

*Comprehensive Annual Financial Report*

*For the Fiscal Year Ending June 30, 2007*

**MST**  
MONTEREY-SALINAS TRANSIT



**35**  
YEARS OF SERVICE

*New MST fleet ready to be unwrapped*

This page intentionally left blank



# Comprehensive Annual Financial Report

For The Fiscal Year Ended

June 30, 2007

Prepared by the Accounting Department

David A. Sobotka, Controller

This page intentionally left blank

# TABLE OF CONTENTS

---

	Page
<b><u>I. INTRODUCTORY SECTION</u></b>	
Letter of Transmittal.....	i
Board of Directors.....	ix
Organization Chart.....	x
Service Area Map.....	xi
 <b><u>II. FINANCIAL SECTION</u></b>	
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
<b>Financial Statements:</b>	
Statements of Net Assets.....	10
Statements of Revenues, Expenses and Changes in Net Assets.....	11
Statements of Cash Flows.....	12
Notes to Financial Statements.....	13
<b>Required Supplementary Information:</b>	
Schedule of Funding Progress.....	25
<b>Other Supplemental Information:</b>	
Consolidating Statements by Program.....	26
Budgetary Comparison.....	29
 <b><u>III. STATISTICAL SECTION</u></b>	
Financial Trends.....	30
Revenue Capacity.....	31
Debt Capacity.....	32
Demographic and Economic Indicators.....	33
Operating Information.....	34

# TABLE OF CONTENTS

---

	Page
<b>IV. <u>SINGLE AUDIT SECTION</u></b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance with <i>Government Auditing Standards</i> .....	36
Independent Auditors' Compliance Report Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and the Transportation Development Act.....	38
Independent Auditors' Report on Compliance and on Internal Control Over Compliance Applicable to Each Major Federal Award Program and on Schedule of Expenditures of Federal Awards.....	39
Schedule of Expenditures of Federal Awards.....	41
Summary of Auditors' Results.....	42
Summary of Financial Statement Findings.....	43

# Section I

---

## **INTRODUCTORY**

- Letter of Transmittal
- Board of Directors
- Organization Chart
- Service Area Map

This page intentionally left blank





## MONTEREY-SALINAS TRANSIT

### JOINT POWERS AGENCY MEMBERS:

City of Carmel-by-the Sea • City of Del Rey Oaks • City of Marina • City of Monterey • City of Pacific Grove  
City of Salinas • City of Seaside • County of Monterey

**Board of Directors and Passengers of Monterey-Salinas Transit  
Monterey, California**

**January 29, 2008**

**Comprehensive Annual Financial Report (CAFR)  
Year Ended June 30, 2007**

### **FORMAL TRANSMITTAL OF THE CAFR**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of Monterey-Salinas Transit (MST) for the fiscal years ending June 30, 2006 and 2007. This transmittal letter provides a summary of finances, achievements, economic prospects and services in a manner that is easily accessible to those without a background in accounting or finance. As such, unnecessary use of jargon has been avoided; further explanation of financial matters is provided in Management's Discussion and Analysis provided in the Financial Section of this Report.

As required by state law, independent auditors selected by the Board of Directors audited the financial statements contained in the CAFR. For the fiscal year ended June 30, 2007, Vavrinek, Trine, Day & Co. LLP, expressed an opinion that the statements are fairly stated and in compliance with accounting principles generally accepted in the United States of America. This most favorable type of opinion is commonly referred to as "unqualified" or "clean". While the independent auditor has expressed such an opinion, MST management takes sole responsibility for the contents of this CAFR, including its presentation, completeness and disclosures. To the best of its knowledge, staff believes the information to be accurate in all material respects.

### **PROFILE OF THE REPORTING ENTITY**

#### ***Joint-Powers Agency***

Monterey-Salinas Transit (MST) is an independent political subdivision of the State of California. It was originally formed by a joint-powers agreement in 1972, which was revised in 1981 to include the Salinas Transit System. The County of Monterey (the 'County') is located along the Central Coast of California, bordered on the south by San Luis Obispo County, the west by the Pacific Ocean, the east by San Benito County, and the north by the counties of Santa Clara and Santa Cruz.

MST provides bus transit services throughout the County and north into downtown Watsonville in Santa Cruz County and San Jose in Santa Clara County. MST's reporting entity is legally separate and financially independent as defined in Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity." There is no other organization within Monterey County with a similar scope of public transportation service.

The MST began operations in 1973 as Monterey Peninsula Transit and, by 1981 had consolidated two separate municipal systems into a viable network of local service throughout the 110 square-mile service area. In 1997, MST began operation of RIDES, a demand-response service for patrons with mobility impairments, previously operated by the County.



MST has received recognition as a leader in the public transit field with numerous awards. In 1998, MST won the California Governor's Quality Commitment Award. In addition, MST programs and individuals have received numerous awards from the Transportation Agency for Monterey County, the transportation-planning agency for Monterey County.

### ***Special Purpose District***

The agency is a special purpose district governed by an eight-member Board of Directors. The county Board of Supervisors selects one of its own members to serve on the MST Board. The mayors of each of the seven joint-power cities appoint one elected city official, bringing membership to eight. Directors meet once a month to determine overall policy for MST. A 6-member RIDES Advisory Committee (representing the elderly and disabled) provides non-binding input to the Board.

The mission of MST is leading, advocating and delivering quality public transportation. The Board of Directors adopts objectives, key business drivers and then monitors staff implementation of programs and policies. This strategic planning process also provides the basis for the operating budget and the 5-year capital improvement program. MST's key business drivers are organized under four general categories:

1. Operate safely, effectively and efficiently
2. Increase customer satisfaction
3. Strengthen employee development and satisfaction
4. Enhance support by MST members and other stakeholders

Some of the objectives and initiatives for fiscal year 2007 include the following:

- Begin Phase One Construction of Marina Transit Exchange.
- Develop environmental, final design and engineering for the FJL Monterey Bay Operations Center.
- Implement the Salinas and Peninsula Area Service Improvement Programs.
- Conduct business within approved budget and performance indicators.
- Implemented Phase One of the Financial Accounting Management Information System (FAMIS).
- Increased Fixed-Route Ridership by 2.1%.

### ***The Organization***

MST is organized into the following principal departments:

*Administration and Finance* - responsible for employee administration and development, labor relations and safety and security, information technology, treasury and debt management, budgeting, grant administration, general accounting, payroll, audit functions, marketing, advertising, public information and customer service, planning, programs and grant development.

*Facilities and Maintenance* - responsible for property management, procurement and inventory control, and vehicle maintenance.

*Operations* - responsible for administering bus transportation, various shuttles, ADA programs, service planning and quality assurance.



### ***Service Delivery Network***

The MST fixed-route bus system consists of 35 routes: twenty-nine operated by MST personnel, and six routes operated by MV Transportation, Incorporated. On an average weekday, these vehicles travel approximately 9,788 miles and carry more than 15,132 passengers. RIDES, MST's paratransit service, transports approximately 178 mobility impaired patrons daily on 22 specially equipped buses, minivans and sedans.

Bus ridership in Monterey County escalated from 280,000 in fiscal year 1973 to nearly 5 million in fiscal year 2002. As MST completed its 30th year of service in 2002, ridership had increased nearly 1,800 percent.

MST is partner in a variety of community events in Monterey County and provides special transportation service to the Monterey County Fair, California International Airshow, First Night festivities on New Year's Eve, and races at Laguna Seca. MST buses also travel to Big Sur during the summer months, where visitors can observe the natural beauty of the region. During its 30 years of operations, MST has provided transportation to special events such as the 1985 Aquarium Opening Day and the 1987 visit by Pope John Paul II. MST has provided emergency services to community evacuating local residents affected by natural disasters including floods, fires, and earthquakes.

MST implemented a new and improved system of routes and schedules on January 27, 2007 to respond to the needs of the community. The revamped system included new route numbers, additional services, and the consolidation or elimination of some routes.

### ***Special Projects and New Programs***

As we progress through its fourth decade of service, MST is focusing on several major projects designed to improve travel in the County and into Santa Clara County which include:

#### **Carmel Valley Grapevine Express**

Service from Downtown Monterey along Cannery Row and the Monterey Bay Aquarium to the Carmel Valley was designed to provide a convenient and safe way for locals and tourists to enjoy the Carmel shopping centers and ten wineries and tasting rooms along this vintner's corridor.

#### **San Jose Express**

Until the train connection from Gilroy to Salinas is established for the Caltrain System, MST is providing bus service from the Monterey Peninsula through Gilroy and Morgan Hill to San Jose. Commuter and mid-day service is being provided on this demonstration project to determine the feasibility of the program, which began in September 2006.

#### **South Monterey County Express**

Fixed-route express bus service, beginning in King City and terminating in Pebble Beach, passes through all south Monterey County cities. This demonstration project is intended to fulfill a long outstanding employment need of the rural areas of the County.

#### **Peninsula Area Service Change**

The largest adjustment in service in seven years was completed after a comprehensive operational analysis of all routes and ridership was performed.



### **New Operations Facilities**

The Fort Ord Reuse Authority has transferred 19.3 acres of land located on the former Fort Ord. Fund raising is in progress to build a \$30 million Operations facility to consolidate all fixed-route bus and DART operations in one location. Two facilities located in Monterey and Salinas currently provide for all operation, maintenance and administrative functions.

### **Elderly and Persons with Disabilities**

For many county residents, especially seniors and those with disabilities, MST provides the only means of transportation via its accessible fixed-route and RIDES services. During the past year, MST reaffirmed its special policy of providing discount fares to the senior and disabled community on fixed-route service. The entire fleet of vehicles is equipped with wheelchair lifts and some with a kneeling feature.

MST is now entering its 12th year of providing paratransit service to people with disabilities in Monterey County. In 1996, MST implemented arrangements with Monterey County to assume this service contracted with Pro Transportation Services, Inc., a privately owned company. MST is in full compliance with the federally mandated Americans with Disabilities Act.

In fiscal year ended June 30, 2007, RIDES vehicles, owned by MST, and contracted taxis provided a total of 36,651 hours of service.

## **FINANCIAL POLICY & CONTROL**

MST is accounted for in a single enterprise fund on the accrual method of accounting. In developing and evaluating the accounting system, emphasis is placed on the adequacy of internal accounting controls.

### ***Internal Accounting Controls***

Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition; and
2. The reliability of financial records for preparing financial statements and accounting for assets.

The concept of reasonable assurance recognizes that:

1. The cost of control should not exceed the benefits likely to be derived; and
2. The evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that MST's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### ***Cash Management***

The Board of Directors has adopted an investment policy as prescribed by State of California law. This policy emphasizes safety and liquidity over return on investment. Within these parameters, MST pursues a prudent cash management and investment program in order to achieve maximum return on all available funds. The MST's policy is to hold securities to maturity to avoid losses from a potential sale.



### ***Risk Management***

Every year an independent consultant is retained to perform an actuarial study. MST implements the recommendations and coordinates the annual insurance program. Current insurance policies provide public liability coverage to \$10,000,000 and property damage in excess of the \$5,000 self-insured retention. For workers' compensation, the limit is \$5,000,000 with \$1,000,000 per occurrence self-insured. Staff monitors the program and the reserves throughout the year.

