



ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Basic Financial Statements

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

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Independent Auditors' Report

The Governing Board
Alameda Corridor Transportation Authority:

We have audited the accompanying basic financial statements of the Alameda Corridor Transportation Authority (the Authority) as of and for the years ended June 30, 2009 and 2008, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Alameda Corridor Transportation Authority as of June 30, 2009 and 2008 and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



Management's discussion and analysis on pages 3 through 10 and the schedule of funding progress on pages 41 and 42 are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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.

KPMG LLP

November 4, 2009

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

June 30, 2009 and 2008

Description of Basic Financial Statements

The Alameda Corridor Transportation Authority (the Authority) presents its basic financial statements using the economic resources measurement focus and full accrual basis of accounting. The Authority's basic financial statements include a balance sheet; statement of revenues, expenses, and changes in net assets; and statement of cash flows. The basic financial statements also include notes that explain the information presented in the basic financial statements.

Financial Highlights

The assets of the Authority exceeded its liabilities (net assets) at June 30, 2009 and 2008 by \$182,136,459 and \$235,650,517, respectively. Of this amount, \$395,343,921 and \$392,536,493, respectively, are invested in the Authority's capital assets, net of related debt, at June 30, 2009 and 2008. The Authority's net assets decreased by \$53,514,058 and \$45,436,875 in the years ended June 30, 2009 and 2008, respectively.

The 2008 and 2009 fiscal years marked the sixth and seventh full years of operations for the Authority. The Authority earned \$89,194,635 and \$97,964,403 from use fees, container charges, and maintenance-of-way charges during fiscal years ended June 30, 2009 and 2008, respectively. The Authority's use fees and container charges for the year 2009 shorted the 2008 total by 9.0%. All of the operating revenues and a majority of maintenance-of-way charges are received from the Union Pacific (UP) and Burlington Northern Santa Fe (BNSF) railroads that utilize the Authority's Alameda Corridor (Corridor).

Lastly, the Authority's total revenues and remaining bond proceeds on hand were sufficient to cover debt service payments for the year.

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Condensed Financial Information

The following condensed financial information provides an overview of the Authority's financial position for the fiscal years ended June 30, 2009, 2008, and 2007:

	Year ended June 30			Change between 2009 and 2008	Change between 2008 and 2007
	2009	2008	2007		
Assets:					
Capital assets, net	\$ 1,931,631,381	1,946,229,844	1,973,473,299	(14,598,463)	(27,243,455)
Bond issuance costs	58,973,941	62,323,123	65,742,146	(3,349,182)	(3,419,023)
Other assets	266,914,705	276,149,033	258,584,940	(9,234,328)	17,564,093
Total assets	2,257,520,027	2,284,702,000	2,297,800,385	(27,181,973)	(13,098,385)
Liabilities:					
Long-term liabilities	2,014,438,284	1,989,869,990	1,962,844,848	24,568,294	27,025,142
Other current liabilities	60,945,284	59,181,493	53,868,145	1,763,791	5,313,348
Total liabilities	2,075,383,568	2,049,051,483	2,016,712,993	26,332,085	32,338,490
Net assets:					
Invested in capital assets, net of related debt	395,343,921	392,536,493	398,922,282	2,807,428	(6,385,789)
Restricted for debt service	21,554,835	17,100,805	10,889,220	4,454,030	6,211,585
Restricted for capital projects	7,749,337	9,161,519	8,772,574	(1,412,182)	388,945
Restricted by Master Trust Indenture	59,438,724	61,549,024	51,689,298	(2,110,300)	9,859,726
Unrestricted	(301,950,358)	(244,697,324)	(189,185,982)	(57,253,034)	(55,511,342)
Total net assets	\$ 182,136,459	235,650,517	281,087,392	(53,514,058)	(45,436,875)

Net Assets

Net assets, the difference between assets and liabilities, decreased by \$53.5 million, or 22.7%, and \$45.4 million, or 16.2%, during the years ended June 30, 2009 and 2008, respectively. The majority of this decrease is due to a \$57.7 million and \$55.8 million increase in accrued interest payable during the years ended June 30, 2009 and 2008, respectively, as well as depreciation expense of \$21.6 million and \$21.7 million during the years ended June 30, 2009 and 2008, respectively. The decrease is offset by a principal debt payment of \$28.0 million in fiscal year 2009. The remaining offset to the decrease in net assets is the result of the excess of nonoperating expenses, primarily interest expense, over operating income for both 2009 and 2008 fiscal years.

The Master Trust Indenture

In conjunction with the sale of project revenue and refunding bonds in 1999 and 2004 (Bonds), the Authority entered into a Master Trust Indenture (MTI) with US Bank, the bond trustee (Trustee), pursuant to which the Authority assigned all of its rights, title, and interest in and to the Alameda Corridor project, including the receipt of certain Use Fees and Container Charges and other revenues known as "Authority revenues" to the Trustee as security for the repayment of the Bonds. Pursuant to the terms of the MTI, the Trustee is required to establish certain funds and accounts and to apply the Authority's revenues for the purposes specifically set forth therein. The MTI establishes debt service funds, debt service reserve funds, construction funds, maintenance and capital

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reserve funds, and certain other restrictive funds. The MTI also establishes a priority of payments, which restricts the manner, timing, and sequence of transfers into and out of such funds and accounts, and among such funds and accounts. The MTI requires that the Authority comply with certain operational and financial covenants, restricts the types of investments the Trustee and Authority may make, and requires regular financial reporting and disclosure.

Capital Assets

Net capital assets, which are made up of property, plant, and equipment, decreased by \$14.6 million or 0.8%, and \$27.2 million, or 1.4%, between 2009 and 2008 and 2008 and 2007, respectively. These decreases are due primarily to the depreciation of capital assets and the sale of ByPass Track project which were partially offset by the additional costs of ongoing capital projects during the years ended June 30, 2009 and 2008, respectively.

Bond Issuance Costs

No additional bond issuance costs were capitalized in 2009 or 2008. Amortization expense related to bond issuance costs was \$3.3 million and \$3.4 million for fiscal years 2009 and 2008, respectively.

Other Assets

Other assets consist of cash, investments, receivables, condemnation deposits, and prepaid expenses. These assets decreased by \$9.2 million, or 3.3%, during fiscal year 2009, and increased by \$17.6 million, or 6.8%, during fiscal year 2008 due primarily to decreases in revenues and depleting of cash.

Long-Term Liabilities

Long-term liabilities increased by \$24.6 million, or 1.2%, in fiscal year 2009 compared to fiscal year 2008 due to accrued interest on Capital Appreciation Bonds. Long-term liabilities increased by \$27.0 million, or 1.4%, in fiscal year 2008 compared to fiscal year 2007 due to accrued interest on Capital Appreciation Bonds.

Other Current Liabilities

Other current liabilities consist of the current portion of accrued interest and revenue bonds payable, accounts payable, retention payable, right-of-way payable, deferred revenue, other payables, as well as principal and interest currently due on the long-term bonds payable. Other current liabilities increased by \$1.8 million due to an increase of \$5.1 million in principal and interest payments in fiscal year 2009 and offset by decreases of \$3.3 million of accounts payable and other liabilities.

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Summary of Changes in Net Assets

The table below summarizes the changes in net assets for the years ended June 30, 2009, 2008, and 2007:

	Year ended June 30			Change between 2009 and 2008	Change between 2008 and 2007
	2009	2008	2007		
Operating revenues:					
Use fees and container charges	\$ 85,349,060	94,048,421	95,220,756	(8,699,361)	(1,172,335)
Maintenance-of-way charges	3,845,575	3,915,982	3,500,202	(70,407)	415,780
Total operating revenues	<u>89,194,635</u>	<u>97,964,403</u>	<u>98,720,958</u>	<u>(8,769,768)</u>	<u>(756,555)</u>
Operating expenses:					
Salaries and benefits	2,369,247	2,218,692	1,939,188	150,555	279,504
Administrative expenses and professional services	6,522,678	4,737,415	4,816,097	1,785,263	(78,682)
Maintenance-of-way	4,828,067	4,902,139	4,612,400	(74,072)	289,739
Depreciation	21,602,318	21,673,838	22,661,287	(71,520)	(987,449)
Total operating expenses	<u>35,322,310</u>	<u>33,532,084</u>	<u>34,028,972</u>	<u>1,790,226</u>	<u>(496,888)</u>
Operating income (loss)	<u>53,872,325</u>	<u>64,432,319</u>	<u>64,691,986</u>	<u>(10,559,994)</u>	<u>(259,667)</u>
Nonoperating revenues (expenses):					
Interest and investment income, net	9,281,139	13,190,152	12,038,493	(3,909,013)	1,151,659
Interest expense	(114,846,719)	(112,997,115)	(111,007,779)	(1,849,604)	(1,989,336)
Grants	658,943	480,061	1,859,335	178,882	(1,379,274)
Miscellaneous revenues (expenses)	869,436	(7,123,269)	1,818,854	7,992,705	(8,942,123)
Amortization of bond issuance costs	(3,349,182)	(3,419,023)	(3,476,990)	69,841	57,967
Total nonoperating expenses	<u>(107,386,383)</u>	<u>(109,869,194)</u>	<u>(98,768,087)</u>	<u>2,482,811</u>	<u>(11,101,107)</u>
Change in net assets	<u>(53,514,058)</u>	<u>(45,436,875)</u>	<u>(34,076,101)</u>	<u>(8,077,183)</u>	<u>(11,360,774)</u>
Total net assets, beginning of year	<u>235,650,517</u>	<u>281,087,392</u>	<u>315,163,493</u>	<u>(45,436,875)</u>	<u>(34,076,101)</u>
Total net assets, end of year	<u>\$ 182,136,459</u>	<u>235,650,517</u>	<u>281,087,392</u>	<u>(53,514,058)</u>	<u>(45,436,875)</u>

Operating Revenues

Use Fees and Container Charges revenues, representing 95.7% and 96.0% of operating revenues, decreased by \$8.7 million and \$1.2 million, or 9.2% and 1.2%, in 2009 and 2008, respectively. The decrease is due to a lower volume of cargo and offset by annual fee increases of 3.4% on January 1, 2009 and 3.5% on January 1, 2008.

