



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



**Comprehensive Annual Financial Report
For the Year Ended December 31, 2008**

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Authority
Corpus Christi, Texas**

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For the Year Ended December 31, 2008**

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



2008

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 3, 2009

Crystal Lyons, 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, 2008. 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.

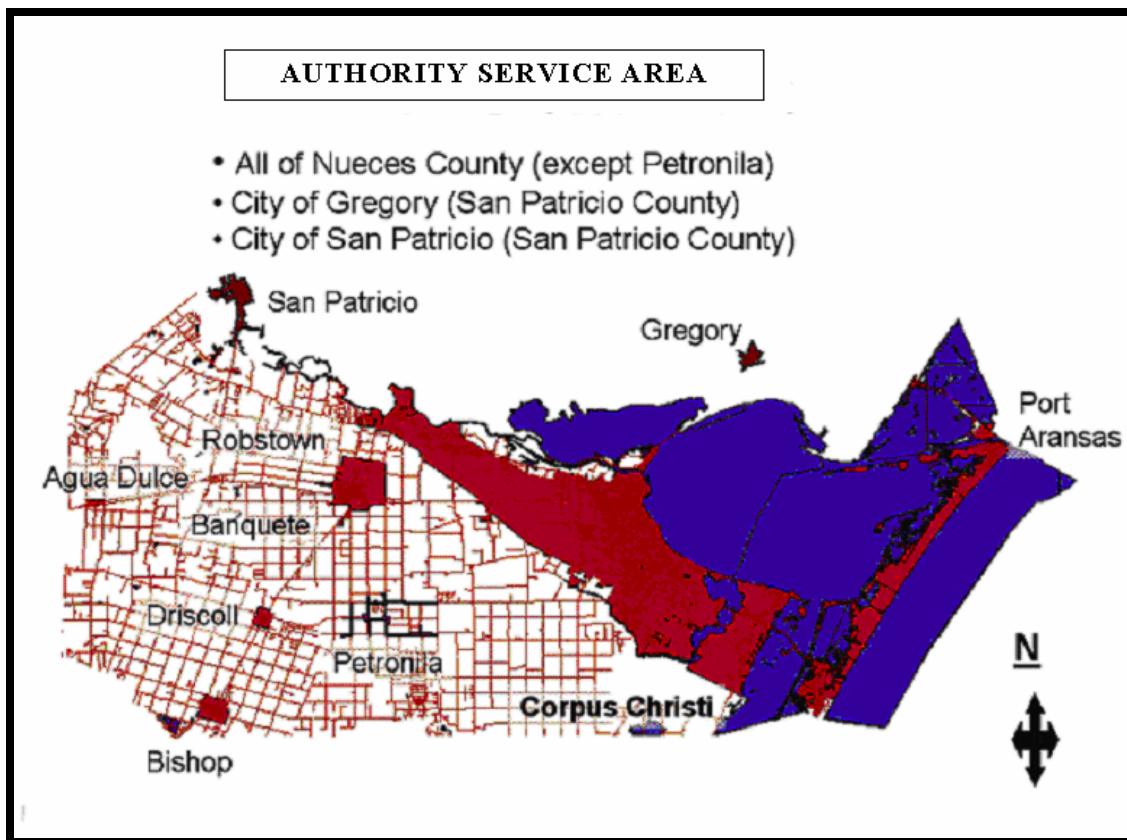
Pursuant to Section 451.451, Subchapter J, of the Texas Transportation Code, the financial statements and required supplementary information contained herein are required to be independently audited. The Authority is also required by federal regulations to undergo an audit related to its federal grants. 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 the cities of 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 below.





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 ferryboat transportation. The Authority maintains over 1,400 bus stops and shelters, four transfer stations, and a fleet of 75 motorbus coaches and 34 para-transit vehicles. Certain commuter, para-transit and ferry services are provided through contractors specializing in these services. Table 9 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, excluding the Chair. 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. The Chair is appointed by the sitting Board members. The Board members serve overlapping two-year terms. A listing of Authority Board members is included on page ix.

Executives

A Chief Executive Officer (CEO) is responsible for the daily operations of the Authority. The CEO 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 typically begins with Board strategic planning in June or July and, through a series of meetings and analysis, results in an 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 CEO may permit movement of funds within the approved budget. If these reallocations are significant, Board approval is obtained.



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 6.7% in 1999 to 4.7% in 2008. During this period, per capita income rose from \$22,670 to an estimated \$35,155.

The Authority's ability to fund its operations is heavily dependent on a ½-cent sales and use tax generated from its regional economy. These sales tax revenues have grown at an annual average of 5.0% over the last ten years compared to average growth in operating expenses, including depreciation, of 4.9% over the same period. The Authority continues to operate within its original transit tax rate of .5%. The current overall sales and use tax rate for the Corpus Christi area is 8.25%, which is the maximum allowed by current law.

Fuel prices reached historical highs in 2008 and are expected to remain volatile in 2009. 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 dramatically impact the Authority's ability to afford fuel needed to provide the services. Rising fuel costs ultimately impact the cost of maintenance materials for the Authority's fleet and energy prices associated with the Authority's customer amenities. In addition, high fuel costs are likely to decrease the disposable income available in the area, which could decrease consumer spending, which results in lower sales and use taxes for the Authority.

Consistent with its mission statement, the Authority remains steadfast in its commitment to provide excellent public transportation to its riders while responsibly managing resources.

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. Financial projections are maintained and updated when significant events occur that warrant changes to the underlying assumptions.



In 2009, the Authority expects to continue moving 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, 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 \$6.8 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.

Through 2010, the Authority will replace a series of aging motor coaches, para-transit vehicles and support vehicles. The estimated total cost of \$21.1 million will be funded primarily with federal grants. In 2007, the Authority completed the first phase of this plan by replacing 24 para-transit vehicles and several support vehicles and related equipment at a cost of \$1.9 million. In 2008, five trolleys and 22 support vehicles and related equipment were purchased to further update the fleet at a cost of \$2.9 million.

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, 2007. 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 their various contributions to the information contained in this report. We also express deep appreciation for the innumerable efforts of our bus operators, street supervisors, dispatchers, trainers, security, safety personnel, mechanics, fleet service workers and facility maintenance staff who are directly involved with the daily provision of service to our customers.

Eduardo Carrion
Chief Executive Officer

Susan Vinson, CPA, MSM
Director of Finance



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, 2007

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



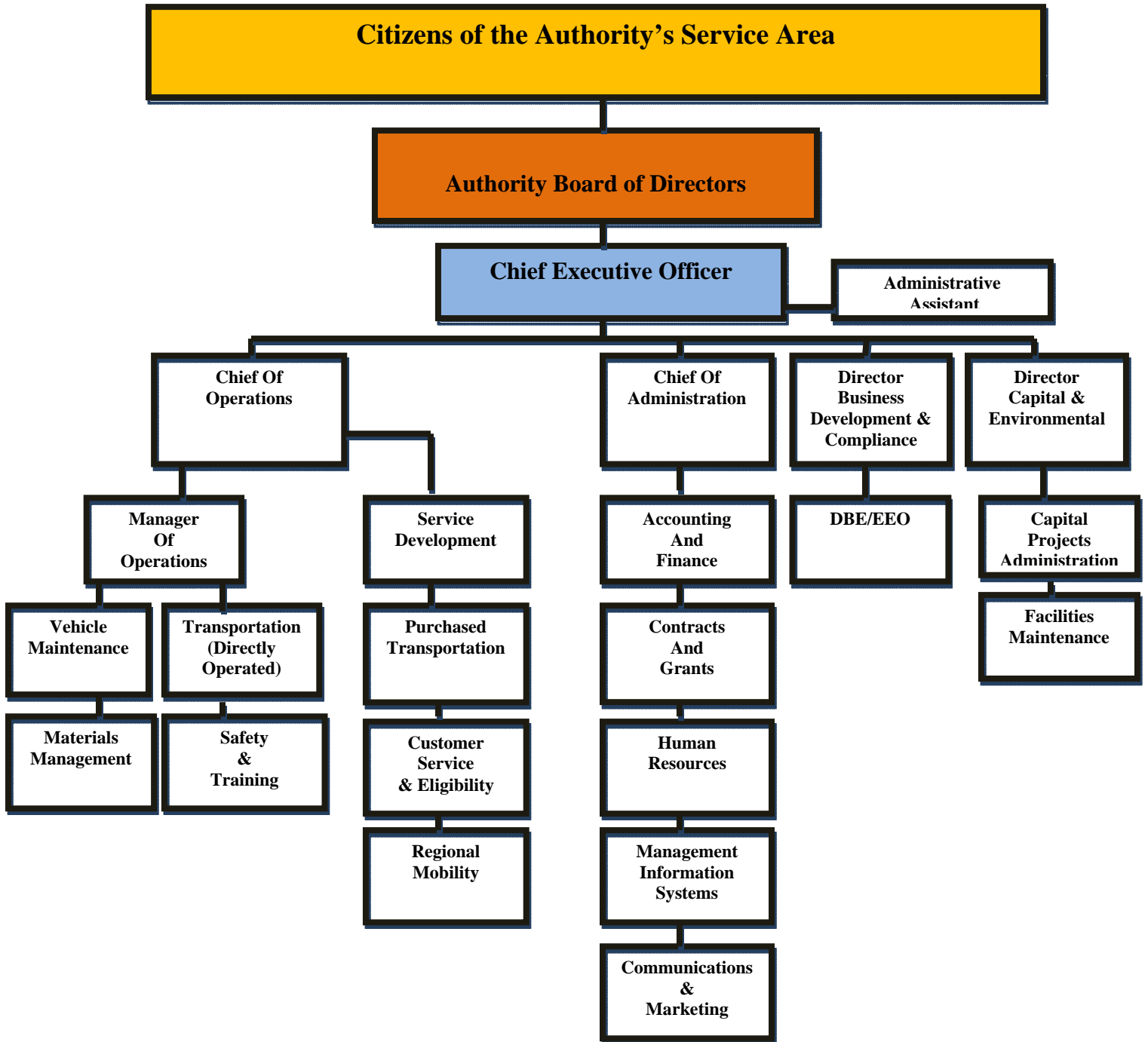
BOARD OF DIRECTORS AND ADMINISTRATION

BOARD OF DIRECTORS

Board Chair	Crystal Lyons
Board Vice Chair	Anna M. Flores
Board Secretary	Mary J. Saenz
Members	Vangie Chapa John Longoria David Martinez Ricardo Ramon Mike Rendon Sara Salvide Judy Telge John Valls
Advisory Board Member	Rolando Barrera

EXECUTIVE MANAGEMENT

Chief Executive Officer	Eduardo Carrion
Chief of Operations Chief of Administration	Gloria Smith Jorge Cruz-Aedo
Director of Business Development & Compliance Director of Capital and Environmental Director of Finance	Lamont Taylor Sharon Montez Susan Vinson



2008

Financial Section

Comprehensive Annual Financial Report



INDEPENDENT AUDITOR'S REPORT

May 27, 2009

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, 2008 and 2007, 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, 2008 and 2007, 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 27, 2009 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 15 and 43 are not a required part of the basic financial statements but are 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 73 through 75, 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, 2008 and 2007. 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, 2008, total \$53,495,680. Of this amount, \$26,063,981 (48.7%) 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 increased by \$5,105,167 (10.6%) during 2008 as a result of a loss of \$335,947 offset by capital grant contributions of \$5,441,114.
- As of December 31, 2008 the Authority had long term obligations of \$148,899, composed of \$108,408 of other post employment benefits and \$40,491 in accrued compensated absences. The Authority had no long term obligations as of December 31, 2007.

