

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007



Regional Public Transportation Authority
Phoenix, Arizona

Valley Metro

Regional Public Transportation Authority

Phoenix, Arizona

Board of Directors

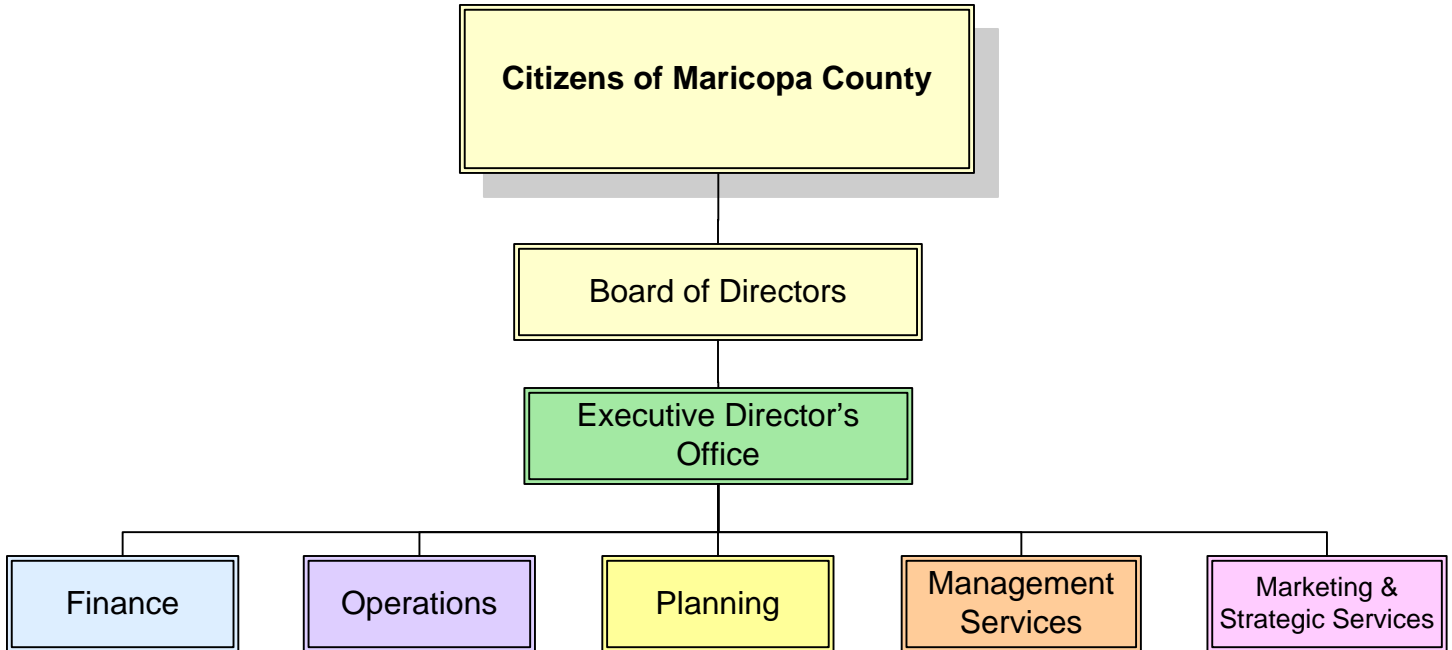
Chair, Mayor Elaine Scruggs, Glendale
Vice Chair, Vice Mayor Wayne Ecton, Scottsdale
Secretary, Councilmember Shana Ellis, Tempe
Treasurer, Councilmember Michael Johnson, City of Phoenix
Mayor Marie Lopez-Rogers, Avondale
Councilmember Trinity Donovan, Chandler
Mayor Fred Waterman, El Mirage
Councilmember Les Presmyk, Gilbert
Councilmember Frank Cavalier, Goodyear
Supervisor Mary Rose Wilcox, Maricopa County
Mayor Keno Hawker, Mesa
Councilmember Ron Aames, Peoria
Mayor Art Sanders, Queen Creek
Councilmember Joe Johnson, Surprise

Executive Director's Office

David A. Boggs, Executive Director
Bryan Jungwirth, Deputy Executive Director, Communications & Government Relations
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



