ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Basic Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

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Independent Auditors' Report

The Governing Board
Alameda Corridor Transportation Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the of the Alameda Corridor Transportation Authority (the Authority), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alameda Corridor Transportation Authority as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and schedule of funding progress for pensions and other postemployment benefits on pages 3–10 and 45–46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KPMG LLP

October 30, 2013

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 position; 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 net position (deficit) of the Authority at June 30, 2013 and 2012, respectively, was ($6,827,133) and $30,684,022. Of this amount, $400,579,937 and $387,019,923, respectively, are invested in the Authority's capital assets, net of related debt, at June 30, 2013 and 2012. The Authority's net position decreased by $37,511,155 and $46,729,264 in the years ended June 30, 2013 and 2012, respectively.

The 2012 and 2013 fiscal years marked the tenth and eleventh full years of operations for the Authority. The Authority earned $103,916,679 and $101,692,248 from use fees, container charges, and maintenance-of-way charges during fiscal years ended June 30, 2013 and 2012, respectively. The Authority's use fees and container charges for the year 2013 was over the 2012 total by 2.1%. All of the use fee and container charges 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, 2013, 2012, and 2011:

		Year ended June 30		Change between 2013 and 2012	Change between 2012 and 2011
	2013	2012	2011		
Assets:					
Capital assets, net	$ 1,874,920,185	1,891,310,235	1,908,702,622	(16,390,050)	(17,392,387)
Bond issuance costs	46,593,931	49,274,112	52,454,122	(2,680,181)	(3,180,010)
Other assets	212,086,032	307,524,765	241,597,224	(95,438,733)	65,927,541
Total assets	2,133,600,148	2,248,109,112	2,202,753,968	(114,508,964)	45,355,144
Liabilities:					
Long-term liabilities	2,080,633,616	2,057,026,122	2,050,749,316	23,607,494	6,276,806
Current liabilities	59,793,665	160,398,968	74,591,366	(100,605,303)	85,807,602
Total liabilities	2,140,427,281	2,217,425,090	2,125,340,682	(76,997,809)	92,084,408
Net position:					
Invested in capital assets	$ 400,579,937	387,019,923	364,418,956	13,560,014	22,600,967
Restricted for debt service	233,785	353,977	960,344	(120,192)	(606,367)
Restricted for capital projects	3,570,042	3,863,471	4,469,837	(293,429)	(606,366)
Restricted by Master Trust Indenture	51,155,688	49,375,594	43,396,534	1,780,094	5,979,060
Unrestricted	(462,366,585)	(409,928,943)	(335,832,385)	(52,437,642)	(74,096,558)
Total net position	$ (6,827,133)	30,684,022	77,413,286	(37,511,155)	(46,729,264)

Net Position

Net position, the difference between assets and liabilities, decreased by $37.5 million, or 122.2%, and $46.7 million, or 60.4%, during the years ended June 30, 2013 and 2012, respectively. The change in net position was primarily the result of interest expenses continuing to exceed operating income. Current operating revenues increased to $103.9 million and $101.7 million in fiscal 2013 and 2012, respectively, which were not sufficient to cover the interest expense of $109.4 million and $118.5 million in fiscal 2013 and 2012, respectively.

The Master Trust Indenture

In conjunction with the sale of project revenue and refunding bonds in 1999, 2004, 2012, and 2013A (Bonds), the Authority entered into a Master Trust Indenture (MTI) with U.S. 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 restricted 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 $16.4 million, or 0.9%, and $17.4 million, or 0.9%, between 2013 and 2012, and 2012 and 2011, 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, 2013 and 2012.

Bond Issuance Costs

No additional bond issuance costs were capitalized in 2013 or 2012. Amortization expense related to bond issuance costs was $7.1 million and $3.2 million for fiscal years 2013 and 2012.

Other Assets

Other assets decreased by $95.4 million, or 31.0%, during fiscal year 2013 primarily due to payment of $83.7 million for 1999 Series A Bonds maturing in October 2014 to 2019 and to the payments of other bonds partially offset by cash generated from operations.

Other assets increased by $65.9 million, or 27.3%, during fiscal year 2012, and decreased by $8.3 million, or 3.3%, during fiscal year 2011. The increase in 2012 is primarily related to $83.7 million of 2012 Bond proceeds, which subsequent to year-end were used to call the 1999 Series A bonds maturing in October 2014 to 2019. This increase was offset by a $24.3 million liquidation of investments, which was used to call the 1999 Series A bonds that mature on October 1, 2012 and 2013. The decrease in 2011 is primarily to the paydown of debt partially offset by cash generated from operations.

Long-Term Liabilities

Long-term liabilities increased by $23.6 million, or 1.1%, in fiscal year 2013 compared to fiscal year 2012. The 2013 increase was due to $42.0 million increase in accrued interest on Capital Appreciation Bonds, an additional $5.9 million due to the Port of Los Angeles and Port of Long Beach for short-fall advances offset by payments of long-term bonds of $21.6 million.

Long-term liabilities increased by $6.3 million, or 0.3%, in fiscal year 2012 compared to fiscal year 2011. The 2012 increase was due to $54.8 million increase in accrued interest on Capital Appreciation Bonds, the issuance of $83.7 million in 2012 Series Taxable Senior Lien Bonds (2012 Bonds), offset by $66.9 million in debt payments, of which $24.3 was related to the call of the a portion of the 1999 Series A Bonds maturing in October 2012 and 2013. The increase was further offset by the classification of $83.7 million of the 1999 Series A bonds as current as subsequent to year-end the Authority called portions of the 1999 Series A bond that mature in October 2014 to 2019. The remaining increases are due to the receipt of a $11.0 million collateral deposit in conjunction with a forward delivery agreement (see further discussion in note 1) and a $5.9 million payable due to Port of Los Angeles and Port of Long Beach for debt service advances.

Current Liabilities

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. Current liabilities decreased by $100.6 million, or 62.7%, and $85.8 million, or 115.0%, during the years ended June 30, 2013 and 2012, respectively. The $100.6 million decrease in 2013 is primarily due to the payment of $83.7 million of the 1999 Series A bonds that mature in October 2014 to 2019. The $85.8 million increase in 2012 is primarily due to the classification of $83.7 million of the 1999 Series A bonds as current as subsequent to year-end, the Authority called portions of the 1999 Series A bond that mature in October 2014 to 2019. The remaining increases are due to $3.7 million in principal and interest payments in fiscal 2012, which was offset by decreased of $1.6 million in accounts payable and other liabilities in fiscal 2012.

