

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2006



Regional Public Transportation Authority
Phoenix, Arizona

Valley Metro
Regional Public Transportation Authority
Phoenix, Arizona

**Comprehensive Annual Financial Report
and Single Audit Reports**
Fiscal Year Ended June 30, 2006

Board of Directors

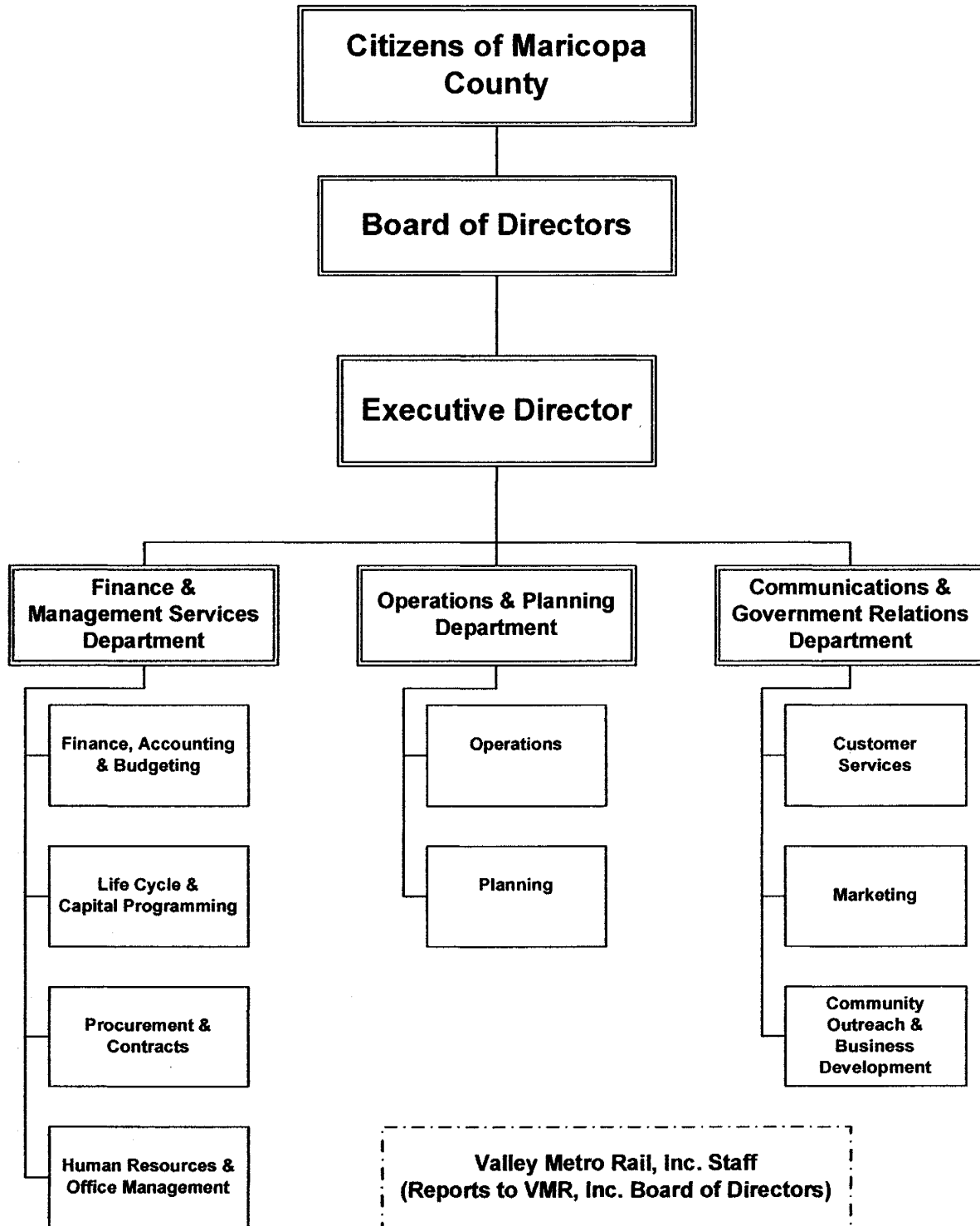
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Christopher Curcio, Deputy Executive Director, Finance
Pat Dillon, Executive Assistant
Carol Lightbourne, Executive Assistant

Prepared By
Finance Department

Valley Metro
Regional Public Transportation Authority
Organization Chart FY 2005/2006



The organizational structure of the agency changed following the adoption of the FY 2006/2007 budget and the organizational chart may not reflect exactly how the agency is currently structured.

Regional Public Transportation Authority

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Introductory Section

The Introductory Section includes the Authority's transmittal letter and the Certificate of Achievement for Excellence in Financial Reporting.



Regional Public
Transportation
Authority

February 1, 2007

To Co-Chairs and Members of the Valley Metro RPTA Board of Directors:

The comprehensive annual financial report of the Valley Metro Regional Public Transportation Authority (the Authority) for the fiscal year ended June 30, 2006, is hereby submitted as mandated by state statute. The statute requires that the Authority annually issue a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the Authority on both a government-wide and fund basis. All disclosures necessary to enable the reader to gain an understanding of the Authority's activities have been included.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The Authority's management is responsible to establish and maintain an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Authority's internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The independent certified public accounting firm of Cronstrom, Osuch & Company, P.C., whose report is included herein, has audited the basic financial statements and related notes. As stated in the independent auditors' report, the goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Authority for the fiscal year ended June 30, 2006, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the basic financial statements of the Authority as of and for the fiscal year ended June 30, 2006, are fairly

Regional Public Transportation Authority
Letter of Transmittal (Continued)

presented, in all material respects, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

Additionally, the Authority is required to have an independent audit of expenditures of federal awards received (Single Audit) by the Authority directly from federal agencies, or passed through to the Authority by other governmental entities during the fiscal year. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the Authority's internal controls and compliance with legal requirements having a direct and material impact on major programs, with special emphasis on internal controls and compliance requirements involving the administration of major federal awards.

As a subrecipient of federal and state financial assistance, the Authority is responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and by the Authority's independent auditor. As part of the Authority's Single Audit, tests were made of the internal control structure and of its compliance with applicable laws and regulations, including those related to federal awards. Although this testing was not sufficient to support an opinion on the Authority's internal control system or its compliance with laws and regulations, the audit of the Authority's compliance with requirements applicable to each major program and internal control over compliance for the year ended June 30, 2006, resulted in an unqualified opinion of compliance and noted no material weaknesses in internal controls or significant violations of applicable laws and regulations with respect to major programs. The auditors' reports on internal controls and compliance with applicable laws and regulations are included in the single audit section of this report.

This report is presented in four sections:

Introductory	Includes this letter of transmittal and the Certificate of Achievement for Excellence in Financial Reporting.
Financial	Includes the independent auditors' report, Management's Discussion and Analysis (MD&A), the basic financial statements (government-wide statements and fund statements), notes to the financial statements, other required supplementary information (RSI) and other financial schedules.
Statistical	Includes unaudited selected financial and demographic information, generally presented on a multi-year basis.
Single Audit	Includes the supplementary schedule of expenditures of federal awards, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget's Circular A-133, <i>Audits of States, Local Governments and Non-Profit Organizations</i> .

PROFILE OF THE AUTHORITY

The Authority was established in 1985 along with the passage of a one-half of one percent sales tax increase to fund regional highway and public transportation improvements in Maricopa County, Arizona (the County). The Authority was created to develop a regional transit plan and to develop and operate a regional transit system in the County. The financial reporting entity of the Authority includes all its funds and does not include any component units (i.e., legally separate entities for which the Authority is financially accountable).

The Authority is governed by a twelve-member Board of Directors consisting of a member of the County Board of Supervisors and the mayors (or their designees) of the cities of Avondale, Chandler, El Mirage, Glendale, Mesa, Peoria, Phoenix, Scottsdale, Surprise and Tempe, and the Town of Gilbert. Any municipality in the County may join the Authority and have one elected official serve on the Board of Directors by committing a portion of its local transportation assistance funds to local public transportation. An Executive Director, appointed by the Authority's Board of Directors, is responsible to carry out policy, plan, manage, supervise and coordinate all day-to-day activities. The Authority procures regional bus, dial-a-ride and vanpool services, provides regional transit and capital planning support, coordinates the County's transportation demand management activities, and provides general operational and administrative support to its members.

The annual budget serves as a foundation for the Authority's financial planning and control. Activities of the general fund, special revenue funds, and enterprise funds are included in the annual appropriated budget. The level of budgetary control, i.e., the level at which expenditures cannot legally exceed appropriations, is the total annual appropriated budget. Costs in excess of the total annual appropriated budget require approval of the Board of Directors. Transfers of appropriations between departments require the approval of the Executive Director. The Authority maintains budgetary control by conducting quarterly evaluations of expenditures against appropriations and through close monitoring of revenues. Encumbrance accounting is not utilized and all open purchase orders lapse at year-end. As demonstrated by the statements included in the financial section of this report, the Authority continues to meet its responsibility for sound financial management.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The Authority serves Maricopa County, which is located in central Arizona. According to the Arizona Department of Commerce, Maricopa County measures 9,222 square miles, 98 square miles of which is water. Twenty-nine percent of this area is owned individually or by corporations, and the U.S. Bureau of Land Management owns 28 percent. The U.S. Forest Services and the State of Arizona each control 11 percent of the county; an additional 16 percent is owned publicly. Almost 5 percent is Indian reservation land. Parts of western Maricopa County have 11 designated Enterprise Zones as well as central and southern areas in the City of Phoenix. The metropolitan area is home to the state capitol and includes the City of Phoenix, population 1.4 million, making it Arizona's major center of political and economic activity. In fact, more than half of the state's population resides in Maricopa County, which is home to 15 institutions of higher learning, including Arizona State University; various cultural attractions; professional baseball (Arizona Diamondbacks), basketball (Phoenix Suns and Phoenix Mercury), football (Arizona Cardinals) and hockey (Phoenix Coyotes); and Sky Harbor International Airport, the fifth busiest airport in the world with over 553,000 takeoffs and landings.

The County has grown from just over 2.1 million residents in 1990, to over 3.6 million residents in 2005, an increase of 72 percent in just 15 years. According to the Greater Phoenix Economic

Council, population is projected to grow at more than twice the national rate for the next couple of decades, growing to 5.2 million in 2020.

Maricopa County currently accounts for about 60 percent of the State's population and attracts a continual inflow of immigrants seeking new opportunities. According to the Greater Phoenix Economic Council, Maricopa County has added a significant amount of new housing in the past several years, with about 247,385 new single-family units and 46,738 new multi-family units built from 2000 through the end of 2005. The total housing inventory now includes over 1.5 million units. About 67 percent of the housing stock is made up of single family homes and townhouses.

Strong economic growth continues to challenge the Authority and the County it serves. Increases in population and new home construction have led to increased demands for quality public transportation and improved air quality. At this time, mass transit is limited to bus service only and accounts for approximately 1 percent of trips made in the County over a 24-hour period. Even though transit currently only carries 1 percent in a 24-hour period, it carries approximately 10 percent of work trips during peak travel periods which contributes to reducing congestion on Valley freeways. Furthermore, the bus service that is provided in the County is less than half of the amount of service provided in comparable metropolitan areas across the nation. On the positive side, light rail transit is on the horizon with a planned grand opening in 2008. And thanks to a November 2004 voter approved transportation tax initiative (Proposition 400), beginning in January 2006 a revenue stream of \$100 million annually will inject much needed resources into the region's transit network, allowing for the expansion and improvement of the entire system.

Major Initiatives

On November 2, 2004, the voters of Maricopa County approved Proposition 400, the continuation of the transportation tax, for a 20-year period, beginning in calendar year 2006. The approximate total vote in favor was 57.5 percent. This was a major milestone in transportation funding and service in the region. The Proposition had unanimous support from the Mayors of all of the cities in the region and the Maricopa County Board of Supervisors, the Maricopa Association of Governments Regional Council, the Authority's Board of Directors, and the Arizona Department of Transportation. It also had the support of nearly every major business and community agency in the region.

To implement the projects approved with the passage of Proposition 400, staff worked with member agencies and other stakeholders to develop the Transit Life Cycle Program (TLCP). This project included the development of three major program elements: guiding principles, financial model, and policies and procedures. The guiding principles and the 20-year financial model were adopted by the Board in June 2005. The policies for the TLCP were adopted by the Board in October 2005. The six adopted guiding principles of the TLCP are as follows:

1. A defined and consistent process will be established to implement the voter approved Plan (Proposition 400 maps and capital improvements).
2. A defined and consistent process for Plan amendments and changes will be established.
3. Funding allocations will be regularly monitored and managed.
4. A defined and consistent process will be established to ensure legislated compliance audit, reporting and performance requirements are met.
5. Budgeting and accounting systems will be established to manage Public Transportation Funds (PTF) and monitor and report results.
6. Jurisdictional equity will be monitored annually over 20 years.

Numerous meetings of the TLCP executive steering committee, TLCP stakeholders committee, and TLCP technical working groups were held over a nine-month period in order to complete this project, which was one of the most successful cooperative transit projects this region has ever undertaken.

Long-term Financial Planning

With the passage of Proposition 400, a new era began for the Authority. We have been given Board authorization to proceed on some very important studies that will revolutionize the way we do business. In order to achieve this, it is important to put the plans in place to create an agency that effectively and efficiently serves our member agencies and their residents for the next 20 years.

During FY 2006, the Authority underwent a comprehensive compensation and classification review. The recommendations of the Segal Company, the consulting firm that performed the FY 2006 Compensation and Classification Study, were adopted by the Board on April 13, 2006 and were incorporated into the FY 2007 budget. The key compensation and classification changes for FY 2007 are as follows:

- The Authority will join the Arizona State Retirement System (ASRS) and the Social Security System on July 1, 2006. As a result the Authority will discontinue the 401A retirement plan, long-term disability insurance and payments to employees in lieu of Social Security tax payments.
- The Board approved one-time adjustments to salaries to assist employees as the agency transitions from its current retirement program to the ASRS and the Social Security System. Prior to July 1, 2006, the Authority's retirement program required no employee contributions; the new program beginning July 1, 2006, will require employees to contribute 9.1 percent of their income to ASRS and 6.2 percent of their income to the Social Security System.
- The Authority will replace its current structure with the Segal recommended pay ranges and job classifications.

The Authority will undertake a number of key projects during FY 2007, as the agency prepares for the implementation of TLCP operating and capital projects. The major projects and studies for FY 2007 include the following:

- Origins and Destinations Survey
Develop, implement, and provide analysis of a comprehensive Origins & Destinations Survey on a five year rotation. Information from the survey will be used to produce a database for transit planning purposes, including route evaluation and service adjustments. The inclusion of customer satisfaction questions will assist in monitoring the quality of the services provided on an ongoing basis. Annual passenger satisfaction surveys will be conducted to monitor changing customer opinions from the baseline survey instrument. The study results will benefit both the Authority and Valley Metro Rail and provide data required for the MAG regional transportation model.
- Site Selection/Environmental Assessment
Site selection studies and development of Categorical Exclusions or Environmental Assessments for various transit facilities (including Park and Rides) identified in the Regional Transportation Plan and programmed through the TLCP. The results of these assessments will allow identification of sites for early purchase and will reduce the overall land acquisition costs.

Regional Public Transportation Authority

Letter of Transmittal (Continued)

- Regional Park & Ride Studies
In consultation with the Cities of Peoria and Phoenix, undertake site selection studies and development of Categorical Exclusions for two regional park & ride lots identified in the Regional Transportation Plan.
- Regional Dial-a-Ride Study
The study will identify costs and benefits associated with the development of a regional Dial-a-Ride system. The study will look at jurisdictional issues, administrative and technological issues, individual and system performance tracking measures, operational and capital needs and costs. The study will also examine current and projected ADA/Non ADA rider mix and its implications for future service. Based on an analysis of these issues, the study will make recommendations regarding changes to current Dial-a-Ride services, and implementation steps required to regionalize facets of the demand response transit system. Said recommendations will include a timeline for implementation as well as identification of projected service costs.
- Arizona Avenue Bus Rapid Transit (BRT) Corridor Study and Operating Plan
The Arizona Avenue BRT route is identified in Phase I of the Regional Transportation Plan. The plan identifies funding for associated capital improvements that will improve transit operating speeds in this corridor. The corridor study will identify and quantify infrastructure investments within the BRT corridor (vehicle types, intersection and signalization improvements, station design attributes). The study will also refine the operational characteristics of the line (interaction with the Main Street BRT, service frequencies and hours of operation, station locations and layover points, etc.).
- Regional Safety and Security Plan
Develop a detailed safety and security plan that will address identified operational and physical vulnerabilities of transit vehicles and infrastructure. Study builds on the Threats and Vulnerabilities Analysis that looked at selected operations and passenger facilities.
- Main Street Bus Rapid Transit Corridor Study and Operating Plan
The RTP identifies funding for BRT services and associated capital improvements that will improve transit operating speeds in BRT corridors. This corridor study will identify and quantify infrastructure investments within the Main Street BRT corridor (vehicle types, intersection and signalization improvements, station design attributes) and refine the operational characteristics of the line, interaction with other existing/future services, service frequencies and hours of operation, and station locations and layover points, etc.
- Service Effectiveness/Efficiency Study
Study to determine the overall performance of current bus service offerings through a detailed analysis of performance factors. Outcomes should include strategies to improve, eliminate or modify the lowest performance-related services and development of recurring evaluation strategy and methodology that can be applied to a regular rating process. This study will also provide recommendations to assure compliance with the Arizona Auditor General's Office five-year performance audit.
- Express Bus/Bus Rapid Transit (BRT) Operating Plan
Develop a detailed system operating plan to identify specific routes and facilities needed to support Express/BRT routes included in the Regional Transportation Plan (RTP) and coordination of services with planned freeway improvements.

- Strategic Plan and Organization Review
Development of a 20-year strategic plan and organization model. With this study, the agency will be able to create a vision, direction, and plan for the next 20 years. In doing so, we will analyze business organization models and organizational management of public transportation agencies and determine the best transit system and organizational structure that suits our region.
- Five-Year Fare Plan
Consultant study to provide recommendations on a proposed integrated regional fare policy to be considered by policy Boards for implementation. This study will consider both bus and light rail fares.
- Park & Ride Reprioritization Study
The study will review and analyze the conclusions of the 2001 MAG Park & Ride Site Selection Study. The study will also revisit the study's park & ride priority rankings to insure that they conform to the transit service phasing identified in the 2003 Regional Transportation Plan (RTP) and Proposition 400, which was approved by Maricopa County voters in 2004. The park & ride prioritization will also address three additional regional park & rides identified in the RTP that are not included in the 2001 Park & Ride Study.
- Regional Marketing Program
Bus Paint Scheme: The current paint scheme is 14 years old and the large Valley Metro logo that is displayed on buses is not consistently presented within graphical standards. Staff recommended executing a contract to redesign the paint scheme and present it to the public as a tie-in to the implementation of the RTP.

As we continue to evolve as an agency, we continue to break existing record numbers for ridership. In FY 2006, ridership reached an all-time high of 59,253,904 for the region, surpassing FY 2005 ridership of 56,358,335.

The vanpool program has experienced larger than average growth due to a rise in the cost of gasoline and increased awareness resulting from an advertising and incentive program this year. At the end of June 2005, there were 229 operating vanpools in the Valley Metro Vanpool Program, and by the end of June 2006 the fleet had increased to 291 operating vanpools, an increase of over 27 percent.

AWARDS AND ACKNOWLEDGEMENTS

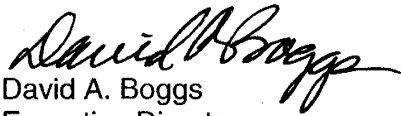
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the ninth consecutive year the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Regional Public Transportation Authority
Letter of Transmittal (Continued)

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Authority's finance staff. As always, we are appreciative of the support provided by the Board of Directors.

Respectfully submitted,



David A. Boggs
Executive Director



Christopher Curcio
Deputy Executive Director, Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Regional Public Transportation
Authority, Arizona

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.



President

Executive Director



**Regional
Public
Transportation
Authority**

Financial Section

The Financial Section includes the independent auditors' report, Management's Discussion and Analysis (MD&A), the basic financial statements (government-wide statements and fund statements), notes to the financial statements, other Required Supplementary Information (RSI) and other financial schedules.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Regional Public Transportation Authority
Phoenix, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Regional Public Transportation Authority (Authority) as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express 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 and the standards applicable to financial reports contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Regional Public Transportation Authority, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Public Transportation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A change in accounting policy was recorded and is presented in Note 2. in the notes to the basic financial statements to restate the previously issued financial statements for assets included on the Authority's capital assets that were less than \$5,000.

The management's discussion and analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 1, 2007 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Cronstrom, Osuch & Company, P.C.
Cronstrom, Osuch & Company, P.C.

February 1, 2007

As management of Valley Metro Regional Public Transportation Authority (the Authority), we offer this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2006. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Authority's financial activity, (3) identify changes in the Authority's financial positions, (4) identify any material deviations from the financial plan (adopted annual budget), and (5) identify individual fund issues or concerns.