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 proprietary 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 assets.

The *Statement of Net Assets* presents information on all of 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. Essentially half 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.

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>2008</u>	<u>2007</u>	<u>Change</u>	<u>2007</u>	<u>2006</u>	<u>Change</u>
Current Assets	\$ 28,578,373	26,856,652	1,721,721	26,856,652	24,678,071	2,178,581
Capital Assets, Net of Accumulated Depreciation	27,431,699	23,923,319	3,508,380	23,923,319	25,040,740	(1,117,421)
Total Assets	56,010,072	50,779,971	5,230,101	50,779,971	49,718,811	1,061,160
Current Liabilities	2,365,493	2,389,458	(23,965)	2,389,458	2,472,730	(83,272)
Long-Term Liabilities	148,899	-	148,899	-	-	-
Total Liabilities	2,514,392	2,389,458	124,934	2,389,458	2,472,730	(83,272)
Invested in Capital Assets	27,431,699	23,923,319	3,508,380	23,923,319	25,040,740	(1,117,421)
Unrestricted	26,063,981	24,467,194	1,596,787	24,467,194	22,205,341	2,261,853
Total Net Assets	\$ 53,495,680	48,390,513	5,105,167	48,390,513	47,246,081	1,144,432



The Authority's net assets at December 31, 2008 total \$53,495,680. Of this amount, \$27,431,699 (51.3%) represents the Authority's investment in capital assets (land, buildings, vehicles and other equipment). The remainder is unrestricted. Net assets increased \$5,105,167 in 2008 due to an overall increase in cash, investments, receivables and capital assets offset by annual depreciation on assets and increased liabilities at year-end. 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.

The Authority's net assets at December 31, 2007 total \$48,390,513. Of this amount, \$23,923,319 (49.4%) represents the Authority's investment in capital assets. The remainder is unrestricted. Net assets increased \$1,144,432 in 2007 due to increases in cash, investments, receivables, and inventories offset by annual depreciation on assets and decreased levels of liabilities at year-end.

Current Assets: At the end of 2008, the Authority's current assets increased by \$1,721,721 from the end of 2007. The change represents higher cash and investments generated from higher than expected sales tax and lower than expected operating expenses. Receivables were also higher than in 2007, although inventories and prepaid expenses were lower. The Authority continues a strategy to build up resources for replacing its aging assets and prepare for the effects of an expected economic slowdown.

During 2007, the Authority's current assets increased by \$2,178,581. This change is primarily due to higher levels of cash and investments generated from higher than expected sales tax and investment income, lower than anticipated operating expenses and unrealized market valuation gains on investments. Accounts receivable and inventories were also higher than the 2006 levels.

Capital Assets: As of December 31, 2008, the Authority's overall investment in capital assets (net of accumulated depreciation) totals \$27,431,699, an increase of \$3,508,380 from December 31, 2007. During the year, capital assets totaling \$7,467,311 were added and depreciation totaling \$3,958,931 decreased the carrying value. Significant 2008 capital additions include:

- ◆ Acquisition of land adjacent to Bear Lane complex for future expansion
- ◆ Replacement of five trolley coaches and 22 support vehicles
- ◆ Continued progress on Master Plan Phase III Maintenance Facility refurbishment
- ◆ Sidewalk improvements, bus pads, turnouts and curve cuts at bus stops and shelters
- ◆ Accessibility enhancements per the Authority's ADA Transition plan
- ◆ Initial investment in electronic farebox equipment
- ◆ Various maintenance equipment, audio-visuals and computers

The Authority also retired vehicles with a fully depreciated historical cost of \$879,701.



As of December 31, 2007, the Authority's overall investment in capital assets (net of accumulated depreciation) totals \$23,923,319, a decrease of \$1,117,421 from December 31, 2006. During the year, capital assets totaling \$2,631,590 were added and depreciation totaling \$3,748,996 decreased the carrying value. The Authority also wrote off fully depreciated assets with a cost of \$1,029,426. Significant 2007 capital additions include:

- ◆ Completion of the Northwest Inter-modal project
- ◆ Completion of security enhancements at stations and at the Bear Lane complex
- ◆ Completion of Livable Communities Initiative – Interstate Highway 37 Bridge
- ◆ Progress on the Authority's Master Plan Phase III
- ◆ Replacement of 24 para-transit vehicles
- ◆ Bus stop improvements in Robstown, Port Aransas and Corpus Christi
- ◆ Onboard camera and digital recording systems for 33 para-transit vehicles

Additional details about the Authority's capital asset activities are presented in Note 3 of 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. 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 investment in Authority's assets by funding source as of December 31, 2008 and 2007:

	Federal and <u>Other Funding</u>	Local <u>Funding</u>	<u>Total</u>
At December 31, 2008:			
Capital Assets At Cost	\$ 57,656,455	14,641,278	72,297,733
Less Accumulated Depreciation	36,180,082	8,685,952	44,866,034
Capital Assets, Net	<u>\$ 21,476,373</u>	<u>5,955,326</u>	<u>27,431,699</u>
At December 31, 2007:			
Capital Assets At Cost	\$ 52,926,113	12,784,009	65,710,122
Less Accumulated Depreciation	33,738,390	8,048,413	41,786,803
Capital Assets, Net	<u>\$ 19,187,723</u>	<u>4,735,596</u>	<u>23,923,319</u>

Liabilities: The Authority's total liabilities as of December 31, 2008 are \$2,514,392, of which \$2,365,493 is current and customary to the Authority's business and \$148,899 are non-current liabilities. Current liabilities are essentially the same as the prior year. In 2007, the Authority had no non-current liabilities. However, in 2008 non-current liabilities increased \$148,899. The first year of implementation of a new accounting standard requiring recognition of the costs of certain postretirement employee benefits resulted in a liability of \$108,408. Changes in the Authority's attendance policy resulted in non-current accrued compensated absences of \$40,491. Note 1 and Note 6 in the notes to the financial statements provide additional details.



The Authority's liabilities as of December 31, 2007 total \$2,389,458 and are all current liabilities customary to the Authority's business. These liabilities decreased \$83,272 from the prior year-end levels. This is due to a lower level of outstanding obligations related to trade payables and the street improvement program offset by higher amounts outstanding for accrued payroll and employee benefits payables.

Statement of Revenues, Expenses and Changes in Net Assets:

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.

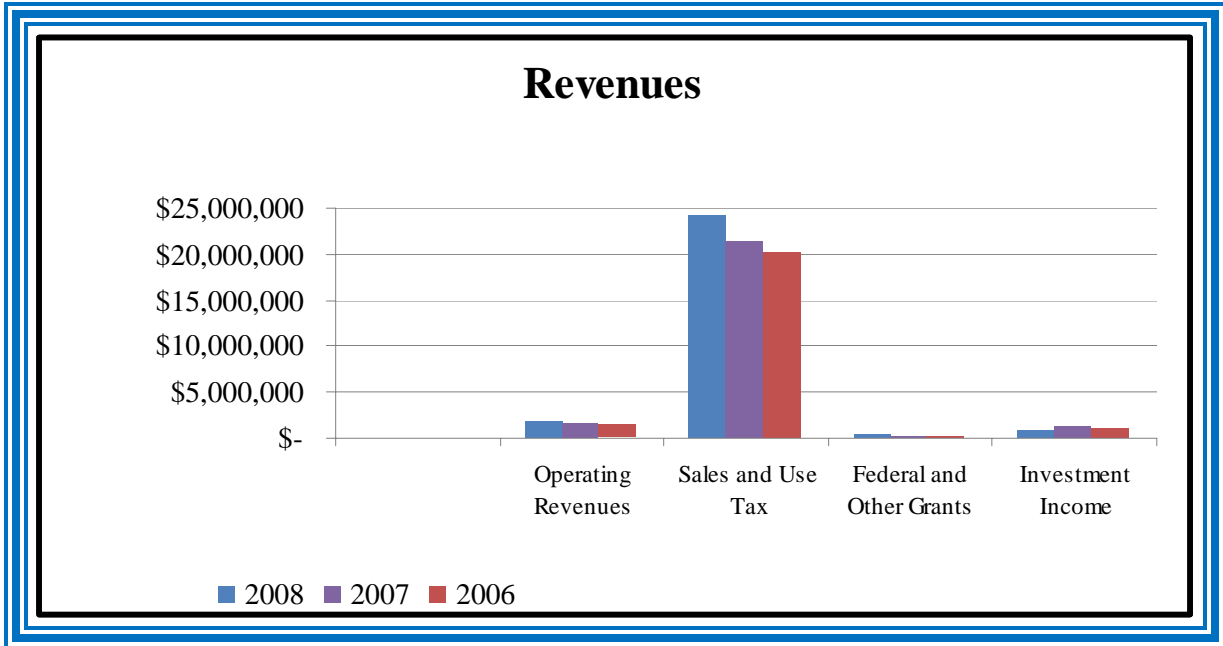
Table 2

CONDENSED SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended December 31			Year Ended December 31		
	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>2007</u>	<u>2006</u>	<u>Change</u>
Revenues:						
Operating Revenues	\$ 1,819,036	1,707,984	111,052	1,707,984	1,458,388	249,596
Non-Operating Revenues						
Sales and Use Tax	24,254,132	21,328,966	2,925,166	21,328,966	20,115,282	1,213,684
Federal and Other Grants	496,631	276,340	220,291	276,340	213,829	62,511
Investment Income	723,930	1,121,785	(397,855)	1,121,785	959,788	161,997
Total Revenues	<u>27,293,729</u>	<u>24,435,075</u>	<u>2,858,654</u>	<u>24,435,075</u>	<u>22,747,287</u>	<u>1,687,788</u>
Expenses:						
Operating Expenses	22,412,132	20,324,985	2,087,147	20,324,985	18,881,533	1,443,452
Depreciation	3,958,931	3,748,996	209,935	3,748,996	3,969,403	(220,407)
Distribution to Region Entities	1,258,613	1,342,549	(83,936)	1,342,549	1,274,132	68,417
Loss on Property Disposed	-	-	-	-	499,721	(499,721)
Total Expenses	<u>27,629,676</u>	<u>25,416,530</u>	<u>2,213,146</u>	<u>25,416,530</u>	<u>24,624,789</u>	<u>791,741</u>
Net Loss Before Capital Grants	(335,947)	(981,455)	645,508	(981,455)	(1,877,502)	896,047
Capital Grants	5,441,114	2,125,887	3,315,227	2,125,887	1,202,948	922,939
Increase (Decrease) In Net Assets	5,105,167	1,144,432	3,960,735	1,144,432	(674,554)	1,818,986
Net Assets, January 1	48,390,513	47,246,081	1,144,432	47,246,081	47,920,635	(674,554)
Net Assets, December 31	<u>\$ 53,495,680</u>	<u>48,390,513</u>	<u>5,105,167</u>	<u>48,390,513</u>	<u>47,246,081</u>	<u>1,144,432</u>

Net assets increased \$5,105,167 during 2008. The Authority's net assets decreased because of a loss of \$335,947 and increased \$5,441,114 in capital grant contributions. Net assets increased \$1,144,432 during 2007 due to a net loss of \$981,455 offset by grant contributions

for capital assets of \$2,125,887. The following discussion provides details of the more significant aspects of the Authority's operating activities that changed net assets.