### ***Budgetary Control***

State law requires the adoption of an annual budget and the Board of Directors has unlimited authority to approve and amend the budget. In the opinion of legal counsel, the *State of California's* Gann Act appropriation limit does not apply to this special purpose organization. Staff bases the MST budget on agency goals and objectives and presents it to the Board of Directors in the spring of the preceding fiscal year. The Board adopts a balanced budget by resolution that is supported by adequate reserves to cover excess expenditures over revenues. Cost center managers are responsible for monitoring budget-to-actual performance on an accrual basis.

MST's budget process identifies goals and objectives and allocates resources accordingly. Operating revenues and expenses are budgeted on the accrual basis and staff monitors and controls progress through variance analysis. A supplemental schedule comparing the adopted budget to actual on a budgetary basis is included in the Financial Section.

### **FINANCIAL HIGHLIGHTS – More financial information is available from the Management Discussion and Analysis included in the Financial Section.**

The Monterey-Salinas Transits financial position continues to be strong. Financial planning is based on the assumption of steady ridership growth, continuation of the bus acquisition and replacement program, and extraordinary capital requirements associated with the Marina Transit Exchange and the FJL Monterey Bay Operations Facility at the former Fort Ord.

### ***Revenue Sources***

MST utilizes five primary sources of revenue to operate its public transit services: passenger fares, local transportation funds, investment income, non-transportation funds and federal funds. Operating income from patron fares and/or local transaction and use taxes must cover 15 percent of applicable operating expenses to be eligible for State of California Transportation Development Act (TDA). TDA funding provides one-quarter of one percent of the sales tax collected in Monterey County.

Local and state revenue now covers the yearly shortfall in operating expenses, provides the local match for federal capital grants and finances other needed capital programs. MST still relies heavily on federal assistance for capital expenditures.

### ***Expenses and Expenditures***

Overall expenses and expenditures are classified into nine categories: salaries/benefits, services, materials and supplies, professional and technical services, purchased transportation, insurance, utilities, leases and rentals, other expenses and depreciation.



### ***Capital Program***

The main thrust of MST's capital development program over the next five years will be the completion of the Marina Transit Exchange, the Intelligent Transportation System, and initiating construction of the Frank J. Lichtanski (FJL) Monterey Bay Operations Facility, named for the former General Manager of 30 years, who deceased in June 2006.

## **ECONOMIC CONDITIONS**

Ranking high in affluence among Northern California counties, Monterey County has a maturing economy. Due to lack of substantial industry diversification, Monterey County depends upon two industry segments for its prosperity – agriculture and tourism. In fiscal year 2007, signs of economic stabilization appeared in low unemployment rates and steady tourism levels, which have lead to increased revenues from sales taxes generated by these sources. As of the date of this report, MST is projecting a slight increase in revenues and ridership growth for the next year and services are being adjusted to reflect these changes. This upturn is expected to be moderate. While the long-term economic outlook remains favorable, MST is taking a prudent course of cutting non-service related budgets and analyzing the appropriateness of current staffing levels and vacancies while seeking to maintain existing productive routes as much as possible.

## **FUTURE OUTLOOK**

Notwithstanding current economic fluctuations, MST anticipates a transition over the next decade into the new millennium from its role as a local and line-haul bus operator to a more diversified enterprise encompassing rail, bus, and paratransit modes. MST will continue to provide local transportation for municipalities, but also will support its feeder bus service to the San Jose and San Francisco Bay area.

While the Association of Monterey Bay Area Governments (AMBAG) projects a 17.9% percent increase in county population by 2010, the County's inventory of jobs is expected to grow by 13.8% percent. Air quality standards are set by the Monterey Bay Unified Air Pollution Control District (MBUAPCD) with implementation of congestion management plans by local agencies. These services are underwritten by a variety of public and private funding sources. Capital funding will continue to support a bus acquisition program consistent with the MST's fleet modernization standards.

## **SUMMARY**

The men and women of the Monterey-Salinas Transit and its contract service provider bring an effective combination of skills, experience and dedication to carrying out their mission of leading, advocating and delivering quality public transportation.

MST provides a modern bus fleet, state-of-the-art bus maintenance facilities, and is an active participant in a coordinated regional transit network with direct connections to neighboring systems. MST services provide a choice in alternatives to automobile travel, improved access to work, education, and recreation opportunities to members of our community and improving the quality of life in the region by reducing traffic congestion and improving air quality.





Along with the recent economic stabilization, MST expects to consummate its strategic plan without compromising the sound financial structure developed over thirty years of operations. In past economic recoveries, Monterey County has recovered more quickly than most other areas in California and the nation.

With the continued dedication of its transit professionals, Monterey-Salinas Transit will continue to meet the transportation challenges faced by our community, and will strive to exceed the expectations of our customers, employees, and stakeholders.

## **AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Monterey-Salinas Transit for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the fifth consecutive year that MST has achieved this prestigious award. 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.

## **ACKNOWLEDGEMENTS**

The preparation of this report required the dedicated extra efforts of MST staff and we extend our grateful recognition to all individuals who assisted. Within the Finance Division, we particularly wish to acknowledge the contributions of Accountant Fred Libert, Senior Accounting Technicians Kathy Bertrand and Sharon Roberts, and Accounting Assistant Karleen Russell to recognize the high level of professionalism they bring to Monterey-Salinas Transit. In addition, this report could not have been produced without the timely audit and expert guidance of Vavrinek, Trine, Day & Co., LLP. Finally, we wish to thank the Board of Directors for their interest and support in the development of a strong financial system. We acknowledge that management is responsible for the content of this Comprehensive Annual Financial Report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Carl Sedoryk".

**Carl Sedoryk**  
General Manager/CEO

A handwritten signature in black ink, appearing to read "David A. Sobotka".

**David A. Sobotka**  
Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Monterey-Salinas Transit  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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



# **MONTEREY-SALINAS TRANSIT**

## **BOARD OF DIRECTORS**

**Fiscal Year Ending June 30, 2007**

FERNANDO ARMENTA, Chair

THOMAS MANCINI, Vice Chair

KRISTIN CLARK

MICHAEL CUNNINGHAM

LIBBY DOWNEY

SERGIO SANCHEZ

RON SCHENK

LISA SENKIR (Ex-Officio)

VICKI STILWELL

**Fernando Armenta** – Chair, was appointed in November 1996, and has been a member of the Monterey County Board of Supervisors since January 2001. He served as Chairperson from March 2000 to February 2001, when he became Vice Chair. He again serves as Chairperson beginning in February 2004. Mr. Armenta was initially appointed as the representative councilmember for the City of Salinas.

**Thomas Mancini**, councilmember from the City of Seaside, was appointed in January 1999. He began serving as Vice Chair in February 2004.

**Kristin Clark**, councilmember from the City of Del Rey Oaks, was appointed in May 2003.

**Michael Cunningham**, councilmember from the City of Carmel-By-The-Sea, was appointed in May 2004.

**Libby Downey**, councilmember from the City of Monterey, was appointed in February 2005.

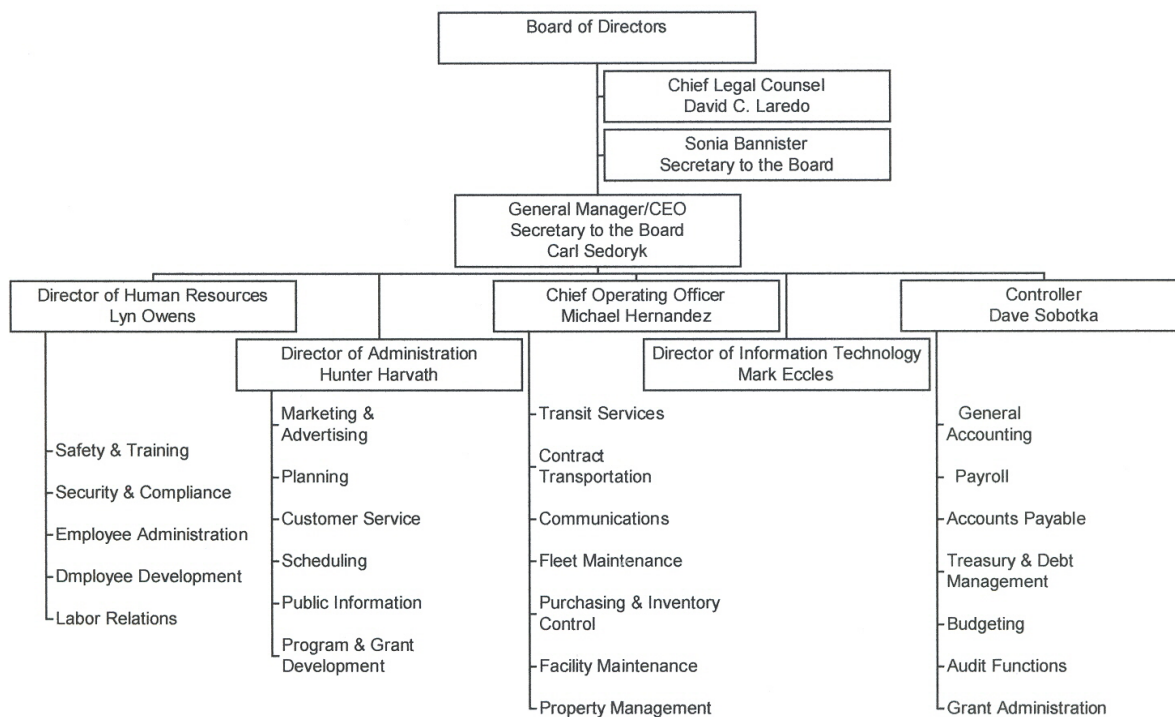
**Sergio Sanchez**, councilmember from the City of Salinas, was appointed by the Mayor of Salinas in January 2003.

**Lisa Senkir**, Ex-Officio councilmember from the City of Gonzales, was appointed in February 2007.

**Vicki Stilwell**, councilmember from the City of Pacific Grove was appointed in December 2004 by the City of Pacific Grove.