Financial Highlights

- The Authority's total net assets increased \$43,535,558 in FY 2006, a \$9,011,421 increase in governmental activities and a \$34,524,137 increase in business-type activities. Total net assets of the Authority are \$62.4 million, of which \$29.4 million is unrestricted.
- The governmental activities functional revenues increased by approximately \$53.9 million (1430.2%) over the previous year.
- The business-type activities revenues increased by approximately \$6.2 million (13.9%) from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

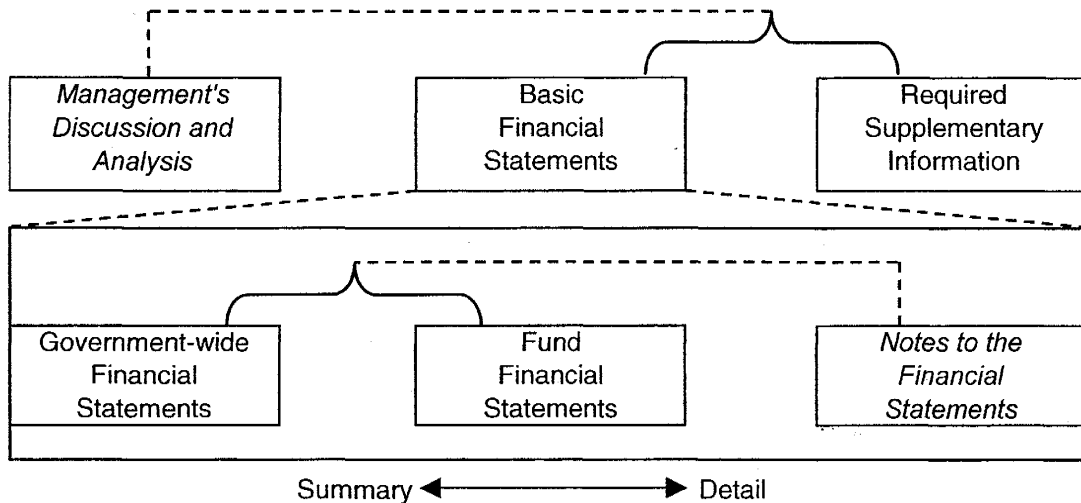
The financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). The statements are presented as follows:

- Government-wide reporting – presents financial statements on a government-wide basis.
- Fund financial statements - presents governmental, proprietary and fiduciary fund financial statements, with the focus on major funds within each fund type.
- Measurement focus for governmental activities – in the government-wide financial statements all activities, including the governmental activities, are reported using the economic resources measurement focus and accrual basis of accounting. The current financial resources focus and modified accrual basis of accounting are followed for the governmental fund financial statements.
- Budgetary reporting – GASB No. 34 requires the display of both the original adopted budget and the revised budget in the budgetary comparison schedules. These schedules are only required for the general fund and major special revenue funds; however, the Authority has elected to present this information for the nonmajor special revenue funds and proprietary funds as additional information.
- Required narrative analysis – GASB No. 34 requires that the financial statements be accompanied by narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

As pictured below, the financial section of the Comprehensive Annual Financial Report (CAFR) for the Authority consists of this discussion and analysis, the basic financial statements and required supplementary information (other than MD&A). There are also additional non-required supplementary schedules presented after the basic financial statements. The basic financial

statements include the government-wide financial statements, fund financial statements, including the budgetary statements for the general fund and major special revenue funds, and notes to the financial statements.

Required Components of the Annual Financial Report



Government-wide Financial Statements

The government-wide financial statements (see pages 13 – 15) are designed to provide a broad overview of the Authority's finances in a manner similar to those used by private businesses. All of the activities of the Authority, except those of a fiduciary nature, are included in these statements.

The activities of the Authority are broken down into two columns on these statements – governmental activities and business-type activities. A total column for the Authority is also provided.

- The *governmental activities* include the basic services of the Authority including general government (administration), regional transit planning, and transportation demand management. Grants and general revenues generally support these activities.
- The *business-type activities* include the private sector type activities such as transit service operations, regional customer services and light rail. These activities are partially supported by user charges and provide substantial benefits, both direct and indirect, to the public at large.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, both current and long-term, with the difference between the two reported as net assets. The focus on net assets is designed to be similar to the emphasis for businesses. 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. To assess the overall health of the Authority, other indicators, including non-financial indicators like the Authority's tax base and the condition of its capital assets, should also be considered.

The *statement of activities* presents information showing how the Authority's net assets changed over the most recent fiscal year. Since full accrual accounting is used for the government-wide financial statements, all changes to net assets are reported at the time that the underlying event

giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also focuses on both the gross and net costs of the various functions of the Authority, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general taxes and revenues for support.

Fund Financial Statements

Also presented are more traditional fund financial statements for governmental funds, proprietary funds and fiduciary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or conditions. Funds are used to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of the Authority.

Governmental funds - Governmental funds are used to account for most of the Authority's basic services. Unlike the governmental activities column on the government-wide financial statement, these fund financial statements (pages 16 - 20) 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 is useful in looking at the Authority's near-term financial requirements. Since the governmental activities on the statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer term focus, a reconciliation of the differences between the two statements is provided following the fund financial statements and is also provided in Note 3 (pages 34 - 36).

Proprietary funds – Proprietary funds are used to account for business-type activities of the Authority. Enterprise funds are used for activities that primarily serve customers outside the governmental unit. The proprietary fund financial statements (pages 21 - 23) are prepared using the same long-term focus as the government-wide financial statements. The enterprise funds generally provide information similar to the business-type activities column of the government-wide financial statements, but provide more detail and additional information (i.e., cash flows).

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of others. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support programs of the Authority. The fiduciary fund statement (page 24) is prepared on the same basis as the government-wide and proprietary fund statements.

Notes to the Financial Statements – The notes to the financial statements (pages 25 - 46) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

Required supplementary information other than MD&A – Governments have an option of including the budgetary comparison statements of the general fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The Authority has chosen to present these budgetary statements as part of the basic financial statements. Additionally, governments are required to disclose certain information about employee pension funds. The Authority has disclosed this information in Note 12 (page 43).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables and analysis discuss the financial position and changes to the financial position for the Authority as a whole as of and for the year ended June 30, 2006, with comparative information for the previous year.

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets as of June 30, 2006 compared to the prior year:

Condensed Statement of Net Assets
As of June 30
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2006	2005 (restated)	2006	2005 (restated)	2006	2005 (restated)	
Current and other assets	\$ 13,250.2	\$ 3,941.4	\$ 28,105.3	\$ 10,356.2	\$ 41,355.5	\$ 14,297.6	189.2%
Capital assets	249.2	161.1	35,759.3	12,696.4	36,008.5	12,857.5	180.1%
Total assets	\$ 13,499.4	\$ 4,102.5	\$ 63,864.6	\$ 23,052.6	\$ 77,364.0	\$ 27,155.1	184.9%
Current liabilities	\$ 1,026.0	\$ 640.6	\$ 13,929.7	\$ 7,641.9	\$ 14,955.7	\$ 8,282.5	80.6%
Long-term liabilities	-	-	-	-	-	-	-
Total liabilities	\$ 1,026.0	\$ 640.6	\$ 13,929.7	\$ 7,641.9	\$ 14,955.7	\$ 8,282.5	80.6%
Net assets:							
Invested in capital assets, net of related debt	\$ 249.2	\$ 161.1	\$ 27,474.3	\$ 12,283.7	\$ 27,723.5	\$ 12,444.7	122.8%
Restricted	-	-	5,301.3	1,827.2	5,301.3	1,827.2	190.1%
Unrestricted	12,224.2	3,300.8	17,159.3	1,299.8	29,383.5	4,600.5	538.7%
Total net assets	\$ 12,473.4	\$ 3,461.9	\$ 49,934.9	\$ 15,410.7	\$ 62,408.3	\$ 18,872.6	230.7%

The Authority's total net assets increased \$43,535,558 in FY 2006, a \$9,011,421 increase in governmental activities and a \$34,524,137 increase in business-type activities. Total net assets of the Authority are \$62.4 million, of which \$29.4 million is unrestricted.

The largest portion of net assets (44.4%) represents the Authority's investment in capital assets net of accumulated depreciation and related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide services to the region's citizens; consequently, it is not the Authority's intention to sell these assets and they are therefore not available for future spending. Although the capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are not intended to be used to liquidate these liabilities.

An additional portion of the Authority's net assets (8.5%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets of \$29.4 million may be used to meet the Authority's ongoing obligations to citizens and creditors.

Valley Metro
Regional Public Transportation Authority
Management's Discussion and Analysis (Continued)

Changes in Net Assets

Total revenues of governmental activities increased approximately 1430.2% over the previous year and program governmental expenses increased approximately 16.4%. Revenues of business-type activities increased approximately 13.9% and expenses of business-type activities increased 39.4% in fiscal year 2006.

The following table compares the revenues and expenses of the Authority for the current and previous fiscal year:

Changes in Net Assets
Fiscal year ended June 30
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2006	2005	2006	2005	2006	2005	
REVENUES							
Program revenues:							
Charges for services	\$ 75.3	\$ 49.6	\$ 32,500.9	\$ 32,686.8	\$ 32,576.2	\$ 32,736.4	-0.5%
Operating grants and contributions	2,358.5	2,288.9	1,186.0	5,140.8	3,544.5	7,429.7	-52.3%
Capital grants and contributions	48.4	172.4	17,286.1	387.8	17,334.5	560.2	2994.3%
General revenues:							
Sales taxes	55,084.7	1,154.1	-	6,559.3	55,084.7	7,713.4	614.1%
Interest earnings	124.3	104.0	44.6	2.8	168.9	106.8	58.1%
Other	-	1.1	-	-	-	1.1	-100.0%
Total revenues	57,691.2	3,770.1	51,017.7	44,777.5	108,708.9	48,547.6	123.9%
EXPENSES							
Governmental activities:							
Regional planning	1,241.5	715.4	-	-	1,241.5	715.4	73.5%
Transportation demand management	1,837.2	1,932.3	-	-	1,837.2	1,932.3	-4.9%
Administration	1,271.1	856.4	-	-	1,271.1	856.4	48.4%
Community funded transportation	-	51.6	-	-	-	51.6	-100.0%
Capital outlay	-	180.1	-	-	-	180.1	-100.0%
Business-type activities:							
Transit service operations	-	-	38,145.8	34,834.3	38,145.8	34,834.3	9.5%
Regional customer services	-	-	5,767.8	5,123.1	5,767.8	5,123.1	12.6%
Light rail transit	-	-	16,910.0	3,667.4	16,910.0	3,667.4	361.1%
Total expenses	4,349.8	3,735.8	60,823.5	43,624.8	65,173.3	47,360.6	37.6%
Excess (deficit) before transfers	53,341.4	34.3	(9,805.8)	1,152.7	43,535.6	1,187.0	3567.7%
Transfers in (out)	(44,330.0)	-	44,330.0	-	-	-	0.0%
Increase (decrease) in net assets	\$ 9,011.4	\$ 34.3	\$ 34,524.1	\$ 1,152.7	\$ 43,535.6	\$ 1,187.0	3567.7%

The largest financing source for the Authority as a whole is sales taxes (50.7%), and the major funding source for business-type activities is charges for services (63.7%). Business-type activities also receive substantial federal grants and contributions revenues (36.2%). The major funding sources of governmental activities are sales taxes (95.5%) and federal and state grants (4.2%).

Growth in the Authority's sales tax revenue over the prior year is limited to incorporating those elements necessary for implementing the first year of the Proposition 400 Transit Life Cycle Program (TLCP). The Public Transportation Fund (PTF) revenues are restricted to the

implementation of the transit element of the Regional Transportation Plan (RTP). The laws pertaining to Regional Area Road Fund (RARF) revenues have changed beginning with FY 2006. Most notably, the amount of money that the Authority received previously has been divided in two, with one half going to the Maricopa Association of Governments (MAG). Additionally, the allowable use of these funds has changed as well. Previously, RARF was unrestricted as to use. However, RARF revenue is now limited to planning and administration and is no longer available to fund transit services.

The largest user of resources for the Authority as a whole is the business-type activities (93.3%). For the governmental activities, the largest users of resources are transportation demand management (42.2%), regional planning (28.5%) and administration (26.2%).

Total government-wide expenses of the Authority increased \$17.8 million (37.6%) in fiscal year 2006. Expenses of the governmental activities increased \$614,000 (16.4%). This includes \$526,100 (73.5%) for regional planning and \$284,600 (33.2%) for administration. These increases reflect several key planning projects and an increase in administrative staff as the agency prepares for the implementation of the 20-year TLCP operating and capital projects. Expenses in business-type activities increased \$17.2 million (39.4%), due to the implementation of the first year of the Proposition 400 TLCP.

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

As previously mentioned, the Authority maintains fund accounting to demonstrate compliance with budgetary and legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

Governmental funds

The focus of the governmental funds financial statements (pages 16 - 20) is to provide information on near-term inflows, outflows and balances of spendable resources. All major governmental funds are presented in separate columns on these financial statements. All nonmajor governmental funds are aggregated into one column.

The fund balance of the governmental funds is \$12.2 million, an increase of \$8.9 million, or 270.3%, from the previous year. Of the \$12.2 million total fund balance, the Authority has designated \$649,225 for certain uses and the remainder is in unreserved fund balance (see Note 6 (page 39)). Unreserved fund balance may serve as a useful indicator of a government's net resources available for spending at the end of the year. Of the \$12.2 million fund balance, \$2.3 million is reported in the General Fund and \$9.9 million is reported in the Public Transportation Fund. All other governmental funds are reimbursement-basis special revenue funds (i.e., revenues equal expenditures) that do not have fund balances.

The Public Transportation Fund was a fund developed in FY 2006 for activities relating to the first year of Proposition 400 Public Transportation Fund (PTF) sales tax revenues. The \$51.1 million PTF sales tax revenue represents five months of earned revenue (February 2006 – June 2006).

The General Fund accounts for activities that include the Executive Director's office, communications and government relations, community funded transportation, and finance and management services. General Fund revenues increased 340.9% over the previous year, primarily the result of an increase in Regional Area Road Funds (RARF) revenues allocated to the general fund of \$3.9 million. As mentioned above, RARF was unrestricted as to use in prior years.

However, RARF revenue is now limited to planning and administration and is no longer available to fund transit services.

The nonmajor governmental funds are aggregated in one column and include the Transit Planning Fund, the Transportation Demand Management Fund, and the Capital and Other Grant Fund.

The Transportation Demand Management Fund accounts for activities related to the countywide ridesharing program, trip reduction program and clean air campaign. Revenues and expenditures decreased 4.9% from the prior year due to a decrease in grant funds available for telework programs.

The Transit Planning Fund accounts for activities related to the development of strategies to promote social and economic well being of the community through the provision of an efficient and effective regional transit system. Revenues decreased 16.6% and expenditures increased 73.5% from the prior year due to the addition of several planning consultant studies relating to Operations Planning, Capital Management Program and Regional Park and Ride Planning. In prior years, sales taxes allocated to the Transit Planning Fund were shown as revenues. In fiscal year 2006, these monies are shown as transfers in resulting in the decrease in revenues reported. Total revenues and transfers in increased 73.5% over the prior year revenues.

The Capital and Other Grants Fund accounts for state and federal grant revenues and expenditures not related to planning or transportation demand management. Revenues decreased 77.4% and expenditures increased 1.8% from the prior year. In prior years, sales taxes allocated to the Capital and Other Grants Fund were shown as revenues. In fiscal year 2006, these monies are shown as transfers in resulting in the decrease in revenues reported. Total revenues and transfers in increased 1.8% over the prior year revenues.

Proprietary funds

The proprietary fund financial statements (pages 21 – 23) are prepared on the same accounting basis and measurement focus as the government-wide financial statements, but provide additional detail since each enterprise fund is a major fund and is shown discretely on the fund statements.

Net assets of the enterprise funds increased \$34,524,137 during fiscal year 2006, primarily due to the net change in capital assets and the increase in unexpended PTF sales tax revenues.

The Transit Service Operations Fund accounts for the activities related to the operations of local and express bus, dial-a-ride and vanpool services for the region. Net assets increased 161.1%, (\$23,992,985), primarily the result of the changes in capital assets related to vehicle purchases, disposals and depreciation and an increase of \$329,276 in funds reserved for vanpool vehicle replacement.

The Regional Customer Services Fund accounts for activities related to marketing, customer services, Americans with Disabilities (ADA) compliance, contract maintenance and quality monitoring, and farebox data reporting for the region. Net assets increased 15.8% (\$81,313), the result of the changes in capital assets during FY 2006.

The Valley Metro Rail Fund accounts for staffing and administrative services that are contractually provided by the Authority to Valley Metro Rail, Inc. (VMR) and the PTF sales tax revenues and expenses of such funds related to the Regional Transportation Plan approved light rail projects. Valley Metro Rail, Inc. is a nonprofit corporation organized for the purpose of planning, designing, constructing, and operating the light rail transit project in metropolitan Phoenix (see Note 1(a) on

**Valley Metro
Regional Public Transportation Authority
Management's Discussion and Analysis (Continued)**

page 25). The Valley Metro Rail Fund has net assets of \$10,449,839 as of June 30, 2006 as compared to no net assets at the end of the previous year. The growth in net assets is due solely to the first year of Proposition 400 PTF sales tax revenues. Valley Metro Rail Fund receives 43.24% of the total PTF sales tax revenues distributed to the Authority, totaling \$22,115,589 in fiscal year 2006.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a \$223,287 net increase in appropriations between the original and final amended budget. Following are the main components of the net increase:

- \$117,287 supplemental appropriation to the finance and management services department in consulting fees for the strategic plan and compensation study consultants;
- \$75,000 supplemental appropriation of interest fees for a Board approved line of credit;
- \$31,000 supplemental appropriation to the executive director department in consulting fees for an executive search firm.

For the year ended June 30, 2006, actual expenditures were under the final amended budget amounts by \$617,805. This positive variance was attributable to the Executive Director's Office and finance and management services activities of the General Fund being under budget. Further, a budgeted amount of \$400,000 for administrative contingency was not expended.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

As of June 30, 2006, the Authority had \$27.7 million invested in various capital assets, net of accumulated depreciation and related debt. The capital assets of the Authority (net of depreciation, but not capital debt) are \$36.0 million. There was a net increase in capital assets, net of accumulated depreciation and related debt, of \$15.3 million from June 30, 2005, which consisted of a net increase of approximately \$88,200 resulting from governmental activities and a net increase of \$15.2 million resulting from business-type activities.

The following table provides a breakdown of capital assets of the Authority at June 30, 2006 with comparative information for the previous year. Additional information on the Authority's capital assets may be found in Note 7 on pages 40 - 41.

Capital Assets, Net of Depreciation

As of June 30

(in thousands of dollars)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>		<u>Percent</u>
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>		
	2006	2005 (restated)	2006	2005 (restated)	2006	2005 (restated)	
Transit fleet	\$ -	\$ -	\$ 28,061.9	\$ 9,167.6	\$ 28,061.9	\$ 9,167.6	206.1%
Computers & software	26.7	52.9	123.7	124.4	150.4	177.3	-15.2%
Equipment	43.0	27.2	2,171.3	89.1	2,214.3	116.3	1804.0%
Vehicles	12.7	22.6	-	-	12.7	22.6	-44.0%
Furniture & fixtures	166.8	58.4	88.9	106.1	255.7	164.5	55.4%
Work-in-progress	-	-	5,313.5	3,209.2	5,313.5	3,209.2	65.6%
Total assets	\$ 249.2	\$ 161.1	\$ 35,759.3	\$ 12,696.4	\$ 36,008.5	\$ 12,857.5	180.1%

Short-term debt

At fiscal year end, the Authority has only one outstanding debt obligation. During fiscal year 2006, the Authority entered into a Board approved capital lease purchase financing agreement with SunTrust Leasing Corporation to acquire 22 buses one year in advance of the Transit Life Cycle Program (TLCP). The debt totaling \$8,285,000 will be paid off in its entirety on June 30, 2007 pending receipt of the federal grant funds. There is an option to convert the debt to a ten-year term in the event of a delay in federal grant funding, but this option will only be exercised if necessary and fiscally prudent.

ECONOMIC FACTORS

The Authority's major initiatives for fiscal year 2006 were the completion and adoption of the TLCP policies and procedures in November 2005. The TLCP guiding principles and financial model were approved by the Authority's Board on June 16, 2005. Additionally, a number of agency focused studies were completed to prepare the agency for the next 20 years. Included as part of these reviews, the current regional services contract was evaluated to determine whether this outsourced function should be transitioned into a direct agency function. This was an important step in streamlining the agency and eliminating the duplication of roles in areas such as marketing and customer services.

The key initiatives for fiscal year 2006 included:

- Adoption of the TLCP Policies and Procedures
- Development of a 20-year strategic plan to coincide with the implementation of the Regional Transportation Plan as approved by the voters in November 2004 (Proposition 400)
- Establishing an organizational structure to carry out the strategic plan
- Evaluating and updating business processes to carry out the strategic plan
- Evaluating and updating the agency's job classification and compensation package (wages and benefits) in order to attract and maintain a quality work force
- Development of an innovative financial program to meet the annual cash needs of the TLCP (bonds, grant anticipation notes, user-based charges, lease purchase options, investment opportunities, revenue generating opportunities, etc.)

The adopted FY 2007 combined operating and capital budget is \$178.4 million (up 62.9% from fiscal year 2006). The FY 2007 budget includes the first full year of projects funded with Proposition 400 PTF sales tax revenues (\$121.7 million). Of the \$121.7 million PTF revenue budgeted, \$69.1 million is for bus operating and bus capital and \$52.6 million is for light rail/high capacity capital. The total operating budget of \$76.4 million represents a \$28.1 million (58%) increase over the fiscal year 2006 operating budget of \$48.3 million. The total capital budget of \$102.0 million represents a \$40.8 million (67%) increase over the fiscal year 2006 capital budget of \$61.2 million. The major reason for these large increases is directly related to fiscal year 2007 being the first full year of PTF revenues; fiscal year 2006 reflected only five months of PTF revenues. The budget is balanced; decreases in net assets other than capital assets are not anticipated for fiscal year 2007.

FINANCIAL CONTACT

The financial report is designed to provide a general overview of the Authority's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to the Authority's Deputy Executive Director of Finance, Valley Metro RPTA, 302 North First Avenue, Suite 700, Phoenix, Arizona 85003.



