



**Corpus Christi Regional Transportation Authority
Corpus Christi, Texas**



**Comprehensive Annual Financial Report
For the Year Ended December 31, 2006**

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Authority
Corpus Christi, Texas**

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Mission Statement

The Regional Transportation Authority was created by the people to provide quality transportation in a responsible manner consistent with its financial resources and the diverse needs of the people. Secondly, the Authority will also act responsibly to enhance the regional economy.

Prepared by the Accounting & Finance Department



2006

Introductory Section

Comprehensive Annual Financial Report



COPRUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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5658 Bear Lane

Corpus Christi, Texas 78405

(361) 289-2712

June 6, 2007

Rolando Barrera, Board Chair
and Members of the Board of Directors of the
Corpus Christi Regional Transportation Authority
and Citizens of our service area

Dear Board Chair, Board Members, and Citizens:

Management is pleased to submit to you this Comprehensive Annual Financial Report (CAFR) of the Corpus Christi Regional Transportation Authority (Authority) for its fiscal year ended December 31, 2006. This CAFR is indicative of Authority management's continued commitment to provide high quality, complete, concise and reliable financial information about the Authority.

Management assumes full responsibility for the completeness and reliability of this information based on a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not outweigh the benefits, the Authority's system of controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

Pursuant to Section 451.451, Subchapter J, of the Texas Transportation Code, the financial statements and required supplementary information contained herein are required to be independently audited. The Authority is also required by federal regulations to undergo an audit related to its federal grants. The independent firm of Collier, Johnson & Woods, P.C., Certified Public Accountants, has issued an unqualified (clean) opinion on the Authority's financial statements and related information. Their opinion letters are presented first in the Financial and Single Audit sections of this CAFR.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.



PROFILE OF THE AUTHORITY

The Authority was created in 1985 by majority vote of the taxpayers and commenced operations on January 1, 1986. Note 1 in the Financial Section provides more details about the Authority as a legal entity.

Located in Corpus Christi, Texas on the coast of the Gulf of Mexico, the Authority is a *regional* provider of mass transportation services, primarily within Nueces County and also part of San Patricio County. Nueces County includes Agua Dulce, Bishop, Corpus Christi, Driscoll, Port Aransas, Robstown, and unincorporated areas. San Patricio County coverage includes the cities of Gregory and San Patricio. The total area is 838 square miles and has a population of 317,015 according to the 2000 Census. A schematic of the Authority's service area is presented on the following page.

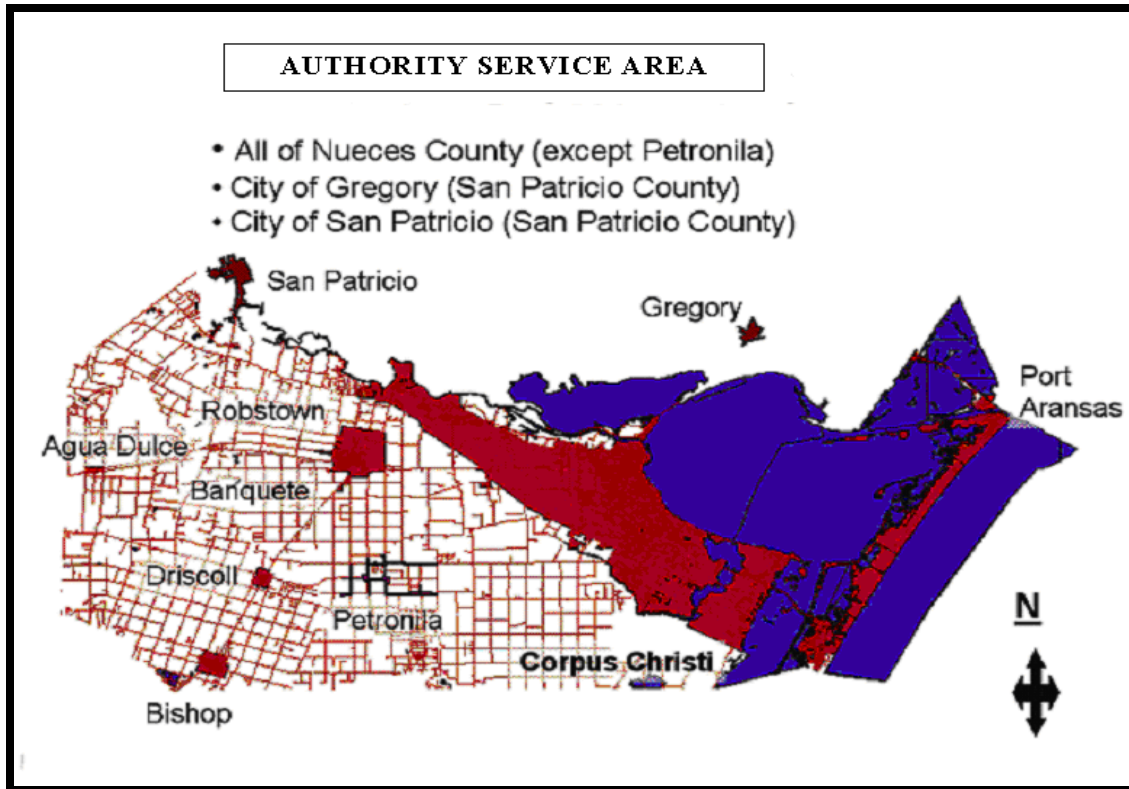
Services And Service Delivery

Either directly or through contractors, the Authority provides virtually all public transportation services in this area. These services include fixed route, para-transit, vanpool, specialized services, and waterborne transportation. The Authority maintains over 1,400 bus stops and shelters, five transfer stations, and a fleet of 77 motorbus coaches and 43 demand response vehicles. Commuter and demand response services are provided by a contractor specializing in these services. The Authority utilizes a contracted ferryboat to provide its Harbor Ferry services during the summer. Table 6 in the Statistical Section contains service delivery statistics for the past ten years.

Officials

An eleven-member Board of Directors (Board) governs the Authority. The City of Corpus Christi, Nueces County and Committee of Small City Mayors appoint members of the Board. The Board makes decisions, designates management, significantly influences operations and maintains primary fiscal accountability.

The Board establishes policy and sets direction for the Authority. The Board is made up of a chair and ten members. Five members are appointed by the City of Corpus Christi, three members are appointed by the Nueces County Commissioners and two members are appointed by participating small cities. Board members serve overlapping two-year terms. A listing of Authority Board members is included on page ix.



Management

A General Manager (GM) is responsible for the daily operations of the Authority. The GM directly supervises five executive team members who lead the Operations Group, Service Planning and Development, Facilities and Capital Programs, Business Development and Compliance and Administration functions. These broad functions are organized into numerous departments for operational efficiency. The Authority employs about 200 employees in addition to about 100 staff employed by various contractors. An organizational chart is shown on page x.

Budget

The Board is required to adopt an annual operating budget before the beginning of each fiscal year. The budget serves as a policy document, an operations guide, a financial plan and a communication device. The process for developing the Authority's budgets begins with Board strategic planning in May or June and, through a series of meetings and analysis, results in a balanced operating budget and a prioritized capital budget. The Authority may not spend more than the approved operating budget. The Board must approve increases to the budget. The General Manager may permit movement of funds within the approved budget.



LOCAL ECONOMY

The regional economy is diversified and includes naval air training, shipping, fishing, tourism, petrochemical refining, government services, meat processing, construction, agriculture, health care and higher education. The region has a varied base that adds to the relative stability of employment. The estimated unemployment rate in Nueces County has decreased from 7.7% in 1997 to 4.9% in 2006. During this period, per capita personal income rose from \$20,091 to an estimated \$30,822 or 53.4%.

The Authority's ability to fund its operations is heavily dependent on a ½-cent sales tax generated from the local economy. These sales tax revenues have grown at an annual average of 3.25% over the last ten years compared to average growth in operating expenses, including depreciation, of 3.4% over the same period. The current sales tax rate for the Corpus Christi area is 8.25%, which is the maximum rate allowed by current law.

As with the global economy, local fuel prices continue to sustain above historical highs. This occurrence has a two-sided effect on public transportation providers. Higher fuel prices at the pump tend to encourage higher utilization of public transportation by citizens. However, these same rising costs also impact the Authority's ability to afford fuel needed to provide the services. Rising fuel costs ultimately impacts the cost of maintenance materials and energy costs associated with the Authority's fleet and customer amenities. In addition, sustained high fuel costs are likely to decrease the disposable income in the area, which could decrease consumer spending and result in lower sales taxes.

Because of the trend of rising costs associated with transit service provision, the Authority increased its fare policy for the first time in 20 years in August of 2006.

Even in light of these challenges, the Authority remains steadfast in its commitment to provide excellent public transportation to its riders while meeting its fiscal challenges.

Long-Range Financial Planning

Due to the significant capital investment in buses and bus facilities used for service delivery and the operating cost growth challenges experienced by transit systems across the country, the Authority maintains 20-year long-term financial projections. The Authority has been building up its resources in anticipation of making several key capital investments in the coming years. At all times, financial projections are maintained and updated when significant events occur that warrant changes to the underlying assumptions.



In 2007, the Authority plans to move forward with the final phase of its master plan. This initiative began in the 1990s and involves several phases to change the configuration of the Authority's Bear Lane complex to update the aged structures and make the operation more efficient. The objective of the last phase of the plan is to refurbish the Authority's bus maintenance facility – its oldest building. The estimated cost of this phase is currently about \$7.4 million and will be funded through a strategy that involves federal grants, local dollars and toll credits from the State of Texas to meet match requirements for grant-funded capital projects in the coming years. The facility is expected to result in some additional operating costs, as well as some savings in efficiencies.

Through 2010, the Authority will replace a series of aging motor coaches, para-transit vehicles and support vehicles. The estimated total cost of \$21,086,539 will be funded primarily with federal grants.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We express appreciation to the staff of the Accounting and Finance Department for the significant investment of time and effort needed to prepare this report. Thank you to executive management for various large contributions and to Julio Wilmot for the picture that appears on the report cover. We also express deep appreciation for the innumerable efforts of our bus operators, street supervisors, dispatchers, security, mechanics and facility maintenance staff who are directly involved with the daily provision of service to our customers.

Ricardo Sánchez, BA, MA
General Manager

Elias Sissamis, CPA, MBA
Director of Finance & Administration



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Corpus Christi

Regional Transportation Authority
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