**Gary Wilmot**, councilmember from the City of Marina, was appointed in December 2004.

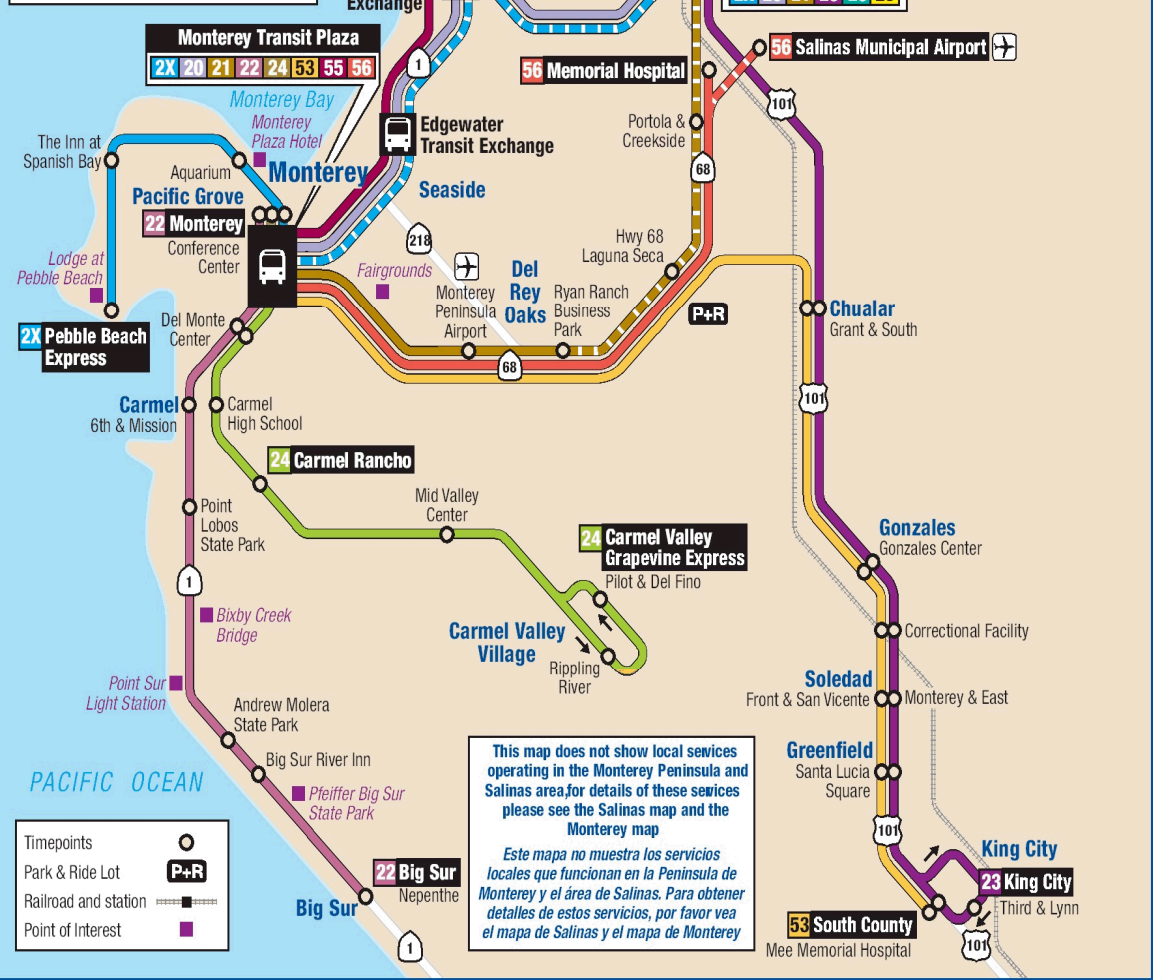
# MONTEREY-SALINAS TRANSIT





# MST Regional Map

- 2X** Pebble Beach Express  
First morning trip only
- 20** Monterey - Salinas
- 21** Monterey - Salinas  
Peak hours only
- 22** Big Sur
- 23** Salinas - King City  
Saturdays & Sundays only
- 24** Carmel Valley -  
Grapevine Express
- 27** Watsonville - Marina
- 28** Watsonville - Salinas  
Evening service
- 29** Watsonville - Salinas
- 53** South County -  
Monterey Peninsula  
Express
- 55** Monterey - San Jose  
Express
- 56** Monterey -  
Memorial Hospital  
Special service



# Section II

---

## **FINANCIAL**

Independent Auditors' Report

Management's Discussion and Analysis

### **Financial Statements**

- Statements of Net Assets
- Statements of Revenues, Expenses and Changes in Net Assets
- Statements of Cash Flows
- Notes to Financial Statements

### **Required Supplementary Information**

- Schedule of Funding Progress

### **Other Supplemental Information**

- Consolidating Statements by Program
- Budgetary Comparison

This page intentionally left blank

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Monterey-Salinas Transit

We have audited the accompanying statements of net assets of the Monterey - Salinas Transit (MST) as of June 30, 2007 and 2006, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of MST's management. Our responsibility is to express an opinion on these financial statements based upon our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Monterey-Salinas Transit as of June 30, 2007 and 2006 and the results of its operations and its 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 January 29, 2008, on our consideration of the MST's internal control over financial reporting and our tests of its compliance with certain provisions of law, 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 on pages 3 through 9 and the Schedule of Funding Progress on page 25 are not required parts of the basic financial statements, but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements of MST taken as a whole. The accompanying schedule of Federal Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments*. The Consolidating Statements by Program listed as Other Supplemental Information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of MST. Both the schedule of Federal Financial Assistance and the Consolidating Statements by Program 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, the Budgetary Comparison and the Statistical Section listed in the table of contents are also presented for the purpose of additional analysis and are not a required part of the financial statements. We have not audited this information and express no opinion on it.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California  
January 29, 2008





## MONTEREY-SALINAS TRANSIT

### JOINT POWERS AGENCY MEMBERS:

*City of Carmel-by-the Sea • City of Del Rey Oaks • City of Marina • City of Monterey • City of Pacific Grove  
City of Salinas • City of Seaside • County of Monterey*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of Monterey-Salinas Transit (MST) provide an introduction to the financial statements of MST for the fiscal year ended June 30, 2007.

Following the MD&A are the basic financial statements of MST together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

## MST ACTIVITIES HIGHLIGHTS

MST is based in Monterey, California, and consists of two operating divisions, Fixed-Route BUS and RIDES Paratransit, operating in two Federal Urbanized Zones: the Monterey Peninsula and Salinas. Overseeing more than 211 employees who work together in the public interest, the General Manager/CEO coordinates the operations of these divisions according to the policy and direction of the Board of Directors. The Board of Directors consists of eight members representing the seven member cities and the County: Carmel-by-the-Sea, Del Rey Oaks, Marina, Monterey, Pacific Grove, Salinas, Seaside and Monterey County. Over 4,800,000 passengers ride Monterey-Salinas Transit each year.

The recent turnaround from the economy and upturn in the investment industry has resulted in a increase in service for Fixed-Route BUS. RIDES Paratransit service remains constant as intended due to the relinquishing of MediCal service at mid-year 2003.

	2007	2006	2005
Fixed- Route Passengers	4,892,345	4,793,200	4,738,112
% increase/(decrease)	2.07%	1.16%	
RIDES Paratranist Passengers	66,508	65,514	66,538
% increase/(decrease)	1.52%	(1.54%)	

MST is unique compared to Santa Cruz and San Francisco Bay Area transit operations because it provides transit service without support from direct sales tax measures or dedicated general funds. As MST does not have the authority to levy taxes, the use of Local Transportation Funds is the only available local means MST has to support transit services. Presently, MST is funded approximately 30% by passenger fares for Fixed-Route service and 10% for RIDES Paratransit service. The remainder is met by Federal formula and Congestion Management Air Quality funds and other local air pollution control district funds.

## FINANCIAL POSITION SUMMARY

Total net assets serve over time as a useful indicator of MST's financial position. MST's assets exceed liabilities by \$18.7 million at June 30, 2007, which was a 6% increase from June 30, 2006. A condensed summary of net assets at June 30 is shown below (\$ in thousands):

	2007	2006	2005
<b>ASSETS:</b>			
Current and other assets	\$ 16,979	\$ 7,618	\$ 7,063
Capital assets	24,181	26,035	28,233
Total assets	<u>\$ 41,160</u>	<u>\$ 33,653</u>	<u>\$ 35,296</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 6,648	\$ 4,883	\$ 4,470
Non current liabilities	15,787	11,214	13,215
Total liabilities	<u>22,435</u>	<u>16,097</u>	<u>17,685</u>
<b>NET ASSETS:</b>			
Invested in capital assets	16,517	16,835	17,595
Unrestricted	2,208	721	16
TOTAL NET ASSETS	<u>\$ 18,725</u>	<u>\$ 17,556</u>	<u>\$ 17,611</u>

The largest portion of MST's net assets each year (88% at June 30, 2007) is its investment in capital assets (e.g., buses, buildings, improvements, and equipment). MST uses these capital assets to provide services to its patrons, passengers and visitors to the region; consequently, these assets are not available for future spending. The remaining unrestricted net assets (12% at June 30, 2007) may be used to meet MST's ongoing obligations.

## FINANCIAL OPERATIONS HIGHLIGHTS

- Total Revenues before capital contributions increased by 8.2% from \$21.0 million to \$22.8 million.
- Operating Expenses before depreciation increased by 8.2% from \$21.0 million to \$22.8 million, primarily as a result of increased wages and materials and fuel costs.
- Capital contributions received in the form of grants from the Federal and State governments increased from \$5.2 million in 2006 to \$6.7 million in 2007.
- Operating Revenues generally equal Operating Expenditures before depreciation in order to comply with State Transportation Development requirements of MST as a publicly funded transportation entity.

### SUMMARY OF CHANGES IN NET ASSETS (\$ in thousands)

	2007	2006	2005
Total revenues	\$22,763	\$21,030	\$18,960
Operating expenses	22,763	21,030	18,960
Operating loss before depreciation and interest expense	-	-	-
Interest expense	179	477	540
Loss on disposal of assets	-	-	-
Depreciation	5,379	4,729	4,557
Net loss before capital contributions	(5,558)	(5,206)	(5,097)
Capital contributions	6,727	5,151	2,269
Increase (decrease) in net assets	\$ 1,169	\$ (55)	\$ (2,828)

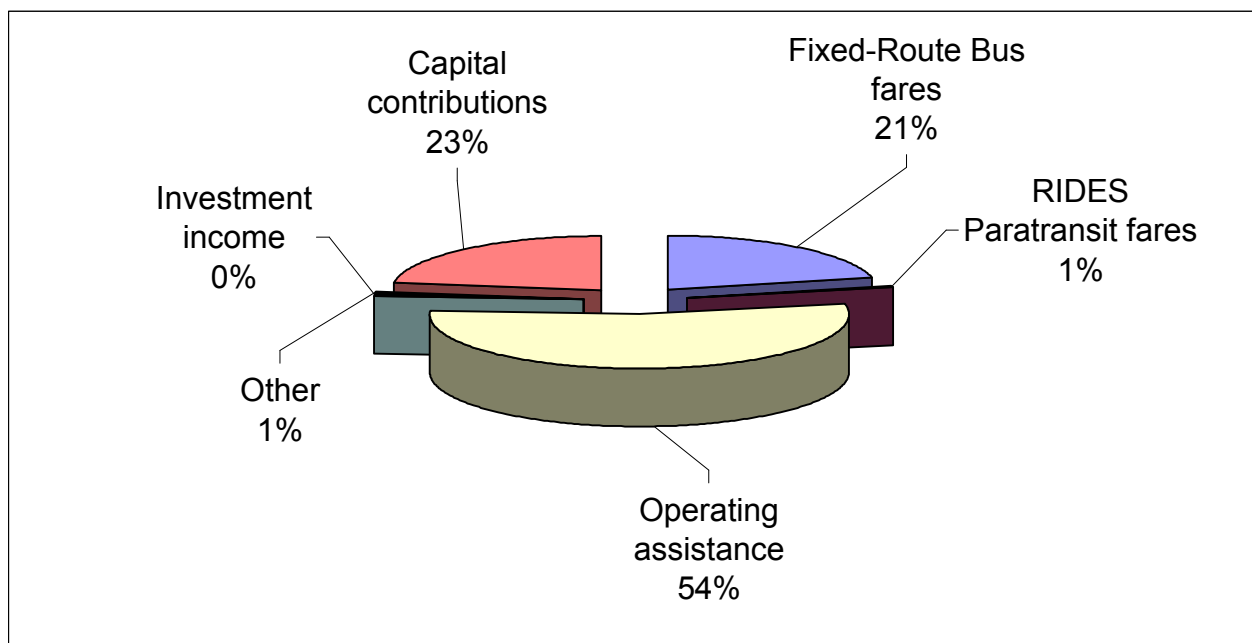
### MST PASSENGER FARES

Passenger fares are set by Board Policy and changed when determined necessary by the Board. There was an increase of \$.25 in Fixed-Route fares and \$.50 in Paratransit fares in fiscal year 2006. In January 2007 a \$.25 transfer fee was added to the Fixed-Route Bus fare structure.