Maintenance-of-way revenues, representing 4.3% in fiscal year 2009 and 4.0% in fiscal year 2008 of operating revenues, were \$3.8 million and \$3.9 million, respectively.

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Operating Expenses

Operating expenses consist of salaries, benefits, administrative costs, professional services, maintenance-of-way, and depreciation. During the years ended June 30, 2009 and 2008, operating expenses increased by \$1.8 million, or 5.3%, and decreased by \$0.5 million, or 1.5%, respectively, due primarily to Alameda Corridor Engineering Team (ACET) program management and legal services were expensed instead of capitalized as in prior years. ACET is providing more support to the administrative functions of the Authority as the capital program continues to close out and the final record documents are organized, closed out, and purged. ACET Administrative Support and legal expense increased by \$1.4 million and \$0.7 million in 2009 and 2008, respectively.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist of interest and investment earnings, interest expense, grant revenues, miscellaneous revenues gain and loss on sale of fixed assets, and amortization of bond issuance costs. During the fiscal years ended June 30, 2009 and 2008, interest and investment income decreased by \$3.9 million, or 29.6%, and increased by \$1.2 million, or 9.6%, respectively. The decrease in interest and investment income is due to a decrease in the average investments held by the Authority, as well as a decrease in the average interest rate earned. Interest expense increased by \$1.8 million and \$2.0 million 2009 and 2008, respectively. The increase in both years is due to an increase in interest incurred on the 1999 and 2004 series bonds. Grant revenues increased by \$0.2 million and \$1.4 million, or 37.3% and 74.2%, in 2009 and 2008, respectively, due to completion of the PCH Project. Miscellaneous revenues increased by \$8.0 million from a \$7.1 million loss in 2008 due to the loss from sale of the ByPass Track last year and no corresponding loss recorded in 2009.

Capital Assets and Debt Administration

At June 30, 2009 and 2008, the Authority had approximately \$2.0 billion of capital assets and approximately \$2.0 billion of long-term debt outstanding.

Capital Assets

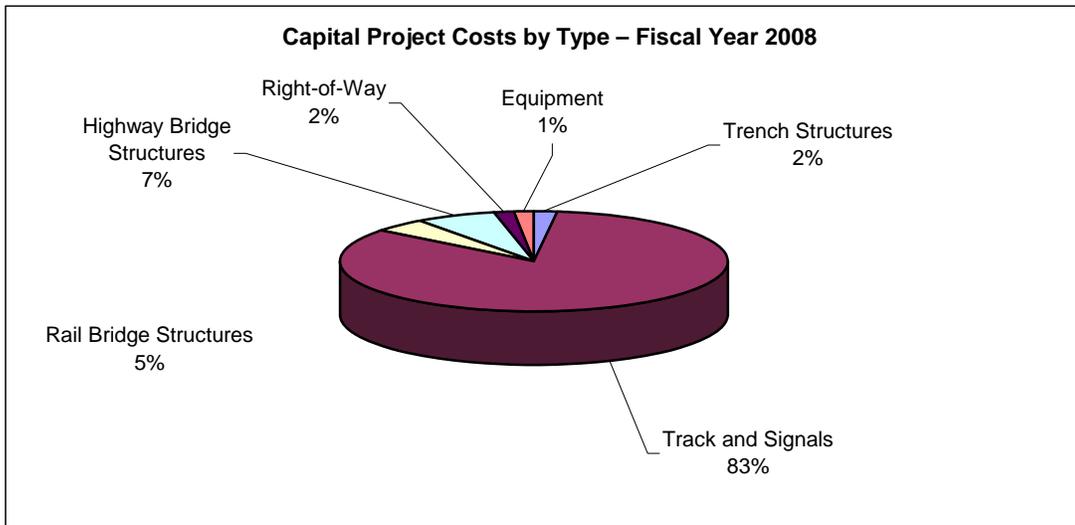
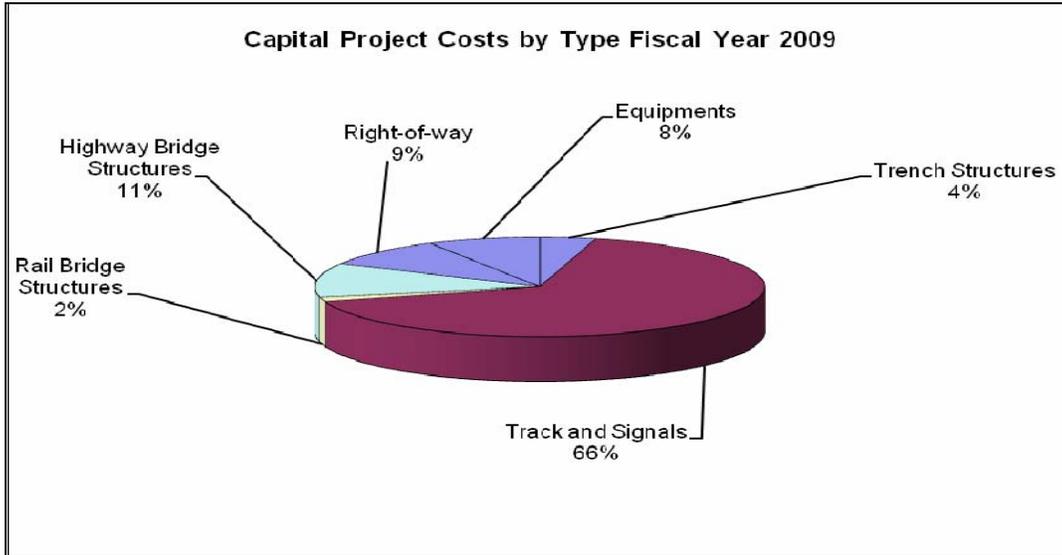
During fiscal years 2009 and 2008, the Authority expended \$7.6 million and \$13.1 million, respectively, on capital project activities. The chart on the following page provides a summary of capital project expenditures by type for the years ended June 30, 2009 and 2008.

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Management's Discussion and Analysis

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Additional capital asset information can be found in note 5 to the basic financial statements.



Long-Term Debt

As of June 30, 2009 and 2008, the Authority's total long-term debt in revenue bonds was \$1.699 billion and \$1.732 billion, respectively, (net of the current portion amount of \$32.3 million and \$28.0 million).

Additional debt information can be found in note 6 to the basic financial statements.

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Other Developments

The Authority's Alameda Corridor Project opened on schedule, April 15, 2002. On that date, the Authority commenced operations and began collecting revenues for intermodal containers and rail cars using the Authority's Alameda Corridor, as authorized in the Use and Operating Agreement between the Authority and the participating railroads (Use and Operating Agreement). The first cash collections were received from the railroads in June 2002 as required by the Use and Operating Agreement. Since the Corridor's opening, actual cash collections of nearly \$541.7 million have been received from the railroads. These revenues, combined with remaining interest income, have been more than sufficient to meet debt service, fund reserve account required deposits, and pay the cost of revenue collections, monitoring, and administrative fees.

The Authority's program manager, Alameda Corridor Engineering Team (ACET), together with the Authority's staff are actively working to complete construction of the remaining original Alameda Corridor projects and closing out completed projects. Most of the Authority's largest projects either have reached completion or are on the verge of final closeout, with minimal additional outstanding claims or unresolved issues.

The Authority's Governing Board (the Board) modified the Alameda Corridor Project to include the addition of several Corridor-related projects, consistent with the Authority's Joint Powers Agreement, the Use and Operating Agreement, and its bond-related documents. Significant among those projects are the PCH Project and a feasibility study (pre NEPA/CEQA approval) of the State Route 47 Expressway (SR47).

Also, the Board authorized an expanded mission for the Authority, many portions of which have been concluded. The expanded mission includes the following:

1. Assisting in the evaluation and implementation of extended operating hours of the cargo distribution system (concluded with the implementation of PierPASS)
2. Assisting the Ports of Los Angeles and Long Beach in optimizing the use of existing on-dock rail facilities (concluded)
3. Evaluating the viability of a shuttle train operation (determined to lack financial feasibility and railroad support)
4. Supporting the development of a new near-dock Intermodal Container Transfer Facility
5. Continuing the planning of an improved SR47
6. Participating in goods-movement studies in conjunction with the Los Angeles County Metropolitan Transportation Authority (LACMTA) (concluded)
7. Developing funding options and alternatives for such expanded mission activities, and authorizing \$3.2 million in initial funding (concluded)
8. Evaluating opportunities for addressing near-port empty container storage issues (concluded).

