail expenses	9,972,589	10,007,625
5% transit expenses	999,088	1,169,742
Total operating transfers	<u>24,891,991</u>	<u>25,248,871</u>
Net income before capital transfers	<u>87,771,340</u>	<u>118,918,693</u>
Capital project transfers		
Regional Measure 1 transfers	306,408,859	280,126,750
Bridge rehabilitation transfers	23,109,446	20,220,648
Transfers to other agencies	2,604,669	890,706
Total capital transfers	<u>332,122,974</u>	<u>301,238,104</u>
Change in net assets	(244,351,634)	(182,319,411)
Total net assets - beginning	<u>390,216,921</u>	<u>572,536,332</u>
Total net assets - ending	<u>\$ 145,865,287</u>	<u>\$ 390,216,921</u>

Metropolitan Transportation Commission
Schedule of Computations Demonstrating
Bond Covenant Compliance – BATA Proprietary Fund, *continued*
For the Year Ended June 30, 2003

Schedule 6

	2003	2002
Net operating income	\$ 133,104,314	\$ 157,525,492
Debt service	\$ 20,440,983	\$ 13,357,928
Debt service coverage (1)	6.51	11.79
Debt service coverage - bond covenant requirement	1.00	1.00
Total revenue	\$ 171,940,907	\$ 189,959,119
Fixed charges (2)	\$ 84,169,567	\$ 71,040,426
Fixed charge coverage	2.04	2.67
Fixed charge coverage - bond covenant requirement	1.00	1.00
Total revenue plus operations & maintenance reserve	\$ 251,940,907	\$ 264,959,119
Fixed charges (2)	\$ 84,169,567	\$ 71,040,426
Fixed charge coverage	2.99	3.73
Fixed charge coverage - bond covenant requirement	1.25	1.25
Self insurance reserve	\$ 50,000,000	\$ 50,000,000
Self insurance reserve - bond covenant requirement	\$ 50,000,000	\$ 50,000,000
Operations & maintenance reserve	\$ 80,000,000	\$ 75,000,000
Operations & maintenance reserve - bond coverage requirement	\$ 77,673,186	\$ 64,867,254

(1) Based on debt outstanding from May 24, 2001 and February 14, 2003.

(2) Fixed charges comprises operating expenses, debt service and operating transfers.

Metropolitan Transportation Commission
Schedule of Operating Revenue and Expenses – BATA Proprietary Fund – by Bridge
For the Year Ended June 30, 2003

Schedule 7

	Carquinez Bridge	Benicia- Martinez Bridge	Antioch Bridge	Richmond- San Rafael Bridge	San Francisco Oakland Bay Bridges	San Mateo - Hayward Bridge	Dumbarton Bridge	Total
Operating revenues								
Toll revenues collected by Caltrans	\$ 27,475,268	\$ 21,792,680	\$ 3,422,296	\$ 14,917,557	\$ 48,788,086	\$ 16,689,764	\$ 11,114,225	\$ 144,199,876
Other operating revenues	359,412	297,300	43,032	195,414	620,354	223,174	166,544	1,905,230
Total operating revenues	27,834,680	22,089,980	3,465,328	15,112,971	49,408,440	16,912,938	11,280,769	146,105,106
Operating expenses								
Operating expenditures incurred by Caltrans	4,900,885	4,743,749	1,466,084	3,248,076	14,886,756	3,425,872	3,045,928	35,717,350
Services and charges	474,631	378,015	51,413	267,496	1,174,818	364,313	265,972	2,976,658
Depreciation	24,834	19,732	2,688	13,919	52,432	16,735	12,245	142,585
Total operating expenses	5,400,350	5,141,496	1,520,185	3,529,491	16,114,006	3,806,920	3,324,145	38,836,593
Operating income	\$ 22,434,330	\$ 16,948,484	\$ 1,945,143	\$ 11,583,480	\$ 33,294,434	\$ 13,106,018	\$ 7,956,624	\$ 107,268,513

Metropolitan Transportation Commission
Schedule of Toll Collection Summary – BATA Proprietary Fund – by Bridge (in Number of Vehicles)
For the Year Ended June 30, 2003

