



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

**SACRAMENTO
TRANSPORTATION
AUTHORITY**

Sacramento, California

*FOR THE
FISCAL YEAR ENDED JUNE 30, 2006*

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

SACRAMENTO TRANSPORTATION AUTHORITY

Sacramento, California

FOR THE

FISCAL YEAR ENDED JUNE 30, 2006

PREPARED BY

Mona Stephens, CPA

Finance and Accounting Administrator

**SACRAMENTO TRANSPORTATION AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**SACRAMENTO TRANSPORTATION AUTHORITY
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December 1, 2006

The Honorable Members of the Sacramento Transportation Authority Governing Board

The Comprehensive Annual Financial Report for the Sacramento Transportation Authority (the "Authority") for the year ended June 30, 2006 is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief the enclosed data is accurate in all material aspects and is reported in a manner designed to fairly present the financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the Authority's organizational chart, a list of principal officials, and the GFOA Certificate of Achievement. The financial section includes the Management Discussion and Analysis, financial statements and the individual fund financial statements and schedules, as well as the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Authority was established under the Local Transportation and Improvement Act, California Public Utilities Code Division 19, during the 1988-89 fiscal year. The voters of Sacramento County passed an ordinance (Measure A) enacted by the Authority imposing a retail transactions and use (sales) tax increase throughout the County at a maximum rate of one half of one percent (1/2 of 1%) for a period of 20 years. The sales tax generated by Measure A must be used to fund public road improvements, public road maintenance, public transit functions, air quality, and elderly and handicapped transportation functions.

This report includes all funds, agencies, boards, commissions and authorities that are financially accountable to the Authority Governing Board. Such financial accountability was determined on the basis of budget adoption, taxing authority, imposition of will, funding, and appointment of the governing board. Based on this criteria, since the Authority Governing Board is also the Governing Board of the Sacramento Abandoned Vehicle Service Authority (SAVSA), SAVSA is considered a component unit of the Authority. SAVSA is represented in the Authority's Special Revenue Fund. The Transportation and Air Quality Collaborative (Collaborative), which became a separate program in the 2001-02 fiscal year, is also represented in the Special Revenue Fund.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Authority operates.

Internal Control Structure. In developing and evaluating the Authority's accounting system, consideration is given to the adequacy of internal accounting controls. Management of the Authority is responsible for the establishment and maintenance of an internal control structure designed to (1) provide reasonable, but not absolute, assurance that assets of the Authority are protected against loss from unauthorized use or disposition and (2) that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles (GAAP) and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of the control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Local economy. The local economy was strong in the 2005-06 year. Sales tax revenues grew 7.13% and the job market remained strong.

Cash Management. The Authority's cash, except for small amounts on hand and an imprest checking account, is deposited in the pooled account of the County of Sacramento and in the State of California's Local Agency Investment Fund. Cash surpluses in these accounts are invested and investment earnings are allocated to the Authority's funds on the basis of average daily cash balances.

Risk Management. The Authority purchases commercial insurance for workers' compensation and general liability to provide a risk management program. The program is designed to protect Authority property and personnel.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sacramento Transportation Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This is the ninth straight year the Authority has received this award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

We want to thank the members of the Sacramento Transportation Authority Governing Board for your interest and support in planning and conducting the financial operation of the Authority. The preparation of this report could not have been accomplished without your leadership.

Respectfully Submitted,

Concur,



Mona Stephens
Sr. Transportation Administrator



Brian A. Williams
Executive Director

**SACRAMENTO TRANSPORTATION AUTHORITY
LIST OF PRINCIPAL OFFICIALS
June 30, 2006**

BOARD MEMBERS

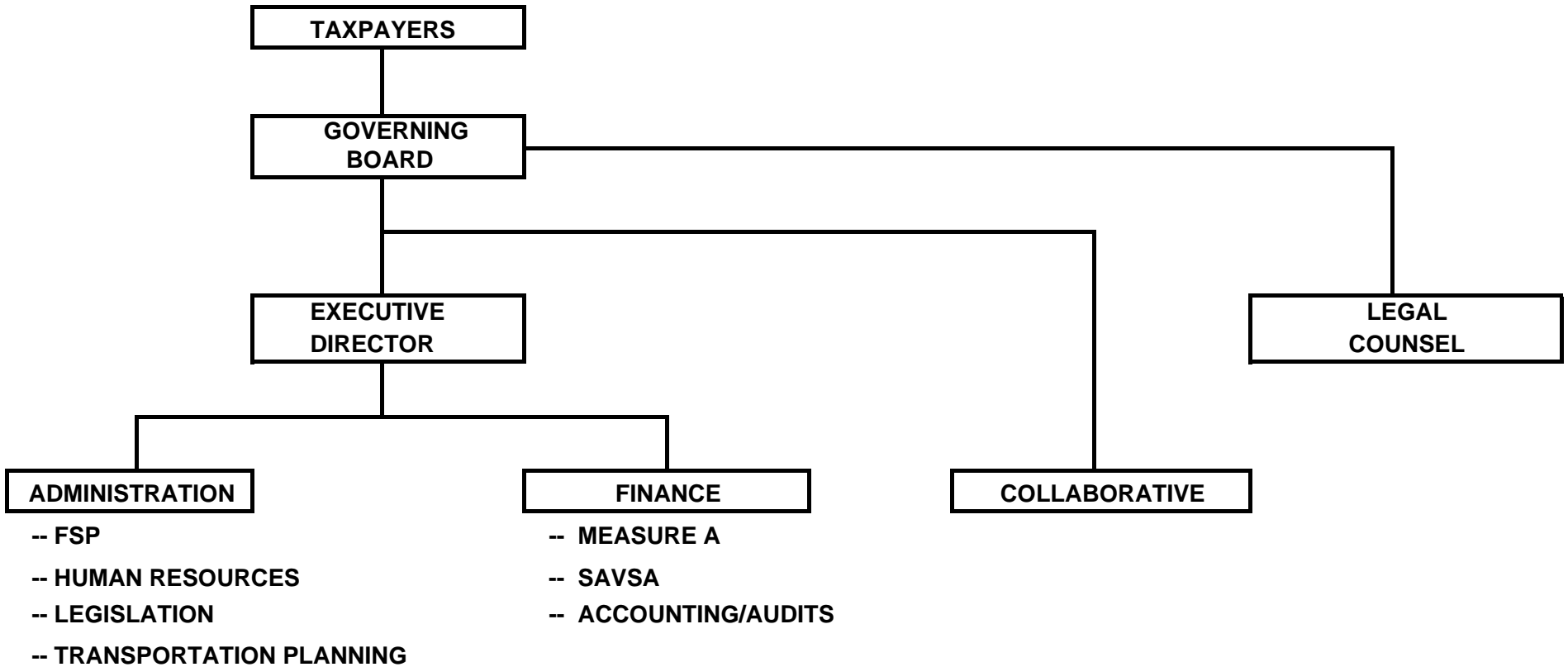
DAN BRIGGS, City of Elk Grove
ILLA COLLIN, County of Sacramento
KEN COOLEY, City of Rancho Cordova
ROGER DICKINSON, County of Sacramento
ROBERT KING FONG, City of Sacramento
LAUREN HAMMOND, City of Sacramento
ROBERTA MACGLASHAN, County of Sacramento
KEVIN MCCARTY, City of Sacramento
ANDY MORIN, City of Folsom
DON NOTTOLI, County of Sacramento
BONNIE PANNELL, City of Sacramento
BARBARA PAYNE, Cities of Isleton and Galt
SUSAN PETERS, County of Sacramento
JEFF SLOWEY, City of Citrus Heights
RAY TRETHERWAY, City of Sacramento

