KPMG

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Basic Financial Statements

June 30, 2011 and 2010

(With Independent Auditors’ Report Thereon)

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

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KPMG LLP
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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, 2011 and 2010, 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, 2011 and 2010, 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, 2011, 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.

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("KPMG International"), a Swiss entity.

Management's discussion and analysis on pages 3 through 10 and the schedule of funding progress on page 43 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, 2011

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 balance sheets; statements of revenues, expenses, and changes in net assets; and statements 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, 2011 and 2010 by $77,413,286 and $123,854,033, respectively. Of this amount, $416,873,079 and $409,705,122, respectively, are invested in the Authority's capital assets, net of related debt, at June 30, 2011 and 2010. The Authority's net assets decreased by $46,440,747 and $58,282,426 in the years ended June 30, 2011 and 2010, respectively.

The 2010 and 2011 fiscal years marked the eighth and ninth full years of operations for the Authority. The Authority earned $97,184,930 and $84,350,975 from use fees, container charges, and maintenance-of-way charges during fiscal years ended June 30, 2011 and 2010, respectively. The Authority's use fees and container charges for the year 2011 was over the 2010 total by 15.8%. 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).

Condensed Financial Information

The following condensed financial information provides an overview of the Authority's financial position for the fiscal years ended June 30, 2011, 2010, and 2009:

	Year ended June 30			Change between 2011 and 2010	Change between 2010 and 2009
	2011	2010	2009		
Assets:					
Capital assets, net	$ 1,908,702,622	1,921,694,421	1,931,631,381	(12,991,799)	(9,936,960)
Bond issuance costs	52,454,122	55,684,482	58,973,941	(3,230,360)	(3,289,459)
Other assets	241,597,224	249,850,358	266,914,705	(8,253,134)	(17,064,347)
Total assets	2,202,753,968	2,227,229,261	2,257,520,027	(24,475,293)	(30,290,766)
Liabilities:					
Long-term liabilities	2,050,749,316	2,035,429,080	2,014,438,284	15,320,236	20,990,796
Current liabilities	74,591,366	67,946,148	60,945,284	6,645,218	7,000,864
Total liabilities	2,125,340,682	2,103,375,228	2,075,383,568	21,965,454	27,991,660
Net assets:					
Invested in capital assets, net of related debt	416,873,079	409,705,122	395,343,921	7,167,957	14,361,201
Restricted for debt service	27,590,114	24,450,400	21,554,835	3,139,714	2,895,565
Restricted for capital projects	4,469,838	1,861,443	7,749,337	2,608,395	(5,887,894)
Restricted by Master Trust Agreement	43,396,535	45,220,563	59,438,724	(1,824,028)	(14,218,161)
Unrestricted	(414,916,280)	(357,383,495)	(301,950,358)	(57,532,785)	(55,433,137)
Total net assets	$ 77,413,286	123,854,033	182,136,459	(46,440,747)	(58,282,426)

Net Assets

Net assets, the difference between assets and liabilities, decreased by $46.4 million, or 37.5%, and $58.3 million, or 32.0%, during the years ended June 30, 2011 and 2010, respectively. Current operating revenues increased by $12.8 million and decreased $4.8 million in fiscal 2011 and 2010, respectively, which were not sufficient to cover the interest expense of $118.2 million and $116.6 million in fiscal 2011 and 2010, respectively.

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 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 $13.0 million, or 0.7%, and $9.9 million, or 0.5%, between 2011 and 2010, and 2010 and 2009, respectively. These decreases are due primarily to the depreciation of capital assets, which were partially offset by the additional costs of ongoing capital projects during the years ended June 30, 2011 and 2010, respectively.

Bond Issuance Costs

No additional bond issuance costs were capitalized in 2011 or 2010. Amortization expense related to bond issuance costs was $3.2 million and $3.3 million for fiscal years 2011 and 2010, respectively.

Other Assets

Other assets consist of cash, investments, receivables, condemnation deposits, and prepaid expenses. These assets decreased by $8.3 million, or 3.3%, during fiscal year 2011, and decreased by $17.1 million, or 6.4%, during fiscal year 2010 due primarily to the paydown of debt partially offset by cash generated from operations.

Long-Term Liabilities

Long-term liabilities increased by $15.3 million, or 0.8%, in fiscal year 2011 compared to fiscal year 2010 due to $57.9 million increase in accrued interest on Capital Appreciation Bonds, offset by $36.9 million bond payments. Long-term liabilities increased by $21.0 million, or 1.0%, in fiscal year 2010 compared to fiscal year 2009 due to $57.9 million increase in accrued interest on Capital Appreciation Bonds, offset by $32.3 million bond payments.

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 $6.6 million due to an increase of $8.2 million in principal and interest payments in fiscal year 2012 and decreases of $1.6 million of accounts payable and other liabilities.

(Continued)

Summary of Changes in Net Assets

The table below summarizes the changes in net assets for the years ended June 30, 2011, 2010, and 2009:

	Year ended June 30			Change between 2011 and 2010	Change between 2010 and 2009
	2011	2010	2009		
Operating revenues:					
Use fees and container charges	$ 93,188,481	80,478,532	85,349,060	12,709,949	(4,870,528)
Maintenance-of-way charges	3,996,449	3,872,443	3,845,575	124,006	26,868
Total operating revenues	97,184,930	84,350,975	89,194,635	12,833,955	(4,843,660)
Operating expenses:					
Salaries and benefits	1,839,141	2,204,805	2,369,247	(365,664)	(164,442)
Administrative expenses and professional services	7,155,526	6,025,101	6,522,678	1,130,425	(497,577)
Maintenance-of-way charges	5,489,127	4,942,305	4,828,067	546,822	114,238
Depreciation	21,701,750	21,610,672	21,602,318	91,078	8,354
Total operating expenses	36,185,544	34,782,883	35,322,310	1,402,661	(539,427)
Operating income (loss)	60,999,386	49,568,092	53,872,325	11,431,294	(4,304,233)
Nonoperating revenues (expenses):					
Interest and investment income, net	5,070,228	6,603,308	9,281,139	(1,533,080)	(2,677,831)
Interest expense	(118,156,735)	(116,596,579)	(114,846,719)	(1,560,156)	(1,749,860)
Grants	6,203,554	4,906,975	658,943	1,296,579	4,248,032
Miscellaneous revenues (expenses)	2,673,181	525,235	869,436	2,147,946	(344,201)
Amortization of bond issuance costs	(3,230,361)	(3,289,457)	(3,349,182)	59,096	59,725
Total nonoperating revenues (expenses)	(107,440,133)	(107,850,518)	(107,386,383)	410,385	(464,135)
Change in net assets	(46,440,747)	(58,282,426)	(53,514,058)	11,841,679	(4,768,368)
Total net assets, beginning of year	123,854,033	182,136,459	235,650,517	(58,282,426)	(53,514,058)
Total net assets, end of year	$ 77,413,286	123,854,033	182,136,459	(46,440,747)	(58,282,426)