Summary of Changes in Net position

The table below summarizes the changes in net position for the years ended June 30, 2013, 2012, and 2011:

	Year ended June 30			Change between 2013 and 2012	Change between 2012 and 2011
	2013	2012	2011		
Operating revenues:					
Use fees and container charges	$ 99,358,973	97,283,963	93,188,481	2,075,010	4,095,482
Maintenance-of-way charges	4,557,706	4,408,285	3,996,449	149,421	411,836
Total operating revenues	103,916,679	101,692,248	97,184,930	2,224,431	4,507,318
Operating expenses:					
Salaries and benefits	2,154,998	2,116,405	1,839,141	38,593	277,264
Administrative expenses and professional services	2,557,913	4,791,284	7,155,526	(2,233,371)	(2,364,242)
Maintenance-of-way charges	6,204,519	5,984,781	5,489,127	219,738	495,654
Depreciation	21,802,173	21,754,246	21,701,750	47,927	52,496
Total operating expenses	32,719,603	34,646,716	36,185,544	(1,927,113)	(1,538,828)
Operating income	71,197,076	67,045,532	60,999,386	4,151,544	6,046,146
Nonoperating revenues (expenses):					
Interest and investment income, net	3,111,174	4,156,696	5,070,228	(1,045,522)	(913,532)
Interest expense	(109,435,367)	(118,538,433)	(118,156,735)	9,103,066	(381,698)
Grants	4,168,478	2,806,482	6,203,554	1,361,996	(3,397,072)
Miscellaneous revenues	499,967	980,469	2,673,181	(480,502)	(1,692,712)
Amortization of bond issuance costs	(7,052,483)	(3,180,010)	(3,230,361)	(3,872,473)	50,351
Total nonoperating revenues (expenses)	(108,708,231)	(113,774,796)	(107,440,133)	5,066,565	(6,334,663)
Change in net position	(37,511,155)	(46,729,264)	(46,440,747)	9,218,109	(288,517)
Total net position, beginning of year	30,684,022	77,413,286	123,854,033	(46,729,264)	(46,440,747)
Total net position, end of year	$ (6,827,133)	30,684,022	77,413,286	(37,511,155)	(46,729,264)

Operating Revenues

Use fees and container charges revenues, representing 95.6% and 95.7% of operating revenues, increased by $2.1 million and increased by $4.1 million, or 2.1% and 4.4%, in 2013 and 2012, respectively. The 2013 increase is due to a higher volume of cargo and annual fee increases of 3.0% on January 1, 2013 and 2.8% on January 1, 2012. The 2012 increase is also due to a December 1, 2011 increase of $1.12 per twenty foot equivalent (TEU) provided in the Use and Operating Agreement and as a result of the October 1, 2011 Port Shortfall Advance payment.

Operating Expenses

Operating expenses consist of salaries, benefits, administrative costs, professional services, maintenance of way, and depreciation. During the years ended June 30, 2013, operating expenses decreased by $1.9 million, or 5.6%. The decrease in 2013 is primarily related to downsizing of staff and the project management team by about one third.

Operating expenses decreased by $1.5 million, or 4.3%, for the year ended June 30, 2012. On December 21, 2010, the Authority was notified of an oil release in the Dominguez Channel. On January 7, 2012 the EPA issued an order to the Authority and the Ports requiring the three entities to assume responsibility for the containment of the oil release. On March 30, 2011, a pipeline owned by Crimson Pipeline Management Company (Crimson), was determined to be the source of the release and Crimson was obligated as of June 15, 2011 to assume responsibility for the containment and certain remediation. The decrease of $1.5 million in 2012 was due to a limited on-going costs associated with the remediation as Crimson assumed responsibility and began incurring containment and remediation costs as of June 15, 2011 (refer to note 6 for further discussion).

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. The 2013 increase of $5.1 million is primarily the result of increase of $1.4 million in grant revenues, an increase of $3.9 million of bond issuance cost amortization, and decrease of $9.1 million interest expense. Grant revenues from State Route 47 Expressway (SR 47) Project increased by $1.4 million. The project is now under construction and those efforts and that contract are being handled directly by Caltrans. The Authority is providing design support during construction. Miscellaneous revenue decreased as a result to a lack of reimbursement of Dominguez Channel oil release from the ports. While the Authority was conducting an investigation to determine the source(s), both the ports and Crimson, who were potential responsible parties, as well as Chartis (the Authority's insurer), provided the Authority with reimbursement for some of these expenses. (refer to note 6 for further discussion).

Nonoperating revenues decreased $6.3 million in for the year ended June 30, 2012 primarily due to a decreased of $3.4 million and $1.7 million in grants and miscellaneous revenues, respectively. Grant revenues from State Route 47 Expressway (SR 47) Project decreased as the bulk of the design effort, which ACTA contracted and managed, is now over. The project is now under construction and those efforts and that contract are being handled directly by Caltrans. ACTA is providing design support during construction, which requires much less effort. Miscellaneous revenue decreased as a result of the Dominguez Channel oil release. While the Authority was conducting an investigation to determine the source(s), both the ports and Crimson, who were potential responsible parties, as well as Chartis (ACTA's insurer), provided the Authority with reimbursement for some of these expenses. The decrease of $1.7 million in 2012 is due to a lack of similar reimbursements largely due to a decrease in the costs incurred by the Authority.

Capital Assets and Debt Administration

At June 30, 2013 and 2012, the Authority had approximately $1.9 billion of capital assets and approximately $2.1 billion long-term debt outstanding.

Capital Assets

During fiscal years 2013 and 2012, the Authority expended $5.4 million and $4.4 million, respectively, on capital project activities. In 2013, the Authority's additions were primarily due to right of way and land improvements and highway bridge structures, representing 48.6% and 50.6%, respectively, of the total amount expended for the year ended June 30, 2013. In 2012, the Authority's additions were primarily highway bridge structures, representing 94.7% of the total amount expended for the year ended June 30, 2012.

Long-Term Debt

As of June 30, 2013 and 2012, the Authority's total long-term debt in revenue bonds was $1.530 billion and $1.555 billion, respectively (net of the current portion amount of $27.9 million and $124.9 million). The Authority's total revenues were insufficient to cover debt service payments for the year ended June 30, 2013, and the Port of Long Beach and Los Angeles, together, advanced $5.9 million to pay a portion of the debt service due on October 1, 2012 and October 1, 2011.