Alternates

LINDA BUDGE, City of Rancho Cordova
B. TERI BURNS, County of Sacramento
STEVE COHN, City of Sacramento
STEVE EGGERT, County of Sacramento
HEATHER FARGO, City of Sacramento
KERRI HOWELL, City of Folsom
VIRGINIA MOOSE, County of Sacramento
SOPHIA SCHERMAN, City of Elk Grove
SANDY SHEEDY, City of Sacramento
JAMES SHELBY, City of Citrus Heights
RANDY SHELTON, Cities of Isleton and Galt
TERESA STANLEY, County of Sacramento
ROBBIE WATERS, City of Sacramento

STAFF

BRIAN WILLIAMS, Executive Director
MONA STEPHENS, Finance and Accounting Administrator
NORMAN HOM, Associate Planner
GLORIA BUSBY, Office Manager
DIANE BALTER, Legal Counsel



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sacramento

Transportation Authority,
California

For its Comprehensive Annual

Financial Report

for the Fiscal Year Ended

June 30, 2005

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



Carla E. Perry

President

Jeffrey R. Emmer

Executive Director

Richardson & Company

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sacramento Transportation Authority
Sacramento, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sacramento Transportation Authority as of and for the year ended June 30, 2006. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 basic 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 governmental activities and each major fund of the Authority as of June 30, 2005 and the respective changes in financial position and the respective budgetary comparison for the General Fund, the SAVSA Special Revenue Fund and the Collaborative Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, supplemental information and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in our audit of the basic financial statements, and, accordingly, we express no opinion on them.

Richardson & Company

September 22, 2006

Management's Discussion and Analysis

As management of the Sacramento Transportation Authority (Authority), we present to the readers of these financial statements this narrative overview and analysis of the Authority for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through iii of this report.

Financial Highlights

- Actual Measure A revenues for 2005-06 exceeded projections by \$5,069,536.
- Measure A revenues grew by 7.13% over the 2004-05 fiscal year.
- The Authority was able to meet all expenditures to Measure A participating entities without having to dip into existing fund balances.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements. The *government-wide financial Statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *Statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The government-wide financial statements include not only the Authority itself, but also the Sacramento Abandoned Vehicle Service Authority (SAVSA) and the Sacramento Transportation and Air Quality Collaborative (Collaborative). SAVSA, although legally separate from the Authority, functions for all practical

purposes as a department of the Authority and therefore has been included as an integral part of the Authority.

The government-wide financial statements can be found on pages 9 - 10 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and two special revenue funds – SAVSA and the Collaborative.

The Authority adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for those funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11 - 16 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the

government-wide financial statements because the resources of those funds are not available to support the Authority's own programs.

The basic fiduciary fund financial statement can be found on page 17 of this report.

Notes to the financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 – 28 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$33,368,935 at the close of the 2006 fiscal year.

The largest portion of the Authority's net assets reflects revenues earned in 2006 but which will be collected in July and August. Those assets will be available for use in the 2007 fiscal year. The remaining net assets have been designated to cover potential revenue shortfalls, potential litigation, and funding of the Authority in the event that Measure A revenues cease.

SACRAMENTO TRANSPORTATION AUTHORITY NET ASSETS

	Governmental Activities		
	2006	2005	2004
Current and other assets	<u>\$ 35,709,312</u>	<u>\$ 38,503,769</u>	<u>\$ 33,442,144</u>
Total assets	<u>35,709,312</u>	<u>38,503,769</u>	<u>33,442,144</u>
Long term liabilities	53,087	46,219	40,218
Other liabilities	<u>2,287,290</u>	<u>1,666,902</u>	<u>960,828</u>
Total liabilities	<u>2,340,377</u>	<u>1,713,121</u>	<u>1,001,046</u>
Net assets:			
Unrestricted	<u>33,368,935</u>	<u>36,790,648</u>	<u>32,441,098</u>
Total net assets	<u>\$ 33,368,935</u>	<u>\$ 36,790,648</u>	<u>\$ 32,441,098</u>

The decrease in net assets is due to an increase in Measure A distributions to participating jurisdictions in the 2006 fiscal year. The increase in net assets from 2004 to 2005 was due to an increase in sales tax revenues from the 2004 fiscal year.

Governmental activities.

Governmental activities decreased the Authority's net assets by \$3.4 million. The primary reason for the decrease was an increase in Measure A distributions

to participating jurisdictions in the 2006 fiscal year. The Authority liquidated some of its reserves and also distributed more of its unrestricted fund balance to allow the jurisdictions to spend more money on transportation improvements. The increase in net assets in 2005 was due to an increase in sales tax revenues during the 2005 fiscal year.

SACRAMENTO TRANSPORTATION AUTHORITY Change in Net Assets

	Governmental Activities		
	2006	2005	2004
Revenues:			
Program revenues:			
Freeway Service Patrol	\$ 1,491,009	\$ 1,469,725	\$ 1,466,599
SAVSA	1,142,226	1,139,965	1,112,098
Collaborative	<u>405,595</u>	<u>655,968</u>	<u>679,959</u>
Total program revenues	3,038,830	3,265,658	3,258,656
General Revenues:			
Sales taxes	109,688,836	102,385,507	97,159,755
Other	<u>925,963</u>	<u>483,592</u>	<u>169,410</u>
Total revenues	<u>110,614,799</u>	<u>106,131,757</u>	<u>100,587,821</u>
Expenses:			
General government	<u>117,075,342</u>	<u>101,785,207</u>	<u>93,933,401</u>
Total expenses	<u>117,075,342</u>	<u>101,785,207</u>	<u>93,933,401</u>
Increase (decrease) in net assets	<u>(3,421,713)</u>	<u>4,349,550</u>	<u>6,654,420</u>
Net assets beginning	<u>36,790,648</u>	<u>32,441,098</u>	<u>25,786,678</u>
Net assets ending	<u>\$33,368,935</u>	<u>\$36,790,648</u>	<u>\$32,441,098</u>

Financial Analysis of the Government's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$33,368,935, a decrease of \$3,421,713 in comparison with the prior year. As of the end of the 2005 year, the

Authority's governmental funds reported combined ending fund balances of \$36,790,648, an increase of \$4,349,550 in comparison with the 2004 year.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was due to one amendment increasing Authority operations by \$7,627,401 to increase the appropriation to the Measure A jurisdictions. The funding for that increase came from the Authority's fund balance designated for that purpose and from the partial liquidation of a reserve account.

Economic Factors and Next Year's Budget

The area's economic growth rate was better than expected. Projected sales tax growth of 4% was used in the preparation of the 2007 budget. During the 2007 year, the Authority will also pursue debt financing to advance transportation projects to be funded by the New Measure A that begins in 2009.

Request for Information

This financial report is designed to provide a general overview of the Sacramento Transportation Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Sacramento Transportation Authority, 901 F Street, Suite 210, Sacramento, CA 95814.

SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
ASSETS	
Cash and Investments	\$ 16,646,309
Prepays	2,742
Receivables:	
Interest	523,300
Due from other governments	18,536,961
Total assets	35,709,312
 LIABILITIES	
Accounts payable and other current liabilities	2,275,543
Deposits	11,747
Noncurrent liabilities:	
Compensated Absences - Due in more than one year	53,087
Total liabilities	2,340,377
 NET ASSETS	
Unrestricted	33,368,935
Total net assets	\$ 33,368,935

The notes to the financial statements are an integral part of this statement

**SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net Expense and Changes in Net Assets Governmental Activities
Governmental Activities:			
Measure A	\$ 113,885,339		\$ (113,885,339)
Freeway Service Patrol	1,555,435	\$ 1,491,009	(64,426)
Abandoned Vehicle Service Authority	1,178,658	1,142,226	(36,432)
Collaborative	455,910	405,595	(50,315)
Total governmental activities	<u>\$ 117,075,342</u>	<u>\$ 3,038,830</u>	<u>(114,036,512)</u>
General revenues:			
Sales taxes			109,688,836
Unrestricted investment earnings			925,963
Total general revenues			<u>110,614,799</u>
Change in net assets			<u>(3,421,713)</u>
Net assets - beginning			<u>36,790,648</u>
Net assets - ending			<u>\$ 33,368,935</u>

The notes to the financial statements are an integral part of this statement

SACRAMENTO TRANSPORTATION AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006

	Special revenue			Total Governmental Funds
	General	SAVSA	Collaborative	
ASSETS:				
Cash and Investments	\$ 16,007,808	\$ 573,863	\$ 64,638	\$ 16,646,309
Prepaid expenditures	2,742			2,742
Receivables:				
Interest	506,600	14,340	2,360	523,300
Due from other governments	18,236,658	300,303		18,536,961
Due from other funds	27,174			27,174
TOTAL ASSETS AND OTHER DEBITS	\$ 34,780,982	\$ 888,506	\$ 66,998	\$ 35,736,486
 LIABILITIES and FUND BALANCE				
LIABILITIES:				
Accounts payable and other accrued liabilities	\$ 275,963	\$ 469,659	\$ -	\$ 745,623
Due to other funds	1,529,921	27,174	0	1,557,095
Deferred Revenue			0	-
Deposits	10,396	1,351		11,747
Total liabilities	1,816,280	498,184	0	2,314,464
 FUND BALANCE:				
Reserved	10,000			10,000
Unreserved:				
Designated for:				
Revenue estimate adjustments	6,393,630			6,393,630
Litigation contingency	497,542			497,542
Unreserved and undesignated	26,063,530	390,322	66,998	26,520,850
Total fund balance	32,964,702	390,322	66,998	33,422,022
TOTAL LIABILITIES AND FUND BALANCE	\$ 34,780,982	\$ 888,506	\$ 66,998	\$ 35,736,486

Amounts reported for the governmental activities in the statement of net assets are different because:

Long term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds. (53,087)

Net assets of governmental activities \$ 33,368,935

The notes to the financial statements are an integral part of this statement

**SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FISCAL YEAR ENDED JUNE 30, 2006**

	General	Special Revenue		Totals
		SAVSA	Collaborative	Governmental Fund
REVENUES:				
Taxes	\$109,688,836			\$109,688,836
Vehicle registration fees		\$1,142,226		1,142,226
Contributions			\$405,595	405,595
State grant	772,879			772,879
SAFE Funds	610,000			610,000
Use of money and property - interest	902,382	25,020	4,678	932,080
Unrealized gain/(loss)	(5,528)	(166)	(624)	(6,318)
Miscellaneous	201			201
Yolo County	108,130			108,130
Total revenues	112,076,900	1,167,080	409,649	113,653,629
EXPENDITURES:				
General government:				
Administrative	779,870		455,910	1,235,780
Freeway service patrol	1,555,435			1,555,435
Intergovernmental	113,098,601	1,178,658		114,277,259
Total expenditures	115,433,906	1,178,658	455,910	117,068,474
EXCESS OF REVENUES OVER EXPENDITURES	(3,357,006)	(11,578)	(46,261)	(3,414,845)
OTHER FINANCING SOURCES (USES):				
Transfers in	27,174		112,500	139,674
Transfers out	(112,500)	(27,174)		(139,674)
Total other financing sources (uses)	(85,326)	(27,174)	112,500	-
NET CHANGES IN FUND BALANCES	(3,442,332)	(38,752)	66,239	(3,414,845)
FUND BALANCE, JULY 1, 2005	36,407,034	429,074	759	36,836,867
FUND BALANCE, JUNE 30, 2006	\$32,964,702	\$390,322	\$66,998	\$33,422,022

The notes to the financial statements are an integral part of this statement

SACRAMENTO TRANSPORTATION AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Amounts reported for governmental activities in the statement of activities (page 10)
are different because:

Net change in fund balances - total governmental funds (page 12)	\$ (3,414,845)
Change in Compensated Absences from 2005 to 2006 resulted in change in expenses not reported as expenditures in governmental funds	<u>(6,868)</u>
Change in Net Assets of governmental activities	<u>\$ (3,421,713)</u>

The notes to the financial statements are an integral part of this statement

**SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis) (See Note 1)	Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 103,680,000	\$ 103,680,000	\$ 108,749,536	\$ 5,069,536
State grant	729,000	729,000	772,879	43,879
SAFE Funds	610,000	610,000	610,000	0
Use of money and property - interest	160,000	160,000	902,382	742,382
Unrealized gain/(loss)			(5,528)	(5,528)
Miscellaneous			201	201
Yolo County	100,000	100,000	108,130	8,130
Total revenues	<u>105,279,000</u>	<u>105,279,000</u>	<u>111,137,600</u>	<u>5,858,600</u>
EXPENDITURES:				
Current:				
General government:				
Administrative	870,500	870,500	779,870	90,630
Freeway service patrol	1,637,300	1,637,300	1,555,435	81,865
Intergovernmental	105,471,200	113,098,601	113,098,601	0
Total expenditures	<u>107,979,000</u>	<u>115,606,401</u>	<u>115,433,906</u>	<u>172,495</u>
EXCESS OF REVENUES OVER EXPENDITURES	(2,700,000)	(10,327,401)	(4,296,306)	6,031,095
OTHER FINANCING SOURCES (USES):				
Operating transfers in	32,000	32,000	27,174	(4,826)
Operating transfers out	(112,500)	(112,500)	(112,500)	0
Total other financing sources (uses)	<u>(80,500)</u>	<u>(80,500)</u>	<u>(85,326)</u>	<u>(4,826)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(2,780,500)	(10,407,901)	(4,381,632)	6,026,269
BUDGETARY FUND BALANCE, JULY 1, 2005	<u>32,828,876</u>	<u>32,828,876</u>	<u>32,828,876</u>	<u>0</u>
BUDGETARY FUND BALANCE, JUNE 30, 2006	<u>\$30,048,376</u>	<u>\$22,420,975</u>	<u>\$28,447,244</u>	<u>\$6,026,269</u>