Valley Metro Rail, Inc. Staff
(Reports to VMR, Inc. Board of Directors)

Regional Public Transportation Authority

Table of Contents

Comprehensive Annual Financial Report and Single Audit Reports

Fiscal Year Ended June 30, 2007

	<u>Page</u>
<u>Introductory Section</u>	
Letter of Transmittal	iii-ix
GFOA Certificate of Achievement	x
<u>Financial Section</u>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis (required supplementary information)	3-11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13-14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual - General Fund	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual - Public Transportation Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual - Regional Customer Services Fund	20
Statement of Net Assets - Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	24
Index to the Notes to Financial Statements	25
Notes to the Financial Statements	26-48
Other Supplementary Information - Combining and Individual Fund Financial Statements and Schedules:	
Nonmajor Governmental Funds - Special Revenue Funds Description	49
Combining Balance Sheet - Nonmajor Governmental Funds	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	51
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual - Nonmajor Governmental Funds:	
Transit Planning Fund	52
Transportation Demand Management Fund	53
Capital and Other Grants Fund	54
Schedule of Revenues, Expenses and Changes in Net Assets - Budget to Actual - Proprietary Funds:	
Enterprise Funds:	
Transit Service Operations Fund	55
Valley Metro Rail Fund	56

Regional Public Transportation Authority

Table of Contents

Comprehensive Annual Financial Report and Single Audit Reports

Fiscal Year Ended June 30, 2007

	<u>Page</u>
<u>Statistical Section</u>	
Statistical Section Contents	57
Financial Trends	
Net Assets by Component	58
Changes in Net Assets	59-60
Fund Balances of Governmental Funds	61
Changes in Fund Balances of Governmental Funds	62
Revenue Capacity	
Sales Tax Revenues by Component	63-64
Maricopa County Transportation Excise Tax Revenue Distributions	65-66
Maricopa County Transportation Excise Tax Revenue Collections by Category	67
Arizona Transaction Privilege Tax Excise Tax Rates by Category	68-69
Demographic and Economic Information	
Regional Population Statistics	70-71
Local Transportation Assistance Funds	72-73
Demographic and Economic Statistics	74
Operating Information	
Full-time Equivalent Employees by Function/Program	75
Operating Indicators by Program:	
Fixed Route System	76-77
Dial-a-Ride System	78-81
Shuttle / Circulator System	82
Capital Asset Statistics by Function/Program	
Revenue Vehicle for Transit Service Operations	83
<u>Single Audit Section</u>	
Supplementary Schedule of Expenditures of Federal Awards	84
Notes to the Supplementary Schedule of Expenditures of Federal Awards	85
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	87-88
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	89-91
Schedule of Findings and Questioned Costs	92-93

Introductory Section

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

February 8, 2008

To Chair 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, 2007 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 GAAP. 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, 2007 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, 2007 are fairly

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, 2007 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.

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 fourteen-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, Goodyear, Mesa, Peoria, Phoenix, Scottsdale, Surprise and Tempe, and the Towns of Gilbert and Queen Creek. 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 1,300 daily flights.

The County has grown from just over 2.1 million residents in 1990 to almost 3.8 million residents in 2006, an increase of 81 percent in just 16 years. According to the Greater Phoenix Economic Council, population is projected to grow 70 percent by 2030, reaching 6.3 million people.

Maricopa County currently accounts for about 60 percent of the State's population and attracts a continual inflow of immigrants seeking new opportunities. The total labor force in Maricopa County grew to over 1.9 million people in 2006, an increase of 70.9 percent since 1990. According to the Greater Phoenix Economic Council, Maricopa County has maintained substantial employment growth over the past decade. Projections show employment will increase 85.4 percent, reaching 3.4 million jobs by 2030.

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. With the burgeoning increase in population come concerns about how to manage issues of congestion on the Valley's roadways. As our region grows, it is important that we maintain a safe transportation system that moves people and goods efficiently, and that attracts high quality workers and businesses to the area. 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 over \$100 million annually injects 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 in priority order 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 2007, the Authority adopted the Board approved recommendations of the Segal Company, the consulting firm that performed the FY 2006 Compensation and Classification Study. The key compensation and classification changes for FY 2007 were as follows:

- The Authority joined the Arizona State Retirement System (ASRS) and the Social Security System on July 1, 2006. As a result, the Authority discontinued 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

transitioned 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 that began July 1, 2006 required 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 replaced its current structure with the Segal recommended pay ranges and job classifications.

