



**South Coast Area Transit
Comprehensive Annual Financial Report
June 30, 2007 and 2006**



South Coast Area Transit 2007 Board of Directors



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Mayor Pro Tem, City of Ojai
Alternate Director, Councilmember Sue Horgan



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Councilmember, City of San Buenaventura
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John K. Flynn, Director
District 5 Supervisor, County of Ventura
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South Coast Area Transit
Comprehensive Annual Financial Report
For the Years Ended June 30, 2007 and 2006

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Introductory Section

August 25, 2007

The Board of Directors
South Coast Area Transit
Oxnard, California

Members of the Board:

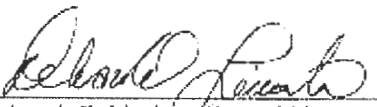
In fiscal year 2006/07, South Coast Area Transit delivered 3.61 million passenger trips to bus and paratransit riders in western Ventura County. Compared to the prior fiscal year, ridership rose 4.7% and farebox revenues increased by 5.3%.

The transit services utilized by increasing numbers of residents and visitors are made possible through the generous funding support of SCAT's five member governments: the Cities of Ojai, Oxnard, Port Hueneme and Ventura, and the County of Ventura. Transportation Development Act funds allocated to SCAT by these five jurisdictions accounted for 55 percent of the 2006/07 operating budget. In addition, local matching funds from members enabled SCAT to draw on federal capital grants to buy and maintain fleet and facilities.

Key developments at SCAT during the 2006/07 fiscal year included:

- Replacement of (26) 1995 Flxible CNG buses with (26) 2006 New Flyer CNG buses. Unlike the older Flxibles, the New Flyers are low-floor buses equipped with wheelchair ramps rather than hydraulic lifts. These features provide wheelchair users and other people with disabilities with faster, easier access to buses.
- Successful completion by the City of Oxnard of major improvements to the Oxnard Transportation Center that, without cost to SCAT, have enhanced passenger comfort and improved operating efficiency at the system's main hub.
- Continued ridership growth on new or restructured routes including: Routes 2/3 Colonia/Southside; 7 South Oxnard; 9 Lemonwood/Gisler and 12 Ventura Downtown/Harbor.
- Implementation of a Board approved pilot program to earn operating revenue through the sale of commercial advertising on bus exteriors.
- Hiring two highly qualified senior managers to fill key department head positions as the directors of Administrative Services and Planning & Marketing.
- Board adoption of Gold Coast Transit as the new agency and system name, following completion of a Transit System Image & Identity Study. SCAT became Gold Coast Transit on July 1, 2007. Re-branding of the agency, fleet and facilities with the Gold Coast Transit name and fresh new graphics is well underway.

As always, it has been my privilege to serve the Board, member governments, transit riders and area residents as SCAT's general manager. I thank the Board for its ongoing guidance and support and look forward to continued improvements in transit service in FY 2007/08.


Deborah C. Linnhan, General Manager

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August 25, 2007

Board of Directors
South Coast Area Transit
Oxnard, California

Members of the Board:

This is South Coast Area Transit's fifth Comprehensive Annual Financial Report (CAFR). This report covers the fiscal year ended June 30, 2007 and is submitted in compliance with Section 4(b) of our Joint Powers Agreement. This is also SCAT's final CAFR, as we have entered an exciting new era with the implementation of our new name, Gold Coast Transit, effective July 2007.

The CAFR has been prepared by the Office of the Director of Administrative Services in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). This Office is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures.

We believe that the data, as presented, is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of SCAT. All disclosures necessary to enable the reader to gain the maximum understanding of SCAT financial affairs have been included.

The CAFR represents the culmination of all budgeting and accounting activities engaged in by SCAT during the fiscal year. The CAFR is organized into three sections:

1. The **Introductory Section** is intended to familiarize the reader with the organizational structure of SCAT and the nature and scope of the provided services.
2. The **Financial Section** includes a Management Discussion and Analysis narrative to introduce the financial statements and analyze the financial activities during the fiscal year. This section also includes the Independent Auditor's Report, audited financial statements, disclosure notes, supplementary budget information, supporting statements and schedules necessary to fairly present the financial position and the results of the operations of SCAT in conformity with generally accepted accounting principles.
3. The **Statistical Section** contains comparative statistical data on SCAT's financial, physical, economic and social characteristics.

The preparation of this Comprehensive Annual Financial Report required the cooperation of SCAT management, staff and independent auditors, Charles Z. Fedak & Company, CPAs. I wish to express my appreciation to all those individuals who contributed to the preparation of this report, with special recognition to Lili Marlene T. Tomen, SCAT Accounting Manager whose professionalism and dedication has been invaluable during my first year in this position.



Steve L. Rosenthal
Director, Administrative Services

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South Coast Area Transit Organizational Information

History¹

South Coast Area Transit was established in 1973. On July 17, 1973 the Cities of Ojai, Oxnard, Port Hueneme and San Buenaventura executed a Joint Powers Agreement that created SCAT to develop and operate local and intercity public transportation in western Ventura County. The County of Ventura became a SCAT member agency in October of 1977.

Prior to SCAT's creation, two municipal bus lines operated the region's public transit service. Ventura Transit City Lines operated local service in Ventura and intercity service to Ojai. Oxnard Municipal Bus Lines served Oxnard and Port Hueneme. Following a national trend, the bus systems flourished through the mid 1940's but both ridership and service levels declined in the years following. By the late 1960's it became increasingly difficult for cities to maintain municipal bus lines with local general funds.

The outlook for public transit systems in California brightened in 1971 when the State Legislature created a source of dedicated transportation funding through passage of the Transportation Development Act (TDA). The availability of TDA funds to local governments provided an impetus for forming a single regional transit entity to operate coordinated transit services across municipal boundaries and in some unincorporated areas of western Ventura County.

After SCAT's creation in 1973, the operating systems of Ventura Transit City Lines and Oxnard Municipal Bus Lines were merged to create the SCAT regional transit system. Bus service was implemented on November 4, 1973. SCAT originally operated from two facilities located in Ventura and Oxnard. In February of 1980 all SCAT functions were consolidated in a single administrative, operating and maintenance facility on a three-acre site at 301 E. Third Street in Oxnard. In June 2007, SCAT's Joint Powers Agreement was amended to, among other changes, rename the agency Gold Coast Transit; this change is effective July 1, 2007.

Services

SCAT provides bus and paratransit services in the cities of Ojai, Oxnard, Port Hueneme and Ventura, and in the unincorporated County areas between the cities. The service area is approximately 91 square miles with a population of 375,000.

SCAT's fixed-route buses served 3.53 million passenger boardings in FY 2006-2007, up 4.9 percent from the previous year, and operated 1.5 million miles of revenue service. SCAT operates a fleet of 48 transit buses using clean burning compressed natural gas (CNG). In 2006-2007, SCAT replaced 26 older Flxible buses with 26 New Flyer buses. SCAT operates its own onsite CNG fueling station.

In 2006-2007 the ACCESS paratransit system transported 76,054 passengers, down 2.5 percent over the previous year. The SCAT paratransit fleet has 22 CNG buses and vans.

Mission Statement

SCAT's mission is to provide a safe, efficient, quality bus transportation system for the western Ventura County area, which serves the needs of the greatest number of people by:

- Balancing the needs of customers with the need for operational efficiency;
- Providing transit services which appeal to increasing numbers of people;
- Operating responsibly and cost effectively within budgets;
- Coordinating services with other public transportation operators in Ventura County; and
- Providing services that contribute to a safer, cleaner and less congested environment.

¹ Historical information excerpted from "A Historical Summary of South Coast Area Transit," by Peter G. Drake, retired SCAT general manager.

South Coast Area Transit *Organizational Information*

Board of Directors

South Coast Area Transit is a joint powers agency governed by a Board of Directors. Each of SCAT's five member agencies appoints one elected official from its governing body to serve on the Board of Directors and a second to serve as an alternate member. The Board of Directors regular monthly meetings are held on the first Wednesday of each month at 10 a.m.

Management

The General Manager is appointed by the Board of Directors and is charged with carrying out the Board's policies and directives. The General Manager leads a management team made up of four internal directors who head departments and one manager. The current General Manager has served in the position since February 2001. Members of the FY 2006-2007 management team are:

Deborah C. Linehan, General Manager
Steven P. Brown, Director of Planning and Marketing
Steve L. Rosenberg, Director of Administrative Services
Robert Lurie, Director of Fleet and Facilities
Andrew Mikkelson, Director of Transit Operations
Ken Mills, buyer, DBE Officer

SCAT has 136 employees, the majority of whom provide or supervise bus service. The operations department has 102 employees including 96 bus operators, five transit supervisors and a director. The maintenance department has 18 employees and the administration department has 16 employees. Service Employees International Union Local 721 represents all bus operators, most maintenance employees and five administrative staff members.

In addition to its directly operated fixed route bus service, SCAT contracts with Laidlaw Transit Services, Inc., for the management and operation of SCAT ACCESS, a regional paratransit service providing curb-to-curb transportation for people with disabilities and senior citizens.

South Coast Area Transit
Organizational Information

Map of Ventura County, California



South Coast Area Transit
Organizational Information

South Coast Area Transit Bus System Map



Financial Section



Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA

Charles Z. Fedak & Company

Certified Public Accountants

An Accountancy Corporation

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Independent Auditor's Report

Board of Directors
South Coast Area Transit
Oxnard, California

We have audited the accompanying financial statements of the South Coast Area Transit (SCAT) as of and for the years ended June 30, 2007 and 2006, which collectively comprise SCAT's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of SCAT's management. Our responsibility is to express opinions on these basic financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the South Coast Area Transit as of June 30, 2007 and 2006, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 25, 2007, on our consideration of SCAT's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 important for assessing the results of our audit. This report can be found on page 39.

Management's discussion and analysis on pages 9 through 15 and the Schedule of Funding Progress on page 33 are not required parts of the basic financial statements but are supplementary information required by the Governmental 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.