	2007	2006	2005
Fixed-Route Bus Single Zone Fare	\$ 2.00	\$ 2.00	\$ 1.75
Fixed-Route Bus Single Zone Transfer	\$ 0.25	\$ -	\$ -
RIDES Paratransit Single Zone Fare	\$ 2.50	\$ 2.50	\$ 2.00

## REVENUES

The following chart shows the major sources and the percentage of operating revenues for the year ended June 30, 2007 (fares, grants and other):



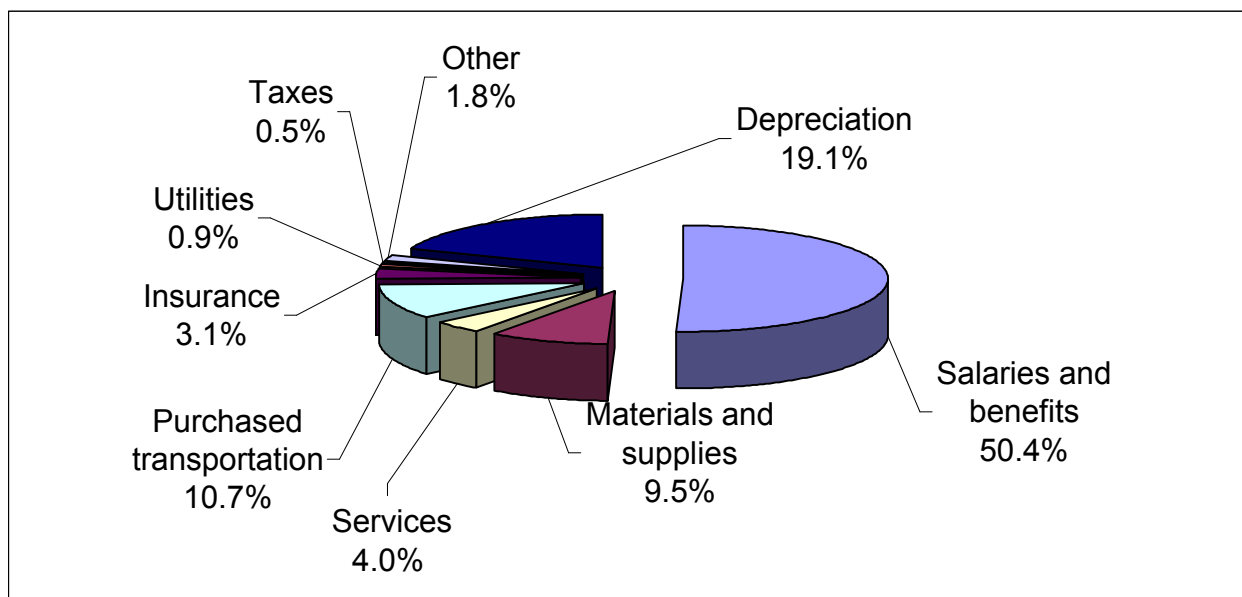
A summary of revenues for the year ended June 30, 2007, including the amount and percentage of change in relation to prior year amounts is as follows (\$ in thousands):

	2007 Amount	Percent of Total	2007 Increase (Decrease) From 2006	Percent Increase/ (Decrease)	2006 Increase (Decrease) From 2005	Percent Increase/ (Decrease)
Operating						
Fixed-Route Bus fares	\$ 6,289	21.3%	\$ 628	11.1%	\$ 1,049	22.7%
RIDES Paratransit fares	159	0.5%	3	1.9%	(18)	(10.3%)
Total Operating	6,448	21.9%	631	10.8%	1,031	21.5%
Nonoperating:					-	
Federal grants	6,390	21.7%	413	6.9%	593	11.0%
Local Transportation Fund	9,635	32.7%	709	7.9%	432	5.1%
Investment income	110	0.4%	13	13.4%	50	106.4%
Other	179	0.6%	(34)	(16.0%)	(35)	(14.1%)
Total Nonoperating	16,314	55.3%	1,101	7.2%	1,040	7.3%
Capital contributions	6,728	22.8%	1,577	30.6%	2,881	126.9%
Total Revenues	<u>\$ 29,490</u>	<u>100.0%</u>	<u>\$ 3,309</u>	<u>12.6%</u>	<u>\$ 4,952</u>	<u>23.3%</u>

The operating assistance increase is mainly attributable to the increase Transportation Development Act assistance.

## EXPENSES

The following chart shows the major cost categories and the percentage of operating expenses for the year ended June 30, 2007:



A summary of expenses for the year ended June 30, 2007, including the amount and percentage of change in relation to prior year amounts is as follows (\$ in thousands):

	2007 Amount	Percent of Total	2007 Increase (Decrease) From 2006	Percent Increase/ (Decrease)	2006 Increase (Decrease) From 2005	Percent Increase/ (Decrease)
Operating:						
Salaries and benefits	\$14,188	50.4%	\$31	0.2%	\$1,575	12.5%
Materials and supplies	2,671	9.5%	226	9.2%	254	11.6%
Professional and Technical						
Services	1,123	4.0%	246	28.1%	121	16.0%
Purchased transportation	3,014	10.7%	448	17.5%	10	0.4%
Insurance	879	3.1%	191	27.8%	396	135.6%
Utilities	244	0.9%	32	15.1%	(21)	(9.0%)
Taxes	141	0.5%	132	1466.7%	1	12.5%
Other	502	1.8%	109	27.7%	51	14.9%
Total operating expenses before depreciation	22,762	80.9%	1,415	6.6%	2,387	12.6%
Depreciation	5,379	19.1%	650	13.7%	172	3.8%
Total operating expenses	<u>\$ 28,141</u>	<u>100.0%</u>	<u>\$ 2,065</u>	<u>7.9%</u>	<u>\$ 2,559</u>	<u>10.9%</u>

## **FINANCIAL STATEMENTS**

MST's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board. MST is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except for land and construction in progress) are depreciated over their useful lives. See the notes to the financial statements for a summary of MST's significant accounting policies.

## **CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES**

Capital asset acquisitions are capitalized at cost. Acquisitions are funded using Federal grants with matching State funds and local grant funds. Additional information on MST's capital assets can be found in Note 5 of the notes to the financial statements.

## **ECONOMIC AND OTHER FACTORS**

MST is continuing its commitment to its mission of leading, advocating and delivering quality public transportation. In carrying out this mission, MST provides fixed-route bus and paratransit service and carries out these activities in a cost-effective, fiscally responsible manner. Furthermore, MST recognizes its responsibility to work with federal, state, regional, and local governments and agencies to best meet the transportation needs of the people, communities, and businesses of Monterey County and the Central Coast areas.

The financial condition of MST is strong and the economic outlook of the service area is positive in the long run. MST supports its activity primarily with transit fares and local transportation funds. Federal funding of operations is a major funding source. Steps have been taken to back a measure to receive support from a direct sales tax. MST is also developing a strategy to implement a step increase in fares over multiple years, rather than a single increase every four to six years.

Accelerated capital investment in transit coaches has been accomplished by arranging lease financing of \$15 million over ten years for 46 buses. These coaches began arriving in fiscal year 2002 and all were on the road and provided service in 2004. Additional financing of 15 coaches in FY 2008 was arranged for \$6.2 million before the end of this fiscal year. The \$3.5 million Advanced Communication System, which replaces a twenty-year-old radio system, went on-line in October 2002, and is the core for more sophisticated service in the future. Federal funding for Intelligent Transportation Systems has been allocated to MST, and represents the next phase of systems integration. A software contract was awarded in July 2004 for the first phase of this project to include run cutting, scheduling, rostering, dispatching and timekeeping. The second phase including fleet maintenance and inventory control was initiated during the fiscal year. The third phase, which will include the financial interface, will begin in this fiscal year and completed in the next fiscal year – 2008.

## **ADDDITIONAL FINANCIAL INFORMATION**

This financial report is designed to provide MST's customers, stakeholders and other interested parties with an overview of MST's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Controller at One Ryan Ranch Road, Monterey, California 93940-5795.

# MONTEREY-SALINAS TRANSIT

## STATEMENTS OF NET ASSETS JUNE 30, 2007 AND 2006

ASSETS	2007	2006
CURRENT ASSETS:		
Cash and investments	\$ 13,401,900	\$ 5,189,822
Operating grants receivable	466,410	233,738
Capital grants receivable	1,994,995	543,226
Material and supplies, at cost	357,115	320,720
Prepaid expenses	165,638	119,830
Cost of issuance	131,420	-
Other receivables	461,638	1,210,211
Total current assets	16,979,116	7,617,547
PROPERTY, PLANT, AND EQUIPMENT:		
Land	975,643	975,643
Buses	29,492,902	29,311,111
Shop, office and other equipment	18,330,920	18,177,700
Total	48,799,465	48,464,454
Accumulated depreciation	(31,265,289)	(26,458,031)
Construction in progress	6,647,115	4,029,002
Property, plant and equipment - net	24,181,291	26,035,425
TOTAL ASSETS	41,160,407	33,652,972
LIABILITIES AND CAPITAL		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,768,274	\$ 807,865
Accrued liabilities	909,409	889,070
Self-insurance liabilities	2,142,174	1,681,265
Current portion of long-term financing agreement	1,828,341	1,504,905
Total current liabilities	6,648,198	4,883,105
NONCURRENT LIABILITIES		
Deferred credits	3,894,321	3,518,251
Obligation under financing agreement	11,892,317	7,695,506
Total noncurrent liabilities	15,786,638	11,213,757
TOTAL LIABILITIES	22,434,836	16,096,862
NET ASSETS:		
Invested in capital assets net of related debt	16,517,266	16,835,014
Unrestricted	2,208,305	721,096
TOTAL NET ASSETS	\$ 18,725,571	\$ 17,556,110

See notes to financial statements.