**Regional
Public
Transportation
Authority**

Basic Financial Statements

**Valley Metro
Regional Public Transportation Authority**

Statement of Net Assets

June 30, 2006

Assets	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and investments	\$ 10,504,803	\$ 8,455,322	\$ 18,960,125
Receivables	958,766	4,445,083	5,403,849
Due from other governments	6,107,614	10,645,609	16,753,223
Internal balances	(4,377,181)	4,377,181	-
Other assets	56,205	182,125	238,330
Total current assets	13,250,207	28,105,320	41,355,527
Noncurrent Assets			
Capital assets, not being depreciated	-	5,313,484	5,313,484
Capital assets, net of accumulated depreciation	249,177	30,445,807	30,694,984
Total assets	13,499,384	63,864,611	77,363,995
Liabilities			
Liabilities:			
Current Liabilities			
Accounts payable	604,167	4,871,928	5,476,095
Due to other governments	56,982	73,518	130,500
Other liabilities	364,865	699,287	1,064,152
Capital purchase agreement due within one year	-	8,285,000	8,285,000
Total liabilities	1,026,014	13,929,733	14,955,747
Net Assets			
Invested in capital assets, net of related debt	249,177	27,474,291	27,723,468
Restricted for:			
Vanpool asset replacement	-	1,766,277	1,766,277
Bus refurbishment	-	2,981,275	2,981,275
Transit capital asset replacement	-	553,737	553,737
Unrestricted	12,224,193	17,159,298	29,383,491
Total net assets	\$ 12,473,370	\$ 49,934,878	\$ 62,408,248

See accompanying notes to the financial statements.

Valley Metro
Regional Public Transportation Authority
Statement of Activities
Fiscal Year Ended June 30, 2006

Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Regional planning:				
Long range planning	\$ 187,496	\$ -	\$ 76,308	\$ -
Short range planning	322,430	-	212,039	-
Capital planning	197,256	75,295	62,975	-
Program support	534,285	-	169,918	-
Transportation demand management:				
Trip reduction	865,290	-	865,290	-
Ridesharing	645,052	-	645,052	-
Other programs	326,903	-	326,903	-
Administration:				
Executive director's office	514,158	-	-	-
Communications & government relations	207,304	-	-	-
Finance & management services	549,635	-	-	48,382
Community funded transportation	-	-	-	-
Total governmental activities	<u>4,349,809</u>	<u>75,295</u>	<u>2,358,485</u>	<u>48,382</u>
Business-type activities:				
Transit service operations	38,145,764	23,914,847	1,107,922	17,286,134
Regional customer services	5,767,760	3,376,143	78,116	-
Light rail transit	16,909,968	5,209,939	-	-
Total business-type activities	<u>60,823,492</u>	<u>32,500,929</u>	<u>1,186,038</u>	<u>17,286,134</u>
Total primary government	<u>\$ 65,173,301</u>	<u>\$ 32,576,224</u>	<u>\$ 3,544,523</u>	<u>\$ 17,334,516</u>

General revenues:
Sales taxes:
 Public transportation funds
 Regional area road funds
Interest earnings
Transfers in (out)
Total general revenues & transfers
Change in net assets
Net assets - beginning (as restated)
Net assets - ending

(Continued)

**Net (Expense) Revenues and
Changes in Net Assets**

Governmental Activities	Business-Type Activities	Total
\$ (111,188)		\$ (111,188)
(110,391)		(110,391)
(58,986)		(58,986)
(364,367)		(364,367)
-		-
-		-
-		-
(514,158)		(514,158)
(207,304)		(207,304)
(501,253)		(501,253)
-		-
<u>(1,867,647)</u>		<u>(1,867,647)</u>
	\$ 4,163,139	4,163,139
	(2,313,501)	(2,313,501)
	(11,700,029)	(11,700,029)
	<u>(9,850,391)</u>	<u>(9,850,391)</u>
<u>(1,867,647)</u>	<u>(9,850,391)</u>	<u>(11,718,038)</u>
51,146,136	-	51,146,136
3,938,570	-	3,938,570
124,312	44,578	168,890
<u>(44,329,950)</u>	<u>44,329,950</u>	<u>-</u>
<u>10,879,068</u>	<u>44,374,528</u>	<u>55,253,596</u>
<u>9,011,421</u>	<u>34,524,137</u>	<u>43,535,558</u>
<u>3,461,949</u>	<u>15,410,741</u>	<u>18,872,690</u>
<u>\$ 12,473,370</u>	<u>\$ 49,934,878</u>	<u>\$ 62,408,248</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Balance Sheet
Governmental Funds
June 30, 2006

Assets	General	Public Transportation	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 5,677,595	\$ 4,827,208	\$ -	\$ 10,504,803
Receivables	609	27,123	931,034	958,766
Due from other governments	-	6,075,014	32,600	6,107,614
Due from other funds	-	-	104,255	104,255
Other assets	56,205	-	-	56,205
Total assets	<u>\$ 5,734,409</u>	<u>\$ 10,929,345</u>	<u>\$ 1,067,889</u>	<u>\$ 17,731,643</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 121,997	\$ -	\$ 482,170	\$ 604,167
Due to other funds	3,072,316	993,269	415,851	4,481,436
Due to other governments	54,097	-	2,885	56,982
Other liabilities	197,882	-	166,983	364,865
Total liabilities	<u>3,446,292</u>	<u>993,269</u>	<u>1,067,889</u>	<u>5,507,450</u>
Fund balances:				
Unreserved, designated	649,225	-	-	649,225
Unreserved, undesignated	1,638,892	9,936,076	-	11,574,968
Total fund balances	<u>2,288,117</u>	<u>9,936,076</u>	<u>-</u>	<u>12,224,193</u>
Total liabilities and fund balances	<u>\$ 5,734,409</u>	<u>\$ 10,929,345</u>	<u>\$ 1,067,889</u>	<u>\$ 17,731,643</u>

**Reconciliation of the balance sheet to the statement
of net assets**

Fund balances, total governmental funds balance sheet	\$ 12,224,193
Amounts reported for governmental activities in the statement of net assets are different because (see also Note 2):	
Governmental capital assets	698,881
Less accumulated depreciation	<u>(449,704)</u>
Net assets of governmental activities, statement of net assets	<u>\$ 12,473,370</u>

See accompanying notes to the financial statements.

Valley Metro
Regional Public Transportation Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2006

	<u>General</u>	<u>Public Transportation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Sales taxes:				
Public transportation funds	\$ -	\$ 51,146,136	\$ -	\$ 51,146,136
Regional area road funds	3,938,570	-	-	3,938,570
Intergovernmental:				
State & county grants	-	-	400,000	400,000
Federal Transit Administration	-	-	569,622	569,622
CMAQ	-	-	1,395,577	1,395,577
Other federal grants	-	-	41,668	41,668
Charges for services	-	-	75,295	75,295
Interest earnings	65,306	59,006	-	124,312
Total revenues	<u>4,003,876</u>	<u>51,205,142</u>	<u>2,482,162</u>	<u>57,691,180</u>
Expenditures:				
Current:				
Regional planning:				
Long range	-	-	187,496	187,496
Short range	-	-	322,430	322,430
Capital	-	-	197,256	197,256
Program support	-	-	534,285	534,285
Transportation demand management:				
Trip reduction	-	-	865,290	865,290
Ridesharing	-	-	645,052	645,052
Other programs	-	-	326,903	326,903
Administration:				
Executive director	514,158	-	-	514,158
Communications & government relations	207,304	-	-	207,304
Finance & management services	419,571	-	-	419,571
Capital outlay	-	-	218,151	218,151
Total expenditures	<u>1,141,033</u>	<u>-</u>	<u>3,296,863</u>	<u>4,437,896</u>
Excess (deficiency) of revenues over expenditures	<u>2,862,843</u>	<u>51,205,142</u>	<u>(814,701)</u>	<u>53,253,284</u>
Other financing sources (uses):				
Transfers in	-	-	814,701	814,701
Transfers out	(3,875,585)	(41,269,066)	-	(45,144,651)
Total other financing sources (uses)	<u>(3,875,585)</u>	<u>(41,269,066)</u>	<u>814,701</u>	<u>(44,329,950)</u>
Net change in fund balances	(1,012,742)	9,936,076	-	8,923,334
Fund balance, beginning	3,300,859	-	-	3,300,859
Fund balance, ending	<u>\$ 2,288,117</u>	<u>\$ 9,936,076</u>	<u>\$ -</u>	<u>\$ 12,224,193</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2006

Net change in fund balances, total governmental funds \$ 8,923,334

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which capital outlays (\$153,006) exceeded depreciation expense (\$63,843) in the current period. 89,163

This is the amount by which historical cost (\$66,226) exceeded accumulated depreciation (\$65,150) of assets disposed of in the current period. (1,076)

Net assets of governmental activities, statement of activities \$ 9,011,421

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
General Fund
Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Sales taxes:				
Regional area road funds	\$ 3,933,800	\$ 3,938,570	\$ 3,938,570	\$ -
Interest	40,000	60,000	65,306	5,306
Total revenues	<u>3,973,800</u>	<u>3,998,570</u>	<u>4,003,876</u>	<u>5,306</u>
Expenditures:				
Current:				
Executive director	590,320	621,320	514,158	(107,162)
Communications & government relations	168,350	168,350	207,304	38,954
Finance and management services	376,881	569,168	419,571	(149,597)
Contingency	400,000	400,000	-	(400,000)
Total expenditures	<u>1,535,551</u>	<u>1,758,838</u>	<u>1,141,033</u>	<u>(617,805)</u>
Excess of revenues over expenditures	2,438,249	2,239,732	2,862,843	623,111
Other financing uses:				
Transfers to:				
Transit planning	(1,352,420)	(1,072,803)	(644,932)	427,871
Capital and other grants	(232,000)	(232,000)	(169,769)	62,231
Transit service operations	(2,896,903)	(2,896,903)	(2,822,690)	74,213
Regional customer services	(244,384)	(244,384)	(238,194)	6,190
Total other financing uses	<u>(4,725,707)</u>	<u>(4,446,090)</u>	<u>(3,875,585)</u>	<u>570,505</u>
Net change in fund balance	(2,287,458)	(2,206,358)	(1,012,742)	1,193,616
Fund balance, beginning	<u>3,300,859</u>	<u>3,300,859</u>	<u>3,300,859</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,013,401</u>	<u>\$ 1,094,501</u>	<u>\$ 2,288,117</u>	<u>\$ 1,193,616</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Public Transportation Fund
Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Sales taxes:				
Public transportation funds	\$ 45,700,000	\$ 47,270,000	\$ 51,146,136	\$ 3,876,136
Interest	-	-	59,006	59,006
Total revenues	<u>45,700,000</u>	<u>47,270,000</u>	<u>51,205,142</u>	<u>3,935,142</u>
Excess of revenues over expenditures	<u>45,700,000</u>	<u>47,270,000</u>	<u>51,205,142</u>	<u>3,935,142</u>
Other financing uses:				
Transfers to:				
Transit operations	(19,961,236)	(23,249,411)	(17,007,156)	6,242,255
Regional customer services	(2,459,735)	(2,459,735)	(2,146,321)	313,414
Valley Metro Rail	<u>(19,760,680)</u>	<u>(20,439,548)</u>	<u>(22,115,589)</u>	<u>(1,676,041)</u>
Total other financing uses	<u>(42,181,651)</u>	<u>(46,148,694)</u>	<u>(41,269,066)</u>	<u>4,879,628</u>
Net change in fund balance	3,518,349	1,121,306	9,936,076	8,814,770
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ 3,518,349</u>	<u>\$ 1,121,306</u>	<u>\$ 9,936,076</u>	<u>\$ 8,814,770</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Statement of Net Assets

Proprietary Funds

June 30, 2006

	Business-Type Activities - Enterprise Funds			Total Proprietary Funds
	Transit Service Operations	Regional Customer Services	Valley Metro Rail	
Assets				
Current assets				
Cash and investments	\$ 6,716,397	\$ 222,984	\$ 1,515,941	\$ 8,455,322
Receivables	4,414,216	16,294	14,573	4,445,083
Due from other governments	5,629,207	-	5,016,402	10,645,609
Due from other funds	-	-	4,377,181	4,377,181
Other assets	180,250	1,875	-	182,125
Total current assets	<u>16,940,070</u>	<u>241,153</u>	<u>10,924,097</u>	<u>28,105,320</u>
Non-current assets				
Capital assets, not being depreciated	4,927,636	385,848	-	5,313,484
Capital assets, net of accumulated depreciation	<u>30,236,895</u>	<u>208,912</u>	<u>-</u>	<u>30,445,807</u>
Total assets	<u>52,104,601</u>	<u>835,913</u>	<u>10,924,097</u>	<u>63,864,611</u>
Liabilities				
Current liabilities:				
Accounts payable	4,694,751	177,177	-	4,871,928
Due to other governments	65,605	7,913	-	73,518
Other current liabilities	168,966	56,063	474,258	699,287
Capital purchase agreement due within one year	<u>8,285,000</u>	<u>-</u>	<u>-</u>	<u>8,285,000</u>
Total current liabilities	<u>13,214,322</u>	<u>241,153</u>	<u>474,258</u>	<u>13,929,733</u>
Net Assets				
Invested in capital assets, net of related debt	26,879,531	594,760	-	27,474,291
Restricted:				
Vanpool vehicle replacement	1,766,277	-	-	1,766,277
Bus refurbishment	2,981,275	-	-	2,981,275
Transit vehicle replacement	553,737	-	-	553,737
Unrestricted	<u>6,709,459</u>	<u>-</u>	<u>10,449,839</u>	<u>17,159,298</u>
Total net assets	<u>\$ 38,890,279</u>	<u>\$ 594,760</u>	<u>\$ 10,449,839</u>	<u>\$ 49,934,878</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Fiscal Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds			Total Proprietary Funds
	Transit Service Operations	Regional Customer Services	Valley Metro Rail	
Operating Revenues:				
Charges for services	\$ 23,914,847	\$ 3,376,143	\$ 5,209,939	\$ 32,500,929
Total operating revenues	23,914,847	3,376,143	5,209,939	32,500,929
Operating Expenses:				
Local & express bus service	25,586,183	-	-	25,586,183
Light rail staff and administration	-	-	5,209,939	5,209,939
Regional customer services	-	5,681,093	-	5,681,093
Paratransit service	6,403,408	-	-	6,403,408
Vanpool service	603,066	-	-	603,066
Administrative and general	353,500	-	-	353,500
Depreciation	5,055,130	86,667	-	5,141,797
Total operating expenses	38,001,287	5,767,760	5,209,939	48,978,986
Operating loss	(14,086,440)	(2,391,617)	-	(16,478,057)
Non-Operating Revenues (Expenses):				
Lead agency disbursements	-	-	(11,700,029)	(11,700,029)
Federal Transit Administration grants	17,997,125	78,116	-	18,075,241
Local member participation	437,719	-	-	437,719
Interest income	-	10,299	34,279	44,578
Capital lease financing issuance costs	(40,788)	-	-	(40,788)
Interest expense	(222,706)	-	-	(222,706)
Gain on disposal of capital assets	78,229	-	-	78,229
Total non-operating revenues (expenses)	18,249,579	88,415	(11,665,750)	6,672,244
Income (loss) before contributions and transfers	4,163,139	(2,303,202)	(11,665,750)	(9,805,813)
Transfers in	19,829,846	2,384,515	22,115,589	44,329,950
Changes in net assets	23,992,985	81,313	10,449,839	34,524,137
Net assets, beginning (as restated)	14,897,294	513,447	-	15,410,741
Net assets, ending	\$ 38,890,279	\$ 594,760	\$ 10,449,839	\$ 49,934,878

See accompanying notes to the financial statements.

Valley Metro
Regional Public Transportation Authority
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds			Total Proprietary Funds
	Transit Service Operations	Regional Customer Services	Valley Metro Rail	
Cash flows from operating activities				
Receipts from customers	\$ 24,013,123	\$ 3,605,492	\$ 5,063,069	\$ 32,681,684
Payments to suppliers	(33,142,354)	(5,005,230)	(844,170)	(38,991,754)
Payments to employees	(332,735)	(355,338)	(4,187,029)	(4,875,102)
Net cash (used in) provided by operating activities	(9,461,966)	(1,755,076)	31,870	(11,185,172)
Cash flows from noncapital financing activities				
Transfers in - sales taxes	8,271,665	2,384,515	-	10,656,180
Due to other funds	-	(248,097)	-	(248,097)
Receipts from federal grants	1,756,112	-	-	1,756,112
Net cash provided by noncapital financing activities	10,027,777	2,136,418	-	12,164,195
Cash flows from capital and related financing activities				
Purchases of capital assets	(28,215,156)	(477,335)	-	(28,692,491)
Lead agency disbursements	-	-	(11,700,029)	(11,700,029)
Receipts from federal capital grants	12,661,703	308,678	-	12,970,381
Proceeds from sale of capital assets	163,546	-	-	163,546
Operating transfers in - sales taxes	11,558,181	-	13,110,437	24,668,618
Local member participation	437,719	-	-	437,719
Net proceeds from lease financing	8,244,212	-	-	8,244,212
Principal payments of capital lease	(412,647)	-	-	(412,647)
Interest payments of capital lease	(234,054)	-	-	(234,054)
Net cash used in capital and related financing activities	4,203,504	(168,657)	1,410,408	5,445,255
Cash flows from investing activities				
Interest received on investments	-	10,299	19,706	30,005
Net cash provided by investing activities	-	10,299	19,706	30,005
Net increase in cash and cash equivalents	4,769,315	222,984	1,461,984	6,454,283
Cash and cash equivalents, beginning of year	1,947,082	-	53,957	2,001,039
Cash and cash equivalents, end of year	\$ 6,716,397	\$ 222,984	\$ 1,515,941	\$ 8,455,322
Reconciliation of operating loss to net cash (used in) provided by operating activities				
Operating loss	\$ (14,086,440)	\$ (2,391,617)	\$ -	\$ (16,478,057)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:				
Depreciation	5,055,130	86,667	-	5,141,797
(Increase) decrease in assets:				
Accounts receivable	197,981	598,592	-	796,573
Due from other governments	(115,867)	-	(146,870)	(262,737)
Other assets	489,800	298,125	-	787,925
Increase (decrease) in liabilities:				
Accounts payable	(1,048,950)	(15,576)	-	(1,064,526)
Due to other governments	11,762	(202,865)	-	(191,103)
Other liabilities	34,618	(128,402)	178,740	84,956
Total adjustments	4,624,474	636,541	31,870	5,292,885
Net cash (used in) provided by operating activities	\$ (9,461,966)	\$ (1,755,076)	\$ 31,870	\$ (11,185,172)
Noncash capital activities				
Purchase of capital assets with a corresponding increase in accounts payable	\$ 641,559	\$ -	\$ -	\$ 641,559

See accompanying notes to the financial statements.

Valley Metro
Regional Public Transportation Authority
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Fiscal Year Ended June 30, 2006

	Total Fiduciary Funds
Additions	
Contributions	\$ 3,201,522
Total additions	<u>3,201,522</u>
Deductions	
Distributions	<u>3,232,118</u>
Total deductions	<u>3,232,118</u>
Changes in net assets	(30,596)
Net assets, beginning of year	<u>30,596</u>
Net assets, end of year	<u>\$ -</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Notes to the Financial Statements
Fiscal Year Ended June 30, 2006

1. Summary of Significant Accounting Policies

The accounting policies of the Regional Public Transportation Authority (the Authority) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 20 requires that governments' enterprise activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements. The Authority has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

During the fiscal year ended June 30, 2006, the Authority implemented the provisions of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. GASB Statement No. 44 establishes and modifies requirements related to the supplementary information presented in the statistical section.

a. Financial Reporting Entity

The Authority was established under the laws of the State of Arizona in 1985 along with the passage of a one-half of one percent sales tax increase to fund regional highway and public transportation improvements. The Authority was charged with developing a regional transit plan and developing and operating a regional transit system for Maricopa County (the County). In 1993, the Authority's Board of Directors adopted Valley Metro as the identity for the regional transit system. Valley Metro was chosen to give the region's buses a more recognizable identity and to help unify public transit systems in the County.

The Authority is governed by a Board of Directors consisting of a member of the County Board of Supervisors and the mayors (or their designees) of the cities of Avondale, Chandler, El Mirage, Glendale, Mesa, Peoria, Phoenix, Scottsdale, Surprise and Tempe, and the Town of Gilbert. A municipality may have one elected official serve on the Authority's Board of Directors by committing a portion of their local transportation assistance funds to local public transportation.

In October 2002, the city councils of Glendale, Mesa, Phoenix and Tempe approved the formation of a public nonprofit corporation by the name of Valley Metro Rail, Inc. (VMR). The nonprofit corporation was organized for the purpose of planning, designing, constructing, and operating the Light Rail Transit Project. VMR contracts with the Authority for certain administrative functions, including personnel, administration and financial and accounting services. This activity is recorded in the Authority's Valley Metro Rail Enterprise Fund. All VMR staff is hired and employed by the Authority but works solely under the direction of the legally separate entity of VMR and its Board of Directors

through a contractual arrangement with the Authority. The Board of VMR is solely responsible for the governance of VMR and the Authority's Board of Directors has no responsibility for VMR. VMR is not a component unit of the Authority because the economic resources received by VMR are entirely for the direct benefit of VMR and the Authority is not entitled to and has no ability to otherwise access any of the economic resources received or held by VMR. However, VMR is a related party of the Authority since the four cities who are members of VMR's Board of Directors are also members of the Authority's Board of Directors.

b. Basic Financial Statements

These financial statements are presented in accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB No. 34).

The government-wide financial statements (statement of net assets and statement of activities) report on the Authority as a whole, excluding fiduciary activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The government-wide financial statements focus more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the government (excluding fiduciary funds). It is displayed in a format of assets less liabilities equal net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Authority would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Reservations or designations of net assets imposed by the reporting government, whether by administrative policy or legislative action of the reporting government, are not shown on the government-wide financial statements. Note 6 discusses the internal reservations and designations of net assets in the various funds to demonstrate the government's intended use of those net assets.