Independent Auditor's Report, continued

Our audits were conducted for the purpose of forming opinions on the basic financial statements of SCAT taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments*. The Schedule of Federal Financial Assistance 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.

The accompanying introductory section and statistical section listed in that table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

August 25, 2007
Cypress, California

Charles Z. Fedak
An Accountancy Corporation

South Coast Area Transit
Management's Discussion and Analysis
For the Years Ended June 30, 2007 and 2006

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of South Coast Area Transit (SCAT) provides an introduction to the financial statements of SCAT for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the transmittal letter contained in the Introductory Section and with the statements and related notes contained in the Statistical Section.

Activities and Highlights

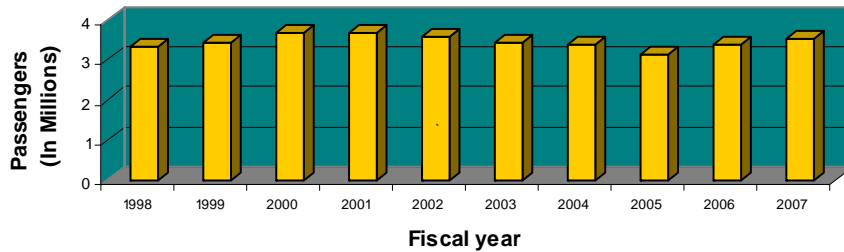
SCAT provides bus and paratransit services in the cities of Ojai, Oxnard, Port Hueneme and Ventura, and in the unincorporated County areas between the cities. The service area is approximately 91 square miles with a population of approximately 375,000.

SCAT fixed-route buses served 3.53 million passenger boardings in FY2006-07, an increase of 4.9% over the previous year, and operated 1.5 million miles of revenue service. SCAT operates a fleet of 48 buses which are fueled with clean burning compressed natural gas (CNG). SCAT operates its own CNG fueling station.

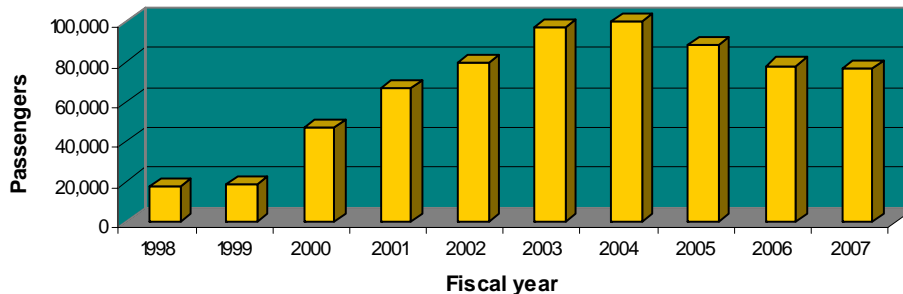
In FY2006-07, the ACCESS paratransit system transported 76,054 passengers, down 2.5 percent from the previous year. SCAT owns the paratransit fleet consisting of 22 CNG buses and vans.

	<u>2007</u>	<u>2006</u>	<u>Increase/ (Decrease)</u>
Fixed-Route Passengers Trips	3,534,984	3,369,704	4.9%
ACCESS Paratransit One-Way Trips	76,054	77,982	(2.5%)

Fixed Route Bus Ridership – Unlinked Passenger Trips from 1998 to 2007



ACCESS Paratransit Ridership – One-way Trips from 1998 to 2007



South Coast Area Transit
Management's Discussion and Analysis
For the Years Ended June 30, 2007 and 2006

SCAT is unique compared to the majority of transit operations in California since it provides transit service without support from direct sales tax measures, tax levies or dedicated general funds. As SCAT does not have the authority to levy taxes, the use of Local Transportation Funds (LTF) is the only available local means SCAT has to support transit services. In FY2006-07, the LTF was 50% of the total revenue for operating expense. Also in FY2006-07, SCAT was funded 23% by passenger fares for fixed route service and 9.3% for ACCESS paratransit service. The remainder is met by state and federal funds and by interest income and gain on disposed property.

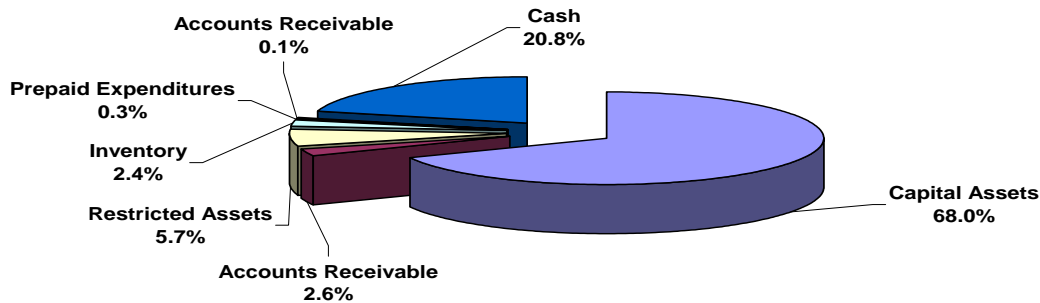
Financial Position Summary

Total net assets serve over time as a useful indicator of SCAT's financial position. SCAT's assets exceed liabilities by \$16,344,625 as of June 30, 2007, an 88% increase from June 30, 2006. A condensed summary of net assets at June 30 is shown below:

Condensed Statement of Net Assets			
	2007	2006	Change
Assets:			
Current assets	\$ 6,525,932	5,728,691	797,241
Capital assets, net	13,889,020	5,691,154	8,197,866
Total assets	20,414,952	11,419,845	8,995,107
Liabilities:			
Current liabilities	4,070,327	2,726,853	1,343,474
Total liabilities	4,070,327	2,726,853	1,343,474
Net assets:			
Net investment in capital assets	13,889,020	5,691,154	8,197,866
Restricted for capital projects	1,168,420	1,727,075	(558,655)
Unrestricted	1,287,185	1,274,763	12,422
Total net assets	16,344,625	8,692,992	7,651,633
Total liabilities and net assets	\$ 20,414,952	11,419,845	8,995,107

The largest portion of SCAT's net assets each year (\$13,889,020 or 85% at June 30, 2007) represents its net investment in capital assets, such as buses, buildings, improvements, and equipment. SCAT uses these capital assets to provide services to its passengers; consequently, these assets are not available for future spending. *Restricted* net assets have been set aside to fund the purchase of future capital projects and transit vehicle acquisitions. The remaining *unrestricted net assets* (\$1,287,185 or 7.9% at June 30, 2007) may be used to meet SCAT's capital and ongoing obligations.

Total Assets - FY2006-2007



South Coast Area Transit
Management's Discussion and Analysis
For the Years Ended June 30, 2007 and 2006

SCAT Passenger Fares

Passenger fares are set by the Board of Directors and changed when determined necessary by the Board. An increase took place effective July 1, 2004 for the paratransit fares, which provided a "tie bar" with the fixed route fares requiring the paratransit fare to be twice the amount of the fixed route fares.

Fixed Route Service Fares – FY2006-07

Cash Fares

Adult	\$ 1.25
Youth (through age 18)	1.25
Seniors*	.60
Medicare (with Medicare Card)	.60
Disabled (Medicare card or SCAT I.D.)	.60
Seniors 75+ (SCAT I.D. – restricted hours)	FREE
Children under 45" tall (when accompanied by paid fare)	FREE

Multi-Ride Ticket or Monthly Pass

Adult	
10-Ride	\$ 11.50
20-Ride	21.50
30-Ride	30.00
Monthly Pass	41.00
Youth	
10-Ride	\$ 9.00
20-Ride	17.00
30-Ride	24.00
Monthly Pass	32.00
Senior/Disabled	
10-Ride	\$ 5.50
20-Ride	10.00
30-Ride	14.50
Monthly Pass	18.00
One-Day, Unlimited Ride Pass (Pilot Program, Introduced June 2007)	
Adult/Youth	\$ 3.00
Senior/Medicare/Disabled	\$ 1.50

SCAT ACCESS Transit Service Fares – FY2006-07

Cash Fare (one-way)

ADA Certified and Senior*	\$2.50
Senior Nutrition Program (registered with County program)	Donation

Book of Ten Tickets

ADA Certified and Senior*	\$25.00
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* 65 years of age and older with proof of age

South Coast Area Transit
Management's Discussion and Analysis
For the Years Ended June 30, 2007 and 2006

Financial Operations Highlights

- Operating revenues increased by 5.3% from \$2,656,931 in 2006 to \$2,798,083 in 2007.
- Operating expenses before depreciation decreased by 1% from \$13,286,821 to \$13,153,516, primarily as a result of decreased fuel costs stemming from a combination of lower-than-anticipated fuel prices and a federal excise tax rebate on compressed natural gas (CNG), as well as reduced workers' compensation costs.
- Capital contributions received in the form of grants from the federal, state and local governments increased from \$1,305,652 in 2006 to \$9,852,425, primarily for the purchase of twenty-six New Flyer buses.
- Operating revenues generally equal operating expenditures before depreciation in order to comply with State Transportation Development Act requirements of SCAT, as a publicly funded transportation entity.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Operating revenues	\$ 2,798,083	2,656,931	141,152
Operating expenses	(13,153,516)	(13,286,821)	133,305
Operating loss before depreciation	(10,355,433)	(10,629,890)	274,457
Depreciation	(2,200,792)	(1,941,762)	(259,030)
Operating loss	(12,556,225)	(12,571,652)	15,427
Non-operating revenues	10,355,433	10,629,890	(274,457)
Loss before capital contributions	(2,200,792)	(1,941,762)	(259,030)
Capital contributions	9,852,425	1,305,652	8,546,773
Change in net assets	<u>\$ 7,651,633</u>	<u>(636,110)</u>	<u>8,287,743</u>