Operating Revenues

Use fees and container charges revenues, representing 95.9% and 95.4% of operating revenues, increased by \$12.7 million and decreased by \$4.9 million, or 15.8% and 5.7%, in 2011 and 2010, respectively. The 2011 increase is due to a higher volume of cargo and annual fee increases of 1.5% on January 1, 2010 and 3.5% on January 1, 2009.

Operating Expenses

Operating expenses consist of salaries, benefits, administrative costs, professional services, maintenance-of-way, and depreciation. During the years ended June 30, 2011 and 2010, operating expenses increased by $1.4 million, or 4.0%, and decreased by $0.5 million, or 1.5%, respectively. The increase in 2011 was due primarily in professional services related to the Dominguez Channel oil spill (refer to note 6 for further discussion) offset by decrease of Alameda Corridor Engineering Team (ACET) support.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist of interest and investment earnings, interest expense, grant revenues, miscellaneous revenues, and amortization of bond issuance costs. During the fiscal years ended June 30, 2011 and 2010, interest and investment income decreased by $1.5 million, or 23.20%, and decreased by $2.7 million, or 28.90%, 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 $1.6 million in 2011 and $1.7 million in 2010. The increase in both years is due to an increase in interest incurred on the 1999 and 2004 Series Bonds. Grant revenues from State Route 47 Expressway (SR47) Project increased by $1.3 million and $4.2 million, or 26.40% and 644.67%, in 2011 and 2010, respectively.

Capital Assets and Debt Administration

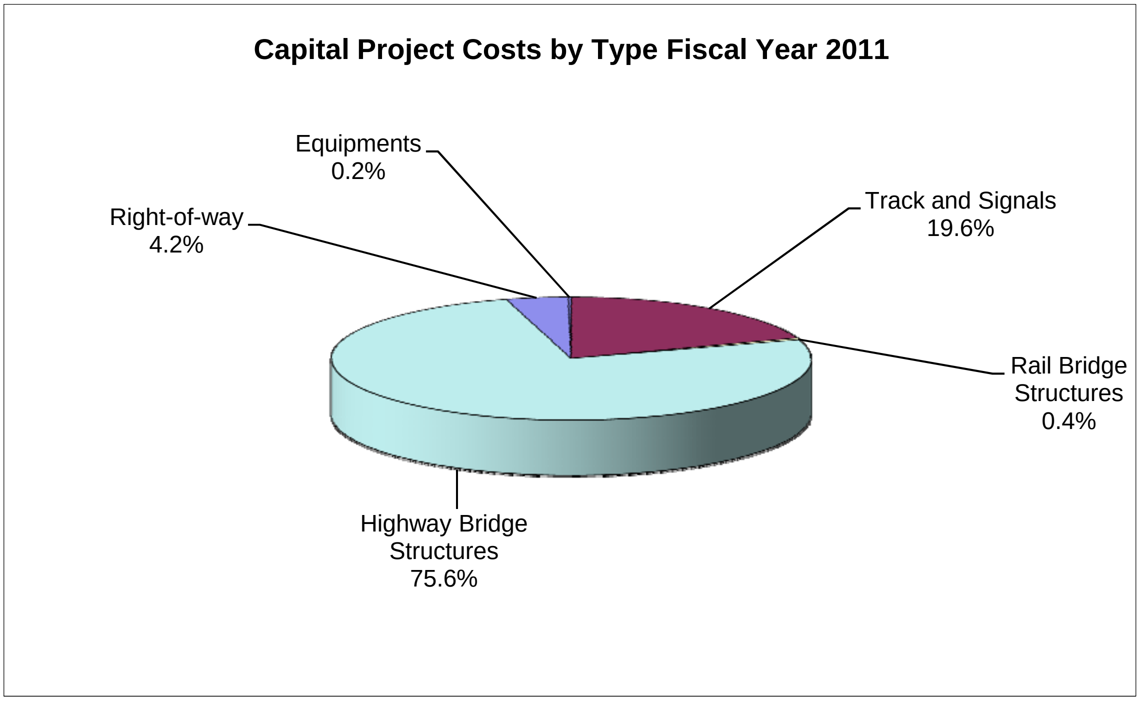
At June 30, 2011 and 2010, the Authority had approximately $1.9 billion of capital assets and approximately $2.1 billion of long-term debt outstanding.