The Authority will undertake a number of key projects during FY 2008 as the agency prepares for the implementation of TLCP operating and capital projects. The major projects and studies for FY 2008 include the following:

- Origins and Destinations Survey
Develop, implement, and provide analysis of a comprehensive Origins and 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.
- Financial Management System
The current financial system was purchased in 1998 and is well-suited for an agency with a small budget. With the increased demands of Proposition 400 comes a greater need for accountability. A new system will improve budgeting (which is currently performed outside the financial system), encumbrance accounting and will better link the procurement and human resources functions, both of which are currently not well integrated in the financial system. The new system will benefit both RPTA and Valley Metro Rail.
- 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 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.

- 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.
- Regional Marketing Program
The objective of this program is to refresh and develop a strong Valley Metro brand identity and consistent application of standards. Our visual identity, including the Valley Metro logo, its colors, typefaces and positioning, is a powerful communications tool that identifies us to our customers, prospective customers, investors, business partners, vendors and employees.

As we continue to evolve as an agency, we continue to break existing record numbers for ridership. In FY 2007, fixed route ridership reached an all-time high of 58,583,154 for the region, surpassing FY 2006 ridership of 55,832,297.

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, 2006. This was the tenth 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.

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 F. 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, 2006

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



Oliver S. Cox

President

Jeffrey R. Emery

Executive Director



Valley Metro

***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, 2007, 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, 2007, 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 prior period adjustment was recorded and is presented in Note 18 in the notes to the basic financial statements to restate the previously issued financial statements for assets that were included in capital assets in error.

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 accompanying schedule of expenditures of federal awards as listed in the table of contents is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. This supplementary information is the responsibility of management. 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 our report dated February 8, 2008 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 8, 2008

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, 2007. 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 \$52,930,551 in FY 2007, a \$31,566,487 increase in governmental activities and a \$21,364,064 increase in business-type activities. Total net assets of the Authority are \$114.9 million, of which \$63.8 million is unrestricted.
- The governmental activities functional revenues increased by approximately \$80.9 million (140.3%) over the previous year.
- The business-type activities revenues increased by approximately \$.7 million (1.4%) from the previous year.

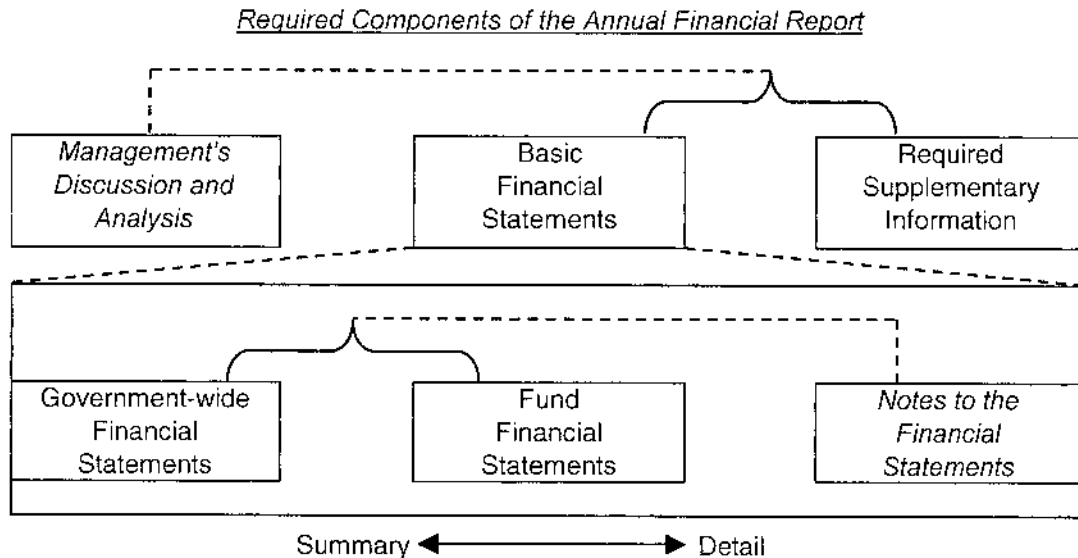
OVERVIEW OF THE FINANCIAL STATEMENTS

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.