Revenues

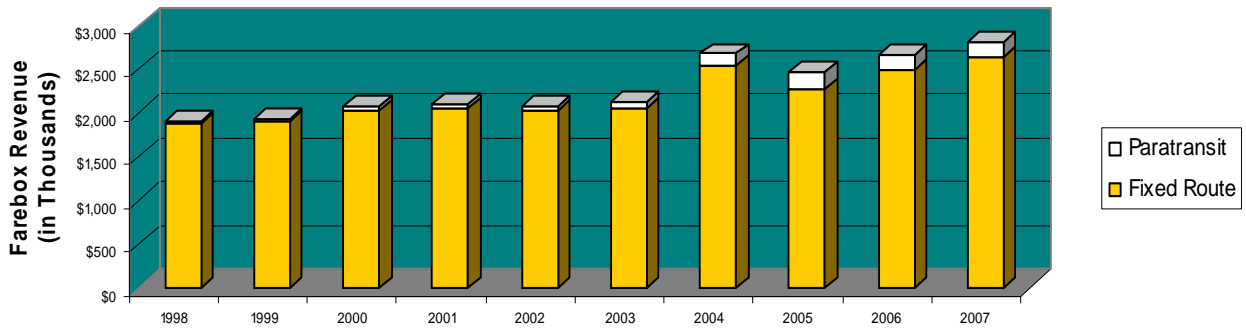
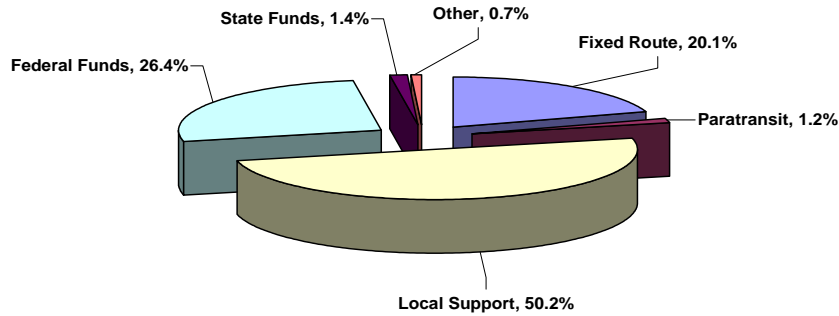
A summary of revenues for the year ended June 30, 2007 including the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2007</u>	<u>Percentage of Total</u>	<u>Increase (Decrease) From 2006</u>	<u>Percent Increase/ (Decrease)</u>
Operating:				
Fixed-route bus fares	\$ 2,641,229	20.08%	141,398	5.7%
ACCESS paratransit fares	156,854	1.19%	(246)	(0.2%)
Total operating	<u>2,798,083</u>	<u>21.27%</u>	<u>141,152</u>	<u>5.3%</u>
Nonoperating:				
Local assistance	6,603,987	50.21%	(44,897)	(0.7%)
Federal Funds	3,472,655	26.40%	(422,945)	(10.9%)
State Funds	180,151	1.37%	120,508	202.0%
Other	98,640	0.75%	72,877	282.9%
Total nonoperating	<u>10,355,433</u>	<u>78.73%</u>	<u>(274,457)</u>	<u>(2.6%)</u>
Total revenues	<u>\$ 13,153,516</u>	<u>100.00%</u>	<u>(133,305)</u>	<u>(1.0%)</u>

South Coast Area Transit
Management's Discussion and Analysis
For the Years Ended June 30, 2007 and 2006

The total revenues decrease of 1% is mainly attributable to decreased federal funding, partially offset by increased state assistance, an increase in fare revenue, higher interest income and the introduction of on-board advertising as a revenue source.

The following charts show 1) the major sources of operating and non-operating revenues for the year ended June 30, 2007 (fares, grants and others), and 2) farebox revenues over the past ten years:



Expenses

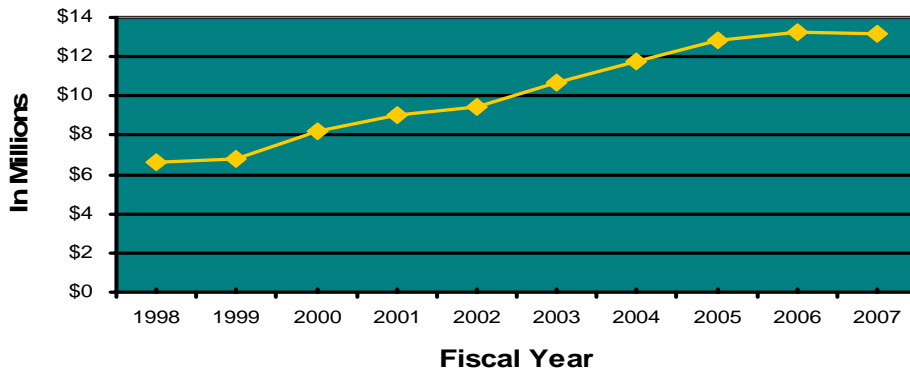
A summary of expenses for the year ended June 30, 2007, including the amount and percentage of change in relation to prior year amounts, is as follows:

	<u>2007</u>	<u>Percentage of Total</u>	<u>Increase (Decrease) 2006</u>	<u>Percent Increase/ (Decrease)</u>
Operating expenses:				
Salaries and benefits	\$ 8,851,432	57.65%	190,833	2.20%
Materials and supplies	1,058,567	6.89%	55,447	5.50%
Fuel	539,940	3.52%	(425,033)	(44.0%)
CNG Fuel Station	51,229	0.33%	(42,363)	(45.3%)
Contract services	357,258	2.33%	(17,256)	(4.6%)
Purchased transportation	1,481,780	9.65%	35,276	2.40%
Insurance	505,459	3.29%	14,233	2.90%
Utilities	76,870	0.50%	21,398	38.60%
Other	230,981	1.50%	34,160	17.40%
Operating expenses before depr.	<u>13,153,516</u>	<u>85.67%</u>	<u>(133,305)</u>	<u>(1.0%)</u>
Depreciation	2,200,792	14.33%	259,030	13.30%
Total operating expenses	<u>\$ 15,354,308</u>	<u>100.00%</u>	<u>125,725</u>	<u>0.80%</u>

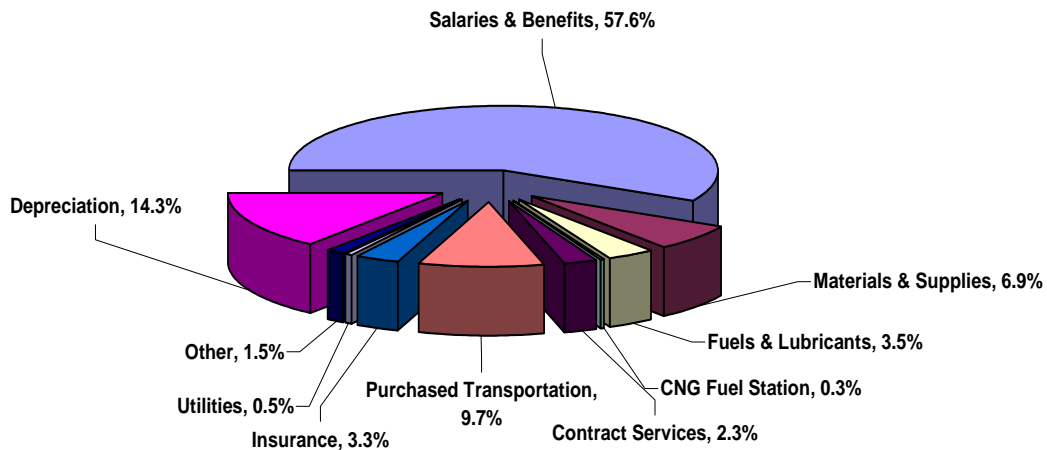
South Coast Area Transit
Management's Discussion and Analysis
For the Years Ended June 30, 2007 and 2006

The increase in salaries and benefits is mainly attributable to increased wages and benefits, including the addition of two new positions, offset by a reduction in workers' compensation costs. The decrease in fuel is due to a combination of lower-than-anticipated fuel prices and a federal excise tax rebate on compressed natural gas. The increased depreciation expense is the result of having retired twenty-six old Flxible buses in the fourth quarter of FY2006-07 and incurring a write-off of the remaining book value. The increase in materials and supplies is primarily attributable to the expensing of obsolete parts associated with the Flxible bus fleet.

Total operating expenses before depreciation were about 1% higher than the previous year. The following chart shows recent operating expense trends.



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



Financial Statements

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

South Coast Area Transit
Management's Discussion and Analysis
For the Years Ended June 30, 2007 and 2006

Capital Asset Acquisition

During FY2006-07, SCAT expended \$9,852,425 on capital acquisitions. This included the following major projects: purchase of twenty-six 40-foot New Flyer CNG buses, design and specification for the new CNG Station, renovation of the maintenance building office, restroom and break areas, and three new service vehicles. Capital asset acquisitions are capitalized at cost. Acquisitions are funded using federal grants with matching state funds and local grant funds. Additional information on SCAT's capital assets can be found in the notes to the financial statements.

Economic and Other Factors

SCAT is committed to developing and delivering quality public transportation. In carrying out this mission, SCAT provides fixed route bus and paratransit service and carries out these activities in a cost-effective, fiscally responsible manner. Furthermore, SCAT recognizes its responsibility to work with governments and agencies to meet the transportation needs of the people, communities and businesses of western Ventura County.

The financial condition of SCAT is strong and the economic outlook for the service area is positive in the long run. Demand for SCAT services is expected to remain steady in the long run. SCAT supports its activity primarily with local transportation funds and transit fares.

The ten-year capital project plan provides for the major investment of site acquisition and construction of a new operations and administration facility, completion of the current upgrade to the CNG fueling station and the scheduled replacement and gradual expansion of the CNG fixed route and paratransit fleets.

Subsequent Events

As of July 1, 2007, South Coast Area Transit has been renamed Gold Coast Transit.

Requests for Information

This financial report is designed to provide SCAT's funding sources, customers, stakeholders and other interested parties with an overview of SCAT'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 Director of Administrative Services at Gold Coast Transit, 301 E. Third St., Oxnard, California, 93030-6048.