BOARD OF DIRECTORS AND ADMINISTRATION

BOARD OF DIRECTORS **(As of December 31, 2006)**

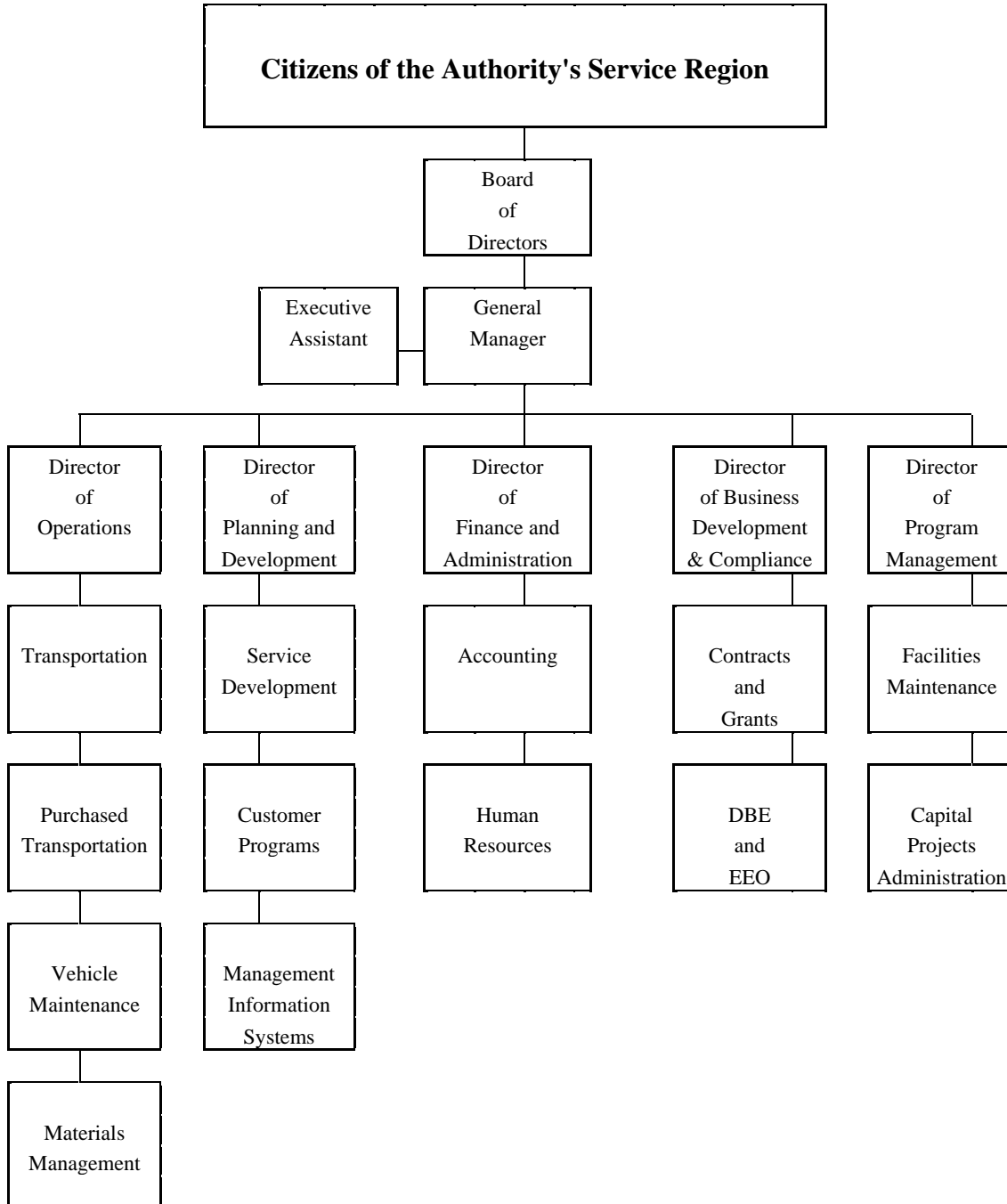
Board Chair	Rolando Barrera
Board Vice Chair	John Valls
Board Secretary	Carmen P. Arias
Members	Mannti C. Cummins Anna M. Flores John Longoria Crystal Lyons Glenn Martin David Martinez Dr. Maurice Portis Sara Salvide
Advisory Board Member	Mike Rendon

ADMINISTRATIVE MANAGEMENT

General Manager	Ricardo Sanchez
Director of Operations	David Seiler
Director of Planning & Development	Eduardo Carrion
Director of Finance & Administration	Elias Sissamis
Director of Business Development & Compliance	Lamont Taylor
Director of Program Management	Sharon Montez



Organization Chart



2006

Financial Section

Comprehensive Annual Financial Report



INDEPENDENT AUDITOR'S REPORT

May 15, 2007

Board of Directors of the
Corpus Christi Regional Transportation Authority

We have audited the accompanying statements of net assets of the Corpus Christi Regional Transportation Authority as of December 31, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corpus Christi Regional Transportation Authority as of December 31, 2006 and 2005, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2007 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information on pages 3 through 14 and 39 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corpus Christi Regional Transportation Authority's basic financial statements. The introductory section, supplemental schedules, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, pages 63 and 64, is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements of the Authority. The supplemental schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Collier, Johnson & Woods



MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Corpus Christi Regional Transportation Authority (Authority) offers to readers of its financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2006 and 2005. We encourage readers to consider this information as part of a greater whole and read it in conjunction with the information provided in our transmittal letter in the Introductory Section and all other information presented in the notes to the financial statements and other sections.

FINANCIAL HIGHLIGHTS

- The Authority's net assets at December 31, 2006, total \$47,246,081. Of this amount, \$22,205,341 (47.0%) may be used to meet the Authority's ongoing obligations to citizens and creditors in accordance with its mission statement.
- The Authority's net assets decreased by \$674,554 (1.4%) during 2006 as a result of a loss of \$1,877,502 offset by capital grant contributions of \$1,202,948.
- The Authority has no long-term debt.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion serves to introduce the Authority's basic financial statements. These statements have two components: (1) government-wide basic financial statements and (2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The Authority is structured as a stand-alone enterprise fund and presents its financial information using the accrual basis of accounting similar to the way private sector businesses present their financial information. Revenues are recognized in the financial statements when both earned and measurable, not when actually received in cash. Expenses are recognized when they are incurred, not when they are paid. The historical costs of capital assets are capitalized and depreciated over the estimated useful life of the asset.

The *Statement of Net Assets* presents information on all the Authority's assets and liabilities; with the difference between them being reported as net assets. This is a measure of financial position, which can indicate improvement or deterioration from year to year. The presentation of net assets also distinguishes between those invested in capital assets, and those that are unrestricted by external parties or legal requirements.



The *Statement of Revenues, Expenses and Changes in Net Assets* accounts for the change in net assets by showing the activities that caused the change. This statement measures the Authority's operations and can also be used to determine whether the Authority has successfully recovered all of its costs through fares and other user charges, sales taxes received, subsidies, and other sources of funding available.

The *Statement of Cash Flows* provides details about the Authority's sources of, uses of and the change in cash over a fiscal year. This information is categorized into operating, non-capital financing, capital and related financing, and investing activities.

The *Notes to the Financial Statements* and *Required Supplementary Information* provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes should be read as an integral part of the financial statements.

The Authority also has fiduciary responsibility for two employee retirement funds and presents two financial statements related to them: (a) Fiduciary Funds - Statement of Net Assets and (b) Fiduciary Funds - Statement of Changes in Net Assets, which follow the government-wide financial statements. There is also information concerning these plans in Note 5 in the notes to the financial statements in this section.

The Authority's basic financial statements can be found beginning on page 16.

FINANCIAL ANALYSIS

Statement of Net Assets:

Net Assets: Increases in net assets indicate an improved financial position while decreases indicate deterioration of financial position. The Statement of Net Assets provides the necessary information on which to base this determination. These net assets are presented in two components: (1) those invested in capital assets and (2) those unrestricted and available for operations. Fifty-three percent of the Authority's total net assets reflect an investment in capital assets consisting of buses, bus stops, shelters, stations, operating facilities, and related land. There is no debt associated with these assets. The Authority uses these assets for the purpose of achieving its mission. It is important to understand that unrestricted net assets are not necessarily idle assets without a purpose attached to them. The Authority maintains financial projections that provide details of the planned uses of these resources.

Table 1 provides summary multi-year comparative information about the Authority's net assets. The change in net assets can be explained by looking at the other components of the Statement of Net Assets.



Table 1

CONDENSED SUMMARY OF NET ASSETS

	<u>At December 31</u>			<u>At December 31</u>		
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>2005</u>	<u>2004</u>	<u>Change</u>
Current Assets	\$ 24,678,071	22,777,689	1,900,382	22,777,689	19,808,183	2,969,506
Capital Assets, Net of						
Accumulated Depreciation	25,040,740	27,995,330	(2,954,590)	27,995,330	31,705,996	(3,710,666)
Total Assets	49,718,811	50,773,019	(1,054,208)	50,773,019	51,514,179	(741,160)
Current Liabilities	2,472,730	2,852,384	(379,654)	2,852,384	2,315,886	536,498
Long-Term Liabilities	-	-	-	-	875,245	(875,245)
Total Liabilities	2,472,730	2,852,384	(379,654)	2,852,384	3,191,131	(338,747)
Investment in Capital Assets	25,040,740	27,995,330	(2,954,590)	27,995,330	31,705,996	(3,710,666)
Unrestricted	22,205,341	19,925,305	2,280,036	19,925,305	16,617,052	3,308,253
Total Net Assets	\$ 47,246,081	47,920,635	(674,554)	47,920,635	48,323,048	(402,413)

The Authority's net assets at December 31, 2006 total \$47,246,081. Of this amount, \$25,040,740 (53%) represents the Authority's investment in capital assets (land, buildings, vehicles and other equipment). The remainder is unrestricted. Total net assets decreased \$674,554 in 2006 due to increases in cash and investments, receivables, inventories and prepaid expenses; depreciation and disposition of aging capital assets; and decreases in the levels of outstanding liabilities at year-end.

The Authority's net assets at December 31, 2005 total \$47,920,635. Of this amount, \$27,995,330 (58%) represents the Authority's investment in capital assets. The remainder is unrestricted. Net assets decreased \$402,413 during 2005 due to increases in cash available for investing, receivables, fuel and lubrication inventories and prepaid expenses; depreciation of aging capital assets; and increases in the levels of outstanding liabilities at year-end. The Authority also fully paid the pension liability that existed at the end of the prior year.

Current Assets: During 2006, the Authority's current assets increased by \$1,900,382 due to increased cash from sales tax and investment income and lower operating expenses than anticipated. Levels of accounts receivables, parts inventory and prepaid expenses were also higher than at the end of 2005. The Authority's continuing strategy is to build up resources to replace aging assets and refurbish its maintenance facility.

During 2005, the Authority's current assets increased by \$2,969,506. This is due to higher sales tax and investment income and lower than anticipated personnel costs in addition to higher receivables and prepaid expenses over those at the end of 2004.



Capital Assets: As of December 31, 2006, the Authority's overall investment in capital assets (net of accumulated depreciation) totals \$25,040,740, a decrease of \$2,954,590 from December 31, 2005. During the year, capital assets totaling \$1,514,532 were added and depreciation totaling \$3,969,403 decreased the carrying value. The Authority also wrote off assets with a net book value of \$499,719, including preliminary engineering performed in connection with a proposed downtown streetcar project that has been abandoned due to lack of community support. Significant 2006 capital additions include:

- ❖ Progress on the Authority's Master Plan Phase III
- ❖ Progress on Northwest Inter-modal project
- ❖ Security enhancements at stations and at the Bear Lane complex
- ❖ Near completion of Livable Communities Initiative – Interstate Highway 37 Bridge
- ❖ Replacement of 20 year old voice radios aboard buses
- ❖ Bus stop improvements

As of December 31, 2005, the Authority's overall investment in capital assets (net of accumulated depreciation) totals \$27,995,330, a decrease of \$3,710,666 from December 31, 2004. Although capital assets totaling \$683,834 were added during 2005, annual depreciation totaling \$4,394,500 decreased the carrying value. The Authority also retired 18 fully depreciated vehicles with a historical cost of \$7,091,662.

Significant 2005 capital activities include:

- ❖ Progress on Northwest Inter-modal project
- ❖ Progress on Livable Communities Initiative – Interstate Highway 37 Bridge
- ❖ Bus stop improvements
- ❖ Port-Ayers ADA Enhancements
- ❖ Improvements to the Bus Maintenance Facility
- ❖ ADART completion

Additional details about the Authority's capital asset activities are presented in Note 3 in the notes to the financial statements. The primary funding source for capital projects is federal grants with a matching principle requiring that the Authority generally fund 20% of the total cost as a match to the federal funding received. Assets are then depreciated while maintaining the funding breakdown. The Schedule of Expenditures of Federal Awards in the Single Audit Section provides more details on federal grant activities during the year. The following shows the Authority's assets by funding source as of December 31, 2006 and 2005:

	Federal/Other Funding	Local Funding	Total
December 31, 2006:			
Capital Assets at Cost	\$ 51,622,545	12,485,413	64,107,958
Less: Accumulated Depreciation	<u>31,549,884</u>	<u>7,517,334</u>	<u>39,067,218</u>
Capital Assets, Net	<u>\$ 20,072,661</u>	<u>4,968,079</u>	<u>25,040,740</u>
December 31, 2005:			
Capital Assets at Cost	\$ 51,335,393	11,878,948	63,214,341
Less: Accumulated Depreciation	<u>28,455,386</u>	<u>6,763,625</u>	<u>35,219,011</u>
Capital Assets, Net	<u>\$ 22,880,007</u>	<u>5,115,323</u>	<u>27,995,330</u>



Liabilities: The Authority's liabilities as of December 31, 2006 total \$2,472,730 and are all current liabilities customary to the Authority's business. These liabilities decreased \$379,654 from the prior year-end levels. This is due to a higher level of outstanding obligations related to trade payables offset by lower amounts outstanding for the street improvement program with participating entities and employee benefit related liabilities outstanding.

Total liabilities as of December 31, 2005 total \$2,852,384, which is \$338,747 lower than the prior year. Current liabilities are higher comparatively by \$536,498 due to a higher level of outstanding obligations related to the Authority's street improvement program at year-end. The Authority fully liquidated its only long-term liability (net pension obligation) that existed at the end of 2004. Details about the net pension obligation are presented in Note 5.