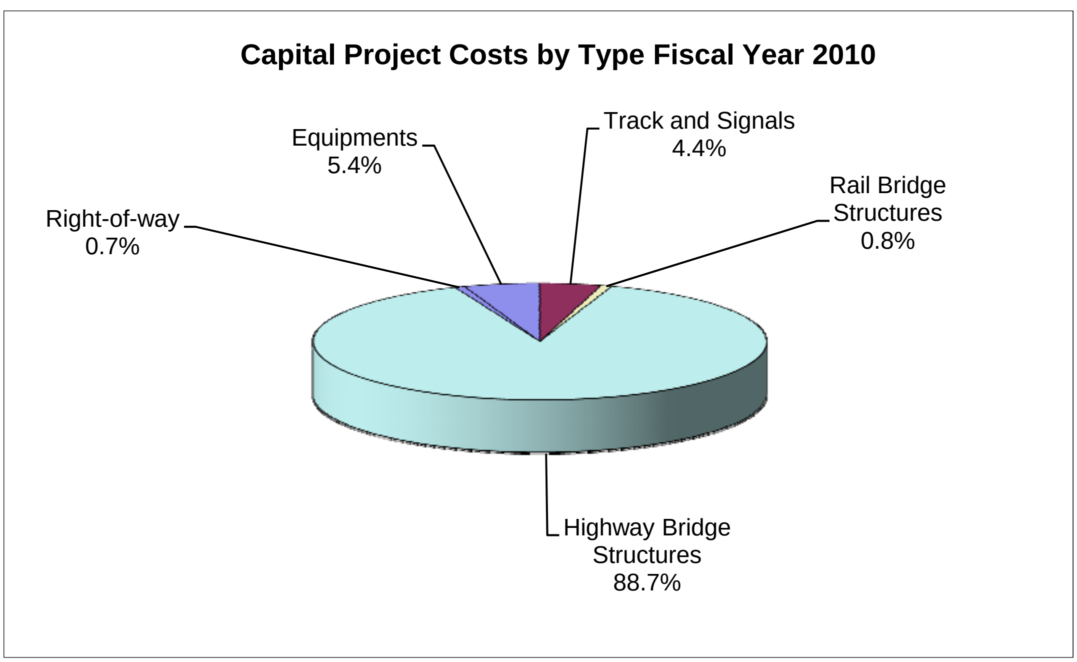
Capital Assets

During fiscal years 2011 and 2010, the Authority expended $8.7 million and $11.7 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, 2011 and 2010.

(Continued)

Additional capital asset information can be found in note 4 to the basic financial statements.





Long-Term Debt

As of June 30, 2011 and 2010, the Authority's total long-term debt in revenue bonds was $1.620 billion and $1.663 billion, respectively (net of the current portion amount of $42.6 million and $36.9 million). The Authority's total revenues were insufficient to cover debt service payments for the year ended June 30, 2011, and it was necessary to transfer $10,000,000 of excess 1999 C Construction Fund bond proceeds to pay a portion of the debt service due on October 1, 2010.

As of June 30, 2011, ACTA's credit rationings for the Senior Bonds (1999A and 1999C) are A3, A, and A by Moody's Investor Service, Standard & Poor's, and Fitch Ratings, respectively. For the subordinated debt (1999D, 2004A, and 2004B) the ratings are BBB, A-, and BBB+ by Moody's Investor Service, Standard & Poor's, and Fitch Ratings, respectively.

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

Other Developments

The Authority's Alameda Corridor Project opened on April 15, 2002. On that date, the Authority commenced operations and began collecting revenues for intermodal containers and rail cars using the Corridor, as authorized in the Use and Operating Agreement between the Authority and the participating railroads (Use and Operating Agreement). Since the Corridor's opening, actual cash collections of nearly $709.1 million have been received from the railroads. These revenues, combined with remaining interest income, have been 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, 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 and SR47 Projects. The PCH project was completed in June 2005. The SR47 Project has progressed, and the Authority is currently working in conjunction with Caltrans to advance the Heim Bridge portion of the project. The National Environmental Policy Act (NEPA) Record of Decision was approved on August 12, 2009; the Notice of Determination was received on August 17, 2009. The final design for replacement of the Bridge was started in October 2009 and completed in October 2010. Construction of the Bridge will be administered by Caltrans and is scheduled to begin in the first half of 2012. Construction duration is expected to be four years. The expressway portion of the project has been deferred indefinitely.

On March 2, 2010 ACTA applied to the U.S. Department of Transportation Federal Rail Administration for a Railroad Rehabilitation and Improvement Financing (RRIF) financing of approximately $550 million. In December 2010, the FRA requested that the Authority make substantial changes to the RRIF application, placing the proposed RRIF financing at parity with the Authority's senior lien debt (1999A and 1999C bonds). The FRA also precluded the use of RRIF financing proceeds for refunding of any 2004 bonds. The result was a reduction in the size of the RRIF financing to $83.7 million. The revised application was approved by the U.S. DOT credit council committee on February 8, 2001. In June 2011, the Authority was notified that the Office of Management and Budget had assigned the Authority's financing a credit risk premium of zero. The Authority is continuing to negotiate specific RRIF financing terms with the FRA and expects the RRIF financing to close in early 2012. The proceeds of the financing would be used to restructure portions of the Authority's debt by calling certain series and maturities of the Authority's outstanding debt. The intent of the restructuring would be to reduce total debt service. The restructuring would minimize the need for potential Shortfall Advances, as defined in note 5 to the basic financial statements, from the Ports of Long Beach and Los Angeles in the future. Without the RRIF loan, or some other similar restructuring of the Authority's debt, the Ports of Long Beach and Los Angeles may be required to provide Shortfall Advances to the Authority totaling an estimated $80 to $90 million.

Since June 30, 2011 it was necessary for the Authority to request that The Ports of Long Beach and Los Angeles make a Shortfall Advance payments of $2,950,000 each (total of $5,900,000) in order to support debt service due on October 1, 2011. The payment of the Shortfall Advance caused the fee charged to BNSF and UP to increase $1.12 per TEU effective December 1, 2011.