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Basic Financial Statements

South Coast Area Transit
Statement of Net Assets
June 30, 2007 and 2006

<i>Assets</i>	2007	2006
Current assets:		
Cash and cash equivalents (note 2)	\$ 4,253,571	114,282
Accrued interest receivable	29,053	6,544
Accounts receivable – federal funding	397,258	3,051,479
Accounts receivable – other	129,293	51,488
Materials and supplies inventory	485,395	697,800
Prepaid expenditures	62,942	80,023
Total current assets	<u>5,357,512</u>	<u>4,001,616</u>
Restricted assets – current:		
Cash and cash equivalents (note 2)	1,157,372	1,254,396
Accounts receivable – federal funding	-	460,000
Accrued interest receivable	11,048	12,679
Total restricted assets – current	<u>1,168,420</u>	<u>1,727,075</u>
Total current assets	6,525,932	5,728,691
Non-current assets:		
Capital assets, net (note 3)	<u>13,889,020</u>	<u>5,691,154</u>
Total assets	<u>\$ 20,414,952</u>	<u>11,419,845</u>
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,378,787	1,036,297
Accrued salaries and wages	233,006	202,072
Compensated absences (note 4)	484,797	438,775
Deferred local transportation funding (note 5)	1,973,737	1,049,709
Total liabilities	<u>4,070,327</u>	<u>2,726,853</u>
Net assets: (note 7)		
Net investment in capital assets	13,889,020	5,691,154
Restricted for capital acquisitions (note 6)	1,168,420	1,727,075
Unrestricted	1,287,185	1,274,763
Total net assets	<u>16,344,625</u>	<u>8,692,992</u>
Total liabilities and net assets	<u>\$ 20,414,952</u>	<u>11,419,845</u>

See accompanying notes to the basic financial statements

South Coast Area Transit
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2007 and 2006

	2007	2006
Operating revenues:		
Passenger fares:		
Fixed route	\$ 2,641,229	2,499,831
Paratransit	156,854	157,100
	2,798,083	2,656,931
Operating expenses:		
Vehicle operation	6,822,763	7,134,474
Vehicle maintenance	2,406,332	2,506,007
Operations and administration	2,242,463	1,948,917
Paratransit	1,681,958	1,697,423
	13,153,516	13,286,821
	(10,355,433)	(10,629,890)
Depreciation:		
Capital assets – operations	1,878,048	1,525,762
Capital assets – paratransit operations	322,744	416,000
	2,200,792	1,941,762
	(12,556,225)	(12,571,652)
Non-operating revenues(expenses):		
Local transportation funding	6,603,987	6,648,884
Federal funding – operating grants	2,919,055	3,446,600
Federal funding – matching grants	553,600	449,000
State funding – operating grants	180,151	59,643
Interest earnings	90,513	20,959
Other, net	8,127	4,804
	10,355,433	10,629,890
	(2,200,792)	(1,941,762)
Capital contributions:		
Federal capital grants	9,183,787	256,225
Local capital grants	668,638	1,049,427
	9,852,425	1,305,652
	7,651,633	(636,110)
Net assets – beginning of period	8,692,992	9,329,102
Net assets – end of period	\$ 16,344,625	8,692,992

See accompanying notes to the basic financial statements

South Coast Area Transit
Statement of Cash Flows
For the Years Ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Receipts from passenger fares – fixed route	\$ 2,571,551	2,525,187
Receipts from passenger fares – paratransit	156,854	157,100
Payments to employees for salaries	(5,692,927)	(5,280,349)
Payments to vendors for services	(6,811,656)	(8,039,240)
Net cash used in operating activities	(9,776,178)	(10,637,302)
Cash flows from non-capital financing activities:		
Proceeds from local transportation funding	7,528,015	6,959,412
Proceeds from federal funding – operating grants	6,033,276	384,651
Proceeds from federal funding – matching grants	553,600	449,000
Proceeds from state funding – operating grants	180,151	59,643
Net cash provided by non-capital financing activities	14,295,042	7,852,706
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(10,398,658)	(216,092)
Proceeds from federal capital grants	9,183,787	256,225
Proceeds from local capital grants	668,637	809,414
Net cash provided(used) by capital and related financing activities	(546,234)	849,547
Net Cash flows provided by investing activities:		
Interest income on cash and cash equivalents	69,635	11,266
Net increase(decrease) in cash and cash equivalents	4,042,265	(1,923,783)
Cash and cash equivalents (unrestricted and restricted), beginning of year	1,368,678	3,292,461
Cash and cash equivalents (unrestricted and restricted), end of year	\$ 5,410,943	1,368,678
Reconciliation of cash and cash equivalents to statement of net assets:		
Cash and cash equivalents	\$ 4,253,571	114,282
Restricted assets – cash and cash equivalents	1,157,372	1,254,396
Total cash and cash equivalents	\$ 5,410,943	1,368,678

Continued on next page

See accompanying notes to the basic financial statements

South Coast Area Transit
Statement of Cash Flows, continued
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of operating income to net cash used by operating activities:		
Operating loss	\$ <u>(12,556,225)</u>	<u>(12,571,652)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	2,200,792	1,941,762
Other non-operating revenues, net	8,127	4,804
Change in assets – (increase)decrease:		
Accounts receivable	(77,805)	20,552
Materials and supplies inventory	212,405	13,600
Prepaid expenditures	17,081	(1,085)
Change in liabilities – increase(decrease):		
Accounts payable and accrued expenses	342,491	(63,402)
Accrued wages and compensated absences	<u>76,956</u>	<u>18,119</u>
Total adjustments	<u>2,780,047</u>	<u>1,934,350</u>
Net cash used by operating activities	<u>\$ (9,776,178)</u>	<u>(10,637,302)</u>

See accompanying notes to the basic financial statements

South Coast Area Transit
Notes to the Basic Financial Statements, continued
June 30, 2007 and 2006

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The principal business activity of South Coast Area Transit (SCAT) is to provide public transportation service to customers in the geographic area known as Western Ventura County located in Southern California. As of July 1, 2007, the organization formally changed its name to Gold Coast Transit.

SCAT is a joint powers authority created in 1973 by the Cities of Ojai, Oxnard, Port Hueneme and San Buenaventura for the purpose of operating a public transportation system within and about Western Ventura County. Subsequent to the initial creation of the agency, the City of Santa Paula and County of Ventura were added as participating members. Each of these governments is represented on SCAT's Board of Directors.

On October 5, 1994, the City of Santa Paula withdrew from the joint powers authority agreement and surrendered its representation on the Board of Directors. Santa Paula's member equity was reallocated to the other members during the fiscal year ended June 30, 1995.

B. Basis of Accounting and Measurement Focus

SCAT reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of SCAT is that the costs (including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges (passenger fares) and transportation grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows takes place.

Operating revenues, such as passenger fares, result from exchange transactions associated with the principal activity of SCAT. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grant funding and investment income, result from nonexchange transactions in which SCAT gives (receives) value without directly receiving (giving) value in exchange.

C. Financial Reporting

SCAT's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" (GASB No. 34), and all of its amendments. This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB No. 34 and its related GASB pronouncements and amendments provide for a revised view of financial information and a restructure of the format of financial information provided prior to its adoption. A statement of net assets replaces the balance sheet and reports assets, liabilities, and the difference between them as net assets, not equity. A statement of revenues, expenses and changes in net assets replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

Under GASB No. 34, enterprise funds, such as SCAT, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. SCAT has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

South Coast Area Transit
Notes to the Basic Financial Statements, continued
June 30, 2007 and 2006

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Net Assets

1. Use of 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 and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported changes in SCAT's equity during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

SCAT maintains its cash and investments in accordance with an investment policy adopted by its Board of Directors. The investment policy is more restrictive than applicable state statutes. SCAT's investment policy authorizes investments in securities of the U.S. government or its agencies (i.e., Treasury notes or bonds), certificates of deposit, the Ventura County Pooled Investment Fund (VCPIF) and the State of California Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code (Code) Section 16429 and is under the management of the State of California Treasurer's Office with oversight provided by the Local Agency Investment Advisory Board. Oversight of the VCPIF is conducted by the Ventura County Treasury Oversight Committee.

LAIF and the VCPIF are carried at fair value based on the value of each participating dollar as provided by the LAIF and VCPIF, respectively. The fair value of SCAT's position in the LAIF and VCPIF is the same as the value of the pooled shares. Investments in securities of the U.S. government or its agencies are carried at fair value based on quoted market prices. Bank balances are secured by the pledging of a pool of eligible securities to collateralize SCAT's deposits with the bank in accordance with the Code.

3. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of bus replacement parts, supplies for vehicle maintenance, spare components, vehicle fuel and oil. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

4. Prepaid Expenses

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

5. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. SCAT policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Revenue vehicles – fixed route – 10 to 12 years
- Facilities – 15 to 30 years
- Equipment and furniture – 3 to 10 years
- Revenue vehicles – paratransit – 4 to 5 years
- Paratransit equipment – 3 to 5 years

South Coast Area Transit
Notes to the Basic Financial Statements, continued
June 30, 2007 and 2006

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Net Assets, continued

6. Restricted Assets

Restricted assets consist of funds for capital asset acquisitions that are held in the Capital Reserve Fund administered by the Ventura County Treasurer's Office.

7. Compensated Absences

SCAT's policy is to permit employees to accumulate earned vacation and sick leave. Accumulated vacation time is accrued at year-end to account for SCAT's obligation to the employees for the amount owed. It is management's belief that the majority of the obligation will be used up within the next fiscal year. Sick leave can be accumulated, but, under SCAT's policy, is not paid until termination or retirement with a minimum of ten years of service. Payment shall be made in an amount of 50% of accrued sick leave upon termination, retirement or death of the employee. Accordingly, 50% of the accumulated sick leave is accrued at year-end to account for SCAT's obligation to the employees for the amount owed.

8. Deferred Local Transportation Funding

Authorized and received Local Transportation Funds that exceed current year expenditure requirements are deferred to future periods.