Statement of Revenues, Expenses and Changes in Net Assets:

Table 2

CONDENSED SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>Year Ended December 31</u>			<u>Year Ended December 31</u>		
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>2005</u>	<u>2004</u>	<u>Change</u>
Revenues:						
Operating Revenues	\$ 1,458,388	1,241,256	217,132	1,241,256	1,142,949	98,307
Non-Operating Revenues						
Sales and Use Tax	20,115,282	18,939,617	1,175,665	18,939,617	17,621,532	1,318,085
Federal and Other Grants	213,829	1,951,794	(1,737,965)	1,951,794	2,394,066	(442,272)
Investment Income	959,788	529,327	430,461	529,327	192,654	336,673
Gain on Property Disposed	-	12,648	(12,648)	12,648	-	12,648
Total Revenues	22,747,287	22,674,642	72,645	22,674,642	21,351,201	1,323,441
Expenses:						
Operating Expenses	18,881,533	18,190,312	691,221	18,190,312	17,441,710	748,602
Depreciation	3,969,403	4,394,500	(425,097)	4,394,500	4,553,847	(159,347)
Distribution to Region Entities	1,274,132	1,255,302	18,830	1,255,302	1,168,404	86,898
Loss on Property Disposed	499,721	-	499,721	-	473,590	(473,590)
Total Expenses	24,624,789	23,840,114	784,675	23,840,114	23,637,551	202,563
Net Loss Before Capital Grants	(1,877,502)	(1,165,472)	(712,030)	(1,165,472)	(2,286,350)	1,120,878
Capital Grants	1,202,948	763,059	439,889	763,059	6,715,810	(5,952,751)
Increase (Decrease) In Net Assets	(674,554)	(402,413)	(272,141)	(402,413)	4,429,460	(4,831,873)
Net Assets, January 1	47,920,635	48,323,048	(402,413)	48,323,048	43,893,588	4,429,460
Net Assets, December 31	\$ 47,246,081	47,920,635	(674,554)	47,920,635	48,323,048	(402,413)

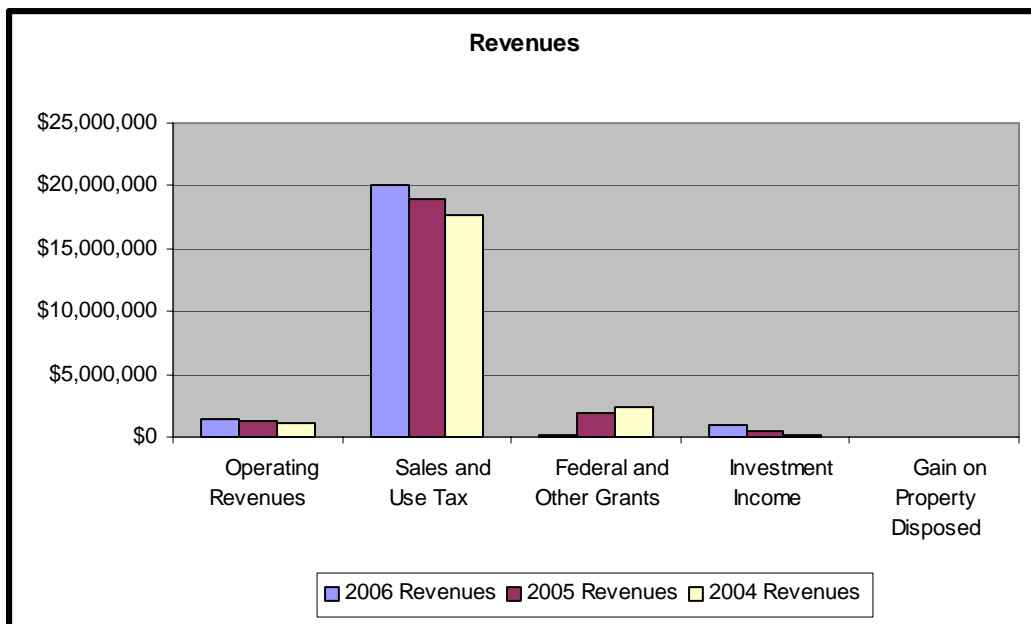


Change in Net Assets: While the Statement of Net Assets focuses on financial position at a point in time, the Statement of Revenues, Expenses, and Changes in Net Assets provides further details in to what specific activities took place during the year that led to the change in net assets shown on the Statement of Net Assets. The Authority's activities are presented in Table 2.

Net assets decreased \$674,554 during 2006. The Authority's operating activities resulted in a net loss of \$1,877,502. Capital grant contributions increased net assets by \$1,202,948. Net assets decreased \$402,413 in 2005. The Authority's operating activities resulted in a net loss of \$1,165,472. Capital grant contributions increased net assets by \$763,059.

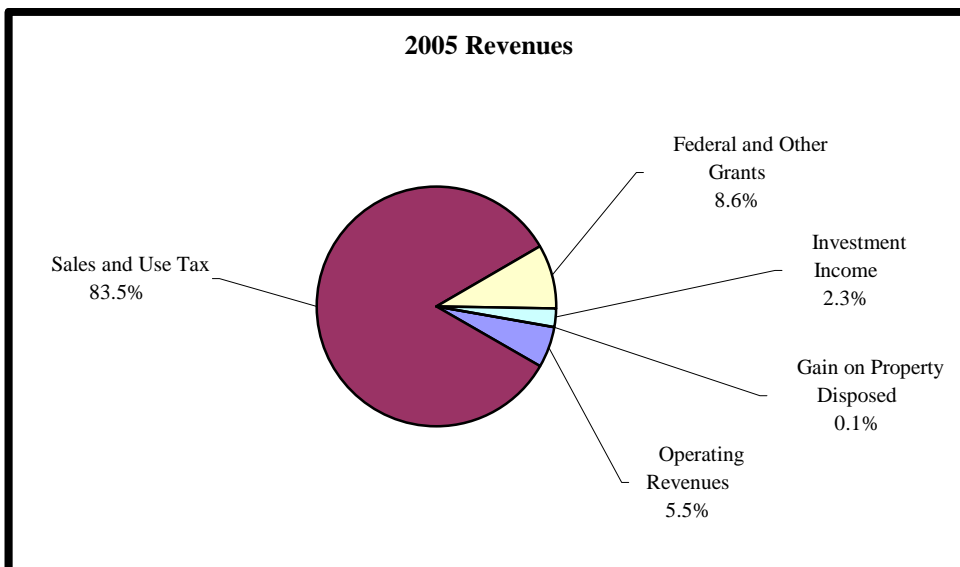
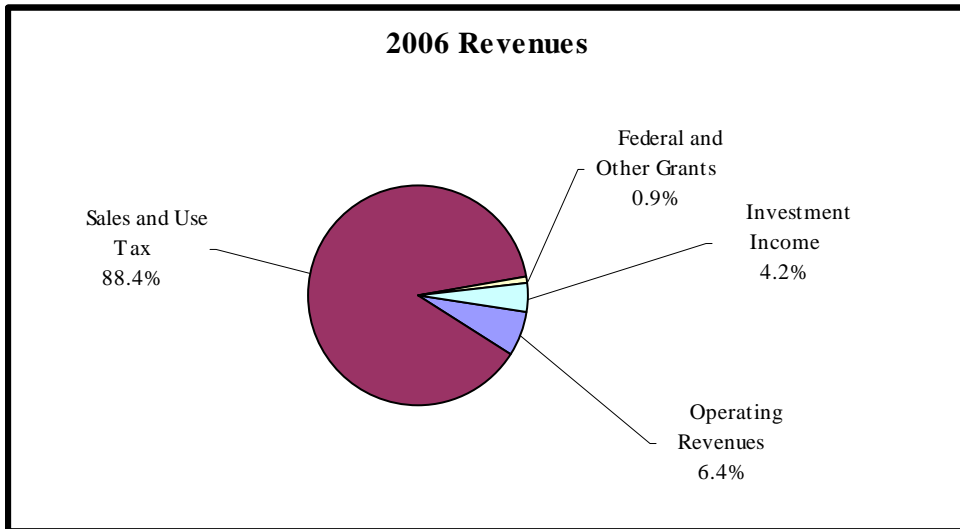
The following discussion provides details of the more significant aspects of the Authority's operating activities that occurred during 2006 and 2005.

Revenues: In 2006, the Authority's total revenues increased \$72,645 (0.3%) over 2005. The Authority traded higher operating revenues, investment income and sales tax revenues in place of using grant assistance to fund operations. This strategy preserves capital grants for acquiring planned capital assets in the future. Total revenues during 2005 increased by \$1,323,441 (6.2%) over 2004. The Authority's total revenues are made of the following:





- Operating Revenues include user charges for transportation services, advertising and other ancillary operating revenues. For 2006, operating revenues represent 6.4% of total revenues and are \$217,132 (17.4%) higher than 2005. A fare increase in mid-August resulted in fares averaging 30% higher than 2005 from that point. There was, however, a 6.3% decline in ridership as a result. For 2005, these revenues represent 5.5% of total revenues and are \$98,307 (8.6%) higher than 2004 due to an increase of 6.0% in overall system ridership.
- Sales & Use Tax is a dedicated ½ cent sales and use tax levied on certain goods and services sold within the region and provide the primary funding for the Authority's operating budget. For 2006, sales taxes represent 88.4% of total revenues and are 6.2% higher than 2005. For 2005, sales tax revenues represent 83.5% of total revenues and are 7.5% higher than 2004.
- Operating Grant Assistance represents reimbursements to the Authority for certain routes and for preventive maintenance costs incurred for both vehicles and facilities. The Authority has the option of utilizing grants provided by the Federal Transit Administration (FTA) for these expense reimbursements or to fund capital asset acquisitions. In 2006, these grants represent .9% of total revenues compared to 8.6% in 2005. In 2006, the Authority requested no preventive maintenance grants as part of an ongoing strategy to preserve the grants for future capital improvement needs. In 2005, the Authority sharply decreased its reliance on this source of funding by 18.5% from the 2004 levels.
- Investment Income is income earned on the Authority's investing activities. Income generated from the Authority's portfolio increased 81% over 2005 due to higher cash balances and higher yielding investments being available. In 2006 the average portfolio balance was \$18,599,070 with a average yield of 4.8%, compared to 2005 when the average portfolio balance was only \$17,256,639 and the average yield was only 2.7%. In 2005, investment income is 57% greater than 2004 due to more cash being available for investing and higher yielding investments being available. In 2005 the average portfolio balance had increased to \$17,256,639 from \$15,384,707 in 2004, while the weighted average daily yield had increased to 2.7% from 1.6% in 2004.
- Property Disposal revenues in 2005 are from sales of some retired buses as scrap.



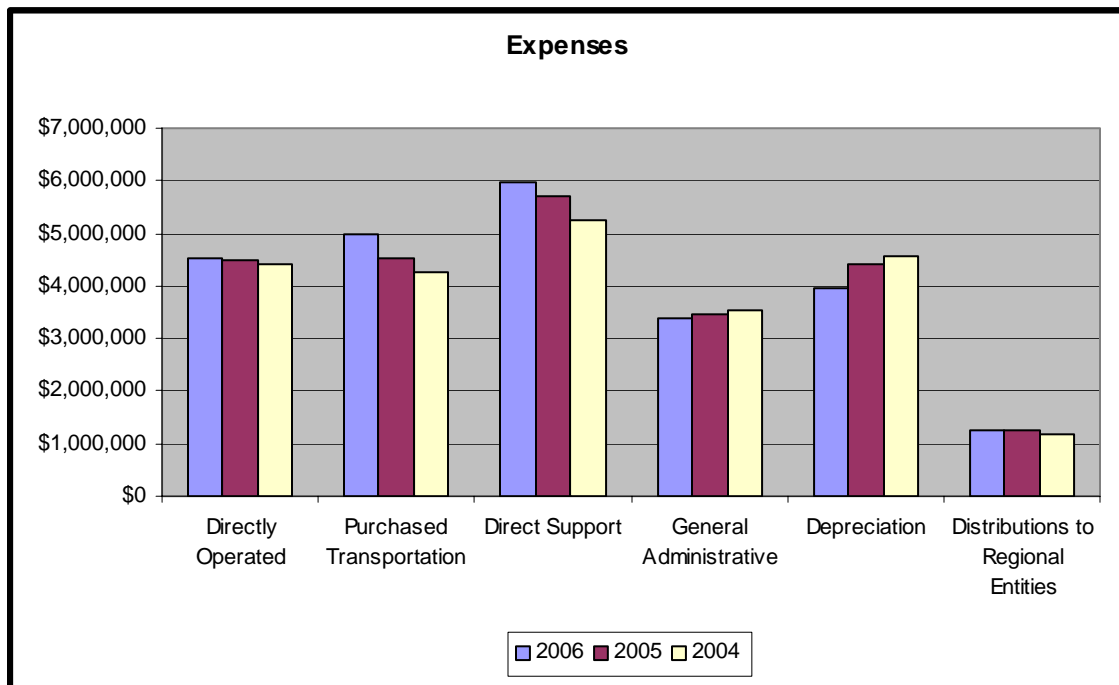
Expenses: The Authority's expenses are made of operating expenses (directly operated services, services purchased through contractors, departments that directly support the service departments and general administrative departments), depreciation of capital assets, distributions to regional entities for the Authority's street improvement program and a loss on disposals of capital assets. In 2006, total expenses increased by \$784,675 (3.3%) over 2005. In 2005, total expenses increased \$202,563 (0.9%) over 2004.