The Authority also used $24,295,000 of excess 1999A Construction Fund bond proceeds to call on October 1, 2011 the 1999A bonds maturing on October 1, 2012 and 2013. The bond call will reduce monthly debt service on 1999A bonds by approximately $1,000,000 per month from October 2011 through September 2013. The bond call and reduction in debt service provide financial relief while the RRIF financing transaction is being completed.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Balance Sheets

June 30, 2011 and 2010

Assets	2011	2010
Current assets:		
Restricted cash and cash equivalents	$ 13,409,365	31,297,021
Receivables	15,652,311	12,975,898
Condemnation deposits	9,635	14,195
Prepaid expenses	1,686,678	1,502,597
Total current assets	30,757,989	45,789,711
Noncurrent assets:		
Restricted investments	210,839,235	204,060,647
Bond issuance costs	52,454,122	55,684,482
Capital assets:		
Buildings and equipments	11,844,533	11,827,001
Alameda corridor project infrastructure, right-of-way and land improvements	2,090,717,094	2,082,024,675
Less accumulated depreciation	(193,859,005)	(172,157,255)
Capital assets, net	1,908,702,622	1,921,694,421
Total noncurrent assets	2,171,995,979	2,181,439,550
Total assets	$ 2,202,753,968	2,227,229,261
Liabilities		
Current Liabilities:		
Accounts payable	$ 3,804,229	5,176,250
Right-of-way acquisition payable	9,635	14,195
Contract retention payable	132,562	219,376
Deferred revenue	7,197,919	7,293,320
Accrued interest payable, current portion	20,416,963	17,933,696
Revenue bonds payable, current portion	42,632,074	36,940,692
Other liabilities	397,984	368,619
Total current liabilities	74,591,366	67,946,148
Noncurrent liabilities		
Accrued interest payable, net of current portion	430,738,627	372,883,325
Revenue bonds payable, net of current portion, and unamortized discount	1,620,010,689	1,662,545,755
Total noncurrent liabilities	2,050,749,316	2,035,429,080
Total liabilities	2,125,340,682	2,103,375,228
Net assets		
Invested in capital assets, net of related debt	416,873,079	409,705,122
Restricted for debt service	27,590,114	24,450,400
Restricted for capital projects	4,469,838	1,861,443
Restricted by Master Trust Agreement	43,396,535	45,220,563
Unrestricted	(414,916,280)	(357,383,495)
Total net assets	77,413,286	123,854,033
Total liabilities and net assets	$ 2,202,753,968	2,227,229,261

See accompanying notes to basic financial statements.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2011 and 2010

		2011	2010
Operating revenues:			
Use fees and container charges	$	93,188,481	80,478,532
Maintenance-of-way charges		3,996,449	3,872,443
Total operating revenues		97,184,930	84,350,975
Operating expenses:			
Salaries and benefits		1,839,141	2,204,805
Administrative expenses		2,215,700	4,032,709
Professional services		4,939,826	1,992,392
Maintenance-of-way		5,489,127	4,942,305
Depreciation		21,701,750	21,610,672
Total operating expenses		36,185,544	34,782,883
Operating income		60,999,386	49,568,092
Nonoperating revenues:			
Interest and investment revenue, net		5,070,228	6,603,308
Grants		6,203,554	4,906,975
Miscellaneous revenue		2,673,181	525,235
Total nonoperating revenues		13,946,963	12,035,518
Nonoperating expenses:			
Interest expense		118,156,735	116,596,579
Amortization of bond issuance costs		3,230,361	3,289,457
Total nonoperating expenses		121,387,096	119,886,036
Change in net assets		(46,440,747)	(58,282,426)
Total net assets – beginning of year		123,854,033	182,136,459
Total net assets – end of year	$	77,413,286	123,854,033

See accompanying notes to basic financial statements.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Statements of Cash Flows

Years ended June 30, 2011 and 2010

		2011	2010
Cash flows from operating activities:			
Receipts from customers for services	$	90,688,850	83,997,782
Payment to suppliers for good and services		(14,387,531)	(9,962,508)
Payment to employees		(1,809,776)	(2,214,664)
Net cash provided by operating activities		74,491,543	71,820,610
Cash flows from noncapital financing activities:			
Grants		10,107,211	417,612
Miscellaneous income		2,673,181	525,235
Net cash provided by noncapital financing activities		12,780,392	942,847
Cash flows from capital and related financing activities:			
Purchases of capital assets		(8,709,951)	(11,691,995)
Principal paid on bonds payable		(36,940,692)	(32,261,088)
Interest payments on capital debt, net of capitalized interest		(57,721,158)	(57,162,924)
Net cash used in capital and related financing activities		(103,371,801)	(101,116,007)
Cash flows from investing activities:			
Purchases of investments		(217,186,839)	(268,966,033)
Sales of investments		210,408,251	304,624,290
Interest received		4,990,798	6,903,284
Net cash provided by (used in) investing activities		(1,787,790)	42,561,541
Net increase (decrease) in cash and cash equivalents		(17,887,656)	14,208,991
Cash and cash equivalents, beginning of year		31,297,021	17,088,030
Cash and cash equivalents, end of year	$	13,409,365	31,297,021
Reconciliation of operation income to net cash provided by operating activities:			
Operating income	$	60,999,386	49,568,092
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense		21,701,750	21,610,672
Change in assets and liabilities:			
Accounts receivable, deposit, and interest receivable		(6,496,080)	(353,193)
Accounts payable, other payables, and deferred revenue		(1,558,797)	828,952
Prepaid expenses		(184,081)	175,946
Other liabilities		29,365	(9,859)
Net cash provided by operating activities	$	74,491,543	71,820,610

See accompanying notes to basic financial statements.

(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, 2011, the members of the Authority's Governing Board were the following:

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

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

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.Robin Kramer, Commissioner, Port of Los Angeles

Member – Ms. Susan Wise, Commissioner, 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 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 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.

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, 2011 and 2010. 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.

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

Tenant improvements	3 years
Automotive vehicles	5 years
Office and other equipment	3 – 5 years
Buildings	30 years
Right-of-way and land improvements	Nondepreciable
Revenue assessment and verification system and other software	5 years
Tracks and signal systems	40 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 sheets 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.

When both restricted and unrestricted resources are available for use, it is the Authority's practice to use restricted resources first, then unrestricted resources as they are needed.

(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.

(k) Compensated Absences

All Authority employees accumulate time-off for vacation and sick leave 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 individual 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, 2011 and 2010 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 \$153,298 and \$134,371 as of June 30, 2011 and 2010, 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.