9. Grant Funding

Grants for operating assistance and capital acquisitions are included in their respective non-operating and capital contribution sections of the statement of activities. Grant funds are claimed on a reimbursement basis and receivables for grant funds are recorded as the related obligations are incurred. Grant funds advanced but not yet earned are treated as deferred revenue until the respective obligations the grants were funded for are incurred.

10. Non-Operating Revenues and Capital Contributions

SCAT receives Local Transportation Funds (LTF) under provisions of the State of California's Transportation Development Act of 1971. This act provides that a portion of state sales tax proceeds be made available for support and development of public transportation. These funds are generated within Ventura County and are allocated based on annual claims filed by SCAT and approved by the Ventura County Transportation Commission (VCTC). A portion of these proceeds (at the discretion of SCAT's Board of Directors) is set aside to fund capital acquisitions and is classified as local capital grants in the capital contribution section of the statement of activities. The remaining portion of local transportation funding is used to subsidize current operations and is included in the non-operating revenue section of the statement of revenues, expense and changes in net assets.

Under provisions of the Federal Transit Act of 1964, the Federal Urban Mass Transportation Assistance Act of 1974 and subsequently the Intermodal Surface Transportation Efficiency Act (ISTEA), Federal planning and capital assistance grants (under Section 5307) are made available to local urbanized mass transportation systems on a formula basis. Federal operating and matching grants are provided to SCAT under this act are included in the non-operating revenue section of the statement of revenues, expense and changes in net assets, and capital grants are reported as federal capital grants in the capital contribution section of the statement of revenues, expense and changes in net assets.

State operating grants are included in the non-operating revenue section of the statement of activities, and state capital grants are reported as state capital grants in the capital contribution section of the statement of revenues, expense and changes in net assets.

South Coast Area Transit
Notes to the Basic Financial Statements, continued
June 30, 2007 and 2006

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Net Assets, continued

11. Net Assets

The financial statements utilize a net assets presentation. Net assets are categorized as follows:

- **Net Investment in Capital Assets** – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Assets** – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of *restricted* or *net investment in capital assets*.

(2) Cash, Cash Equivalents and Investments

Cash and cash equivalents as June 30, are classified in the accompanying financial statements as follows:

	2007	2006
Cash and cash equivalents	\$ 4,253,571	114,282
Restricted assets - cash and cash equivalents	1,157,372	1,254,396
Total	\$ 5,410,943	1,368,678

Cash and cash equivalents as of June 30, consist of the following:

	2007	2006
Cash on hand	\$ 14,270	27,146
Deposits held with financial institutions	334,672	82,510
Deposits held with California Local Agency Investment Fund (LAIF)	3,904,629	4,626
Deposits held with the Ventura County Investment Pool Fund (VCPIF)	1,157,372	1,254,396
Total	\$ 5,410,943	1,368,678

As of June 30, SCAT's authorized deposits had the following maturities:

	2007	2006
Deposits held with California Local Agency Investment Fund (LAIF)	176 days	152 days
Deposits held with the Ventura County Investment Pool Fund (VCPIF)	299 days	271 days

Authorized Deposits and Investments

SCAT's investment policy only authorizes investments in the local government investment pools administered by the Ventura County Treasurer (VCPIF) and the State of California (LAIF). SCAT's investment policy does not contain any specific provisions intended to limit SCAT's exposure to interest rate risk, credit risk, and concentration of credit risk.

South Coast Area Transit
Notes to the Basic Financial Statements, continued
June 30, 2007 and 2006

(2) Cash, Cash Equivalents and Investments, continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and SCAT's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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 (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. SCAT had deposits with a bank balance of \$394,475 and \$186,757 as of June 30, 2007 and 2006, respectively. Of the bank balances, \$100,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in SCAT's name.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and SCAT's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and VCPIF).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. SCAT's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

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. As of June 30, 2007 and 2006, SCAT's investment in the VCPIF was rated by Standard & Poor's as AA Af / S1+. LAIF is not rated.

Concentration of Credit Risk

SCAT's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. SCAT's deposit portfolio with governmental agencies, LAIF and VCPIF, are 72% and 21% for 2007, respectively, and .25% and 94% for 2006, respectively, of SCAT's total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5% or more of SCAT's total investments.

South Coast Area Transit
Notes to the Basic Financial Statements, continued
June 30, 2007 and 2006

(3) Capital Assets

Changes in capital assets for 2007 were as follows:

	<u>Balance 2006</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2007</u>
Non-depreciable assets:				
Land	\$ 300,298	-	-	300,298
Construction-in-process	123,554	154,269	-	277,823
Total non-depreciable assets	<u>423,852</u>	<u>154,269</u>	<u>-</u>	<u>578,121</u>
Depreciable assets:				
Revenue vehicles – fixed route	14,851,174	9,999,389	(8,247,656)	16,602,907
Facilities	4,108,102	182,926	-	4,291,028
Equipment and furniture	1,535,380	62,098	-	1,597,478
Paratransit revenue vehicles	1,490,752	-	-	1,490,752
Paratransit equipment	253,938	-	-	253,938
Total depreciable assets	<u>22,239,346</u>	<u>10,244,413</u>	<u>(8,247,656)</u>	<u>24,236,103</u>
Accumulated depreciation				
Revenue vehicles – fixed route	(10,975,487)	(1,287,628)	7,867,837	(4,395,278)
Facilities	(3,285,906)	(146,653)	-	(3,432,559)
Equipment and furniture	(1,393,429)	(63,972)	-	(1,457,401)
Paratransit revenue vehicles	(1,136,065)	(285,094)	-	(1,421,159)
Paratransit equipment	(181,157)	(37,650)	-	(218,807)
Total depreciation	<u>(16,972,044)</u>	<u>(1,820,997)</u>	<u>7,867,837</u>	<u>(10,925,204)</u>
Total depreciable assets, net	<u>5,267,302</u>	<u>8,423,416</u>	<u>(379,819)</u>	<u>13,310,899</u>
Total capital assets, net	<u>\$ 5,691,154</u>			<u>13,889,020</u>

Capital assets additions in 2007 included purchasing 26 fixed route buses with prices ranging from \$373,391 to \$390,693 per bus, security cameras for buses purchased \$147,704, and building renovation of \$182,927.

South Coast Area Transit
Notes to the Basic Financial Statements, continued
June 30, 2007 and 2006

(3) Capital Assets, continued

Changes in capital assets for 2006 were as follows:

	<u>Balance 2005</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2006</u>
Non-depreciable assets:				
Land	\$ 300,298	-	-	300,298
Construction-in-process	80,507	43,047	-	123,554
Total non-depreciable assets	<u>380,805</u>	<u>43,047</u>	<u>-</u>	<u>423,852</u>
Depreciable assets:				
Revenue vehicles – fixed route	14,920,685	119,867	(189,378)	14,851,174
Facilities	4,108,102	-	-	4,108,102
Equipment and furniture	1,538,807	53,178	(56,605)	1,535,380
Paratransit revenue vehicles	1,490,752	-	-	1,490,752
Paratransit equipment	253,938	-	-	253,938
Total depreciable assets	<u>22,312,284</u>	<u>173,045</u>	<u>(245,983)</u>	<u>22,239,346</u>
Accumulated depreciation				
Revenue vehicles – fixed route	(9,828,252)	(1,336,612)	189,377	(10,975,487)
Facilities	(3,153,284)	(132,622)	-	(3,285,906)
Equipment and furniture	(1,393,508)	(56,527)	56,606	(1,393,429)
Paratransit revenue vehicles	(763,377)	(372,688)	-	(1,136,065)
Paratransit equipment	(137,844)	(43,313)	-	(181,157)
Total depreciation	<u>(15,276,265)</u>	<u>(1,941,762)</u>	<u>245,983</u>	<u>(16,972,044)</u>
Total depreciable assets, net	<u>7,036,019</u>	<u>(1,768,717)</u>	<u>-</u>	<u>5,267,302</u>
Total capital assets, net	<u>\$ 7,416,824</u>			<u>5,691,154</u>

Capital assets additions in 2006 included purchasing one service truck \$39,600, two rebuilt engines for fixed route buses \$112,066, and office equipment \$13,577.

(4) Compensated Absences

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. SCAT's liability for compensated absences is determined annually.

The changes to compensated absences balances at June 30, were as follows:

	<u>Balance 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2007</u>	<u>Due Within One Year</u>
\$	<u>438,775</u>	<u>554,015</u>	<u>(507,993)</u>	<u>484,797</u>	<u>484,797</u>
	<u>Balance 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2006</u>	<u>Due Within One Year</u>
\$	<u>434,639</u>	<u>609,514</u>	<u>(605,378)</u>	<u>438,775</u>	<u>438,775</u>

South Coast Area Transit
Notes to the Basic Financial Statements, continued
June 30, 2007 and 2006

(5) Deferred Local Transportation Funding

In accordance with Transportation Development Act statutes and the California Code of Regulations, Title 21, Chapter 3, Subchapter 2, Article 5, Section 6649(b), Local Transportation Funds (LTF) received for operating assistance in excess of the amount that SCAT is eligible to receive is recorded as a deferred revenue and is to be recognized as revenue and a reduction of eligible LTF during the following fiscal years.