# MONTEREY-SALINAS TRANSIT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Fares	\$ 6,448,376	\$ 5,816,967
OPERATING EXPENSES:		
Salaries and benefits	14,188,669	13,839,158
Materials and supplies	2,670,625	2,445,101
Professional and technical services	1,122,827	877,213
Purchased transportation	3,014,369	2,566,443
Insurance	879,219	688,928
Utilities	244,569	211,685
Taxes	140,781	-
Leases and rentals	-	9,213
Other	501,576	392,406
Total operating expense	<u>22,762,635</u>	<u>21,030,147</u>
Operating loss before depreciation	(16,314,259)	(15,213,180)
DEPRECIATION	<u>5,378,806</u>	<u>4,728,480</u>
OPERATING LOSS	(21,693,065)	(19,941,660)
NON-OPERATING REVENUES AND EXPENSES		
Operating assistance:		
Federal grants	6,390,727	5,977,063
Local and State grants	9,634,551	8,925,942
Interest expense	(179,253)	(477,113)
Loss on disposal of assets	(350)	-
Interest income	110,294	96,611
Other	178,687	213,564
Total non-operating revenues	<u>16,134,656</u>	<u>14,736,067</u>
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(5,558,409)	(5,205,593)
CAPITAL CONTRIBUTIONS	<u>6,727,870</u>	<u>5,150,685</u>
CHANGE IN NET ASSETS	1,169,461	(54,908)
NET ASSETS, Beginning of year	<u>17,556,110</u>	<u>17,611,018</u>
NET ASSETS, End of year	<u><u>\$ 18,725,571</u></u>	<u><u>\$ 17,556,110</u></u>

*See notes to financial statements.*

# MONTEREY-SALINAS TRANSIT

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fares	\$ 6,448,376	\$ 5,436,934
Payments to employees	(14,159,906)	(14,904,893)
Payments to vendors for services	(6,403,310)	(6,275,497)
Payments for insurance claims and premiums	(464,118)	940,304
Other	551,413	(178,732)
Net cash used in operating activities	(14,027,545)	(14,981,884)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating grants received	14,366,854	14,406,427
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	7,077,923	9,572,646
Interest payments	(179,253)	(477,113)
Payments under long-term financing agreement	(1,667,806)	(1,437,433)
Receipts of issuance of new debt	6,056,633	-
Purchase of property, plant and equipment net of related debt	(3,525,022)	(2,531,012)
Net cash provided by capital and related financing activities	7,762,475	5,127,088
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	110,294	96,611
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,212,078	4,648,242
CASH AND CASH EQUIVALENTS, Beginning of year	5,189,822	541,580
CASH AND CASH EQUIVALENTS, End of year	\$ 13,401,900	\$ 5,189,822
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (21,693,065)	\$ (19,941,660)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	5,378,806	4,728,480
Other income	178,687	213,564
Effect of changes in:		
Materials and supplies	(36,395)	(24,605)
Prepaid expenses	(45,808)	76,257
Receivables	748,573	(380,032)
Accounts payable	960,409	4,710
Accrued liabilities	20,339	(145,838)
Self-insurance liabilities	460,909	487,240
Net cash used in operating activities	\$ (14,027,545)	\$ (14,981,884)

See notes to financial statements.

# MONTEREY-SALINAS TRANSIT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

### I. ORGANIZATION

Monterey-Salinas Transit (MST) was created July 1, 1981 through the merger of Monterey Peninsula Transit and Salinas Transit System under a joint exercise of powers agreement to provide, either directly or through contract, public transportation services within certain areas of the County of Monterey and the Cities of Carmel-by-the-Sea, Del Rey Oaks, Marina, Monterey, Pacific Grove, Seaside and Salinas. MST provides bus services to those areas and is governed by a Board of Directors composed of representatives of the member jurisdictions. In addition, effective July 1, 1996, the administration of the RIDES program was transferred to MST from the County of Monterey. The RIDES program fulfills MST's obligation, under the Americans with Disabilities Act, to provide complementary Paratransit service. The RIDES program is a "curb-to-curb" transportation program for persons with disabilities unable to use fixed-route public transit.

### II. SIGNIFICANT ACCOUNTING POLICIES

*The Financial Reporting Entity* - Although the nucleus of a financial reporting entity usually is a primary government, an organization other than primary government, such as a stand-alone government, may serve as the nucleus for its financial reporting entity when the stand-alone government provides separately issued financial statements. A stand-alone government is a legally separate governmental organization that does not have a separately elected governing body and does not meet the definition of a component unit. Monterey-Salinas Transit meets the criteria as a stand-alone government, and accordingly, is accounted for and reported on as though it were a primary government.

*Basis of Accounting* - The MST is a single enterprise fund and maintains its records on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred. The MST has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

# MONTEREY-SALINAS TRANSIT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

### *Implementation of Governmental Accounting Standards Board Statements*

*GASB Statement No. 45* - In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This statement is not effective until June 30, 2009. MST has not determined its effect on the financial statements.

*GASB Statement No. 47* - In June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*. This Statement establishes accounting guidance and disclosure requirements for termination benefit arrangements. This statement is effective in two parts. For termination benefits provided through an existing defined Other Postemployment Benefit plan (OPEB), the provisions should be implemented simultaneously with GASB Statement No. 45. For all other termination benefits, this Statement is effective for periods beginning after June 15, 2005. MST has not determined its effect on the financial statements.

*GASB Statement No. 48* - In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement addresses accounting and financial reporting standards for transactions where governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. This statement establishes criteria and reporting standards regarding the exchange as either a sale or collateralized borrowing, resulting in a liability. This statement is not effective until June 30, 2008. MST has not determined its effect on the financial statements.

*GASB Statement No. 49* - In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is not effective until June 30, 2009. MST has not determined its effect on the financial statements.

# MONTEREY-SALINAS TRANSIT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

*GASB Statement No. 50* – In May 2007, the GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This statement is not effective until June 30, 2008. MST has not determined its effect on the financial statements.

*GASB Statement No. 51* – In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is not effective until June 30, 2010. MST has not determined its effect on the financial statements.

*Cash equivalents* include demand deposits and amounts invested in the State treasurer's investment pool (the State of California Local Agency Investment Fund), which are available upon demand and investments in U.S. Treasury bills to acquire and finance the purchase of new buses. Investments in the State of California Local Agency Investment Fund are stated at amortized cost which approximates fair value.

*Grants* for operating assistance and capital acquisitions are included in revenue in the period in which the grant was earned. Federal capital grant funds are claimed on a reimbursement basis and receivables for grant funds are recorded as the related obligations are incurred. Capital grant funds advanced but not yet earned are treated as deferred credits. Also, operating funds advanced from the Transportation Agency for Monterey County for working capital are treated as deferred credits until earned.

*Inventories* consist primarily of bus replacement parts and fuel and are stated at average cost. Inventories are charged to expense at the time that individual items are withdrawn from inventory.

*Property, plant, and equipment* is stated at cost and depreciated using the straight-line method over the following estimated useful lives:

Buses	8 to 12 years
Shop, office, and other equipment	3 to 30 years
MST's capitalization threshold is \$500.	

*Self-Insurance Liabilities* – Claims liabilities, including claims incurred but not reported, are measured based on the estimated ultimate cost of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends, and any other factors that would modify past experience.

# MONTEREY-SALINAS TRANSIT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

*Estimates* – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Significant estimates include the valuation of self-insurance liabilities and the depreciable lives of property, plant and equipment. Actual results could differ from those estimates.

*Operating and Non-Operating Revenue* – MST distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from directly providing services in connection with MST's principal operation of bus transit services. These revenues are primarily passenger fares. Operating expenses include the cost of sales and services, administrative expenses, contracted services and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Reclassifications* – Certain reclassifications have been made to the prior year financial statements in order to confirm to the current year presentation.

# MONTEREY-SALINAS TRANSIT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

### III. OPERATING ASSISTANCE

MST receives allocations of local transportation funds pursuant to the Transportation Development Act of 1971. These funds are generated within Monterey County and are allocated based on annual claims filed by MST and approved by the Transportation Agency for Monterey County (TAMC)

MST also receives allocated Federal operating assistance funds pursuant to Sections 5303, 5307 and 5311 of the Federal Transit Act of 1964. Such funds are apportioned to the local urbanized area by the Federal Transit Authority (FTA). Expenditures of Federal operating assistance funds are subject to final audit and approval by the FTA.

Operating grant activity for 2007 is summarized as follows:

	Federal Grants	Local Transportation Fund	State Operating Grants	Total
Amount recognized as revenue	\$ 6,390,727	\$ 8,674,086	\$ 960,465	\$ 16,025,278
Amount received prior to June 30, 2007	(5,924,317)	(8,674,086)	(960,465)	(15,558,868)
Grants receivable at June 30, 2007	<u>\$ 466,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466,410</u>

Operating grant activity for 2006 is summarized as follows:

	Federal Grants	Local Transportation Fund	State Operating Grants	Total
Amount recognized as revenue	\$ 5,977,063	\$ 8,925,942	\$ -	\$ 14,903,005
Amount received prior to June 30, 2006	(5,743,325)	(8,925,942)	-	(14,669,267)
Grants receivable at June 30, 2006	<u>\$ 233,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,738</u>

# MONTEREY-SALINAS TRANSIT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

### IV. DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2007 and 2006, consists of the following:

	2007	2006
Cash on hands and in banks	(345,356)	\$ (463,641)
Investments in Local Agency Investment Fund	7,690,623	5,653,463
U.S. Agencies	6,056,633	-
	<u>\$ 13,401,900</u>	<u>\$ 5,189,822</u>

#### *Policies and Practices*

The MST is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

#### *General Authorizations*

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Country Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None



# MONTEREY-SALINAS TRANSIT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

### *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The MST manages its exposure to interest rate risk by depositing substantially all of its funds in the Local Agency Investment Fund Pool (LAIF). The fair value of the deposits with the LAIF at June 30, 2007 and 2006 was \$7,664,936 and \$5,643,204 respectively.

### *Specific Identification*

Information about the sensitivity of the fair values of the MST's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the MST's investment by maturity for years ending 2007 and 2006, respectively:

	2007		
	Cost	Fair Value	Maturity
U.S. Securities	\$ 6,056,633	\$ 6,068,423	180 Days
Local Agency Investment Fund (LAIF)	7,690,623	7,687,124	176 Days
Total	<u>\$ 13,747,256</u>	<u>\$ 13,755,547</u>	

	2006		
	Cost	Fair Value	Maturity
Local Agency Investment Fund (LAIF)	<u>\$ 5,653,463</u>	<u>\$ 5,643,204</u>	187 Days

### *Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

	Total	Minimum Legal Rating	Rating as of Year-end	
			AAA	Not Rated
US Government Agencies	\$ 6,056,633	AA-	\$ 6,056,633	\$ -
Local Agency Investment Fund	7,690,623	NA	-	7,690,623
Total Investments	<u>\$ 13,747,256</u>		<u>\$ 6,056,633</u>	<u>\$ 7,690,623</u>

# MONTEREY-SALINAS TRANSIT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

### *Custodial Credit Risk - Deposits*

This is the risk that in the event of a bank failure, the MST's deposits may not be returned to it. The MST does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. As of June 30, 2007 and 2006, MST's bank balances of \$466,948 and \$283,048, respectively, were exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the MST.

### V. CAPITAL ASSETS

Capital asset activity for the fiscal years ended June 30, 2007 and 2006, is as follows:

	Beginning Balance July 1, 2006	Additions	Retirements/ Reclassifications	Ending Balance June 30, 2007
Land	\$ 975,643	\$ -	\$ -	\$ 975,643
Construction in progress	4,029,002	3,138,070	519,957	6,647,115
Buses	29,311,112	655,199	473,409	29,492,902
Shop, office and other equipment	18,177,701	175,379	22,160	18,330,920
Totals at historical cost	52,493,458	3,968,648	1,015,526	55,446,580
Accumulated depreciation				
Buses	12,934,885	3,318,896	473,408	15,780,373
Shop, office and other equipment	13,523,146	1,983,581	21,811	15,484,916
Total accumulated depreciation	26,458,031	5,302,477	495,219	31,265,289
Capital assets, net	<u>\$ 26,035,427</u>	<u>\$ (1,333,829)</u>	<u>\$ 520,307</u>	<u>\$ 24,181,291</u>

	Beginning Balance July 1, 2005	Additions	Retirements/ Reclassifications	Ending Balance July 1, 2006
Land	\$ 975,643	\$ -	\$ -	\$ 975,643
Construction in progress	3,179,923	849,079	-	4,029,002
Buses	28,583,619	727,493	-	29,311,112
Shop, office and other equipment	17,493,201	684,500	-	18,177,701
Totals at historical cost	50,232,386	2,261,072	-	52,493,458
Accumulated depreciation				
Buses	10,174,710	2,760,175	-	12,934,885
Shop, office and other equipment	11,824,784	1,698,362	-	13,523,146
Total accumulated depreciation	21,999,494	4,458,537	-	26,458,031
Capital assets, net	<u>\$ 28,232,892</u>	<u>\$ (2,197,465)</u>	<u>\$ -</u>	<u>\$ 26,035,427</u>

# MONTEREY-SALINAS TRANSIT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

### VI. SELF-INSURANCE

MST has self-insurance programs for the following risks:

- Liability to a maximum of \$250,000 per incident, over which coverage is provided to \$500,000 per incident by the California Transit Insurance Pool (CalTIP) (see Note 8), and from \$500,000 to \$5,500,000 per incident coverage is provided by a private carrier through CalTIP.
- Physical damage to a maximum of \$5,000 bus and \$500 for support vehicles per incident, over which coverage is provided to \$100,000 per incident by CalTIP, and from \$100,000 to \$5,000,000 per incident, coverage is provided by a private carrier through CalTIP.
- Workers compensation to a maximum of \$350,000 per incident, over which coverage is provided to \$5,000,000 by a private carrier.