(2) Cash and Investments

Cash and investments as of June 30, 2011 and 2010 are classified in the accompanying basic financial statements as follows:

		June 30, 2011 fair value
Restricted cash and cash equivalents	$	13,409,365
Restricted investments		210,839,235
Total cash and investments	$	224,248,600

		June 30, 2010 fair value
Restricted cash and cash equivalents	$	31,297,021
Restricted investments		204,060,647
Total cash and investments	$	235,357,668

(a) Deposits

At June 30, 2011 and 2010, the net carrying amount of the Authority's deposit account with Bank of America was $1,065,487 and $1,036,304, while the corresponding bank balance was $1,203,698 and $1,115,159, 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 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.

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.

The following schedules indicate the interest rate risk of the Authority's investments as of June 30, 2011 and 2010:

		June 30, 2011	Weighted average maturity (in years)
Cash and investment type:			
Cash	$	500	—
Money market fund		7,272,554	—
LAIF		5,989,591	0.65
U.S. Treasury notes		14,495,980	3.28
U.S. corporate notes		20,833,563	1.64
Commercial paper		8,809,615	0.16
Federal agency obligations		166,846,797	1.30
	$	224,248,600	1.34

		June 30, 2010	Weighted average maturity (in years)
Cash and investment type:			
Cash	$	500	—
Money market fund		10,937,129	—
LAIF		4,990,621	0.56
U.S. Treasury notes		12,103,414	3.71
U.S. corporate notes		19,756,580	2.09
Commercial paper		6,903,799	0.09
Federal agency obligations		180,665,625	1.42
	$	235,357,668	1.46

(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, 2011								
	Not rated	**AAA & AA**	**AA-**	**A+ & AA+**	**A**	**A-1**	**A-1+**	**A – & TSY**	**Total**
Investment type:									
Cash and money market fund	$ 1,065,987	4,659,238	—	—	—	1,547,829	—	—	7,273,054
LAIF	5,989,591	—	—	—	—	—	—	—	5,989,591
U.S. Treasury notes	—	—	—	—	—	—	—	14,495,980	14,495,980
U.S. corporate notes	—	2,920,196	3,317,250	5,219,922	8,956,450	—	—	419,745	20,833,563
Commercial paper	—	—	—	—	—	4,870,769	3,938,846	—	8,809,615
Federal agency obligations	—	63,520,938	—	—	—	—	103,325,859	—	166,846,797
Totals	$ 7,055,578	71,100,372	3,317,250	5,219,922	8,956,450	6,418,598	107,264,705	14,915,725	224,248,600

	Ratings as of June 30, 2010								
	Not rated	**AAA & AA**	**AA-**	**A+ & AA+**	**A**	**A-1**	**A-1+**	**A- and TSY**	**Total**
Investment type:									
Cash and money market fund	$ 1,036,805	9,900,824	—	—	—	—	—	—	10,937,629
LAIF	4,990,621	—	—	—	—	—	—	—	4,990,621
U.S. Treasury notes	—	—	—	—	—	—	—	12,103,414	12,103,414
U.S. corporate notes	—	2,937,124	3,026,896	5,099,678	8,263,773	—	—	429,109	19,756,580
Commercial paper	—	—	—	—	—	4,886,904	2,016,895	—	6,903,799
Federal agency obligations	—	65,744,848	—	—	—	—	114,920,777	—	180,665,625
Totals	$ 6,027,426	78,582,796	3,026,896	5,099,678	8,263,773	4,886,904	116,937,672	12,532,523	235,357,668

(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:

			2011	2010
Federal Home Loan Bank	Federal agency obligations	$	41,867,030	46,843,348
Fannie Mae	Federal agency obligations		61,907,366	73,010,164
Federal Home Loan Mortgage Corp.	Federal agency obligations		51,609,470	47,660,152
		$	155,383,866	167,513,664

(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 million with one-day advance notice. At June 30, 2011 and 2010, the fair value of the balance of such deposits is $5,989,591 and $4,990,621, 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:

		June 30	
		2011	2010
Grants receivable	$	585,706	4,489,363
Interest receivable		1,062,455	983,025
Use fees receivable		13,124,414	7,189,640
Other receivables		879,736	313,870
Total	$	15,652,311	12,975,898

(4) Capital Assets

The following schedule summarizes capital assets for the years ended June 30, 2011 and 2010:

	Balance, July 1, 2010	Additions	Adjustments/ deletions	Balance, June 30, 2011
Right-of-way and land improvements, not being depreciated	$ 152,389,307	363,566	—	152,752,873
Buildings and equipment:				
Automotive vehicles	82,097	—	—	82,097
Office equipment	603,899	—	—	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	9,779,252	17,532	—	9,796,784
Total buildings and equipment	11,827,001	17,532	—	11,844,533
Alameda Corridor Project Infrastructure:				
Capital assets, being depreciated:				
Trench structures	715,581,463	—	—	715,581,463
Track and signals	203,517,094	1,705,497	—	205,222,591
Rail bridge structures	409,505,827	34,043	—	409,539,870
Highway bridge structures	160,532,430	6,549,930	—	167,082,360
Capital assets, not being depreciated:				
Trench structures	224,167,723	—	—	224,167,723
Track and signals	67,443,270	—	—	67,443,270
Rail bridge structures	102,067,179	7,657	—	102,074,836
Highway bridge structures of the Corridor	46,820,382	31,726	—	46,852,108
Alameda Corridor Project Infrastructure	1,929,635,368	8,328,853	—	1,937,964,221
Total capital assets	2,093,851,676	8,709,951	—	2,102,561,627

	Balance, July 1, 2010	Additions	Adjustments/ deletions	Balance, June 30, 2011
Less accumulated depreciation for:				
Trench structures	$ (83,240,186)	(10,430,223)	—	(93,670,409)
Track and signals	(22,981,500)	(3,443,037)	—	(26,424,537)
Rail bridge structures	(41,809,470)	(5,304,660)	—	(47,114,130)
Highway bridge structures	(14,526,829)	(2,131,695)	—	(16,658,524)
Automotive vehicles	(82,096)	—	—	(82,096)
Office equipment	(603,898)	—	—	(603,898)
Other equipment	(186,825)	—	—	(186,825)
Tenant improvements	(72,334)	—	—	(72,334)
Buildings	(327,718)	(36,753)	—	(364,471)
Revenue assessment and verification system and other software	(8,326,399)	(355,382)	—	(8,681,781)
Total accumulated depreciation	(172,157,255)	(21,701,750)	—	(193,859,005)
Capital assets, net	$ 1,921,694,421	(12,991,799)	—	1,908,702,622