Schedule 8

	<u>San Francisco- Oakland Bay Bridge</u>	<u>San Mateo- Hayward Bridge</u>	<u>Dumbarton Bridge</u>	<u>Carquinez Bridge</u>	<u>Benicia- Martinez Bridge</u>	<u>Antioch Bridge</u>	<u>Richmond- San Rafael Bridge</u>	<u>Toll Traffic Total</u>
Autos, Trucks, Buses & Trailers								
2-Axle	44,322,617	13,933,945	10,066,541	20,888,672	17,084,326	2,164,938	12,098,094	120,559,133
3-Axle	142,892	96,119	41,747	148,894	151,625	42,944	79,752	703,973
4-Axle	94,772	66,470	20,540	105,702	116,477	29,606	61,203	494,770
5-Axle	427,259	242,372	92,493	657,792	431,162	114,939	270,072	2,236,089
6-Axle	7,669	3,294	2,050	21,454	10,107	1,604	4,123	50,301
7-Axle & More	707	556	406	1,250	861	72	275	4,127
Subtotal - Paid Vehicles	44,995,916	14,342,756	10,223,777	21,823,764	17,794,558	2,354,103	12,513,519	124,048,393
Free Vehicles	4,416,739	1,428,943	1,315,647	1,482,156	723,196	168,594	548,719	10,083,994
Total Vehicles	<u>49,412,655</u>	<u>15,771,699</u>	<u>11,539,424</u>	<u>23,305,920</u>	<u>18,517,754</u>	<u>2,522,697</u>	<u>13,062,238</u>	<u>134,132,387</u>

Metropolitan Transportation Commission
Schedule of Traffic and Toll Revenue for the Carquinez Bridge – BATA Proprietary Fund
For the Year Ended June 30, 2003

Schedule 9

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	1,842,657	83,295	1,925,952	142,107	2,068,059	\$ 1,842,650	\$ 583,926	\$ 2,426,576
August	1,920,714	89,392	2,010,106	139,579	2,149,685	1,920,701	617,967	2,538,668
September	1,734,165	78,627	1,812,792	123,318	1,936,110	1,734,155	554,204	2,288,359
October	1,774,176	82,755	1,856,931	126,898	1,983,829	1,774,170	572,661	2,346,831
November	1,689,542	74,634	1,764,176	113,853	1,878,029	1,689,526	525,960	2,215,486
December	1,675,288	73,173	1,748,461	107,665	1,856,126	1,675,284	518,265	2,193,549
January	1,677,176	74,610	1,751,786	122,853	1,874,639	1,677,144	525,170	2,202,314
February	1,556,417	66,854	1,623,271	109,409	1,732,680	1,556,404	481,257	2,037,661
March	1,727,178	74,280	1,801,458	119,324	1,920,782	1,727,172	525,672	2,252,844
April	1,671,172	75,049	1,746,221	131,862	1,878,083	1,671,170	536,807	2,207,977
May	1,800,130	80,266	1,880,396	119,346	1,999,742	1,800,122	565,812	2,365,934
June	1,820,057	82,157	1,902,214	125,942	2,028,156	1,820,048	579,021	2,399,069
Grand total								
2002-03 FY	<u>20,888,672</u>	<u>935,092</u>	<u>21,823,764</u>	<u>1,482,156</u>	<u>23,305,920</u>	<u>\$ 20,888,546</u>	<u>\$ 6,586,722</u>	<u>\$ 27,475,268</u>

Metropolitan Transportation Commission

Schedule of Traffic and Toll Revenue for the Benicia-Martinez Bridge – BATA Proprietary Fund

For the Year Ended June 30, 2003

Schedule 10

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	1,474,748	69,963	1,544,711	77,097	1,621,808	\$ 1,474,743	\$ 444,599	\$ 1,919,342
August	1,516,538	70,991	1,587,529	68,114	1,655,643	1,516,533	458,637	1,975,170
September	1,405,131	62,760	1,467,891	55,219	1,523,110	1,405,128	421,373	1,826,501
October	1,469,699	67,003	1,536,702	59,266	1,595,968	1,469,698	443,546	1,913,244
November	1,379,546	55,318	1,434,864	55,622	1,490,486	1,379,535	367,404	1,746,939
December	1,374,977	47,784	1,422,761	70,749	1,493,510	1,374,975	321,552	1,696,527
January	1,392,648	51,719	1,444,367	61,826	1,506,193	1,392,645	341,964	1,734,609
February	1,292,067	47,999	1,340,066	36,727	1,376,793	1,292,072	330,676	1,622,748
March	1,426,014	54,286	1,480,300	60,673	1,540,973	1,426,007	361,944	1,787,951
April	1,389,003	55,084	1,444,087	62,560	1,506,647	1,389,002	373,910	1,762,912
May	1,477,981	61,457	1,539,438	53,820	1,593,258	1,477,977	407,760	1,885,737
June	1,485,974	65,868	1,551,842	61,523	1,613,365	1,485,971	435,029	1,921,000
Grand total								
2002-03 FY	<u>17,084,326</u>	<u>710,232</u>	<u>17,794,558</u>	<u>723,196</u>	<u>18,517,754</u>	<u>\$ 17,084,286</u>	<u>\$ 4,708,394</u>	<u>\$ 21,792,680</u>