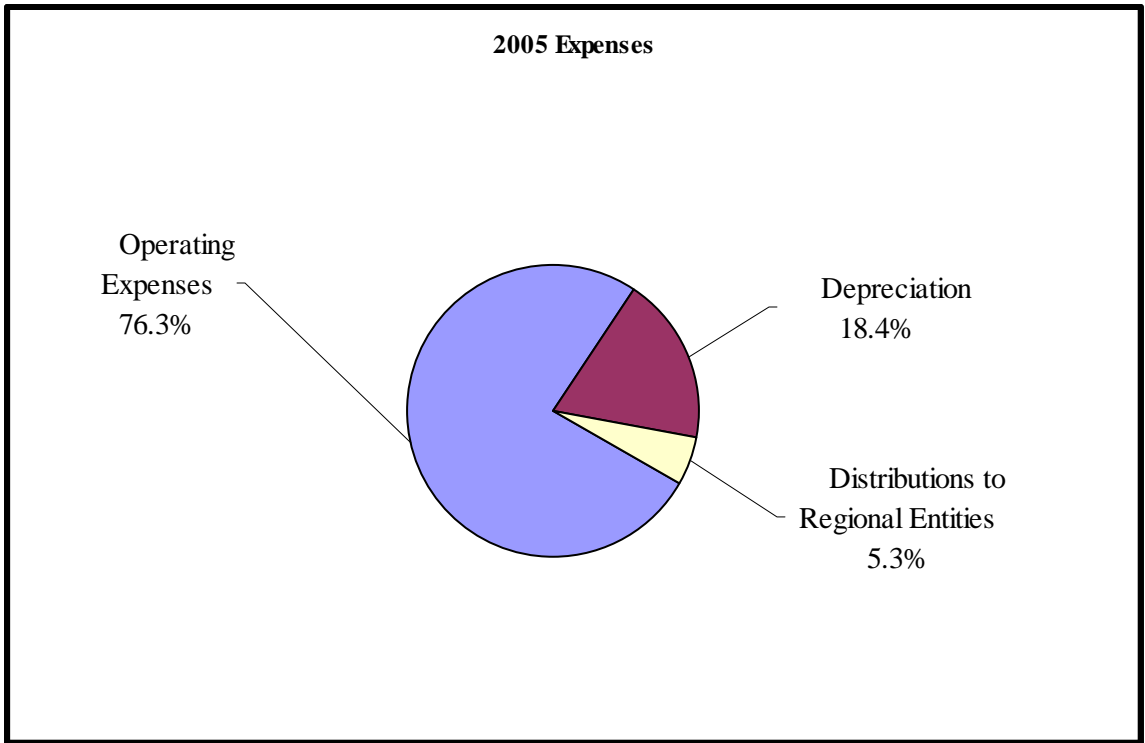
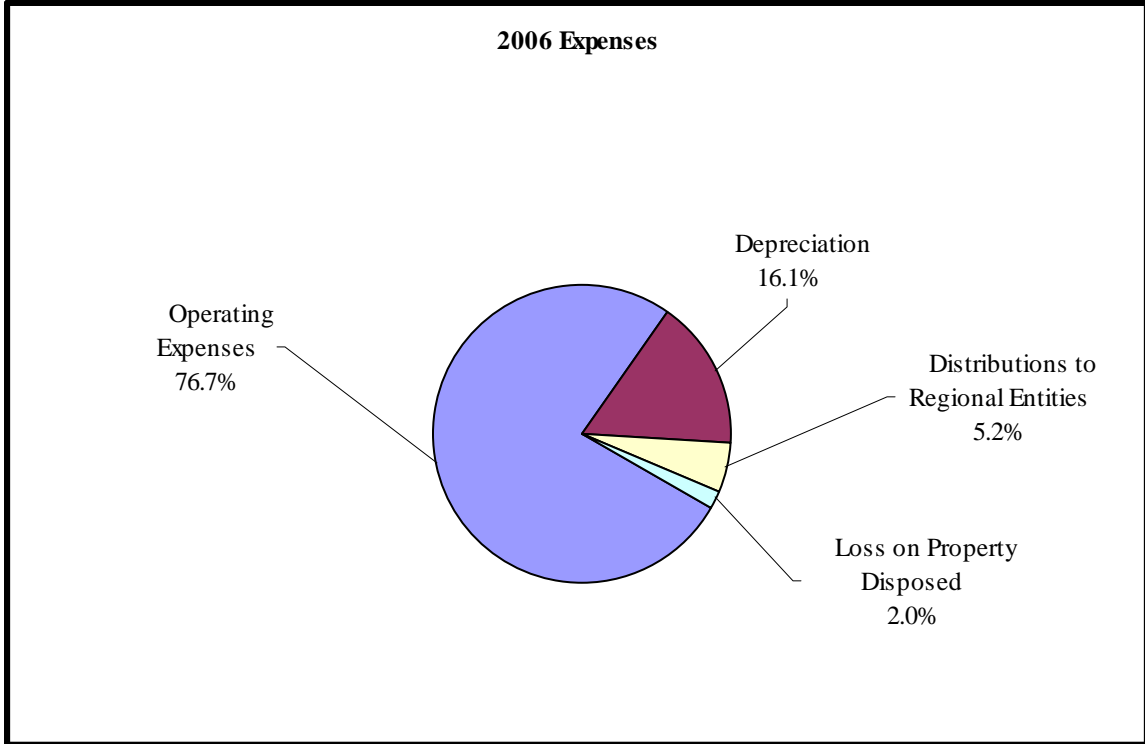
The largest component of total expenses is operating expenses. These expenses account for 76.7% and 76.3% of total expenses in 2006 and 2005, respectively.



For 2006, the Authority's operating expenses are 3.8% higher than 2005. Significant growth occurred in the cost of direct supporting functions due to rising prices of fuel, higher costs of bus maintenance parts and workers compensation insurance. There is also cost growth in the purchased transportation services that include fuel, continuing growth in demand for Americans with Disabilities Act (ADA) paratransit service and customary inflation built into contractor billing rates. In the current climate of escalating fuel costs, the Authority is researching the possible use of alternative fuels and fuel hedging strategies. Administrative (General and Administrative, MIS and the Special Projects) cost centers decreased 1.3% from 2005. Depreciation is 9.7% lower than 2005 as more assets reached the end of their depreciable lives during the year. The Authority's aging fleet has been kept in service longer than expected in an attempt to take part in a consortium whereby smaller transit systems pool their bus manufacturing orders to gain better terms and costs through collective bargaining.

For 2005, the Authority's operating expenses collectively are 4.3% higher than 2004. The largest cost growth is related to the direct supporting functions due to higher prices of fuel, higher costs of maintenance bus parts and insurance. Other cost growth in the purchased transportation services include fuel costs and recently growing demand for the Authority's complimentary ADA paratransit service. General and administrative costs decreased 2.5% from 2004. Depreciation is 3.5% lower than 2004 as more assets reached the end of their depreciable lives during the year.







Distributions to Regional Entities: The Authority, through collaborative efforts with various government entities within its service area, maintains a street improvement program for the purpose of constructing, rebuilding and rehabilitating streets within its service region. These projects represent a major investment in enhancing mobility, reducing congestion and improving the overall service area. The streets are not the property of the Authority and, thus, the expenditures are reported as non-operating expenses in the Authority's financial statements. The level of funding is determined annually based on budgeted sales tax revenues.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Authority's Fiscal 2007 budgeted expenses, including depreciation, total \$26,757,415, which is 8.6% increase over 2006 actual amounts. The budget assumes no major service changes. Passenger services and related revenues were budgeted based on the estimated effects of fare structure changes implemented in 2006. Sales tax revenue is conservatively estimated to increase 3.0% over 2006. Budgeted operating expense assumptions include continued higher fuel prices, continued growth in demand for ADA paratransit services, inflationary increases in purchased transportation contract billing rates, higher cost of insurance and higher employee benefit health insurance. The 2007 budget continues to be formulated from strategic planning done by the Board of Directors. Staff ensured that the budget completely supports the Authority's mission and the Board's strategic goals. The budget provides for new and continuing special projects that will ultimately realize operational and financial benefits for the Authority.

The unemployment rate in the area is recently estimated at 5.7%, up from 5.3% in the prior year. The economic boost shown in the 2006 sales tax receipts has continued into 2007, which indicates favorable local economic growth overall.

There are several significant capital projects planned for next fiscal year. The cost will be funded with a combination of FTA and other federal grants, Authority funds and the use of state toll credits in place of matching funds so that the Authority can divert the cash toward the maintenance facility refurbishment project. The projects include:

- Replace buses and support automobiles - \$15,733,035
- Construction/Renovation/Shelter Amenities/Other improvements - \$6,002,162
- Refurbish Authority Maintenance Facility - \$7,365,555
- Continue assessment of Authority bus stops to determine which ones are not accessible per Americans with Disabilities (ADA) guidelines - \$28,131
- Organization-wide software replacement and upgrade - \$300,000



During 2007, the Authority is continuing to carefully assess factors in the local market and plans to continue to live within the means available.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in its finances. Questions concerning any of the information in this report or requests for additional information should be addressed to Open Records Request, General Manager's office, Corpus Christi Regional Transportation Authority, 5658 Bear Lane, Corpus Christi, Texas 78405, (361) 289-2712.





CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Statement of Net Assets

December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 11,699,585	1,830,694
Investments (Note 2)	7,094,600	16,266,239
Receivables:		
Sales and Use Taxes	3,830,751	3,573,966
Accrued Interest	1,891	21,817
Federal Government	754,660	133,396
Other	58,828	86,074
Inventories	565,575	454,137
Prepaid Expenses	672,181	411,366
Total Current Assets	<u>24,678,071</u>	<u>22,777,689</u>
Capital Assets (Note 3):		
Land	1,400,102	1,400,102
Buildings	10,055,684	9,972,500
Transit Stations, Stops and Pads	13,206,444	13,140,613
Other Improvements	1,127,263	1,078,689
Vehicles and Equipment	35,082,221	34,670,215
Construction in Progress	3,236,244	2,952,222
Total Capital Assets	<u>64,107,958</u>	<u>63,214,341</u>
Less: Accumulated Depreciation	<u>(39,067,218)</u>	<u>(35,219,011)</u>
Capital Assets, Net	<u>25,040,740</u>	<u>27,995,330</u>
TOTAL ASSETS	<u>49,718,811</u>	<u>50,773,019</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	916,181	679,815
Accrued Compensated Absences	184,240	185,312
Distributions to Region Entities Payable	1,048,290	1,463,272
Other Accrued Liabilities	324,019	523,985
TOTAL LIABILITIES	<u>2,472,730</u>	<u>2,852,384</u>
Net Assets:		
Invested In Capital Assets	25,040,740	27,995,330
Unrestricted	22,205,341	19,925,305
TOTAL NET ASSETS	<u><u>\$ 47,246,081</u></u>	<u><u>47,920,635</u></u>