<u>Amount Authorized</u>	<u>Year Received</u>	<u>Deferred LTF Amount</u>	<u>Year to be Recognized</u>
\$ 6,959,412	2005-2006	\$ 818,919	2007-2008
7,758,805	2006-2007	<u>1,154,818</u>	2008-2009
		<u>\$ 1,973,737</u>	

(6) Net Assets – Restricted for Capital Acquisitions

Local Transportation Funds granted for operating assistance, but are to be used, to purchase new buses, fareboxes, coach equipment, facility and other improvements as part of a service expansion program and related interest earnings included in restricted net assets at June 30, 2007 and 2006, are as follows:

	<u>2007</u>	<u>2006</u>
Balance – beginning of period	\$ 1,727,075	1,296,262
Additions: Local transportation funding	600,000	460,000
Deletions: Capital acquisitions	(1,227,293)	(73,267)
Allocated interest earnings	<u>68,638</u>	<u>44,080</u>
Balance – end of period	<u>\$ 1,168,420</u>	<u>1,727,075</u>

(7) Net Assets

The following is a summary of changes in net assets for the year ended June 30, 2007, as follows:

	<u>Net Investment in Capital Assets</u>	<u>Restricted Net Assets</u>	<u>Unrestricted Net Assets</u>	<u>Net Assets Total</u>
Beginning of Period	\$ 5,691,154	1,727,075	1,274,763	8,692,992
Net loss before capital contributions	-	-	(2,200,792)	(2,200,792)
Depreciation expense	(2,200,792)	-	2,200,792	-
Federal capital contributions	9,183,787	-	-	9,183,787
Local capital contributions	-	668,638	-	668,638
Capital asset acquisition matching	<u>1,214,871</u>	<u>(1,227,293)</u>	<u>12,422</u>	<u>-</u>
Change in net assets	<u>8,197,866</u>	<u>(558,655)</u>	<u>12,422</u>	<u>7,651,633</u>
End of period	<u>\$ 13,889,020</u>	<u>1,168,420</u>	<u>1,287,185</u>	<u>16,344,625</u>

South Coast Area Transit
Notes to the Basic Financial Statements, continued
June 30, 2007 and 2006

(7) Net Assets, continued

The following is a summary of changes in net assets for the year ended June 30, 2006, as follows:

	Net Investment in Capital Assets	Restricted Net Assets	Unrestricted Net Assets	Net Assets Total
Beginning of Period	\$ 7,416,824	1,296,262	616,016	9,329,102
Net loss before capital contributions	-	-	(1,941,762)	(1,941,762)
Depreciation expense	(1,941,762)	-	1,941,762	-
Federal capital contributions	256,225	-	-	256,225
Local capital contributions	-	504,080	545,347	1,049,427
Capital asset acquisition matching	(40,133)	(73,267)	113,400	-
Change in net assets	(1,725,670)	430,813	658,747	(636,110)
End of period	\$ 5,691,154	1,727,075	1,274,763	8,692,992

(8) Deferred Compensation Savings Plan

For the benefit of its employees, SCAT participates in three 457 Deferred Compensation Programs (Programs). The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Programs. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, SCAT is in compliance with this legislation. Therefore, these assets are not the legal property of SCAT, and are not subject to claims of SCAT's general creditors. Market value of all plan assets held in trust by Nationwide at June 30, 2007 and 2006 were \$912,243 and \$910,953, respectively; The Hartford at June 30, 2007 and 2006 was \$962,332 and \$815,638, respectively, and ICMA Retirement Corp at June 30, 2007 and 2006 was \$639,927 and \$518,694, respectively. SCAT has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since SCAT has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net assets.

(9) Defined Benefit Pension Plan

Plan Description

SCAT contributes to the California Public Employee Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and SCAT. Copies of CalPERS annual financial report may be obtained from their Executive Office: 400 P Street, Sacramento, CA, 95814.

South Coast Area Transit
Notes to the Basic Financial Statements, continued
June 30, 2007 and 2006

(9) Defined Benefit Pension Plan, continued

Funding Policy

The contribution rate for participants is 7% of their annual covered salary. SCAT makes these contributions required of SCAT employees on their behalf and for their account. Also, SCAT is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rate for fiscal year 2007 and 2006 was 11.4% and 8.8%, respectfully. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2007 and 2006, SCAT's annual pension cost was \$846,240 and \$810,486, respectively, for CalPERS and was equal to SCAT's required and actual contributions. The required contribution was determined as part of the June 30, 2005 and 2004, respectively, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expense), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost of living adjustments to 14.45% depending on age. Both (a) and (b) included and inflation component of 3.0% and a payroll growth rate of 3.25%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investment over a three-year period (smoothed market value). Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. SCAT presents the most recent available three-year Annual Pension Cost (APC) information for the plan, along with required supplementary information as follows:

Three-Year Trend Information for CalPERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004-2005	511,418	100%	-
2005-2006	810,486	100%	-
2006-2007	846,240	100%	-

South Coast Area Transit
Notes to the Basic Financial Statements, continued
June 30, 2007 and 2006

(10) Risk Management

SCAT is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SCAT has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources.

SCAT participates in the California Transit Insurance Pool (CalTIP), a joint powers agency created to provide liability and physical damage insurance to its members through an insurance pool. SCAT holds general liability, automotive and public officials' errors and omissions liability with CalTIP on a first-dollar basis up to \$20 million.

SCAT purchases blanket insurance coverage from commercial brokers for the following:

<u>Insurance coverage limits:</u>	<u>2007</u>	<u>2006</u>
CNG fueling station	\$ 2,111,400	2,111,400
Buildings and structures	1,800,000	1,616,700
Business and property	1,475,000	832,900
Boiler and machinery	2,500,000	2,500,000

Some of the above insurance policies are subject to various deductibles.

SCAT's employee practices liability insurance coverage is \$1.0 million and handled through Lloyd's of London.

Also, SCAT participates in the California Public Entity Risk Insurance Authority (CPEIA) a joint powers agency created to provide general liability and workers' compensation insurance to its members through a risk retention insurance pool. SCAT holds workers' compensation insurance coverage with CPEIA on a first-dollar basis up to statutory limits.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in SCAT's insurance coverage during the years ending June 30, 2007, 2006 and 2005. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2007 and 2006.

(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2007, that has effective dates that may impact future financial presentations. Management has not currently determined what total impact, if any, the implementation of the following statements may have on SCAT's future financial statements.

Governmental Accounting Standards Board Statement No. 45

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment 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 government employers. This statement is not effective for SCAT until the fiscal year ended June 30, 2009. This statement is not expected to have a significant impact on the presentation of SCAT's financial statements in future years.

South Coast Area Transit
Notes to the Basic Financial Statements, continued
June 30, 2007 and 2006

(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board 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 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings. This statement also includes disclosure requirements for future revenues that are pledged or sold. This statement is not effective for SCAT until the fiscal year ended June 30, 2008. This statement is not expected to have a significant impact on the presentation of SCAT's financial statements.

Governmental Accounting Standards Board Statement No. 49

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. This statement is not effective for SCAT until the fiscal year ended June 30, 2009. This statement is not expected to have a significant impact on the presentation of SCAT's financial statements.

Governmental Accounting Standards Board Statement No. 50

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures, an amendment of GASB Statements No. 25 and 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25 and 27, to conform with requirements of GASB Statements No. 43 and 45. This statement is not effective for SCAT until the fiscal year ended June 30, 2009. This statement is not expected to have a significant impact on the presentation of SCAT's financial statements.

Governmental Accounting Standards Board Statement No. 51

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This statement is not effective for SCAT until the fiscal year ended June 30, 2010. This statement is not expected to have a significant impact on the presentation of SCAT's financial statements.

(12) Commitments

Operating Lease

Beginning October 1, 2001, SCAT entered into a lease agreement with the City of Oxnard to rent office space in the Oxnard Transportation Center for customer service and administrative purposes. At the end of the lease, SCAT will have the option to extend the term of the lease. In 2004, SCAT extended the term of its lease through 2007. The base rent for the lease premises was \$9,446 and \$9,171 for the years ended June 30, 2007 and 2006, respectively. Interest will be accrued on rent due and unpaid. SCAT is currently negotiating the renewal of this lease.

Construction Contracts

SCAT's Board of Directors has approved a contractual agreement with a private party relating to the modification of the CNG fueling station. The financing of this construction contract is being provided primarily from SCAT's capital replacement reserves and federal capital grants. SCAT has committed approximately \$3,016,246 for this construction contract.

South Coast Area Transit
Notes to the Basic Financial Statements, continued
June 30, 2007 and 2006

(12) Commitments, continued

Advertising

SCAT has entered into barter advertising agreements whereby local radio stations paid for the design and installation of their station's graphic logo artwork on certain SCAT buses in exchange for broadcasting commercials or "spots" about SCAT's services throughout the contract period. The fair-value of the spots were determined to approximate \$370,365 and \$368,124 for fiscal years 2007 and 2006, respectively. Fair-value is calculated by using comparable advertising market rates at the time of broadcast of the spots as the base rate multiplied by the amount of spots broadcast. Barter transactions are recognized in accordance with the provisions of the Emerging Issues Task Force No. 99-17 (EITF 99-17). Under the provisions of EITF 99-17, barter transactions (revenues and expenses from the transaction) are to be recorded at the fair-value of the advertising surrendered only if the fair-value of the advertising exchanged is determinable based on an organization's historical practice of selling (cash sales) similar types of advertising. Therefore, since SCAT did not solicit for or sell advertising space on its buses historically in the previous year, the corresponding revenues and expenses from the barter transactions are not recognized on the accompanying statements of revenues, expenses and changes in net assets. However, in 2007 SCAT began a program to charge a fee for advertising on their buses.

(13) Contingencies

Litigation

In the ordinary course of operations, SCAT is subject to claims and litigation from outside parties. After consultation with legal counsel, SCAT believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Grant Funding

Grant funds received by SCAT are subject to review by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. The management of SCAT believes that such disallowances, if any, would not be significant.

Operating Fare Revenue Ratio

SCAT is required to maintain a ratio of fares to operating costs of at least 20% to continue to be eligible for Local Transportation Funds. For the years ended June 30, 2007 and 2006, SCAT met this requirement with fares to operating costs ratio of 21.27 % and 20.00%, respectively, as calculated below.

	2007	2006
Total passenger fare revenue	\$ 2,798,083	2,656,931
Operating expenses before depreciation	\$ 13,153,516	13,286,821
Operating fare revenue ratio	21.27%	20.00%

(14) Subsequent Events

On July 1, 2007, South Coast Area Transit changed its name, the new agency name and system name is Gold Coast Transit.