The notes to the financial statements are an integral part of this statement

**SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SAVSA FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis) (See Note 1)	Final Budget Positive (Negative)
REVENUES:				
Vehicle license fee	\$ 1,175,000	\$ 1,175,000	\$ 1,146,034	\$ (28,966)
Use of money and property - interest	5,000	5,000	24,854	19,854
Total revenues	<u>1,180,000</u>	<u>1,180,000</u>	<u>1,170,888</u>	<u>(9,112)</u>
EXPENDITURES:				
Current:				
General government:				
Intergovernmental	1,173,833	1,173,833	1,178,658	(4,825)
Total expenditures	<u>1,173,833</u>	<u>1,173,833</u>	<u>1,178,658</u>	<u>(4,825)</u>
EXCESS OF REVENUES OVER EXPENDITURES	6,167	6,167	(7,770)	(13,937)
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(32,000)	(32,000)	(27,174)	4,826
Total other financing sources (uses)	<u>(32,000)</u>	<u>(32,000)</u>	<u>(27,174)</u>	<u>4,826</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(25,833)	(25,833)	(34,944)	(9,111)
BUDGETARY FUND BALANCE, JULY 1, 2005	<u>124,873</u>	<u>124,873</u>	<u>124,873</u>	<u>0</u>
BUDGETARY FUND BALANCE, JUNE 30, 2006	<u>\$99,040</u>	<u>\$99,040</u>	<u>\$89,929</u>	<u>(\$9,111)</u>

The notes to the financial statements are an integral part of this statement

**SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COLLABORATIVE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis) (See Note 1)	Final Budget Positive (Negative)
REVENUES:				
Contributions from other Governments	\$ 412,550	\$ 412,550	\$ 405,595	\$ (6,955)
Use of money and property - interest			4,054	4,054
Total revenues	412,550	412,550	409,649	(2,901)
EXPENDITURES:				
Current:				
General government:				
Administrative	525,000	525,000	455,910	69,090
Total expenditures	525,000	525,000	455,910	69,090
EXCESS OF REVENUES OVER EXPENDITURES	(112,450)	(112,450)	(46,261)	66,189
OTHER FINANCING SOURCES (USES):				
Operating transfers in	112,500	112,500	112,500	0
Total other financing sources (uses)	112,500	112,500	112,500	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	50	50	66,239	66,189
BUDGETARY FUND BALANCE, JULY 1, 2005	759	759	759	0
BUDGETARY FUND BALANCE, JUNE 30, 2006	\$809	\$809	\$66,998	\$66,189

The notes to the financial statements are an integral part of this statement

SACRAMENTO TRANSPORTATION AUTHORITY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	TOTALS
ASSETS:	
Cash and Investments	\$ 102,755,800
Due from other funds	1,529,921
Interest receivable	1,835,652
total assets	\$ 106,121,373
LIABILITIES	
Accounts payable	\$ 1,960,330
Held in trust for Measure A	104,161,043
total liabilities	\$ 106,121,373

The notes to the financial statements are an integral part of this statement

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sacramento Transportation Authority (Authority), which include the Authority and the Sacramento Abandoned Vehicle Service Authority (SAVSA), have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

ORGANIZATION

The Authority was established under the Local Transportation and Improvement Act, Public Utilities Code Division 19, during the 1988-89 fiscal year. The voters of Sacramento County (the County) passed an ordinance (Measure A) enacted by the Authority imposing a retail transactions and use tax (sales tax) increase throughout the County at a maximum rate of one half of one percent (1/2 of 1%) for a period of 20 years.

SAVSA, a separate legal entity, was established under California Vehicle Code Section 22710, during the 1991-92 fiscal year. The code establishes a \$1 vehicle registration fee to be used for the abatement of abandoned vehicles for counties electing to impose the fee. The County Board of Supervisors, by a two-thirds vote, and the City Councils of a majority of the cities within the County having a majority of the incorporated population, adopted resolutions providing for the establishment of SAVSA.

The Authority and SAVSA are governed by a fourteen member Board of Directors made up of five members representing the County, four members representing the City of Sacramento, one member each from the Cities of Folsom, Citrus Heights, Elk Grove, Rancho Cordova, and one member representing the Cities of Isleton and Galt. The Authority distributes sales tax proceeds to the County of Sacramento, the Cities of Sacramento, Folsom, Galt, Isleton, Citrus Heights, and Elk Grove, the Sacramento Regional Transit District, Paratransit, Inc., and the Sacramento Metropolitan Air Quality Management District according to the Transportation Expenditure Agreement.

The Sacramento Transportation and Air Quality Collaborative (Collaborative) is a multi-year collaborative effort to develop a long-range plan for the Sacramento county-wide area to improve transportation and air quality within a regional context, including relevant land use and economic development strategies. The participating agencies are the cities of Citrus Heights, Elk Grove, Folsom, Rancho Cordova and Sacramento, the County of Sacramento, Regional Transit, and the Sacramento Area Council of Governments, Sacramento Metropolitan Air Quality Management District, and Caltrans. It is considered a special revenue fund of the STA. The Collaborative ceased its operations in 2006.

The distribution of Measure A funds is prescribed in the ballot measure approved by the voters with the passage of Measure A. The distribution is made in three tiers. In tier one, one percent (1%) of the sales tax proceeds goes for administration and one and one-half percent (1&1/2%) is required to be spent to mitigate motor vehicle emissions. Of the remaining tier two funds, the cities of Folsom, Isleton, and Galt receive a percentage based on their populations relative to the entire County. The remaining funds represent tier three and must be used to fund public road

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONT)**

ORGANIZATION (CONT)

improvements (35%), public road maintenance (28%), public transit functions (35%), and elderly and handicapped transportation functions (2%).

SAVSA distributes the \$1 vehicle registration fees collected to the County, and the Cities of Sacramento, Galt, Isleton, Folsom, Elk Grove, and Citrus Heights based upon the Sacramento Abandoned Vehicle Abatement Plan.

FINANCIAL REPORTING ENTITY

For financial reporting purposes, in conformance with the pronouncements of the Government Accounting Standards Board (GASB) and generally accepted accounting principles (GAAP), the Authority includes all funds, agencies, boards, commissions and authorities that are financially accountable to the Authority's Governing Board. Such financial accountability is determined on the basis of budget adoption, taxing authority, imposition of will, funding, and appointment of governing boards. Based on these criteria, since the Authority Governing Board is also the Governing Board of SAVSA, SAVSA is considered a component unit of the Authority. SAVSA is presented using the blending method and is represented in the Authority's Special Revenue Fund. Component unit financial statements for SAVSA are not separately issued.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONT)**

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund statements. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources concept and the modified accrual basis of accounting. Under this concept, sources and uses of financial resources, including capital outlays, loan proceeds and debt retirement are reflected in operations. Revenues are recognized in the accounting period in which they become measurable and available. The Authority considers revenues to be available if they are collectible within 60 days of the end of the current fiscal year. Expenditures are recorded when a liability has been incurred, as under accrual accounting.

The Authority reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required or designated by the Board to be accounted for in another fund.

Funds – The Authority has two Special Revenue Funds. One Special Revenue Fund is the operating fund of SAVSA. It is used to account for all the financial resources of SAVSA. The other Special Revenue Fund is for the operations of the Sacramento Transportation and Air Quality Collaborative (Collaborative).

Additionally, the Authority reports the following fund types

Fiduciary Funds:

Measure A Agency Funds - These funds are used to account for assets held by the Authority as an agent for other organizations and governmental units.