**Valley Metro
Regional Public Transportation Authority**

Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2006

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the various functions and segments of the Authority are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and the other revenues not identifiable with particular functions or segments are included as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Also part of the basic financial statements are fund financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Basis of Presentation

The accounts of the Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which includes assets, liabilities, fund equity, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following fund categories (further divided by fund type) are used by the Authority:

Governmental Funds

Governmental funds are used to account for the Authority's general government activities. The focus of Governmental Fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income. The Authority reports the following major Governmental Funds:

The General fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Public Transportation Fund accounts for activities related to the 20-year transportation tax.

Proprietary Funds

Proprietary funds account for activities of the Authority similar to those found in the private sector, where cost recovery and the determination of net income are useful or necessary for sound fiscal management. The focus of proprietary fund measurement is upon the determination of operating income, changes in net assets, financial position

and cash flows. Currently, enterprise funds are the only type of proprietary funds that the Authority uses.

Enterprise funds are used to account for those operations that provide services to the general public for a fee. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the Authority to establish activity fees or charges to recover the cost of providing services, including capital costs.

The Authority reports the following major enterprise funds:

The Transit Service Operations Fund accounts for the activities related to the operations of local and express bus, dial-a-ride and vanpool services for the region.

The Regional Customer Services Fund accounts for activities related to marketing, customer services, Americans with Disabilities (ADA) compliance, contract maintenance and quality monitoring, and farebox data reporting for the region.

The Valley Metro Rail Fund accounts for the activities related to the staffing and administrative services that are contractually provided by the Authority to Valley Metro Rail, Inc. and the Public Transportation Fund (PTF) sales tax revenues and expenses of such funds related to the Regional Transportation Plan approved light rail projects.

Fiduciary Funds

Fiduciary funds account for assets held by the Authority in a trustee or agency capacity on behalf of others and therefore are not available to support Authority programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements since they are not assets of the Authority available to support Authority programs. Currently, private-purpose trust funds are the only type of fiduciary funds that the Authority uses:

Private-purpose trust funds account for assets held by the Authority under the terms of a formal trust agreement where both the principal and income may be used to support individuals, private organizations or other governments as set forth in the trust agreement. The private-purpose trust funds of the Authority are as follows:

The Community Funded Transportation Fund accounts for funds used for reimbursement of community funded transportation.

The LTAF II Fund accounts for state general fund monies received from the Arizona Department of Transportation and distributed to the cities and county within the Authority's region.

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2006

d. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund types are presented, in the fund financial statements, using the flow of current financial resources measurement focus and modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance is a measure of available spendable resources. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon thereafter to pay liabilities of the current period. The Authority considers revenues available under modified accrual, if they are earned by June 30 (all eligibility requirements have been met) and the revenue is expected to be collected within six months after year-end. Expenditures are recorded when the related fund liability is incurred.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Authority’s actual revenues and expenditures conform to the annual budget. Since the governmental fund financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements. Additional reconciliations are also provided in Note 3.

When applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 33 – *Recipient Reporting for Certain Shared Non-exchange Transactions* (Statement No. 33), receivables and revenues are recognized when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as deferred revenue.

Interest income is recognized on the modified accrual basis. Changes in fair value of investments are recognized in investment income at the end of the year.

Sales taxes, entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. For the governmental fund statements, grant revenue earned but not expected to be received within six months of year end is deferred.

The proprietary fund and private purpose trust funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, the total enterprise funds on the proprietary fund financial statements will directly reconcile to the business-type activities column on the government-wide financial statements.

The flow of economic resources measurement focus emphasizes the determination of net income.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, i.e., charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items like investment income and interest expense that are not a result of the direct operations of the activity.

e. Budgetary Basis of Accounting

An annual budget of revenues and expenditures is prepared and adopted by the Board of Directors each fiscal year for all funds. The legal level of budgetary control is the total annual appropriated budget. Costs in excess of the total annual appropriated budget require approval of the Board of Directors. Transfers of appropriations between departments require the approval of the Executive Director. The annual budget is adopted on the modified accrual basis. Encumbrance accounting is not used and all appropriations lapse at year end. Prior to final adoption, a proposed budget is presented to the Board of Directors for review and public comment is received. Final adoption of the budget must be on or before June 30 of each year. During the fiscal year, the Board of Directors approved the increase of appropriations of \$7.945 million, due primarily to the inclusion of the capital lease purchase proceeds of \$8.285 million for the purchase of 23 buses.

GASB Statement No. 34 requires that budgetary comparison statements for the general fund and major special revenue funds be presented as part of the basic financial statements or as required supplementary information. The Authority has chosen to present this information as part of the basic financial statements. These statements must display original budget, amended budget and actual results (on a budgetary basis). Budgetary comparisons for the nonmajor governmental funds and the major enterprise funds are presented in the combining statements following the notes to the financial statements. Where necessary, a reconciliation has been provided of the adjustments required to convert the budgetary revenues and expenditures or changes in net assets on a budgetary basis to revenues and expenditures/expenses or change in net assets on a GAAP basis.

f. Deposits and Investments

State statutes authorize the Authority to invest in obligations of the U.S. Treasury and any of its agencies, corporations or instrumentalities, collateralized repurchase

agreements, certificates of deposit and the State of Arizona's Local Government Investment Pool (LGIP). Currently the Authority invests only in the LGIP, which is operated by the Arizona State Treasurer's Office, as authorized by Arizona Revised Statutes, §35-326. Arizona Revised Statutes, §35-312 and §35-313 regulate authorized investments.

Local Government Investment Pool investments are carried at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of participants' position in the pool approximates the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal.

The Authority maintains pooled cash and investments. Income from pooled cash and investments is allocated to the individual funds based on the fund's month end cash balance in relation to the total pooled cash and investments. Authority management has determined that the investment income related to all funds except the Valley Metro Rail Enterprise Fund should be allocated to the General Fund.

Each fund's equity in the pooled cash and investments is tracked on an ongoing basis. In the event that a certain fund overdraws its share of pooled cash, the overdraft is reported as a due to the General Fund at year-end.

g. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

h. Capital Assets

GASB No. 34 requires that all capital assets, whether owned by governmental activities or business-type activities, be recorded and depreciated (unless the modified approach is used) in the government-wide financial statements. No long-term assets or depreciation are shown in the governmental fund financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. The Authority changed its individual asset capitalization threshold from \$1,000 to \$5,000 as of July 1, 2005. The effect of these changes was to reduce the beginning balance of both capital assets and accumulated depreciation accounts. The Authority has no public domain infrastructure (e.g., roads, bridges, sidewalks, and other assets that are immovable and of value only to the Authority) or capital construction projects. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2006

<u>Assets</u>	<u>Useful Life (Years)</u>
Equipment	7-15
Furniture and fixtures	7-15
Vehicles	
Cars and vans	4
Buses greater than 30 feet	10
Buses greater than 40 feet	12
Computers and software	3

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation) or net realizable value, if lower, as of the date of the transfer.

i. Transactions Between Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported in the fund financial statements as "due to/from other funds". See Note 5 for further discussion of the interfund receivables/payables at June 30.

Certain transactions occurring between funds that are combined within the same fund type or displayed in the same financial statement column for presentation in these annual financial statements have been eliminated from the financial statements. In the government-wide financial statements, only the net interfund activity and balances between governmental activities and business-type activities are shown (reported as "internal balances").

j. Receivables

All receivables are shown net of an allowance for uncollectibles. Receivables primarily result from various grants awarded by the Federal Transit Administration and the Federal Highway Administration. These receivables are passed through to the Authority and are due from the City of Phoenix, Maricopa Association of Governments, Maricopa County, Pima County and the Arizona Department of Transportation as reimbursement for eligible grant expenditures.

k. Capital Lease Obligations and Short-Term Borrowings

Capital lease obligations of the Authority are serviced by the Transit Service Operations Enterprise Fund which accounts for and services the capital purchase agreements discussed below.

During fiscal year 1993, the Authority entered into a capital purchase agreement with the City of Phoenix to acquire \$40,733,247 of transit capital equipment. In accordance with the agreement, the City of Phoenix, on behalf of the Authority, purchased transit capital equipment and received federal reimbursement under Federal Transit Administration Urbanized Area Formula Grants of \$34,786,184.

**Valley Metro
Regional Public Transportation Authority**

Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2006

The remaining amount of \$5,947,063 was funded by the City of Phoenix, on behalf of the Authority, and charged back to the Authority in the form of a line of credit.

The line of credit bears interest at 5.5% from the date of each advance. Principal payments commenced on July 1, 1998, and shall continue on each January 1 and July 1 thereafter through and including July 1, 2005 upon which date all principal amounts due shall be repaid. The principal amortization was concluded on July 1, 2005.

During fiscal year 2006, the Authority entered into a capital lease financing agreement with SunTrust Leasing Corporation to acquire \$8,244,000 of transit capital equipment plus issuance costs of \$41,000 for a total obligation of \$8,285,000. The annual interest rate for the capital lease is 3.66% from the funding date of February 3, 2006. The first interest payment is due on June 30, 2006 and subsequent payments are due semi-annually thereafter through and including June 30, 2007 upon which date the entire principal amount is due. The Authority has the option to renew the lease for an additional ten years provided that the Authority meets the terms of the agreement for such renewal.

During fiscal year 2006, the Authority entered into a short-term line of credit with Wells Fargo Bank to be used to cover the operating costs of the Authority for the period from July 1, 2005, through January 31, 2006, until the Public Transportation Fund (PTF) sales tax became effective. The variable interest rate for the line of credit is Wells Fargo prime rate plus 1%. Any advances during fiscal year 2006 were required to be repaid within twelve months.

i. Compensated Absences

Employees of the Authority are entitled to 21-27 paid time off days (vacation and sick leave) per calendar year, depending upon length of service. Accumulated and unpaid time off at June 30 is accrued and included in Other Liabilities. The Authority does not provide post-employment benefits for its employees upon separation of service or retirement from service.

m. Cash Equivalents

The Authority considers short-term investments in the State of Arizona's Local Government Investment Pool, mutual fund-money market, U.S. Treasury bills and notes with maturities of three months or less at acquisition date to be cash equivalents.

n. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting financial period. Actual results could differ from these estimates.

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2006

2. Change in Accounting Policy

During the fiscal year ended June 30, 2006, the Authority updated its policy for capitalization of assets to include assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. The previous policy was to capitalize assets with an initial cost of more than \$1,000 and an estimated useful life greater than one year. This change in accounting policy is reflected in the financial statements as an adjustment to the net assets beginning balances in the governmental activities, business-type activities and the proprietary fund financial statements. The change is also shown as an adjustment to the beginning balances of capital assets and accumulated depreciation shown in Note 7.

The following reconciliation is necessary to reconcile the Authority's beginning net assets to the prior year audited financial statements:

	Governmental Activities	Business-type Activities			Total
		Transit Service Operations	Regional Customer Services	Valley Metro Rail	
Beginning net assets (as previously stated)	\$ 3,534,729	\$ 14,905,474	\$ 554,157	\$ -	\$ 15,459,631
Change in capitalization policy	(72,780)	(8,180)	(40,710)	-	(48,890)
Beginning net assets (as restated)	<u>\$ 3,461,949</u>	<u>\$ 14,897,294</u>	<u>\$ 513,447</u>	<u>\$ -</u>	<u>\$ 15,410,741</u>

3. Reconciliation of Governmental Fund Financial Statements to Government-Wide Statements

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual accounting basis while the government-wide financial statements are prepared on a long-term economic resources measurement focus and accrual accounting basis. Reconciliations briefly explaining the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements immediately follow each fund financial statement. Additional reconciliations are provided below.

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2006

Reconciliation of Governmental Funds Balance Sheet and the government-wide Statement of Net Assets:

	Total Governmental Funds	Long-term Assets/ Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
Assets				
Cash and investments	\$ 10,504,803	\$ -	\$ -	\$ 10,504,803
Receivables	958,766	-	-	958,766
Due from other governments	6,107,614	-	-	6,107,614
Due from other funds	104,255	-	(4,481,436)	(4,377,181)
Other assets	56,205	-	-	56,205
Capital assets (net)	-	249,177	-	249,177
Total assets	<u>\$ 17,731,643</u>	<u>\$ 249,177</u>	<u>\$ (4,481,436)</u>	<u>\$ 13,499,384</u>
Liabilities				
Accounts payable	\$ 604,167	\$ -	\$ -	\$ 604,167
Due to other funds	4,481,436	-	(4,481,436)	-
Due to other governments	56,982	-	-	56,982
Other liabilities	364,865	-	-	364,865
Total liabilities	<u>5,507,450</u>	<u>-</u>	<u>(4,481,436)</u>	<u>1,026,014</u>
Fund Balance/Net Assets				
Total fund balance/net assets	<u>12,224,193</u>	<u>249,177</u>	<u>-</u>	<u>12,473,370</u>
Total liabilities and fund balance/net assets	<u>\$ 17,731,643</u>	<u>\$ 249,177</u>	<u>\$ (4,481,436)</u>	<u>\$ 13,499,384</u>

When capital assets that are to be used in governmental activities are purchased, the costs of those assets are reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the statement of net assets includes those capital assets among the assets of the Authority as a whole:

Cost of capital assets	\$ 698,881
Accumulated depreciation	(449,704)
Capital assets, net	<u>\$ 249,177</u>

Interfund transactions between governmental activities of \$5,038,964 are eliminated in the consolidation of these activities for the statement of activities.

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2006

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities:

	Total Governmental Funds	Capital Purchases and Disposals	Depreciation	Statement of Activities Totals
Revenues				
Sales taxes	\$ 55,084,706	\$ -	\$ -	\$ 55,084,706
Intergovernmental	2,406,867	-	-	2,406,867
Charges for services	75,295	-	-	75,295
Interest earnings	124,312	-	-	124,312
Total revenues	<u>57,691,180</u>	-	-	<u>57,691,180</u>
Expenditures/Expenses				
Current:				
Regional planning	1,241,467	-	-	1,241,467
Transportation demand management	1,837,245	-	-	1,837,245
Administration	1,141,033	-	-	1,141,033
Capital outlay	218,151	(151,930)	63,843	130,064
Total expenditures/expenses and other uses	<u>4,437,896</u>	<u>(151,930)</u>	<u>63,843</u>	<u>4,349,809</u>
Other financing uses/changes in net assets				
Transfers out	814,701	-	-	814,701
Transfers out	(45,144,651)	-	-	(45,144,651)
Total fund balance/net assets	<u>(44,329,950)</u>	-	-	<u>(44,329,950)</u>
Net change for the year	<u>\$ 8,923,334</u>	<u>\$ 151,930</u>	<u>\$ (63,843)</u>	<u>\$ 9,011,421</u>

When capital assets that are to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expenses. As a result, fund balance decreases by the amount of the financial resources expended for capital outlay (\$151,930), whereas net assets decrease by the amount of depreciation expense charged for the year (\$63,843).

4. Deposits and Investments

The Authority maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the government-wide Statement of Net Assets as "Cash and Investments".

a. Deposits

The Authority's deposits during the year and at fiscal year end were entirely covered by federal depository insurance or by collateral held by the Authority's servicing bank in the Authority's name. The carrying amount of the Authority's deposits at June 30, 2006, was \$12,455,114 and the bank ledger balance was \$9,596,442. The difference of \$2,858,672 represents deposits in transit and outstanding checks.

b. Investments

Interest Rate Risk. As a means of managing its exposure to fair value losses arising from increasing interest rates, the Authority's investment policy provides for matching investment maturities with anticipated cash flow requirements while maintaining an emphasis on liquidity. Unless matched to a specific cash flow requirement, the Authority will not directly invest in securities maturing more than two years from the date of purchase. Historically, the Authority has limited its investments to participation in the State of Arizona's Local Government Investment Pool (LGIP).

Credit Risk. State statutes authorize the Authority to invest in obligations of the U.S. Treasury and any of its agencies, corporations or instrumentalities, collateralized repurchase agreements, certificates of deposit and the LGIP. The Authority's investment policy does not further limit its investment choices. The LGIP is operated by the Arizona State Treasurer's Office, as authorized by Arizona Revised Statutes §35-326. Arizona Revised Statutes §35-312 and §35-313 regulate authorized investments. The LGIP is overseen according to Arizona State Statute by the State Board of Deposit. The Authority's investment in the LGIP is stated at fair value, which is the same as the value of the Authority's pool shares. The LGIP does not receive a credit quality rating.

Investments at June 30, 2006, consist of the following:

State of Arizona Local Government Investment Pool	\$	6,505,011
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Governmental Accounting Standards Board Statement No. 40 provides for disclosures of custodial credit risk associated with investment securities. An exception is provided for investments in external investment pools and for investments in open-ended mutual funds.

Cash and investments at June 30, 2006 consisted of the following:

Carrying amount of the Authority's deposits	\$	12,455,114
Investments in the LGIP		6,505,011
Total cash and investments	\$	18,960,125

5. Accounts Receivable and Interfund Transactions

Accounts receivable are recorded in the various funds and displayed in the financial statements. All receivable balances at June 30, 2006 are expected to be collected in full; therefore, an allowance for uncollectibles has not been recorded.

**Valley Metro
Regional Public Transportation Authority**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

Net interfund receivables and payables between governmental activities and business-type activities of \$4,377,181 are included in the government-wide financial statements at June 30, 2006. The following interfund receivables and payables are included in the fund financial statements at June 30, 2006:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental activities:		
Nonmajor governmental funds	General fund	\$ 104,255
Business-type activities:		
Enterprise funds:		
Valley Metro Rail	General fund	2,968,061
	Public transportation fund	993,269
	Nonmajor governmental funds	415,851
Total business-type activities		<u>4,377,181</u>
Total		<u>\$ 4,481,436</u>

The interfund balances at June 30, 2006 are short-term loans to cover temporary cash deficits in various funds. This occasionally occurs prior to grant and other reimbursements. All interfund balances outstanding at June 30, 2006 are expected to be repaid within one year.

Net transfers of \$44,329,950 from governmental activities to business-type activities on the government-wide statement of activities are primarily the result of the transfer of sales taxes to the Enterprise funds. The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2006.

	<u>Transfers Out</u>		<u>Totals</u>
	<u>General Fund</u>	<u>Public Transportation Fund</u>	
<u>Transfers In</u>			
Governmental funds:			
Transit planning	\$ 644,932		\$ 644,932
Capital and other grants	169,769		169,769
Total governmental funds	<u>814,701</u>		<u>814,701</u>
Enterprise funds:			
Transit service operations	2,822,690	\$ 17,007,156	19,829,846
Regional customer services	238,194	2,146,321	2,384,515
Valley Metro Rail	-	22,115,589	22,115,589
Total enterprise funds	<u>3,060,884</u>	<u>41,269,066</u>	<u>44,329,950</u>
Grand totals	<u>\$ 3,875,585</u>	<u>\$ 41,269,066</u>	<u>\$ 45,144,651</u>

Interfund transfers are primarily used for transfers of sales tax revenues from the General fund and the Public Transportation fund to the various funds that receive earmarked sales tax revenues.

6. Fund Balance/Net Assets Reservations and Designations

General Fund:

Unreserved/Designated - At June 30, 2006, \$649,225 of fund balance was designated by management for the payment of accrued compensated absences.

Unreserved/Undesignated - At June 30, 2006, \$1,638,892 of fund balance was unreserved and undesignated.

Transit Service Operations Enterprise Fund:

Restricted for Vanpool Vehicle Replacement - At June 30, 2006, \$1,766,277 was restricted for replacement of vanpool vehicles.

Restricted for Transit Vehicle Replacement - At June 30, 2006, \$553,737 was restricted for replacement of transit vehicles purchased with federal grant monies.

Restricted for Bus Refurbishment - At June 30, 2006, \$2,981,275 was restricted for refurbishment of transit vehicles.

Unrestricted - At June 30, 2006, \$6,709,459 of fund balance was unrestricted.

However, for internal purposes the Authority has earmarked \$6,966,431 at June 30, 2006, for completing the following capital projects: \$5,064,790 for construction of operating and maintenance facilities for fixed route services; \$353,410 for construction of bus pullouts; and \$389,426 for bus stop passenger shelters, benches and related amenities; \$290,288 for mid-life bus rebuilds; \$556,640 for fare collection systems; \$100,000 for East Valley facility improvements; \$111,268 for vanpool replacement and \$100,609 for operating and maintenance facilities improvements.