Required Supplementary Information

South Coast Area Transit
Schedule of Funding Progress – CalPERS Pension Plan
June 30, 2007 and 2006

Required Supplementary Information – Funded Status of SCAT’s CalPERS Pension Plan

Following the creation of risk pools pursuant to Section 20840 of the Government Code, any existing contracting agency with a rate plan of less than 100 active members on any annual actuarial valuation date shall be required to participate in a risk pool. Participation shall be effective as of the valuation date for all members of that rate plan, but no earlier than June 30, 2003. Risk pool valuations will be used to set employer contribution rates for future fiscal years.

Rate Plan belonging to the Miscellaneous Employee 2.0% at 55 Risk Pool Retirement Plan

The Schedule of Funding Progress below shows the recent history of the CalPERS Miscellaneous Employee 2.0% at 55 Risk Pool Retirement Plan actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability (UL) to payroll.

<u>Valuation Date</u>	<u>Accrued Liabilities</u>	<u>Actuarial Assets</u>	<u>Unfunded Liabilities (UL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UL As a % of Payroll</u>
June 30, 2003	\$ 2,596,966,545	2,372,879,034	224,087,511	91.4%	725,020,458	30.9%
June 30, 2004	2,746,095,668	2,460,944,656	285,151,012	89.6%	743,691,970	38.3%
June 30, 2005	2,891,460,651	2,588,713,000	302,747,651	89.5%	755,046,679	40.1%

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Statistical Section

**South Coast Area Transit
Financial Ratios
June 30, 2007 and 2006**

Current Ratio:

Measures SCAT's ability to meet short-term commitments by dividing current assets by current liabilities.

2007	<u>Current Assets</u>	<u>\$ 6,525,932</u>	
	Current Liabilities	\$ 4,070,327	1.60:1
2006	<u>Current Assets</u>	<u>\$ 5,728,691</u>	
	Current Liabilities	\$ 2,726,853	2.10:1
2005	<u>Current Assets</u>	<u>\$ 4,613,899</u>	
	Current Liabilities	\$ 2,701,621	1.71:1

Quick Ratio:

This variation of the current ratio is an indicator of SCAT's liquidity by including only those current assets that could be converted readily to cash and receivables due within 30 days.

2007	Cash and Cash Equivalents plus	\$ 5,410,943	
	<u>Receivables within 30 days</u>	<u>\$ 526,551</u>	
	Current Liabilities	\$ 4,070,327	1.46:1
2006	Cash and Cash Equivalents plus	\$ 1,368,678	
	<u>Receivables within 30 days</u>	<u>\$ 3,102,967</u>	
	Current Liabilities	\$ 2,726,853	1.64:1
2005	Cash and Cash Equivalents plus	\$ 3,292,461	
	<u>Receivables within 30 days</u>	<u>\$ 521,570</u>	
	Current Liabilities	\$ 2,701,621	1.41:1

Debt Ratio:

Reflects the long-term solvency risk, in assessing SCAT's financial capacity to meet long-term debts and similar obligations, by dividing total liabilities by total assets. As of the end of each fiscal year, SCAT had no long-term debt.

2007	<u>Total Liabilities</u>	<u>\$ 4,070,327</u>	19.9%
	Total Assets	\$20,414,952	
2006	<u>Total Liabilities</u>	<u>\$ 2,726,853</u>	23.9%
	Total Assets	\$11,419,845	
2005	<u>Total Liabilities</u>	<u>\$ 2,701,621</u>	22.5%
	Total Assets	\$12,030,723	

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South Coast Area Transit
Operating Revenues and Expenses – Ten Year Comparison
Fiscal Years 1998 to 2007

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Passenger Fares	\$ 1,908,600	1,938,446	2,076,118	2,107,237	2,074,067	2,132,355	2,671,557	2,459,632	2,656,931	2,798,083
Operating Expenses	6,608,001	6,788,921	8,239,925	8,993,875	9,421,826	10,657,371	11,740,177	12,825,304	13,286,822	13,153,516
Depreciation Expense	1,287,355	1,304,322	1,328,278	1,275,122	1,352,568	1,539,157	1,887,817	1,845,824	1,941,762	2,200,792
Operating Loss	(5,986,756)	(6,154,797)	(7,492,085)	(8,161,760)	(8,700,327)	(10,064,173)	(10,956,437)	(12,211,496)	(12,571,653)	(12,556,225)
<i>Nonoperating Revenues</i>										
Local Transportation Funds	2,212,548	2,953,426	3,746,607	4,802,028	4,649,771	5,846,330	5,867,203	6,825,349	6,648,885	6,603,987
Other local funds	115,000	21,595	14,707	17,911	-	-	-	-	-	-
State Funds	-	55,000	54,862	56,071	321,217	62,000	49,500	45,748	59,643	180,151
Federal Funds	2,225,434	1,747,270	2,255,529	1,895,387	2,338,000	2,603,163	3,138,092	3,484,050	3,895,600	3,472,655
Interest Income	75,267	49,011	49,747	84,128	29,413	10,700	7,622	10,352	20,960	90,513
Other Income	71,152	24,173	42,344	31,113	9,358	2,823	6,203	173	4,804	8,127
Total, Nonoperating	4,699,401	4,850,475	6,163,796	6,886,638	7,347,759	8,525,016	9,068,620	10,365,672	10,629,892	10,355,433
Net Income (Loss)	\$ (1,287,355)	(1,304,322)	(1,328,289)	(1,275,122)	(1,352,568)	(1,539,157)	(1,887,817)	(1,845,824)	(1,941,761)	(2,200,792)

Operating Expenses - Actual Dollars Compared to Constant Dollars

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Actual Dollars	\$ 6,608,001	6,788,921	8,239,925	8,993,875	9,421,826	10,657,371	11,740,177	12,825,304	13,286,822	13,153,516
Constant Dollars	\$ 6,358,836	6,484,288	6,703,829	7,013,538	7,131,149	7,303,645	7,593,752	7,868,178	8,275,896	8,518,959
CPI Percent Change	1.8%	2.0%	3.4%	4.6%	1.7%	2.4%	4.0%	3.6%	5.2%	2.9%
Index Number (1982=100)	162.2	165.4	171	178.9	181.9	186.3	193.7	200.7	211.1	217.3

South Coast Area Transit
Passenger Cost By Mode – Ten Year Comparison
Fiscal Years 1998 to 2007

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Bus - Fixed Route										
Total Passengers	3,308,967	3,417,749	3,687,762	3,669,452	3,579,671	3,435,333	3,372,170	3,145,890	3,369,704	3,534,984
Passenger Fare Rev.	\$ 1,869,928	1,901,062	2,033,992	2,058,240	2,019,873	2,054,251	2,536,038	2,275,562	2,499,831	2,641,229
Total Operating Cost	\$ 6,153,558	6,372,615	7,266,058	7,643,231	7,736,699	8,551,749	9,699,066	10,987,915	11,589,399	11,471,558
Excluded increase items	\$ -	-	-	-	-	-	84,095	67,823	-	-
Revenue per passenger	\$ 0.57	0.56	0.55	0.56	0.56	0.60	0.75	0.72	0.74	0.75
Cost per passenger	\$ 1.86	1.86	1.97	2.08	2.16	2.49	2.88	3.49	3.44	3.25
Farebox Recovery %	30.4%	29.8%	28.0%	26.9%	26.1%	24.0%	26.4%	20.8%	21.6%	23.0%
Subsidy per passenger	\$ 1.29	1.31	1.42	1.52	1.60	1.89	2.12	2.77	2.70	2.50
Subsidy %	69.6%	70.2%	72.0%	73.1%	73.9%	76.0%	73.9%	79.3%	78.4%	77.0%
Bus - Paratransit										
Total Passengers	17,521	18,221	46,898	66,298	79,128	96,986	108,024	88,563	77,982	76,054
Passenger Fare Rev.	\$ 38,672	37,384	42,126	48,997	54,194	78,104	135,519	184,070	157,100	156,854
Total Operating Cost	\$ 373,477	416,305	973,827	1,350,644	1,685,129	1,968,534	2,041,111	1,837,389	1,697,423	1,681,958
Excluded increase items	\$ -	-	-	-	-	-	-	-	-	-
Revenue per passenger	\$ 2.21	2.05	0.90	0.74	0.68	0.81	1.25	2.08	2.01	2.06
Cost per passenger	\$ 21.32	22.85	20.76	20.37	21.30	20.30	18.89	20.75	21.77	22.12
Farebox Recovery %	10.4%	9.0%	4.3%	3.6%	3.2%	4.0%	6.6%	10.0%	9.3%	9.3%
Subsidy per passenger	\$ 19.11	20.80	19.87	19.63	20.61	19.49	17.64	18.67	19.75	20.05
Subsidy %	89.6%	91.0%	95.7%	96.4%	96.8%	96.0%	93.4%	90.0%	90.7%	90.7%
All Mode - Total										
Total Passengers	3,326,488	3,435,970	3,734,660	3,735,750	3,658,799	3,532,319	3,480,194	3,234,453	3,447,686	3,611,038
Passenger Fare Rev.	\$ 1,908,600	1,938,446	2,076,118	2,107,237	2,074,067	2,132,355	2,671,557	2,459,632	2,656,931	2,798,083
Total Operating Cost	\$ 6,527,035	6,788,920	8,239,885	8,993,875	9,421,828	10,520,283	11,740,177	12,825,304	13,286,822	13,153,516
Excluded increase items	\$ -	-	-	-	-	-	84,095	67,823	-	-
Revenue per passenger	\$ 0.57	0.56	0.56	0.56	0.57	0.60	0.77	0.76	0.77	0.77
Cost per passenger	\$ 1.96	1.98	2.21	2.41	2.58	2.98	3.37	3.97	3.85	3.64
Farebox Recovery %	29.2%	28.6%	25.2%	23.4%	22.0%	20.3%	22.9%	19.3%	20.0%	21.3%
Subsidy per passenger	\$ 1.39	1.41	1.65	1.84	2.01	2.37	2.61	3.20	3.08	2.87
Subsidy %	70.8%	71.4%	74.8%	76.6%	78.0%	79.7%	77.2%	80.8%	80.0%	78.7%