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Management's Discussion and Analysis

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Following completion of the environmental review, the SR47 Project has progressed, and the Authority is currently working in conjunction with Caltrans. The NEPA Record of Decision was approved on August 12, 2009; the CEQA certification is pending approval. There is a need to finalize project funding, and to begin the design and development of the new bridge and flyover.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Balance Sheets

June 30, 2009 and 2008

Assets	2009	2008
Current assets:		
Restricted cash and cash equivalents	\$ 17,088,030	59,181,493
Receivables, net of allowance of \$6,293,407 and \$3,979,848 at June 30, 2009 and 2008, respectively	8,433,319	14,160,845
Condemnation deposits	14,195	15,805
Prepaid expenses	1,678,542	1,727,065
Total current assets	27,214,086	75,085,208
Noncurrent assets:		
Restricted cash and cash equivalents	—	49,898,939
Restricted investments	239,700,619	151,164,886
Bond issuance costs	58,973,941	62,323,123
Capital assets:		
Buildings and equipments	11,197,028	10,575,816
Alameda corridor project infrastructure, right-of-way, and land improvements	2,070,980,936	2,064,598,293
Less accumulated depreciation	(150,546,583)	(128,944,265)
Capital assets, net	1,931,631,381	1,946,229,844
Total noncurrent assets	2,230,305,941	2,209,616,792
Total assets	\$ 2,257,520,027	2,284,702,000
Liabilities		
Current liabilities:		
Accounts payable	\$ 4,312,969	7,441,181
Right-of-way acquisition payable	14,195	15,805
Contract retention payable	53,658	184,508
Deferred revenue	7,493,367	7,592,605
Accrued interest payable, current portion	16,431,529	15,571,398
Revenue bonds payable, current portion	32,261,088	28,039,173
Other liabilities	378,478	336,823
Total current liabilities	60,945,284	59,181,493
Noncurrent liabilities:		
Accrued interest payable, net of current portion	315,010,629	258,209,847
Revenue bonds payable, net of current portion, and unamortized discount	1,699,427,655	1,731,660,143
Total noncurrent liabilities	2,014,438,284	1,989,869,990
Total liabilities	2,075,383,568	2,049,051,483
Net Assets		
Invested in capital assets, net of related debt	395,343,921	392,536,493
Restricted for debt service	21,554,835	17,100,805
Restricted for capital projects	7,749,337	9,161,519
Restricted by Master Trust Agreement	59,438,724	61,549,024
Unrestricted	(301,950,358)	(244,697,324)
Total net assets	182,136,459	235,650,517
Total liabilities and net assets	\$ 2,257,520,027	2,284,702,000

See accompanying notes to basic financial statements

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Use fees and container charges	\$ 85,349,060	94,048,421
Maintenance-of-way charges	3,845,575	3,915,982
Total operating revenues	<u>89,194,635</u>	<u>97,964,403</u>
Operating expenses:		
Salaries and benefits	2,369,247	2,218,692
Administrative expenses	4,167,339	3,016,835
Professional services	2,355,339	1,720,580
Maintenance-of-way	4,828,067	4,902,139
Depreciation	21,602,318	21,673,838
Total operating expenses	<u>35,322,310</u>	<u>33,532,084</u>
Operating income	<u>53,872,325</u>	<u>64,432,319</u>
Nonoperating revenues:		
Interest and investment revenue, net	9,281,139	13,190,152
Grants	658,943	480,061
Gain (loss) from sale of fixed assets	715,519	(7,987,548)
Miscellaneous revenue	153,917	864,279
Total nonoperating revenues	<u>10,809,518</u>	<u>6,546,944</u>
Nonoperating expenses:		
Interest expense	114,846,719	112,997,115
Amortization of bond issuance costs	3,349,182	3,419,023
Total nonoperating expenses	<u>118,195,901</u>	<u>116,416,138</u>
Change in net assets	(53,514,058)	(45,436,875)
Total net assets, beginning of year	<u>235,650,517</u>	<u>281,087,392</u>
Total net assets, end of year	<u>\$ 182,136,459</u>	<u>235,650,517</u>

See accompanying notes to basic financial statements

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Statements of Cash Flows

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers for services	\$ 93,214,691	98,893,798
Payment to suppliers for goods and services	(14,662,132)	(10,237,172)
Payment to employees	<u>(2,327,592)</u>	<u>(2,168,884)</u>
Net cash provided by operating activities	<u>76,224,967</u>	<u>86,487,742</u>
Cash flows from noncapital financing activities:		
Grants	1,835,532	1,655,058
Miscellaneous income	<u>153,917</u>	<u>864,279</u>
Net cash provided by noncapital financing activities	<u>1,989,449</u>	<u>2,519,337</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(7,633,919)	(13,086,103)
Sales of capital assets	1,345,582	10,668,172
Principal paid on notes and bonds payable	(28,039,173)	(23,155,840)
Interest payments on capital debt	<u>(57,157,206)</u>	<u>(57,250,821)</u>
Net cash used in capital and related financing activities	<u>(91,484,716)</u>	<u>(82,824,592)</u>
Cash flows from investing activities:		
Purchases of investments	(314,226,548)	(152,265,119)
Sales of investments	225,690,815	130,898,327
Interest received	<u>9,813,631</u>	<u>12,987,074</u>
Net cash used in investing activities	<u>(78,722,102)</u>	<u>(8,379,718)</u>
Net decrease in cash and cash equivalents	(91,992,402)	(2,197,231)
Cash and cash equivalents, beginning of year	<u>109,080,432</u>	<u>111,277,663</u>
Cash and cash equivalents, end of year	\$ <u><u>17,088,030</u></u>	\$ <u><u>109,080,432</u></u>
Reconciliation of operation income to net cash provided by operating activities:		
Operating income	\$ 53,872,325	64,432,319
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	21,602,318	21,673,838
Change in assets and liabilities:		
Accounts receivable, deposit, and interest receivable	4,020,056	929,395
Accounts payable, other payables, and deferred revenue	(3,359,910)	(301,772)
Prepaid expenses	48,523	(295,846)
Other liabilities	<u>41,655</u>	<u>49,808</u>
Net cash provided by operating activities	\$ <u><u>76,224,967</u></u>	\$ <u><u>86,487,742</u></u>

See accompanying notes to basic financial statements

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

(1) Organization and Summary of Significant Accounting Policies

(a) *Reporting Entity*

The Alameda Corridor Transportation Authority (the Authority) was established in August 1989 through a Joint Exercise of Powers Agreement (JPA) between the cities of Los Angeles and Long Beach, California. The purpose of the Authority is to acquire, construct, finance, and operate a consolidated transportation corridor; including an improved railroad expressway between the ports of Los Angeles and Long Beach (collectively known as the Ports) and downtown Los Angeles (the route between the two locations has become known as the Alameda Corridor).

The Authority's independent Governing Board has seven members, comprising two members each from the Ports, one member each from the cities of Los Angeles and Long Beach, and one member representing the Los Angeles County Metropolitan Transportation Authority (LACMTA).

As of June 30, 2009, the members of the Authority's Governing Board were the following:

Chairperson – Hon. Janice Hahn, Councilwoman, City of Los Angeles

Vice Chairperson – Hon. Gary Delong, Council member, City of Long Beach

Member – Mr. Don Knabe, Supervisor, County of Los Angeles and Chairperson, LACMTA

Member – Dr. Geraldine Knatz, Executive Director, Port of Los Angeles

Member – Mr. Richard Steinke, Executive Director, Port of Long Beach

Member – Hon. Douglas Krause, Commissioner, Port of Los Angeles

Member – Mr. James C. Hankla, President, Port of Long Beach

The Authority is empowered to explore alternative methods of financing, to develop existing property, and to coordinate other governmental efforts necessary for a consolidated transportation corridor, including the completion of the Alameda Corridor Project (the Project). The Authority may issue revenue bonds to carry out its obligations under the JPA. Such bonds will be payable from revenues generated from the Alameda Corridor, from one or more pledges of revenues from the Authority, the Board of Harbor Commissioners of Long Beach and Los Angeles, from pledges of revenues from other responsible agencies, or from any other legally available funds.

(b) *Program Management Agreement*

In January 1996, the Authority's Governing Board entered into a 10-year Program Management Agreement (Agreement) with the Alameda Corridor Engineering Team (ACET), a joint venture comprising Daniel, Mann, Johnson, and Mendenhall (now DMJM Harris); Moffatt and Nichol Engineers; Jenkins, Gales, and Martinez, Inc.; and TELACU Construction Management, Inc., to provide the broad program management services necessary to assist the Authority in implementing the Corridor. The Agreement calls for ACET to provide the Authority with professional services related to management, engineering, construction support, procurement, coordination, and

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administration of the Alameda Corridor Project Construction Program. This Agreement was amended twice by the Governing Board and is now extended through December 2013.

(c) *Use and Operating Agreement*

In October 1998, the cities of Long Beach and Los Angeles, the Authority, Union Pacific Railroad Company (UP), and Burlington Northern Santa Fe Railway Company (BNSF) entered into a use and operating agreement (the Use and Operating Agreement). The Use and Operating Agreement outlines the provisions for the construction, operation, and use of the Rail Corridor (as defined in the Use and Operating Agreement). Specifically, it grants UP and BNSF the right to use the Rail Corridor constructed by the Authority for all Through Train (as defined in the Use and Operating Agreement) movements upon substantial completion in exchange for paying maintenance, operating charges, container charges, and use fees to the Authority. Proceeds of the container charges and use fees will be used to repay the revenue bonds.

(d) *Master Trust Indenture*

In conjunction with the sale of project revenue and refunding bonds in 1999 and 2004 (Bonds), the Authority entered into a Master Trust Indenture (MTI) with US Bank, the bond trustee (Trustee), pursuant to which the Authority assigned all of its rights, title, and interest in and to the Alameda Corridor Project, including the receipt of certain Use Fees and Container Charges and other revenues known as “the Authority revenues” to the Trustee as security for the repayment of the Bonds. Pursuant to the terms of the MTI, the Trustee is required to establish certain funds and accounts and to apply the Authority’s revenues for the purposes specifically set forth therein. The MTI establishes debt service funds, debt service reserve funds, construction funds, maintenance and capital reserve funds, and certain other restrictive funds. The MTI also establishes a priority of payments, which restricts the manner, timing, and sequence of transfers into and out of such funds and accounts, and among such funds and accounts. The MTI requires that the Authority comply with certain operational and financial covenants, restricts the types of investments the Trustee and Authority may make, and requires regular financial reporting and disclosure.

(e) *Basis of Presentation*

The basic financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments within the United States of America.