Revenues: The Authority's revenues are from sources customary to the public mass transportation industry. Total revenues are made up primarily of sales and use taxes with the smaller share of overall revenues generated from user charges and other ancillary revenues, earnings from investing activities, grants used for operating assistance and occasional gains from disposing of property owned by the Authority.

In 2008, the Authority's total revenues increased \$2,858,654 (11.7%) over 2007. Sales taxes, operating and grant revenues each increased from the prior year levels while investment revenues yielded by the Authority's investment portfolio were lower. In 2007, revenues increased \$1,687,788 (7.4%) over 2006. Although most of the increase was due to sales tax revenues being 6.0% higher than in 2006, all other revenues also increased over 2006. Details about the Authority's revenue activities are discussed in the following sections.

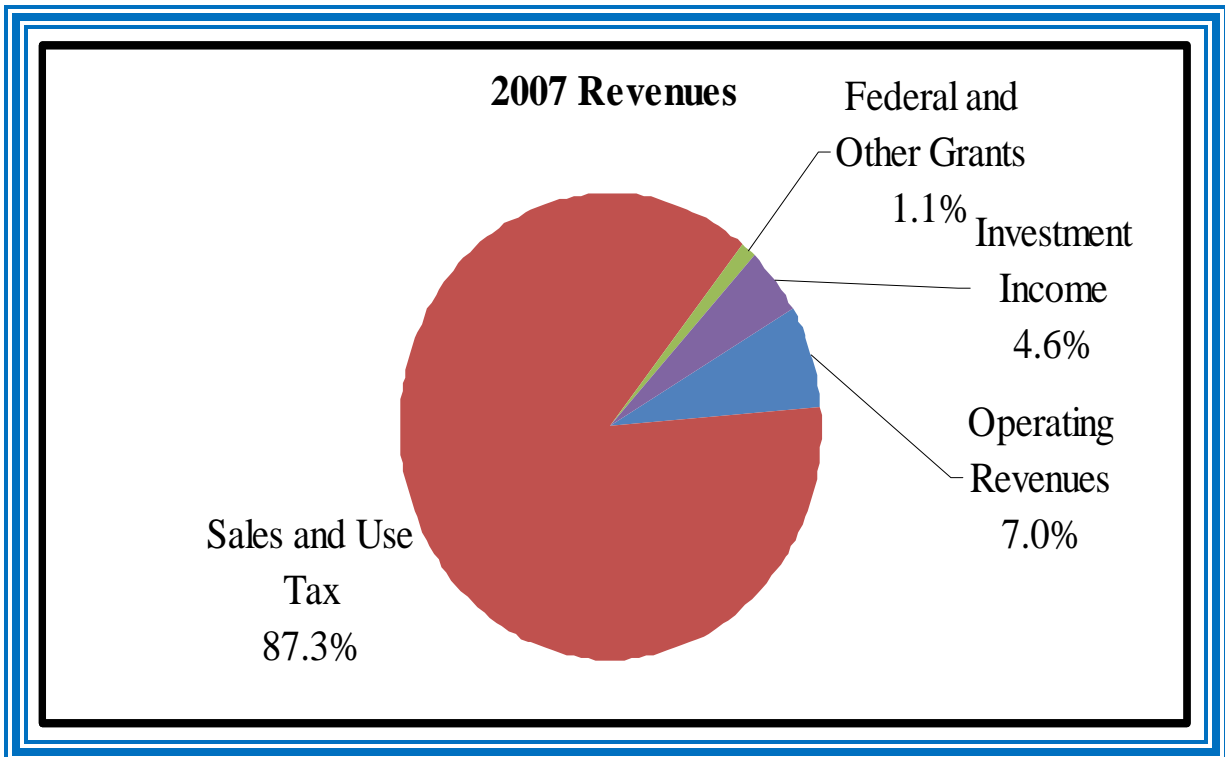
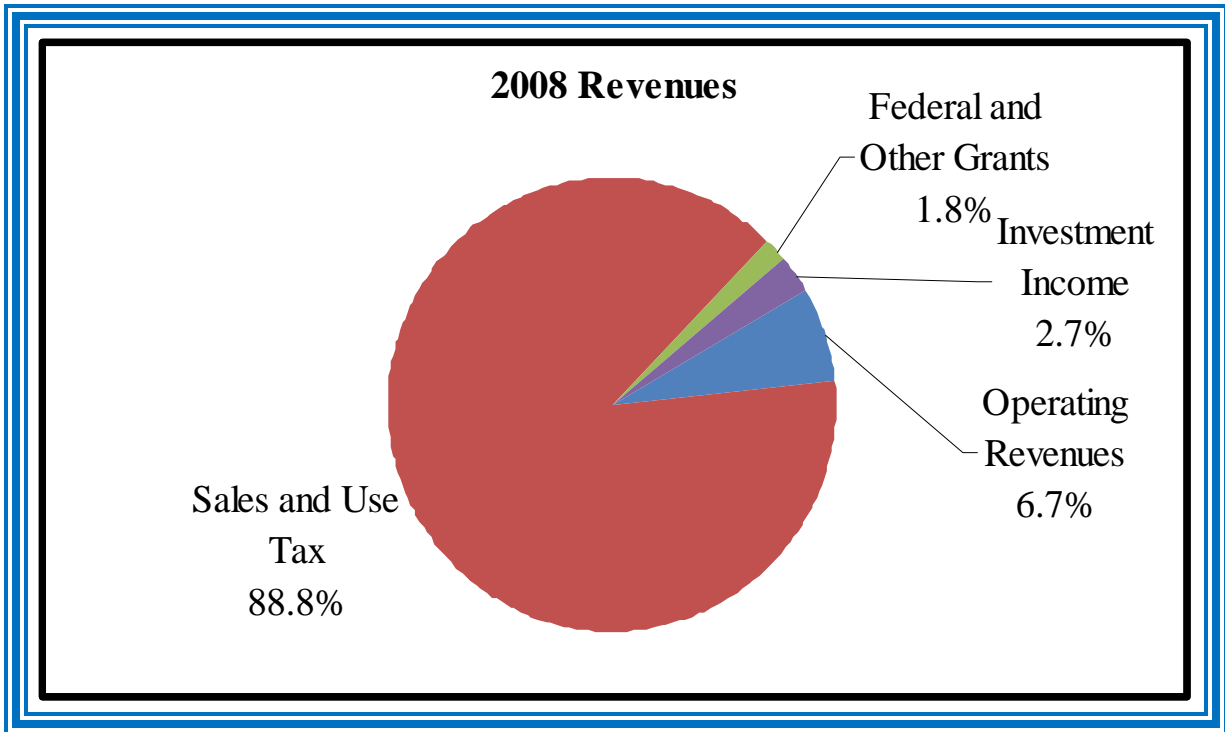
- ◆ Operating Revenues include user charges for transportation services, bus bench advertising, onboard advertising and other ancillary operating revenues. For 2008, operating revenues represent 6.7% of total revenues and are \$111,052 (6.5%) higher than in 2007. This corresponds to a 5.7% overall system ridership growth, which is partly due to operating seasonal ferry service in 2008 only and a 5.3% growth in ridership otherwise. In 2007, operating revenues represent 7.0% of total revenues and are \$249,596 (17.1%) higher than in 2006. The increase was primarily due to the effects of a higher fare structure in force for all of 2007 and only from mid-August during 2006. Overall system ridership also decreased about 6.5% due to not providing ferry service and lower demand from the increased fares.



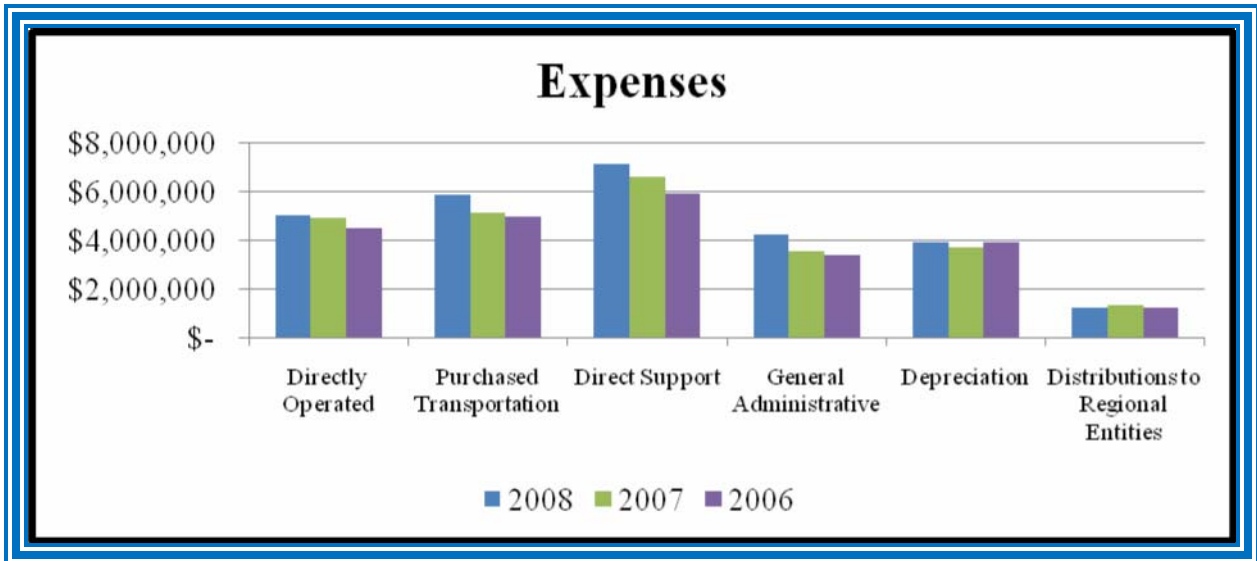
- ◆ Sales and Use Tax is a dedicated ½ cent sales and use tax levied on certain goods and services sold within the region which provides the primary funding for the Authority's operating budget. For 2008, sales taxes represent 88.9% of total revenues and grew 13.7% over 2007. Part of this unusually high growth is due to a change in state laws which changed the methodology for computing Texas transportation authorities' sales taxes effective on September 1, 2007. Otherwise, it is estimated that sales tax revenues grew by 6.9% over 2007 based on an analysis of sales tax trends over the same months for the city of Corpus Christi, the Authority's largest sales tax generating member area. It is likely that the historically high fuel costs seen nationwide during 2008 caused higher trucking and shipping costs to impact regional consumer prices upon which sales tax is assessed. For 2007, sales taxes represent 87.3% of total revenues and are 6.0% higher than 2006. This is also likely due to the rising prices of fuel at the time.

- ◆ Operating Grant Assistance represents reimbursements to the Authority for certain routes and for other operating reimbursements. The Authority has the option of utilizing its annual "Formula" grants provided by the Federal Transit Administration (FTA) for operating assistance or to fund capital asset acquisitions. In 2008, these grants represent 1.8% of total revenues compared to 1.1% in 2007. In 2007, these grants represent 1.1% of total revenues compared to 0.9% in 2006. For both years, these grant revenues are made up primarily of FTA Job Access and Reverse Commute grants to fund certain routes. In 2008, there are also reimbursements from FTA New Freedoms grants for system travel training provided to certain individuals with disabilities and the elderly and also from FEMA for costs incurred in a hurricane-related evacuation. The Authority continues to utilize none of its FTA Formula grants for budget balancing purposes as part of a strategy to preserve those grants for future capital improvements.