Government-wide Financial Statements

The government-wide financial statements (see pages 12 – 14) 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, transportation demand management, and regional customer services (see Note 19). 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 (see Note 19) and light rail transit. 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 15 - 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 2 (pages 36 - 38).

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 26 – 48) 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 Notes 11 & 12 (pages 44 - 45).

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, 2007, 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, 2007 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
	2007	2006	2007	2006 (restated)	2007	2006 (restated)	
Current and other assets	\$ 44,913.2	\$ 13,250.2	\$ 57,936.4	\$ 28,105.3	\$ 102,849.6	\$ 41,355.5	148.7%
Capital assets	1,362.4	249.2	47,945.8	35,327.1	49,308.2	35,576.3	38.6%
Total assets	\$ 46,275.6	\$ 13,499.4	\$ 105,882.2	\$ 63,432.4	\$ 152,157.8	\$ 76,931.8	97.8%
Current liabilities	\$ 2,235.8	\$ 1,026.0	\$ 35,015.5	\$ 13,929.7	\$ 37,251.3	\$ 14,955.7	149.1%
Long-term liabilities	-	-	-	-	-	-	-
Total liabilities	\$ 2,235.8	\$ 1,026.0	\$ 35,015.5	\$ 13,929.7	\$ 37,251.3	\$ 14,955.7	149.1%
Net assets:							
Invested in capital assets, net of related debt	\$ 1,362.4	\$ 249.2	\$ 47,945.8	\$ 27,042.0	\$ 49,308.2	\$ 27,291.2	80.7%
Restricted	-	-	1,778.9	5,301.3	1,778.9	5,301.3	-66.4%
Unrestricted	42,677.4	12,224.2	21,142.0	17,159.3	63,819.4	29,383.5	117.2%
Total net assets	\$ 44,039.8	\$ 12,473.4	\$ 70,866.7	\$ 49,502.6	\$ 114,906.5	\$ 61,976.0	85.4%

The Authority's total net assets increased \$52,930,551 in FY 2007, a \$31,566,487 increase in governmental activities and a \$21,364,064 increase in business-type activities. Total net assets of the Authority are \$114.9 million, of which \$63.8 million is unrestricted.

A large portion of net assets (42.9%) 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 (1.5%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets of \$63.8 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 140.3% over the previous year and program governmental expenses increased approximately 224.2%. Revenues of business-type activities increased approximately 1.4% and expenses of business-type activities increased 101.3% in fiscal year 2007.

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
	2007	2006	2007	2006 (restated)	2007	2006 (restated)	
REVENUES							
Program revenues:							
Charges for services	\$ 25.0	\$ 75.3	\$ 28,538.7	\$ 32,500.9	\$ 28,563.7	\$ 32,576.2	-12.3%
Operating grants and contributions	2,494.6	2,358.5	642.3	1,186.0	3,136.9	3,544.5	-11.5%
Capital grants and contributions	198.8	48.4	19,041.1	17,286.1	19,239.9	17,334.5	10.9%
General revenues:							
Sales taxes	134,235.3	55,084.7	-	-	134,235.3	55,084.7	143.7%
Interest earnings	1,664.4	124.3	945.2	44.6	2,609.6	168.9	1444.9%
Other	-	-	2,564.3	-	2,564.3	-	100.0%
Total revenues	138,618.1	57,691.2	51,731.6	51,017.6	190,349.7	108,708.8	75.1%
EXPENSES							
Governmental activities:							
Regional planning	2,425.3	1,241.5	-	-	2,425.3	1,241.5	95.4%
Transportation demand management	1,699.7	1,837.2	-	-	1,699.7	1,837.2	-7.5%
Regional customer services	7,289.8	-	-	-	7,289.8	-	N/A
Administration	2,688.4	1,271.1	-	-	2,688.4	1,271.1	111.5%
Community funded transportation	-	-	-	-	-	-	-
Business-type activities:							
Transit service operations	-	-	60,090.2	38,578.0	60,090.2	38,578.0	55.8%
Regional customer services	-	-	-	5,767.8	-	5,767.8	-100.0%
Light rail transit	-	-	63,225.7	16,910.0	63,225.7	16,910.0	273.9%
Total expenses	14,103.2	4,349.8	123,315.9	61,255.8	137,419.1	65,605.6	109.5%
Excess (deficit) before transfers	124,514.9	53,341.4	(71,584.3)	(10,238.1)	52,930.6	43,103.2	22.8%
Transfers in (out)	(92,948.4)	(44,330.0)	92,948.4	44,330.0	-	-	0.0%
Increase (decrease) in net assets	\$ 31,566.5	\$ 9,011.4	\$ 21,364.1	\$ 34,091.8	\$ 52,930.6	\$ 43,103.2	22.8%