	Balance, July 1, 2009	Additions	Adjustments/ deletions	Balance, June 30, 2010
Right-of-way and land improvements, not being depreciated	$ 152,306,150	83,157	—	152,389,307
Buildings and equipment:				
Automotive vehicles	82,097	—	—	82,097
Office equipment	603,899	—	—	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	9,149,279	629,973	—	9,779,252
Total buildings and equipment	11,197,028	629,973	—	11,827,001
Alameda Corridor Project Infrastructure:				
Capital assets, being depreciated:				
Trench structures	715,581,463	—	—	715,581,463
Track and signals	203,004,930	512,164	—	203,517,094
Rail bridge structures	409,430,813	75,014	—	409,505,827
Highway bridge structures	150,157,616	10,374,814	—	160,532,430
Capital assets, not being depreciated:				
Trench structures	224,167,723	—	—	224,167,723
Track and signals	67,443,270	—	—	67,443,270
Rail bridge structures	102,050,306	16,873	—	102,067,179
Highway bridge structures of the Corridor	46,838,665	—	(18,283)	46,820,382
Alameda Corridor Project Infrastructure	1,918,674,786	10,978,865	(18,283)	1,929,635,368
Total capital assets	2,082,177,964	11,691,995	(18,283)	2,093,851,676

		Balance, July 1, 2009	Additions	Adjustments/ deletions	Balance, June 30, 2010
Less accumulated depreciation for:					
Trench structures	$	(72,809,964)	(10,430,222)	—	(83,240,186)
Track and signals		(19,551,267)	(3,430,233)	—	(22,981,500)
Rail bridge structures		(36,505,767)	(5,303,703)	—	(41,809,470)
Highway bridge structures		(12,509,478)	(2,017,351)	—	(14,526,829)
Automotive vehicles		(82,096)	—	—	(82,096)
Office equipment		(601,374)	(2,524)	—	(603,898)
Other equipment		(186,825)	—	—	(186,825)
Tenant improvements		(72,334)	—	—	(72,334)
Buildings		(290,965)	(36,753)	—	(327,718)
Revenue assessment and verification system and other software		(7,936,513)	(389,886)	—	(8,326,399)
Total accumulated depreciation		(150,546,583)	(21,610,672)	—	(172,157,255)
Capital assets, net	$	1,931,631,381	(9,918,677)	(18,283)	1,921,694,421

(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 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, 2011 and 2010, the unamortized discount balance on the 1999 and 2004 Series Bonds was \$3,647,564 and \$3,744,572, respectively. Interest on the 1999 Series A and C Capital Appreciation Bonds for fiscal years 2011 and 2010, respectively, amounted to \$19,830,192 and \$18,684,630 and was recognized in the accompanying statements of revenues, expenses, and changes in net assets for the years ended June 30, 2011 and 2010.

(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, 2011 and 2010 is $407,795,000 and $417,840,000, 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.

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

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):			
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	13,555,000	18,188,071	31,743,071
2016	14,570,000	17,468,414	32,038,414
2017 – 2021	90,035,000	74,656,497	164,691,497
2022 – 2026	124,415,000	48,068,069	172,483,069
2027 – 2031	130,075,000	13,492,875	143,567,875
Total	$ 407,795,000	230,220,175	638,015,175

(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 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, 2011 and 2010 are $50,453,617 and $45,902,618 and $50,453,617 and $41,005,057, 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):				
2027 – 2031	$	7,298,874	30,326,126	37,625,000
2032 – 2036		32,114,863	161,730,137	193,845,000
2037 – 2038		11,039,880	69,240,120	80,280,000
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.

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 at June 30, 2011 and 2010. 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):				
2012	$	—	28,260,555	28,260,555
2013		—	28,260,555	28,260,555
2014		—	28,260,555	28,260,555
2015		3,130,000	28,158,830	31,288,830
2016		21,290,000	27,365,180	48,655,180
2017 – 2021		105,255,000	113,537,538	218,792,538
2022 – 2026		109,420,000	88,702,020	198,122,020
2027 – 2031		191,060,000	26,403,960	217,463,960
Total	$	430,155,000	368,949,193	799,104,193

(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, 2011 and 2010 are $67,298,396 and $87,386,441, and $67,298,396 and $77,351,372, respectively. The 1999 Series C CABs are not subject to optional redemption.

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):				
2017 – 2021	$	7,709,136	24,390,864	32,100,000
2022 – 2026		14,343,854	51,421,146	65,765,000
2027 – 2031		6,850,575	50,524,425	57,375,000
2032 – 2036		28,944,977	266,655,023	295,600,000
2037 – 2038		9,449,854	112,970,147	122,420,001
Total	$	67,298,396	505,961,605	573,260,001

(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 $65,550,000 and $79,170,000 at June 30, 2011 and 2010, 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):				
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		16,240,000	507,500	16,747,500
Total	$	65,550,000	8,373,838	73,923,838

(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 $475,292,388 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.

The 2004 Series A Bonds are capital appreciation bonds. Of the total $475,292,388 of 2004 Series A Bonds issued, $200,300,100 are not convertible or callable, and $274,992,288 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 $214,331,144 and $179,346,452 at June 30, 2011 and 2010, respectively. The principal balance outstanding on the 2004 Series A Bonds, which are not convertible or callable, at June 30, 2011 and 2010, was $200,300,102.

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		9,979,305	5,115,696	15,095,001
2015		18,519,513	11,355,488	29,875,001
2016		15,723,485	11,221,515	26,945,000
2017 – 2021		116,675,411	128,179,590	244,855,001
2022 – 2026		—	—	—
2027 – 2031		36,349,420	121,330,580	157,680,000
Total	$	200,300,102	278,514,901	478,815,003

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		—	22,901,100	22,901,100
2016		—	22,901,100	22,901,100
2017 – 2021		—	114,505,500	114,505,500
2022 – 2026		274,992,288	213,777,779	488,770,067
Total	$	274,992,288	408,437,129	683,429,417

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 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 $274,992,288 at June 30, 2011 and 2010.