MST does not carry insurance for risks in excess of the above stated limits. There were no settlements that exceeded the insurance coverage in the past three years.

Estimated self-insurance liabilities are based on the results of actuarial valuations and include amounts for claims incurred but not reported. Estimated self-insurance liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economics social factors.

Expenses related to such self-insurance risks are classified on the statement of revenues and expenses as salaries and benefits for workers compensation and insurance expense for general liability and physical damage.

Changes in the balance of estimated self-insurance liabilities during the fiscal years ended June 30, 2007 and 2006 are approximately as follows:

	2007	2006	2005
Estimated self-insurance liabilities, beginning of year	\$ 1,681,265	\$ 1,194,025	\$ 1,741,023
Current year claims and changes in estimates	1,974,025	1,799,597	357,751
Claim payments	(1,374,802)	(1,220,962)	(837,060)
Legal, administrative and other expenses	(138,314)	(91,395)	(67,689)
Estimated self-insurance liabilities, end of year	<u>\$ 2,142,174</u>	<u>\$ 1,681,265</u>	<u>\$ 1,194,025</u>

# MONTEREY-SALINAS TRANSIT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

### VII. BUS PURCHASE FINANCING AGREEMENT

In September 2002, MST entered into a bus purchase financing agreement with Gillig Corporation and Municipal Services Group in the amount of \$15,180,000 with interest rate of 4.64 percent. The payments end in 2012. The payments will be financed from MST's federal and local capital grants. In September 2006, the MST entered into a new financing agreement, restructuring the debt payments for the existing loan and entered into a new bus purchase financing agreement with Gillig Corporation and Municipal Services Group in the amount of \$6,200,000 with interest rate of 4.44 percent to finance the purchase of 15 additional buses. The payments end in 2019.

	Original Balance	Balance as of July 1, 2006	Issued	Paid	Balance as of June 30, 2007	Due in One Year
2002 Bus purchase financing agreement	\$ 15,180,000	\$ 9,200,411	\$ 9,522,322	\$ 10,944,546	\$ 7,778,187	\$ 1,605,282
2007 Bus purchase financing agreement	6,200,000	-	6,200,000	-	6,200,000	287,441
Loss on refunding	(321,911)	-	(321,911)	64,382	(257,529)	(64,382)
	<u>\$ 21,058,089</u>	<u>\$ 9,200,411</u>	<u>\$ 15,400,411</u>	<u>\$ 11,008,928</u>	<u>\$ 13,720,658</u>	<u>\$ 1,828,341</u>

Future minimum payments are as follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 1,892,723	\$ 737,791	\$ 2,630,514
2009	2,122,930	507,584	2,630,514
2010	2,214,651	415,863	2,630,514
2011	2,310,341	320,174	2,630,514
2012	1,452,897	220,344	1,673,241
2013-2017	2,958,166	621,669	3,579,835
2018-2019	1,026,479	47,472	1,073,951
	<u>\$ 13,978,187</u>	<u>\$ 2,870,897</u>	<u>\$ 16,849,084</u>

# MONTEREY-SALINAS TRANSIT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

### VIII. CALTIP JOINT POWERS AGREEMENT

MST participates in the California Transit Insurance Pool (CalTIP), a joint powers agreement created to provide liability and physical damage insurance to its members through an insurance pool. MST paid premiums to CalTIP of approximately \$22,623 and \$280,327 in the fiscal years ended June 30, 2007 and 2006, respectively.

Condensed financial information of CalTIP (prepared using the accrual basis of accounting) for the year ended April 30, 2006 (most recent available information) is as follows:

	Unaudited
Cash and investments	\$ 15,956,758
Other assets	1,982,522
Total Assets	<u>\$ 17,939,280</u>
Loss reserves	\$ 7,647,396
Accounts payable and accrued liabilities	2,393,502
Retained earnings	7,898,382
Total liabilities and equity	<u>\$ 17,939,280</u>
Total revenues	\$ 8,100,305
Total expenses	(4,046,696)
Net income	<u>\$ 4,053,609</u>

### IX. COMPENSATED ABSENCES

Accumulated unpaid personal leave, consisting of vacation, holiday and sick pay, have been accrued at June 30, 2007 and 2006 in the amounts of \$803,306 and \$765,722, respectively. The MST's liability for compensated absences typically is liquidated within one year. MST accrued \$962,205 and paid \$924,621 during fiscal year 2006-2007.

# MONTEREY-SALINAS TRANSIT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

### X. EMPLOYEES' RETIREMENT PLAN

#### *Plan Description*

MST contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating entities within the State of California. The benefits for the public agencies are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law.

CalPERS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for CalPERS. A copy of that report may be obtained by writing to CalPERS, Central Supply, P.O. Box 942715, Sacramento, CA 94229-2715.

#### *Funding Policy*

Employees are required to contribute 7% of covered salary to CalPERS. MST is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the CalPERS Board of Administration. For the fiscal years ended June 30, 2007, 2006 and 2005 the employer contribution rate was 7.654%, 5.938% and 4.552%, respectively. MST, as part of its compensation to employees, pays the employees' contributions.

#### *Annual Pension Cost*

For the fiscal years ended June 30, 2007, 2006 and 2005, MST's annual pension cost of \$1,364,240, \$1,176,706 and \$401,866 respectively for CalPERS was equal to MST's required and actual contributions. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return, and (b) projected salary increases that vary by duration of service. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of MST's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. Beginning July 1, 1997, the difference between the actuarial value of assets and the actuarial accrued liability is being amortized over a period ending June 30, 2011.

#### *Three-Year Trend Information*

Fiscal Year End	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/05	\$ 401,866	100%	\$ -
6/30/06	\$ 1,176,706	100%	\$ -
6/30/07	\$ 1,364,240	100%	\$ -

***REQUIRED SUPPLEMENTARY INFORMATION***

# MONTEREY-SALINAS TRANSIT

## MISCELLANEOUS PLAN OF THE CALIFORNIA PUBLIC EMPLOYEE-RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS YEAR ENDED JUNE 30, 2007

Actuarial *		Actuarial	Unfunded		Annual	OAAL
Valuation	Actuarial Value	Accrued	Actuarial	Funded	Covered	as a
Date	of Assets	Liability	Accrued Liability	Status	Payroll	Percentage
		(Entry Age	(OAAL)			Covered Payroll
		Normal)				
6/30/04	\$ 26,579,282	\$ 24,837,994	\$ (1,741,288)	107.0%	\$ 8,828,340	-19.7%
6/30/05	\$ 28,930,928	\$ 27,444,474	\$ (1,486,454)	105.4%	\$ 8,681,292	-17.1%
6/30/06	\$ 31,472,340	\$ 30,419,499	\$ (1,052,841)	103.5%	\$ 9,171,911	-11.5%

\* Most recent information available



***OTHER SUPPLEMENTAL INFORMATION***

# MONTEREY-SALINAS TRANSIT

## CONSOLIDATING SCHEDULE OF NET ASSETS BY PROGRAM JUNE 30, 2007

ASSETS	FIXED-ROUTE BUS SERVICE	RIDES	ELIMINATIONS	TOTAL
<b>CURRENT ASSETS:</b>				
Cash and investments	\$ 13,362,481	\$ 39,419	\$ -	\$ 13,401,900
Operating grants receivable	426,857	39,553	-	466,410
Capital grants receivable	1,994,995	-	-	1,994,995
Materials and supplies, at cost	357,115	-	-	357,115
Prepaid expenses	165,638	-	-	165,638
Cost of issuance	131,420	-	-	131,420
Other receivables	452,987	8,651	-	461,638
Inter-program receivable	-	594,841	(594,841)	-
Total current assets	16,891,493	682,464	(594,841)	16,979,116
<b>PROPERTY, PLANT AND EQUIPMENT:</b>				
Land	975,643	-	-	975,643
Buses	28,395,111	1,097,791	-	29,492,902
Shop, office and other equipment	18,191,511	139,409	-	18,330,920
Total	47,562,265	1,237,200	-	48,799,465
Accumulated depreciation	(30,452,670)	(812,619)	-	(31,265,289)
Construction in progress	6,469,995	177,120	-	6,647,115
Property, plant and equipment - net	23,579,590	601,701	-	24,181,291
TOTAL ASSETS	40,471,083	1,284,165	(594,841)	41,160,407
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	\$ 1,768,274	\$ -	\$ -	\$ 1,768,274
Accrued liabilities	917,833	(8,424)	-	909,409
Self-insurance liabilities	2,142,174	-	-	2,142,174
Current portion of financing agreement	1,828,341	-	-	1,828,341
Inter-program payable	594,841	-	(594,841)	-
Total current liabilities	7,251,463	(8,424)	(594,841)	6,648,198
<b>NONCURRENT LIABILITIES</b>				
Deferred credits	3,059,009	835,312	-	3,894,321
Obligation under financing agreement	11,892,317	-	-	11,892,317
Total noncurrent liabilities	14,951,326	835,312	-	15,786,638
TOTAL LIABILITIES	22,202,789	826,888	(594,841)	22,434,836
<b>NET ASSETS:</b>				
Invested in capital assets				
net of related debt	15,915,565	601,701	-	16,517,266
Unrestricted	2,352,729	(144,424)	-	2,208,305
TOTAL NET ASSETS	\$ 18,268,294	\$ 457,277	\$ -	\$ 18,725,571

# MONTEREY-SALINAS TRANSIT

## CONSOLIDATING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN THE NET ASSETS BY PROGRAM YEAR ENDED JUNE 30, 2007