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2006

7. Capital Assets

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2006:

	Balances, July 1, 2005	Change in Capitalization Threshold	Additions/ Transfers in	Disposals/ Transfers out	Balances, June 30, 2006
Governmental activities:					
Depreciable assets:					
Computers & software	\$ 489,854	\$ (187,299)	\$ 5,897	\$ (47,405)	\$ 261,047
Equipment	166,469	(9,120)	24,806	(13,119)	169,036
Vehicles	76,810	-	-	-	76,810
Furniture & fixtures	84,471	(9,084)	122,303	(5,702)	191,988
Total depreciable assets at historical cost	817,604	(205,503)	153,006	(66,226)	698,881
Less accumulated depreciation for:					
Computers & software	(374,617)	124,998	(31,798)	47,109	(234,308)
Equipment	(135,979)	5,808	(8,223)	12,339	(126,055)
Vehicles	(54,203)	-	(9,937)	-	(64,140)
Furniture & fixtures	(18,935)	1,917	(13,885)	5,702	(25,201)
Total accumulated depreciation	(583,734)	132,723	(63,843)	65,150	(449,704)
Governmental activities capital assets, net	\$ 233,870	\$ (72,780)	\$ 89,163	\$ (1,076)	\$ 249,177
Business-type activities:					
Non-depreciable assets:					
Work in progress -					
Vehicle management system	\$ 2,372,496	\$ -	\$ -	\$ (2,372,496)	\$ -
Voice recording/quality monitoring system	288,203	-	97,645	-	385,848
Articulated buses	-	-	3,640,118	-	3,640,118
East valley equipment upgrades	-	-	51,006	-	51,006
Diesel fuel station	-	-	178,019	-	178,019
LNG fuel station	548,493	-	510,000	-	1,058,493
Total work in progress	3,209,192	-	4,476,788	(2,372,496)	5,313,484
Depreciable assets:					
Transit fleet	39,445,977	-	23,685,304	(4,377,416)	58,753,865
Computers & software	288,587	(69,214)	70,335	-	289,708
Equipment	91,590	-	2,409,983	-	2,501,573
Furniture & fixtures	127,654	(7,096)	-	-	120,558
Total depreciable assets at historical cost	39,953,808	(76,310)	26,165,622	(4,377,416)	61,665,704
Less accumulated depreciation for:					
Transit fleet	(30,278,363)	-	(4,725,808)	4,312,174	(30,691,997)
Computers & software	(121,581)	26,575	(70,981)	-	(165,987)
Equipment	(2,449)	-	(327,785)	-	(330,234)
Furniture & fixtures	(15,301)	845	(17,223)	-	(31,679)
Total accumulated depreciation	(30,417,694)	27,420	(5,141,797)	4,312,174	(31,219,897)
Business-type activities capital assets, net	\$ 12,745,306	\$ (48,890)	\$ 25,500,613	\$ (2,437,738)	\$ 35,759,291

**Valley Metro
Regional Public Transportation Authority**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2006

Depreciation expense was charged to the following functions in the basic financial statements:

	<u>Government- Wide</u>	<u>Business- Type</u>
General government	\$ 63,843	\$ -
Transit service operations	-	5,055,130
Regional customer services	-	86,667
Total depreciation expense	<u>\$ 63,843</u>	<u>\$ 5,141,797</u>

The Authority's enterprise funds have entered into contracts having remaining commitments at June 30, 2006 as follows:

	<u>Expended To Date</u>	<u>Contract Amount</u>	<u>Outstanding Commitments</u>
Articulated buses	\$ 3,640,118	\$ 7,257,773	\$ 3,617,655
LNG fuel station	1,058,493	1,250,000	191,507
Voice recording/quality monitoring system	385,848	674,051	288,203
Diesel fuel station	178,019	685,209	507,190
East valley equipment upgrades	51,006	96,591	45,585
Total work in progress	<u>\$ 5,313,484</u>	<u>\$ 9,963,624</u>	<u>\$ 4,650,140</u>

These commitments have not been recorded in the accompanying financial statements. Only the currently payable portions of these contracts have been included in the accounts payable in the accompanying financial statements.

8. Capital Lease Obligations and Short-Term Borrowings

Capital lease obligations

As discussed in Note 1 (k), the capital lease obligations of the Authority are the capital purchase agreement with the City of Phoenix and the capital lease financing with SunTrust Leasing Corporation, which are serviced by the Transit Service Operations Enterprise Fund. The following table discloses the debt service requirements as of June 30, 2006 segregating principal and interest, for the remaining life of the capital purchase agreement.

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	<u>\$ 8,285,000</u>	<u>\$ 303,231</u>	<u>\$ 8,588,231</u>

The following changes in capital lease obligations occurred during the year ended June 30, 2006:

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2006

	Balance, July 1, 2005	Additions	Principal Payments	Balance, June 30, 2006	Amount Due Within One Year
Obligation to City of Phoenix under capital purchase agreement	\$ 412,647	\$ -	\$ (412,647)	\$ -	\$ -
Obligation to SunTrust Leasing Corporation under capital lease agreement	-	8,285,000	-	8,285,000	8,285,000
	\$ 412,647	\$ 8,285,000	\$ (412,647)	\$ 8,285,000	\$ 8,285,000

The assets acquired through capital leases are as follows:

Transit fleet	\$ 8,145,325
Less: Accumulated depreciation	(169,694)
Total	<u>\$ 7,975,631</u>

Short-term borrowings

During fiscal year 2006, the Authority entered into a 12-month unsecured revolving line of credit for \$3 million. Interest only payments were due monthly on advances drawn at a variable interest rate equal to the Wells Fargo prime rate plus one percent, initially 7%. The full principal and accrued interest was due at maturity. The line of credit was used as needed to fund operating costs of the Authority for the period from July 1, 2005, through January 31, 2006. The PTF sales tax revenues became effective as of January 1, 2006, resulting in a distribution to the Authority in February 2006.

The following changes in short-term borrowings occurred during the year ended June 30, 2006:

	Balance, July 1, 2005	Additions	Principal Payments	Balance, June 30, 2006
Wells Fargo line of credit	\$ -	\$ 1,500,000	\$ (1,500,000)	\$ -

9. Operating Leases

The Authority leases office space under various operating lease agreements. Total rent expenditures for these leases were \$545,072 for the fiscal year ended June 30, 2006. The future minimum lease payments under noncancelable operating leases at June 30, 2006 were as follows:

Year Ending June 30	
2007	\$ 545,072
2008	551,463
2009	557,855
2010	278,927
Total	<u>\$ 1,933,317</u>

10. Compensated Absences

Compensated absences activity for the fiscal year ended June 30, 2006, is as follows:

	Balance, July 1, 2005	Additions	Reductions	Balance, June 30, 2006	Amount Due Within One Year
Compensated absences					
Governmental activities	\$ 148,768	\$ 258,460	\$ (158,998)	\$ 248,230	\$ 248,230
Business-type activities	201,405	420,069	(220,479)	400,995	400,995
	<u>\$ 350,173</u>	<u>\$ 678,529</u>	<u>\$ (379,477)</u>	<u>\$ 649,225</u>	<u>\$ 649,225</u>

11. Risk Management

The Authority 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. These risks are covered by commercial insurance purchased from independent third parties. The Authority purchases insurance coverage for property, general liability, automobile liability, umbrella liability, commercial crime, public entity employment practices liability, public entity management liability and excess liability. In addition, the Authority purchases workers' compensation, employee life insurance and health and dental insurance coverage for all of its full-time employees. Settled claims for these risks have never exceeded commercial insurance limits and there were no significant changes in insurance coverage from the prior year. Insurance coverage for transit operations is carried by the contracted operators of service; the operators indemnify the Authority for all liability arising from transit operations.

12. Retirement and Pension Plans

The Authority provides pension benefits for all of its full-time employees through a single-employer defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Regional Public Transportation Authority Money Purchase Plan and Trust (the Plan) was effective October 1, 1994, under Section 401(a) of the Internal Revenue Code. The Authority is of the opinion that the Plan fulfills the requirements of a qualified plan under the provisions of the Internal Revenue Code; however, a favorable determination letter has not been requested. Employees are eligible and fully vested in the Plan after one year of service with the Authority. The Authority, as directed by the Board of Directors, contributed an amount equal to 10% of each employee's salary each pay period. During the year, no employee contributions were made to the Plan. The Plan does not include any loan provisions. The Authority's total payroll and total covered payroll for the year ended June 30, 2006 was approximately \$5,030,000. All required employer contributions were made in accordance with plan provisions and amounted to approximately \$503,000 or 10% of total covered payroll.

13. Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As required by the Internal Revenue Code, the Authority established a trust for the assets and income of the Plan with an independent trustee for the exclusive benefit of participants and their beneficiaries. In accordance with Governmental Accounting Standards Board Statement No. 32, the Authority does not account for or report the Deferred Compensation Plan in the financial records.

14. Contractual and Other Commitments

a. Underground Storage Tank Revolving Fund Replenishment

In fiscal year 1994, the Arizona State Legislature allocated \$6,000,000 to the Authority from the Arizona Area A portion of the underground storage tank revolving fund. Beginning with the first fiscal year and in each subsequent fiscal year that the Authority is allocated at least \$2,000,000 from the Lottery, the amount allocated to the Authority will be reduced by a maximum of \$2,000,000 each fiscal year until a total of \$6,000,000 has been withheld to replenish the underground storage tank revolving fund. In the event the Authority does not receive at least \$2,000,000 from the Lottery in a given year, no amounts will be withheld from the respective year's allocation. The Authority received a Lottery distribution of \$1,760,759 in fiscal year 1998 which is the only year the Authority has received a Lottery distribution.

b. Commitments

The Authority has entered into various contracts for the administration and operation of transit services, travel demand management services, and regional transit planning. Commitments under these contracts exist only to the extent that services are requested or provided, and all contracts provide for cancellation without cause.

In addition, the Authority has entered into various contractual agreements to reimburse member cities for construction of the East and West Valley operating facilities for fixed route bus services, bus stop passenger shelters and benches, and ADA paratransit services. At June 30, 2006, the Authority had outstanding contractual commitments for these services aggregating approximately \$28.7 million. These commitments have not been recorded in the accompanying financial statements because the member cities either had not incurred the related expenses or had not requested reimbursement for the related expenses. Only the currently payable portions of these contracts have been included in accounts payable in the accompanying financial statements.

15. Contingencies

As a subrecipient of federal and state grant monies, amounts passed through or receivable from other agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2006

applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

On November 22, 2002, the Arizona State Treasurer's Office informed participants in the Local Government Investment Pool (LGIP) that it currently holds asset-backed securities administered by National Century Financial Enterprises (NCFE). These securities, which total \$131 million of the total \$4 billion in the LGIP, are backed by payments from Medicare/Medicaid and other creditworthy issuers. The Authority's proportional share of the \$131 million was \$223,150. Of the \$223,150, \$88,792 was invested on behalf of Valley Metro Rail, Inc. NCFE has filed bankruptcy and come under investigation by the Federal Bureau of Investigation and the Securities and Exchange Commission. The Authority has joined in a lawsuit with 93 other Arizona governmental entities and 90 other plaintiffs against several parties in an effort to recover the Authority's investment.

During the fiscal year ended June 30, 2005, the Authority received two distributions of payouts of funds being held by the Indenture Trustee for NCFE securities totaling \$25,540 plus interest on those amounts totaling \$75. Of the total \$25,615 received, \$10,192 was allocated to Valley Metro Rail, Inc. As of June 30, 2005, the balance was reduced to \$197,535. Of the \$197,535, \$78,600 was invested on behalf of Valley Metro Rail, Inc.

During the fiscal year ended June 30, 2006, the Authority received two additional distributions of payouts of funds being held by the Indenture Trustee for NCFE securities totaling \$61,309 plus interest on those amounts totaling \$269. Of the total \$61,578 received, \$24,503 was allocated to Valley Metro Rail, Inc. As of June 30, 2006, the balance was reduced to \$135,957 which is included in cash and investments on the Authority's financial statements. Of the \$135,957, \$54,097 is invested on behalf of Valley Metro Rail, Inc. and is recorded as due to other governments in the Authority's financial statements. At this point in time, it is impossible to determine the Authority's financial exposure, if any, due to the aforementioned events.

16. Related Party Transactions

As mentioned in Note 1 (a), the four members of VMR's Board of Directors are also members of the eleven-member Authority's Board of Directors. VMR contracts with the Authority for certain administrative functions, including personnel, administration, financial and accounting services, purchasing, and computer support services. All VMR staff is hired and employed by the Authority but work solely under the direction of the VMR and its Board of Directors, through a contractual agreement with the Authority. For the period ended June 30, 2006, VMR paid \$5,209,939 for services provided by the Authority.

17. Excess of Expenditures over Appropriations

In the following funds, expenditures exceeded final budget at the department level (i.e., the controlled level of budgetary control):

Transportation Demand Management fund – excess of \$101,245
Transit Service Operations fund – excess of \$6,791,037

In both funds, the excess was entirely covered with excess revenues or with additional operating transfers in and did not result in a fund deficit.

18. Subsequent Events

During the fiscal year ended June 30, 2006, the Authority underwent a comprehensive compensation and classification review. The recommendations of the consulting firm that performed the FY 2006 Compensation and Classification Study were adopted by the Board on April 13, 2006 and were incorporated into the FY 2007 budget. The key compensation and classification changes for FY 2007 are as follows:

- The Authority will join the Arizona State Retirement System (ASRS) and the Social Security System on July 1, 2006. As a result, the Authority will discontinue the 401(a) retirement plan, long-term disability insurance and payments to employees in lieu of Social Security tax payments.
- The Board approved one-time adjustments to salaries to assist employees as the agency transitions from its current retirement program to the ASRS and the Social Security System. Prior to July 1, 2006, the Authority's retirement program required no employee contributions; the new program beginning July 1, 2006 will require employees to contribute 9.1 percent of their income to ASRS and 6.2 percent of their income to the Social Security System.
- The Authority will replace its current structure with the consultant recommended pay ranges and job classifications.

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

- The Transit Planning Fund is used to account for the receipt and expenditure of U. S. Department of Transportation, Federal Transit Administration, Federal Transit Technical Studies grant monies, regional area road fund sales tax revenues and member cities local match restricted for various planning studies.
- The Transportation Demand Management Fund is used to account for the receipt and expenditure of various grant monies restricted for activities related to the countywide ridesharing program, trip reduction program and clean air campaign.
- The Capital and Other Grants Fund is used to account for the receipt and expenditure of state and federal grant revenues and expenditures not included in other special revenue funds.

**Valley Metro
Regional Public Transportation Authority**

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

Assets	Transit Planning	Transportation Demand Management	Capital and Other Grants	Total Nonmajor Governmental Funds
Receivables	\$ 217,728	\$ 619,760	\$ 93,546	\$ 931,034
Due from other governments	17,512	-	15,088	32,600
Due from other funds	104,255	-	-	104,255
Total assets	<u>\$ 339,495</u>	<u>\$ 619,760</u>	<u>\$ 108,634</u>	<u>\$ 1,067,889</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 258,888	\$ 176,800	\$ 46,482	\$ 482,170
Due to other funds	-	353,699	62,152	415,851
Due to other governments	2,885	-	-	2,885
Other liabilities	77,722	89,261	-	166,983
Total liabilities	<u>339,495</u>	<u>619,760</u>	<u>108,634</u>	<u>1,067,889</u>
Fund balances:				
Unreserved, undesignated	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 339,495</u>	<u>\$ 619,760</u>	<u>\$ 108,634</u>	<u>\$ 1,067,889</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2006

	<u>Transit Planning</u>	<u>Transportation Demand Management</u>	<u>Capital and Other Grants</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
State and county grants	\$ -	\$ 400,000	\$ -	\$ 400,000
Federal Transit Administration	521,240	-	48,382	569,622
CMAQ	-	1,395,577	-	1,395,577
Other federal grants	-	41,668	-	41,668
Charges for services	75,295	-	-	75,295
Total revenues	<u>596,535</u>	<u>1,837,245</u>	<u>48,382</u>	<u>2,482,162</u>
Expenditures:				
Current:				
Regional planning:				
Long range	187,496	-	-	187,496
Short range	322,430	-	-	322,430
Capital	197,256	-	-	197,256
Program support	534,285	-	-	534,285
Transportation demand management:				
Trip reduction	-	865,290	-	865,290
Ridesharing	-	645,052	-	645,052
Other programs	-	326,903	-	326,903
Capital outlay	-	-	218,151	218,151
Total expenditures	<u>1,241,467</u>	<u>1,837,245</u>	<u>218,151</u>	<u>3,296,863</u>
Deficiency of revenues over expenditures	<u>(644,932)</u>	<u>-</u>	<u>(169,769)</u>	<u>(814,701)</u>
Other financing sources:				
Transfers in	644,932	-	169,769	814,701
Total other financing sources	<u>644,932</u>	<u>-</u>	<u>169,769</u>	<u>814,701</u>
Net change in fund balances	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Transit Planning Fund
Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal Transit Administration	\$ 824,720	\$ 609,487	\$ 521,240	\$ (88,247)
Charges for services	691,561	726,971	75,295	(651,676)
Total revenues	<u>1,516,281</u>	<u>1,336,458</u>	<u>596,535</u>	<u>(739,923)</u>
Expenditures:				
Current:				
Long range	465,506	242,246	187,496	(54,750)
Short range	506,172	407,832	322,430	(85,402)
Capital	857,639	857,639	197,256	(660,383)
Program support	1,039,384	901,544	534,285	(367,259)
Total expenditures	<u>2,868,701</u>	<u>2,409,261</u>	<u>1,241,467</u>	<u>(1,167,794)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,352,420)</u>	<u>(1,072,803)</u>	<u>(644,932)</u>	<u>427,871</u>
Other financing sources:				
Transfers from general fund	<u>1,352,420</u>	<u>1,072,803</u>	<u>644,932</u>	<u>(427,871)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Transportation Demand Management Fund
Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
State sources:				
State grants	\$ 400,000	\$ 400,000	\$ 400,000	\$ -
Intergovernmental:				
CMAQ	1,294,000	1,294,000	1,395,577	101,577
Other federal grants	42,000	42,000	41,668	(332)
Total revenues	<u>1,736,000</u>	<u>1,736,000</u>	<u>1,837,245</u>	<u>101,245</u>
Expenditures:				
Current:				
Trip reduction	842,000	842,000	865,290	23,290
Ridesharing	594,000	594,000	645,052	51,052
Other programs	300,000	300,000	326,903	26,903
Total expenditures	<u>1,736,000</u>	<u>1,736,000</u>	<u>1,837,245</u>	<u>101,245</u>
Excess revenues over expenditures	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Capital and Other Grants Fund
Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal Transit Administration	\$ 88,000	\$ 88,000	\$ 48,382	\$ (39,618)
Total revenues	88,000	88,000	48,382	(39,618)
Expenditures:				
Capital outlay	320,000	320,000	218,151	(101,849)
Total expenditures	320,000	320,000	218,151	(101,849)
Excess (deficiency) of revenues over (under) expenditures	(232,000)	(232,000)	(169,769)	62,231
Other financing sources:				
Transfers from general fund	232,000	232,000	169,769	(62,231)
Net change in fund balance	-	-	-	-
Budgetary fund balance, beginning	-	-	-	-
Budgetary fund balance, ending	\$ -	\$ -	\$ -	\$ -

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenses and Changes in Net Assets - Budget to Actual
Transit Service Operations Fund
Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
Operating Revenues:				
Charges for services	\$ 23,018,875	\$ 23,706,011	\$ 23,914,847	\$ 208,836
Total operating revenues	23,018,875	23,706,011	23,914,847	208,836
Operating Expenses:				
Local & express bus service	24,656,615	26,419,404	25,586,183	(833,221)
Paratransit service	6,048,948	6,214,462	6,403,408	188,946
Vanpool service	558,783	558,783	603,066	44,283
Administrative and general	215,690	99,507	353,500	253,993
Contingency	1,924,182	1,488,695	-	(1,488,695)
Capital outlay	27,503,259	31,523,547	27,842,301	(3,681,246)
Total operating expenses	60,907,477	66,304,398	60,788,458	(5,515,940)
Operating income (loss)	(37,888,602)	(42,598,387)	(36,873,611)	5,724,776
Non-Operating Revenues (Expenses):				
Lead agency disbursements	(6,186,137)	(6,186,137)	-	6,186,137
Lease financing proceeds	-	8,285,000	-	(8,285,000)
Costs of issuance	-	(41,000)	(40,788)	212
Federal Transit Administration grants	21,509,489	17,155,295	17,997,125	841,830
Local member participation	609,000	583,000	437,719	(145,281)
Principal payments	(412,647)	(412,647)	(412,647)	-
Interest expense	(11,348)	(142,193)	(222,706)	(80,513)
Total nonoperating revenues (expenses)	15,508,357	19,241,318	17,758,703	(1,482,615)
Income (loss) before transfers	(22,380,245)	(23,357,069)	(19,114,908)	4,242,161
Transfers from:				
General fund	2,896,903	2,896,903	2,822,690	(74,213)
Public transportation fund	19,961,236	23,249,411	17,007,156	(6,242,255)
Total transfers in	22,858,139	26,146,314	19,829,846	(6,316,468)
Excess revenues over expenses - budgetary basis	\$ 477,894	\$ 2,789,245	\$ 714,938	\$ (2,074,307)

Explanation of differences between budgetary basis and GAAP basis

Excess revenues over expenses - budgetary basis	\$ 714,938
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes	27,842,301
Debt principal payments are an expense for budgetary purposes, but are a reduction of long-term obligations and therefore not an expense GAAP purposes	412,647
Depreciation is not a budgeted expense, but is an expense for GAAP purposes	(5,055,130)
The gain on disposal of capital assets is not a budgeted expense, but is a revenue for GAAP purposes	78,229
Changes in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 23,992,985</u>

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenses and Changes in Net Assets - Budget to Actual
Regional Customer Services Fund
Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
Operating Revenues:				
Charges for services	\$ 3,191,862	\$ 3,191,862	\$ 3,376,143	\$ 184,281
Total operating revenues	<u>3,191,862</u>	<u>3,191,862</u>	<u>3,376,143</u>	<u>184,281</u>
Operating Expenses:				
Regional customer services	5,785,981	5,785,981	5,681,093	(104,888)
Capital outlay	150,000	150,000	167,980	17,980
Total operating expenses	<u>5,935,981</u>	<u>5,935,981</u>	<u>5,849,073</u>	<u>(86,908)</u>
Operating income (loss)	<u>(2,744,119)</u>	<u>(2,744,119)</u>	<u>(2,472,930)</u>	<u>271,189</u>
Non-Operating Revenues (Expenses):				
Federal Transit Administration grants	40,000	40,000	78,116	38,116
Interest income	-	-	10,299	10,299
Total nonoperating revenues (expenses)	<u>40,000</u>	<u>40,000</u>	<u>88,415</u>	<u>48,415</u>
Income (loss) before transfers	<u>(2,704,119)</u>	<u>(2,704,119)</u>	<u>(2,384,515)</u>	<u>319,604</u>
Transfers from:				
General fund	244,384	244,384	238,194	(6,190)
Public transportation fund	2,459,735	2,459,735	2,146,321	(313,414)
Total transfers in	<u>2,704,119</u>	<u>2,704,119</u>	<u>2,384,515</u>	<u>(319,604)</u>
Excess revenues over expenses - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Explanation of differences between budgetary basis and GAAP basis

Excess revenues over expenses - budgetary basis	\$ -
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes	167,980
Depreciation is not a budgeted expense, but is an expense for GAAP purposes	<u>(86,667)</u>
Changes in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 81,313</u>

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenses and Changes in Net Assets - Budget to Actual

Valley Metro Rail Fund

Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
Operating Revenues:				
Charges for services				
Total operating revenues	\$ 6,538,635	\$ 6,538,635	\$ 5,209,939	\$ (1,328,696)
	<u>6,538,635</u>	<u>6,538,635</u>	<u>5,209,939</u>	<u>(1,328,696)</u>
Operating Expenses:				
Light rail staff and administration	6,538,635	6,538,635	5,209,939	(1,328,696)
Total operating expenses	<u>6,538,635</u>	<u>6,538,635</u>	<u>5,209,939</u>	<u>(1,328,696)</u>
Operating income (loss)	-	-	-	-
Non-Operating Revenues (Expenses):				
Lead agency disbursements	(19,760,680)	(20,439,548)	(11,700,029)	8,739,519
Interest income	-	-	34,279	34,279
Total nonoperating revenues (expenses)	<u>(19,760,680)</u>	<u>(20,439,548)</u>	<u>(11,665,750)</u>	<u>8,773,798</u>
Income (loss) before transfers	(19,760,680)	(20,439,548)	(11,665,750)	8,773,798
Transfers from public transportation fund	<u>19,760,680</u>	<u>20,439,548</u>	<u>22,115,589</u>	<u>1,676,041</u>
Excess revenues over expenses - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,449,839</u>	<u>\$ 10,449,839</u>

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

Valley Metro
Regional Public Transportation Authority
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Fiscal Year Ended June 30, 2006

	Community Funded Transportation Private Purpose Trust Fund	LTA II Private Purpose Trust Fund	Total Fiduciary Funds
Additions			
Contributions	\$ -	\$ 3,201,522	\$ 3,201,522
Total additions	-	3,201,522	3,201,522
Deductions			
Distributions	30,596	3,201,522	3,232,118
Total deductions	30,596	3,201,522	3,232,118
Changes in net assets	(30,596)	-	(30,596)
Net assets, beginning of year	30,596	-	30,596
Net assets, end of year	\$ -	\$ -	\$ -

See accompanying notes to the financial statements.