Metropolitan Transportation Commission
Schedule of Traffic and Toll Revenue for the Antioch Bridge – BATA Proprietary Fund
For the Year Ended June 30, 2003

Schedule 11

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	195,127	19,543	214,670	16,482	231,152	\$ 195,127	\$ 128,180	\$ 323,307
August	203,847	19,880	223,727	14,830	238,557	203,847	123,132	326,979
September	181,384	17,390	198,774	12,799	211,573	181,384	114,151	295,535
October	182,633	17,477	200,110	13,117	213,227	182,633	119,834	302,467
November	173,085	14,100	187,185	12,923	200,108	173,085	94,881	267,966
December	166,159	11,337	177,496	12,809	190,305	166,159	77,735	243,894
January	160,579	12,799	173,378	14,330	187,708	160,580	89,899	250,479
February	156,748	12,355	169,103	12,433	181,536	156,748	83,783	240,531
March	177,139	14,230	191,369	14,116	205,485	177,139	97,780	274,919
April	173,241	14,534	187,775	13,532	201,307	173,241	98,596	271,837
May	193,700	17,293	210,993	14,907	225,900	193,700	113,162	306,862
June	201,296	18,227	219,523	16,316	235,839	201,296	116,224	317,520
Grand total								
2002-03 FY	<u>2,164,938</u>	<u>189,165</u>	<u>2,354,103</u>	<u>168,594</u>	<u>2,522,697</u>	<u>\$ 2,164,939</u>	<u>\$ 1,257,357</u>	<u>\$ 3,422,296</u>

Metropolitan Transportation Commission

**Schedule of Traffic and Toll Revenue for the Richmond-San Rafael Bridge – BATA Proprietary Fund
For the Year Ended June 30, 2003**

Schedule 12

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	1,057,749	39,736	1,097,485	51,364	1,148,849	\$ 1,057,746	\$ 250,177	\$ 1,307,923
August	1,093,943	41,622	1,135,565	46,659	1,182,224	1,093,942	277,226	1,371,168
September	1,008,051	35,225	1,043,276	49,982	1,093,258	1,008,048	242,316	1,250,364
October	1,047,014	37,387	1,084,401	47,556	1,131,957	1,047,011	243,147	1,290,158
November	980,379	31,394	1,011,773	37,505	1,049,278	980,379	211,538	1,191,917
December	957,666	28,933	986,599	36,740	1,023,339	957,665	191,892	1,149,557
January	967,169	30,453	997,622	40,844	1,038,466	967,166	215,207	1,182,373
February	904,281	29,023	933,304	36,129	969,433	904,280	211,249	1,115,529
March	990,023	35,409	1,025,432	65,301	1,090,733	990,016	263,142	1,253,158
April	997,941	35,121	1,033,062	35,774	1,068,836	997,938	239,979	1,237,917
May	1,056,968	35,337	1,092,305	45,364	1,137,669	1,056,966	231,528	1,288,494
June	1,036,910	35,785	1,072,695	55,501	1,128,196	1,036,907	242,092	1,278,999
Grand total								
2002-03 FY	<u>12,098,094</u>	<u>415,425</u>	<u>12,513,519</u>	<u>548,719</u>	<u>13,062,238</u>	<u>\$ 12,098,064</u>	<u>\$ 2,819,493</u>	<u>\$ 14,917,557</u>

Metropolitan Transportation Commission

**Schedule of Traffic and Toll Revenue for the San Francisco-Oakland Bridge – BATA Proprietary Fund
For the Year Ended June 30, 2003**