As of June 30, 2013, ACTA's credit ratings for the Senior Bonds (1999A, 1999C, 2012, and 2013A) 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 Baa2, BBB+, and BBB+ by Moody's Investor Service, Standard & Poor's, and Fitch Ratings, respectively.

On February 12, 2013, the Authority closed the sale of the Senior Lien Tax-Exempt Revenue Refunding Bonds of 2013A and on February 14, 2013, the proceeds were used to call all remaining 1999A current interest bonds, resulting in annual debt service savings amounts of about $2.5 million through 2018 and $5.3 million for the years 2019 through 2029.

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

(Continued)

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). The Authority's bonds are payable solely from and secured by a pledge of, among other revenues, use fees, container charges to be paid by the railroads and from shortfall advances to be paid under certain circumstances by the Ports of Los Angeles and Long Beach (collectively referred to as the Ports). To the extent that the revenues from use and container charges are not sufficient to meet the Authority's obligations, the Ports have agreed to advance the funds necessary to pay up to the maximum amount of 20% each for any debt service payment. Since the Corridor's opening, actual cash collections of nearly $905.2 million have been received from the railroads. Except for 2012 and 2013, when $5.9 million shortfall advances were needed, these revenues, combined with remaining interest income and other surplus cash balances, 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, 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. Remaining work involves property transfers and right-of-way closeouts.

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 completed in October 2010. Construction of the Bridge is being administered by Caltrans and is underway. Construction is expected to be completed in July 2015, with full closeout set to occur in 2016. The expressway portion of the project has been deferred indefinitely.

At June 30, 2013, the Authority's total net position is a negative $6,827,133 as total liabilities were greater than total assets. The Authority's net position continued to decline during fiscal 2013 primarily due to interest expenses exceeding operating and non-operating revenue. The Authority has continued to engage in activities to prevent further decline in its net position and improve the overall financial condition of the Authority. In the current and previous years, the Authority has instituted programs to reduce costs by reducing or freezing staff costs and implementing programs to reduce debt service costs by refinancing a portion of its outstanding bonds. The Authority will continue to evaluate alternative debt refinancing options to generate economic savings. Although the Authority does not expect to require shortfall advances from the Ports, the ability to request advances remains a option to the Authority. In addition to reducing costs, the Authority has budgeted that cargo volumes will increase in the future based on cargo volumes projected from the Ports, resulting in greater revenues for the Authority to fund future debt service requirements.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Balance Sheets

June 30, 2013 and 2012

Assets		**2013**	**2012**
Current assets:			
Restricted cash and cash equivalents	$	16,594,181	88,399,852
Restricted investments		35,997,017	—
Receivables		15,587,240	16,671,797
Condemnation deposits		—	1,900
Prepaid expenses		1,843,738	1,769,336
Total current assets		70,022,176	106,842,885
Noncurrent assets:			
Restricted cash and cash equivalents		10,960,719	10,997,576
Restricted investments		131,103,137	189,684,304
Bond issuance costs		46,593,931	49,274,112
Capital assets:			
Buildings and equipment		11,844,533	11,844,533
Alameda corridor project infrastructure, right-of-way and land improvements		2,100,491,076	2,095,078,953
Less accumulated depreciation		(237,415,424)	(215,613,251)
Capital assets, net		1,874,920,185	1,891,310,235
Total noncurrent assets		2,063,577,972	2,141,266,227
Total assets	$	2,133,600,148	2,248,109,112
Liabilities			
Current liabilities:			
Accounts payable	$	2,449,349	2,331,324
Right-of-way acquisition payable		—	1,900
Contract retention payable		25,000	25,000
Deferred revenue		7,088,098	7,168,115
Accrued interest payable, current portion		21,909,061	25,494,088
Revenue bonds payable, current portion		27,939,304	124,944,411
Other liabilities		382,853	434,130
Total current liabilities		59,793,665	160,398,968
Noncurrent liabilities:			
Collateral deposit		10,960,719	10,997,576
Ports Shortfall Advances payable		11,816,827	5,902,282
Accrued interest payable, net of current portion		527,552,678	485,511,398
Revenue bonds payable, net of current portion, and unamortized discount		1,530,303,392	1,554,614,866
Total noncurrent liabilities		2,080,633,616	2,057,026,122
Total liabilities		2,140,427,281	2,217,425,090
Net position			
Invested in capital assets		400,579,937	387,019,923
Restricted for debt service		233,785	353,977
Restricted for capital projects		3,570,042	3,863,471
Restricted by Master Trust Indenture		51,155,688	49,375,594
Unrestricted		(462,366,585)	(409,928,943)
Total net position		(6,827,133)	30,684,022
Total liabilities and net position	$	2,133,600,148	2,248,109,112

See accompanying notes to basic financial statements.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2013 and 2012

		2013	2012
Operating revenues:			
Use fees and container charges	$	99,358,973	97,283,963
Maintenance-of-way charges		4,557,706	4,408,285
Total operating revenues		103,916,679	101,692,248
Operating expenses:			
Salaries and benefits		2,154,998	2,116,405
Administrative expenses		1,821,844	1,829,151
Professional services		736,069	2,962,133
Maintenance-of-way		6,204,519	5,984,781
Depreciation		21,802,173	21,754,246
Total operating expenses		32,719,603	34,646,716
Operating income		71,197,076	67,045,532
Nonoperating revenues:			
Interest and investment revenue, net		3,111,174	4,156,696
Grants		4,168,478	2,806,482
Miscellaneous revenue		499,967	980,469
Total nonoperating revenues		7,779,619	7,943,647
Nonoperating expenses:			
Interest expense		109,435,367	118,538,433
Amortization of bond issuance costs		7,052,483	3,180,010
Total nonoperating expenses		116,487,850	121,718,443
Change in net position		(37,511,155)	(46,729,264)
Total net position – beginning of year		30,684,022	77,413,286
Total net position – end of year	$	(6,827,133)	30,684,022