The largest financing source for the Authority as a whole is sales taxes (70.5%), and the major funding source for business-type activities is charges for services (55.2%). Business-type activities also receive substantial federal grants and contributions revenues (38.0%). The major funding sources of governmental activities are sales taxes (96.8%) and federal and state grants (1.9%).

Growth in the Authority's sales tax revenue over the prior year is limited to incorporating those elements necessary for implementing the second 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 (89.7%). For the governmental activities, the largest users of resources are regional customer services (51.7%), administration (19.1%), regional planning (17.2%), and transportation demand management (12.1%).

Total government-wide expenses of the Authority increased \$71.8 million (109.5%) in fiscal year 2007. Expenses of the governmental activities increased \$9.8 million (224.2%). This includes \$7.3 million (100%) for regional services, \$1.2 million (95.4%) for regional planning and \$1.4 million (111.5%) for administration. These increases reflect a reclassification of regional services from business type activities to governmental activities, 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 \$62.1 million (101.3%), due to the expansion of transit service and implementation of the second 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 15 - 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 \$42.7 million, an increase of \$30.5 million, or 250.0%, from the previous year. Of the \$42.7 million total fund balance, the Authority has designated \$22.1 million for certain uses and the remainder is in unreserved fund balance (see Note 5 (page 41)). 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 \$42.7 million fund balance, \$2.4 million is reported in the General Fund and \$40.2 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 General Fund accounts for activities that include the Executive Director's office, communications and government relations, and finance and management services. General Fund revenues increased 10.7% over the previous year, primarily the result of an increase in Regional Area Road Funds (RARF) revenues allocated to the general fund of \$4.1 million. As mentioned above, RARF revenue is now limited to planning and administration and is no longer available to fund transit services.

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 \$130.2 million PTF sales tax revenue represents the first full year of earned revenue.

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 73.7% (\$438,466), the result of the changes in capital assets during FY 2007. The Regional Services Fund was reclassified for FY 2007 as a major special revenue fund (see Note 19).

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 7.5% from the prior year due to a decrease in grant funds available for trip reduction and ridesharing 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 increased 37.5% and expenditures increased 95.4% 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. Prior to 2006, sales taxes allocated to the Transit Planning Fund were shown as revenues. These monies are now shown as transfers in. Total transfers in increased 148.9% over the prior year.

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 92.9% and expenditures increased 7.4% from the prior year. Prior to 2006, sales taxes allocated to the Capital and Other Grants Fund were shown as revenues. These monies are shown as transfers in. Total transfers in increased 36.0% over the prior year.

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 \$21,364,064 during fiscal year 2007, 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 56.9%, (\$21,880,709), primarily the result of the changes in capital assets related to vehicle purchases.

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 page 26). The Valley Metro Rail Fund has net assets of \$10,527,954 as of June 30, 2007 as compared to net assets of \$10,449,839 at the end of the previous year. In fiscal year 2007, Valley Metro Rail Fund receives 43.24% of the total PTF sales tax revenues distributed to the Authority,

totaling \$56,293,147 and receives 12.35% of the total RARF sales tax revenue, totaling \$500,000.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was an \$854,834 net increase in appropriations between the original and final amended expenditure budget. Following are the main components of the net increase:

- \$672,211 supplemental appropriation to the Executive Director's department for a Board approved retirement buy-back and salary bonus for the Executive Director;
- \$182,623 supplemental appropriation of administrative contingency for un-programmed Regional Area Road Funds (RARF).