Schedule 13

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	3,842,136	62,075	3,904,211	400,552	4,304,763	\$ 3,842,128	\$ 432,266	4,274,394
August	3,952,067	61,854	4,013,921	395,298	4,409,219	3,952,060	403,620	4,355,680
September	3,714,287	56,934	3,771,221	369,202	4,140,423	3,714,283	389,028	4,103,311
October	3,826,687	62,757	3,889,444	405,287	4,294,731	3,826,684	416,824	4,243,508
November	3,623,958	56,331	3,680,289	355,850	4,036,139	3,623,949	373,204	3,997,153
December	3,526,989	50,441	3,577,430	347,486	3,924,916	3,526,989	343,885	3,870,874
January	3,583,023	54,432	3,637,455	341,661	3,979,116	3,583,020	359,216	3,942,236
February	3,342,212	47,075	3,389,287	329,840	3,719,127	3,342,209	312,173	3,654,382
March	3,678,820	53,667	3,732,487	357,475	4,089,962	3,678,817	363,101	4,041,918
April	3,629,373	55,356	3,684,729	372,066	4,056,795	3,629,371	360,214	3,989,585
May	3,832,018	56,214	3,888,232	367,640	4,255,872	3,832,015	356,737	4,188,752
June	3,771,047	56,163	3,827,210	374,382	4,201,592	3,771,043	355,250	4,126,293
Grand total								
2002-03 FY	<u>44,322,617</u>	<u>673,299</u>	<u>44,995,916</u>	<u>4,416,739</u>	<u>49,412,655</u>	<u>\$ 44,322,568</u>	<u>\$ 4,465,518</u>	<u>\$ 48,788,086</u>

Metropolitan Transportation Commission

**Schedule of Traffic and Toll Revenue for the San Mateo-Hayward Bridge – BATA Proprietary Fund
For the Year Ended June 30, 2003**

Schedule 14

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	1,143,894	34,912	1,178,806	135,366	1,314,172	\$ 1,143,890	\$ 233,190	\$ 1,377,080
August	1,164,186	35,643	1,199,829	131,224	1,331,053	1,164,184	235,632	1,399,816
September	1,118,016	33,383	1,151,399	116,437	1,267,836	1,118,015	218,796	1,336,811
October	1,184,410	37,025	1,221,435	124,772	1,346,207	1,184,410	259,229	1,443,639
November	1,123,613	31,852	1,155,465	116,329	1,271,794	1,123,610	213,681	1,337,291
December	1,146,874	30,331	1,177,205	111,078	1,288,283	1,146,874	203,123	1,349,997
January	1,157,113	33,064	1,190,177	118,193	1,308,370	1,157,111	218,460	1,375,571
February	1,071,013	30,728	1,101,741	104,966	1,206,707	1,071,012	205,439	1,276,451
March	1,195,763	34,216	1,229,979	113,606	1,343,585	1,195,762	234,811	1,430,573
April	1,161,197	33,678	1,194,875	118,162	1,313,037	1,161,196	231,924	1,393,120
May	1,231,048	36,480	1,267,528	116,881	1,384,409	1,231,046	248,215	1,479,261
June	1,236,818	37,499	1,274,317	121,929	1,396,246	1,236,818	253,336	1,490,154
Grand total								
2002-03 FY	<u>13,933,945</u>	<u>408,811</u>	<u>14,342,756</u>	<u>1,428,943</u>	<u>15,771,699</u>	<u>\$ 13,933,928</u>	<u>\$ 2,755,836</u>	<u>\$ 16,689,764</u>

Metropolitan Transportation Commission
Schedule of Traffic and Toll Revenue for the Dumbarton Bridge – BATA Proprietary Fund
For the Year Ended June 30, 2003

Schedule 15

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	895,549	14,869	910,418	131,684	1,042,102	895,543	\$ 101,184	\$ 996,727
August	918,826	15,685	934,511	126,729	1,061,240	918,826	102,083	1,020,909
September	863,166	15,326	878,492	115,192	993,684	863,166	106,792	969,958
October	916,567	15,058	931,625	125,711	1,057,336	916,567	93,666	1,010,233
November	807,247	12,136	819,383	102,685	922,068	807,247	84,389	891,636
December	784,817	10,987	795,804	97,401	893,205	784,817	77,454	862,271
January	821,174	11,763	832,937	106,133	939,070	821,174	73,008	894,182
February	750,303	10,164	760,467	95,083	855,550	750,302	73,872	824,174
March	828,501	11,785	840,286	103,420	943,706	828,500	76,150	904,650
April	810,344	11,908	822,252	105,197	927,449	810,344	79,474	889,818
May	838,844	14,210	853,054	104,460	957,514	838,844	91,876	930,720
June	831,203	13,345	844,548	101,952	946,500	831,202	87,745	918,947
Grand total								
2002-03 FY	<u>10,066,541</u>	<u>157,236</u>	<u>10,223,777</u>	<u>1,315,647</u>	<u>11,539,424</u>	<u>\$ 10,066,532</u>	<u>\$ 1,047,693</u>	<u>\$ 11,114,225</u>