See accompanying notes to basic financial statements.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Statements of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Receipts from customers for services	$ 104,520,430	102,386,839
Payment to suppliers for good and services	(8,800,728)	(12,476,730)
Payment to employees	(2,206,275)	(2,080,259)
Net cash provided by operating activities	93,513,427	87,829,850
Cash flows from noncapital financing activities:		
Grants	4,499,982	1,099,100
Port Shortfall Advances	5,914,545	5,902,282
Receipts from Bank of America-Collateral	—	10,997,576
Miscellaneous income	499,967	980,469
Principal paid on notes and bonds payable	(372,650,000)	—
Bonds proceed	293,869,946	—
Net cash (used in) provided by noncapital financing activities	(67,865,560)	18,979,427
Cash flows from capital and related financing activities:		
Purchases of capital assets	(5,412,123)	(4,361,859)
Principal paid on notes and bonds payable	(41,234,412)	(66,927,074)
RRIF loan proceed	—	83,710,000
Bond issuance costs	(4,372,302)	—
Interest payments on capital debt, net of capitalized interest	(72,281,230)	(58,552,666)
Net cash used in capital and related financing activities	(123,300,067)	(46,131,599)
Cash flows from investing activities:		
Purchases of investments	(126,245,788)	(182,750,847)
Sales of investments	148,793,084	203,903,496
Interest received	3,262,376	4,157,736
Net cash provided by investing activities	25,809,672	25,310,385
Net (decrease) increase in cash and cash equivalents	(71,842,528)	85,988,063
Cash and cash equivalents, beginning of year	99,397,428	13,409,365
Cash and cash equivalents, end of year	$ 27,554,900	99,397,428
Reconciliation of operation income to net cash provided by operating activities:		
Operating income	$ 71,197,076	67,045,532
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	21,802,173	21,754,246
Change in assets and liabilities:		
Use Fee receivable and deposit	603,749	694,591
Accounts, right-of-way and contract payable and deferred revenue	36,108	(1,618,007)
Prepaid expenses	(74,402)	(82,658)
Other liabilities	(51,277)	36,146
Net cash provided by operating activities	$ 93,513,427	87,829,850

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, 2013, the members of the Authority's Governing Board were the following:

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

Vice Chairperson – Hon. Joe Buscaino, Councilman, City of Los Angeles

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

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

Member – Mr. Chris Lytle, Executive Director, Port of Long Beach

Member – Ms. Susan Wise, Commissioner, Port of Long Beach

There was a Board Member vacancy for a commissioner from the Port of Los Angeles.

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 June 30, 2014.

(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. The Use and Operating Agreement was amended in 2006 to resolve a dispute involving application of the container charge and use fee provisions of the Agreement to transloaded cargo.

(d) Master Trust Indenture

In conjunction with the sale of project revenue and refunding bonds in 1999, 2004, 2012, and 2013 (Bonds), the Authority entered into a Master Trust Indenture (MTI) with U.S. 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 which include the payment of most operating expenses and debt service payments. 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. The Authority’s net position restricted by the MTI included in the accompanying statements of net position of $51,155,689 and $49,375,594 as of June 30, 2013 and 2012, respectively, represents the accumulation of the Authority’s revenues in excess of operating expenses and debt payments which can only be used for the aforementioned purposes noted in the MTI.

(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.

(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 and is able to withdraw amounts from LAIF on demand without penalty.

(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, 2013 and 2012. 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 position.

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 and Net Position

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. These amounts, offset by any related outstanding debt, are reported as net position restricted for debt service. 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. These amounts, offset by any related outstanding liabilities, are reported as net position restricted by the Master Trust Indenture.

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.

The Authority's net position as of June 30, 2013 is a negative $6,827,133 as total liabilities were greater than total assets. The Authority's net position continued to decline during fiscal 2013 primarily due to interest expenses exceeding operating and non-operating revenue. The Authority's continues to rely on the positive cash flow from required interest payments being lower than the actual interest expense (due to the bonds being capital appreciation bonds and interest compounding to total debt outstanding) to maintain a liquid financial position. Management believes that it will be able to sustain its liquidity based on the terms of the bonds payable and through shortfall advances from the Ports, if necessary, as discussed further in note 5.

(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, 2013 and 2012 have been accrued in the accompanying basic financial statements in other liabilities. 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 $168,160 and $167,151 as of June 30, 2013 and 2012, 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) Collateral Deposit

In conjunction with the 1999, 2012, and 2013A Series Bonds issued by the Authority, the Authority also entered into a Forward Delivery Agreement (FDA) for debt service funds with a Trustee and a Provider. As noted in the FDA, the Provider guarantees a rate of return on debt service funds deposited with the Trustee. The FDA also includes a provision, which requires that, in the event of a downgrade of the Provider's long-term unsecured credit rating, the Provider is required to (i) procure a guarantor, (ii) assign its rights to another higher-rated financial institution, or (iii) deliver collateral to the Trustee in the name of the Authority and the Trustee. In 2011, Provider's credit rating was downgraded and the Provider elected to deliver collateral to comply with the FDA. As a result, the Authority received the collateral in the form of approximately $11.0 million in U.S. Treasury securities, which are recorded as restricted cash and cash equivalents at June 30, 2013. If the Provider's credit rating recovers, the Authority will then return the collateral. Based on the current market conditions, the Authority believes that the Provider's ratings may improve and has recorded a corresponding liability for the collateral deposit due to the Provider.

(n) Reclassifications

Certain reclassifications have been made to the 2012 financial data to conform to the 2013 presentation.

(o) Implementation of New Accounting Standards

Governmental Accounting Standards Board (GASB) No. 63

In June of 2011, the GASB issued Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The new standard is effective for periods beginning after December 15, 2011. The Authority implemented the provisions of Statement No. 63 in fiscal year 2013. The implementation of this statement did not material impact the Authority's Financial Statements.

Governmental Accounting Standards Board (GASB) No. 65

In April of 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The requirements of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Implementation of this Standard will have an impact on the Authority's Financial Statements as the Statement requires, among other items, that the Authority write off bond issuance costs of $46.6 million and $49.3 million at June 30, 2013 and 2012, respectively, which have previously been capitalized. The Statement does allow for the Authority to continue to capitalize prepaid insurance costs, which is currently reported as a component bond issuance costs. The new standard is effective for periods beginning after December 15, 2012. The Authority will implement the provisions of Statement No. 65 in fiscal year 2014.

Governmental Accounting Standards Board (GASB) No. 68

In June of 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 revises and establishes new accounting and financial reporting requirements for most governments that provide their employees with pension benefits. The new standard is effective for periods beginning after June 15, 2014. The requirements of this Statement will improve the decision-usefulness of information in employer financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The Authority will implement the provisions of Statement No. 68 in fiscal year 2015.