Valley Metro

**Regional
Public
Transportation
Authority**

Statistical Section

The Statistical Section includes selected financial and demographic information regarding the Authority.

Statistical Section

The Statistical Section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Authority's most significant local revenue source, the sales tax.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Authority implemented GASB Statement No. 34 in FY 2001-2002; schedules presenting government-wide information include information beginning in that year.

Valley Metro
Regional Public Transportation Authority
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)

	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 152,674	\$ 175,418	\$ 199,619	\$ 161,090	\$ 249,177
Restricted	-	-	-	-	-
Unrestricted	2,303,561	2,303,561	3,300,859	3,300,859	12,224,193
Total governmental activities net asset	<u>\$ 2,456,235</u>	<u>\$ 2,478,979</u>	<u>\$ 3,500,478</u>	<u>\$ 3,461,949</u>	<u>\$ 12,473,370</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 17,034,467	\$ 14,186,807	\$ 11,497,494	\$ 12,283,769	\$ 27,474,291
Restricted	726,021	1,116,356	1,559,108	1,827,192	5,301,289
Unrestricted	12,075	943,423	1,250,277	1,299,780	17,159,298
Total business-type activities net assets	<u>\$ 17,772,563</u>	<u>\$ 16,246,586</u>	<u>\$ 14,306,879</u>	<u>\$ 15,410,741</u>	<u>\$ 49,934,878</u>
Primary government					
Invested in capital assets, net of related debt	\$ 17,187,141	\$ 14,362,225	\$ 11,697,113	\$ 12,444,859	\$ 27,723,468
Restricted	726,021	1,116,356	1,559,108	1,827,192	5,301,289
Unrestricted	2,315,636	3,246,984	4,551,136	4,600,639	29,383,491
Total primary government net assets	<u>\$ 20,228,798</u>	<u>\$ 18,725,565</u>	<u>\$ 17,807,357</u>	<u>\$ 18,872,690</u>	<u>\$ 62,408,248</u>

**Valley Metro
Regional Public Transportation Authority**

Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

<u>Expenses</u>	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06</u>
Governmental activities:					
Regional planning:					
Long range planning	\$ 212,391	\$ 367,279	\$ 167,057	\$ 162,287	\$ 187,496
Short range planning	256,925	274,302	242,945	145,690	322,430
Capital planning	307,518	118,161	163,818	236,219	197,256
Program support	29,746	43,722	53,199	171,169	534,285
Transportation demand management:					
Trip reduction	853,216	820,699	784,056	931,196	865,290
Ridesharing	608,955	589,798	656,311	514,977	645,052
Other programs	497,885	294,016	267,869	486,102	326,903
Administration:					
Executive director's office	262,172	226,215	238,134	400,777	514,158
Communications & government relations	162,556	207,283	247,948	161,979	207,304
Finance & management services	87,255	91,684	106,305	293,648	549,635
Community funded transportation	1,000,000	51,652	51,652	51,652	-
Capital outlay	134,200	94,589	90,972	180,099	-
Total governmental activities expenses	<u>4,412,819</u>	<u>3,179,400</u>	<u>3,070,266</u>	<u>3,735,795</u>	<u>4,349,809</u>
Business-type activities:					
Transit service operations	28,475,928	30,011,849	30,650,723	34,834,292	38,145,764
Regional customer services	5,010,019	4,229,972	4,710,645	5,123,118	5,767,760
Light rail transit	16,765,586	5,033,179	2,982,701	3,667,400	16,909,968
Total business-type activities expenses	<u>50,251,533</u>	<u>39,275,000</u>	<u>38,344,069</u>	<u>43,624,810</u>	<u>60,823,492</u>
Total primary government expenses	<u>\$ 54,664,352</u>	<u>\$ 42,454,400</u>	<u>\$ 41,414,335</u>	<u>\$ 47,360,605</u>	<u>\$ 65,173,301</u>

(Continued)

Valley Metro
Regional Public Transportation Authority
Changes in Net Assets (Continued)
Last Five Fiscal Years
(accrual basis of accounting)

	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06</u>
Program revenues					
Governmental activities:					
Charges for services	\$ -	\$ 3,370	\$ 32,501	\$ 49,642	\$ 75,295
Operating grants and contributions	2,486,448	2,259,396	1,949,879	2,288,916	2,358,485
Capital grants and contributions	122,392	94,488	92,140	172,438	48,382
Total governmental activities program revenues	<u>2,608,840</u>	<u>2,357,254</u>	<u>2,074,520</u>	<u>2,510,996</u>	<u>2,482,162</u>
Business-type activities:					
Charges for services					
Transit service operations	\$ 16,452,017	\$ 19,698,745	\$ 20,732,710	\$ 24,057,258	\$ 23,914,847
Regional customer services	4,683,109	3,997,064	4,378,852	4,962,128	3,376,143
Light rail transit	5,323,908	2,569,035	2,982,701	3,667,400	5,209,939
Operating grants and contributions	13,324,905	4,108,637	1,834,067	5,140,813	1,186,038
Capital grants and contributions	5,374,355	609,542	820,223	387,845	17,286,134
Total business-type activities program revenues	<u>45,158,294</u>	<u>30,983,023</u>	<u>30,748,553</u>	<u>38,215,444</u>	<u>50,973,101</u>
Total primary government program revenues	<u>\$ 47,767,134</u>	<u>\$ 33,340,277</u>	<u>\$ 32,823,073</u>	<u>\$ 40,726,440</u>	<u>\$ 53,455,263</u>
Net (Expense)/Revenue					
Governmental activities	\$ (1,803,979)	\$ (822,146)	\$ (995,746)	\$ (1,224,799)	\$ (1,867,647)
Business-type activities	(5,093,239)	(8,291,977)	(7,595,516)	(5,409,366)	(9,850,391)
Total primary government net expense	<u>\$ (6,897,218)</u>	<u>\$ (9,114,123)</u>	<u>\$ (8,591,262)</u>	<u>\$ (6,634,165)</u>	<u>\$ (11,718,038)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Sales taxes	\$ 1,941,168	\$ 2,587,302	\$ 3,071,725	\$ 1,154,022	\$ 55,084,706
Interest earnings	167,272	64,528	83,977	103,981	124,312
Other income	-	21,603	966	1,047	-
Transfers in (out)	(789,672)	(1,828,543)	(1,139,423)	-	(44,329,950)
Total governmental activities	<u>1,318,768</u>	<u>844,890</u>	<u>2,017,245</u>	<u>1,259,050</u>	<u>10,879,068</u>
Business-type activities:					
Sales taxes	5,400,322	4,914,755	4,516,066	6,559,344	-
Interest earnings	45,490	22,702	320	2,774	44,578
Other income	16,775	-	-	-	-
Transfers in (out)	789,672	1,828,543	1,139,423	-	44,329,950
Total business-type activities:	<u>6,252,259</u>	<u>6,766,000</u>	<u>5,655,809</u>	<u>6,562,118</u>	<u>44,374,528</u>
Total primary government	<u>\$ 7,571,027</u>	<u>\$ 7,610,890</u>	<u>\$ 7,673,054</u>	<u>\$ 7,821,168</u>	<u>\$ 55,253,596</u>
Change in net assets:					
Governmental activities	\$ (485,211)	\$ 22,744	\$ 1,021,499	\$ 34,251	\$ 9,011,421
Business-type activities	1,159,020	(1,525,977)	(1,939,707)	1,152,752	34,524,137
Total primary government net expense	<u>\$ 673,809</u>	<u>\$ (1,503,233)</u>	<u>\$ (918,208)</u>	<u>\$ 1,187,003</u>	<u>\$ 43,535,558</u>

**Valley Metro
Regional Public Transportation Authority**

Fund Balances of Governmental Funds

Last Five Fiscal Years

(modified accrual basis of accounting)

	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06</u>
General fund:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated	238,405	318,191	384,887	350,173	649,225
Unreserved	2,065,156	1,985,370	2,915,972	2,950,686	1,638,892
Total general fund	<u>\$ 2,303,561</u>	<u>\$ 2,303,561</u>	<u>\$ 3,300,859</u>	<u>\$ 3,300,859</u>	<u>\$ 2,288,117</u>
All other governmental funds:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in					
Special revenue funds	-	-	-	-	9,936,076
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,936,076</u>

Valley Metro
Regional Public Transportation Authority
Changes in Fund Balances of Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)

	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06</u>
Revenues					
Sales taxes	\$ 1,941,168	\$ 2,587,302	\$ 3,071,725	\$ 1,154,022	\$ 55,084,706
Intergovernmental:					
State & county grants	409,000	400,000	400,000	400,000	400,000
Federal Transit Administration	553,492	599,460	335,365	526,176	569,622
CMAQ	1,604,348	1,312,424	1,264,654	1,493,178	1,395,577
Other federal grants	42,000	42,000	42,000	42,000	41,668
Charges for services	-	3,370	32,501	49,642	75,295
Interest earnings	167,272	64,528	83,977	103,981	124,312
Other	-	21,603	966	1,047	-
Total revenues	<u>4,717,280</u>	<u>5,030,687</u>	<u>5,231,188</u>	<u>3,770,046</u>	<u>57,691,180</u>
Expenditures					
Governmental activities:					
Regional planning:					
Long range planning	212,391	367,279	167,057	162,287	187,496
Short range planning	256,925	274,302	242,945	145,690	322,430
Capital planning	307,518	118,161	163,818	236,219	197,256
Program support	29,746	43,722	53,199	171,169	534,285
Transportation demand management:					
Trip reduction	853,216	820,699	784,056	931,196	865,290
Ridesharing	608,955	589,798	656,311	514,977	645,052
Other programs	497,885	294,016	267,869	486,102	326,903
Administration:					
Executive director's office	262,172	226,215	238,134	400,777	514,158
Communications & government relations	162,556	207,283	247,948	161,979	207,304
Finance & management services	87,255	91,684	106,305	293,648	419,571
Community funded transportation	1,000,000	51,652	51,652	51,652	-
Capital outlay	153,369	117,333	115,173	214,350	218,151
Total expenditures	<u>4,431,988</u>	<u>3,202,144</u>	<u>3,094,467</u>	<u>3,770,046</u>	<u>4,437,896</u>
Excess of revenues over expenditures	<u>285,292</u>	<u>1,828,543</u>	<u>2,136,721</u>	<u>-</u>	<u>53,253,284</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	814,701
Transfers out	(789,672)	(1,828,543)	(1,139,423)	-	(45,144,651)
Total other financing sources (uses)	<u>(789,672)</u>	<u>(1,828,543)</u>	<u>(1,139,423)</u>	<u>-</u>	<u>(44,329,950)</u>
Net change in fund balances	<u>\$ (504,380)</u>	<u>\$ -</u>	<u>\$ 997,298</u>	<u>\$ -</u>	<u>\$ 8,923,334</u>

**Valley Metro
Regional Public Transportation Authority**

Sales Tax Revenues by Component (1) (2)
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>FY 1996/97</u>	<u>FY 1997/98</u>	<u>FY 1998/99</u>	<u>FY 1999/00</u>
Governmental activities				
Regional area road funds	\$ 6,750,424	\$ 6,883,299	\$ 7,019,772	\$ 7,090,674
Public transportation funds	-	-	-	-
Total governmental activities sales taxes	<u>\$ 6,750,424</u>	<u>\$ 6,883,299</u>	<u>\$ 7,019,772</u>	<u>\$ 7,090,674</u>
Business-type activities				
Regional area road funds	\$ -	\$ -	\$ -	\$ -
Public transportation funds	-	-	-	-
Total business-type activities sales taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government				
Regional area road funds	\$ 6,750,424	\$ 6,883,299	\$ 7,019,772	\$ 7,090,674
Public transportation funds	-	-	-	-
Total primary government sales taxes	<u>\$ 6,750,424</u>	<u>\$ 6,883,299</u>	<u>\$ 7,019,772</u>	<u>\$ 7,090,674</u>

(1) With the implementation of GASB Statement #34 in FY 2002, activities related to transit service operations, light rail transit and regional customer services were changed from general governmental to proprietary (business-type). Therefore, the functional expenditures listed for FY 2000/01 and earlier include the activities of these functions as part of general governmental, and the activities listed for FY 2001/02 and later exclude these activities from general governmental. As a result, most revenue categories will be greater for FY 2000/01 and prior years and should not be used as comparative data against FY 2001/02 activity and beyond.

(2) With the implementation of the Public Transportation sales tax in January 2006, several changes to sales tax distributions were made. The regional area road fund sales tax distribution was reduced to one-half of the amount distributed in prior years. The collections of sales taxes under the new statute are distributed 33.3% to the Authority on a monthly basis. During FY 2005/06, only six months of collections were reported.

(Continued)

<u>FY 2000/01</u>	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06</u>
\$ 7,193,836	\$ 1,941,168	\$ 2,587,302	\$ 3,071,725	\$ 1,154,022	\$ 3,938,570
-	-	-	-	-	51,146,136
<u>\$ 7,193,836</u>	<u>\$ 1,941,168</u>	<u>\$ 2,587,302</u>	<u>\$ 3,071,725</u>	<u>\$ 1,154,022</u>	<u>\$ 55,084,706</u>
\$ -	\$ 5,400,322	\$ 4,914,755	\$ 4,516,066	\$ 6,559,344	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 5,400,322</u>	<u>\$ 4,914,755</u>	<u>\$ 4,516,066</u>	<u>\$ 6,559,344</u>	<u>\$ -</u>
\$ 7,193,836	\$ 7,341,490	\$ 7,502,057	\$ 7,587,791	\$ 7,713,366	\$ 3,938,570
-	-	-	-	-	51,146,136
<u>\$ 7,193,836</u>	<u>\$ 7,341,490</u>	<u>\$ 7,502,057</u>	<u>\$ 7,587,791</u>	<u>\$ 7,713,366</u>	<u>\$ 55,084,706</u>

Valley Metro
Regional Public Transportation Authority
 Maricopa County Transportation Excise Tax Revenue Distributions
 Last Ten Fiscal Years
 (in thousands)

	<u>FY 1996/97</u>	<u>FY 1997/98</u>	<u>FY 1998/99</u>	<u>FY 1999/00</u>
Regional area road funds				
Freeways	\$ 185,507	\$ 202,380	\$ 222,450	\$ 241,505
Regional Public Transportation Authority / Maricopa Association of Governments (1)	6,750	6,883	7,020	7,091
Arterial streets	-	-	-	-
Total regional area road fund distributions	<u>\$ 192,257</u>	<u>\$ 209,263</u>	<u>\$ 229,470</u>	<u>\$ 248,596</u>
Public transportation funds	\$ -	\$ -	\$ -	\$ -
Total Maricopa County transportation excise tax revenue distributions	<u>\$ 192,257</u>	<u>\$ 209,263</u>	<u>\$ 229,470</u>	<u>\$ 248,596</u>

Source: The Maricopa County Transportation Excise Tax Year-End Report for Fiscal Year 2006, dated August 2006, prepared by the Arizona Department of Transportation, Financial Management Services, Office of Financial Planning.

Note: The Maricopa County Transportation Excise Tax, often referred to as the "1/2 cent sales tax," is levied upon business activities in Maricopa County, including retail sales, contracting, utilities, rental of real and personal property, restaurant and bar receipts, and other activities. Under Proposition 300 (passed by the voters in 1985 becoming effective on January 1, 1986), the transportation excise tax revenues are deposited in the Maricopa County Regional Area Road Fund (RARF) which is administered by the Arizona Department of Transportation. The revenues deposited into the RARF account are the principal sources of funding for the Regional Freeway System in Maricopa County and the Regional Public Transportation Authority and are dedicated through December 31, 2005. In November 2004, Maricopa County's voters approved Proposition 400, Maricopa County Transportation Excise Tax, which became effective on January 1, 2006, and extends the 1/2 cent sales tax for another 20 years through December 31, 2025. The sales tax extension will be used for construction of new freeways, widening of existing freeways and highways, improvements to the arterial street system, regional bus service and high capacity transit services such as light rail. The collections of the Maricopa County Transportation Excise Tax are as follows: Freeways 56.2%, Public Transportation Fund 33.3%, and Arterial Streets 10.5%.

- (1) The Authority received a portion of the RARF excise tax funds for transit costs through December 31, 2005. On January 1, 2006 these funds are distributed evenly to the Authority and the Maricopa Association of Governments to be used for administrative and planning purposes per Proposition 400. These funds are netted from the Freeway funds.
- (2) Fiscal year 2005/06 distributions are a mix of both Proposition 300 and Proposition 400 collections.

(Continued)

<u>FY 2000/01</u>	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06 (2)</u>
\$ 257,529	\$ 260,222	\$ 261,219	\$ 281,012	\$ 309,092	\$ 292,487
7,194	7,341	7,502	7,588	7,713	7,877
-	-	-	-	-	16,127
<u>\$ 264,722</u>	<u>\$ 267,563</u>	<u>\$ 268,721</u>	<u>\$ 288,600</u>	<u>\$ 316,805</u>	<u>\$ 316,491</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,146
<u>\$ 264,722</u>	<u>\$ 267,563</u>	<u>\$ 268,721</u>	<u>\$ 288,600</u>	<u>\$ 316,805</u>	<u>\$ 367,637</u>

**Valley Metro
Regional Public Transportation Authority**

Maricopa County Transportation Excise Tax Revenue Collections by Category
Last Ten Fiscal Years
(in thousands)

Fiscal Year	Retail Sales	Contracting	Utilities	Restaurant and Bar	Rental Real Property	Rental Personal Property	Other	Total
1996/97	\$ 96,281	\$ 26,948	\$ 14,583	\$ 15,821	\$ 18,298	\$ 10,074	\$ 10,252	\$ 192,257
1997/98	104,073	30,610	15,101	16,917	19,552	11,539	11,472	209,263
1998/99	113,528	35,632	15,680	18,304	20,266	12,787	13,272	229,470
1999/00	124,428	37,384	16,437	20,005	22,080	13,434	14,827	248,596
2000/01	131,608	38,820	17,862	21,395	24,112	14,416	16,510	264,722
2001/02	131,393	41,218	18,432	21,748	24,529	13,928	16,314	267,563
2002/03	133,922	38,894	18,485	22,646	25,747	12,834	16,192	268,721
2003/04	144,817	43,524	19,980	24,807	27,163	12,631	15,678	288,600
2004/05	158,179	52,325	20,813	27,191	29,310	12,624	16,363	316,805
2005/06 (1)	182,378	64,822	23,600	30,656	32,949	13,923	19,309	367,637

Source: The Maricopa County Transportation Excise Tax Year-End Report for Fiscal Year 2006, dated August 2006, prepared by the Arizona Department of Transportation, Financial Management Services, Office of Financial Planning.

Note: The Maricopa County Transportation Excise Tax, often referred to as the "1/2 cent sales tax," is levied upon business activities in Maricopa County, including retail sales, contracting, utilities, rental of real and personal property, restaurant and bar receipts, and other activities. Under Proposition 300 (passed by the voters in 1985 becoming effective on January 1, 1986), the transportation excise tax revenues are deposited in the Maricopa County Regional Area Road Fund (RARF) which is administered by the Arizona Department of Transportation. The revenues deposited into the RARF account are the principal sources of funding for the Regional Freeway System in Maricopa County and the Regional Public Transportation Authority and are dedicated through December 31, 2005. In November 2004, Maricopa County's voters approved Proposition 400, Maricopa County Transportation Excise Tax, which became effective on January 1, 2006, and extends the 1/2 cent sales tax for another 20 years through December 31, 2025. The sales tax extension will be used for construction of new freeways, widening of existing freeways and highways, improvements to the arterial street system, regional bus service and high capacity transit services such as light rail. The collections of the Maricopa County Transportation Excise Tax are as follows: Freeways 56.2%, Public Transportation Fund 33.3%, and Arterial Streets 10.5%.