For the year ended June 30, 2007, actual expenditures exceeded the final amended budget amounts by \$89,189. The excess was entirely covered with excess revenues and did not result in a fund deficit.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

As of June 30, 2007, the Authority had \$49.3 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 \$49.3 million. There was a net increase in capital assets, net of accumulated depreciation and related debt, of \$13.7 million from June 30, 2006, which consisted of a net increase of approximately \$1.1 million resulting from governmental activities and a net increase of \$12.6 million resulting from business-type activities.

The following table provides a breakdown of capital assets of the Authority at June 30, 2007 with comparative information for the previous year. Additional information on the Authority's capital assets may be found in Note 6 on pages 41 - 43.

Capital Assets, Net of Depreciation
As of June 30
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2007	2006	2007	2006 (restated)	2007	2006 (restated)	
	Transit fleet	\$ -	\$ -	\$ 43,741.7	\$ 28,061.9	\$ 43,741.7	
Computers & software	742.3	26.7	73.8	123.7	816.1	150.4	442.6%
Equipment	83.9	43.0	1,858.2	2,171.3	1,942.1	2,214.3	-12.3%
Vehicles	79.1	12.7	-	-	79.1	12.7	522.8%
Site Improvements	-	-	650.9	-	650.9	-	N/A
Furniture & fixtures	158.8	166.8	52.2	88.9	211.0	255.7	-17.5%
Work-in-progress	298.3	-	1,568.9	4,881.2	1,867.2	4,881.2	-61.7%
Total assets	\$ 1,362.4	\$ 249.2	\$ 47,945.7	\$ 35,327.0	\$ 49,308.1	\$ 35,576.2	38.6%

Capital Lease Obligations and Short-term debt

At fiscal year end, the Authority had no outstanding debt obligations. During fiscal year 2006, the Authority entered into a Board approved capital lease purchase financing agreement with SunTrust Leasing Corporation to acquire 23 buses one year in advance of the Transit Life Cycle Program (TLCP). The debt totaling \$8,285,000 was paid off in its entirety on June 30, 2007.

ECONOMIC FACTORS

The Authority's major initiative for fiscal year 2007 was the development and implementation of a 20-year strategic plan, including identification of an organizational structure that reflects the results of the strategic plan. 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 transitioned into a direct agency function beginning July 1, 2006. 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 2007 included:

- RPTA joined the Arizona State Retirement System (ASRS) and the Social Security System on July 1, 2006. As a result RPTA inactivated the 401A retirement plan, long term disability insurance and payments to employees in lieu of Social Security tax payments.
- 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.
- Conducted a Regional Paratransit Study.
- 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 2008 combined operating and capital budget is \$240.2 million (up 34.6% from fiscal year 2007). The FY 2008 budget includes the second full year of projects funded with Proposition 400 PTF sales tax revenues (\$139.4 million). Of the \$139.4 million PTF revenue budgeted, \$79.1 million is for bus operating and bus capital and \$60.3 million is for light rail/high capacity capital. The total operating budget of \$77.0 million represents a \$.6 million (.8%) increase over the fiscal year 2007 operating budget of \$76.4 million. The total capital budget of \$163.2 million represents a \$61.2 million (59.9%) increase over the fiscal year 2007 capital budget of \$102.0 million. The major reason for the large increase in the capital budget is directly related to the projects programmed in the Transit Life Cycle Program (TLCP) for fiscal year 2008. The budget is balanced; decreases in net assets other than capital assets are not anticipated for fiscal year 2008.

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.

Basic Financial Statements

- **Government-wide Financial Statements**
- **Fund Financial Statements**
- **Notes to Financial Statements**

Valley Metro
Regional Public Transportation Authority
Statement of Net Assets
June 30, 2007