	FIXED-ROUTE BUS SERVICE	RIDES	ELIMINATIONS	TOTAL
REVENUES:				
Fares	\$ 6,289,281	\$ 159,095	\$ -	\$ 6,448,376
Operating assistance:				
Federal grants	6,108,840	281,887	-	6,390,727
Local and State grants	8,583,623	1,050,928	-	9,634,551
Interest income	110,205	89	-	110,294
Other	178,687	-	-	178,687
Total	21,270,636	1,491,999	-	22,762,635
EXPENSES:				
Salaries and benefits	14,082,279	106,390	-	14,188,669
Professional and technical services	1,076,096	46,731	-	1,122,827
Materials and supplies	2,664,351	6,274	-	2,670,625
Utilities	244,569	-	-	244,569
Insurance	879,219	-	-	879,219
Taxes	140,781	-	-	140,781
Purchased transportation	1,684,627	1,329,742	-	3,014,369
Other	498,714	2,862	-	501,576
Total	21,270,636	1,491,999	-	22,762,635
EXCESS OF EXPENSES BEFORE CAPITAL AND FINANCING ITEMS OVER REVENUES	-	-	-	-
INCOME (EXPENSE) FROM CAPITAL AND RELATED FINANCING				
Interest expense	(179,253)	-	-	(179,253)
Loss on disposal of assets	(350)	-	-	(350)
Capital contributions	6,623,689	104,181	-	6,727,870
Depreciation	(5,238,751)	(140,055)	-	(5,378,806)
Total	1,205,335	(35,874)	-	1,169,461
CHANGE IN NET ASSETS	\$ 1,205,335	\$ (35,874)	\$ -	\$ 1,169,461

# MONTEREY-SALINAS TRANSIT

## CONSOLIDATING SCHEDULE OF CASH FLOWS BY PROGRAM YEAR ENDED JUNE 30, 2007

	FIXED ROUTE BUS SERVICE	RIDES	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from fares	\$ 6,289,281	\$ 159,095	\$ 6,448,376
Payments to employees	(14,053,516)	(106,390)	(14,159,906)
Payments to vendors for services	(4,745,629)	(1,657,681)	(6,403,310)
Payments for insurance claims and premiums	(464,118)	-	(464,118)
Other	546,260	5,153	551,413
Net cash used in operating activities	(12,427,722)	(1,599,823)	(14,027,545)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating assistance received	13,073,592	1,293,262	14,366,854
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grant funds received	6,623,689	454,234	7,077,923
Interest Payments	(179,253)	-	(179,253)
Receipts of issuance of new debt	6,056,633	-	6,056,633
Payments under long-term financing agreement	(1,667,806)	-	(1,667,806)
Purchases of property, plant and equipment net of depreciation	(3,388,623)	(136,399)	(3,525,022)
Net cash provided by capital and related financing activities	7,444,640	317,835	7,762,475
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	110,205	89	110,294
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	8,200,715	11,363	8,212,078
CASH AND EQUIVALENTS, BEGINNING OF YEAR	5,161,766	28,056	5,189,822
CASH AND EQUIVALENTS, END OF YEAR	\$ 13,362,481	\$ 39,419	\$13,401,900

# MONTEREY-SALINAS TRANSIT

## BUDGETARY COMPARISON YEAR ENDED JUNE 30, 2007

				Variances ---	
	Budgeted Amounts			Favorable (Unfavorable)	
	Original	Final	Actual	Original to Actual	Final to Actual
REVENUES:					
Fares	\$ 7,119,805	\$ 7,119,805	\$ 6,448,376	\$ (671,429)	\$ (671,429)
Operating assistance:					
Federal grants	6,479,588	6,717,088	6,390,727	(88,861)	(326,361)
Local and State grants	9,539,640	9,840,621	9,634,551	94,911	(206,070)
Interest	80,000	80,000	110,294	30,294	30,294
Other income	317,400	317,400	178,687	(138,713)	(138,713)
Total revenues	23,536,433	24,074,914	22,762,635	(773,798)	(1,312,279)
EXPENSES:					
Salaries and benefits	15,195,094	15,733,575	14,188,669	1,006,425	1,544,906
Professional and technical services	1,172,970	1,172,970	1,122,827	50,143	50,143
Materials and supplies	2,816,480	2,816,480	2,670,625	145,855	145,855
Utilities	233,106	233,106	244,569	(11,463)	(11,463)
Insurance	472,108	472,108	879,219	(407,111)	(407,111)
Taxes	16,400	16,400	140,781	(124,381)	(124,381)
Purchased transportation	3,226,483	3,226,483	3,014,369	212,114	212,114
Other	403,792	403,792	501,576	(97,784)	(97,784)
Total expenditures	23,536,433	24,074,914	22,762,635	773,798	1,312,279
Excess of expenditures over revenues	-	-	-	-	-
INCOME (EXPENSE) FROM CAPITAL AND RELATED FINANCING					
Interest expense	(409,451)	(409,451)	(179,253)	230,198	230,198
Loss on disposal of fixed assets	-	-	(350)	(350)	(350)
Depreciation	(4,598,904)	(4,598,904)	(5,378,806)	(779,902)	(779,902)
Capital contributions	1,424,640	6,277,659	6,727,870	5,303,230	450,211
Total	(3,583,715)	1,269,304	1,169,461	4,753,176	(99,843)
CHANGE IN NET ASSETS	(3,583,715)	1,269,304	1,169,461	4,753,176	(99,843)
NET ASSETS, Beginning	17,556,110	17,556,110	17,556,110	-	-
NET ASSETS, Ending	\$ 13,972,395	\$ 18,825,414	\$ 18,725,571	\$ 4,753,176	\$ (99,843)

## **STATISTICAL**

### **Financial Trends**

- Changes in Net Assets
- Net Assets

### **Revenue Capacity**

- Fixed Route Transportation – Ridership
- Fixed Route Transportation – Bus Passenger Fares
- Revenue Base
- Revenue Rate

### **Debt Capacity**

- Outstanding Debt
- Per Capita Debt
- Pledged Revenue Coverage

### **Demographic and Economic Indicators**

- Population
- Total Personal Income
- Per Capita Personal Income
- Unemployment Rates
- Principal Employers

### **Operating Information**

- Fixed-Route Service
- RIDES
- Employees
- Fixed-Route Fares
- Fleet Information
- Capital Assets

## **STATISTICAL SECTION**

The Statistical Section of the MST's CAFR presents detailed information as a context for understanding the information in the financial statement, notes disclosure and supplementary information for assessing the MST's economic condition.

### **Financial Trends**

These schedules contain trend information to assist readers in understanding and assessing how the MST's financial position has changed over time.

### **Revenue Capacity Information**

These schedules contain information to assist readers in understanding and assessing the factors affecting the MST's ability to generate passenger fares.

### **Debt Capacity**

These schedules assist readers in understanding and assessing the MST's debt burden and its ability to issue future debt.

### **Demographic and Economic Information**

These schedules present socioeconomic indicators to assist readers in understanding the environment within which the MST's financial activities take place.

### **Operating Information**

These schedules contain contextual information about the MST's operations and resources to assist readers in using financial statement information to understand and assess the MST's economic condition.

## MONTEREY-SALINAS TRANSIT

### FINANCIAL TRENDS – TEN-YEAR COMPARISON -

**Fiscal Year 1998 through Fiscal Year 2007**

(In thousands)

FY	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Passenger Fares	\$ 3,899	\$ 3,985	\$ 3,892	\$ 4,226	\$ 4,670	\$ 4,729	\$ 4,835	\$ 4,787	\$ 5,817	\$ 6,448
Operating Expenses	10,413	11,309	13,380	15,189	15,888	17,705	18,262	18,960	21,030	22,763
Depreciation Expense	2,013	2,265	2,677	2,771	3,099	3,446	4,381	4,557	4,729	5,379
Operating Loss	(8,527)	(9,589)	(12,165)	(13,734)	(14,317)	(16,422)	(17,808)	(18,730)	(19,942)	(21,694)
<i>Nonoperating Revenues (Expenses)</i>										
Federal Funds	1,015	1,534	2,285	2,292	3,791	4,872	5,709	5,384	5,977	6,391
Local Transportation Funds	4,997	5,301	6,742	8,215	6,875	7,697	7,605	8,494	8,926	9,634
Interest Expense	-	-	-	-	-	(1,014)	(603)	(540)	(477)	(179)
Loss on disposal of asset	-	-	-	-	-	-	(1,467)	-	-	-
Interest Income	239	234	251	277	122	56	41	47	97	110
Other Income	192	255	211	179	430	351	72	248	213	179
Total Nonoperating	6,443	7,324	9,489	10,963	11,218	11,962	11,357	13,633	14,736	16,135
Net Income (Loss)	(2,084)	(2,265)	(2,676)	(2,771)	(3,099)	(4,460)	(6,451)	(5,097)	(5,206)	(5,559)
Capital Contributions	3,570	2,196	6,929	4,131	5,037	4,541	3,492	2,269	5,151	6,728
Change in Net Assets	\$ 1,486	\$ (69)	\$ 4,253	\$ 1,360	\$ 1,938	\$ 81	\$ (2,959)	\$ (2,828)	\$ (55)	\$ 1,169
Net Asset Component										
Invested in capital assets, net of related debt	\$ 15,544	\$ 15,477	\$ 19,787	\$ 21,147	\$ 23,084	\$ 23,209	\$ 19,628	\$ 17,595	\$ 16,835	\$ 16,517
Unrestricted	291	289	232	232	232	189	811	16	721	2,208
Net Assets, End of year	\$ 15,835	\$ 15,766	\$ 20,019	\$ 21,379	\$ 23,317	\$ 23,398	\$ 20,439	\$ 17,611	\$ 17,556	\$ 18,725

Source: MST's comprehensive annual financial reports (CAFR)

This table shows our operating revenues and expenses, non operating revenues and expenses, contributions, depreciation as well as restrictions of our net assets.



---

## MONTEREY-SALINAS TRANSIT

### REVENUE CAPACITY

Fiscal Year 1998 through Fiscal Year 2007

---

#### REVENUE CAPACITY-Revenue Base and Revenue Rate

Fares are in thousands	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Passenger Fares	\$3,899	\$3,985	\$3,892	\$4,226	\$4,670	\$4,729	\$4,835	\$4,787	\$5,817	\$6,448
Number of Passengers	3,938	4,027	4,308	4,864	4,870	4,794	4,693	4,805	4,858	4,959
Fare Structure										
Full fare: Adult	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 2.00	\$ 2.00
Discount fare: Senior, Youth & Disabled	0.75	0.75	0.75	0.75	0.85	0.85	0.85	0.85	1.00	2.00
Transfers	-	-	-	-	-	-	-	-	-	0.25

Source: MST's Business Service Department

This table shows passenger fares, number of passengers and each revenue fare structure at MST. The MST does not have major revenue payers as most of the revenues are derived from passenger fares.

---

## MONTEREY-SALINAS TRANSIT

### DEBT CAPACITY

Fiscal Year 2004 through Fiscal Year 2007

---

	2004	2005	2006	2007
Ratio of outstanding debt:				
As a percent of Personal Income	0.10%	0.10%	0.10%	0.10%
(2006 and 2007 based on 2005 income)				
Per Capita (Monterey County)	\$ 28.53	\$ 25.03	\$ 21.65	\$ 34.09
 Pledged Revenue Coverage				
Available Revenue - Federal and Local Grants	\$ 5,716,716	\$ 5,604,054	\$ 5,899,664	\$ 11,894,042
Debt Service				
Principal	\$ 1,311,432	\$ 1,372,988	\$ 1,437,434	\$ 1,735,294
Interest	603,115	540,247	477,113	179,253
Total	\$ 1,914,547	\$ 1,913,235	\$ 1,914,547	\$ 1,914,547
 Coverage	2.99	2.93	3.08	6.21

Source: County of Monterey and MST's comprehensive annual financial reports

This table shows the ability of the MST to issue debt based on the total federal revenue pledged to meet this debt. This table also shows MST's total debt based on the mean personal income for Monterey County.