**Metropolitan Transportation Commission
Schedule of Fiduciary Net Assets by Participant
June 30, 2003**

Schedule 16

	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma	TDA Fiduciary Fund Total	AB1107 Fund Program	Fiduciary Fund Total
Restricted assets held by participating counties	\$13,357,826	\$13,753,776	\$ 1,126,185	\$ 7,466,376	\$ 2,016,504	\$ 2,646,469	\$ 4,987,105	\$ 10,374,019	\$ 17,408,226	\$ 73,136,486	\$ 4,983,274	\$ 78,119,760
Due from state of California	17,696	-	-	-	-	-	-	-	264,935	282,631	-	282,631
Total Assets	\$13,375,522	\$13,753,776	\$ 1,126,185	\$ 7,466,376	\$ 2,016,504	\$ 2,646,469	\$ 4,987,105	\$ 10,374,019	\$ 17,673,161	\$ 73,419,117	\$ 4,983,274	\$ 78,402,391
Accounts Payable	\$ 868,781	\$ 308,608	\$ -	\$ 1,644,682	\$ 146,003	\$ 289,889	\$ 459,687	\$ 212,352	\$ 233,224	\$ 4,163,226	\$ 4,983,274	\$ 9,146,500
Accrued Expense	316,991	120,000	33,795	-	86,371	15,600	-	225,000	-	797,757	-	797,757
Due to other Governments	12,189,750	13,325,168	1,092,390	5,821,694	1,784,130	2,340,980	4,527,418	9,936,667	17,439,937	68,458,134	-	68,458,134
Total Liabilities	\$13,375,522	\$13,753,776	\$ 1,126,185	\$ 7,466,376	\$ 2,016,504	\$ 2,646,469	\$ 4,987,105	\$ 10,374,019	\$ 17,673,161	\$ 73,419,117	\$ 4,983,274	\$ 78,402,391

**Metropolitan Transportation Commission
Schedule of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2003**

Schedule 17

	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma	TDA Fiduciary Fund Total	AB1107 Fund Program	Fiduciary Fund Total
Local transportation fund	\$53,596,978	\$30,495,773	\$ 9,694,417	\$ 5,136,467	\$ 28,959,436	\$ 28,972,882	\$67,567,985	\$ 13,069,921	\$ 16,886,783	\$254,380,642	\$ -	\$254,380,642
AB1107 fees	-	-	-	-	-	-	-	-	-	-	55,818,684	55,818,684
Investment earnings	262,028	120,738	44,767	238,789	93,388	218,105	101,071	303,698	525,570	1,908,154	120,848	2,029,002
Total additions	53,859,006	30,616,511	9,739,184	5,375,256	29,052,824	29,190,987	67,669,056	13,373,619	17,412,353	256,288,796	55,939,532	312,228,328
Allocations	45,741,905	32,524,377	8,007,479	8,105,306	23,702,264	23,111,770	60,861,621	13,932,778	15,746,637	231,734,137	64,819,389	296,553,526
Administrative	1,905,309	1,119,972	420,325	205,459	1,158,377	1,065,084	2,702,720	522,797	612,041	9,712,084	-	9,712,084
Total deductions	47,647,214	33,644,349	8,427,804	8,310,765	24,860,641	24,176,854	63,564,341	14,455,575	16,358,678	241,446,221	64,819,389	306,265,610
Net of additions over (under) deductions	6,211,792	(3,027,838)	1,311,380	(2,935,509)	4,192,183	5,014,133	4,104,715	(1,081,956)	1,053,675	14,842,575	(8,879,857)	5,962,718
Due to other governments 6/30/02	5,977,958	16,353,006	(218,990)	8,757,204	(2,408,052)	(2,673,153)	422,704	11,018,623	16,386,259	53,615,559	8,879,857	62,495,416
Due to other governments 6/30/03	\$12,189,750	\$13,325,168	\$ 1,092,390	\$ 5,821,695	\$ 1,784,131	\$ 2,340,980	\$ 4,527,419	\$ 9,936,667	\$17,439,934	\$ 68,458,134	\$ -	\$ 68,458,134