- ◆ Investment Income is income earned from the Authority's investing activities. Income generated from the Authority's portfolio decreased 35.5% from 2007. Although higher cash balances were available for investment, available yields were lower. In 2008, the average portfolio was \$20,962,442 and yielded 3.5% compared to the 2007 average portfolio of \$19,839,809 which yielded 5.7%. In 2007, these revenues increased 16.9% over 2006 due to higher cash balances and higher yields on investments. The average portfolio increased to \$19,839,809 from \$18,599,070 and the yields increased to 5.7% from 4.8% in 2006.



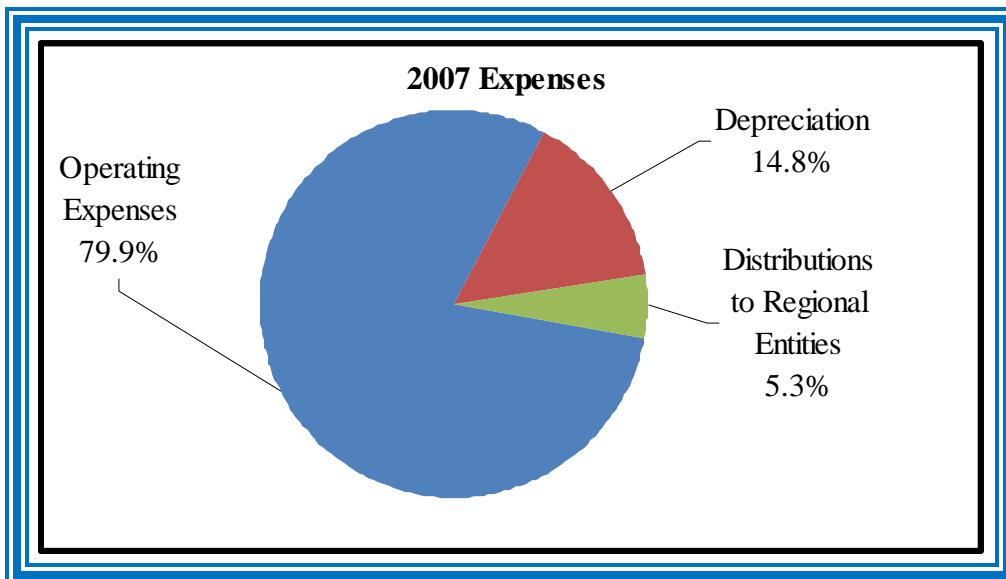
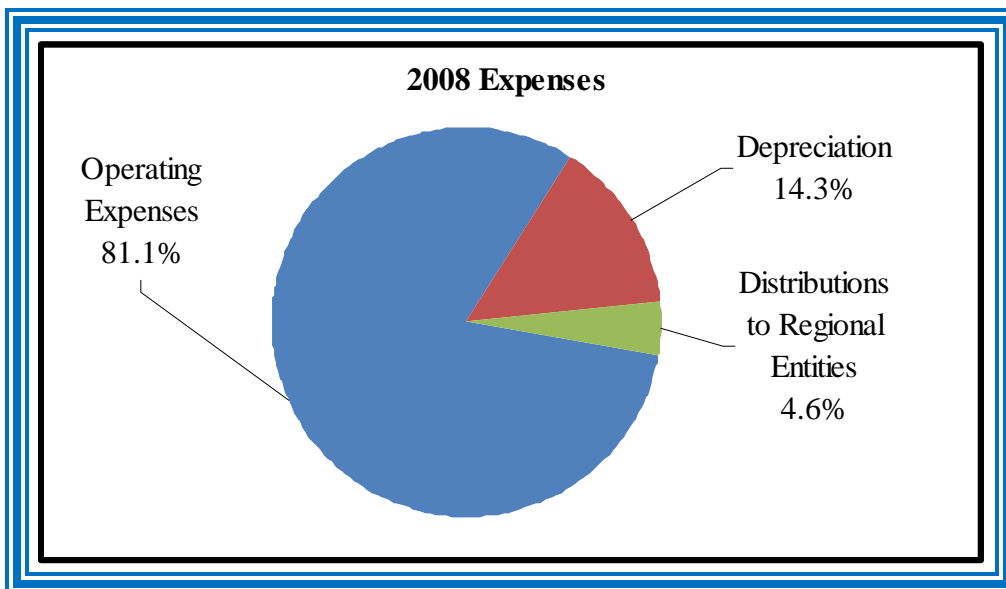
Expenses: The Authority's expenses are made of operating expenses (directly operated services, transportation services purchased from contractors, departments that directly support those functions and general administrative departments), depreciation of capital assets, distributions to regional entities for the Authority's street improvement program and any losses on disposals of capital assets. In 2008, total expenses increased by \$2,213,146 (8.7%) over 2007. In 2007, total expenses increased by \$791,741 (3.2%) over 2006.



- ◆ **Operating Expenses:** The largest component of the Authority's total expenses is operating expenses. These expenses account for 81.1% and 80.0% of total expenses in 2008 and 2007, respectively.

As shown on Table 2 above, the Authority's operating expenses are \$2,087,147 or 10.3% higher than 2007. Directly operated transportation costs grew \$120,279 (2.4%) due to customary pay increases for bus drivers and other staff who perform that function. Purchased transportation services are \$738,802 (14.3%) higher than 2007 due to higher fuel prices, higher bus maintenance costs, contractual increases in service contractor billing rates, continued growth in demand for ADA paratransit services, operating the seasonal ferry boat only in 2008 and costs associated with emergency evacuations for a hurricane threat that occurred during the year. Directly supporting costs are \$515,275 (7.8%) higher than 2007 due to higher fuel costs for directly operated services and customary salary increases offset by tighter control of expenses leading to less bus and facility contracted maintenance service costs, mechanic overtime and similar smaller favorable cost trends. Administrative (General and Administrative, MIS and Special Projects) functions increased \$713,883 (20.0%) from 2007 primarily because of an unusually large number of employee healthcare claims and the significant cost of a comprehensive operational analysis study of the transit system conducted in 2008.

For 2007, the Authority's operating expenses are 7.6% higher than 2006. Significant growth (11.2%) occurred in the cost of direct supporting functions due to rising prices of fuel, higher costs of bus maintenance parts, contracted vehicle maintenance and workers compensation insurance. Costs of directly operated transportation services increased by 9.3% due to increases in salary and wages, worker's compensation, property and liability insurance, and security costs. Purchased transportation (excluding Harbor Ferry service which did not run in 2007) services increased by 7.6% due to increases in fuel costs, continuing growth in demand for Americans with Disabilities Act (ADA) paratransit service and customary inflation built into contractor billing rates. Administrative (General and Administrative, MIS and the Special Projects) cost centers increased 5.0% from 2006 primarily due to increased cost of self funded health care.





Depreciation: Depreciation is \$209,935 (5.6%) higher than 2007 as the Authority capitalizes and depreciates the significant costs of replacing its older fleet of motor buses and trolleys, paratransit buses and various support vehicles that are at or past the end of their useful lives. There is also additional depreciation for the costs of various investments in improvements to bus stops, shelters and other system improvements being capitalized. In 2007, depreciation is \$220,407 (5.6%) lower than 2006 as more assets reached the end of their depreciable lives during the year.

Distributions to Regional Entities: The Authority, through collaborative efforts with the regional member government entities, 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. In 2008, these costs decreased \$83,936 (6.3%) from 2007 as a result of being able to capitalize certain qualifying outlays instead of expensing them. In 2007, the costs of the program increased \$68,417 (5.4%) over 2006 due to regular inflation associated with the program's funding methodology.

Fiduciary Funds:

Following the government-wide basic financial statements are similar financial statements for the Authority's two fiduciary funds. These statements provide financial information about the Authority's defined benefit pension and defined contribution retirement plans. During 2008, poor investment performance consistent with overall stock and bond market trends resulted in \$8,028,367 (29.9%) in decreased value of the plans' assets since the end of 2007. The Authority and its investment advisor continue to monitor market conditions and currently expect a recovery. Meanwhile, the Authority continues its ongoing strategies to prudently manage the plans. Note 5 in the notes section provides a discussion of the administration of the plans and there are further details contained in required supplementary information and supplemental schedules contained in the financial section of this CAFR.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2009 operating budget provides funding for \$26,877,842. This represents a 3.7% increase in revenues and a 3.8% increase in expenses over the 2008 amended budget. Expense growth was constrained despite anticipated challenges in fuel costs and compares favorably with average annual expense growth of 4.5% over the last five years. The 2009 budget will be funded through a combination of traditional revenues and by using \$853,389 of the higher than expected 2008 sales tax revenues.



The budget was formulated with a weak economic outlook in mind. Assumptions include minor service increases, maintaining the current fare structures, conservative sales tax revenues, a significant increase in pension expense resulting from poor 2008 investment performance by the plan's assets and continuing high annual average fuel prices per data available at the time. The annual required contribution to the Defined Benefit Plan for 2009 is estimated to be \$1,355,811 in comparison to the \$576,140 contributed for 2008. During the budget process in 2008, the economic outlook was perceived to be weak through 2009. The budget strategy contains a contingency plan that will be implemented if necessary.

Despite economic slowdowns at the national level, local economic activity indicators remain somewhat healthy. Through February 2009, sales tax revenues are 6.7% higher than the same months of 2008. System ridership decreased 2.9% for the first quarter of 2008, possibly due to prices of fuel at the pump dropping from the 2008 historical highs. The unemployment rate in the area is estimated at 5.9% during February 2009 compared to 4.7% in 2008.

Several significant capital projects are 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:

- ◆ Purchase real estate for two new bus station sites - \$1,500,000
- ◆ Replacement plan for buses and support automobiles - \$19,460,005
- ◆ Refurbish Authority maintenance facility - \$6,615,000
- ◆ Construction/Renovation/Shelter amenities/Other improvements - \$3,640,787
- ◆ Continuation of Livable Community Initiative projects - \$807,086
- ◆ Americans with Disabilities Act Transition Plan-related improvements - \$357,084
- ◆ Onboard vehicle locator/passenger verification systems - \$1,030,000
- ◆ Security equipment - \$312,889
- ◆ Other information technology projects - \$239,205

During 2009, 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. In addition this Comprehensive Annual Financial Report will be posted on the Authority's website: www.ccrta.org.