(2) Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments as of June 30, 2013 and 2012 are classified in the accompanying basic financial statements as follows:

		June 30, 2013 fair value	June 30, 2012 fair value
Current restricted cash and cash equivalents	$	16,594,181	88,399,852
Current restricted investments		35,997,017	—
Noncurrent restricted cash and cash equivalents		10,960,719	10,997,576
Restricted investments		131,103,137	189,684,304
Total cash, cash equivalents, and investments	$	194,655,054	289,081,732

(a) Deposits

At June 30, 2013 and 2012, the net carrying amount of the Authority's deposit account with Bank of America was $2,581,328 and $900,629, while the corresponding bank balance was $2,694,707 and $1,198,893, 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 five years for investments in the debt service reserve funds:

MTI permitted investments	Maximum maturity	Maximum percentage of portfolio	Maximum investment in one issuer
U.S. Treasury bills, notes, or bonds	10 years	None	None
State warrants or bonds	10 years	None	None
U.S. local agency bonds, notes, or warrants	10 years	None	None
Federal agency obligations	10 years	None	None
Bankers' acceptances	270 days	40%	10%
Commercial paper	180 days	15	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
L.A. County Treasurer Investment Pool	N/A	None	None
Money market funds	None	20%	10%
Medium-term maturity corporate notes	3 years	30	8
Guaranteed Investment Contacts and Investments Agreements	10 years	50	20
Mortgage – or asset-backed securities	10 years	20	None

The following schedules indicate the interest rate risk of the Authority's investments as of June 30, 2013 and 2012:

	June 30, 2013		June 30, 2012	
	Fair value	**Weighted average maturity (in years)**	**Fair value**	**Weighted average maturity (in years)**
Cash and investment type:				
Cash	$ 500	—	500	—
Money market fund	9,987,947	—	7,930,437	—
LAIF	4,305,670	—	5,071,565	—
U.S. Treasury notes	38,520,563	1.77	47,044,896	1.73
U.S. corporate notes	17,707,198	2.01	18,296,593	1.89
Commercial paper	5,254,137	0.31	2,811,534	0.24
Federal agency obligations	107,918,320	1.61	207,926,207	0.95
Mortgages-backed securities	10,960,719	26.58	—	—
	$ 194,655,054	2.93	289,081,732	1.09

(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, 2013								
	AAA/AA+	**AA**	**AA-/A+**	**A**	**A-**	**A-1+**	**A-1**	**NR**	**Total**
Investment type:									
Cash and money market fund	$ 7,408,563	—	—	—	—	—	—	2,579,884	9,988,447
LAIF	—	—	—	—	—	—	—	4,305,670	4,305,670
U.S. Treasury notes	38,520,563	—	—	—	—	—	—	—	38,520,563
U.S. corporate notes	1,633,395	1,275,728	6,370,417	6,116,122	2,311,536	—	—	—	17,707,198
Commercial paper	—	—	—	—	—	1,572,650	3,681,487	—	5,254,137
Federal agency obligations	97,392,670	—	—	—	—	10,525,650	—	—	107,918,320
Mortgage or asset--backed securities	10,960,719	—	—	—	—	—	—	—	10,960,719
Total	$ 155,915,910	1,275,728	6,370,417	6,116,122	2,311,536	12,098,300	3,681,487	6,885,554	194,655,054

	Ratings as of June 30, 2012								
	AAA/AA+	AA	AA-/A+	A	A-	A-1+	A-1	NR	Total
Investment type:									
Cash and money market fund	$ 7,030,396	—	—	—	—	—	—	900,541	7,930,937
LAIF	—	—	—	—	—	—	—	5,071,565	5,071,565
U.S. Treasury notes	47,044,896	—	—	—	—	—	—	—	47,044,896
U.S. corporate notes	1,847,292	1,134,575	5,863,919	7,110,162	2,340,645	—	—	—	18,296,593
Commercial paper	—	—	—	—	—	1,862,563	948,971	—	2,811,534
Federal agency obligations	107,899,019	—	—	—	—	100,027,188	—	—	207,926,207
Total	$ 163,821,603	1,134,575	5,863,919	7,110,162	2,340,645	101,889,751	948,971	5,972,106	289,081,732

(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:

		2013	2012
Federal Home Loan Bank	Federal agency obligations	$ 27,887,634	115,580,165
Fannie Mae	Federal agency obligations	37,608,753	37,658,086
Federal Home Loan Mortgage Corp.	Federal agency obligations	30,402,320	40,156,222
		$ 95,898,707	193,394,473

(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, which approximates fair value. Cash can be withdrawn up to $10 million on demand. At June 30, 2013 and 2012, the fair value of the balance of such deposits is $4,305,670 and $5,071,565, 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	
		2013	**2012**
Grants receivable	$	1,375,877	1,707,382
Interest receivable		910,214	1,061,415
Use fees receivable		13,301,149	13,903,000
Total	$	15,587,240	16,671,797

(4) Capital Assets

The following schedule summarizes capital assets for the years ended June 30, 2013 and 2012:

		Balance, July 1, 2012	**Additions**	**Deletions**	**Balance, June 30, 2013**
Right of way and land improvements, not being depreciated	$	152,863,389	2,632,112	—	155,495,501
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		9,796,784	—	—	9,796,784
Total buildings and equipment		11,844,533	—	—	11,844,533
Alameda Corridor Project					
Infrastructure:					
Capital assets, being depreciated:					
Trench structures		715,581,463	—	—	715,581,463
Track and signals		205,314,543	—	—	205,314,543
Rail bridge structures		409,545,027	—	—	409,545,027
Highway bridge structures		171,214,450	2,740,826	—	173,955,276

(Continued)

	Balance, July 1, 2012	Additions	Deletions	Balance, June 30, 2013
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	102,075,996	—	—	102,075,996
Highway bridge structures of the Corridor	46,873,092	39,185	—	46,912,277
Alameda Corridor Project Infrastructure	1,942,215,564	2,780,011	—	1,944,995,575
Total capital assets	2,106,923,486	5,412,123	—	2,112,335,609
Less accumulated depreciation for:				
Trench structures	(104,100,632)	(10,430,222)	—	(114,530,854)
Track and signals	(29,910,211)	(3,487,973)	—	(33,398,184)
Rail bridge structures	(52,419,224)	(5,305,160)	—	(57,724,384)
Highway bridge structures	(18,862,448)	(2,249,487)	—	(21,111,935)
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	(401,224)	(36,753)	—	(437,977)
Revenue assessment and verification system and other software	(8,974,359)	(292,578)	—	(9,266,937)
Total accumulated depreciation	(215,613,251)	(21,802,173)	—	(237,415,424)
Capital assets, net	$ 1,891,310,235	(16,390,050)	—	1,874,920,185