In accordance with GAAP, the Authority’s operations are accounted for as a business-type activity. In this regard, the Authority follows the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when they are earned, and expenses are recorded when they are incurred, irrespective of when paid.

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Under GAAP, the Authority has the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The Authority has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

(f) *Cash and Cash Equivalents*

The Authority has defined, for purposes of the preparation of its statements of cash flows, that cash and cash equivalents include deposits, money market accounts, and investments with an original maturity date of three months or less, including investments in the State of California Local Agency Investment Fund (LAIF). The Authority participates in the State of California's LAIF, a non-Securities and Exchange Commission registered investment pool open to all government units in the State of California.

(g) *Investments*

Investments are stated at fair value. The value of each investment security has been determined based on the published closing price of the security as of June 30, 2009 and 2008. The net changes in fair value of investments, consisting of realized gains or losses and the unrealized appreciation/depreciation on those investments, have been included in interest and investment revenue as shown in the accompanying statements of revenues, expenses, and changes in net assets.

The Authority's investment practices are governed by a board-approved investment policy. The types of investment authorized by the policy are described further in note 2.

(h) *Capital Assets*

Capital assets purchased or constructed are carried at cost, including capitalized interest during construction. Donated assets are valued at the estimated fair value on the date received. Depreciation is provided over the estimated useful life of each asset and computed on a straight-line basis beginning with the fiscal year after the asset is placed in service. Trench structures, tracks and signals, rail bridge structures, and highway bridge structures include both depreciable and nondepreciable components. The nondepreciable components comprised costs related to demolition, excavation, backfill, utility relocation, right-of-way, and hazardous materials remediation.

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Estimated useful lives of classes of capital assets are as follows:

Computer equipment/software	3 years
Tenant improvements	3 years
Automotive vehicles	5 years
Other equipment	3 – 5 years
Buildings	30 years
Right-of-way improvements and hazardous materials remediation	Nondepreciable
Tracks and signal systems	40 years
Roads	50 years
Highway bridge structures	100 years
Trench structures	100 years
Rail bridge structures	100 years

Capital assets acquired with state and local grants are also included in property and equipment. Depreciation on these assets is also included in the results of operations for the year.

(i) *Restricted Assets*

Certain proceeds of the Authority's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The revenue bonds' capitalized interest, debt service reserve, indemnity, and revenue fund accounts have been classified as restricted assets, because these accounts are first restricted to the payment of interest and principal on the outstanding revenue bonds. After payment of debt service, remaining revenues, if any, are restricted to the payment of the Authority's other costs and legal obligations (e.g., Port Shortfall Advances) as defined by the Authority's Use and Operating Agreement. The reserve account has also been classified as restricted assets, because the amount in this account is restricted for specific purposes under the Use and Operating Agreement and the revenue bond covenants.

Remaining long-term debt proceeds that have been set aside for capital projects are also reported as restricted assets.

(j) *Operating Revenues and Expenses*

Operating revenues and expenses generally result from the operation of the Rail Corridor. The principal operating revenues of the Authority are fees assessed to the railroads for use and maintenance of the Corridor. These fees are recognized in the period earned. Operating expenses include revenue collection and other administrative expenses, maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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(k) *Compensated Absences*

All Authority's employees accumulate time off with payroll accrual for vacation and sick leave hours each pay period. While sick leave hours are accrued at a uniform rate among all employees, vacation accrual is based on length of service. Vacation hours are payable to employees when used at the employee's current rate of pay. Any unused vacation remaining at the time of termination is also payable to the employee at his/her then rate of pay. All vacation hours that have been earned but not paid as of June 30, 2009 and 2008 have been accrued in the accompanying basic financial statements. Sick hours are paid to employees when used. The Authority's sick leave policy also provides that employees will be paid 50% of the remaining value of their sick leave hours upon termination. Consequently, 50% of all unused sick hours for each employee totaling \$149,279 and \$119,899 as of June 30, 2009 and 2008, respectively, have also been accrued in other liabilities of the accompanying basic financial statements.

(l) *Use of Estimates*

The preparation of basic financial statements in conformity with GAAP requires that management make estimates and assumptions that may affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) *Governmental Accounting Standards Board (GASB) Updates*

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*

This Statement addresses accounting and financial reporting standards for pollution remediation obligations. If any one of five specific obligating events occurs, the expected pollution remediation outlays must be determined and accounted for appropriately. The Authority has not had any obligating events which would require this type of reporting.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*

This Statement provides guidance on the accounting and financial reporting for intangible assets. Various types of intangible assets are identified including easements, water rights, timber rights, patents trademarks, and computer software. The Statement outlines under what conditions each type of intangible asset should be classified as a capital asset. This Statement becomes effective to the Authority in fiscal 2010.

Statement No. 52, *Land and Other Real Estate Held as Investment by Endowments*

This Statement establishes consistent standards for the reporting of land and other real estate held as investments by various governmental entities. This statement is not applicable to the Authority as it does not hold any land or real estate as investments.

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Statement No. 55, the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

This Statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments, which was set forth in the American Institute of Certified Public Accountants' (AICPA) Statement on Auditing Standards, into the Governmental Accounting Standards Board's (GASB) authoritative literature. This Statement had no impact on the Authority's financial reporting.

Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards

This Statement codifies accounting and financial reporting guidance contained in the AICPA Statements on Auditing Standards. The Statement established accounting and financial reporting standards for related-party transactions, subsequent events, and going concern considerations. This Statement had no impact on the Authority's financial reporting.

(2) Cash and Investments

Cash and investments as of June 30, 2009 and 2008 are classified in the accompanying basic financial statements as follows:

	June 30, 2009
	fair value
Restricted cash and cash equivalents (current)	\$ 17,088,030
Restricted investments	239,700,619
Total cash and investments	<u>\$ 256,788,649</u>
	June 30, 2008
	fair value
Restricted cash and cash equivalents (current)	\$ 59,181,493
Restricted cash and cash equivalents (noncurrent)	49,898,939
Restricted investments	151,164,886
Total cash and investments	<u>\$ 260,245,318</u>

(a) Deposits

At June 30, 2009 and 2008, the net carrying amount of the Authority's deposit account with Bank of America was \$1,556,086 and \$1,509,274, while the corresponding bank balance was \$1,595,505 and \$1,626,943, respectively. Outstanding checks account for the respective differences between the carrying amounts and bank balances. Of the aforementioned bank balance, \$250,000 is covered by

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the Federal Deposit Insurance Corporation with the excess being secured with collateral of securities held by the pledging financial institution's trust or agent in the Authority's name.

The California Government Code Section 53601 requires California banks and savings and loan associations to secure a public agency's deposits not covered by federal depository insurance by pledging government securities as collateral. The carrying amount of pledged securities must equal at least 110% of the agency's deposits. California law also allows financial institutions to secure agency deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority's total deposits. The collateral must be held at the pledging bank's trust department or other bank acting as the pledging bank's agent in the Authority's name.

(b) Investments

The Authority's investments are invested pursuant to the investment policy guidelines adopted by the Governing Board of the Authority. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses the types of investment instruments and the percentage of the portfolio in which the Authority may invest its funds as permitted by the California Government Code. Generally, investments shall be made in the context of the "prudent investor" rule.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of short-term and medium-term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Authority monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Authority has no specific limitations with respect to this metric.

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Under provision of the Authority's investment policy, and in accordance with Section 53601 of the California Government Code, the Authority may invest in the following types of investments:

Authorized investment type	Maximum maturity	Maximum percentage of portfolio	Maximum investment in one issuer
Authority bonds	N/A	None	N/A
U.S. Treasury bills, notes, or bonds	5 years	None	None
State warrants or bonds	None	None	None
U.S. local agency bonds, notes, or warrants	None	None	None
Federal agency obligations	5 years	None	None
Callable federal agency securities	5 years	20%	None
Bankers' acceptances	180 days	40	10%
Commercial paper	270 days	25	10
Negotiable certificates of deposit	2 years	30	None
Repurchase agreements	90 days	50	None
State of California Local Agency Investment Fund (LAIF)	N/A	None	None
Time deposits	1 year	15%	None
L.A. County Treasurer Investment Pool	N/A	None	None
Money market funds	None	20%	10%
Medium-term maturity corporate notes	None	30	10
Mortgage- or asset-backed securities	5 years	20	None

The MTI allows for exception of the maximum maturity prescript in the Authority's investment policy. The Authority is allowed a maximum maturity of 10 years for investments in the debt service reserve funds.