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Statement of Net Assets

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 12,428,224	7,352,114
Investments (Note 2)	9,229,999	13,239,331
Receivables:		
Sales and Use Taxes	4,689,477	4,105,335
Accrued Interest	120,319	177,271
Federal Government	829,222	617,176
Other	95,282	68,586
Inventories	652,688	698,794
Prepaid Expenses	533,162	598,045
Total Current Assets	<u>28,578,373</u>	<u>26,856,652</u>
Capital Assets (Note 3):		
Land	1,722,307	1,400,102
Buildings	10,055,684	10,055,684
Transit Stations, Stops and Pads	16,294,261	15,336,767
Other Improvements	1,733,360	1,705,246
Vehicles and Equipment	38,547,343	36,244,459
Construction in Progress	3,944,778	967,864
Total Capital Assets	72,297,733	65,710,122
Less: Accumulated Depreciation	(44,866,034)	(41,786,803)
Capital Assets, Net	<u>27,431,699</u>	<u>23,923,319</u>
TOTAL ASSETS	<u>56,010,072</u>	<u>50,779,971</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	1,010,684	755,073
Accrued Compensated Absences (Note 4)	176,782	196,552
Distributions to Regional Entities Payable	868,344	1,007,397
Other Accrued Liabilities	309,683	430,436
Total Current Liabilities	<u>2,365,493</u>	<u>2,389,458</u>
Non-Current Liabilities:		
Accrued Compensated Absences (Note 4)	40,491	-
Other Post Employment Benefits (Note 6)	108,408	-
Total Non-Current Liabilities	<u>148,899</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,514,392</u>	<u>2,389,458</u>
Net Assets:		
Invested In Capital Assets	27,431,699	23,923,319
Unrestricted	26,063,981	24,467,194
TOTAL NET ASSETS	<u>\$ 53,495,680</u>	<u>48,390,513</u>

See Notes to Financial Statements



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues:		
Passenger Service	\$ 1,707,930	1,602,328
Bus Advertising	45,520	34,200
Charter Service	5,731	4,274
Other Operating Revenues	59,855	67,182
	<hr/>	<hr/>
Total Operating Revenues	1,819,036	1,707,984
Operating Expenses:		
Transportation	5,069,215	4,948,936
Customer Programs	548,476	558,526
Purchased Transportation	5,920,065	5,181,263
Service Development	246,969	193,700
MIS	205,199	267,216
Vehicle Maintenance	5,421,827	4,927,944
Facilities Maintenance	779,175	758,329
Materials Management	141,449	185,214
Administrative and General	3,714,330	3,245,448
Special Projects	365,427	58,409
Depreciation	3,958,931	3,748,996
	<hr/>	<hr/>
Total Operating Expenses	26,371,063	24,073,981
Operating Loss	(24,552,027)	(22,365,997)
Non-Operating Revenues (Expenses):		
Sales and Use Tax Revenue	24,254,132	21,328,966
Federal and Other Grant Assistance	496,631	276,340
Investment Income	723,930	1,121,785
Distributions to Region Entities	(1,258,613)	(1,342,549)
	<hr/>	<hr/>
Net Loss Before Capital Grant Contributions	(335,947)	(981,455)
Capital Grant Contributions	5,441,114	2,125,887
	<hr/>	<hr/>
Change in Net Assets	5,105,167	1,144,432
Net Assets, January 1	48,390,513	47,246,081
	<hr/>	<hr/>
Net Assets, December 31	\$ 53,495,680	48,390,513
	<hr/> <hr/>	<hr/> <hr/>

See Notes to Financial Statements



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Cash Flows
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 1,716,690	1,595,028
Cash Received from Bus Advertising and Other Ancillary	84,410	95,898
Cash Payments to Suppliers for Goods and Services	(12,420,382)	(11,407,110)
Cash Payments to Employees for Services	(6,726,284)	(6,679,605)
Cash Payments for Employee Benefits	(3,050,989)	(2,296,694)
Net Cash Used by Operating Activities	<u>(20,396,555)</u>	<u>(18,692,483)</u>
Cash Flows from Non-Capital Financing Activities:		
Sales and Use Taxes Received	23,669,990	21,054,382
Grants and Other Reimbursements	496,631	276,340
Distributions to Regional Entities	(1,397,664)	(1,383,442)
Net Cash Provided by Non-Capital Financing Activities	<u>22,768,957</u>	<u>19,947,280</u>
Cash Flows from Capital and Related Financing Activities:		
Federal and Other Grant Assistance	5,229,070	2,263,379
Purchase and Construction of Capital Assets	(7,315,575)	(2,667,322)
Net Cash Used by Capital and Related Financing Activities	<u>(2,086,505)</u>	<u>(403,943)</u>
Cash Flows from Investing Activities:		
Investment Income	685,993	694,407
Purchases of Investments	(5,108,780)	(16,102,732)
Maturities and Redemptions of Investments	9,213,000	10,210,000
Net Cash Provided/(Used) by Non-Capital Financing Activities	<u>4,790,213</u>	<u>(5,198,325)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	5,076,110	(4,347,471)
Cash and Cash Equivalents, January 1	7,352,114	11,699,585
Cash and Cash Equivalents, December 31	<u>\$ 12,428,224</u>	<u>7,352,114</u>

(Continued)



	<u>2008</u>	<u>2007</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (24,552,027)	(22,365,997)
Adjustments to Reconcile Operating Loss to net Cash Provided (Used) by Operating Activities:		
Depreciation	3,958,931	3,748,996
Changes in Assets and Liabilities:		
Other Receivables	(26,696)	(9,758)
Inventories	46,106	(133,219)
Prepaid Expenses	64,883	74,136
Accounts Payable and Accrued Liabilities	<u>112,248</u>	<u>(6,641)</u>
Net Cash Used for Operating Activities	\$ <u>(20,396,555)</u>	<u>(18,692,483)</u>
Non-Cash Investing, Capital and Financing Activities:		
Change in Fair Value of Investments	\$ 54,865	93,629

See Notes to Financial Statements



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Statement of Net Assets
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Investments	\$ <u>18,778,019</u>	<u>26,806,386</u>
<i>TOTAL ASSETS</i>	<u>18,778,019</u>	<u>26,806,386</u>
LIABILITIES		
	<u>-</u>	<u>-</u>
NET ASSETS		
Held In Trust For Pension Benefits	\$ <u><u>18,778,019</u></u>	<u><u>26,806,386</u></u>

See Notes to Financial Statements



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Statement of Changes in Net Assets
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Additions:		
Investment Income (Loss)	\$ (7,930,269)	1,964,808
Employee Contributions	637,062	625,133
Employer Contributions (Note 5)	576,140	529,681
<i>Total Additions</i>	<u>(6,717,067)</u>	<u>3,119,622</u>
Deductions:		
Benefits Paid	1,289,077	949,695
Administrative Expenses	22,223	21,416
<i>Total Deductions</i>	<u>1,311,300</u>	<u>971,111</u>
Increase/(Decrease) in Net Assets	(8,028,367)	2,148,511
Net Assets, January 1	<u>26,806,386</u>	<u>24,657,875</u>
Net Assets, December 31	<u>\$ 18,778,019</u>	<u>26,806,386</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 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 a proprietary fund. Proprietary 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.

Receivables: Receivables generally consist of amounts due from customers, grantor agencies, cost-sharing agreements, employees, warranties and similar activities.

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 items with an initial cost of at least \$750 (\$500 for IT equipment) 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.

Compensated Absences: Employees of the Authority are compensated for personal, holiday, health and other qualifying absences. The number of days compensated for these absences is based generally on length of service. It is the Authority's policy to permit employees to accumulate earned but unused personal leave. The amount of unused time that can be carried over to the next year is limited to 80 hours. Sick leave can be carried over indefinitely and up to 240 hours paid out if the employee retires from the Authority. 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: During 2008, the Authority implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* (see Note 6) and Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosure* which is relevant to Note 5. The effective date for implementation of these standards by the Authority is January 1, 2008.



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

As of December 31, 2008 and 2007, the Authority had the following cash and investments:

<u>Investment Type</u>	<u>2008</u>			<u>2007</u>		
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Government Agencies	\$ 9,129,999	9,137,820	324	\$ 13,139,331	13,141,313	606
Certificates of Deposit	100,000	100,000	177	100,000	100,000	178
Goldman Sachs Government Fund	7,036,166	7,036,166	1	2,373,473	2,373,475	1
Wells Fargo Government Money Market Mutual Fund , Pooled	5,391,408	5,391,408	1	4,935,330	4,935,330	1
Stagecoach Sweep Money Market Account	-	-	1	39,660	39,660	1
Total	21,657,573	21,665,394		20,587,794	20,589,776	
Short-Term Investments Included						
In Cash and Cash Equivalents	<u>(12,427,574)</u>	<u>(12,427,574)</u>		<u>(7,348,463)</u>	<u>(7,348,463)</u>	
Equity in Investments	\$ <u>9,229,999</u>	<u>9,237,820</u>		\$ <u>13,239,331</u>	<u>13,241,313</u>	

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, 2008 and 2007, 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, 2008 and 2007, 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. The Authority's policy for managing this risk, in compliance with state law, allows the Authority to 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, 2008 and 2007, 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 Goldman Sachs Government Fund is managed by Goldman Sachs and is rated AAA by Standard and Poors and Moody's. The Stagecoach Sweep is a mechanism for funds to sweep daily into the Treasury Plus Money Market Fund, which is a privately managed by Wells Fargo Funds Management and for which no rating was available.

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. As of December 31, 2008 and 2007, 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, 2008 and 2007.



(3) Capital Assets

The Authority's capital assets represent investments in land, buildings, transit stations, infrastructure improvements, bus stops, street pads, bus turn-ins, motor coaches, trolleys, paratransit vehicles, sedans, vans, cars and trucks, garage equipment, facilities maintenance equipment, office equipment and information technology needed to conduct the Authority's operations.

Capital asset activities for the year ended December 31, 2008 is as follows:

	Balance at 12/31/2007	Additions / Transfers	Retirements	Balance at 12/31/2008
Assets Not Being Depreciated:				
Land	\$ 1,400,102	322,205	-	1,722,307
Construction in Progress	967,864	2,976,914	-	3,944,778
	<u>2,367,966</u>	<u>3,299,119</u>	-	<u>5,667,085</u>
Assets Being Depreciated:				
Buildings	10,055,684	-	-	10,055,684
Transit Stations, Bus Stops, Street Pads & Other Improvements	15,336,767	957,493	-	16,294,260
Improvements other than Buildings	1,705,246	28,114	-	1,733,360
Vehicles, Furniture and Equipment	36,244,459	3,182,586	(879,701)	38,547,344
	<u>63,342,156</u>	<u>4,168,193</u>	<u>(879,701)</u>	<u>66,630,648</u>
Total Capital Assets	<u>65,710,122</u>	<u>7,467,312</u>	<u>(879,701)</u>	<u>72,297,733</u>
Less: Accumulated Depreciation:				
Buildings	6,466,851	441,961	-	6,908,812
Transit Stations, Bus Stops, Street Pads & Other Improvements	9,843,247	940,455	-	10,783,702
Improvements other than Buildings	985,272	174,968	-	1,160,240
Vehicles, Furniture and Equipment	24,491,433	2,401,548	(879,701)	26,013,280
Total Accumulated Depreciation	<u>41,786,803</u>	<u>3,958,932</u>	<u>(879,701)</u>	<u>44,866,034</u>
Total Capital Assets, Net	\$ <u>23,923,319</u>	<u>3,508,380</u>	-	<u>27,431,699</u>



Capital asset activities for the year ended December 31, 2007 is as follows:

	Balance at 12/31/2006	Additions / Transfers	Retirements	Balance at 12/31/2007
Assets Not Being Depreciated:				
Land	\$ 1,400,102	-	-	1,400,102
Construction in Progress	3,236,244	(2,268,380)		967,864
	<u>4,636,346</u>	<u>(2,268,380)</u>	-	<u>2,367,966</u>
Assets Being Depreciated:				
Buildings	10,055,684	-	-	10,055,684
Transit Stations, Bus Stops, Street Pads & Other Improvements	13,206,444	2,130,323	-	15,336,767
Improvements other than Buildings	1,127,263	577,983	-	1,705,246
Vehicles, Furniture and Equipment	35,082,221	2,191,664	(1,029,426)	36,244,459
	<u>59,471,612</u>	<u>4,899,970</u>	<u>(1,029,426)</u>	<u>63,342,156</u>
Total Capital Assets	<u>64,107,958</u>	<u>2,631,590</u>	<u>(1,029,426)</u>	<u>65,710,122</u>
Less: Accumulated Depreciation:				
Buildings	6,022,295	444,556	-	6,466,851
Transit Stations, Bus Stops, Street Pads & Other Improvements	9,094,281	748,966	-	9,843,247
Improvements other than Buildings	925,798	59,474	-	985,272
Vehicles, Furniture and Equipment	-	-	-	-
	<u>23,024,859</u>	<u>2,496,000</u>	<u>(1,029,426)</u>	<u>24,491,433</u>
Total Accumulated Depreciation	<u>39,067,233</u>	<u>3,748,996</u>	<u>(1,029,426)</u>	<u>41,786,803</u>
Total Capital Assets, Net	\$ <u>25,040,725</u>	<u>(1,117,406)</u>	-	<u>23,923,319</u>

The operating information presented in the statistical section includes several indicators of the volume, usage and nature of the Authority's capital assets.