See Notes to Financial Statements



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues:		
Passenger Service	\$ 1,380,241	1,197,195
Bus Advertising	10,085	-
Charter Service	10,460	7,239
Other Operating Revenues	<u>57,602</u>	<u>36,822</u>
Total Operating Revenues	<u>1,458,388</u>	<u>1,241,256</u>
Operating Expenses:		
Transportation	4,526,573	4,496,694
Customer Programs	579,903	557,042
Purchased Transportation	4,995,009	4,532,901
Service Development	125,710	177,050
MIS	313,798	315,016
Vehicle Maintenance	4,295,769	4,055,098
Facilities Maintenance	789,185	766,835
Materials Management	168,082	159,943
Administrative and General	2,943,730	3,051,468
Special Projects	143,774	78,265
Depreciation	<u>3,969,403</u>	<u>4,394,500</u>
Total Operating Expenses	<u>22,850,936</u>	<u>22,584,812</u>
Operating Loss	(21,392,548)	(21,343,556)
Non-Operating Revenues (Expenses):		
Sales and Use Tax Revenue	20,115,282	18,939,617
Federal and Other Grant Assistance	213,829	1,951,794
Investment Income	959,788	529,327
Gain (Loss) on Disposition of Property	(499,721)	12,648
Distributions to Region Entities	<u>(1,274,132)</u>	<u>(1,255,302)</u>
Net Loss Before Capital Grant Contributions	(1,877,502)	(1,165,472)
Capital Grant Contributions	<u>1,202,948</u>	<u>763,059</u>
Change in Net Assets	(674,554)	(402,413)
Net Assets, January 1	<u>47,920,635</u>	<u>48,323,048</u>
Net Assets, December 31	<u>\$ 47,246,081</u>	<u>47,920,635</u>

See Notes to Financial Statements



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Cash Flows
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 1,382,041	1,197,995
Cash Received from Bus Advertising and Other Ancillary	105,393	17,221
Cash Payments to Suppliers for Goods and Services	(10,649,332)	(9,985,555)
Cash Payments to Employees for Services	(6,451,394)	(6,434,175)
Cash Payments for Employee Benefits	(2,131,324)	(2,823,927)
Net Cash Used for Operating Activities	<u>(17,744,616)</u>	<u>(18,028,441)</u>
Cash Flows from Non-Capital Financing Activities:		
Sales and Use Taxes Received	19,858,497	18,432,224
Grants and Other Reimbursements	213,829	1,951,794
Distributions to Region Entities	(1,689,114)	(688,927)
Net Cash Provided by Non-Capital Financing Activities	<u>18,383,212</u>	<u>19,695,091</u>
Cash Flows from Capital and Related Financing Activities:		
Federal and Other Grant Assistance	581,684	1,014,172
Proceeds from Sale of Capital Assets	-	12,648
Purchase and Construction of Capital Assets	(1,502,742)	(738,063)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(921,058)</u>	<u>288,757</u>
Cash Flows from Investing Activities:		
Investment Income	354,594	294,491
Purchases of Investments	(30,103,241)	(23,010,598)
Maturities and Redemptions of Investments	39,900,000	19,900,000
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>10,151,353</u>	<u>(2,816,107)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	9,868,891	(860,700)
Cash and Cash Equivalents, January 1	1,830,694	2,691,394
Cash and Cash Equivalents, December 31	<u>\$ 11,699,585</u>	<u>1,830,694</u>

(Continued)



	<u>2006</u>	<u>2005</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (21,392,548)	(21,343,556)
Adjustments to Reconcile Operating Loss to net Cash		
Provided (Used) by Operating Activities:		
Depreciation Expense	3,969,403	4,394,500
Changes in Assets and Liabilities:		
Accounts Receivable	27,246	(26,840)
Inventories	(111,438)	(75,726)
Prepaid Expenses	(260,815)	(125,926)
Accounts Payable and Accrued Liabilities	21,736	23,552
Deferred Revenues	1,800	800
Net Pension Obligation	-	(875,245)
Net Cash Used for Operating Activities	<u>\$ (17,744,616)</u>	<u>(18,028,441)</u>
Non-Cash Investing, Capital and Financing Activities:		
Change in Fair Value of Investments	\$ 4,050	(4,050)

See Notes to Financial Statements



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Statement of Net Assets
December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Investments – Mutual Funds, at fair value	\$ 24,657,875	22,122,758
<i>TOTAL ASSETS</i>	<u>24,657,875</u>	<u>22,122,758</u>
LIABILITIES		
	<u>-</u>	<u>-</u>
NET ASSETS		
Held In Trust For Pension Benefits	\$ <u>24,657,875</u>	<u>22,122,758</u>

See Notes to Financial Statements



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Statement of Changes in Net Assets
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Additions:		
Investment Income	\$ 2,850,398	1,331,933
Employee Contributions	600,906	612,890
Employer Contributions	<u>565,571</u>	<u>1,487,520</u>
<i>Total Additions</i>	<u>4,016,875</u>	<u>3,432,343</u>
Deductions:		
Benefits Paid	1,443,202	773,480
Administrative Expenses	<u>38,556</u>	<u>36,640</u>
<i>Total Deductions</i>	<u>1,481,758</u>	<u>810,120</u>
Increase in Net Assets	2,535,117	2,622,223
Net Assets, January 1	<u>22,122,758</u>	<u>19,500,535</u>
Net Assets, December 31	<u>\$ 24,657,875</u>	<u>22,122,758</u>

See Notes to Financial Statements





(1) **Summary of Significant Accounting Practices**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to the accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The Corpus Christi Regional Transportation Authority (Authority) was established by referendum on August 10, 1985, as a political subdivision of the State of Texas, to develop, maintain and operate a public mass transportation system, principally within Nueces County, Texas and certain neighboring communities. The Authority commenced operations on January 1, 1986.

Under state law, the Authority is authorized to levy a ½-cent sales and use tax for transit purposes, including both capital improvement and operating expenses. The Authority is not authorized to levy property taxes. The Authority may issue bonds backed by operating revenues. Subject to referendum, the Authority may also issue bonds backed by sales taxes. To date, neither of these options has been exercised. The Authority is not subject to federal income taxes.

Reporting Entity: “The Financial Reporting Entity,” as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, is comprised of the primary government and its component units. The primary government includes all departments and operations of the Authority that are not legally separate organizations. Component units are legally separate organizations that are fiscally dependent on the Authority or for which the Authority is financially accountable. An organization is fiscally dependent if it must receive the Authority’s approval for its budget, the levying of taxes or the issuance of debt. The Authority is financially responsible for an organization if it appoints a majority of the organization’s board and either (a) has the ability to impose its will on the organization or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the Authority. The reporting entity of the Authority consists only of the primary government. There are no component units. The Authority is not included as part of another governmental reporting entity.



Measurement Focus, Basis of Accounting and Financial Statements: The accounts of the Authority are organized as an enterprise fund. Enterprise funds account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent is that costs of providing services to the general public on a continuing basis are financed or recovered through user charges. The Authority's accounts are used for all Authority assets, liabilities, equities, revenues and expenses and are maintained on the accrual basis of accounting. Revenues from operations, investments and other sources are recorded when earned and expenses, including depreciation and amortization, of providing services to the public are accrued when incurred.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed to the extent that those standards do not conflict with the guidance of the GASB. The Authority has elected not to follow subsequent private-sector guidance as it relates to its operations.

Operating revenues include charges for transportation services and related ancillary revenues. Operating expenses include costs of operating the Authority, including fixed route, purchased services, service planning, customer service, vehicle and facilities maintenance and administrative functions. All revenues and expenses that do not meet these definitions are classified as non-operating.

Non-operating revenues are non-exchange transactions, in which the Authority receives value without directly giving something of equal value in return, including sales taxes and grants. Sales tax is recognized when the taxable sales occur. Grants are recognized on a reimbursement basis when all grant requirements have been satisfied.

Budget: State law requires that an annual operating budget be adopted prior to the commencement of a fiscal year. Before the budget is adopted, the Authority's Board of Directors is required to conduct a public hearing and the proposed budget must be made available to the public at least 14 days prior to the hearing. The Authority may not incur operating expenses in excess of the total budgeted operating expenses unless the Board amends the budget by order after public notice and hearing. Monthly budget reports are prepared for budgetary control purposes.

Fiduciary funds: Fiduciary funds are used to account for pension activities for which the Authority is financially accountable. Since these assets are being held for the benefit of other parties and cannot be used to finance the activities the Authority, they are separately presented funds.



Cash and Cash Equivalents: The Authority considers all cash on hand, demand deposits and short-term investments with original maturities of less than 90 days to be cash and cash equivalents.

Investments: The Authority's investments are stated at fair value, except for money market funds and investments with a remaining maturity of one year or less when purchased and nonparticipating interest earning investment contracts, which are carried at cost. Fair value fluctuates with interest rates and increasing rates may cause the fair value to decline below cost. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Net change in the fair value of investments is recognized and reported as investment income in the financial statements. The Authority's investment policy focuses on strategies that attain preservation of principal primarily and maximizing earnings secondarily.

Inventories: Parts inventories are stated at average cost. Fuel inventories are carried at cost using the first-in, first-out method. In accordance with industry practice, all inventories are classified as current assets regardless of whether the inventory will be utilized within one year.

Capital Assets: The Authority generally defines capital assets as assets with an initial cost of at least \$250 and an estimated useful life in excess of one year. Capital assets, which include property, facilities, and equipment, are stated at historical cost. Donated assets are recorded at estimated market value as of the date of donation. Leasehold improvements are amortized over the shorter of the lease term or lives of related improvements. All costs of normal maintenance and repairs are expensed to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Standard useful life estimates by asset types are as follows:

<u>Asset Type</u>	<u>Years</u>
Buildings	20
Transit Stations and Bus Pads	15
Improvements other than buildings	5
Vehicles, furniture and equipment	3-12
Leasehold improvements	3-5

Upon disposal, the costs of assets, including accumulated depreciation, are removed with the resulting gain or loss being reflected as a non-operating expense in the statement of revenues, expenses, and changes in net assets. A portion of the proceeds from sale of property and equipment acquired with federal grants must be remitted to the granting federal agency under certain circumstances.



Accrued Compensated Absences: Substantially all employees are compensated for personal, holiday, health, and certain other qualifying absences. The number of days compensated for the absences is based generally on length of service. It is the Authority's policy to permit employees to accumulate earned but unused compensated absence benefits. Compensated absences are reflected in the financial statements when earned and available to the employee.

Pension Plans: It is the Authority's policy to fund pension costs annually. Pension costs are composed of normal service cost and amortization of unfunded actuarial accrued liability and prior service costs.

Estimates: Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Recent Accounting Pronouncements: The Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* and Statement No. 44, *Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1*.



(2) **Cash, Cash Equivalents and Investments**

As of December 31, 2006 and 2005, the Authority had the following cash and investments:

Investment Type	2006			2005		
	Carrying Value	Fair Value	Weighted Average Maturity (Days)	Carrying Value	Fair Value	Weighted Average Maturity (Days)
Government Agencies	\$ 6,894,600	6,896,500	107	\$ 15,866,239	15,864,500	87
Certificates of Deposit	200,000	200,000	147	400,000	400,000	143
Government Money Market						
Mutual Fund, Pooled	11,688,603	11,688,603	1	1,827,045	1,827,045	1
Stagecoach Sweep						
Money Market Account	7,354	7,354	1	-	-	-
Total	18,790,557	18,792,457		18,093,284	18,091,545	
Short-Term Investments Included						
In Cash and Cash Equivalents	(11,695,957)	(11,695,957)		(1,827,045)	(1,827,045)	
Equity in Investments	\$ 7,094,600	7,096,500		\$ 16,266,239	16,264,500	

The Authority's deposits and investments are subject to various types of risks. The following disclosures are for the purpose of assessing the types of risks involved.

Custodial Credit Risk – Deposits and Investments: For deposits, this is the risk that if a bank fails, the Authority may not recover its deposits. The Authority contractually requires that all demand deposits held in the bank overnight and repurchase agreements be fully insured or collateralized at 102% under a written agreement. Collateral is held in safekeeping by an independent third party. Banks are contractually liable for continuously maintaining collateral at the required margin when balances exceed the amount covered by the Federal Deposit Insurance Corporation. At December 31, 2006 and 2005, all Authority's deposits were swept into overnight investments outside the bank and owned by the Authority.



For investments, this is the risk that if a counter-party fails, the Authority may not recover the value of its investments held by an outside party. The Authority requires that all securities must be cleared on a delivery versus payment (DVP) basis and Authority ownership documented by original clearing confirmations and safekeeping receipts. At December 31, 2006 and 2005, all Authority's securities were handled in this manner.