	Balance, July 1, 2011	Additions	Deletions	Balance, June 30, 2012
Right-of-way and land improvements, not being depreciated	$ 152,752,873	110,516	—	152,863,389
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	9,796,784	—	—	9,796,784
Total buildings and equipment	11,844,533	—	—	11,844,533
Alameda Corridor Project Infrastructure:				
Capital assets, being depreciated:				
Trench structures	715,581,463	—	—	715,581,463
Track and signals	205,222,591	91,952	—	205,314,543
Rail bridge structures	409,539,870	5,157	—	409,545,027
Highway bridge structures	167,082,360	4,132,090	—	171,214,450
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	102,074,836	1,160	—	102,075,996
Highway bridge structures of the Corridor	46,852,108	20,984	—	46,873,092
Alameda Corridor Project Infrastructure	1,937,964,221	4,251,343	—	1,942,215,564
Total capital assets	2,102,561,627	4,361,859	—	2,106,923,486

	Balance, July 1, 2011	Additions	Deletions	Balance, June 30, 2012
Less accumulated depreciation for:				
Trench structures	$ (93,670,409)	(10,430,223)	—	(104,100,632)
Track and signals	(26,424,537)	(3,485,674)	—	(29,910,211)
Rail bridge structures	(47,114,130)	(5,305,094)	—	(52,419,224)
Highway bridge structures	(16,658,524)	(2,203,924)	—	(18,862,448)
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	(364,471)	(36,753)	—	(401,224)
Revenue assessment and verification system and other software	(8,681,781)	(292,578)	—	(8,974,359)
Total accumulated depreciation	(193,859,005)	(21,754,246)	—	(215,613,251)
Capital assets, net	$ 1,908,702,622	(17,392,387)	—	1,891,310,235

(5) Bonds Payable

The 1999 Series A, B, C, and D Bonds, the 2004 Series A and B Bonds, the 2012 Series Taxable Senior Lien Bonds (2012 Bonds), and the 2013 Series Taxable Senior Lien Bonds (2013 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, 2013 and 2012, the unamortized premium and (discount) balance on the 1999, 2004 and 2013 Series Bonds was $40,728,856 and ($3,513,976), 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 annually each October 1, from 2014 through 2029, bear interest at rates ranging from 4.00% to 5.25%.

The 1999 Series A Current Interest Bonds due on or after October 1, 2010 were 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

On July 24, 2012 the Authority used the proceeds of the 2012 Bonds to call and refund all 1999A Bonds maturing on October 1, 2014 through 2018 and a portion of the 1999A bonds maturing on October 1, 2019. On February 14, 2013, the Authority used the proceeds of the 2013A Bonds to call and refund all remaining 1999A Current Interest Bonds. The balance outstanding on the 1999 Series A Current Interest Bonds at June 30, 2013 and 2012 is $0 and $372,650,000, respectively.

(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, 2013 and 2012 are $50,453,617 and $56,496,710 and $50,453,617 and $51,061,732, 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):			
2029 – 2033	$ 20,988,875	93,016,125	114,005,000
2034 – 2038	29,464,742	168,280,258	197,745,000
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 annually each October 1, from 2014 through 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, 2013 and 2012. 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):			
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	23,170,000	25,920,230	49,090,230
2018	25,175,000	24,349,018	49,524,018
2019 – 2023	56,910,000	102,931,650	159,841,650
2024 – 2028	197,775,000	68,537,865	266,312,865
2029 – 2033	102,705,000	6,904,755	109,609,755
Total	$ 430,155,000	312,428,083	742,583,083

(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, 2013 and 2012 are $67,298,396 and $109,586,566, and $67,298,396 and $98,115,665, 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):				
2019 – 2023	$	22,052,990	75,812,010	97,865,000
2024 – 2028		—	—	—
2029 – 2033		19,430,060	154,424,940	173,855,000
2034 – 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 annually each October 1, through 2014, bear interest at rates ranging from 5.47% to 6.37%. The principal balance outstanding on the 1999 Series D Bonds is $34,200,000 and $50,660,000 at June 30, 2013 and 2012, 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:				
2014	$	17,960,000	1,587,475	19,547,475
2015		16,240,000	507,500	16,747,500
Total	$	34,200,000	2,094,975	36,294,975

(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 a U.S. Department of Transportation Loan.

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, commencing 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 $260,818,410 and $249,877,710 at June 30, 2013 and 2012, 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):				
2014	$	9,979,304	5,115,696	15,095,000
2015		18,519,512	11,355,488	29,875,000
2016		15,723,485	11,221,515	26,945,000
2017		18,482,475	15,127,525	33,610,000
2018		20,916,377	19,523,623	40,440,000
2019 – 2023		77,276,559	93,528,441	170,805,000
2024 – 2028		36,349,420	121,330,580	157,680,000
Total	$	197,247,132	277,202,868	474,450,000

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):				
2014	$	—	22,901,100	22,901,100
2015		—	22,901,100	22,901,100
2016		—	22,901,100	22,901,100
2017		—	22,901,100	22,901,100
2018		—	22,901,100	22,901,100
2019 – 2023		100,934,060	161,872,313	262,806,373
2024 – 2028		174,058,226	120,608,766	294,666,992
Total	$	274,992,286	396,986,579	671,978,865

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 $274,992,286 at June 30, 2013 and 2012.

(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 a 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 $131,132,410 and $100,650,992, and $152,853,854 and $86,456,291, at June 30, 2013 and 2012, 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):				
2024 – 2028	$	48,607,904	152,742,097	201,350,001
2029 – 2033		66,413,486	279,256,513	345,669,999
2034 – 2038		16,111,020	84,563,980	100,675,000
Total	$	131,132,410	516,562,590	647,695,000

(h) 2012 Series Bonds

The 2012 Series Taxable Senior Lien Bonds were issued by the Authority in the aggregate amount of $83,710,000 on June 21, 2012. Proceeds from the sale of these 2012 Bonds were used on July 24, 2012 to call and refund all 1999A Bonds maturing on October 1, 2014 through 2018 and a portion of the 1999A Bonds maturing on October 1, 2019.