(4) Compensated Absences:

Authority employees are allowed to carry a maximum of 80 hours of accrued but unused personal leave as of December 31 into the next year. Unused personal leave in excess of 80 hours is forfeited. Sick leave can be carried over indefinitely and up to 240 hours can be paid out to an employee retiring from the RTA. Changes in the attendance policy in 2008 have made it more likely that retirees will have a sick leave balance upon retirement. A schedule of changes in the liability carrying amounts is as follows:

		<u>Beginning</u>	<u>Accrued</u>	<u>Used</u>	<u>Ending</u>
2007	\$	184,240	333,952	(321,640)	196,552
2008	\$	196,552	375,734	(355,013)	217,273

Of the December 31, 2008 balance, it is estimated that \$176,782 will be used within 12 months and is therefore a current liability.



(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 and 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.

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. Administration costs are paid by the plan.

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 average compensation for the final three years times number of years of service for the Authority. Reduced early retirement benefits are available at age 55 with ten years of service. There are currently 371 participants in this plan as follows:

Retirees and beneficiaries currently receiving benefits	54
Terminated and entitled to, but not yet receiving benefits	132
Active employees	185

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>01/01/08</i>	<i>01/01/07</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>	7.50%	8.00%
<i>Investment Rate of Return – Post Retire</i>	7.50%	7.50%
<i>Projected Salary Increases</i>	3.50%	4.00%
<i>Amortization Method</i>	<i>Level percent of pay, open</i>	<i>Level percent of pay, open</i>
<i>Remaining Amortization Period</i>	8.3352 Years	8.4135 Years
<i>Asset Valuation Method</i>	<i>Market Value</i>	<i>Market Value</i>
<i>Contribution (percent of covered payroll)</i>	8.7%	8.2%
<i>Annual Required Contribution</i>	\$576,140	\$529,681
<i>Contribution Made</i>	\$576,140	\$529,681



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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Annual Required Contribution (ARC)	\$ 576,140	\$ 529,681
Adjustment to ARC	-	-
Interest On NPO	-	-
APC	<u>576,140</u>	<u>529,681</u>
Contributions	<u>(576,140)</u>	<u>(529,681)</u>
Net Change in NPO	-	-
NPO – Beginning of Year	-	-
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:

<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Employer Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$ 576,140	\$ 576,140	100%	\$ -
2007	\$ 529,681	\$ 529,681	100%	\$ -
2006	\$ 565,571	\$ 565,571	100%	\$ -

Funded Status and Funding Progress: The funded status of the plan as of the most recent valuation date is as follows:

<u>January 1</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
2008	\$ 18,514,359	\$ 18,587,028	\$ 72,669	99.60%	\$ 6,394,664	1.14%
2007	\$ 17,064,846	\$ 16,686,030	\$ -	102.30%	\$ 6,338,961	0.00%

A schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, is intended to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.



The Plan's assets are exposed to various risks such as interest rate, market, and credit risks. During the last four months of 2008, the investment securities held by the plan experienced a significant decline in market values due to the high volatility in the financial markets. At December 31, 2008, the Plan's net assets were valued at approximately \$13,297,998, a decline of 28% since December 31, 2007. As a result, the annual required contribution for 2009 is estimated to be \$1,355,811 in comparison to the \$576,140 contributed for 2008.

Financial Statements: The DB Plan does not issue a separate stand-alone financial report. Financial statements for the years ended 2008 and 2007 are as follows:

**Statement of Fiduciary Net Assets
 December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
ASSETS		
Investments - Mutual Funds at Fair Value	\$ 13,297,998	18,514,359
<i>TOTAL ASSETS</i>	<u>13,297,998</u>	<u>18,514,359</u>
LIABILITIES		
	<u>-</u>	<u>-</u>
NET ASSETS		
Held In Trust For Pension Benefits	\$ <u>13,297,998</u>	<u>18,514,359</u>

**Statement of Changes in Fiduciary Net Assets
 Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Additions:		
Investment Income/(Loss)	\$ (5,394,019)	1,222,890
Employer Contributions	<u>576,140</u>	<u>529,681</u>
<i>Total Additions</i>	<u>(4,817,879)</u>	<u>1,752,571</u>
Deductions:		
Benefits Paid	391,056	296,770
Administrative Expenses	<u>7,426</u>	<u>6,288</u>
<i>Total Deductions</i>	<u>398,482</u>	<u>303,058</u>
Increase/(Decrease) in Net Assets	(5,216,361)	1,449,513
Net Assets, January 1	<u>18,514,359</u>	<u>17,064,846</u>
Net Assets, December 31	<u>\$ <u>13,297,998</u></u>	<u>18,514,359</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 and 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 \$7,255,021 in 2008 and \$7,069,019 in 2007. Employee contributions were \$637,062 in 2008 and \$625,133 in 2007.

Financial Statements: The DC Plan does not issue a separate stand-alone financial report. Financial statements for the years ended 2008 and 2007 are as follows:

**Statement of Fiduciary Net Assets
 December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
ASSETS		
Investments - Mutual Funds at Fair Value	\$ 5,480,021	8,292,027
<i>TOTAL ASSETS</i>	<u>5,480,021</u>	<u>8,292,027</u>
LIABILITIES		
	-	-
NET ASSETS		
Held In Trust For Pension Benefits	\$ <u>5,480,021</u>	<u>8,292,027</u>

**Statement of Changes in Fiduciary Net Assets
 Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Additions:		
Investment Income (Loss)	\$ (2,536,250)	741,918
Employee Contributions	637,062	625,133
<i>Total Additions</i>	<u>(1,899,188)</u>	<u>1,367,051</u>
Deductions:		
Benefits Paid	898,021	652,925
Administrative Expenses	14,797	15,128
<i>Total Deductions</i>	<u>912,818</u>	<u>668,053</u>
Increase/(Decrease) in Net Assets	(2,812,006)	698,998
Net Assets, January 1	<u>8,292,027</u>	<u>7,593,029</u>
Net Assets, December 31	<u>\$ <u>5,480,021</u></u>	<u>8,292,027</u>



(6) Other Post Employment Benefits (OPEB) Plan

GASB Statement No. 45 established new accounting standards for postretirement benefits other than pensions. This standard does not require funding of OPEB. The Authority obtained an actuarial valuation performed in accordance with the parameters of the standard dated January 1, 2008. Membership is as follows:

Retirees	2
Eligible, but not retired	22
Active Work Force	<u>147</u>
Total	<u>171</u>

Plan Description: The Authority administers a single-employer defined benefit healthcare plan that allows access to medical benefits by eligible retirees and their families until age 65. The Authority Board establishes benefit provisions. The plan is not accounted for as a fiduciary fund as an irrevocable trust has not been established to fund the plan. The plan does not issue a financial report.

Funding Policy: Plan member contributions toward healthcare costs are established by the Authority and approved by the Authority Board. The Authority requires retirees to pay a portion of the monthly “blended” rates that apply to the group as a whole. Since retiree health care costs are generally higher than active employee healthcare costs, there is an implicit subsidy higher than the stated subsidy of the Authority. For 2008, \$582.61 was the required monthly contribution for retiree family coverage and \$214.04 for retiree single coverage. The Authority’s contributions are on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation: The Authority's annual other post employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Authority's annual OPEB cost, the amounts actually contributed toward the plan and changes in the net OPEB obligation are as follows:

	<u>2008</u>
ARC	\$ 117,676
Interest on OPEB Liability	-
Adjustment to the ARC	-
Annual OPEB Cost	<u>117,676</u>
Employer Contributions	<u>(9,268)</u>
Net Change in OPEB Liability	108,408
OPEB Liability at January 1	-
OPEB Liability at December 31	<u>\$ 108,408</u>



Trend Information: The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation At Year-End</u>
2008	\$ 117,676	7.9%	\$108,408

Funded Status and Funding Progress: The funded status of the plan as of the most recent valuation date is as follows:

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u> a	<u>Actuarial Liability (AAL) - Unit Cost</u> b	<u>Unfunded Actuarial Liability (UAAL)</u> c = b - a	<u>Annual Covered Payroll</u> d	<u>UAAL As Percentage of Payroll</u> d / c
01/01/08	\$ -	\$ 766,655	\$ 766,655	\$ 6,394,664	12%

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



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

<i>Valuation Date</i>	<i>01/01/08</i>
<i>Cost Method</i>	<i>Projected Unit Credit</i>
<i>Asset Valuation Method</i>	<i>Unfunded, Pay-as-you-go basis</i>
<i>Investment Rate of Return **</i>	<i>4.50%</i>
<i>Annual Healthcare Cost Trend</i>	<i>9% initially, graded down to 5% ultimate rate after 8 years</i>
<i>Inflation Rate</i>	<i>2.5%</i>
<i>Utilization</i>	<i>50% of eligible actives</i>
<i>Amortization Period</i>	<i>30 Years</i>
<i>Amortization Method</i>	<i>Level Dollar, Open</i>

*** Expected long term returns on Authority investments that will fund the benefits.*



(7) **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 structure. There is one continuing claim 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 2008 includes specific deductibles for up to \$65,000 per individual claim and an annual aggregate estimated at \$1,223,964. During 2006 the Authority began self-funding its employee dental benefit program. Settlements have not exceeded coverage for each of the past three fiscal years.

Changes in liabilities for self-funded workers' compensation and health insurance liabilities for the years ended December 31, 2006, 2007 and 2008 are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Health and Dental</u> <u>Benefits</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	\$ 37,055	\$ 107,203
Incurred Claims	-	1,000,162
Changes in Estimate	35,074	-
Claims Paid	<u>(6,448)</u>	<u>(941,743)</u>
Balance at 12/31/07	\$ 65,681	\$ 165,622
Incurred Claims	-	1,229,946
Changes in Estimate	(28,581)	-
Claims Paid	<u>(6,206)</u>	<u>(1,308,443)</u>
Balance at 12/31/08	<u>\$ 30,894</u>	<u>\$ 87,125</u>



(8) Long – Term Liabilities

The Authority’s long-term liabilities are limited to Other Post Employment Benefits and the non-current portion of Compensated Absences. The following table shows the changes in long-term liabilities during 2008.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Other Post Employment Benefits	\$ -	117,676	(9,268)	108,408	-
Compensated Absences	196,552	375,734	(355,013)	217,273	176,782
Total Long Term Liabilities	\$ 196,552	493,410	(364,281)	325,681	176,782

(9) 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.

(10) Concentrations

During 2008, the Authority received \$5,280,500 for capital assistance and \$456,574 for other projects from the FTA.

During 2007, the Authority received \$2,086,719 for capital assistance and \$256,339 for other projects from the 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.