Credit Risk - Investments: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Authority. By state law, the Authority may invest in obligations of United States and its agencies or instrumentalities, states, counties, cities and other political subdivisions of any state having a rating of not less than A or its equivalent; certificates of deposit; prime domestic banker's acceptances; certain commercial paper; certain mutual funds; fully collateralized repurchase agreements and public investment pools. The Government Money Market Mutual Fund is an open-end mutual fund that is registered with the Securities and Exchange Commission and its underlying portfolio is made up of U.S. Government obligations, including repurchase agreements collateralized by U.S. Government obligations. As of December 31, 2006 and 2005, the Authority's investments consisted of such securities as outlined by law and its investment policy.

The Wells Fargo Money Market Mutual Government Fund is managed by Wells Fargo Funds Management, LLC, and is rated AAA by Moody's and AAA by Standard and Poors. The Stagecoach Sweep is a mechanism for funds to sweep daily into the Treasury Plus Money Market Fund, which is also managed Wells Fargo Funds Management and is also rated AAA by Standard and Poors and Moody's.

Interest Rate Risk: This is the risk that changes in the interest rates will negatively impact the fair value of the Authority's investments. As market interest rates rise, the fair value of an investment held decreases. By policy, the Authority's strategy for managing this risk is to limit the weighted average maturity for all investments to a maximum of three years. The Authority's practice is to further shorten holding periods as market rates rise. As of December 31, 2006 and 2005, all investments were in compliance with policy.

Concentration of Credit Risk: This is the risk of investing predominantly in any one type of investment or entity. The Authority's investment policy limits the amounts of such investments to various specified percentages of the total portfolio based on the type of investments. All investments are in compliance with policy as of December 31, 2006 and 2005.



(3) Capital Assets

Capital asset activities for the year ended December 31, 2006 is as follows:

	Balance at 12/31/2005	Additions / Transfers	Retirements	Balance at 12/31/2006
Assets Not Being Depreciated:				
Land	\$ 1,400,102	-	-	1,400,102
Construction in Progress	2,952,222	779,071	(495,049)	3,236,244
	<u>4,352,324</u>	<u>779,071</u>	<u>(495,049)</u>	<u>4,636,346</u>
Assets Being Depreciated:				
Buildings	9,972,500	83,184	-	10,055,684
Transit Stations, Bus Stops, Street Pads & Other Improvements	13,140,613	65,831	-	13,206,444
Improvements other than Buildings	1,078,689	48,574	-	1,127,263
Vehicles, Furniture and Equipment	34,670,215	537,872	(125,866)	35,082,221
	<u>58,862,017</u>	<u>735,461</u>	<u>(125,866)</u>	<u>59,471,612</u>
Total Capital Assets	<u>63,214,341</u>	<u>1,514,532</u>	<u>(620,915)</u>	<u>64,107,958</u>
Less: Accumulated Depreciation:				
Buildings	5,533,843	488,452	-	6,022,295
Transit Stations, Bus Stops, Street Pads & Other Improvements	8,224,750	869,531	-	9,094,281
Improvements other than Buildings	859,720	66,078	-	925,798
Vehicles, Furniture and Equipment	20,600,698	2,545,342	(121,196)	23,024,844
Total Accumulated Depreciation	<u>35,219,011</u>	<u>3,969,403</u>	<u>(121,196)</u>	<u>39,067,218</u>
Total Capital Assets, Net	\$ <u>27,995,330</u>	<u>(2,454,871)</u>	<u>(499,719)</u>	<u>25,040,740</u>



Capital asset activities for the year ended December 31, 2005 is as follows:

	Balance at 12/31/2004	Additions / Transfers	Retirements	Balance at 12/31/2005
Assets Not Being Depreciated:				
Land	\$ 1,400,102	-	-	1,400,102
Construction in Progress	2,974,876	(22,654)	-	2,952,222
	<u>4,374,978</u>	<u>(22,654)</u>	<u>-</u>	<u>4,352,324</u>
Assets Being Depreciated:				
Buildings	9,972,500	-	-	9,972,500
Transit Stations, Bus Stops, Street Pads & Other Improvements	12,929,398	211,215	-	13,140,613
Improvements other than Buildings	989,152	89,537	-	1,078,689
Vehicles, Furniture and Equipment	41,356,141	405,736	(7,091,662)	34,670,215
	<u>65,247,191</u>	<u>706,488</u>	<u>(7,091,662)</u>	<u>58,862,017</u>
Total Capital Assets	<u>69,622,169</u>	<u>683,834</u>	<u>(7,091,662)</u>	<u>63,214,341</u>
Less: Accumulated Depreciation:				
Buildings	4,996,241	537,602	-	5,533,843
Transit Stations, Bus Stops, Street Pads & Other Improvements	7,356,720	868,030	-	8,224,750
Improvements other than Buildings	807,500	52,220	-	859,720
Vehicles, Furniture and Equipment	24,755,712	2,936,648	(7,091,662)	20,600,698
Total Accumulated Depreciation	<u>37,916,173</u>	<u>4,394,500</u>	<u>(7,091,662)</u>	<u>35,219,011</u>
Total Capital Assets, Net	\$ <u>31,705,996</u>	<u>(3,710,666)</u>	<u>-</u>	<u>27,995,330</u>

(4) Compensated Absences:

Authority employees are allowed to carry over a maximum of 80 hours of accrued but unused personal leave (vacation) from December 31 of a given year into the next year. These compensated absences are reflected in the financial statements as a current liability on the assumption that the maximum hours allowed to be carried over will be used by employees before any newly acquired hours earned are used.



(5) **Retirement Plans**

Defined Benefit Plan

Plan Description: The *RTA Employees Defined Benefit Plan and Trust* (DB Plan) is a single-employer defined benefit pension plan administered by the Authority. The DB Plan was established upon the applicable sections of the Internal Revenue Code. The Authority Board may periodically amend the DB Plan document. The current plan provisions were established by a plan and trust agreement adopted by the Board of Directors in July 1986, and amended in July 1994 and February 2002. Administration costs are paid by the plan.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The DB Plan assets are maintained under a trust agreement with Wells Fargo Bank (Trustee). The trustee carries out an investment policy established by the Authority Board consistent with purposes of the plan and all applicable laws.

Vesting of benefits for all full-time employees is between three and seven years. Employees who retire on or after age 62 are entitled to an annual retirement benefit equal to 2% of the average annual compensation over the last three years of service, times number of years of service for the Authority. Reduced early retirement benefits are also available at age 55 and ten years of service. There are currently 339 participants in this plan as follows:

Retirees and beneficiaries currently receiving benefits	41
Terminated and entitled to, but not yet receiving benefits	110
Active employees	188

Funding Policy: The Authority is the only source of contributions, which are determined annually based on actuarial studies as of the valuation date. The contributions consist of a normal annual pension cost and amortization of any unfunded actuarial accrued liability (UAAL). Significant actuarial assumptions used in the valuations are as follows:

<i>Valuation Date</i>	<i>01/01/06</i>	<i>01/01/05</i>
<i>Cost Method</i>	<i>Entry Age Normal Cost</i>	<i>Entry Age Normal Cost</i>
<i>Investment Rate of Return – Pre Retire</i>	8.00%	8.50%
<i>Investment Rate of Return – Post Retire</i>	7.50%	7.50%
<i>Projected Salary Increases</i>	4.00%	4.50%
<i>Amortization Method</i>	<i>Level percent of pay, open</i>	<i>Level percent of pay, open</i>
<i>Remaining Amortization Period</i>	8.7509 Years	8.7604 Years
<i>Asset Valuation Method</i>	<i>Market Value</i>	<i>Market Value</i>
<i>Contribution (percent of covered payroll)</i>	8.2%	10.1%
<i>Actuarially Recommended Contribution</i>	\$565,571	\$692,096
<i>Contribution Made</i>	\$565,571	\$1,487,520



Annual Pension Cost and Net Pension Obligation: The following represents the components of the Annual Pension Cost (APC), contributions, interest and changes in the Net Pension Obligation (NPO) for the years ended December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Annual Required Contribution (ARC)	\$ 565,571	\$ 692,096
Adjustment to ARC	-	(139,197)
Interest On NPO	-	<u>59,376</u>
APC	565,571	612,275
Contributions	<u>(565,571)</u>	<u>(1,487,520)</u>
Net Change in NPO	-	(875,245)
NPO – Beginning of Year	-	<u>875,245</u>
NPO – End of Year	<u>\$ -</u>	<u>\$ -</u>

Trend Information: Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Such trend information as of January 1 for the end of the preceding fiscal year (actuarial valuation date) is as follows:

Year	Annual Pension Cost (APC)	Employer Contribution	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 565,571	\$ 565,571	100%	\$ -
2005	\$ 612,275	\$ 1,487,500	243%	\$ -
2004	\$ 701,954	\$ 677,500	97%	\$ 875,245

Financial Statements: The DB Plan does not issue a separate stand-alone financial report. Financial statements for the years ended 2006 and 2005 are as follows:

**Statement of Fiduciary Net Assets
 December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
ASSETS		
Investments–Mutual Funds, at fair value	\$ <u>17,064,846</u>	<u>15,047,251</u>
TOTAL ASSETS	<u>17,064,846</u>	<u>15,047,251</u>
LIABILITIES		
	<u>-</u>	<u>-</u>
NET ASSETS		
Held In Trust For Pension Benefits	\$ <u><u>17,064,846</u></u>	<u><u>15,047,251</u></u>



Statement of Changes in Fiduciary Net Assets
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Additions:		
Investment Income	\$ 1,695,383	739,907
Employer Contributions	<u>565,571</u>	<u>1,487,520</u>
<i>Total Additions</i>	<u>2,260,954</u>	<u>2,227,427</u>
Deductions:		
Benefits Paid	233,529	165,831
Administrative Expenses	<u>9,830</u>	<u>10,468</u>
<i>Total Deductions</i>	<u>243,359</u>	<u>176,299</u>
Increase in Net Assets	2,017,595	2,051,128
Net Assets, January 1	<u>15,047,251</u>	<u>12,996,123</u>
Net Assets, December 31	\$ <u><u>17,064,846</u></u>	<u><u>15,047,251</u></u>

Defined Contribution Plan

Plan Description: The *RTA Employees' Defined Contribution Plan* (DC Plan) covers all employees. This defined contribution plan has a plan document in compliance with the Internal Revenue Code and adopted by the Board, who may amend it. Benefits depend on amounts contributed to the plan plus investment earnings. Employees are fully vested in their contributions. Employees direct their investments.

Funding Policy: Employees participate upon employment, are required to contribute 7.51% of gross remuneration and may make voluntary additional contributions up to 10%. The Authority may make contributions, but has made none to date. Total covered payrolls were \$6,798,204 for 2006 and \$6,771,382 for 2005. Employee contributions were \$600,597 in 2006 and \$601,102 in 2005.



Financial Statements: The DC Plan does not issue a separate stand-alone financial report. Financial statements for the years ended 2006 and 2005 are as follows

**Statement of Fiduciary Net Assets
 December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
ASSETS		
Investments–Mutual Funds, at fair value	\$ 7,593,029	7,075,507
TOTAL ASSETS	<u>7,593,029</u>	<u>7,075,507</u>
LIABILITIES		
	<u>-</u>	<u>-</u>
NET ASSETS		
Held In Trust For Pension Benefits	\$ <u>7,593,029</u>	<u>7,075,507</u>

**Statement of Changes in Fiduciary Net Assets
 Years Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Additions:		
Investment Income	\$ 1,155,015	592,026
Employee Contributions	<u>600,906</u>	<u>612,890</u>
Total Additions	<u>1,755,921</u>	<u>1,204,916</u>
Deductions:		
Benefits Paid	1,209,673	607,649
Administrative Expenses	<u>28,726</u>	<u>26,172</u>
Total Deductions	<u>1,238,399</u>	<u>633,821</u>
Increase in Net Assets	517,522	571,095
Net Assets, January 1	<u>7,075,507</u>	<u>6,504,412</u>
Net Assets, December 31	\$ <u>7,593,029</u>	<u>7,075,507</u>



(6) Risk Management and Insurance

The Authority is exposed to various risks of loss related to third party liability claims; theft of, damage to, and destruction of assets; errors and omissions and injuries to employees. The Authority has an inter-local agreement with the Texas Municipal League for the purpose of providing all-risk property coverage with various limits on property and equipment of the Authority.

As a governmental unit, Authority's general and automobile liability are limited by the Texas Tort Claims Act to \$100,000 for each person and \$300,000 for each occurrence for bodily injury or death and \$100,000 for each occurrence for injury to or destruction of property.