The Authority holds the construction allocations for the Cities of Folsom, Rancho Cordova, Galt, Isleton, Citrus Heights, Elk Grove, and Sacramento, the Sacramento Regional Transit District, the County of Sacramento, and the Sacramento Metropolitan Air Quality Management District. The monies are disbursed to each entity when the entity requests reimbursement of expenditures made on projects authorized by the Authority. The amount of unexpended Measure A sales tax revenue along with the allocated interest is recorded in the Measure A Agency Funds.

BUDGETARY PRINCIPLES

As required by the laws of the Public Utility Code of the State of California, the Authority prepares and legally adopts a final operating budget each fiscal year.

**SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONT)**

BUDGETARY PRINCIPLES (CONT)

Operating budgets are adopted for the Governmental Fund Types on the modified accrual basis of accounting, except that the budget for the General Fund does not include accrued sales tax and the budget for the Special Revenue Fund does not include accrued vehicle registration fees. Budgetary control and the legal level of control are at the program level which classifies expenditures by program; i.e., administration, and freeway service patrol. Significant amendments, appropriation transfers between programs and transfers from contingencies must be approved by the Authority's Governing Board. Supplemental appropriations financed by unanticipated revenues also must be approved by the Board. During the year certain amendments were approved by the Governing Board.

The Authority is subject to an annual appropriations limit, Article XIII B of the State Constitution. Under the terms of the Article, the State and each of its local government units may appropriate no more than it appropriated the year before being adjusted for changes in the cost of living and the population unit. The limitation applies to appropriations of specified "proceeds of taxes" revenue and may be changed in certain circumstances or by a vote of the electorate. The Authority's budget is in compliance with the provisions of Article XIII B.

CASH AND INVESTMENTS

The Authority's cash, except for small amounts on hand and an imprest checking account, is deposited in the pooled account of the County of Sacramento and in the State of California's Local Agency Investment Fund. Cash surpluses in these accounts are invested and investment earnings are allocated to the Authority's funds on the basis of average daily cash balances. All investments are reported at fair value with changes in fair value reported in the statement of revenues, expenditures, and changes in fund balance.

CAPITAL ASSETS

Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets owned by the Authority are valued at historical cost. Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office Equipment	5
Computers	5

It is the Authority's policy to capitalize furniture and equipment exceeding \$5,000. As of July 1, 2002, all capital assets of the Authority had been fully depreciated, and, as such, have been written off.

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONT)**

COMPENSATED ABSENCES

The Authority compensates employees upon termination for unused vacation pay, up to a maximum of 400 hours. Accumulated sick leave is not paid upon termination.

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is recorded in the government funds only if they have matured, for example, as a result of employee resignations and retirements.

INTERFUND TRANSACTIONS

Transactions between funds during the year consisted of operating transfers between the general fund and the special revenue funds.

RESERVATIONS AND DESIGNATIONS OF FUND BALANCE

In the fund financial statements, the term "reserved" is used to indicate that a portion of reported fund equity is (1) legally restricted to a specific use or (2) not available for appropriation or expenditure. The management of the Authority will sometimes designate portions of fund equity based on tentative future spending plans. Designated portions of fund equity represent financial resources legally available for uses other than those tentatively planned.

The Authority has "reserved" fund balance as follows:

- General fund - to reflect resources held in Authority "petty cash" checking account.

The Authority has "designated" fund balance as follows:

- Designated for revenue estimate adjustments to reflect resources available in case of a revenue shortfall.
- Designated for litigation contingency to reflect resources available in case of litigation.

**SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

INSURANCE

The Authority's employees are covered by a commercial worker's compensation insurance. In addition, the Authority purchases commercial insurance for general liability claims. At June 30, 2006, there were no claims outstanding. There were no reductions in coverage during the year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

NOTE 2 - CASH AND INVESTMENTS

The Authority's cash and investments of \$16,646,309 in the governmental funds and \$102,755,800 in the fiduciary funds are carried at fair value and are included within the Sacramento County Treasurer's cash and investment pool and the State of California's Local Agency Investment Fund (LAIF). These monies are pooled with the monies of the County and other local agencies and invested by the County Treasurer's Office (County pool) and the State Treasurer's Office (LAIF). These assets are not individually identifiable and are not required to be categorized under Statement Number 3 of the Governmental Accounting Standards Board. The fair value of the position in the County pool is 100.21% of the pool shares, the fair value of the position in the LAIF is 99.82% of the pool shares. The LAIF has oversight by the Local Investment Advisory Board. The County Treasury Oversight Committee oversees the County pool.

The Authority did not directly enter into any derivative investments. The Authority's total investment in LAIF at June 30, 2006 is \$29,945,999. The total amount invested by all public agencies in LAIF at June 30, 2006, was \$63,616,592,927 managed by the Treasurer for the State of California. Of that amount, 97.4% is invested in non-derivative financial products and 2.6% in derivative financial products and structured financial instruments. The County Pool is 100% invested in non-derivative financial products.

Cash and investments in governmental funds as of June 30, 2006 consist of the following:

	2006
Petty cash	\$ 1,000
Deposits with financial institutions	45
Investments in Sacramento County investment pool	16,645,264
Total cash and investments	<u>\$ 16,646,309</u>

Cash and investments in fiduciary funds as of June 30, 2006 consist of the following:

	2006
Investments in Sacramento County investment pool	\$ 72,809,801
Investments in Local Agency Investment Fund (LAIF)	29,945,999
Total cash and investments	<u>\$ 102,755,800</u>

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investment policy: California statutes authorize public agencies to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, and Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. During the year ended June 30, 2006, the Authority's permissible investments included the following instruments:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum % or Amount of the Portfolio</u>
US Treasury Bonds/Notes/Bills	5 years	100%
Bonds issued by local agencies	5 years	80%
Registered State Warrants and Municipal Notes	5 years	80%
Bankers Acceptances	180 days	40%
Commercial Paper	270 days	40%
Negotiable Certificate of Deposit	180 days	30%
CRA Bank Deposit/Certificate of Deposit	1 year	30%
Repurchase Agreements	1 year	30%
Reverse Repurchase Agreement	92 days	20%
Medium Term Corporate Notes	180 days	30%
Shares of Money Market Mutual Fund	90 days	20%
Collateralized Mortgage Obligations	180 days	20%

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2006, the weighted average maturity of the investments contained in the LAIF investment pool and the Sacramento County investment pool is approximately 152 and 184 days, respectively.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Neither LAIF nor the Sacramento County investment pool has a rating provided by a nationally recognized statistical rating organization.

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 the Authority's investment policy do 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

**SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The Authority's deposits were covered by federal depository insurance at June 30, 2006 and 2005.

NOTE 3 - RECONCILIATION OF THE MODIFIED ACCRUAL BASIS TO BUDGETARY BASIS OF ACCOUNTING

The reconciliation of General Fund excess of revenues over expenditures to the budgetary basis of accounting is as follows:

	Modified Accrual Basis	Reversal of Prior Year Sales Tax Accrual	Current Year Sales Tax Accrual	Budgetary Basis
Revenues	\$112,076,900	\$16,612,500	(\$17,551,800)	\$111,137,600
Expenditures	115,433,906			115,433,906
Excess of revenues over expenditures	(\$3,357,006)	\$16,612,500	(\$17,551,800)	(\$4,296,306)

The reconciliation of SAVSA Fund excess of revenues over expenditures to the budgetary basis of accounting is as follows:

	Modified Accrual Basis	Reversal of Prior Year Vehicle Registration Fee Accrual	Current Year Vehicle Registration Fee Accrual	Budgetary Basis
Revenues	\$1,167,079	\$304,111	(\$300,303)	\$1,170,887
Expenditures	1,178,658			1,178,568
Excess of revenues over expenditures	(\$11,579)	\$304,111	(\$300,303)	(\$7,771)

**SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 4 - PENSION PLAN

Pension plan description - The Authority contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating entities within the State of California. The benefits for the public agencies are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law. CalPERS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for CalPERS. A copy of that report may be obtained by writing to CalPERS, Central Supply, P.O. Box 942715, Sacramento, CA 94229-2715.