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The following schedules indicate the interest rate risk of the Authority's investments as of June 30, 2009 and 2008:

	<u>2009</u>	<u>Weighted average maturity (in years)</u>
Cash and investment type:		
Cash	\$ 500	—
Money market fund	4,806,973	—
LAIF	6,494,557	0.64
U.S. Treasury notes	23,420,785	2.64
U.S. corporate notes	15,199,349	1.27
Commercial paper	6,081,000	0.11
Federal agency obligations	200,785,485	1.30
	<u>\$ 256,788,649</u>	1.36

	<u>2008</u>	<u>Weighted average maturity (in years)</u>
Cash and investment type:		
Cash	\$ 500	—
Money market fund	7,809,499	—
LAIF	3,705,454	0.58
U.S. Treasury notes	12,691,170	4.28
U.S. corporate notes	21,815,541	1.68
Commercial paper	20,422,480	0.10
Federal agency obligations	193,800,674	1.01
	<u>\$ 260,245,318</u>	1.11

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(d) Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum of a rating by (where applicable) the Authority's Investment Policy, debt agreements, and the actual rating as of year-end for each investment type:

		Ratings as of June 30, 2009								
		Not rated	AAA & AA	AA-	A+ & AA+	A	A-1	A-1+	A- & TSY	Total
Investment type:										
	Cash and money									
	market fund	\$ 1,556,588	3,250,885	—	—	—	—	—	—	4,807,473
	LAIF	6,494,557	—	—	—	—	—	—	—	6,494,557
	U.S. Treasury notes	—	—	—	—	—	—	—	23,420,785	23,420,785
	U.S. corporate notes	—	5,184,205	369,340	3,639,530	6,006,274	—	—	—	15,199,349
	Commercial paper	—	—	—	—	—	—	6,081,000	—	6,081,000
	Federal agency obligations	—	56,745,345	—	—	—	—	144,040,140	—	200,785,485
	Totals	\$ 8,051,145	65,180,435	369,340	3,639,530	6,006,274	—	150,121,140	23,420,785	256,788,649

		Ratings as of June 30, 2008								
		Not rated	AAA & AA	AA-	A+ & AA+	A	A-1	A-1+	A- & TSY	Total
Investment type:										
	Cash and money									
	market fund	\$ 1,509,774	6,300,225	—	—	—	—	—	—	7,809,999
	LAIF	3,705,454	—	—	—	—	—	—	—	3,705,454
	U.S. Treasury notes	—	—	—	—	—	—	—	12,691,170	12,691,170
	U.S. corporate notes	—	3,749,358	3,118,067	8,909,653	6,038,463	—	—	—	21,815,541
	Commercial paper	—	—	—	—	—	9,069,772	11,352,708	—	20,422,480
	Federal agency obligations	—	58,861,263	—	—	—	—	134,939,411	—	193,800,674
	Totals	\$ 5,215,228	68,910,846	3,118,067	8,909,653	6,038,463	9,069,772	146,292,119	12,691,170	260,245,318

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(e) Concentration of Credit Risk

The Authority's Investment Policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total Authority's investments are as follows:

		<u>2009</u>	<u>2008</u>
Federal Home Loan Bank	Federal agency obligations	\$ 53,547,584	54,792,653
Fannie Mae	Federal agency obligations	82,018,019	76,534,192
Federal Home Loan Mortgage Corp.	Federal agency obligations	<u>57,780,736</u>	<u>55,497,630</u>
		<u>\$ 193,346,339</u>	<u>186,824,475</u>

(f) Investment in State of California Local Agency Investment Pool

The Authority is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying basic financial statements as cash equivalents at amounts based upon the Authority's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis. Cash can be withdrawn up to \$10.0 million with one day advance notice. At June 30, 2009 and 2008, the fair value of the balance of such deposits is \$6,494,557 and \$3,705,454, respectively.

(3) Receivables

Receivables consist of grants, use fees, and other amounts due from private entities. The following provides a summary of the amounts of accounts and other receivables:

		<u>June 30</u>	
		<u>2009</u>	<u>2008</u>
Grants receivable	\$	—	1,176,588
Interest receivable		1,283,001	1,815,493
Use fees receivable, net of allowance of \$6,293,407 and \$3,979,848 at June 30, 2009 and 2008, respectively		6,825,498	10,727,995
Other receivables		<u>324,820</u>	<u>440,769</u>
Total	\$	<u>8,433,319</u>	<u>14,160,845</u>

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(4) Capital Assets

The following schedule summarizes capital assets for the years ended June 30, 2009 and 2008:

	<u>Balance, July 1, 2008</u>	<u>Additions</u>	<u>Adjustments/ deletions</u>	<u>Balance, June 30, 2009</u>
Right-of-way and land improvements, not being depreciated	\$ 152,231,466	704,748	(630,064)	152,306,150
Buildings and equipment:				
Automotive vehicles	82,097	—	—	82,097
Office equipment	602,014	—	1,885	603,899
Other equipment	186,825	—	—	186,825
Tenant improvements	72,334	—	—	72,334
Buildings	1,102,594	—	—	1,102,594
Revenue assessment and verification system and other software	8,529,952	621,212	(1,885)	9,149,279
Total buildings and equipment	<u>10,575,816</u>	<u>621,212</u>	<u>—</u>	<u>11,197,028</u>
Alameda Corridor Project Infrastructure:				
Capital assets, being depreciated:				
Trench structures	715,346,743	234,720	—	715,581,463
Track and signals	198,075,621	4,929,309	—	203,004,930
Rail bridge structures	409,333,861	96,952	—	409,430,813
Highway bridge structures	149,541,235	616,381	—	150,157,616
Capital assets, not being depreciated:				
Trench structures	224,094,193	73,530	—	224,167,723
Track and signals	67,334,566	108,704	—	67,443,270
Rail bridge structures	102,028,615	21,691	—	102,050,306
Highway bridge structures of the Corridor	46,611,993	226,672	—	46,838,665
Alameda Corridor Project Infrastructure	<u>1,912,366,827</u>	<u>6,307,959</u>	<u>—</u>	<u>1,918,674,786</u>
Total capital assets	<u>2,075,174,109</u>	<u>7,633,919</u>	<u>(630,064)</u>	<u>2,082,177,964</u>
Less accumulated depreciation for:				
Trench structures	(62,383,163)	(10,426,801)	—	(72,809,964)
Track and signals	(16,241,196)	(3,310,071)	—	(19,551,267)
Rail bridge structures	(31,198,428)	(5,307,339)	—	(36,505,767)
Highway bridge structures	(10,487,938)	(2,021,540)	—	(12,509,478)
Automotive vehicles	(82,096)	—	—	(82,096)
Office equipment	(586,135)	(15,239)	—	(601,374)
Other equipment	(186,825)	—	—	(186,825)
Tenant improvements	(72,337)	—	—	(72,337)
Buildings	(254,209)	(36,753)	—	(290,962)
Revenue assessment and verification system and other software	(7451,938)	(484,575)	—	(7,936,513)
Total accumulated depreciation	<u>(128,944,265)</u>	<u>(21,602,318)</u>	<u>—</u>	<u>(150,546,583)</u>
Capital assets, net	<u>\$ 1,946,229,844</u>	<u>(13,968,399)</u>	<u>(630,064)</u>	<u>1,931,631,381</u>

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	<u>Balance, July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2008</u>
Right-of-way and land improvements, not being depreciated	\$ 154,506,480	242,268	(2,517,282)	152,231,466
Buildings and equipment:				
Automotive vehicles	456,384	—	(374,287)	82,097
Office equipment	622,038	—	(20,024)	602,014
Other equipment	186,825	—	—	186,825
Tenant improvements	72,334	—	—	72,334
Buildings	1,102,594	—	—	1,102,594
Revenue assessment and verification system	8,319,952	210,000	—	8,529,952
Total buildings and equipment	<u>10,760,127</u>	<u>210,000</u>	<u>(394,311)</u>	<u>10,575,816</u>
Alameda Corridor Project Infrastructure:				
Capital assets, being depreciated:				
Trench structures	715,152,056	194,687	—	715,346,743
Track and signals	205,011,379	10,590,122	(17,525,880)	198,075,621
Rail bridge structures	408,814,608	519,253	—	409,333,861
Highway bridge structures	148,854,351	686,884	—	149,541,235
Capital assets, not being depreciated:				
Trench structures	224,033,204	60,989	—	224,094,193
Track and signals	66,984,578	349,988	—	67,334,566
Rail bridge structures	101,953,808	74,807	—	102,028,615
Highway bridge structures of the Corridor	46,454,888	157,105	—	46,611,993
Alameda Corridor Project Infrastructure	<u>1,917,258,872</u>	<u>12,633,835</u>	<u>(17,525,880)</u>	<u>1,912,366,827</u>
Total capital assets	<u>2,082,525,479</u>	<u>13,086,103</u>	<u>(20,437,473)</u>	<u>2,075,174,109</u>
Less accumulated depreciation for:				
Trench structures	(51,959,200)	(10,423,963)	—	(62,383,163)
Track and signals	(14,461,637)	(3,167,001)	1,387,442	(16,241,196)
Rail bridge structures	(25,908,809)	(5,289,619)	—	(31,198,428)
Highway bridge structures	(8,500,333)	(1,987,605)	—	(10,487,938)
Automotive vehicles	(439,569)	(16,814)	374,287	(82,096)
Office equipment	(738,551)	(35,977)	188,393	(586,135)
Other equipment	(18,456)	—	(168,369)	(186,825)
Tenant improvements	(72,337)	—	—	(72,337)
Buildings	(217,456)	(36,753)	—	(254,209)
Revenue assessment and verification system	(6,735,832)	(716,106)	—	(7,451,938)
Total accumulated depreciation	<u>(109,052,180)</u>	<u>(21,673,838)</u>	<u>1,781,753</u>	<u>(128,944,265)</u>
Capital assets, net	<u>\$ 1,973,473,299</u>	<u>(8,587,735)</u>	<u>(18,655,720)</u>	<u>1,946,229,844</u>

(5) Bonds Payable

The 1999 Series A, B, C, and D Bonds and the 2004 Series A and B Bonds are payable solely from and secured by a pledge of, among other revenues, use fees and container charges to be paid by the UP and BNSF for use of the Project and from shortfall advances to be paid under certain circumstances by the City

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of Long Beach, acting by and through its Board of Harbor Commissioners, and the City of Los Angeles, acting by and through its Board of Harbor Commissioners. The 1999 Series B Bonds were paid off in October 2006.

As of June 30, 2009 and 2008, the unamortized discount balance on the 1999 and 2004 Series Bonds was \$3,803,364 and \$3,831,964, respectively. Interest on the 1999 Series A and C Capital Appreciation Bonds for fiscal year 2009 and 2008, respectively, amounted to \$13,192,364 and \$12,401,472 and was recognized in the accompanying statements of revenues, expenses, and changes in net assets for the years ended June 30, 2009 and 2008, respectively.