(11) 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. A contract executed December 1, 2008 established a new term for these services from January 1, 2009 through December 31, 2011 with an option for the Authority to extend the contract for two additional one-year periods. Expenses under the prior contract amounted to \$4,024,579 during 2008 and \$3,867,792 during 2007. All passenger fares related to these transit services are recorded by the Authority as operating revenue.



REQUIRED SUPPLEMENTARY INFORMATION





Schedule of Funding Progress for Defined Benefit Pension Plan:

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
January 1, 2008 (Note)	\$ 18,514,359	\$ 18,587,028	\$ 72,669	99.60%	\$ 6,394,664	1.14%
January 1, 2007	\$ 17,064,846	\$ 16,686,030	\$ -	102.30%	\$ 6,338,961	0.00%
January 1, 2006	\$ 15,047,251	\$ 15,076,504	\$ 29,253	99.80%	\$ 6,758,209	0.40%

Note: The Authority updated various assumptions as a result of policy changes. The changes, which took effect on the 2008 actuarial valuation, are as follows:

1. Mortality table changed to more recent RP2000 from 1983 Group Annuity.
2. The pre-retirement interest rate changed to 7.5% from 8.0%.
3. The projected salary increase assumption change to 3.5% from 4.0%.

Schedule of Employer Contributions For Defined Benefit Pension Plan:

<u>Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 576,140	100 %
2007	\$ 529,681	100 %
2006	\$ 565,571	100 %

Schedule of Funding Progress for Other Post Employment Benefits (OPEB):

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Unit Cost</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Annual Covered Payroll</u>	<u>UAAL As Percentage of Payroll</u>
	<u>a</u>	<u>b</u>	<u>c = b - a</u>	<u>d</u>	<u>d / c</u>
January 1, 2008	\$ -	\$ 766,655	\$ 766,655	\$ 6,394,664	12%





SUPPLEMENTAL SCHEDULES





CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Supplemental Schedule - Actual and Budget By Function
Year Ended December 31, 2008

	<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	\$ 1,604,901	1,604,901	1,707,930	103,029
Bus Advertising	62,502	62,502	45,520	(16,982)
Charter Service	5,000	5,000	5,731	731
Other Operating Revenues	<u>69,846</u>	<u>69,846</u>	<u>59,855</u>	<u>(9,991)</u>
<i>Total Operating Revenues</i>	<u>1,742,249</u>	<u>1,742,249</u>	<u>1,819,036</u>	<u>76,787</u>
Operating Expenses:				
Transportation	5,193,144	5,193,144	5,069,215	123,929
Customer Programs	694,091	701,091	548,476	152,615
Purchased Transportation	5,810,139	6,303,959	5,920,065	383,894
Service Development	274,904	274,904	246,969	27,935
MIS	233,653	233,653	205,199	28,454
Vehicle Maintenance	5,079,526	5,950,876	5,421,827	529,049
Facilities Maintenance	801,183	801,183	779,175	22,008
Materials Management	139,529	139,529	141,449	(1,920)
Administrative and General	3,482,897	3,760,973	3,714,330	46,643
Special Projects	335,000	406,850	365,427	41,423
Depreciation	<u>4,400,000</u>	<u>4,400,000</u>	<u>3,958,931</u>	<u>441,069</u>
<i>Total Operating Expenses</i>	<u>26,444,066</u>	<u>28,166,162</u>	<u>26,371,063</u>	<u>1,795,099</u>
Operating Loss	(24,701,817)	(26,423,913)	(24,552,027)	1,871,886
Non-Operating Revenues (Expenses):				
Sales and Use Tax Revenue	21,183,067	21,783,067	24,254,132	2,471,065
Federal and Other Grant Assistance	942,366	981,966	496,631	(485,335)
Investment Income	622,861	622,861	723,930	101,069
Distributions to Region Entities	<u>(1,346,477)</u>	<u>(1,346,477)</u>	<u>(1,258,613)</u>	<u>87,864</u>
Net Loss Before Capital Grant Contributions	\$ <u>(3,300,000)</u>	<u>(4,382,496)</u>	<u>(335,947)</u>	<u>4,046,549</u>



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Combining Statement of Net Assets
December 31, 2008 With Comparative Totals for December 31, 2007

	<u>2008</u>			<u>2007</u>
	<u>Defined Benefit Pension Plan</u>	<u>Defined Contribution Pension Plan</u>	<u>Total</u>	
ASSETS				
Investments	\$ 13,297,998	5,480,021	18,778,019	26,806,386
<i>TOTAL ASSETS</i>	<u>13,297,998</u>	<u>5,480,021</u>	<u>18,778,019</u>	<u>26,806,386</u>
LIABILITIES				
	-	-	-	-
NET ASSETS				
Held In Trust For Pension Benefits	\$ 13,297,998	5,480,021	18,778,019	26,806,386



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Combining Statement of Changes in Net Assets
Year Ended December 31, 2008 With Comparative Totals for December 31, 2007

	2008			2007
	Defined Benefit Pension Plan	Defined Contribution Pension Plan	Total	
Additions:				
Investment Income/(Loss)	\$ (5,394,019)	(2,536,250)	(7,930,269)	1,964,808
Employee Contributions	-	637,062	637,062	625,133
Employer Contributions	576,140	-	576,140	529,681
Total Additions	(4,817,879)	(1,899,188)	(6,717,067)	3,119,622
Deductions:				
Benefits Paid	391,056	898,021	1,289,077	949,695
Administrative Expenses	7,426	14,797	22,223	21,416
Total Deductions	398,482	912,818	1,311,300	971,111
Increase/(Decrease) in Net Assets	(5,216,361)	(2,812,006)	(8,028,367)	2,148,511
Net Assets, January 1	18,514,359	8,292,027	26,806,386	24,657,875
Net Assets, December 31	\$ 13,297,998	5,480,021	18,778,019	26,806,386



2008 Statistical Section

Comprehensive Annual Financial Report





ABOUT THE AUTHORITY'S STATISTICAL TABLES

This section of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial situation.

<u>Contents</u>	<u>Page</u>
Financial Trends	52
<i>These schedules contain trend information to help the reader understand how the Authority's financial performance has changed over time.</i>	
Revenue Capacity	56
<i>These schedules contain information to help the reader access the Authority's most significant revenue source, sales and use tax.</i>	
Demographic & Economic Data	59
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.</i>	
Operating Information	62
<i>These schedules contain service data to help the reader understand how the information in the Authority's financial report relates to the services that the Authority provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



Table 1

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Net Assets
Last Ten Fiscal Years

		1999	2000	2001	2002
Invested in Capital Assets, Net of Related Debt	\$	19,341,684	20,818,309	20,530,518	23,779,240
Restricted		-	-	-	-
Unrestricted		20,242,413	19,951,665	19,063,732	16,812,964
Total	\$	39,584,097	40,769,974	39,594,250	40,592,204



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2003	2004	2005	2006	2007	2008
28,376,996	31,705,996	27,995,330	25,040,740	23,923,319	27,431,699
15,332,061	16,617,052	19,925,305	22,205,341	24,467,194	26,063,981
43,709,057	48,323,048	47,920,635	47,246,081	48,390,513	53,495,680



Table 2

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

	1999	2000	2001	2002
Operating Revenues:				
Passenger Service	\$ 1,100,335	1,136,044	1,118,331	1,008,067
Other Operating	62,114	36,495	63,478	95,969
Total Operating Revenues	1,162,449	1,172,539	1,181,809	1,104,036
Operating Expenses:				
Transportation	8,561,215	7,684,192	7,742,871	8,329,369
Vehicle/Facilities Maintenance	2,793,132	3,695,969	3,883,523	3,968,553
Other Mission-Direct	733,571	858,253	853,147	805,627
General And Administrative	1,608,296	1,783,601	2,471,752	3,011,894
Depreciation	3,344,463	3,360,665	4,200,958	4,010,875
Total Operating Expenses	17,040,677	17,382,680	19,152,251	20,126,318
Operating Loss	(15,878,228)	(16,210,141)	(17,970,442)	(19,022,282)
Non Operating Revenues (Expenses):				
Sales and UseTax	15,549,401	15,890,396	16,482,198	16,617,511
Grant Assistance	-	-	1,182,050	1,260,868
Investment Income	465,868	732,838	625,575	387,206
Other Non-Operating Items	1,928,922	(986,175)	(2,990,826)	(2,087,033)
Distributions to Region Entities	(1,636,780)	(1,677,700)	(1,711,255)	(1,211,255)
Net Loss before Capital Grants	429,183	(2,250,782)	(4,382,700)	(4,054,985)
Capital Grants	1,865,252	3,436,659	3,206,976	5,052,939
Prior Period Adjustment	4,482,523	-	-	-
Total Change in Net Assets	\$ 6,776,958	1,185,877	(1,175,724)	997,954



Corpus Christi Regional Transportation Authority
 Fiscal 2008 Comprehensive Annual Financial Report
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2003	2004	2005	2006	2007	2008
1,094,855	1,088,331	1,197,195	1,380,241	1,602,328	1,707,930
44,799	54,618	44,061	78,147	105,656	111,106
1,139,654	1,142,949	1,241,256	1,458,388	1,707,984	1,819,036
8,715,881	8,667,813	9,029,595	9,521,582	10,130,199	10,989,280
4,019,978	4,454,404	4,821,933	5,084,954	5,686,273	6,201,002
874,254	790,347	894,035	873,695	937,440	936,894
3,165,532	3,529,146	3,444,749	3,401,302	3,571,073	4,284,956
3,983,236	4,553,847	4,394,500	3,969,403	3,748,996	3,958,931
20,758,881	21,995,557	22,584,812	22,850,936	24,073,981	26,371,063
(19,619,227)	(20,852,608)	(21,343,556)	(21,392,548)	(22,365,997)	(24,552,027)
15,963,016	17,621,532	18,939,617	20,115,282	21,328,966	24,254,132
2,481,224	2,394,066	1,951,794	213,829	276,340	496,631
213,804	192,654	529,327	959,788	1,121,785	723,930
(1,534,381)	(473,590)	12,648	(499,721)	-	-
(1,223,085)	(1,168,404)	(1,255,302)	(1,274,132)	(1,342,549)	(1,258,613)
(3,718,649)	(2,286,350)	(1,165,472)	(1,877,502)	(981,455)	(335,947)
6,835,502	6,715,810	763,059	1,202,948	2,125,887	5,441,114
-	184,531	-	-	-	-
3,116,853	4,613,991	(402,413)	(674,554)	1,144,432	5,105,167



Table 3

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

Year	Operating Revenues (1)	Sales And Use Tax	Federal Operating Grants And Reimbursements	Investment Income	Other (2)	Total
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
2007	\$ 1,707,984	21,328,966	276,340	1,121,785	-	24,435,075
2008	\$ 1,819,036	24,254,132	496,631	723,930	-	27,293,729

(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 gain 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			Transportation Industry (1)		
1999	11.7%	88.3%	0.0%	43.4%	10.3%	46.3%
2000	10.7%	89.3%	0.0%	45.4%	8.1%	46.5%
2001	9.0%	84.9%	6.1%	41.6%	7.7%	50.7%
2002	7.7%	85.8%	6.5%	41.5%	8.3%	50.2%
2003	6.8%	80.6%	12.6%	41.6%	9.1%	49.3%
2004	6.3%	82.5%	11.2%	40.9%	8.7%	50.4%
2005	7.9%	83.5%	8.6%	39.6%	8.5%	51.9%
2006	10.6%	88.4%	1.0%	40.2%	8.3%	51.5%
2007	11.6%	87.3%	1.1%	*	*	*
2008	9.3%	88.9%	1.8%	*	*	*

(1) Source: The American Public Transit Association, APTA 2007 Transit Fact Book, Table 47.