The Authority operated a self-insurance program for workers' compensation claims until 2004, at which point the Authority became fully insured through the Texas Municipal League. In January 2007, the Authority changed carriers to Liberty Mutual with the same policy structure. There are continuing claims from self-insurance.

The Authority is self-funded for employee healthcare benefits, which include medical, drug and vision. These benefits are provided through a contract with a third party administrator, Entrust, Inc. The coverage in force during 2006 includes specific deductibles for up to \$65,000 per individual claim and an annual aggregate estimated at \$1,028,743. During 2006 the Authority decided to self-fund its employee dental benefit program.

Settlements have not exceeded coverage for each of the past three fiscal years.

Changes in liabilities for workers' compensation and health insurance liabilities for the years ended December 31, 2004, 2005 and 2006 are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Health and Dental</u> <u>Benefits</u>
Balance at 12/31/03	\$ 83,665	\$ 119,095
Incurred Claims	7,800	1,046,639
Claims Paid	<u>(65,087)</u>	<u>(1,027,268)</u>
Balance at 12/31/04	\$ 26,378	\$ 138,466
Incurred Claims	-	1,190,345
Changes in Estimate	62,561	-
Claims Paid	<u>(68,788)</u>	<u>(1,009,661)</u>
Balance at 12/31/05	\$ 20,151	\$ 319,150
Incurred Claims	-	966,214
Changes in Estimate	53,493	(225,000)
Claims Paid	<u>(36,589)</u>	<u>(953,161)</u>
Balance at 12/31/06	<u>\$ 37,055</u>	<u>\$ 107,203</u>



(7) Commitments and Contingencies

Expenditures financed by Federal grants are subject to audit by the granting agencies. In the event of any such audits, management is of the opinion that no significant liability will arise.

(8) Concentrations

During 2006, the Authority received \$1,081,348 for capital assistance and \$213,829 for other projects from the FTA.

During 2005, the Authority received \$446,933 for capital assistance, \$1,750,000 for preventative maintenance assistance and \$166,302 for other projects from the Federal Transit Administration (FTA).

Changes in the Authority's relationship with the FTA could ultimately affect the operating results of the Authority. The Single Audit Section provides further details on FTA and other federal grant funding received.

(9) Purchased Transportation Services

The Authority has a contract with MV Transportation, Inc. to provide para-transit services for elderly and persons with disability and certain fixed route services. The term of the contract is for a period of four and one half years and began July 1, 2004. Expenses under this contract amounted to \$3,688,454 during 2006 and \$3,304,332 during 2005. All passenger fares related to these transit services are recorded by the Authority as operating revenue.



REQUIRED SUPPLEMENTARY INFORMATION





Corpus Christi Regional Transportation Authority
Schedule of Funding Progress for Defined Benefit Pension Plan

January 1	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
2006	\$ 15,047,251	\$ 15,076,504	\$ 29,253	99.8%	6,758,209	.4%
2005	\$ 12,996,121	\$ 14,027,843	\$ 1,031,722	92.6%	6,566,065	15.7%
2004	\$ 11,453,426	\$ 12,488,748	\$ 1,035,322	91.7%	6,223,960	16.4%
2003	\$ 9,495,065	\$ 11,978,973	\$ 2,483,908	79.3%	6,020,540	41.3%
2002	\$ 10,176,468	\$ 10,448,503	\$ 272,035	97.4%	5,702,517	4.7%
2001	\$ 10,665,029	\$ 12,095,483	\$ 1,430,454	88.2%	5,167,098	27.7%
2000	\$ 10,886,734	\$ 13,579,715	\$ 2,692,981	80.2%	5,042,726	53.4%

Schedule of Employer Contributions For Defined Benefit Pension Plan

Year	Annual Required Contribution	Percentage Contributed
2006	\$ 565,571	100%
2005	\$ 692,096	215%
2004	\$ 677,500	100%
2003	\$ 854,944	58%
2002	\$ 557,000	40%
2001	\$ 424,802	0%
2000	\$ 273,023	111%





SUPPLEMENTAL SCHEDULES





CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Supplemental Schedule - Actual and Budget By Function
Year Ended December 31, 2006

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Final Budget</u> <u>Versus Actual</u>
Operating Revenues:				
Passenger Service	\$ 1,149,104	1,149,104	1,380,241	231,137
Bus Advertising	17,500	17,500	10,085	(7,415)
Charter Service	11,965	11,965	10,460	(1,505)
Other Operating Revenues	31,339	31,339	57,602	26,263
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Operating Revenues</i>	1,209,908	1,209,908	1,458,388	248,480
Operating Expenses:				
Transportation	4,635,632	4,621,617	4,526,573	95,044
Customer Programs	615,878	559,256	579,903	(20,647)
Purchased Transportation	4,969,963	5,111,176	4,995,009	116,167
Service Development	185,908	185,579	125,710	59,869
MIS	339,991	321,177	313,798	7,379
Vehicle Maintenance	4,458,083	4,374,013	4,295,769	78,244
Facilities Maintenance	832,616	849,696	789,185	60,511
Materials Management	162,819	162,393	168,082	(5,689)
Administrative and General	3,166,961	3,149,046	2,943,730	205,316
Special Projects	122,000	155,898	143,774	12,124
Depreciation	4,800,000	4,800,000	3,969,403	830,597
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Operating Expenses</i>	24,289,851	24,289,851	22,850,936	1,438,915
Operating Loss	(23,079,943)	(23,079,943)	(21,392,548)	1,687,395
Non-Operating Revenues (Expenses):				
Sales and Use Tax Revenue	18,655,128	18,655,128	20,115,282	1,460,154
Federal and Other Grant Assistance	1,902,246	1,902,246	213,829	(1,688,417)
Investment Income	440,004	440,004	959,788	519,784
Gain (Loss) on Disposition of Property	-	-	(499,721)	(499,721)
Distributions to Region Entities	(1,274,132)	(1,274,132)	(1,274,132)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net Loss Before Capital Grant Contributions	(3,356,697)	(3,356,697)	(1,877,502)	1,479,195



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Combining Statement of Net Assets
December 31, 2006 With Comparative Totals for December 31, 2005

	<u>2006</u>			<u>2005</u>
	<u>Defined Benefit Pension Plan</u>	<u>Defined Contribution Pension Plan</u>	<u>Total</u>	
ASSETS				
Investments	\$ 17,064,846	7,593,029	24,657,875	22,122,758
TOTAL ASSETS	<u>17,064,846</u>	<u>7,593,029</u>	<u>24,657,875</u>	<u>22,122,758</u>
LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS				
Held In Trust For Pension Benefits	\$ <u>17,064,846</u>	<u>7,593,029</u>	<u>24,657,875</u>	<u>22,122,758</u>



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Combining Statement of Changes in Net Assets
Years Ended December 31, 2006 With Comparative Totals for December 31, 2005

	2006			2005
	Defined Benefit Pension Plan	Defined Contribution Pension Plan	Total	
Additions:				
Investment Income	\$ 1,695,383	1,155,015	2,850,398	1,331,933
Employee Contributions	-	600,906	600,906	612,890
Employer Contributions	565,571	-	565,571	1,487,520
<i>Total Additions</i>	<u>2,260,954</u>	<u>1,755,921</u>	<u>4,016,875</u>	<u>3,432,343</u>
Deductions:				
Benefits Paid	233,529	1,209,673	1,443,202	773,480
Administrative Expenses	9,830	28,726	38,556	36,640
<i>Total Deductions</i>	<u>243,359</u>	<u>1,238,399</u>	<u>1,481,758</u>	<u>810,120</u>
Increase in Net Assets	2,017,595	517,522	2,535,117	2,622,223
Net Assets, January 1	<u>15,047,251</u>	<u>7,075,507</u>	<u>22,122,758</u>	<u>19,500,535</u>
Net Assets, December 31	<u>\$ 17,064,846</u>	<u>7,593,029</u>	<u>24,657,875</u>	<u>22,122,758</u>



2006 Statistical Section

Comprehensive Annual Financial Report





Table 1
CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Net Assets	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Last Ten Years (Unaudited)										
Invested in Capital Assets, Net of Related Debt	\$ 21,578,100	20,441,240	19,341,684	20,818,309	20,530,518	23,779,240	28,376,996	31,705,996	27,995,330	25,040,740
Unrestricted	10,614,260	12,365,899	20,242,413	19,951,665	19,063,732	16,812,964	15,332,061	16,617,052	19,925,305	22,205,341
Total	\$ 32,192,360	32,807,139	39,584,097	40,769,974	39,594,250	40,592,204	43,709,057	48,323,048	47,920,635	47,246,081



Table 2
CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Changes in Net Assets (1)
Last Ten Years
(Unaudited)

	2006	2005	2004	2003
Operating Revenues:				
Passenger Service	\$ 1,380,241	1,197,195	1,088,331	1,094,855
Other Operating	78,147	44,061	54,618	44,799
Total Operating Revenues	<u>1,458,388</u>	<u>1,241,256</u>	<u>1,142,949</u>	<u>1,139,654</u>
Operating Expenses:				
Transportation	9,521,582	9,029,595	8,667,813	8,715,881
Vehicle/Facilities Maintenance	5,084,954	4,821,933	4,454,404	4,019,978
Other Mission-Direct	873,695	894,035	790,347	874,254
General And Administrative	3,401,302	3,444,749	3,529,146	3,165,532
Depreciation	3,969,403	4,394,500	4,553,847	3,983,236
Total Operating Expenses	<u>22,850,936</u>	<u>22,584,812</u>	<u>21,995,557</u>	<u>20,758,881</u>
Operating Loss	(21,392,548)	(21,343,556)	(20,852,608)	(19,619,227)
Non Operating Revenues (Expenses):				
Sales and Use Tax	20,115,282	18,939,617	17,621,532	15,963,016
Grant Assistance	213,829	1,951,794	2,394,066	2,481,224
Investment Income	959,788	529,327	192,654	213,804
Other Non-Operating Items	(499,721)	12,648	(473,590)	(1,534,381)
Distributions to Region Entities	(1,274,132)	(1,255,302)	(1,168,404)	(1,223,085)
Net Loss before Capital Grants	<u>(1,877,502)</u>	<u>(1,165,472)</u>	<u>(2,286,350)</u>	<u>(3,718,649)</u>
Capital Grants	1,202,948	763,059	6,715,810	6,835,502
Prior Period Adjustment			184,531	
Total Change in Net Assets	<u>\$ (674,554)</u>	<u>(402,413)</u>	<u>4,613,991</u>	<u>3,116,853</u>

(1) Source - Annual Financial Statements, Regional Transportation Authority



Corpus Christi Regional Transportation Authority
 Fiscal 2006 Comprehensive Annual Financial Report
 Statistical Section I Tables

2002	2001	2000	1999	1998	1997
1,008,067	1,118,331	1,136,044	1,100,335	1,107,708	1,128,644
95,969	63,478	36,495	62,114	41,052	52,941
1,104,036	1,181,809	1,172,539	1,162,449	1,148,760	1,181,585
8,329,369	7,742,871	7,684,192	8,561,215	8,160,447	8,314,316
3,968,553	3,883,523	3,695,969	2,793,132	2,770,202	2,512,132
805,627	853,147	858,253	733,571	824,387	782,778
3,011,894	2,471,752	1,783,601	1,608,296	1,322,834	1,205,691
4,010,875	4,200,958	3,360,665	3,344,463	3,617,508	3,362,610
20,126,318	19,152,251	17,382,680	17,040,677	16,695,378	16,177,527
(19,022,282)	(17,970,442)	(16,210,141)	(15,878,228)	(15,546,618)	(14,995,942)
16,617,511	16,482,198	15,890,396	15,549,401	15,135,818	14,692,940
1,260,868	1,182,050	-	-	-	-
387,206	625,575	732,838	465,868	455,993	366,162
(2,087,033)	(2,990,826)	(986,175)	1,928,922	18,860	15,061
(1,211,255)	(1,711,255)	(1,677,700)	(1,636,780)	(1,060,332)	(1,026,468)
(4,054,985)	(4,382,700)	(2,250,782)	429,183	(996,279)	(948,247)
5,052,939	3,206,976	3,436,659	1,865,252	1,611,058	1,665,923
			4,482,523		
997,954	(1,175,724)	1,185,877	6,776,958	614,779	717,676



Table 3
CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Revenues By Source
Last Ten Years
(Unaudited)

Year	Operating Revenues (1)	Sales		Federal Operating			Investment Income	Other (2)	Total
		And Use Tax		Grants And Reimbursements					
1997	\$ 1,181,585	14,692,940	-			366,162	17,400	16,258,087	
1998	\$ 1,148,760	15,135,818	-			455,993	18,860	16,759,431	
1999	\$ 1,162,449	15,549,401	-			465,868	424,615	17,602,333	
2000	\$ 1,172,539	15,890,396	-			732,838	-	17,795,773	
2001	\$ 1,118,333	16,482,198		1,182,050		625,575	900	19,409,056	
2002	\$ 1,104,036	16,617,511		1,260,868		387,206	-	19,369,621	
2003	\$ 1,139,654	15,963,016		2,481,224		213,804	-	19,797,698	
2004	\$ 1,142,949	17,621,532		2,394,066		192,654	-	21,351,201	
2005	\$ 1,241,256	18,939,617		1,951,794		529,327	12,648	22,674,642	
2006	\$ 1,458,388	20,115,282		213,829		959,788	-	22,747,287	

(1) Fares, bus bench advertising, on-board advertising, and other ancillary revenues.
 (2) Includes rental income from leasing office space at the former Six Points location and proceeds received on sales of buses and other property.