(1) Fiscal year 2006 collections are a mix of both Proposition 300 and Proposition 400 collections.

Revenue Category Definitions:

- Retail Sales** Includes retail sales of automobiles, durable goods and other general merchandise, apparel, building materials, furniture and other tangible personal property. The tax on food was repealed in July 1980.
- Contracting** Includes prime contracting and dealership of manufactured buildings and owner-builder operations.
- Utilities** Includes producing and/or furnishing to consumers electricity, natural or artificial gas, and water.
- Restaurant and Bar** Includes operations of restaurants and drinking establishments.
- Rental of Real Property** Includes leasing or renting real property, hotels and motels.
- Rental of Personal Property** Includes leasing or renting tangible personal property such as leased vehicles and construction equipment.
- Other** Includes intrastate transportation of persons, freight or operations of property, intrastate telecommunication services, intrastate operation of pipelines for oil or natural or artificial gas, job printing, engraving, embossing and publication, publication of newspapers, magazines and other periodicals, operations of amusement places and miscellaneous other revenues.



**Regional
Public
Transportation
Authority**

Valley Metro
Regional Public Transportation Authority
 Arizona Transaction Privilege Tax Excise Tax Rates by Category
 Last Ten Fiscal Years

	<u>FY 1996/97</u>	<u>FY 1997/98</u>	<u>FY 1998/99</u>	<u>FY 1999/00</u>
Retail sales				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	N/A	49.7400%	49.5400%	50.0500%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Contracting				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	N/A	14.6300%	15.5000%	15.0400%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Rental of Real Property (including hotels and motels) (1)				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	N/A	9.3400%	9.2500%	8.8800%
Transaction Privilege Tax Rate	1.8200%	1.8200%	1.8200%	1.8200%
Transportation Excise Tax Rate	0.5120%	0.5120%	0.5120%	0.5120%
Restaurants and Bars				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	N/A	8.0800%	8.0000%	8.0500%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Utilities				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	N/A	7.2200%	6.8800%	6.6100%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Rental of Personal Property				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	N/A	5.5100%	5.4700%	5.4000%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Communications				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	N/A	3.2000%	3.2400%	3.4100%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Amusements				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	N/A	1.1900%	1.0900%	1.1400%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Publishing and Printing				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	N/A	0.9600%	0.9300%	0.8700%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Other				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	N/A	0.1300%	0.1100%	0.5500%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Mining				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	N/A	0.0000%	0.0000%	0.0000%
Transaction Privilege Tax Rate	3.1250%	3.1250%	3.1250%	3.1250%
Transportation Excise Tax Rate	0.3125%	0.3125%	0.3125%	0.3125%

Source: The Maricopa County Transportation Excise Tax Year-End Report for the applicable fiscal year prepared by the Arizona Department of Transportation, Financial Management Services, Office of Financial Planning.

(1) In 1990 and 1993, legislation reduced the transaction privilege tax rate for real property rentals; however, for transportation excise tax purposes, the rate was retained at its prior level.

N/A Not available

(Continued)

<u>FY 2000/01</u>	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06</u>
49.7200%	49.1100%	49.8400%	50.1800%	49.9300%	49.9300%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
14.6600%	15.4000%	14.4700%	15.0800%	16.5200%	16.5200%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
9.1100%	9.1700%	9.5800%	9.0500%	9.2500%	9.2500%
1.8200%	1.8200%	1.8200%	1.8200%	1.8200%	1.8200%
0.5120%	0.5120%	0.5120%	0.5120%	0.5120%	0.5120%
8.0800%	8.1300%	8.4300%	8.6000%	8.5800%	8.5800%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
6.7500%	6.8900%	6.8800%	6.9200%	6.5700%	6.5700%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
5.4500%	5.2100%	4.7800%	4.3800%	3.9800%	3.9800%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
3.7200%	3.7300%	3.4500%	3.3400%	3.2000%	3.2000%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
1.0800%	1.1200%	1.1100%	1.0600%	1.0500%	1.0500%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
0.7800%	0.7000%	0.7000%	0.6300%	0.6100%	0.6100%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
0.6500%	0.5600%	0.7600%	0.7600%	0.3100%	0.3100%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
3.1250%	3.1250%	3.1250%	3.1250%	3.1250%	3.1250%
0.3125%	0.3125%	0.3125%	0.3125%	0.3125%	0.3125%

Valley Metro
Regional Public Transportation Authority
Regional Population Statistics
Last Ten Fiscal Years

	<u>FY 1996/97 (1)</u>	<u>FY 1997/98 (2)</u>	<u>FY 1998/99 (2)</u>	<u>FY 1999/00 (2)</u>
Maricopa County	2,551,765	2,720,575	2,806,100	2,913,475
Avondale	22,771	26,020	28,650	32,270
Chandler	132,360	151,370	160,165	169,000
El Mirage	5,741	5,770	5,885	5,860
Gilbert	59,338	79,310	91,290	100,850
Glendale	182,615	191,105	196,820	208,095
Mesa	338,117	350,555	361,895	374,560
Peoria	74,565	83,505	89,930	101,235
Phoenix	1,149,417	1,205,285	1,220,710	1,240,775
Scottsdale	168,176	186,610	195,495	204,660
Surprise	(4)	(4)	(4)	(4)
Tempe	153,821	158,135	159,220	161,995

- (1) Source: Maricopa Association of Governments, Special Census
- (2) Source: Arizona Department of Economic Security, Annual Population Estimates
- (3) Source: U.S. Census
- (4) The City of Surprise became a member of the Authority in March 2004. Data for fiscal years prior to membership was included only if it was available from previous reports.

The Regional Public Transportation Authority ("Authority") was established in 1985 to develop a regional transit plan and to develop and operate a regional transit system in Maricopa County, Arizona. The Authority is governed by a twelve-member Board of Directors consisting of a member of the Maricopa County Board of Supervisors, and the mayors (or their designees) of the cities of Avondale, Chandler, El Mirage, Glendale, Mesa, Peoria, Phoenix, Scottsdale, Surprise, Tempe and the Town of Gilbert. Any municipality in Maricopa County may join the Authority and have one elected official serve on the Board of Directors by committing a portion of its local transportation assistance funds to local public transportation.

State legislation designates that 100% of the proceeds received by participating municipalities with 300,000 or more in population from the Arizona State Lottery, known as local transportation assistance funds, must be expended for public transportation in the respective municipalities to maintain a position on the Authority's Board of Directors. For all other municipalities, the requirement is 33.3% for cities with a population between 60,000 and 300,000 and 75% for cities with less than 60,000 population. Local transportation assistance funds ("LTAF") and minimum public transportation expenditures for participating municipalities for the last ten years are on the LTAF statistics table.

(Continued)

<u>FY 2000/01 (3)</u>	<u>FY 2001/02 (2)</u>	<u>FY 2002/03 (2)</u>	<u>FY 2003/04 (2)</u>	<u>FY 2004/05 (2)</u>	<u>FY 2005/06 (2)</u>
3,072,149	3,192,125	3,296,250	3,406,170	3,537,630	3,648,545
35,883	40,445	47,610	54,200	60,490	66,110
176,581	186,875	194,390	209,140	221,555	231,785
7,609	11,915	20,645	25,550	28,420	29,630
109,697	122,360	133,640	151,975	165,325	178,000
218,812	224,970	227,495	231,150	234,225	236,030
396,375	414,075	427,550	435,380	448,845	452,355
108,364	117,200	122,655	126,815	132,805	137,285
1,321,045	1,344,775	1,365,675	1,390,830	1,421,450	1,452,825
202,705	209,960	214,090	218,095	221,980	223,835
30,848	38,400	45,125	51,885	64,210	78,265
158,625	159,435	159,425	159,905	161,420	160,735

Valley Metro
Regional Public Transportation Authority
 Local Transportation Assistance Funds
 Last Ten Fiscal Years

	<u>FY 1996/1997</u>	<u>FY 1997/1998</u>	<u>FY 1998/1999</u>	<u>FY 1999/2000</u>
Avondale				
Local transportation assistance funds received	\$ 166,396	\$ 159,307	\$ 164,641	\$ 175,624
Minimum local expenditures required	124,797	119,480	123,481	131,718
Percentage required	75.0%	75.0%	75.0%	75.0%
Chandler				
Local transportation assistance funds received	889,541	926,526	960,480	981,869
Minimum local expenditures required	296,514	308,842	320,160	327,290
Percentage required	33.3%	33.3%	33.3%	33.3%
El Mirage				
Local transportation assistance funds received	37,205	37,686	36,510	35,891
Minimum local expenditures required	27,904	28,265	27,383	26,918
Percentage required	75.0%	75.0%	75.0%	75.0%
Gilbert				
Local transportation assistance funds received	382,502	440,936	501,832	560,035
Minimum local expenditures required	286,877	146,979	167,277	186,678
Percentage required	75.0%	33.3%	33.3%	33.3%
Glendale				
Local transportation assistance funds received	1,216,844	1,220,430	1,209,213	1,206,502
Minimum local expenditures required	405,615	406,810	1,209,213	402,167
Percentage required	33.3%	33.3%	33.3%	33.3%
Mesa				
Local transportation assistance funds received	2,283,931	2,246,842	2,218,130	2,220,982
Minimum local expenditures required	2,283,931	2,246,842	739,377	2,220,982
Percentage required	100.0%	100.0%	100.0%	100.0%
Peoria				
Local transportation assistance funds received	486,126	511,915	528,376	551,269
Minimum local expenditures required	162,042	170,638	176,125	183,756
Percentage required	33.3%	33.3%	33.3%	33.3%
Phoenix				
Local transportation assistance funds received	7,521,580	7,718,595	7,626,417	7,483,045
Minimum local expenditures required	7,521,580	7,718,595	7,626,417	7,483,045
Percentage required	100.0%	100.0%	100.0%	100.0%
Scottsdale				
Local transportation assistance funds received	1,137,328	1,167,003	1,180,771	1,198,380
Minimum local expenditures required	379,109	389,001	393,590	399,460
Percentage required	33.3%	33.3%	33.3%	33.3%
Surprise (1)				
Local transportation assistance funds received				
Minimum local expenditures required				
Percentage required				
Tempe				
Local transportation assistance funds received	1,081,122	1,019,776	1,000,596	976,015
Minimum local expenditures required	360,374	339,925	333,532	325,338
Percentage required	33.3%	33.3%	33.3%	33.3%

Source: State of Arizona, Office of the Treasurer

(1) The City of Surprise became a member of the Authority in March 2004. Data for fiscal years prior to membership was not available.

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(Continued)

	<u>FY 2000/2001</u>	<u>FY 2001/2002</u>	<u>FY 2002/2003</u>	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>
\$	190,883	\$ 203,685	\$ 220,818	\$ 252,589	\$ 277,421	\$ 299,299
	143,162	152,764	165,614	189,442	208,066	224,474
	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
	999,497	1,002,340	1,020,285	1,031,314	1,072,387	1,096,287
	333,166	334,113	340,095	343,771	357,462	365,064
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
	34,647	43,192	65,053	109,530	130,312	140,622
	25,985	32,394	48,790	82,148	97,734	105,467
	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
	596,742	622,681	668,051	709,012	778,323	818,025
	198,914	207,560	222,684	236,337	259,441	272,402
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
	1,230,349	1,242,059	1,228,273	1,206,948	1,186,391	1,158,998
	410,116	414,020	409,424	402,316	395,464	385,946
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
	2,216,247	2,249,873	2,260,734	2,268,317	2,233,853	2,220,987
	2,216,247	2,249,873	2,260,734	2,268,317	2,233,853	2,220,987
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	598,664	616,116	639,879	650,732	650,326	657,162
	199,555	205,372	213,293	216,911	216,775	218,835
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
	7,336,182	7,498,747	7,342,097	7,245,430	7,138,976	7,033,839
	7,336,182	7,498,747	7,342,097	7,245,430	7,138,976	7,033,839
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	1,210,039	1,150,630	1,146,323	1,135,830	1,119,229	1,098,399
	403,346	383,543	382,108	378,610	373,076	365,767
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
				239,405	265,383	317,703
				179,554	199,037	238,277
				75.0%	75.0%	75.0%
	957,785	800,415	870,471	845,811	821,152	798,826
	319,262	266,805	290,157	281,937	273,717	266,009
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%

Valley Metro
Regional Public Transportation Authority
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1,2)	Income (1,2)	Per Capita Income (1,2)	Median Age (1,3)	School Enrollment (4)	Unemployment Rate (1,2)
2006	3,648,545	\$ 117,663,888	\$ 32,250	33.0	689,411	3.6%
2005	3,537,630	114,336,690	32,320	33.0	652,333	4.1%
2004	3,498,587	111,103,576	31,757	33.0	626,461	4.4%
2003	3,388,711	102,277,852	30,182	33.0	600,577	5.2%
2002	3,293,441	96,998,974	29,452	33.0	565,517	5.6%
2001	3,195,893	93,544,549	29,270	33.0	544,617	4.2%
2000	3,096,692	89,771,608	28,990	32.0	519,222	3.3%
1999	3,004,985	80,924,901	26,930	32.0	N/A	3.0%
1998	2,909,040	75,639,499	26,002	32.0	N/A	2.8%
1997	2,805,009	68,656,472	24,476	32.0	N/A	2.9%

(1) Calendar year

(2) Source: Arizona Workforce Informer, Labor Market Information, for Maricopa County
Population for fiscal years 2005 and 2006 are estimates from the Department of Economic Security
Personal income for fiscal years 2005 and 2006 were not available. The amounts provided are estimates based on a 2.91% growth rate.

(3) For years through 2000, median age is based on the 1990 U.S. Census. For 2001 through 2006, median age is based on the 2000 U.S. Census.

(4) Source: Arizona Department of Education, Research and Evaluation Section. School enrollment is based on the census at the start of the school year.

N/A Data was not available when the fiscal year 2006 report was prepared.

Valley Metro
Regional Public Transportation Authority
 Full-time Equivalent Employees by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal year ended June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Governmental activities:										
Regional planning	5.00	4.00	4.85	4.85	4.26	3.58	4.45	4.59	4.54	7.91
Transportation demand management	10.45	10.45	9.33	9.33	10.91	10.25	10.25	10.25	10.25	10.25
Administration	7.85	7.85	8.00	8.00	7.90	7.80	7.90	7.90	8.90	14.75
Transit service operations	5.70	4.70	7.70	7.70	7.60	6.09	6.40	4.54	4.64	4.89
Regional customer services	-	-	-	-	-	-	-	4.72	4.67	4.20
Light rail transit (1)	-	1.00	2.12	2.12	4.33	21.28	31.00	33.00	42.00	47.00
Total	29.00	28.00	32.00	32.00	35.00	49.00	60.00	65.00	75.00	89.00

Source: Adopted Valley Metro Operating Budgets for the applicable years.

(1) Light rail transit staff report to the Valley Metro Rail, Inc. Board of Directors.

Valley Metro
Regional Public Transportation Authority
 Operating Indicators by Program - Fixed Route System
 Last Ten Fiscal Years

	<u>FY 1996/1997</u>	<u>FY 1997/1998</u>	<u>FY 1998/1999</u>	<u>FY 1999/2000</u>
Fixed Route System (1)				
City of Phoenix Transit System				
Total boardings	28,826,866	31,762,698	32,113,786	30,656,284
Revenue miles	9,568,689	10,862,936	10,922,938	11,261,534
Revenue hours	618,714	723,676	748,623	756,527
Operating cost	\$ 41,145,036	\$ 51,356,752	\$ 50,700,937	\$ 54,726,226
Operating cost per boarding	\$ 1.43	\$ 1.62	\$ 1.58	\$ 1.79
Farebox recovery ratio	40.0%	33.0%	33.4%	35.3%
Regional Public Transportation Authority (2)				
Total boardings	3,559,509	3,662,409	3,978,393	4,266,198
Revenue miles	3,442,948	3,697,681	4,096,443	4,305,173
Revenue hours	226,150	251,577	290,119	311,975
Operating cost	\$ 8,913,210	\$ 9,639,363	\$ 11,531,961	\$ 12,618,457
Operating cost per boarding	\$ 2.50	\$ 2.63	\$ 2.90	\$ 2.96
Farebox recovery ratio	24.9%	23.0%	21.7%	22.1%
City of Tempe				
Total boardings	948,697	952,598	1,482,694	2,394,572
Revenue miles	154,775	179,569	1,178,837	2,350,597
Revenue hours	16,198	18,059	101,952	192,313
Operating cost	\$ 410,890	\$ 507,901	\$ 3,385,613	\$ 6,902,393
Operating cost per boarding	\$ 0.43	\$ 0.53	\$ 2.30	\$ 2.88
Farebox recovery ratio	0.0%	0.0%	11.6%	12.8%
City of Glendale - Luke Link				
Total boardings				50,530
Revenue miles				121,712
Revenue hours				8,069
Operating cost				\$ 249,717
Operating cost per boarding				\$ 4.94
Farebox recovery ratio				8.7%
Total fixed route system				
Total boardings	33,335,072	36,377,705	37,574,873	37,367,584
Revenue miles	13,166,412	14,740,186	16,198,218	18,039,016
Revenue hours	861,062	993,312	1,140,694	1,268,884
Operating cost	\$ 50,469,136	\$ 61,504,016	\$ 65,618,511	\$ 74,496,793
Operating cost per boarding	\$ 1.51	\$ 1.69	\$ 1.75	\$ 1.99
Farebox recovery ratio	37.0%	31.2%	30.2%	30.9%

Source: Performance Management Analysis System for each fiscal year, prepared by the Regional Public Transportation Authority.

- (1) Fixed route systems are comprised of various operators and contractors of service in Maricopa County; as the regional authority, the Regional Public Transportation Authority in its role compiles and reports on system efficiency and effectiveness performance indicators.
- (2) The Regional Public Transportation Authority statistics include the City of Mesa fixed route system and the City of Scottsdale fixed route system that were separately managed through fiscal year 2004 and fiscal year 2001, respectively.
- (3) Shuttle/Circulator System statistics were included in the Fixed Route System statistics through fiscal year 2000. See Operating Indicators by Program - Shuttle / Circulator System.

(Continued)

<u>FY 2000/2001</u>	<u>FY 2001/2002</u>	<u>FY 2002/2003</u>	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>
31,897,150	34,642,732	37,543,692	40,427,904	42,909,890	44,182,683
12,525,236	14,498,806	16,479,011	16,956,333	17,420,722	17,166,702
801,069	941,752	1,089,891	1,115,462	1,146,819	1,166,967
\$ 65,946,654	\$ 76,314,996	\$ 90,376,532	\$ 93,661,178	\$ 89,543,836	\$ 93,058,555
\$ 2.07	\$ 2.20	\$ 2.41	\$ 2.32	\$ 2.09	\$ 2.11
33.5%	25.5%	23.0%	24.8%	27.0%	26.6%
4,179,015	4,979,305	5,688,992	6,503,504	6,203,696	6,484,886
4,702,350	4,727,196	4,799,475	4,971,133	4,379,307	4,956,352
320,533	321,379	379,892	375,171	276,517	389,349
\$ 15,585,768	\$ 17,271,336	\$ 17,059,807	\$ 18,200,836	\$ 16,445,778	\$ 19,613,325
\$ 3.73	\$ 3.47	\$ 3.00	\$ 2.80	\$ 2.65	\$ 3.02
18.3%	16.3%	19.7%	18.3%	23.1%	20.7%
3,201,550	3,865,511	4,906,953	4,813,237	4,805,598	5,063,284
3,302,089	3,730,509	3,814,559	3,826,195	3,797,053	3,868,790
246,388	350,657	267,347	314,932	311,852	297,027
\$ 12,028,529	\$ 12,485,395	\$ 13,110,640	\$ 14,864,954	\$ 15,738,112	\$ 16,738,459
\$ 3.76	\$ 3.23	\$ 2.67	\$ 3.09	\$ 3.27	\$ 3.31
13.9%	17.2%	20.6%	18.2%	17.3%	17.9%
35,978	36,404	51,246	70,823	93,024	101,444
103,338	89,650	106,326	131,400	139,789	142,109
5,530	3,876	4,630	7,088	7,962	8,121
\$ 245,369	\$ 136,565	\$ 163,768	\$ 228,160	\$ 218,243	\$ 232,802
\$ 6.82	\$ 3.75	\$ 3.20	\$ 3.22	\$ 2.35	\$ 2.29
10.1%	22.3%	30.5%	20.9%	26.8%	27.5%
39,313,693	43,523,952	48,190,883	51,815,468	54,012,208	55,832,297
20,633,013	23,046,161	25,199,371	25,885,061	25,736,871	26,133,953
1,373,520	1,617,664	1,741,760	1,812,653	1,743,150	1,861,464
\$ 93,806,320	\$ 106,208,292	\$ 120,710,747	\$ 126,955,128	\$ 121,945,969	\$ 129,643,141
\$ 2.39	\$ 2.44	\$ 2.50	\$ 2.45	\$ 2.26	\$ 2.32
28.4%	23.0%	22.3%	23.1%	25.2%	24.6%

Valley Metro
Regional Public Transportation Authority
 Operating Indicators by Program - Dial-a-Ride System
 Last Ten Fiscal Years

	<u>FY 1996/1997</u>	<u>FY 1997/1998</u>	<u>FY 1998/1999</u>	<u>FY 1999/2000</u>
Dial-a-Ride System (1)				
Phoenix Dial-a-Ride				
Total boardings	169,555	163,328	175,195	179,094
Revenue miles	2,215,208	2,272,207	2,452,257	2,113,092
Revenue hours	141,428	146,228	157,024	140,909
Operating cost	\$ 3,101,491	\$ 3,391,842	\$ 4,309,829	\$ 4,733,615
Operating cost per boarding	\$ 18.29	\$ 20.77	\$ 24.60	\$ 26.43
Farebox recovery ratio	9.6%	8.8%	7.4%	7.2%
Phoenix Reserve-a-Ride				
Total boardings	196,587	204,438	173,572	221,991
Revenue miles	603,577	685,215	620,628	646,039
Revenue hours	46,486	51,476	45,408	53,846
Operating cost	\$ 1,859,215	\$ 1,947,405	\$ 1,890,985	\$ 2,289,621
Operating cost per boarding	\$ 9.46	\$ 9.53	\$ 10.89	\$ 10.31
Farebox recovery ratio	4.0%	4.1%	4.4%	3.2%
East Valley Dial-a-Ride				
Total boardings	255,001	246,280	260,951	258,880
Revenue miles	1,291,766	1,307,361	1,430,233	1,841,774
Revenue hours	95,499	102,524	108,216	115,478
Operating cost	\$ 2,613,050	\$ 2,882,144	\$ 3,052,064	\$ 4,423,962
Operating cost per boarding	\$ 10.25	\$ 11.70	\$ 11.70	\$ 17.09
Farebox recovery ratio	12.8%	11.2%	11.2%	7.7%
Maricopa County STS				
Total boardings		125,497	134,640	132,490
Revenue miles		698,969	791,449	818,046
Revenue hours		57,886	63,279	56,405
Operating cost		\$ 1,224,756	\$ 1,549,359	\$ 1,691,032
Operating cost per boarding		\$ 9.76	\$ 11.51	\$ 12.76
Farebox recovery ratio		5.1%	5.5%	3.2%
Sun Cities Area Transit				
Total boardings	80,639	78,717	65,279	59,777
Revenue miles	275,530	266,848	228,163	219,408
Revenue hours	24,168	24,907	20,046	18,838
Operating cost	\$ 585,067	\$ 601,492	\$ 525,182	\$ 498,481
Operating cost per boarding	\$ 7.26	\$ 7.64	\$ 8.05	\$ 8.34
Farebox recovery ratio	24.1%	22.8%	28.4%	30.5%

Source: Performance Management Analysis System for each fiscal year, prepared by the Regional Public Transportation Authority.