The 2012 Bonds are current interest bonds. Interest is payable semiannually on April 1 and October 1 of each year commencing October 1, 2012, with principal payments commencing October 1, 2023 through 2035, all at an interest rate of 2.46%. The principal balance on the 2012 Bonds is $83,710,000 on June 30, 2013. The 2012 Bonds are redeemable at par at the option of the Authority at any time, in whole or in part from any available moneys that may be provided for such purpose:

		Annual debt service requirement		
		Principal	**Interest**	**Total**
Fiscal year(s):				
2014	$	—	2,059,266	2,059,266
2015		—	2,059,266	2,059,266
2016		—	2,062,087	2,062,087
2017		—	2,056,445	2,056,445
2018		—	2,059,266	2,059,266
2019 – 2023		—	10,296,330	10,296,330
2024 – 2028		46,930,000	7,266,586	54,196,586
2029 – 2033		30,170,000	2,483,762	32,653,762
2034 – 2038		6,610,000	156,679	6,766,679
Total	$	83,710,000	30,499,687	114,209,687

(i) 2013A Series Bonds

The 2013A Series Tax-Exempt Senior Lien Bonds were issued by the Authority in the aggregate amount of $248,325,000 on February 12, 2013. Proceeds from the sale of these 2013A Bonds were used on February 14, 2013 to call and refund all remaining 1999A Current Interest Bonds.

The 2013A Bonds are current interest bonds. Interest is payable semiannually on April 1 and October 1 of each year commencing October 1, 2013, with principal payments commencing October 1, 2019 through 2029 at interest rates ranging from 3.00% to 5.00%. The principal balance on the 2013A Bonds is $248,325,000 on June 30, 2013. The 2013 Bonds are redeemable at par at the option of the Authority at any time, in whole or in part from any available moneys that may be provided for such purpose:

	Annual debt service requirement		
	Principal	**Interest**	**Total**
Fiscal year(s):			
2014	$ —	11,786,950	11,786,950
2015	—	11,786,950	11,786,950
2016	—	11,786,950	11,786,950
2017	—	11,786,950	11,786,950
2018	—	11,786,950	11,786,950
2019 – 2023	67,310,000	52,899,500	120,209,500
2024 – 2028	121,495,000	27,923,075	149,418,075
2029 – 2033	59,520,000	2,635,781	62,155,781
Total	$ 248,325,000	142,393,106	390,718,106

(j) Accrued Interest Payable

The Authority's accrued interest payable is as follows:

	June 30, 2013		
	Current interest bond	**Long-term CABs**	**Total**
1999 Series A Bonds	$ —	56,496,710	56,496,710
1999 Series C Bonds	7,065,138	109,586,566	116,651,704
1999 Series D Bonds	539,988	—	539,988
2004 Series A Bonds	10,840,970	260,818,410	271,659,380
2004 Series B Bonds	—	100,650,992	100,650,992
2012 Series Bonds	516,227	—	516,227
2013 Series Bonds	2,946,738	—	2,946,738
Total	$ 21,909,061	527,552,678	549,461,739

	June 30, 2012		
	Current interest bond	Long-term CABs	Total
1999 Series A Bonds	$ 4,633,663	51,061,732	55,695,395
1999 Series C Bonds	7,065,139	98,115,665	105,180,804
1999 Series D Bonds	792,031	—	792,031
2004 Series A Bonds	1,312,031	249,877,710	251,189,741
2004 Series B Bonds	11,633,557	86,456,291	98,089,848
2012 Series Bonds	57,667	—	57,667
Total	$ 25,494,088	485,511,398	511,005,486

(k) Combined 1999, 2004, 2012, and 2013A Debt Service

The Authority's debt service of the 1999 Series A, C, and D Bonds, the 2004 Series A and B Bonds, the 2012 Series Bonds, and the 2013A Series Bonds in aggregate is as follows:

	Annual debt service requirement		
	Principal	Interest	Total
Fiscal year(s):			
2014	$ 27,939,304	71,711,042	99,650,346
2015	37,889,512	76,769,134	114,658,646
2016	37,013,485	75,336,832	112,350,317
2017	41,652,475	77,792,250	119,444,725
2018	46,091,377	80,619,957	126,711,334
2019 – 2023	324,483,609	497,340,244	821,823,853
2024 – 2028	625,215,550	498,408,969	1,123,624,519
2029 – 2033	299,227,421	538,721,876	837,949,297
2034 – 2038	78,001,108	528,725,571	606,726,679
Total	$ 1,517,513,841	2,445,425,875	3,962,939,716

(l) 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 Federal Rail Administration (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. Department of Transportation (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 completed negotiations for specific RRIF financing terms with the FRA and the RRIF financing, which resulted in the issuance of the 2013 Series Bonds on June 21, 2012. Subsequent to June 30, 2012, the proceeds of the financing were used to restructure portions of the Authority's debt by calling 1999A Bonds maturing on October 1, 2014 through 2018, and a portion of 2019 in order to reduce total debt service. The restructuring reduced total debt service and minimized the need for shortfall advances from the Ports. An amount of $83.7 million were repaid in July 2012.

The Authority also issued 2013A Series Tax-Exempt Senior Lien Bonds in the aggregate amount of $248,325,000 on February 12, 2013. Proceeds from the sale of these 2013A Bonds were used on February 14, 2013 to call and refund all remaining 1999A Current Interest Bonds.