The MST does not have any overlapping debt with any other government. Additionally, the MST does not have any legal debt limitation.

## MONTEREY-SALINAS TRANSIT

### DEMOGRAPHIC AND ECONOMIC INDICATORS Fiscal Year 1998 through Fiscal Year 2007

<i>Fiscal Year</i>	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Service Area Population</b> (In thousands)	383	391	399	402	405	416	421	425	425	410
<b>Total Personal Income</b> (In millions)	\$10,442	\$11,096	\$11,802	\$12,230	\$12,609	\$13,179	\$ 14,075	NA	NA	NA
<b>Per Capita Personal Income</b>										
<b>Income</b>	\$26,919	\$28,001	\$29,270	\$29,901	\$30,635	\$31,801	\$33,952	NA	NA	NA
<b>Unemployment Rate</b>	10.70%	9.60%	9.60%	9.40%	10.40%	10.10%	9.50%	5.60%	5.60%	5.50%

NA - Information is not available.

Source: State Employment Development Department and Federal Bureau of Economic Analysis.

<b>Principal Employers in Monterey County</b>	<b>Type of Entity</b>	<b>Employees</b>	<b>% of Total</b>	<b>Employees</b>	<b>% of Total</b>
		<b>in 2007</b>	<b>Employment</b>	<b>in 2003</b>	<b>Employment</b>
Dole Fresh Vegetables	Agriculture	4,619	2.5%	3,937	2.1%
County of Monterey	Government	4,112	2.2%	4,589	2.4%
Department of Defense	Government	3,716	2.0%	3,855	2.0%
Tanimura & Antle	Agriculture	2,500	1.4%	2,500	1.3%
Community Hospital of Monterey	Hospital	2,134	1.2%	2,017	1.1%
Salinas Valley Memorial Hospital	Hospital	2,112	1.2%	1,900	1.0%
Pebble Beach Company	Hospitality	1,839	1.0%	1,716	0.9%
D'Arrigo Brothers Co.	Agriculture	1,700	0.9%	1,675	0.9%
HSBC Card Services	Financial	1,592	0.9%	1,584	0.8%
Calif. Dept.of Corrections - Soledad	Government	1,488	0.8%	1,488	0.8%
Escamilla & Sons	Agriculture	-	-	1,500	0.8%
Total		25,812	14.1%	26,761	14.2%
Total County Labor Force		183,200		188,125	

Note: Information was not available for these employers for 1997. Data for 2006 was provided by sources of the County of Monterey Auditor-Controller's Department.

This table shows the top ten employers in Monterey County. This table also shows the service area population, personal income and unemployment rates in Monterey County.



---

**MONTEREY-SALINAS TRANSIT****OPERATING INFORMATION – MISCELLANEOUS INFORMATION**  
**Fiscal Year 1998 through Fiscal Year 2007**

---

	FY	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<hr/>											
<b>Fixed-Route Service:*</b>											
Net Cost/Passenger		2.4	2.53	2.84	2.79	2.92	3.34	3.59	3.60	4.05	4.35
Net Cost/Vehicle Mile		4.05	4.31	4.63	4.82	4.83	5.09	5.76	5.82	6.72	6.54
Net Cost/Service Hour		62.57	64.58	63.05	66.69	67.9	74.35	83.99	86.66	98.06	101.73
 <b>RIDES:*</b>											
Net Cost/Passenger		13.43	13.34	13.04	16.68	18.15	20.67	24.76	28.33	24.85	22.43
Net Cost/Vehicle Mile		1.64	1.9	1.85	2.43	2.57	2.54	2.99	3.04	2.55	2.32
Net Cost/Service Hour		34.21	40.54	41.58	52.94	55.18	52.03	60.50	51.85	45.03	40.71
 <b>Employees:</b>											
Total		169	186	201	211	212	220	218	214	213	211
 <b>Fleet Information:</b>											
Standard Coaches		71	71	71	75	77	79	95	99	99	99
RIDES Vehicles		24	23	24	24	25	22	24	25	20	22
Total Revenue Vehicles		95	94	95	99	102	101	119	124	119	121

\* Excludes Depreciation

Source: MST's Business Service Department

This table shows information about our costs to provide services to our customers. We also show in this table the total number of employees as well as information about our fleet.

---

## MONTEREY-SALINAS TRANSIT

### OPERATING INFORMATION – CAPITAL ASSETS

#### Fiscal Year 1998 through Fiscal Year 2007

---

<i>Fiscal year</i>	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Capital Assets Not Being Depreciated										
Land	\$ 976	\$ 976	\$ 976	\$ 976	\$ 976	\$ 976	\$ 976	\$ 976	\$ 976	\$ 976
Construction in progress	656	541	63	2,616	4,376	20,736	2,711	3,180	4,029	6,647
Total Capital Assets Not Being Depreciated	1,632	1,517	1,039	3,592	5,352	21,712	3,687	4,156	5,005	7,623
Other Capital Assets										
Buses	16,526	16,510	22,581	18,604	21,017	20,668	28,650	28,584	29,311	29,493
Shop, office and other equipment	12,031	13,801	15,030	15,593	16,406	14,762	18,458	17,493	18,178	18,330
Total Capital Assets Being Depreciated	28,557	30,311	37,611	34,197	37,423	35,430	47,108	46,077	47,489	47,823
Less Accumulated Depreciation For:*										
Buses	(6,748)	(7,534)	(8,691)	(7,668)	(9,073)	(9,497)	(8,046)	(10,175)	(12,935)	(15,780)
Shop, office and other equipment	(7,897)	(8,817)	(10,171)	(8,974)	(10,618)	(11,114)	(11,110)	(11,825)	(13,523)	(15,485)
Total Accumulated Depreciation	(14,645)	(16,351)	(18,862)	(16,642)	(19,691)	(20,611)	(19,156)	(21,999)	(26,458)	(31,265)
Capital Assets, Net	<u>\$ 15,544</u>	<u>\$ 15,477</u>	<u>\$ 19,788</u>	<u>\$ 21,147</u>	<u>\$ 23,084</u>	<u>\$ 36,531</u>	<u>\$ 31,639</u>	<u>\$ 28,234</u>	<u>\$ 26,036</u>	<u>\$ 24,181</u>

Source: MST's comprehensive annual financial reports

This table shows the total nondepreciable capital assets, total depreciable capital assets and total accumulated depreciation.

# Section IV

---

## **SINGLE AUDIT**

- Independent Auditor's Report on Internal Control Cover Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Independent Auditors' Compliance Report Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and the Transportation Development Act
- Independent Auditors' Report on Compliance and on Internal Control Over Compliance Applicable to Each Major Federal Award Program and on Schedule of Expenditures of Federal Awards
- Schedule of Expenditures of Federal Awards
- Summary of Auditors' Results
- Summary of Financial Statement Findings

This page intentionally left blank



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*

The Board of Directors  
Monterey-Salinas Transit

We have audited the financial statements of Monterey-Salinas Transit as of and for the year ended June 30, 2007 and 2006, and have issued our report thereon dated January 29, 2008. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District'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 District'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*

As part of obtaining reasonable assurance about whether the MST's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 others within the MST and officials of applicable state grantor agencies and is not intended to be, and should not be used by anyone other than these specified parties.

*Vavrinek, Trine, Day & Co. LLP*

Palo Alto, California  
January 29, 2008

INDEPENDENT AUDITORS' COMPLIANCE REPORT BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS AND THE TRANSPORTATION DEVELOPMENT ACT

To the Board of Directors  
Monterey-Salinas Transit

We have audited the financial statements, of Monterey-Salinas Transit (MST) as of June 30, 2007 and 2006, and for the year then ended, and have issued our report thereon dated January 29, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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.

Compliance with laws, regulations, contracts and grants applicable to MST is the responsibility of the management of MST. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of MST's compliance with certain provisions of the Transportation Development Act including Public Utilities Code Section 99245 as enacted and amended by statute through June 30, 2007 and the allocation instructions and resolutions of the Transportation Agency for Monterey County as required by Section 6667 of the California Administrative Code. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The result of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* and the standards referred to in the second and third paragraphs.

This report is intended solely for the information and use of the Board of Directors, management, and others within MST and officials of applicable state grantor agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

*Vavrinek, Trine, Day & Co. LLP*

Palo Alto, California  
January 29, 2008

REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors  
Monterey-Salinas Transit

*Compliance*

We have audited the compliance of the Monterey-Salinas Transit 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 June 30, 2007. The Monterey-Salinas Transit's major federal programs are identified in the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Monterey-Salinas Transit's management. Our responsibility is to express an opinion on Monterey-Salinas Transit'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 Monterey-Salinas Transit'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 Monterey-Salinas Transit's compliance with those requirements.

In our opinion, Monterey-Salinas Transit 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 June 30, 2007.

*Internal Control Over Compliance*

The management of the District 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 District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

A *control deficiency* in the District'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 PCJPB'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 District'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 noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District'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.

#### *Schedule of Expenditures of Federal Awards*

We have audited the financial statements of the MST as of and for the year ended June 30, 2007, and have issued our report thereon dated January 29, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements of the MST. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, federal awarding agencies and the Controller of the State of California, and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrinek, Trine, Day & Co. LLP*

Palo Alto, California  
January 29, 2008

# MONTEREY-SALINAS TRANSIT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2007

<u>Grantor/CFDA Grantor's Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION		
Federal Transit Capital and Operating Assistance Formula Grant <sup>[1]</sup>		
Operating		
CA03-0717	20.507	\$ 14,140
CA90-4549	20.507	6,215,734
CA18-X024	20.507	150,464
CA90-2292	20.507	10,389
Total Operating		<u>6,390,727</u>
Capital		
CA90-9322	20.507	11,760
CMAQ	20.507	540,000
CA90-0976	20.507	110
CA26-0042	20.507	28,919
CA03-0696	20.507	355,183
CA03-0696	20.507	155,005
CA90-9694	20.507	178,282
CA90-0976	20.507	867
CA26-0042	20.507	23,792
CA03-0696	20.507	278,524
CA03-0540	20.507	1,111,767
Total Capital		<u>2,684,209</u>
TOTAL FEDERAL ASSISTANCE EXPENDED		<u>\$ 9,074,936</u>

<sup>[1]</sup> Tested as a major program

# MONTEREY-SALINAS TRANSIT

## SUMMARY OF AUDITORS' RESULTS YEAR ENDED JUNE 30, 2007

### Part I – Summary of Auditor's Results

1. The independent auditor's report on the financial statements expressed an unqualified opinion.
2. Reportable conditions in internal control over financial reporting – No.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal awards programs – No.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The Organization's major program was:

Name of Federal Program

CFDA Number

Federal Transit Capital and Operating  
Assistance Formula Grant

20.507

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Organization did qualify as a low risk auditee as that term is defined in OMB Circular A-133.

# MONTEREY-SALINAS TRANSIT

## SUMMARY OF FINANCIAL STATEMENT FINDINGS YEAR ENDED JUNE 30, 2007

### Part II – Financial Statement Findings Section

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
No matters are reportable		

### Part III – Federal Award Findings and Questioned Cost Section

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
No matters are reportable		

### Part IV– Status of Prior Period Audit Findings

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
No matters were reported		



This page intentionally left blank



*Monterey-Salinas Transit  
One Ryan Ranch Road  
Monterey, CA 93940  
Phone (831) 899-2558  
Fax (831) 899-3954  
Visit MST Online at [www.mst.org](http://www.mst.org)*