* 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.

1999	.....	8.49%
2000	.....	8.36%
2001	.....	7.48%
2002	.....	6.85%
2003	.....	6.79%
2004	.....	6.55%
2005	.....	6.58%
2006	.....	7.31%
2007	.....	7.88%
2008	.....	7.62%



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)
1999	314,553	\$ 7,131,056,000	\$ 22,670	62,005	6.7%
2000	313,404	\$ 7,498,875,000	\$ 23,927	61,361	5.3%
2001	311,920	\$ 7,790,669,000	\$ 24,976	61,087	5.4%
2002	313,072	\$ 8,025,024,000	\$ 25,633	61,386	6.2%
2003	313,182	\$ 8,391,864,000	\$ 26,795	60,852	6.6%
2004	315,640	\$ 8,887,995,000	\$ 28,159	60,944	6.2%
2005	317,614	\$ 9,578,312,000	\$ 30,157	60,666	5.5%
2006	319,758	\$ 10,227,024,000	\$ 31,984	60,429	4.9%
2007	320,120	\$ 10,874,617,000	\$ 33,970	60,807	4.4%
2008	320,781 *	11,378,657,152 *	\$ 35,472 *	61,184	4.7%

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

(2) Nueces County - Source: Nueces County/Texas Education Agency/PEIMS
 - 2008 Enrollment figures include charter schools

(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
 Top 10 Employers
 By Size of Employment**

Rank	Business	Type of Product - Service	Employment 2008	% of Total Employment 2008	Employment 1998
1	Christus Spohn Health System	Medical	5,400	3.1%	N/A
2	Corpus Christi ISD	Education	5,178	2.9%	N/A
3	H.E.B.	Retail	5,000	2.8%	N/A
4	Corpus Christi Army Depot	Helicopter Repair	4,876	2.8%	N/A
5	City of Corpus Christi	City Government	3,171	1.8%	N/A
6	Bay, Ltd.	Industrial Construction	2,100	1.2%	N/A
7	Naval Air Station-Corpus Christi	Flight Training	1,630	0.9%	N/A
8	Del Mar College	Education	1,542	0.9%	N/A
9	Driscoll Children's Hospital	Medical	1,500	0.9%	N/A
10	Texas A & M - Corpus Christi	Education	1,400	0.8%	N/A

Nueces County - provided by Corpus Christi Regional Economic Development Corp.

N/A - information not available



Table 8

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

	1999	2000	2001	2002
Directly Operated:				
Transportation	117.50	116.50	119.50	120.50
Purchased Transportation:				
Purchased Transportation	1.00	1.00	1.00	1.00
Direct Support				
Customer Programs	7.00	8.00	8.00	8.00
Service Development	4.00	4.00	4.00	4.00
Vehicle Maintenance	32.00	31.00	33.00	36.00
Facilities Maintenance	6.00	6.50	7.50	9.00
Materials Management	3.00	4.00	4.00	4.00
	52.00	53.50	56.50	61.00
General Administrative:				
MIS	1.00	1.00	2.00	2.00
Contracts and Grants	2.60	2.00	2.00	3.00
General Management	2.50	2.50	2.00	2.00
Finance and Accounting	5.40	5.50	6.00	7.50
Human Resources	4.00	4.00	4.00	4.00
DBE/EEO	1.50	1.50	2.00	2.00
Capital Projects	2.00	2.00	2.00	2.50
	19.00	18.50	20.00	23.00
Totals	189.50	189.50	197.00	205.50

* Unavailable



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2003	2004	2005	2006	2007	2008
120.50	120.50	119.50	114.50	116.50	117.00
1.00	1.00	1.00	1.00	2.00	2.00
8.00	8.00	9.00	8.00	9.00	9.00
4.00	4.00	3.00	4.00	4.00	4.00
37.00	33.00	35.00	33.00	35.00	35.00
9.50	9.00	10.00	13.00	14.00	14.00
4.00	4.00	4.00	4.00	5.00	5.00
62.50	58.00	61.00	62.00	67.00	67.00
2.00	4.00	4.00	4.00	3.00	3.00
3.00	3.00	2.00	3.00	2.00	2.00
2.00	2.00	2.00	2.00	2.00	2.00
6.50	5.50	5.50	5.50	5.75	5.75
4.00	4.00	6.00	5.00	3.00	3.00
2.00	2.00	2.00	2.00	2.00	2.00
2.50	2.50	1.50	2.50	2.00	2.00
22.00	23.00	23.00	24.00	19.75	19.75
206.00	202.50	204.50	201.50	205.25	205.75



Table 9

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Operating Statistics and Assets Utilized
Last Ten Years
(Unaudited)

		1999	2000	2001	2002
System Ridership					
Motor Bus	a	5,615,957	5,579,319	5,626,632	5,466,690
Demand Response / Para-transit	b	190,241	175,550	175,508	168,949
Ferry Boat	b	37,685	36,329	33,572	47,725
Vanpool	c	-	7,507	11,086	-
System Revenue Hours					
Motor Bus	a	186,833	195,885	199,808	207,866
Demand Response / Para-transit	b	65,959	59,248	63,003	59,163
Ferry Boat	b	720	776	792	746
Vanpool	c	-	285,870	1,810	-
System Revenue Miles					
Motor Bus	a	2,592,221	2,699,487	2,769,518	2,970,224
Demand Response / Para-transit	b	1,295,874	1,151,752	1,226,807	1,140,181
Ferry Boat	b	1,209	1,209	1,287	47,725
Vanpool	c	-	39,254	92,056	-
Vehicles In Service					
Motor Bus		58	59	63	75
Demand Response / Para-transit		35	35	31	37
Ferry Boat		1	1	1	1
Vanpool		-	3	3	-
Uses of Capital Funds					
Rolling Stock (Vehicles)	e	\$ 591,102	1,600,080	1,142,399	1,343,573
Systems and Guideways		\$ -	-	-	694,863
Facilities and Stations (and Other)	f	\$ 2,426,869	3,371,279	2,064,577	4,487,328
Other	f	\$ -	-	-	200,320
Operating Expenses by Mode					
Motor Bus	e	\$ 10,875,504	10,973,183	11,948,832	13,063,019
Demand Response / Para-transit		\$ 2,711,177	2,915,144	2,892,760	2,800,393
Ferry Boat		\$ 138,014	179,227	161,784	167,379
Vanpool		\$ -	53,055	59,602	-

a - Directly Operated (Transportation Department) and Purchased Transportation (oversees contractors).

b - Purchased Transportation (contractors overseen by the Purchased Transportation Department).

c - Directly Operated - The Customer Programs Department oversees customers who operate vanpools.

d - Excludes miles not spent in active transportation service (i.e. deadhead, maintenance miles driven, etc.).

e - May not agree with GAAP-basis financial statements due to differences in NTD accounting methodologies.

f - Other equipment included in facilities until 2002.

Source: National Transit Database



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2003	2004	2005	2006	2007	2008
5,190,678	5,368,866	5,664,053	5,315,568	4,976,009	5,229,034
172,669	172,248	185,415	192,775	190,774	198,328
33,777	29,773	31,025	21,477	-	21,705
-	-	-	7,138	9,200	21,447
207,077	209,768	206,098	198,456	198,524	207,661
64,125	61,461	64,967	67,798	67,422	74,614
746	783	679	688	-	689
-	-	-	647	652	1,344
2,962,548	2,989,787	2,931,365	2,750,228	2,787,318	3,033,771
1,313,140	1,256,950	1,160,493	1,277,414	1,253,448	1,525,568
1,865	1,989	1,725	1,719	-	2,537
-	-	-	19,021	16,898	44,647
65	65	63	58	58	59
31	31	30	30	30	31
1	1	1	1	-	1
-	-	-	2	3	2
3,908,286	6,143,077	-	320	1,863,855	2,492,718
1,080,831	1,087,300	176,480	605,551	63,707	39,594
1,498,967	1,250,337	502,846	624,952	669,006	3,394,186
372,146	-	61,101	283,709	697,679	1,540,813
13,659,888	14,295,509	14,018,276	14,116,321	15,504,328	17,099,983
2,895,927	2,883,097	3,836,669	4,376,009	4,630,521	4,913,357
164,995	178,060	230,761	209,129	-	219,212
-	-	-	65,075	675,801	65,878



Table 10
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, CEO
Board of Directors	11
Service Area Square Miles	838
Population In Service Area	321,074
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
Average Speed in Miles Per Hour	12

* Historical trend information is not available. See Table 9 for utilization and level of capital investment trends.

2008
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 27, 2009

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, 2008, and have issued our report thereon dated May 27, 2009. 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.

Collier, 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 27, 2009

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, 2008. 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, 2008.

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.

Collier, Johnson & Woods

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2008

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 Expenditures of Federal Financial Awards
Year Ended December 31, 2008

GRANTOR	Federal CFDA Number	Grant Number	Expenditures, Indirect Costs, And Refunds
<u>DEPARTMENT OF TRANSPORTATION</u>			
<i>Federal Transportation Administration (FTA):</i>			
Capital Investment Grants	20.500	TX03-0189	\$ 929
Capital Investment Grants	20.500	TX03-0265	31,218
Capital Investment Grants	20.500	TX03-0296	563,322
Capital Investment Grants	20.500	TX04-0030	1,772,995
			<u>2,368,464</u> *
Transit Formula Funds	20.507	TX90-0507	92,849
Transit Formula Funds	20.507	TX90-0541	181,849
Transit Formula Funds	20.507	TX90-0581	102,344
Transit Formula Funds	20.507	TX90-0620	42,711
Transit Formula Funds	20.507	TX90-0649	98
Transit Formula Funds	20.507	TX90-0658	799,418
Transit Formula Funds	20.507	TX90-0716	142,311
Transit Formula Funds	20.507	TX90-0773	111,855
Transit Formula Funds	20.507	TX90-0777	1,426,434
Transit Formula Funds	20.507	TX90-0809	13,337
			<u>2,913,206</u> *
Job Access and Reverse Commute	20.516	TX37-4038	202,778
Job Access and Reverse Commute	20.516	TX37-4051	3,385
			<u>206,163</u>
New Freedoms	20.521	TX37-4038	1,894
			<u>1,894</u>
<i>Federal Highway Administration (FHWA):</i>			
Highway Planning and Construction	20.205	TX15-2007	247,347
Total Department of Transportation			<u>5,737,074</u>
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
<i>Office of Community Planning & Development</i>			
Economic Development Initiative – Special Projects	14.251	B05SPTX0988	<u>160,616</u>
OFFICE OF HOMELAND SECURITY			
<i>Federal Emergency Management Agency (FEMA)</i>			
Disaster Grants - Public Assistance (Presidentially Declared)	97.036	FEMA-1791	11,779
Disaster Grants - Public Assistance (Presidentially Declared)	97.036	FEMA -3294	28,276
			<u>40,055</u>
Total Federal Emergency Management Agency (FEMA)			<u>40,055</u>
TOTAL FEDERAL FINANCIAL AWARDS			\$ <u>5,937,745</u>

* Major Program

See Notes to Federal Financial Awards





Corpus Christi Regional Transportation Authority
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of the 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	\$	496,631
Capital Grant Contributions		<u>5,441,114</u>
Total Federal Contributions	\$	<u>5,937,745</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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