(a) 1999 Series A Current Interest Bonds

The Series A Tax-Exempt Current Interest Lien Revenue Bonds (Series A) were issued by the Authority in the aggregate amount of \$444,440,000 on January 1, 1999. Proceeds from the sale of this insured 1999 Series A Current Interest Bonds were used to finance a portion of the cost of design and construction of the Project.

Interest on the 1999 Series A Current Interest Bonds is payable semiannually on April 1 and October 1 of each year commencing April 1, 1999, with principal payments commencing October 1, 2006. The 1999 Series A Current Interest Bonds, which mature on October 1, 2029, bear interest at rates ranging from 4.00% to 5.25%. The balance outstanding on the 1999 Series A Current Interest Bonds at June 30, 2009 and 2008 is \$427,150,000 and \$435,755,000, respectively.

The 1999 Series A Current Interest Bonds due on or after October 1, 2010 are redeemable at the option of the Authority on or after October 1, 2009, in whole or in part at any time, from any moneys that may be provided for such purpose and at the redemption process set forth in the table below, expressed as a percentage of the principal amount of such Series A Bonds, so redeemed plus accrued interest to the date fixed for redemption. There are no immediate plans to exercise the option to redeem these bonds.

Redemption period (both dates inclusive)	Redemption price (expressed as a percentage of principal amount)
October 1, 2009 through September 30, 2010	101.0%
October 1, 2010 through September 30, 2011	100.5
October 1, 2011 and thereafter	100.0

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The remaining debt service of the 1999 Series A Current Interest Bonds is as follows:

	Annual debt service requirement		
	Principal	Interest	Total
Fiscal year(s):			
2010	\$ 9,310,000	21,006,724	30,316,724
2011	10,045,000	20,542,981	30,587,981
2012	10,850,000	20,025,819	30,875,819
2013	11,700,000	19,465,944	31,165,944
2014	12,595,000	18,854,486	31,449,486
2015 – 2019	78,485,000	83,195,494	161,680,494
2020 – 2024	109,760,000	59,559,144	169,319,144
2025 – 2029	148,925,000	28,232,288	177,157,288
2030 – 2030	35,480,000	887,000	36,367,000
Total	\$ 427,150,000	271,769,880	698,919,880

(b) 1999 Series A Capital Appreciation Bonds

The Series A Tax-Exempt Capital Appreciation Lien Revenue Bonds (1999 Series A CABs) were issued by the Authority in the aggregate amount of \$50,453,617 on February 2, 1999. Proceeds from the sale of these insured 1999 Series A CABs were used to finance a portion of the cost of design and construction of the Alameda Corridor Project.

The first maturity of the bonds will commence on October 1, 2030. The 1999 Series A CABs, which mature between October 1, 2030 and October 1, 2037, have an accretion yield to maturity at rates ranging from 5.25% to 5.27%. The principal and accrued interest balance outstanding on the 1999 Series A CABs at June 30, 2009 and 2008 are \$50,453,617 and \$36,355,691 and \$50,453,617 and \$31,941,734, respectively. The 1999 Series A CABs are not subject to optional redemption.

The remaining debt service of the 1999 Series A CABs is as follows:

	Annual debt service requirement		
	Principal	Interest	Total
Fiscal year(s):			
2030 – 2034	\$ 27,404,483	125,365,517	152,770,000
2035 – 2038	23,049,134	135,930,866	158,980,000
Total	\$ 50,453,617	261,296,383	311,750,000

(c) 1999 Series C Current Interest Bonds

The Series C Taxable Current Interest Lien Revenue Bonds (1999 Series C Current Interest Bonds) were issued by the Authority in the aggregate amount of \$430,155,000 on January 1, 1999. Proceeds from the sale of these insured 1999 Series C Current Interest Bonds were used to finance a portion of the cost of the design and construction of the Project.

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Interest on the 1999 Series C Current Interest Bonds is payable semiannually on April 1 and October 1 of each year commencing April 1, 1999, with principal payments commencing October 1, 2015. The 1999 Series C Current Interest Bonds, which mature on October 1, 2029, bear interest at rates ranging from 6.50% to 6.60%. The principal balance outstanding on the 1999 Series C Current Interest Bonds is \$430,155,000 and \$430,155,000 at June 30, 2009 and 2008, respectively. The 1999 Series C Current Interest Bonds are not subject to optional redemption.

The remaining debt service of the Authority's 1999 Series C Current Interest Bonds is as follows:

	Annual debt service requirement		
	Principal	Interest	Total
Fiscal year(s):			
2010	\$ —	28,260,555	28,260,555
2011	—	28,260,555	28,260,555
2012	—	28,260,555	28,260,555
2013	—	28,260,555	28,260,555
2014	—	28,260,555	28,260,555
2015 – 2019	100,080,000	128,436,350	228,516,350
2020 – 2024	63,250,000	99,009,623	162,259,623
2025 – 2029	213,560,000	54,963,810	268,523,810
2030 – 2030	53,265,000	1,757,745	55,022,745
Total	\$ 430,155,000	425,470,303	855,625,303

(d) 1999 Series C Capital Appreciation Bonds

The Series C Taxable Capital Appreciation Lien Revenue Bonds (1999 Series C CABs) were issued by the Authority in the aggregate amount of \$67,298,396 on February 9, 1999. Proceeds from the sale of these insured 1999 Series C CABs were used to finance a portion of the cost of the design and construction of the Project.

The first maturity of the bonds will commence on October 1, 2020. The 1999 Series C CABs, which mature between October 1, 2020 and October 1, 2037, have an accretion yield to maturity at rates ranging from 6.69% to 6.83%. The principal balance and accrued interest outstanding on the 1999 Series C CABs at June 30, 2009 and 2008 are \$67,298,396 and \$67,965,474 and \$67,298,396 and \$59,187,068, respectively. The 1999 Series C CABs are not subject to optional redemption.

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The Authority's remaining debt service on the 1999 Series C CABs is as follows:

	Annual debt service requirement		
	Principal	Interest	Total
Fiscal year(s):			
2020 – 2024	\$ 22,052,990	75,812,010	97,865,000
2025 – 2029	—	—	—
2030 – 2034	19,430,060	154,424,940	173,855,000
2035 – 2038	25,815,346	275,724,654	301,540,000
Total	\$ 67,298,396	505,961,604	573,260,000

(e) 1999 Series D Bonds

The Series D Taxable Subordinate Lien Revenue Bonds (1999 Series D Bonds) were issued by the Authority in the aggregate principal amount of \$145,635,000 on January 1, 1999. Proceeds from the sale of these insured 1999 Series D Bonds were used to finance a portion of the cost of the design and construction of the Project.

Interest on the 1999 Series D Bonds is payable semiannually on April 1 and October 1 of each year commencing April 1, 1999, with principal payments commencing October 1, 2003. The 1999 Series D Bonds, which mature on October 1, 2014, bear interest at rates ranging from 5.47% to 6.37%. The principal balance outstanding on the 1999 Series D Bonds is \$91,725,000 and \$103,145,000 at June 30, 2009 and 2008, respectively. The 1999 Series D Bonds are not subject to optional redemption.

The Authority's remaining debt service on the 1999 Series D Bonds is as follows:

	Annual debt service requirement		
	Principal	Interest	Total
Fiscal year(s):			
2010	\$ 12,555,000	5,236,733	17,791,733
2011	13,620,000	4,463,315	18,083,315
2012	14,890,000	3,614,825	18,504,825
2013	16,460,000	2,664,038	19,124,038
2014	17,960,000	1,587,475	19,547,475
2015 – 2015	16,240,000	507,500	16,747,500
Total	\$ 91,725,000	18,073,886	109,798,886

(f) 2004 Series A Capital Appreciation Bonds

The 2004 Series A Capital Appreciation Bonds Tax-Exempt Subordinate Lien Revenue Refunding Bonds (2004 Series A Bonds) were issued by the Authority in the aggregate amount of \$475,292,386 on April 22, 2004. Proceeds from the sale of these insured 2004 Series A Capital Appreciation Bonds were used to refund the U.S. Department of Transportation Loan.

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The 2004 Series A Bonds are capital appreciation bonds. Of the total \$475,292,386 of 2004 Series A Bonds issued, \$200,300,100 are not convertible or callable, and \$274,992,286 are convertible to current interest bonds on October 1, 2012 and callable on October 1, 2017. The first maturity of the bonds, which are not convertible or callable, will commence on October 1, 2012. The 2004 Series A Bonds, which are not convertible or callable, mature between 2012 and 2030 and have an accretion yield to maturity at rates ranging from 4.30% to 5.72%. The accrued interest for all 2004 Series A Bonds is \$146,136,709 and \$114,610,606 at June 30, 2009 and 2008, respectively. The principal balance outstanding on the 2004 Series A Bonds, which are not convertible or callable, at June 30, 2009 and 2008, was \$200,300,100 and \$200,300,100, respectively.

The Authority's remaining debt service on the 2004 Series A Non-Convertible and Non-Callable Bonds is as follows:

	Annual debt service requirement		
	Principal	Interest	Total
Fiscal year(s):			
2013	\$ 3,052,968	1,312,032	4,365,000
2014	9,979,304	5,115,696	15,095,000
2015 – 2019	97,070,617	82,054,383	179,125,000
2020 – 2024	53,847,791	68,702,209	122,550,000
2025 – 2029	—	—	—
2030 – 2034	36,349,420	121,330,580	157,680,000
Total	\$ 200,300,100	278,514,900	478,815,000

The Authority's remaining debt service on the 2004 Series A Convertible and Callable Bonds is as follows:

	Annual debt service requirement		
	Principal	Interest	Total
Fiscal year(s):			
2013	\$ —	11,450,550	11,450,550
2014	—	22,901,100	22,901,100
2015 – 2019	—	114,505,500	114,505,500
2020 – 2024	156,355,244	181,937,776	338,293,020
2025 – 2026	118,637,042	77,642,204	196,279,246
Total	\$ 274,992,286	408,437,130	683,429,416

The 2004 Series A Bonds, which are convertible and callable, accrete to full face value of \$5,000 per bond on October 1, 2012. These bonds convert automatically and pay interest semiannually on April 1 and October 1 of each year commencing with April 1, 2013. The first maturity of the 2004 Series A Bonds, which are convertible and callable, will commence on October 1, 2021. The 2004 Series A Bonds, which are convertible and callable, mature between 2021 and 2025, and bear interest at rates ranging from 5.25% to 5.45%. These bonds are also callable at par, with accrued

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interest, if any, on October 1, 2017 or any date thereafter. The principal balance outstanding on the 2004 Series A Bonds, which are convertible and callable, was \$274,992,286 and \$274,992,286 at June 30, 2009 and 2008, respectively.