South Coast Area Transit
Service Cost By Mode – Ten Year Comparison
Fiscal Years 1998 to 2007

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Bus - Fixed Route										
Revenue Miles	1,360,883	1,321,390	1,389,984	1,421,734	1,540,478	1,385,231	1,427,681	1,405,007	1,536,309	1,534,611
Revenue Hours	112,354	110,376	118,753	120,975	126,005	127,372	130,982	129,200	138,854	137,872
Total Operating Cost	\$ 6,153,558	6,372,615	7,266,058	7,643,231	7,736,699	8,551,749	9,699,066	10,987,915	11,589,399	11,471,558
Cost per Revenue Mile	\$ 4.52	4.82	5.23	5.38	5.02	6.17	6.79	7.82	7.54	7.48
Cost per Revenue Hour	\$ 54.77	57.74	61.19	63.18	61.40	67.14	74.05	85.05	83.46	83.20
Bus - Paratransit										
Revenue Miles	168,507	180,284	386,982	460,322	451,439	533,939	551,794	536,215	519,447	528,276
Revenue Hours	9,631	10,256	22,314	26,433	30,882	34,562	41,810	35,189	31,230	34,924
Total Operating Cost	\$ 373,477	416,305	973,827	1,350,644	1,685,129	1,968,534	2,041,111	1,837,389	1,697,423	1,681,958
Cost per Revenue Mile	\$ 2.22	2.31	2.52	2.93	3.73	3.69	3.70	3.43	3.27	3.18
Cost per Revenue Hour	\$ 38.78	40.59	43.64	51.10	54.57	56.96	48.82	52.21	54.35	48.16
All Mode - Total										
Revenue Miles	1,529,390	1,501,674	1,776,966	1,882,056	1,991,917	1,919,170	1,979,475	1,941,222	2,055,756	2,062,887
Revenue Hours	121,985	120,632	141,067	147,408	156,887	161,934	172,792	164,389	170,084	172,796
Total Operating Cost	\$ 6,527,035	6,788,920	8,239,885	8,993,875	9,421,828	10,520,283	11,740,177	12,825,304	13,286,822	13,153,516
Cost per Revenue Mile	\$ 4.27	4.52	4.64	4.78	4.73	5.48	5.93	6.61	6.46	6.38
Cost per Revenue Hour	\$ 53.51	56.28	58.41	61.01	60.05	64.97	67.94	78.02	78.12	76.12

South Coast Area Transit
Ridership and Service – Ten Year Comparison
Fiscal Years 1998 to 2007

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Passengers										
Fixed Route	3,308,967	3,417,749	3,687,762	3,669,452	3,579,671	3,435,333	3,372,170	3,145,890	3,369,704	3,534,984
Paratransit	17,521	18,221	46,898	66,298	79,128	96,986	108,024	88,563	77,982	76,054
TOTAL	3,326,488	3,435,970	3,734,660	3,735,750	3,658,799	3,532,319	3,480,194	3,234,453	3,447,686	3,611,038
Revenue Miles										
Fixed Route	1,360,883	1,321,390	1,389,984	1,421,734	1,540,478	1,385,231	1,427,681	1,405,007	1,536,309	1,534,611
Paratransit	168,507	180,284	386,982	460,322	451,439	533,939	551,794	536,215	519,447	528,276
TOTAL	1,529,390	1,501,674	1,776,966	1,882,056	1,991,917	1,919,170	1,979,475	1,941,222	2,055,756	2,062,887
Revenue Hours										
Fixed Route	112,354	110,376	118,753	120,975	126,005	127,372	130,982	129,200	138,854	137,872
Paratransit	9,631	10,256	22,314	26,433	30,882	34,562	41,810	35,458	31,230	34,924
TOTAL	121,985	120,632	141,067	147,408	156,887	161,934	172,792	164,658	170,084	172,796
Passengers Per Mile										
Fixed Route	2.43	2.59	2.65	2.58	2.32	2.48	2.36	2.24	2.19	2.30
Paratransit	0.10	0.10	0.12	0.14	0.18	0.18	0.20	0.17	0.15	0.14
TOTAL	2.18	2.29	2.10	1.98	1.84	1.84	1.76	1.67	1.68	1.75
Passengers Per Hour										
Fixed Route	29.45	30.96	31.05	30.33	28.41	26.97	25.75	24.35	24.27	25.64
Paratransit	1.82	1.78	2.10	2.51	2.56	2.81	2.58	2.50	2.50	2.18
TOTAL	27.27	28.48	26.47	25.34	23.32	21.81	20.14	19.64	20.27	20.90

Report on Compliance and Internal Controls



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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*

Board of Directors
South Coast Area Transit
Oxnard, California

We have audited the basic financial statements of the South Coast Area Transit (SCAT) as of and for the year ended June 30, 2007 and 2006, and have issued our report thereon dated August 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SCAT'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 SCAT's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SCAT'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 SCAT'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 SCAT's financial statements that is more than inconsequential will not be prevented or detected by SCAT'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 SCAT's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCAT's 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 and management and is not intended to be and should not be used by anyone other than these specified parties.

August 25, 2007
Cypress, California

Charles Z. Fedak, CPA, MBA
An Accountancy Corporation

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Single-Audit Section

South Coast Area Transit
Single-Audit Report
For the Year Ended June 30, 2007

**South Coast Area Transit
Single Audit Report
For the Year Ended June 30, 2007**

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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*

Board of Directors
South Coast Area Transit
Oxnard, California

We have audited the basic financial statements of the South Coast Area Transit (SCAT) as of and for the year ended June 30, 2007 and 2006, and have issued our report thereon dated August 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SCAT'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 SCAT's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SCAT'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 SCAT'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 SCAT's financial statements that is more than inconsequential will not be prevented or detected by SCAT'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 SCAT's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

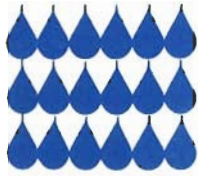
As part of obtaining reasonable assurance about whether SCAT's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination 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 and management and is not intended to be and should not be used by anyone other than these specified parties.

August 25, 2007
Cypress, California

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Report on Compliance with Requirements Applicable to Each Major Program and On Internal Control Over Compliance Required by OMB Circular A-133

Board of Directors
South Coast Area Transit
Oxnard, California

Compliance

We have audited the compliance of the South Coast Area Transit (SCAT) 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 its major federal program for the year ended June 30, 2007. SCAT's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of the SCAT's management. Our responsibility is to express an opinion on SCAT's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the SCAT'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 SCAT's compliance with those requirements.

In our opinion, SCAT complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control over Compliance

The management of SCAT 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 SCAT's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SCAT's internal control over compliance.

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 SCAT'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 SCAT's financial statements that is more than inconsequential will not be prevented or detected by SCAT's internal control.

**Report on Compliance with Requirements Applicable to Each Major Program and
On Internal Control Over Compliance Required by OMB Circular A-133, continued**

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 SCAT'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 an deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the SCAT as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated August 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

August 25, 2007
Cypress, California

*Charles Z. Fedak & Company CPAs
An Accountancy Corporation*

**South Coast Area Transit
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007**

<u>Federal Grantor/Program Title:</u>	<u>Federal CFDA Number</u>	<u>Amount Receivable 6/30/2006</u>	<u>Grant Expenditures</u>	<u>Grant Funds Received by 6/30/2007</u>	<u>Amount Receivable 6/30/2007</u>
U.S. Department of Transportation Federal Transportation Administration					
Directly Awarded:					
New Freedom Program	20.521	\$ -	60,000	50,000	10,000
Major Program:					
Federal Transit – Formula Grants – Section 5307 Operating, Planning and Capital Grants:					
	20.507				
Passed-Through - Ventura County Transportation Commission					
CA-90-X959		\$ 19,383	55,476	74,859	-
Directly Awarded:					
CA-90-X514		8,456	223,881	232,337	-
CA-90-X763		-	12,160	10,365	1,795
CA-90-X886		-	3,350	3,350	-
CA-90-X999		828	145,401	146,229	-
CA-90-Y115		22,268	5,277	27,545	-
CA-90-Y190		-	55,777	55,777	-
CA-90-Y336		-	3,008,999	3,008,999	-
CA-90-Y418		3,460,544	5,860,401	9,209,609	111,336
CA-90-Y498		-	3,225,720	2,951,593	274,127
Total for CFDA No.	20.507	<u>3,492,096</u>	<u>12,540,966</u>	<u>15,645,804</u>	<u>387,258</u>
Total		<u>\$ 3,511,479</u>	<u>12,656,442</u>	<u>15,770,663</u>	<u>397,258</u>

Notes to Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of South Coast Area Transit (SCAT) and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

(2) Reconciliation of the Schedule of Expenditures of Federal Awards to the Financial Statements

Statement of Revenues, Expenses and Changes in Net Assets	
Non-operating revenues:	
Federal funding – operating grants	\$ 2,919,055
Federal funding – matching grants	553,600
Capital contributions:	
Federal capital grants	<u>9,183,787</u>
Total Federal awards	12,656,442
Add – Accounts receivable – federal funding – June 30, 2006	3,511,479
Less – Accounts receivable – federal funding – June 30, 2007	<u>(397,258)</u>
Federal receipts or revenues recognized per Schedule	<u>\$ 15,770,663</u>

**South Coast Area Transit
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007**

<i>Section I—Summary of Auditor’s Results</i>	<i>Response</i>
Financial Statements	
Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Significant deficiency(ies) identified?	No
• Material weakness(es) identified?	No
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major programs:	
• Significant deficiency(ies) identified?	No
• Material weakness(es) identified?	No
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133:	No
Identification of major programs tested included:	
U.S. Department of Transportation, Federal Transportation Administration	
Federal Transit – Formula Grants – Section 5307 Operating, Planning and Capital Grants – CFDA No. 20.507	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	Yes

Section II—Financial Statement Findings

No matters were reported.

Section III—Federal Award Findings and Questioned Costs

No matters were reported.

Section IV—Prior Year Findings and Questioned Costs

No matters were reported.