(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 $169,745,928 and $83,118,424, and $183,021,620 and $75,180,445, at June 30, 2011 and 2010, 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):				
2012	$	16,892,075	7,262,925	24,155,000
2013		21,721,443	11,633,557	33,355,000
2014		—	—	—
2015		—	—	—
2016		—	—	—
2017 – 2021		—	—	—
2022 – 2026		—	—	—
2027 – 2031		79,625,818	266,054,182	345,680,000
2032 – 2034		51,506,592	250,508,408	302,015,000
Total	$	169,745,928	535,459,072	705,205,000

(h) Accrued Interest Payable

The Authority's accrued interest payable is as follows:

		June 30, 2011		
		Current interest bond	**Long-term CABs**	**Total**
1999 Series A Bonds	$	5,073,518	45,902,618	50,976,136
1999 Series C Bonds		7,065,139	87,386,441	94,451,580
1999 Series D Bonds		1,015,381	—	1,015,381
2004 Series A Bonds		—	214,331,144	214,331,144
2004 Series B Bonds		7,262,925	83,118,424	90,381,349
Total	$	20,416,963	430,738,627	451,155,590

		June 30, 2010		
		Current interest bond	Long-term CABs	Total
1999 Series A Bonds	$	5,197,973	41,005,057	46,203,030
1999 Series C Bonds		7,065,139	77,351,372	84,416,511
1999 Series D Bonds		1,216,276	—	1,216,276
2004 Series A Bonds		—	179,346,452	179,346,452
2004 Series B Bonds		4,454,307	75,180,445	79,634,752
Total	$	17,933,695	372,883,326	390,817,021

(i) Combined 1999 and 2004 Debt Service

The Authority's debt service of the 1999 Series A, 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):				
2012	$	42,632,074	59,164,124	101,796,198
2013		52,934,411	74,786,675	127,721,086
2014		40,534,305	76,719,311	117,253,616
2015		51,444,513	81,110,988	132,555,501
2016		51,583,485	78,956,208	130,539,693
2017 – 2021		319,674,547	455,269,988	774,944,535
2022 – 2026		523,171,140	401,969,014	925,140,154
2027 – 2031		451,259,686	508,132,149	959,391,835
2032 – 2036		112,566,433	678,893,567	791,460,000
2037 – 2038		20,489,733	182,210,267	202,700,000
Total	$	1,666,290,327	2,597,212,291	4,263,502,618

Long-term liability activity for the years ended June 30, 2011 and 2010 was as follows:

	Balance, July 1, 2010	Additions	Deletions	Balance, June 30, 2011	Due within one year
Bonds payable:					
1999 Series A Bonds	$ 468,293,617	—	(10,045,000)	458,248,617	10,850,000
1999 Series C Bonds	497,453,396	—	—	497,453,396	
1999 Series D Bonds	79,170,000	—	(13,620,000)	65,550,000	14,890,000
2004 Series A Bonds	475,292,386	—	—	475,292,386	
2004 Series B Bonds	183,021,620	—	(13,275,692)	169,745,928	16,892,074
Total bonds payable	1,703,231,019	—	(36,940,692)	1,666,290,327	42,632,074
Less unamortized bond discounts	(3,744,572)	97,008	—	(3,647,564)	—
Interest payable:					
Accrued interest payable	390,817,021	118,059,727	(57,721,158)	451,155,590	20,416,963
Net long-term liabilities	$ 2,090,303,468	118,156,735	(94,661,850)	2,113,798,353	63,049,037

	Balance, July 1, 2009	Additions	Deletions	Balance, June 30, 2010	Due within one year
Bonds payable:					
1999 Series A Bonds	$ 477,603,617	—	(9,310,000)	468,293,617	10,045,000
1999 Series C Bonds	497,453,396	—	—	497,453,396	—
1999 Series D Bonds	91,725,000	—	(12,555,000)	79,170,000	13,620,000
2004 Series A Bonds	475,292,386	—	—	475,292,386	—
2004 Series B Bonds	193,417,708	—	(10,396,088)	183,021,620	13,275,692
Total bonds payable	1,735,492,107	—	(32,261,088)	1,703,231,019	36,940,692
Less unamortized bond discounts	(3,803,364)	58,792	—	(3,744,572)	—
Interest payable:					
Accrued interest payable	331,442,159	116,537,786	(57,162,924)	390,817,021	17,933,696
Net long-term liabilities	$ 2,063,130,902	116,596,578	(89,424,012)	2,090,303,468	54,874,388

(j) Restructuring

On March 2, 2010, ACTA applied to the U.S. Department of Transportation Federal Rail Administration for a Railroad Rehabilitation and Improvement Financing (RRIF) financing of approximately $550 million. In December 2010, the FRA requested that the Authority make substantial changes to the RRIF application, placing the proposed RRIF financing at parity with the Authority's senior lien debt (1999A and 1999C bonds). The FRA also precluded the use of RRIF financing proceeds for refunding of any 2004 bonds. The result was a reduction in the size of the

RRIF financing to $83.7 million. The revised application was approved by the U.S. DOT credit council committee on February 8, 2011. In June 2011, the Authority was notified that the Office of Management and Budget had assigned the Authority's financing a credit risk premium of zero. The Authority is continuing to negotiate specific RRIF financing terms with the FRA and expects the RRIF financing to close in early 2012. The proceeds of the financing would be used to restructure portions of the Authority's debt by calling certain series and maturities of the Authority's outstanding debt. The intent of the restructuring would be to reduce total debt service.

(6) Pollution Remediation Obligations

On December 21, 2010, a crude oil release from a then unknown origin was discovered in the Dominguez Channel and nearby storm water drainage system adjacent to the Alameda Corridor. The U.S. Environmental Protection Agency (EPA), the California Department of Fish and Game (DFG), the U.S. Coast Guard, and others have been involved in the mitigation, containment, investigation, and immediate clean-up efforts, and have contained the release.