(g) 2004 Series B Capital Appreciation Bonds

The 2004 Series B Capital Appreciation Bonds Taxable Subordinate Lien Refunding Bonds (2004 Series B Bonds) were issued by the Authority in the aggregate amount of \$210,731,703 on April 22, 2004. Proceeds from the sale of these insured 2004 Series B Bonds were used to repay the U.S. Department of Transportation Loan.

The 2004 Series B Bonds are capital appreciation bonds with the first maturity commencing October 1, 2006. The 2004 Series B Bonds mature between October 1, 2006 and October 1, 2033 and have an accretion yield to maturity at rates ranging from 3.05% to 6.33%. The 2004 Series B Bonds are not subject to optional redemption. The principal balance and accrued interest outstanding on the 2004 Series B Bonds are \$193,417,709 and \$64,552,755 and \$201,431,881 and \$52,470,439, at June 30, 2009 and 2008, respectively.

The Authority's remaining debt service on the 2004 Series B Capital Appreciation Bonds is as follows:

	Annual debt service requirement		
	Principal	Interest	Total
Fiscal year(s):			
2010	\$ 10,396,088	2,658,912	13,055,000
2011	13,275,692	4,454,308	17,730,000
2012	16,892,075	7,262,925	24,155,000
2013	21,721,443	11,633,557	33,355,000
2014	—	—	—
2015 – 2019	—	—	—
2020 – 2024	—	—	—
2025 – 2029	70,660,674	231,359,326	302,020,000
2030 – 2034	60,471,738	285,203,263	345,675,001
Total	\$ <u>193,417,710</u>	<u>542,572,291</u>	<u>735,990,001</u>

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(h) *Accrued Interest Payable*

The Authority's accrued interest payable is as follows:

	June 30, 2009		
	Current interest bond	Long-term CABs	Total
1999 Series A Bonds	\$ 5,305,388	36,355,691	41,661,079
1999 Series C Bonds	7,065,139	67,965,474	75,030,613
1999 Series D Bonds	1,402,090	—	1,402,090
2004 Series A Bonds	—	146,136,709	146,136,709
2004 Series B Bonds	2,658,912	64,552,755	67,211,667
Total	<u>\$ 16,431,529</u>	<u>315,010,629</u>	<u>331,442,158</u>

	June 30, 2008		
	Current interest bond	Long-term CABs	Total
1999 Series A Bonds	\$ 5,405,753	31,941,734	37,347,487
1999 Series C Bonds	7,065,139	59,187,068	66,252,207
1999 Series D Bonds	1,569,679	—	1,569,679
2004 Series A Bonds	—	114,610,606	114,610,606
2004 Series B Bonds	1,530,827	52,470,439	54,001,266
Total	<u>\$ 15,571,398</u>	<u>258,209,847</u>	<u>273,781,245</u>

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(i) **Combined 1999 and 2004 Debt Service**

The Authority's debt service of the 1999 Series A, B, C, and D Bonds and the 2004 Series A and B Bonds, in aggregate, is as follows:

	Annual debt service requirement		
	Principal	Interest	Total
Fiscal year(s):			
2010	\$ 32,261,088	57,162,924	89,424,012
2011	36,940,692	57,721,159	94,661,851
2012	42,632,075	59,164,124	101,796,199
2013	52,934,411	74,786,675	127,721,086
2014	40,534,305	76,719,311	117,253,616
2015 – 2019	291,875,617	408,699,226	700,574,843
2020 – 2024	405,266,026	485,020,761	890,286,787
2025 – 2029	551,782,715	392,197,627	943,980,342
2030 – 2034	238,170,914	742,313,831	980,484,745
2035 – 2038	43,094,264	358,310,736	401,405,000
Total	\$ <u>1,735,492,107</u>	<u>2,712,096,374</u>	<u>4,447,588,481</u>

Long-term liability activity for the years ended June 30, 2009 and 2008 was as follows:

	Balance, July 1, 2008	Additions	Deletions	Balance, June 30, 2009	Due within one year
Bonds payable:					
1999 Series A Bonds	\$ 486,208,617	—	(8,605,000)	477,603,617	9,310,000
1999 Series C Bonds	497,453,396	—	—	497,453,396	—
1999 Series D Bonds	103,145,000	—	(11,420,000)	91,725,000	12,555,000
2004 Series A Bonds	475,292,386	—	—	475,292,386	—
2004 Series B Bonds	<u>201,431,881</u>	<u>—</u>	<u>(8,014,173)</u>	<u>193,417,708</u>	<u>10,396,088</u>
Total bonds payable	1,763,531,280	—	(28,039,173)	1,735,492,107	32,261,088
Less unamortized bond discounts	(3,821,620)	18,256	—	(3,803,364)	—
Interest payable:					
Accrued interest payable	<u>273,781,245</u>	<u>114,818,119</u>	<u>(57,157,205)</u>	<u>331,442,159</u>	<u>16,431,529</u>
Net long-term liabilities	\$ <u>2,033,490,905</u>	<u>114,836,375</u>	<u>(85,196,378)</u>	<u>2,063,130,902</u>	<u>48,692,617</u>

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	<u>Balance, July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2008</u>	<u>Due within one year</u>
Bonds payable:					
1999 Series A Bonds	\$ 494,158,617	—	(7,950,000)	486,208,617	8,605,000
1999 Series C Bonds	497,453,396	—	—	497,453,396	—
1999 Series D Bonds	113,505,000	—	(10,360,000)	103,145,000	11,420,000
2004 Series A Bonds	475,292,386	—	—	475,292,386	—
2004 Series B Bonds	<u>206,277,721</u>	<u>—</u>	<u>(4,845,840)</u>	<u>201,431,881</u>	<u>8,014,173</u>
Total bonds payable	1,786,687,120	—	(23,155,840)	1,763,531,280	28,039,173
Less unamortized bond discounts	(3,826,792)	—	5,172	(3,821,620)	—
Interest payable:					
Accrued interest payable	<u>218,029,779</u>	<u>113,002,287</u>	<u>(57,250,821)</u>	<u>273,781,245</u>	<u>15,571,398</u>
Net long-term liabilities	<u>\$ 2,000,890,107</u>	<u>113,002,287</u>	<u>(80,401,489)</u>	<u>2,033,490,905</u>	<u>43,610,571</u>

(6) Retirement Plan

(a) Plan Description

The Alameda Corridor Transportation Authority Retirement Plan is a single-employer defined benefit retirement plan administered by the California Public Employee Retirement System (CalPERS). The plan provides retirement benefits to eligible retirees and their dependents. Employees must retire directly from the Authority under a CalPERS disability retirement or service retirement (age 50 and 5 years of service). Benefit provisions are established through contract with CalPERS and may be amended through Governing Board authorization, agreements and memorandums of understanding between the Authority, its management employees, and unions representing Authority employees.

Effective January 8, 1996, the Authority entered into a contract with CALPERS, an agent multiple employer, defined benefit pension plan, public employee retirement system that acts as common investment and administrative agent for participating public entities within the State of California. The Authority selects benefit provisions by contract with CALPERS and adopts those benefits through Governing Board authorization. CALPERS issues a separate comprehensive annual financial report. The CALPERS annual financial report may be obtained from the CALPERS Web site at www.calpers.ca.gov.

All regular Authority's employees who reach 1,000 hours in a fiscal year are eligible to participate in the CALPERS 2% at 55 Miscellaneous Defined Benefit Plan. Benefits vest after 5 years of service. Employees who retire at or after age 50, with 5 years of credited service, are entitled to an annual retirement benefit, payable monthly for life, in an amount based on the average of the employee's highest 12 consecutive monthly pay rates during employment that varies from 1.426% at age 50 to a maximum of 2.418% at age 63 for each year of credited service. The system also provides for death and survivor benefits. These benefit provisions and all other requirements are established by State statute and the Authority's Governing Board authorization.

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(b) Funding Policy

The contribution requirements of the plan members are established by State statute, and the employer contribution rate is actuarially established and may be amended by CALPERS. Active members in the Plan are required to contribute 7% of their annual covered payroll. The Authority pays this required biweekly employee contribution on behalf of its employees. The Authority is required to contribute 100% of actuarially determined biweekly employer contribution remaining amounts necessary to fund benefits for its members.

The required employer contribution rate was 13.35% and 12.68% for the years ended June 30, 2009 and 2008, respectively. The Authority's covered payroll for the employees participating in CALPERS for the years ended June 30, 2009 and 2008 was \$1,571,214 and \$1,497,954, respectively. Total payroll for fiscal years 2009 and 2008 was \$1,638,715 and \$1,556,627, respectively.