Metropolitan Transportation Commission
Schedule of Interest Rate Swap – BATA Proprietary Fund
June 30, 2003

Schedule 18

	Series A-2001	Series A-2001	Series B-2001	Series C-2001	Series 2003	Total
Notional Amount	\$75,000,000	\$75,000,000	\$75,000,000	\$75,000,000	\$200,000,000	\$500,000,000
Trade date	1/10/2002	1/10/2002	1/10/2002	1/10/2002	3/5/2003	
Swap mode	Cost of fund	Cost of fund	Cost of fund	Cost of fund	65% LIBOR	
Maturity	4/1/2036	4/1/2036	4/1/2025	4/1/2029	4/1/2038	
Basis risk	No*	No*	No*	No*	Yes	
All in rate						
contracted cost	4.090%	4.100%	4.110%	4.120%	4.139%	
basis cost	0.000%	0.000%	0.000%	0.000%	0.030%	
liquidity marketing	0.300%	0.300%	0.300%	0.300%	0.300%	
	4.390%	4.400%	4.410%	4.420%	4.469%	
Counterparty (CP)	Morgan Stanley	Citigroup	AMBAC	AMBAC	AMBAC	
% held by CP - 2001 Swap	25%	25%	See series c for cumulative	50%	0%	100%
% held by CP - Aggregate	15%	15%	See 2003 for cumulative	See 2003 for cumulative	70%	100%
S&P/Moodys	A+/Aa3	AA-/Aa1	AAA/Aaa	AAA/Aaa	AAA/Aaa	
Ratings outlook	Stable/Stable	Stable/Stable	Stable/N.A.	Stable/N.A.	Stable/N.A.	
Termination value	(\$11,700,100)	(\$11,822,900)	(\$10,501,700)	(\$11,047,100)	(\$31,642,400)	(\$76,714,200)
Credit risk						
CP collateral posting **						
CP < AA	Yes	No	No	No	No	
and						
Termination value > \$10,000,000	No	No	No	No	No	
Termination risk	No	No	No	No	No	
Tax risk	Yes	Yes	Yes	Yes	No	
Counterparty default rate	65% LIBOR	65% LIBOR	65% LIBOR	65% LIBOR	N.A.	

* yes, upon 2006 conversion to 65% LIBOR

** BATA has no posting requirement

STATISTICAL SECTION

Metropolitan Transportation Commission
Summary of Callboxes by County (unaudited)
For the Year Ended June 30, 2003

	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma	Total
For the Year Ended:										
June 30, 2003	744	525	143	106	68	492	886	312	301	3,577
June 30, 2002	701	525	143	106	68	449	886	312	301	3,491
June 30, 2001	699	525	143	106	68	449	886	312	301	3,489
June 30, 2000	699	511	143	106	68	446	885	312	301	3,471
June 30, 1999	679	491	143	106	68	446	885	312	301	3,431
June 30, 1998	649	491	143	106	60	446	885	312	301	3,393

Metropolitan Transportation Commission
Government-wide Revenues (unaudited)
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Sales Taxes	Unrestricted Investment Earnings	Total
1994	\$29,851,323	\$11,045,624	N/A	\$5,951,654	\$1,425,259	48,273,860
1995	30,924,304	13,359,438	N/A	6,197,885	1,786,186	52,267,813
1996	32,561,218	20,482,740	N/A	6,985,078	2,475,587	62,504,623
1997	32,589,565	20,888,238	N/A	7,437,596	2,495,897	63,411,296
1998	142,325,259	17,980,234	N/A	7,995,846	40,482,734	208,784,073
1999	142,457,747	22,522,983	N/A	8,308,337	41,034,464	214,323,531
2000	146,570,469	31,848,657	36,779,136	9,358,589	44,447,110	269,003,961
2001*	150,759,047	38,906,141	44,648,314	10,641,974	50,626,342	295,581,818
2002	150,127,560	44,810,738	64,472,632	9,326,567	49,973,084	318,710,581
2003**	151,914,404	46,238,665	72,344,529	8,903,326	27,557,608	306,958,532