Table 4
CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Revenues And Operating Assistance - Comparison To Industry Trend Data
Last Ten Years
(Unaudited)

Year	Operating And Other Miscellaneous		Sales And Use Tax		Operating Grants And Reimbursements		Operating And Other Miscellaneous		Directly Generated Tax		Other Grants And Assistance	
	Corpus Christi RTA											
1997	9.6%		90.4%		0.0%		38.7%		17.0%		44.3%	
1998	9.7%		90.3%		0.0%		37.8%		17.5%		44.7%	
1999	11.7%		88.3%		0.0%		37.3%		16.4%		46.3%	
2000	10.7%		89.3%		0.0%		36.0%		17.4%		46.6%	
2001	9.0%		84.9%		6.1%		35.2%		14.2%		50.6%	
2002	7.7%		85.8%		6.5%		32.5%		17.3%		50.2%	
2003	6.8%		80.6%		12.6%		32.7%		18.1%		49.2%	
2004	6.3%		82.5%		11.2%		32.9%		16.7%		50.4%	
2005	7.9%		83.5%		8.6%		*		*		*	
2006	10.6%		88.4%		0.9%		*		*		*	
	Transportation Industry (1)											

(1) Source: The American Public Transit Association, APTA 2006 Transit Fact Book, Table 50.

* Not Available



Table 5
CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Miscellaneous Revenue Information
(Unaudited)

Sales Tax:

The Authority's Sales and Use Tax Rate has remained the same since it began in 1985. The overall local sales and use tax rate is limited to 8.25%. The local rate is currently at the maximum.

0.50% Corpus Christi MTA 3178998 (Rate 1/2%) Eff: 01/01/86

- Aqua Dulce
- Bishop
- Corpus Christi
- Driscoll
- Gregory
- Unincorporated Nueces County (Excluding Petronila)
- Port Aransas
- Robstown
- San Patricio

Source: Texas Comptroller of Public Accounts

Farebox Recovery Ratio:

Definition: Ratio of passenger service revenues to transit operating costs, excluding depreciation.

Significance: Indicates how much of cost of service provision is supported by user fees.

1997	.....	9.22%
1998	.....	8.78%
1999	.....	8.49%
2000	.....	8.36%
2001	.....	7.48%
2002	.....	6.85%
2003	.....	6.79%
2004	.....	6.55%
2005	.....	6.58%
2006	.....	7.31%



Table 6
CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Demographic Statistics
Last 10 Ten Years
(Unaudited)

Year	Population (1)	Personal Income (1)	Per Capita Income (1)	Public School Enrollment (2)	Unemployment Rate (3)
1997	314,667	\$ 6,636,584,000	\$ 21,091	63,860	7.7%
1998	314,810	6,946,117,000	22,064	62,881	6.9%
1999	314,553	7,131,056,000	22,670	62,005	6.7%
2000	313,432	7,498,875,000	23,925	61,361	5.3%
2001	312,416	7,790,669,000	24,937	61,087	5.4%
2002	313,848	8,025,024,000	25,570	61,386	6.2%
2003	314,362	8,391,864,000	26,695	60,852	6.6%
2004	316,904	8,838,953,000	27,892	60,944	6.2%
2005	319,147	9,427,932,000	29,541	60,666	5.5%
2006 *	320,853 *	9,889,204,110 *	30,822	60,388	4.9%

(1) Nueces County - Source: US Dept of Commerce Bureau of Economic Analysis

(2) Nueces County - Source: Nueces County/Texas Education Agency/PEIMS

(3) Nueces County - Source: U.S. Department of Labor-Bureau of Labor Statistics

* Estimated based on prior years.



Table 7
CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Budgeted Full-Time Equivalent Positions
(Unaudited)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Directly Operated:										
Transportation	*	119.50	117.50	116.50	119.50	120.50	120.50	120.50	119.50	114.50
Purchased Transportation:										
Purchased Transportation	*	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Direct Support										
Customer Programs	*	7.00	7.00	8.00	8.00	8.00	8.00	8.00	9.00	8.00
Service Development	*	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	4.00
Vehicle Maintenance	*	33.00	32.00	31.00	33.00	36.00	37.00	33.00	35.00	33.00
Facilities Maintenance	*	6.00	6.00	6.50	7.50	9.00	9.50	9.00	10.00	13.00
Materials Management	*	4.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
		54.00	52.00	53.50	56.50	61.00	62.50	58.00	61.00	62.00
General Administrative:										
MIS	*	1.00	1.00	1.00	2.00	2.00	2.00	4.00	4.00	4.00
Contracts and Grants	*	3.00	2.60	2.00	2.00	3.00	3.00	3.00	2.00	3.00
General Management	*	2.00	2.50	2.50	2.00	2.00	2.00	2.00	2.00	2.00
Finance and Accounting	*	5.00	5.40	5.50	6.00	7.50	6.50	5.50	5.50	5.50
Human Resources	*	4.00	4.00	4.00	4.00	4.00	4.00	4.00	6.00	5.00
DBE/EEO	*	1.00	1.50	1.50	2.00	2.00	2.00	2.00	2.00	2.00
Capital Projects	*	-	2.00	2.00	2.00	2.50	2.50	2.50	1.50	2.50
		16.00	19.00	18.50	20.00	23.00	22.00	23.00	23.00	24.00
Totals		190.50	189.50	189.50	197.00	205.50	206.00	202.50	204.50	201.50

* Unavailable



Table 8
CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Operating Statistics
Last Ten Years
(Unaudited)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
SYSTEM RIDERSHIP										
Fixed Route	5,522,927	5,701,804	5,714,097	5,629,391	5,638,181	5,459,063	5,201,692	5,358,362	5,651,988	5,302,119
Para-transit	202,508	197,890	190,597	179,492	167,112	163,934	166,318	165,347	177,437	184,912
Specialized Routes	6,230	6,350	8,658	7,770	8,396	12,840	15,611	17,405	20,043	19,834
Vanpool	-	-	-	7,507	11,086	-	-	-	-	7,783
Ferry	-	-	-	37,685	33,572	47,195	33,777	29,773	31,025	21,443
SYSTEM HOURS										
Fixed Route	200,283	200,495	201,164	209,730	213,786	217,119	216,566	218,200	216,455	205,272
Para-transit	77,919	76,687	72,877	67,622	69,669	61,369	65,773	63,857	66,096	69,809
Specialized Routes	2,881	2,884	3,862	4,040	4,961	7,510	7,583	7,441	7,361	7,370
Vanpool	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ferry	-	-	800	778	811	775	788	820	816	955
SYSTEM MILES										
Fixed Route	3,137,738	3,107,758	3,008,536	3,113,527	3,146,191	3,224,418	3,211,709	3,233,654	3,173,442	2,943,834
Para-transit	1,549,467	1,573,495	1,491,902	1,384,259	1,319,704	1,260,881	1,444,892	1,355,684	1,271,716	1,412,000
Specialized Routes	57,494	57,117	91,785	96,940	120,985	197,783	195,968	198,854	174,511	174,511
Vanpool	-	-	-	39,254	75,693	-	-	-	-	19,294
Ferry	-	-	1,209	1,209	1,938	1,938	1,986	2,082	1,978	N/A



Table 9
CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Miscellaneous Statistics
(Unaudited)

Date Authority Created	August 10, 1985
Date Authority Began Operations	January 1, 1986
Form of Government	Board of Directors, General Manager
Board of Directors	11
Service Area Square Miles	838
Population In Service Area	320,853
Type of Tax Support	Sales and Use Tax
Sales Tax Rate	.50%
Base Fare	\$.75
Number of Routes	42
Number of Transfer Stations	7
Number of Bus Stops	Over 1,400
Number of Buses in Peak Service	94
Average Speed in Miles Per Hour	12

2006
Single Audit Section

Comprehensive Annual Financial Report



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

May 15, 2007

The Board of Directors of the
Corpus Christi Regional Transportation Authority

We have audited the basic financial statements of the Corpus Christi Regional Transportation Authority as of and for the year ended December 31, 2006, and have issued our report thereon dated May 15, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

Collins, Johnson & Woods

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

May 15, 2007

The Board of Directors of the
Corpus Christi Regional Transportation Authority

Compliance

We have audited the compliance of the Corpus Christi Regional Transportation Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The Authority's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Governing Board, management, federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

Collins, Johnson & Woods

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2006

I. Summary of Audit Results:

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Corpus Christi Regional Transportation Authority.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of the Corpus Christi Regional Transportation Authority which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133."
5. The auditor's report on compliance for major Federal award programs for the Corpus Christi Regional Transportation Authority expresses an unqualified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included:

U.S. Department of Transportation, Federal Transportation Administration:
Federal Transit Cluster
 1. Federal Transit – Capital Investment Grants (CFDA – 20.500)
 2. Federal Transit – Formula Grants (CFDA – 20.507)
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The Authority was determined to be a low-risk auditee.

II. Findings related to the financial statements – None

III. Findings and questioned costs for Federal awards – None

IV. Prior year audit findings requiring corrective action – None





Corpus Christi Regional Transportation Authority
Schedule of Federal Financial Awards
Year Ended December 31, 2006

<u>GRANTOR</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures, Indirect Costs, And Refunds</u>
DEPARTMENT OF TRANSPORTATION			
<i>Federal Transportation Administration (FTA):</i>			
FTA Capital Investment Grants	20.500	TX03-0182	\$ 59,888
FTA Capital Investment Grants	20.500	TX03-0189	7,822
			<u>67,710</u> *
RTA Transit Formula Funds	20.507	TX90-0367	29,173
RTA Transit Formula Funds	20.507	TX90-0507	6,404
RTA Transit Formula Funds	20.507	TX90-0541	40,095
RTA Transit Formula Funds	20.507	TX90-0581	9,439
RTA Transit Formula Funds	20.507	TX90-0620	12,505
RTA Transit Formula Funds	20.507	TX90-0649	332,630
RTA Transit Formula Funds	20.507	TX90-0658	540,930
RTA Transit Formula Funds	20.507	TX90-0716	53,264
			<u>1,024,440</u> *
FF FTA Job Access and Reverse Commute	20.516	TX37-4032	<u>203,027</u>
Total FTA			<u>1,295,177</u>
DEPARTMENT OF JUSTICE			
<i>Office of Community Oriented Policing Services</i>			
16.710 – Public Safety Partnerships and Community Policing Grants	16.710	2005CKWX0448	121,600
Total Federal Financial Awards			\$ <u>1,416,777</u>

* Major Program

See Accompanying Notes to Federal Financial Awards



Corpus Christi Regional Transportation Authority
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2006

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of the Corpus Christi Regional Transportation Authority (“Authority”). The Authority’s organization is defined in Note 1 to the Authority’s Basic Financial Statements.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Authority’s Basic Financial Statements.

(3) Relationship to Basic Financial Statements

Federal financial capital and operating assistance is reported in the Authority’s basic financial statements as follows:

Federal and Other Grant Assistance	\$ 213,829
Capital Grant Contributions	<u>1,202,948</u>
Total Federal Contributions	<u>\$ 1,416,777</u>

(4) Relationship to Federal Financial Reports

Amounts reported in the Schedule of Expenditures of Federal Awards may not agree with amounts reported in the related Federal financial reports filed with the grantor agency because of accruals which would be included in the next reports filed with the agencies.



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