- (1) Dial-a-ride systems are comprised of various operators and contractors of service in Maricopa County; as the regional authority, the Regional Public Transportation Authority in its role compiles and reports on system efficiency and effectiveness performance indicators.

NR Not reported

(Continued)

<u>FY 2000/2001</u>	<u>FY 2001/2002</u>	<u>FY 2002/2003</u>	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>
237,886	270,493	333,860	369,791	393,053	415,733
2,961,140	3,238,681	3,687,477	3,901,614	4,084,991	4,276,365
191,525	230,951	255,922	262,372	274,099	285,137
\$ 6,909,752	\$ 9,462,730	\$ 10,385,900	\$ 11,150,114	\$ 12,375,324	\$ 12,452,214
\$ 29.05	\$ 34.98	\$ 31.11	\$ 30.15	\$ 31.49	\$ 29.95
6.4%	5.2%	4.9%	4.8%	4.0%	5.0%
203,616	193,986	162,760	153,697	152,631	NR
567,565	550,850	540,282	540,388	518,616	NR
50,909	51,559	47,155	50,754	47,282	NR
\$ 2,442,020	\$ 2,589,906	\$ 2,689,066	\$ 2,757,131	\$ 2,853,105	NR
\$ 11.99	\$ 13.35	\$ 16.52	\$ 17.94	\$ 18.69	NR
2.6%	3.3%	3.2%	3.1%	2.7%	NR
266,624	252,441	240,879	222,736	223,130	220,153
1,952,587	1,995,550	1,371,852	2,048,542	1,622,795	1,796,728
115,673	116,884	117,217	111,514	118,032	121,607
\$ 4,524,032	\$ 4,772,217	\$ 5,076,798	\$ 4,963,617	\$ 5,338,924	\$ 6,596,249
\$ 16.97	\$ 18.90	\$ 21.08	\$ 22.28	\$ 23.93	\$ 29.96
8.0%	7.6%	7.0%	6.5%	6.6%	5.2%
141,541	124,822	106,395	103,533	105,342	100,243
634,593	455,897	732,376	730,180	523,119	913,009
45,553	56,251	70,238	67,836	41,189	56,585
\$ 1,653,677	\$ 1,379,719	\$ 1,587,982	\$ 1,534,951	\$ 3,249,859	\$ 3,312,076
\$ 11.68	\$ 11.05	\$ 14.93	\$ 14.83	\$ 30.85	\$ 33.04
4.3%	4.5%	1.1%	1.0%	0.4%	0.3%
61,317	60,400	60,345	61,147	58,069	57,091
222,535	218,313	226,194	229,917	254,897	230,472
18,847	17,998	19,226	20,015	22,648	21,802
\$ 617,129	\$ 656,655	\$ 671,365	\$ 671,410	\$ 714,915	\$ 689,473
\$ 10.06	\$ 10.87	\$ 11.13	\$ 10.98	\$ 12.31	\$ 12.08
25.3%	22.9%	22.4%	22.7%	21.3%	23.5%

(Continued)

Valley Metro
Regional Public Transportation Authority
 Operating Indicators by Program - Dial-a-Ride System (Continued)
 Last Ten Fiscal Years

	<u>FY 1996/1997</u>	<u>FY 1997/1998</u>	<u>FY 1998/1999</u>	<u>FY 1999/2000</u>
Dial-a-Ride System (1)				
Glendale Dial-a-Ride				
Total boardings	68,622	67,627	70,032	69,081
Revenue miles	272,909	274,954	274,698	280,529
Revenue hours	19,079	19,621	20,574	21,174
Operating cost	\$ 1,033,786	\$ 1,200,025	\$ 1,218,900	\$ 1,312,716
Operating cost per boarding	\$ 15.06	\$ 17.74	\$ 17.40	\$ 19.00
Farebox recovery ratio	6.2%	5.8%	6.2%	6.1%
Peoria Dial-a-Ride				
Total boardings	36,847	42,899	39,492	30,395
Revenue miles	130,866	147,337	294,828	125,632
Revenue hours	9,021	7,279	7,206	6,466
Operating cost	\$ 433,405	\$ 463,958	\$ 495,866	\$ 506,767
Operating cost per boarding	\$ 11.76	\$ 10.82	\$ 12.56	\$ 16.67
Farebox recovery ratio	10.0%	9.9%	9.4%	7.1%
El Mirage				
Total boardings	5,595	3,904	3,469	3,318
Revenue miles	14,360	8,587	9,154	9,820
Revenue hours	1,920	1,920	2,080	2,080
Operating cost	\$ 29,093	\$ 40,619	\$ 49,055	\$ 41,355
Operating cost per boarding	\$ 5.20	\$ 10.40	\$ 14.14	\$ 12.46
Farebox recovery ratio	11.9%	6.2%	4.5%	5.7%
Surprise Dial-a-Ride				
Total boardings	4,553	5,969	7,046	7,261
Revenue miles	27,125	38,062	38,742	40,772
Revenue hours	2,067	2,932	3,370	3,080
Operating cost	\$ 45,825	\$ 59,242	\$ 69,390	\$ 76,997
Operating cost per boarding	\$ 10.06	\$ 9.92	\$ 9.85	\$ 10.60
Farebox recovery ratio	9.0%	8.4%	9.7%	9.2%
Total Dial-a-Ride System				
Total boardings	817,399	938,659	929,676	962,287
Revenue miles	4,831,341	5,699,540	6,140,152	6,095,112
Revenue hours	339,668	414,773	427,203	418,276
Operating cost	\$ 9,700,932	\$ 11,811,483	\$ 13,160,630	\$ 15,574,546
Operating cost per boarding	\$ 11.87	\$ 12.58	\$ 14.16	\$ 16.18
Farebox recovery ratio	9.6%	8.7%	8.4%	7.0%

NR Not reported

Source: Performance Management Analysis System for each fiscal year, prepared by the Regional Public Transportation Authority.

(1) Dial-a-ride systems are comprised of various operators and contractors of service in Maricopa County; as the regional authority, the Regional Public Transportation Authority in its role compiles and reports on system efficiency and effectiveness performance indicators.

(Continued)

<u>FY 2000/2001</u>	<u>FY 2001/2002</u>	<u>FY 2002/2003</u>	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>
66,536	76,622	81,768	86,132	87,831	89,055
281,461	316,961	376,504	387,531	386,587	390,561
20,718	22,662	25,782	26,252	29,554	29,594
\$ 1,442,170	\$ 1,807,835	\$ 2,074,611	\$ 2,255,038	\$ 2,247,156	\$ 2,387,554
\$ 21.68	\$ 23.59	\$ 25.37	\$ 26.18	\$ 25.58	\$ 26.81
5.4%	4.9%	4.7%	4.7%	5.0%	4.6%
33,540	32,176	30,399	29,258	33,805	42,560
169,360	196,224	189,984	158,456	153,805	159,903
8,352	9,457	9,276	7,920	8,258	9,975
\$ 598,195	\$ 624,322	\$ 727,770	\$ 738,683	\$ 827,786	\$ 927,312
\$ 17.84	\$ 19.40	\$ 23.94	\$ 25.25	\$ 24.49	\$ 21.79
6.1%	5.4%	5.0%	4.5%	4.0%	5.1%
2,054	1,204	1,103	1,061	1,558	1,466
12,698	6,020	9,172	7,230	10,017	12,284
2,080	750	1,834	NR	NR	1,613
\$ 88,592	\$ 93,178	\$ 93,632	\$ 76,813	\$ 70,459	\$ 74,023
\$ 43.13	\$ 77.39	\$ 84.89	\$ 72.40	\$ 45.22	\$ 50.49
1.7%	1.5%	0.9%	1.0%	1.7%	2.0%
5,777	7,775	7,094	7,387	8,181	12,578
38,834	45,800	43,716	48,768	68,291	86,045
2,726	2,818	3,881	4,891	5,016	6,554
\$ 77,418	\$ 105,800	\$ 162,931	\$ 185,646	\$ 283,624	\$ 367,093
\$ 13.40	\$ 13.61	\$ 22.97	\$ 25.13	\$ 34.67	\$ 29.19
8.5%	6.2%	4.6%	4.3%	3.5%	3.5%
1,018,891	1,019,919	1,024,603	1,034,742	1,063,600	938,879
6,840,773	7,024,296	7,177,557	8,052,626	7,623,118	7,865,367
456,383	509,330	550,531	551,554	546,078	532,887
\$ 18,352,985	\$ 21,492,362	\$ 23,470,055	\$ 24,333,403	\$ 27,961,152	\$ 26,805,994
\$ 18.01	\$ 21.07	\$ 22.91	\$ 23.52	\$ 26.29	\$ 28.55
6.7%	6.0%	5.4%	5.2%	4.5%	4.9%

Valley Metro
Regional Public Transportation Authority
Operating Indicators by Program - Shuttle / Circulator System
Last Five Fiscal Years

	<u>FY 2000/2001</u>	<u>FY 2001/2002</u>	<u>FY 2002/2003</u>	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>
Shuttle/Circulator System						
City of Phoenix - DASH & ALEX						
Total boardings	154,226	437,421	770,348	747,351	794,945	766,676
Revenue miles	83,402	361,830	604,325	577,579	601,547	580,884
Revenue hours	9,184	26,505	40,480	37,636	38,156	36,923
Operating cost	\$ 354,932	\$ 1,058,452	\$ 1,619,238	\$ 1,435,044	\$ 2,386,820	\$ 1,812,780
Operating cost per boarding	\$ 2.30	\$ 2.42	\$ 2.10	\$ 1.92	\$ 3.00	\$ 2.36
Farebox recovery ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
City of Tempe - FLASH, NF & NB						
Total boardings	690,451	1,222,122	1,445,714	1,705,025	1,999,795	2,034,656
Revenue miles	449,658	601,509	441,587	487,780	475,609	479,595
Revenue hours	37,691	61,681	30,949	40,149	39,831	48,794
Operating cost	\$ 1,632,164	\$ 1,995,345	\$ 1,517,734	\$ 1,771,216	\$ 1,835,387	\$ 1,954,659
Operating cost per boarding	\$ 2.36	\$ 1.63	\$ 1.05	\$ 1.04	\$ 0.92	\$ 0.96
Farebox recovery ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
City of Scottsdale - Scottsdale Roundup						
Total boardings	56,046	42,456	49,498	52,599	92,139	125,435
Revenue miles	29,952	30,060	33,129	37,272	57,696	80,489
Revenue hours	5,028	4,676	4,683	6,185	8,167	14,025
Operating cost	\$ 277,700	\$ 290,066	\$ 308,684	\$ 377,726	\$ 547,764	\$ 953,477
Operating cost per boarding	\$ 4.95	\$ 6.83	\$ 6.24	\$ 7.18	\$ 5.94	\$ 7.60
Farebox recovery ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
City of Glendale - GUS						
Total boardings	36,431	51,180	54,093	59,692	82,569	96,258
Revenue miles	55,758	66,784	78,895	93,794	100,295	96,838
Revenue hours	4,647	8,055	6,361	7,897	8,301	7,969
Operating cost	\$ 136,334	\$ 267,801	\$ 185,407	\$ 203,149	\$ 144,934	\$ 158,442
Operating cost per boarding	\$ 3.74	\$ 5.23	\$ 3.43	\$ 3.39	\$ 1.76	\$ 1.65
Farebox recovery ratio	4.8%	4.6%	5.7%	5.9%	11.0%	10.3%
Total Shuttle/Circulator System						
Total boardings	937,154	1,753,179	2,319,653	2,564,667	2,969,448	3,023,025
Revenue miles	618,770	1,060,183	1,157,936	1,196,425	1,235,147	1,237,806
Revenue hours	56,550	100,917	82,473	91,867	94,455	107,711
Operating cost	\$ 2,401,130	\$ 3,611,664	\$ 3,631,063	\$ 3,787,135	\$ 4,914,905	\$ 4,879,358
Operating cost per boarding	\$ 2.56	\$ 2.06	\$ 1.57	\$ 1.48	\$ 4.20	\$ 1.61
Farebox recovery ratio	N/A	N/A	N/A	N/A	N/A	N/A

Source: Performance Management Analysis System for each fiscal year, prepared by the Regional Public Transportation Authority.



Valley Metro

**Regional
Public
Transportation
Authority**

Valley Metro
Regional Public Transportation Authority
Revenue Vehicle Statistics by Program
Last Ten Fiscal Years

	<u>FY 1996/1997</u>	<u>FY 1997/1998</u>	<u>FY 1998/1999</u>	<u>FY 1999/2000</u>
Fixed Route System (1)				
City of Glendale - Luke Link (3)				3
City of Phoenix Transit System	384	386	411	411
City of Tempe	6	6	40	83
Regional Public Transportation Authority	82	80	100	102
Total fixed route system	<u>472</u>	<u>472</u>	<u>551</u>	<u>599</u>
Shuttle/Circulator System (1, 2)				
City of Glendale - GUS				
City of Phoenix - DASH & ALEX				
City of Scottsdale - Scottsdale Roundup				
City of Tempe - FLASH, NF & NB				
Total shuttle/circulator system				
Dial-a-Ride System (1)				
City of El Mirage				
City of Glendale	15	15	15	15
City of Guadalupe	2	2	2	2
City of Peoria	9	9	9	9
City of Phoenix	58	67	64	71
City of Phoenix Reserve-a-Ride	36	36	36	36
Maricopa County STS	70	70	70	70
RPTA - East Valley Dial-a-Ride	47	47	60	71
Sun Cities Area Transit	14	14	14	12
Town of Surprise	3	3	3	3
Total dial-a-ride system	<u>254</u>	<u>263</u>	<u>273</u>	<u>289</u>
Vanpool				
Regional Public Transportation Authority	<u>102</u>	<u>125</u>	<u>133</u>	<u>159</u>

- (1) Fixed route and dial-a-ride systems are comprised of various operators and contractors of service in Maricopa County; as the regional authority, the Regional Public Transportation Authority in its role compiles and reports on the regional fleet inventory summary.
- (2) Shuttle/Circulator system vehicles were included in the fixed route numbers prior to fiscal year 2002/2003.
- (3) The City of Glendale did not run fixed route vehicles prior to fiscal year 1999/2000.

(Continued)

<u>FY 2000/2001</u>	<u>FY 2001/2002</u>	<u>FY 2002/2003</u>	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>
6	9	3	3	3	3
409	468	452	484	475	488
91	106	89	89	91	91
110	138	121	118	135	169
<u>616</u>	<u>721</u>	<u>665</u>	<u>694</u>	<u>704</u>	<u>751</u>
		6	6	6	6
		16	16	17	17
		9	7	9	9
		18	18	24	24
		<u>49</u>	<u>47</u>	<u>56</u>	<u>56</u>
	1	1	1	1	1
15	16	19	19	21	21
2	2	2	2	2	2
9	9	9	9	9	9
71	110	110	110	115	123
36	36	36	36	36	NR
70	69	53	55	55	61
71	67	63	63	63	63
12	12	14	14	14	14
3	3	3	6	6	6
<u>289</u>	<u>325</u>	<u>310</u>	<u>315</u>	<u>322</u>	<u>300</u>
<u>183</u>	<u>187</u>	<u>227</u>	<u>229</u>	<u>276</u>	<u>310</u>



**Regional
Public
Transportation
Authority**

Single Audit Section

The Single Audit Section includes the Authority's schedule of expenditures of federal awards, and the independent auditors' reports on internal controls and compliance with applicable laws and regulations.

Valley Metro
Regional Public Transportation Authority
 Supplementary Schedule of Expenditures of Federal Awards
 Fiscal Year Ended June 30, 2006

Federal Grantor Agency and Program Title	CFDA Number	Pass-Through Grantor	Pass-Through Identifying Number	Awards Expended
Department of Transportation				
<i>Federal Transit Administration</i>				
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X058	\$ 364,522
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X063	99,811
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X068	612,967
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X070	2,766,505
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X074	11,452,041
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X080	640,129
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X084	2,317,203
Ajo/Phoenix Regional Transit Connector Service	20.507	Maricopa County	KR 05-0254-TRN	21,965
Ajo/Phoenix Regional Transit Connector Service	20.507	Pima County	01-04A-135849-0305	18,071
Ajo/Phoenix Regional Transit Connector Service	20.507	Maricopa County	KR 05-0254-TRN	69,639
Ajo/Phoenix Regional Transit Connector Service	20.507	ADOT	JPA 05 034 P	57,290
Federal Transit Technical Studies Grant	20.505	MAG	0118	224,720
Total Federal Transit Administration				18,644,863
<i>Federal Highway Administration</i>				
Congestion Mitigation and Air Quality Improvement Program Funds:				
Regional Ridesharing Program	20.205	MAG	0099	129,181
Regional Ridesharing Program	20.205	MAG	0099	515,871
Trip Reduction Program	20.205	Maricopa County	C-88-04-034-200	60,671
Trip Reduction Program	20.205	Maricopa County	C-88-05-023-2-00	362,951
Telework	20.205	MAG	0115	93,787
Telework	20.205	MAG	0115	198,402
Bike Education	20.205	MAG	0252	34,714
State Planning and Research Funds:				
Clean Air Promotional Campaign	20.205	ADOT	JPA 04-017P	41,668
Total Federal Highway Administration				1,437,245
Total Expenditures of Federal Awards				\$ 20,082,108

See accompanying notes to the Supplementary Schedule of Expenditures of Federal Awards.

1. General

The Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Regional Public Transportation Authority (the "Authority"). All federal awards received are passed through the City of Phoenix, Arizona Department of Transportation, Maricopa County, Pima County and Maricopa Association of Governments. Federal financial award activities are reported in the special revenue and enterprise funds in the Authority's fund financial statements.

2. Basis of Accounting and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards is presented using a basis of accounting that is consistent with the basic financial statements, as is described in Note 1 of the Authority's basic financial statements.

The Authority, for purposes of the Schedule of Expenditures of Federal Awards, includes all funds of the primary government as defined by Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*.

3. Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the 2006 Catalog of Federal Domestic Assistance.

4. Pass-Through Grantors Reference

The Authority receives all federal awards as pass-through from other governmental and non-profit agencies. Abbreviations are as follows:

ADOT	Arizona Department of Transportation
MAG	Maricopa Association of Governments

5. Period of Award

There is no specified time period in which the grant award must be spent.

**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
Regional Public Transportation Authority
Phoenix, Arizona

We have audited the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Regional Public Transportation Authority (Authority) as of and for the year ended June 30, 2006, and have issued our report thereon dated February 1, 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.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of the Regional Public Transportation Authority in a separate letter dated February 1, 2007.

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Cronstrom, Osuch & Company, P.C.
Cronstrom, Osuch & Company, P.C.

February 1, 2007

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

Board of Directors
Regional Public Transportation Authority
Phoenix, Arizona

We have audited the compliance of the Regional Public Transportation Authority (Authority) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Authority's major federal programs are 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 of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of and for the year ended June 30, 2006, and have issued our report thereon dated February 1, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. 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 federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Cronstrom, Osuch & Company, P.C.

Cronstrom, Osuch & Company, P.C.

February 1, 2007

REGIONAL PUBLIC TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FISCAL YEAR ENDED JUNE 30, 2006

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified*
 Internal control over financial reporting:

- Material weakness(es) identified? _____ yes no
- Reportable condition(s) identified not considered to be material weaknesses? _____ yes none reported

Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? _____ yes no
- Reportable condition(s) identified not considered to be material weaknesses? _____ yes none reported

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 Circular A-133, Section .510(a)? _____ yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Formula Grants
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$602,463

Auditee qualified as low-risk auditee? yes _____ no

REGIONAL PUBLIC TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2006

SECTION II—FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

SECTION IV—SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The Authority did not have any prior year findings.



302 North 1st Avenue, Suite 700 • Phoenix, Arizona 85003
602-262-7433 • www.ValleyMetro.org