* Excludes \$400 million bond proceeds

** Excludes \$300 million bond proceeds

Metropolitan Transportation Commission
Government-wide Expenses by Function (unaudited)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Allocations to Other Agencies</u>	<u>Toll Bridge Activities</u>	<u>Congestion Relief</u>	<u>Total</u>
1994	11,896,331	16,037,751	N/A	6,976,175	34,910,257
1995	12,764,615	15,981,519	N/A	8,267,619	37,013,753
1996	18,095,531	19,934,506	N/A	8,449,071	46,479,108
1997	17,115,323	35,357,207	N/A	8,644,377	61,116,907
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

**Metropolitan Transportation Commission
TDA Sales Tax of Nine San Francisco Bay Area Counties (unaudited)
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Alameda</u>	<u>Contra Costa</u>	<u>Marin</u>	<u>Napa</u>	<u>San Francisco</u>	<u>San Mateo</u>	<u>Santa Clara</u>	<u>Solano</u>	<u>Sonoma</u>	<u>Total</u>
1994	34,714,009	19,318,474	6,297,588	2,709,644	21,447,280	20,715,810	48,133,983	6,777,809	9,912,637	170,027,234
1995	36,474,946	19,873,487	6,506,970	2,610,387	22,756,793	20,764,798	51,059,772	6,985,386	10,049,809	177,082,348
1996	41,179,331	21,591,546	7,025,001	2,944,524	25,276,273	23,178,753	59,903,304	7,417,079	11,057,828	199,573,639
1997	44,005,230	22,103,441	7,401,551	3,139,506	26,700,851	25,273,946	64,428,786	7,793,529	11,655,865	212,502,705
1998	47,713,711	23,991,707	7,993,642	3,076,720	27,729,204	27,460,182	69,208,486	8,355,779	12,923,237	228,452,668
1999	49,283,302	26,423,486	8,596,792	3,805,482	28,894,542	28,202,194	69,622,688	8,792,082	13,760,430	237,380,998
2000	54,936,880	28,290,695	9,527,056	4,451,700	32,039,597	31,697,342	80,362,348	10,272,149	15,810,470	267,388,237
2001	61,283,441	31,388,967	10,302,362	4,921,211	35,787,353	35,831,563	95,812,143	11,471,073	17,429,706	304,227,819
2002	56,343,360	30,538,171	9,732,118	4,876,446	29,683,577	30,834,076	75,632,441	12,019,791	16,813,361	266,473,341
2003	53,596,978	30,495,773	9,694,417	5,136,467	28,959,436	28,972,882	67,567,984	13,069,921	16,887,783	254,381,641
Total	479,531,188	254,015,747	83,077,497	37,672,087	279,274,906	272,931,546	681,731,935	92,954,598	136,301,126	2,317,490,630

Metropolitan Transportation Commission
Miscellaneous Statistics (unaudited)
June 30, 2003

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)	129
Type of Tax Support	3.5 % of TDA Sales Tax
Region in which Commission Operates	San Francisco Bay Area
Number of Counties in the Region	9
Area of Authority in Square Miles	6,980
Population of Region in which Commission Operates	6,994,500
Number of Toll Bridges in the Region	8
Traffic for All Toll Bridges (Number of Vehicles) (excluding GGBHD)	134,132,387
Toll Revenues (excluding GGBHD)	144,199,876
Number of Call Boxes in the Region	3,577
Number of Calls Made from Call Boxes	72,821

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

Year	Population ¹	Per Capita Income ⁴	Median Age ⁴	School Enrollment ²	Unemployment Rate ³
1994	6,296,600	N/A	N/A	891,445	6.03%
1995	6,329,800	N/A	N/A	901,650	5.46%
1996	6,375,500	N/A	N/A	920,622	4.45%
1997	6,462,400	N/A	N/A	940,608	3.78%
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	N/A

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
Ratio of Annual Debt Service Expenditures
For Bonded Revenue Debt to Total Toll Revenue – BATA Proprietary Fund
Last Three Fiscal Years (unaudited)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Toll Revenue</u>	<u>Ratio of Debt Service to Total Toll Revenue</u>
2001	\$ -	\$ 1,327,465	\$ 1,327,465	\$ 143,717,694	0.92%
2002	-	13,357,928	13,357,928	144,230,152	9.26%
2003	-	20,440,983	20,440,983	146,105,106	13.99%

No debt prior to 2001