On January 7, 2011, the EPA issued an Order to the Port of Los Angles, the Port of Long Beach, and the Authority, to assume responsibility for these activities effective January 14, 2011. The EPA agreed to limit the Authority's and the Ports' role to maintaining the containment systems and cleaning up the Los Angeles City pump station and sewer line leading to the pump station. The Authority and the Ports have completed the work required by the EPA. The EPA and DFG have managed the remaining work, including the source investigation.

On March 30, 2011, after identifying an oil pipeline owned and operated by Crimson Pipeline Management Company as the source of the release, EPA issued an order to Crimson for removal, mitigation, or prevention of a substantial threat of oil discharge. The Authority has been notified that Crimson has taken over responsibility for the oil release containment facilities effective June 15, 2011, and has assumed financial and operational responsibilities from that date.

The Authority and the Ports are continuing to cooperate with Crimson, EPA, DFG, and other agencies to assist as necessary with containment, investigation, and clean-up. The Authority and the Ports intend to seek reimbursement from the responsible party or parties, and from any other funding sources available for such purpose, including the Oil Spill Liability Trust Fund (established under the Oil Pollution Act of 1990).

(7) 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 Employees' 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 five 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, and 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 employees who reach 1,000 hours in a fiscal year are eligible to participate in the CalPERS 2.000% at 55 Miscellaneous Defined Benefit Plan. Benefits vest after five years of service. Employees who retire at or after age 50, with five 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.

(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 12.51% and 13.15% for the years ended June 30, 2011 and 2010, respectively. The Authority's covered payroll for the employees participating in CalPERS for the years ended June 30, 2011 and 2010 was $1,413,074 and $1,508,965, respectively. Total payroll for fiscal years 2011 and 2010 was $1,489,648 and $1,559,381, respectively.

(Continued)

(c) Annual Pension Cost

For fiscal years 2011 and 2010, the Authority's Annual Required Contribution (ARC) was $176,761 and $198,489, respectively, which the Authority contributed. The required contribution for 2011 and 2010 was determined as part of the June 2008 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.

	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
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	—
2010	198,489	100	—
2011	176,761	100	—

(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 No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The required employer contribution rate was 12.51% and 13.15% for the years ended June 30, 2011 and 2010, respectively.

(e) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$	3,104,798,222
Actuarial value of plan assets		2,758,511,101
Unfunded actuarial accrued liability (UAAL)	$	346,287,121
Funded ratio (actuarial value of plan assets/AAL)		88.9%
Covered payroll (active plan members	$	742,981,488
UAAL as a percentage of covered payroll		46.6%

(8) 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 five 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, using the Los Angeles Regional Kaiser rate structure at 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 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, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, 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 CERBT by contributing at least 100% of the ARC.

The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Other Than Pensions*. 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 2011, the Authority contributed $72,686 to the Plan, including $3,686 for current benefit payments and $69,000 to prefund plan benefits.

(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:

Annual required contribution	$	(76,000)
Interest on net OPEB asset		30,676
Adjustment to annual required contribution		(39,610)
Annual OPEB cost		(84,934)
Contributions to irrevocable trust		69,000
Benefit payments		3,686
Decrease in net OPEB asset		(12,248)
Net OPEB asset, beginning of year		395,818
Net OPEB asset, end of year	$	383,570

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for fiscal year 2011 and the two preceding years were as follows:

Fiscal year ended		Annual OPEB cost	Percentage of annual OPEB cost contributed		Net OPEB asset
June 30, 2008	$	137,000	329%	$	314,000
June 30, 2009		(3,608)	2,150		403,608
June 30, 2010		80,815	90		395,818
June 30, 2011		84,934	86		383,570

(d) Funded Status and Funding Progress (OPEB)

The funded status of the plan as of June 30, 2011, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$	711,000
Actuarial value of plan assets		650,000
Unfunded actuarial accrued liability (UAAL)	$	61,000
Funded ratio (actuarial value of plan assets/AAL)		91%
Covered payroll (active plan members)	$	1,459,000
UAAL as a percentage of covered payroll		4%

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 ARCs 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, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses), which is the expected long-term investment return on CERBT investments, a 3.0% general inflation assumption, an annual pre-Medicare eligible medical cost trend rate of 9.0% for 2013 decreasing to 5.0% after 8 years (the post-Medicare eligible medical cost trend rate started 0.4% higher for 2013. The actuarial value of assets is based upon market value, but investment gains and losses are spread over a 5-year rolling period. In addition, the actuarial value of assets can never be less than 80% nor more than 120% of market value. The June 30, 2009 UAAL was amortized as a level percentage of projected payroll over 15 years from June 30, 2009 (13 years remaining on June 30, 2011) on a closed basis. Gains and losses and assumption changes are amortized over 15 years; plan amendments and method changes will be amortized over 20 years.

(Continued)

(9) 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.

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

Other Postemployment Benefits (unaudited)

June 30, 2011 and 2010

Schedule of Funding Progress
Risk pool schedule of funding history (unaudited)

Valuation date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL As a% of Payroll
June 30, 2006	$ 2,754,396,608	2,492,226,176	262,170,432	90.5%	$ 699,897,835	37.5%
June 30, 2007	2,611,746,790	2,391,434,447	220,312,343	91.6	665,522,859	33.1
June 30, 2008	2,780,280,768	2,547,323,278	232,957,490	91.6	688,606,681	33.8
June 30, 2009	3,104,798,222	2,758,511,101	346,287,121	88.9	742,981,488	46.6

See accompanying independent auditors' report.

Schedule of Funding Progress
Risk pool schedule of funding history (unaudited)

Actuarial valuation date	Actuarial Value of Assets (AVA)	Accrued Liabilities (AL)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL As a% of Payroll
June 30, 2007	$ —	391,970	391,970	—%	1,477,757	27%
June 30, 2009	406,303	560,749	154,446	72	1,594,964	10
June 30, 2011	650,000	711,000	61,000	91	1,459,000	4

See accompanying independent auditors' report.