Long-term liability activity for the years ended June 30, 2013 and 2012 was as follows:

	Balance, July 1, 2012	Additions	Deletions	Balance, June 30, 2013	Due within one year
Bonds payable:					
1999 Series A Bonds	$ 423,103,617	—	(372,650,000)	50,453,617	—
1999 Series C Bonds	497,453,396	—	—	497,453,396	—
1999 Series D Bonds	50,660,000	—	(16,460,000)	34,200,000	17,960,000
2004 Series A Bonds	475,292,386	—	(3,052,968)	472,239,418	9,979,304
2004 Series B Bonds	152,853,854	—	(21,721,444)	131,132,410	—
2012 Series Bonds	83,710,000	—	—	83,710,000	—
2013 Series Bonds	—	248,325,000	—	248,325,000	—
Total bonds payable	1,683,073,253	248,325,000	(413,884,412)	1,517,513,841	27,939,304
Less unamortized bond premiums (discounts)	(3,513,976)	45,544,946	(1,302,115)	40,728,855	—
Interest payable:					
Accrued interest payable	511,005,486	110,722,937	(72,266,684)	549,461,739	21,909,061
Net long-term liabilities	$ 2,190,564,763	404,592,883	(487,453,211)	2,107,704,435	49,848,365

	Balance, July 1, 2011	Additions	Deletions	Balance, June 30, 2012	Due within one year
Bonds payable:					
1999 Series A Bonds	$ 458,248,617	—	(35,145,000)	423,103,617	83,710,000
1999 Series C Bonds	497,453,396	—	—	497,453,396	—
1999 Series D Bonds	65,550,000	—	(14,890,000)	50,660,000	16,460,000
2004 Series A Bonds	475,292,386	—	—	475,292,386	3,052,968
2004 Series B Bonds	169,745,928	—	(16,892,074)	152,853,854	21,721,443
2012 Series Bonds	—	83,710,000	—	83,710,000	—
Total bonds payable	1,666,290,327	83,710,000	(66,927,074)	1,683,073,253	124,944,411
Less unamortized bond discounts	(3,647,564)	133,588	—	(3,513,976)	—
Interest payable:					
Accrued interest payable	451,155,590	118,402,562	(58,552,666)	511,005,486	25,494,088
Net long-term liabilities	$ 2,113,798,353	202,246,150	(125,479,740)	2,190,564,763	150,438,499

(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 cleanup 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 (Crimson) as the source of the release, the 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.

Crimson filed a lawsuit against ACTA, the City of Los Angeles, the City of Long Beach, and Herzog Contracting Corporation on April 27, 2012, alleging that these other entities, and not Crimson, were responsible for the oil spill and/or were prevented from recovering damages from Crimson for the oil spill. ACTA, the City of Long Beach, and the City of Los Angeles, counterclaimed against Crimson. The case is currently in the discovery stage with depositions occurring and being scheduled.

As of June 30, 2013, the Authority cannot reasonably estimate what future costs will be required as a result of the Order. The Authority and the Ports are continuing to cooperate with Crimson, EPA, DFG, and other agencies to assist as necessary with containment, investigation, and cleanup. 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 (the Plan) is a cost sharing agent multiple-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, a cost sharing 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 14.296% and 13.54% for the years ended June 30, 2013 and 2012, respectively. The Authority's covered payroll for the employees participating in CalPERS for the years ended June 30, 2013 and 2012 was $1,378,128 and $1,474,063, respectively. Total payroll for fiscal years 2013 and 2012 was $1,495,783 and $1,557,171, respectively.

(c) Annual Pension Cost

For fiscal years 2013 and 2012, the Authority's Annual Required Contribution (ARC) was $197,017 and $199,559, respectively, which the Authority contributed. The required contribution for fiscal years 2013 and 2012 was determined as part of the June 2010 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 3.55% – 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:			
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	—
2012	199,559	100	—
2013	197,017	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*.

(e) Funded Status and Funding Progress

The funded status of the CalPERS plan, of which the Authority is one of the participating employers, as of June 30, 2013, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$	3,619,835,876
Actuarial value of plan assets		3,203,214,899
Unfunded actuarial accrued liability (UAAL)	$	416,620,977
Funded ratio (actuarial value of plan assets/AAL)		88.5%
Covered payroll (active plan members)	$	759,263,518
UAAL as a percentage of covered payroll		54.9%

(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 2013, the Authority contributed $79,000 to the Plan, including $3,109 for current benefit payments and $75,891 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	$	(79,000)
Interest on net OPEB asset		26,972
Adjustment to annual required contribution		(40,623)
Annual OPEB cost		(92,651)
Contributions to irrevocable trust		79,000
Decrease in net OPEB asset		(13,651)
Net OPEB asset, beginning of year		372,034
Net OPEB asset, end of year	$	358,383

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for fiscal year 2013 and the three preceding years were as follows:

Fiscal year ended		Annual OPEB cost	Percentage of annual OPEB cost contributed		Net OPEB asset
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
June 30, 2012		88,536	87		372,034
June 30, 2013		92,651	85		358,383

(Continued)

(d) Funded Status and Funding Progress (OPEB)

The funded status of the plan as of June 30, 2013, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$	1,296,000
Actuarial value of plan assets		936,000
Unfunded actuarial accrued liability (UAAL)	$	360,000
Funded ratio (actuarial value of plan assets/AAL)		72%
Covered payroll (active plan members)	$	1,065,000
UAAL as a percentage of covered payroll		34%

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 basic 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, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6.25% 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 8.0% for 2014 decreasing to 5.0% after 6 years (the post-Medicare eligible medical cost trend rate started 0.3% higher for 2014). 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 (11 years remaining on June 30, 2013) on a closed basis. Gains and losses and assumption changes are amortized over 15 years; plan amendments and method changes will be amortized over 15 years.

(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

CalPERS Pension Information (unaudited)

June 30, 2013 and 2012

CalPERS Schedule of Funding Progress
Pension Risk Pool Schedule of Funding History (unaudited)

	Funding history					
CalPERS Annual actuarial valuation date	**Accrued liabilities (AL)**	**Actuarial value of assets (AVA)**	**Unfunded liabilities (UL)**	**Funded ratio (AVA/AL)**	**Annual covered payroll**	**ULAs 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	88.8	742,981,488	46.6
June 30, 2010	3,309,064,934	2,946,408,106	362,656,828	89.0	748,401,352	48.5
June 30, 2011	3,619,835,876	3,203,214,899	416,620,977	88.5	759,263,518	54.9

See accompanying independent auditors’ report.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Required Supplementary Information

Other Postemployment Benefits (unaudited)

June 30, 2013 and 2012

ACTA Schedule of Funding Progress
OPEB Schedule of Funding History (unaudited)

	Funding history					
OPEB Biennial actuarial valuation date	**Actuarial Value of Assets (AVA)**	**Actuarial Liabilities (AL)**	**Unfunded liabilities (UAL)**	**Funded ratio (AVA/AL)**	**Annual covered payroll**	**UAL as% 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
June 30, 2013	936,000	1,296,000	360,000	72	1,065,000	34

See accompanying independent auditors' report.