(c) Annual Pension Cost

For fiscal years 2009 and 2008, the Authority's Annual Required Contribution (ARC) was \$209,773 and \$190,195, respectively, which the Authority contributed. The required contribution for 2009 and 2008 was determined as part of the June 2006 actuarial valuation using the entry-age-actuarial-cost method with the contributions determined as a percentage of pay. The actuarial assumptions included (a) 7.75% investment return (net of expenses); (b) projected salary increase of 3.25% – 14.45% depending on age, service, and type of employment; (c) merit increase that varies by length of service; and (d) payroll growth of 3.25%. Both (a) and (b) include an inflation component of 3.00%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period. The Plan's unfunded accrued actuarial liability (UAAL) is amortized using a level-percentage-of-projected-payroll method, on a closed basis over a 20-year period.

	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
Fiscal year:			
2001	\$ 199,017	100%	\$ —
2002	180,802	100	—
2003	177,695	100	—
2004	185,119	100	—
2005	216,150	100	—
2006	201,711	100	—
2007	178,243	100	—
2008	190,195	100	—
2009	209,773	100	—

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(d) Actuarial Methods and Assumptions

The actuarial methods and assumptions used are those adopted by CALPERS' Board of Administration, in accordance with the parameters of GASB Statement 27. The required employer contribution rate was 13.35% and 12.68% for the years ended June 30, 2009 and 2008, respectively.

(7) Other Postemployment Benefits (OPEB)

(a) Plan Description (OPEB)

The Alameda Corridor Transportation Authority Retiree Healthcare Plan is a single-employer defined benefit healthcare plan administered by the Authority. The plan provides healthcare benefits to eligible retirees and their dependents. Employees must retire directly from the Authority under a CalPERS disability retirement or service retirement (age 50 and 5 years of service). Benefit provisions are established and may be amended through agreements and memorandums of understanding between the Authority, its management employees, and unions representing Authority employees.

The Authority provides retiree medical benefits through the California Public Employees' Retirement System healthcare program (PEMHCA). The Authority contributes, for eligible retirees and their dependents, 5% of the active member contribution amount multiplied by years in PEMHCA (increase each year not greater than \$100 per month, total amount not to exceed the active amount). The Authority joined PEMHCA in 2000 for all bargaining units, and contributes up to the Kaiser premium based on coverage level for active employees.

The Authority participates in the California Employers' Retiree Benefit Trust (CERBT) Fund, which is administered by the California Public Employees' Retirement System (CalPERS). CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to prefund retiree healthcare benefits. CERBT, an agent multiple-employer trust, issues a publicly available financial report including GASB Statement No. 43 disclosure information in aggregate with the other CERBT participating employers. That report can be obtained from the CalPERS Web site at www.calpers.ca.gov.

(b) Funding Policy (OPEB)

The contribution requirements of the plan members and the Authority are established by and may be amended by the Authority. The Authority prefunds plan benefits through the California Employers' Retiree Benefit Trust (CERBT) by contributing at least 100% of the annual required contribution.

The annual required contribution is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

For fiscal year 2008/09, the Authority contributed \$85,966 to the Plan, including \$3,366 for current benefit payments and \$82,600 to prefund Plan benefits.

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(c) Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's Net OPEB obligation (dollar amounts in thousands):

Annual required contribution	\$	58
Interest on net OPEB asset		(24)
Adjustment to annual required contribution		<u>(38)</u>
Annual OPEB cost		(4)
Contributions to irrevocable trust		(83)
Benefit payments		<u>(3)</u>
Increase in net OPEB asset		(90)
Net OPEB asset, beginning of year		<u>(314)</u>
Net OPEB asset, end of year	\$	<u><u>(404)</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for fiscal 2009 and the two preceding years were as follows (dollar amounts in thousands):

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB asset</u>
June 30, 2007	n/a	n/a	n/a
June 30, 2008	\$ 137	329%	\$ 314
June 30, 2009	(4)	2,150	404

(d) Funded Status and Funding Progress (OPEB)

The funded status of the plan as of June 30, 2009, the plan's most recent actuarial valuation date, was as follows (dollar amounts in thousands):

Actuarial accrued liability (AAL)	\$	561
Actuarial value of plan assets		<u>404</u>
Unfunded actuarial accrued liability (UAAL)	\$	<u><u>157</u></u>
Funded ratio (actuarial value of plan assets/AAL)		72%
Covered payroll (active Plan members)	\$	1,595
UAAL as a percentage of covered payroll		10%

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Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(e) Actuarial Methods and Assumptions (OPEB)

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

In the June 30, 2009 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.75% investment rate of return (net of administrative expenses), which is the expected long-term investment return on CERBT investments, a 3% general inflation assumption, an annual pre-Medicare eligible medical cost HMO trend rate of 10.1% for 2010 (9.1% for Kaiser) decreasing to 4.5% after 7 years (the post-Medicare eligible medical cost trend rate started 0.3% higher for 2010), and an annual pre-Medicare eligible medical cost PPO trend rate of 10.8% for 2010 decreasing to 4.5% after 7 years (the post-Medicare eligible medical cost trend rate started 0.3% higher for 2010). The actuarial value of assets is equal to the market value. The June 30, 2009 UAAL is amortized as a level percentage of projected payroll over 15 years on a closed basis. Future gains and losses and assumption changes will be amortized over 15 years; plan amendments and method changes will be amortized over 20 years.

(8) Commitments and Contingencies

The Authority is subject to claims and lawsuits arising in the normal course of business. Such claims are routinely evaluated by the Authority's legal counsel. Management may make provisions for probable losses if deemed appropriate on advice of legal counsel. To the extent provisions for damages are considered necessary, appropriate amounts are reflected in the accompanying basic financial statements. It is the opinion of the Authority's management, based on consultation with legal counsel, that the estimated liability for unreserved claims and suits will not have a material impact on the Authority's basic financial statements.

The Authority is also exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors, and omissions; and natural disasters for which the Authority carries commercial insurance. In each of the past three fiscal years, the Authority has experienced no losses that have not been covered by existing insurance policy limits.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Notes to Basic Financial Statements

June 30, 2009 and 2008

The Use and Operating Agreement with the railroads provides for payment by the railroads to the Authority for cargo that moves into or out of Southern California by rail. The Authority captures revenues from cargo loaded on rail at Port facilities or trucked between nearby rail-loading facilities and the Ports and invoices the railroads accordingly. The Authority had not been paid or had been underpaid by the railroads for certain cargo, which the Authority believed was subject to payment of Use Fees or Container Charges under the terms of the Use and Operating Agreement. The Authority resolved the dispute with UP in May 2009 and with BNSF in August 2009. New implementation rules were agreed to by railroads and each railroad made a settlement payment to the Authority. Reconciliation invoices rendered since resolution of the disputes have been paid in full.

As a recipient of federal and state grant funds, the Authority is subject to periodic audits and compliance reviews by, or on behalf of, the granting agencies to determine if the expenditure of granted funds has been made in accordance with grant provisions. Such audits and compliance reviews could result in the potential disallowance of expenditures claimed by the Authority. The Authority's management believes that the Authority has complied with the terms of its grant agreements and that the possible adverse effects, if any, of disallowed grant expenditures that may be determined by the granting agencies upon the Authority would not be material to the Authority.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Required Supplementary Information

June 30, 2009 and 2008

Schedule of Funding Progress

Postemployment Healthcare Plan

(Dollar amounts in thousands)

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (b)</u>	<u>Unfunded actuarial accrued liability (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll (b-a/c)</u>
June 30, 2007	\$ —	392	392	—%	1,478	27%
June 30, 2009	406	561	155	72	1,595	10

The Authority's Schedule of Funding Progress (Unaudited)

<u>Valuation date</u>	<u>Funding status</u>					
	<u>Entry age normal accrued liability</u>	<u>Actuarial value of assets</u>	<u>Unfunded liability (excess assets)</u>	<u>Funded status</u>	<u>Annual covered payroll</u>	<u>UAAL as a percentage of payroll</u>
June 30, 1999	\$ 238,705	208,813	29,892	87.48	655,996	4.557
June 30, 2000	372,911	358,515	14,396	96.14	912,589	1.577
June 30, 2001	829,789	710,868	118,921	85.67	1,443,236	8.240
June 30, 2002	1,157,396	952,452	204,944	82.29	1,575,203	13.011

Effective with the June 30, 2003 actuarial valuation, the Authority was required to participate in a Miscellaneous 2% at 55 Risk Pool within CALPERS because its Plan had less than 100 active members. Separate information regarding the funding status of the Authority is not available for the years ended June 30, 2003 through June 30, 2006.

CALPERS Risk Pool Schedule of Funding History (Unaudited)

<u>Valuation date</u>	<u>Funding history</u>		
	<u>Accrued Liabilities (AL)</u>	<u>Market Value of Assets (MVA)</u>	<u>Funded Ratio (MVA/AL)</u>
June 30, 2003	\$ 2,596,966,545	2,157,162,743	83.1%
June 30, 2004	2,746,095,668	2,420,946,068	88.2
June 30, 2005	2,891,460,651	2,663,352,304	92.1
June 30, 2006	2,754,396,608	2,636,941,527	95.7

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Required Supplementary Information

June 30, 2009 and 2008

Risk pool schedule of funding history (unaudited)

<u>Valuation date</u>	<u>Funding history</u>					
	<u>Accrued Liabilities (AL)</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Unfunded Liabilities (UL)</u>	<u>Funded Ratio (AVA/AL)</u>	<u>Annual Covered Payroll</u>	<u>UL As a % of Payroll</u>
June 30, 2003	\$ 2,596,966,545	2,372,879,034	224,087,511	91.4%	\$ 725,020,458	30.9%
June 30, 2004	2,746,095,668	2,460,944,656	285,151,012	86.6	743,691,970	38.3
June 30, 2005	2,891,460,651	2,588,713,000	302,747,651	89.5	755,046,679	40.1
June 30, 2006	2,754,396,608	2,492,226,176	262,170,432	90.5	699,897,835	37.5