Funding Policy - Employees are required to contribute 7% of covered salary to CalPERS. The Authority is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the CalPERS Board of Administration. For the fiscal year ended June 30, 2006 the employer contribution rate was 10.924%. The Authority, as part of its compensation to employees, pays the employees' contributions in addition to its own.

Annual Pension Cost - For fiscal year ended June 30, 2006, the Authority's annual pension cost of \$52,935 for CalPERS was equal to the Authority's required and actual contributions. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method. (This is the latest information available.) The actuarial assumptions included (a) 7.75% investment rate of return, and (b) projected salary increases that vary by duration of service. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of the Authority's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. The difference between the Actuarial Value of Assets and the Actuarial Accrued Liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2004 was 14 years.

3 Year Trend Information

Fiscal Year End	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/04	\$37,760	100%	\$0
6/30/05	\$42,048	100%	\$0
6/30/06	\$52,935	100%	\$0

REQUIRED SUPPLEMENTARY INFORMATION

Plan's Risk Pool History of Funded Status and Funding Progress

Valuation Date	Accrued Liabilities	Actuarial Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL as a percentage of Covered Payroll
6/30/03	\$2,596,966,545	\$2,372,879,034	\$224,087,511	89.6	\$725,020,458	30.9%
6/30/04	\$2,746,095,668	\$2,460,944,656	\$285,151,012	80.2%	\$743,691,970	38.3%

SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5 - DEFERRED COMPENSATION PLAN

The Authority offers its regular employees a deferred compensation under the provisions of Internal Revenue Code (IRC) Section 457. The plan permits these employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

The Authority has established separate independent trusts to hold the assets and earnings of its deferred compensation plans for the exclusive benefit of the participants that are not included in the Balance Sheet.

NOTE 6 - OPERATING LEASES

The Authority leases certain equipment and premises under operating leases through the year ending June 30, 2007. Rental expense for the year ended June 30, 2006 was \$91,323.

Future minimum lease payments under operating leases as of June 30, 2006 are as follows:

Fiscal Year Ending June 30,	Amount
2007	<u>\$35,953</u>
	<u><u>\$35,953</u></u>

NOTE 7 – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2006 are as follows:

Due to General Fund from:	
SAVSA Special Revenue Fund	<u>\$27,174</u>
Total due to General Fund	<u><u>\$27,174</u></u>
Due to Agency Fund from:	
General Fund	<u><u>\$1,529,921</u></u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**SACRAMENTO TRANSPORTATION AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 7 – INTERFUND TRANSACTIONS (cont.)

Interfund transfers for the year ended June 30, 2006 were as follows:

Transfers to General Fund from:	
SAVSA Special Revenue Fund	<u>\$27,174</u>
Total transfers to General Fund	<u>\$27,174</u>
Transfers to Collaborative Special Revenue Fund from:	
General Fund	<u>\$112,500</u>

Transfers are used to (1) reimburse the General Fund for services to and payments on behalf of the Special Revenue Funds, and (2) fund a portion of the Collaborative per a Memorandum of Understanding (MOU).

NOTE 8 – SUBSEQUENT EVENTS

In mid-November, the Authority issued approximately \$100 million in tax revenue notes. This issue allows the Authority to expedite transportation projects to be funded under the “New Measure A” that the voters passed in 2004. This new tax begins in 2009. Proceeds of the new tax will be used to repay the debt issue.

SACRAMENTO TRANSPORTATION AUTHORITY
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 JUNE 30, 2006

	SAVSA	COLLABORATIVE	TOTALS
ASSETS			
Cash and investments	\$ 573,863	\$ 64,638	\$ 638,501
Interest receivable	14,340	2,360	16,700
Due from other governmental agencies	300,303		300,303
TOTAL ASSETS	<u>\$ 888,506</u>	<u>\$ 66,998</u>	<u>\$ 955,504</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable	\$ 469,659	\$ -	\$ 469,659
Due to other funds	27,174	0	27,174
Deferred Revenue		0	0
Deposits	1,351		1,351
Total liabilities	<u>498,184</u>	<u>0</u>	<u>498,184</u>
FUND BALANCE:			
Unreserved and undesignated	390,322	66,998	457,320
Total fund balance	<u>390,322</u>	<u>66,998</u>	<u>457,320</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 888,506</u>	<u>\$ 66,998</u>	<u>\$ 955,504</u>

SACRAMENTO TRANSPORTATION AUTHORITY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2006

	SAVSA	COLLABORATIVE	TOTALS
REVENUES:			
Vehicle registration fees	\$ 1,142,226		\$ 1,142,226
Contributions		\$ 405,595	405,595
Use of money and property - interest	25,020	4,678	29,698
Unrealized gain/(loss)	(166)	(624)	(790)
Total revenues	<u>1,167,080</u>	<u>409,649</u>	<u>1,576,729</u>
EXPENDITURES:			
Current:			
General government:			
Administrative		455,910	455,910
Intergovernmental	1,178,658		1,178,658
Total expenditures	<u>1,178,658</u>	<u>455,910</u>	<u>1,634,568</u>
EXCESS OF REVENUES OVER EXPENDITURES	(11,578)	(46,261)	(57,839)
OTHER FINANCING SOURCES (USES):			
Operating transfers in		112,500	112,500
Operating transfers out	(27,174)		(27,174)
Total other financing sources (uses)	<u>(27,174)</u>	<u>112,500</u>	<u>85,326</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(38,752)	66,239	27,487
FUND BALANCE, JULY 1, 2005	<u>429,074</u>	<u>759</u>	<u>429,833</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 390,322</u>	<u>\$ 66,998</u>	<u>\$ 457,320</u>

SACRAMENTO TRANSPORTATION AUTHORITY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2006

	SAVSA			COLLABORATIVE		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:						
Vehicle registration fees	\$1,175,000	\$ 1,146,034	\$ (28,966)	\$ 412,550	\$ 405,595	\$ (6,955)
Contributions						
Use of money and property - interest	5,000	25,020	20,020		4,678	4,678
Unrealized gain/(loss)		(166)	(166)		(624)	(624)
Total revenues	1,180,000	1,170,888	(9,112)	412,550	409,649	(2,901)
EXPENDITURES:						
Current:						
General government:						
Administrative				525,000	455,910	69,090
Intergovernmental	1,173,833	1,178,658	(4,825)			
Total expenditures	1,173,833	1,178,658	(4,825)	525,000	455,910	69,090
EXCESS OF REVENUES OVER EXPENDITURES	6,167	(7,770)	(13,937)	(112,450)	(46,261)	66,189
OTHER FINANCING SOURCES (USES):						
Operating transfers in				112,500	112,500	0
Operating transfers out	(32,000)	(27,174)	4,826			
Total other financing sources (uses)	(32,000)	(27,174)	4,826	112,500	112,500	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(25,833)	(34,944)	(9,111)	50	66,239	66,189
FUND BALANCE, JULY 1, 2005	124,873	124,873	0	759	759	0
FUND BALANCE, JUNE 30, 2006	\$ 99,040	\$ 89,929	\$ (9,111)	\$ 809	\$ 66,998	\$ 66,189

SACRAMENTO TRANSPORTATION AUTHORITY
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	July 1, 2005			June 30, 2006
	Balance	Additions	Deletions	Balance
SACRAMENTO AIR QUALITY MANAGEMENT DISTRICT				
Assets:				
Cash and Investments	\$ 2,570,372	\$ 1,802,559	\$ 1,220,264	\$ 3,152,667
Due from other funds	15,734		15,734	-
Interest receivable	28,303	61,574	28,303	61,574
Total Assets	\$ 2,614,409	\$ 1,864,133	\$ 1,264,301	\$ 3,214,241
Liabilities:				
Deposits	\$ 2,614,409	\$ 1,864,133	\$ 1,264,301	\$ 3,214,241
Total Liabilities	\$ 2,614,409	\$ 1,864,133	\$ 1,264,301	\$ 3,214,241
CITY OF SACRAMENTO				
Assets:				
Cash and Investments	\$ 31,380,529	\$ 14,329,296	\$ 6,082,990	\$ 39,626,835
Due from other funds	117,458	129,380	117,458	129,380
Interest receivable	312,606	688,045	312,606	688,045
Total Assets	\$ 31,810,593	\$ 15,146,721	\$ 6,513,054	\$ 40,444,260
Liabilities:				
Deposits	\$ 31,810,593	\$ 15,146,721	\$ 6,513,054	\$ 40,444,260
Total Liabilities	\$ 31,810,593	\$ 15,146,721	\$ 6,513,054	\$ 40,444,260
COUNTY OF SACRAMENTO				
Assets:				
Cash and Investments	\$15,358,480	\$ 17,718,521	\$11,884,030	\$21,192,971
Due from other funds	149,086	1,283,204	149,086	1,283,204
Interest receivable	149,714	287,332	149,714	287,332
Total Assets	\$15,657,280	\$19,289,057	\$12,182,830	\$22,763,507
Liabilities:				
Deposits	\$ 15,657,280	\$ 19,289,057	\$ 12,182,830	\$ 22,763,507
Total Liabilities	\$ 15,657,280	\$ 19,289,057	\$ 12,182,830	\$ 22,763,507
SACRAMENTO REGIONAL TRANSIT				
Assets:				
Cash and Investments	\$ 35,744,080	\$ 19,463,285	\$ 28,286,311	\$ 26,921,053
Due from other funds	97,743	117,337	97,743	117,337
Interest receivable	429,282	544,761	429,282	544,761
Total Assets	\$ 36,271,105	\$ 20,125,383	\$ 28,813,336	\$ 27,583,151
Liabilities:				
Deposits	\$ 36,271,105	\$ 20,125,383	\$ 28,813,336	\$ 27,583,151
Total Liabilities	\$ 36,271,105	\$ 20,125,383	\$ 28,813,336	\$ 27,583,151
CITY OF FOLSOM				
Assets:				
Cash and Investments	\$ 48,382	\$ 1,374	\$ 10,477	\$ 39,279
Interest receivable	553	1,076	553	1,076
Total Assets	\$ 48,935	\$ 2,450	\$ 11,030	\$ 40,355
Liabilities:				
Deposits	\$ 48,935	\$ 2,450	\$ 11,030	\$ 40,355
Total Liabilities	\$ 48,935	\$ 2,450	\$ 11,030	\$ 40,355
CITY OF ISLETON				
Assets:				
Cash and Investments	\$ 123,341	\$ 72,197	\$ 142,466	\$ 53,072
Due from other funds	651		651	-
Interest receivable	1,124	1,146	1,124	1,146
Total Assets	\$ 125,116	\$ 73,343	\$ 144,241	\$ 54,218
Liabilities:				
Deposits	\$ 125,116	\$ 73,343	\$ 144,241	\$ 54,218
Total Liabilities	\$ 125,116	\$ 73,343	\$ 144,241	\$ 54,218

SACRAMENTO TRANSPORTATION AUTHORITY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	July 1, 2005			June 30, 2006
	Balance	Additions	Deletions	Balance
CITY OF GALT				
Assets:				
Cash and Investments	\$ 2,193,535	\$ 1,938,656	\$ 1,473,226	\$ 2,658,965
Due from other funds	17,039		17,039	-
Interest receivable	29,675	53,002	29,675	53,002
Total Assets	\$ 2,240,249	\$ 1,991,658	\$ 1,519,940	\$ 2,711,967
Liabilities:				
Deposits	\$ 2,240,249	\$ 1,991,658	\$ 1,519,940	\$ 2,711,967
Total Liabilities	\$ 2,240,249	\$ 1,991,658	\$ 1,519,940	\$ 2,711,967
CITY OF CITRUS HEIGHTS				
Assets:				
Cash and Investments	\$ 3,592,861	\$ 2,770,654	\$ 4,236,121	\$ 2,127,393
Due from other funds	23,638		23,638	-
Interest receivable	56,774	54,795	56,774	54,795
Total Assets	\$ 3,673,273	\$ 2,825,449	\$ 4,316,533	\$ 2,182,188
Liabilities:				
Deposits	\$ 3,673,273	\$ 2,825,449	\$ 4,316,533	\$ 2,182,188
Total Liabilities	\$ 3,673,273	\$ 2,825,449	\$ 4,316,533	\$ 2,182,188
CITY OF ELK GROVE				
Assets:				
Cash and Investments	\$ 4,747,100	\$ 5,025,572	\$ 5,714,827	\$ 4,057,845
Due from other funds	48,217		48,217	-
Interest receivable	65,880	96,144	65,880	96,144
Total Assets	\$ 4,861,197	\$ 5,121,716	\$ 5,828,924	\$ 4,153,989
Liabilities:				
Warrants payable		\$ 1,960,330		\$ 1,960,330
Deposits	\$ 4,861,197	3,161,386	\$ 5,828,924	2,193,659
Total Liabilities	\$ 4,861,197	\$ 5,121,716	\$ 5,828,924	\$ 4,153,989
CITY OF RANCHO CORDOVA				
Assets:				
Cash and Investments	\$ 1,506,806	\$ 2,791,328	\$ 1,372,414	\$ 2,925,720
Due from other funds	26,197		26,197	-
Interest receivable	13,765	47,777	13,765	47,777
Total Assets	\$ 1,546,768	\$ 2,839,105	\$ 1,412,376	\$ 2,973,497
Liabilities:				
Deposits	\$ 1,546,768	\$ 2,839,105	\$ 1,412,376	\$ 2,973,497
Total Liabilities	\$ 1,546,768	\$ 2,839,105	\$ 1,412,376	\$ 2,973,497
TOTAL AGENCY FUNDS				
Assets:				
Cash and Investments	\$ 97,265,486	\$ 65,913,442	\$ 60,423,127	\$ 102,755,800
Due from other funds	495,763	1,529,921	495,763	1,529,921
Interest receivable	1,087,676	1,835,652	1,087,676	1,835,652
Total Assets	\$ 98,848,925	\$ 69,279,015	\$ 62,006,566	\$ 106,121,373
Liabilities:				
Warrants payable		\$ 1,960,330		\$ 1,960,330
Deposits	\$ 98,848,925	67,318,685	\$ 62,006,566	104,161,043
Total Liabilities	\$ 98,848,925	\$ 69,279,015	\$ 62,006,566	\$ 106,121,373

SACRAMENTO TRANSPORTATION AUTHORITY

Net Asset by Component
(Accrual basis of Accounting)

	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2003	2004	2005	2006
Governmental activities:				
Unrestricted	\$ 25,786,678	\$ 32,441,098	\$ 36,790,648	\$ 33,368,935
Total governmental activities net assets	<u>\$ 25,786,678</u>	<u>\$ 32,441,098</u>	<u>\$ 36,790,648</u>	<u>\$ 33,368,935</u>

The Authority implemented GASB 34 during the Fiscal Year
June 30, 2003 - Information prior to that date is not available

Source - Authority financials

SACRAMENTO TRANSPORTATION AUTHORITY
Changes in Net Assets
(accrual basis of accounting)

	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Program Revenues				
Operating grants and contributions	\$ 2,987,944	\$ 3,258,656	\$ 3,265,658	\$ 3,038,830
Expenses				
Governmental Activities:				
Measure A	87,268,710	\$ 90,344,579	\$ 98,303,111	\$ 113,885,339
Freeway Service Patrol	1,431,379	1,572,890	1,495,634	1,555,435
Abandoned Vehicle Service Authority	994,979	1,110,975	1,093,842	1,178,658
Collaborative	951,076	904,957	892,620	455,910
Total expenses	<u>90,646,144</u>	<u>93,933,401</u>	<u>101,785,207</u>	<u>117,075,342</u>
Net (expense) revenue	(87,658,200)	(90,674,745)	(98,519,549)	(114,036,512)
General revenues:				
Sales taxes	89,974,536	97,159,755	102,385,507	109,688,836
Unrestricted investment earnings	222,268	169,410	483,592	925,963
Total general revenues	<u>90,196,804</u>	<u>97,329,165</u>	<u>102,869,099</u>	<u>110,614,799</u>
Change in net assets	<u>\$ 2,538,604</u>	<u>\$ 6,654,420</u>	<u>\$ 4,349,550</u>	<u>\$ (3,421,713)</u>

The Authority implemented GASB 34 during the Fiscal Year
June 30, 2003 - Information prior to that date is not available

Source - Authority financials

SACRAMENTO TRANSPORTATION AUTHORITY
Fund Balances of Governmental Funds
(modified accrual basis of accounting)

	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General fund										
Reserved	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Unreserved:										
Designated for:										
Revenue estimate adjustments	3,525,894	3,709,486	3,921,720	4,164,323	4,374,294	4,557,890	4,664,510	6,942,317	7,104,690	6,393,630
Litigation contingency	597,944	606,125	519,297	486,410	492,151	499,303	490,302	498,400	476,689	497,542
Administrative reserve	891,914	966,205	1,047,611	1,138,180	1,217,557	1,295,456	1,352,263	1,374,596	1,432,497	
FSP Radios					30,000	30,000	30,000			
Unreserved and undesignated	12,150,840	14,211,697	16,891,758	21,387,093	19,179,796	16,567,673	18,889,733	23,290,295	27,383,158	26,063,530
Total general fund	\$ 12,150,840	\$ 19,503,513	\$ 22,390,386	\$ 27,186,006	\$ 25,303,798	\$ 22,960,322	\$ 25,436,808	\$ 32,115,608	\$ 36,407,034	\$ 32,964,702
All other governmental funds										
Unreserved										
Unreserved, reported in										
Special revenue fund - SAVSA	\$ 308,668	\$ 278,422	\$ 269,803	\$ 288,940	\$ 308,376	\$ 327,937	\$ 387,084	\$ 362,938	\$ 429,074	\$ 390,322
Special revenue fund - Collaborative						40	1,617	2,770	759	66,998
Total all other governmental funds	\$ 308,668	\$ 278,422	\$ 269,803	\$ 288,940	\$ 308,376	\$ 327,977	\$ 388,701	\$ 365,708	\$ 429,833	\$ 457,320

Source - Authority financials

SACRAMENTO TRANSPORTATION AUTHORITY
Changes in Fund Balances of Governmental Funds
(modified accrual basis of accounting)

	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006
Revenues										
Taxes	\$ 60,427,602	\$ 65,056,187	\$ 69,163,509	\$ 77,964,580	\$ 87,928,731	\$ 84,500,999	\$ 89,974,536	\$ 97,159,755	\$ 102,385,507	\$ 109,688,836
Vehicle registration fees	899,833	927,306	957,994	1,003,192	1,038,861	1,051,175	1,074,183	1,112,098	1,139,965	1,142,226
Contributions						596,088	725,491	679,959	655,968	405,595
State grant	371,300	419,352	500,878	431,064	719,801	950,477	702,200	759,840	761,204	772,879
Federal grant	352,487	553,875	325,225	612,161						
SAFE Funds			125,000	375,000	375,000	375,000	400,000	620,000	620,000	610,000
Planning services	10,895									
Use of money and property - interest	462,153	394,459	477,575	699,298	917,584	512,435	261,790	187,073	426,817	932,080
Unrealized gain/(loss)		56,156	(161)	(6,223)	108,501	(65,500)	(40,952)	(17,663)	56,775	(6,318)
Miscellaneous	12,520	18,447	13,052	51,349					3,416	201
Yolo County					62,094	85,888	86,070	86,759	85,105	108,130
Total Revenues	62,536,790	67,425,782	71,563,072	81,130,421	91,150,572	88,006,562	93,183,318	100,587,821	106,134,757	113,653,629
Expenditures										
General government:										
Administrative	473,009	362,332	444,653	495,595	524,761	1,243,646	1,495,792	1,784,019	1,814,604	1,235,780
Freeway service patrol	796,834	965,580	1,008,595	1,070,904	1,186,809	1,353,067	1,431,379	1,572,890	1,495,634	1,555,435
Intergovernmental	62,152,384	63,751,423	67,231,570	74,749,166	91,301,773	87,733,690	87,718,971	90,575,105	98,468,968	114,277,259
Total expenditures	63,422,227	65,079,335	68,684,818	76,315,665	93,013,343	90,330,403	90,646,142	93,932,014	101,779,206	117,068,474
Excess of Revenues over Expenditures	(885,437)	2,346,447	2,878,254	4,814,756	(1,862,771)	(2,323,841)	2,537,176	6,655,807	4,355,551	(3,414,845)
Other Financing Sources (Uses)										
Transfers in	18,910	26,736	23,724	28,087	28,335	250,380	249,907	255,089	255,200	139,674
Transfers out	(18,910)	(26,736)	(23,724)	(28,087)	(28,335)	(250,380)	(249,907)	(255,089)	(255,200)	(139,674)
Total other financing sources (uses)	0	0	0	0	0	0	0	0	0	0
Net change in fund balances	\$ (885,437)	\$ 2,346,447	\$ 2,878,254	\$ 4,814,756	\$ (1,862,771)	\$ (2,323,841)	\$ 2,537,176	\$ 6,655,807	\$ 4,355,551	\$ (3,414,845)

Source - Authority financials