Assets	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and investments	\$ 37,480,065	\$ 27,782,602	\$ 65,262,667
Receivables	187,425	340,332	527,757
Due from other governments	7,176,835	29,394,569	36,571,404
Internal balances	68,019	(68,019)	-
Other assets	904	486,908	487,812
Total current assets	<u>44,913,248</u>	<u>57,936,392</u>	<u>102,849,640</u>
Noncurrent Assets			
Capital assets, not being depreciated	298,264	1,568,919	1,867,183
Capital assets, net of accumulated depreciation	1,064,149	46,376,888	47,441,037
Total noncurrent assets	<u>1,362,413</u>	<u>47,945,807</u>	<u>49,308,220</u>
Total assets	<u>46,275,661</u>	<u>105,882,199</u>	<u>152,157,860</u>
Liabilities			
Liabilities:			
Current Liabilities			
Accounts payable	1,414,010	17,131,693	18,545,703
Due to other governments	42,458	17,061,773	17,104,231
Other liabilities	779,336	822,034	1,601,370
Total liabilities	<u>2,235,804</u>	<u>35,015,500</u>	<u>37,251,304</u>
Net Assets			
Invested in capital assets, net of related debt	1,362,413	47,945,807	49,308,220
Restricted for:			
Vanpool asset replacement	-	1,778,889	1,778,889
Unrestricted	42,677,444	21,142,003	63,819,447
Total net assets	<u>\$ 44,039,857</u>	<u>\$ 70,866,699</u>	<u>\$ 114,906,556</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Statement of Activities

Fiscal Year Ended June 30, 2007

Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Regional planning:				
Long range planning	\$ 403,337	\$ -	\$ 81,417	\$ -
Short range planning	558,664	-	89,541	-
Capital planning	164,722	25,046	64,570	-
Program support	1,298,591	-	559,423	-
Transportation demand management:				
Trip reduction	719,854	-	719,854	-
Ridesharing	594,549	-	594,549	-
Other programs	385,257	-	385,257	-
Regional customer services:				
Marketing	2,578,094	-	-	-
Call center	3,087,948	-	-	-
Other programs	1,623,744	-	-	195,322
Administration:				
Executive director's office	1,712,451	-	-	-
Communications & government relations	260,965	-	-	-
Finance & management services	715,001	-	-	3,455
Total governmental activities	14,103,177	25,046	2,494,611	198,777
Business-type activities:				
Transit service operations	60,090,164	22,973,176	642,313	19,041,093
Light rail transit	63,225,727	5,565,540	-	-
Total business-type activities	123,315,891	28,538,716	642,313	19,041,093
Total primary government	\$ 137,419,068	\$ 28,563,762	\$ 3,136,924	\$ 19,239,870

General revenues:

Sales taxes:

Public transportation funds

Regional area road funds

Interest earnings

Other income

Transfers in (out)

Total general revenues & transfers

Change in net assets

Net assets - beginning

Restatement

Net assets - beginning, as restated

Net assets - ending

(Continued)

Net (Expense) Revenues and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (321,920)		\$ (321,920)
(469,123)		(469,123)
(75,106)		(75,106)
(739,168)		(739,168)
-		-
-		-
-		-
(2,578,094)		(2,578,094)
(3,087,948)		(3,087,948)
(1,428,422)		(1,428,422)
(1,712,451)		(1,712,451)
(260,965)		(260,965)
(711,546)		(711,546)
<u>(11,384,743)</u>		<u>(11,384,743)</u>
	\$ (17,433,582)	(17,433,582)
	(57,660,187)	(57,660,187)
	<u>(75,093,769)</u>	<u>(75,093,769)</u>
<u>(11,384,743)</u>	<u>(75,093,769)</u>	<u>(86,478,512)</u>
130,187,667	-	130,187,667
4,047,593	-	4,047,593
1,664,357	945,155	2,609,512
-	2,564,291	2,564,291
<u>(92,948,387)</u>	<u>92,948,387</u>	<u>-</u>
<u>42,951,230</u>	<u>96,457,833</u>	<u>139,409,063</u>
<u>31,566,487</u>	<u>21,364,064</u>	<u>52,930,551</u>
12,473,370	49,934,878	62,408,248
-	(432,243)	(432,243)
<u>12,473,370</u>	<u>49,502,635</u>	<u>61,976,005</u>
<u>\$ 44,039,857</u>	<u>\$ 70,866,699</u>	<u>\$ 114,906,556</u>

See accompanying notes to the financial statements.

Valley Metro
Regional Public Transportation Authority
Balance Sheet
Governmental Funds
June 30, 2007

Assets	General	Public Transportation	Regional Customer Services	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 5,164,711	\$ 32,315,354	\$ -	\$ -	\$ 37,480,065
Receivables	20,362	155,458	-	11,605	187,425
Due from other governments	39,100	6,157,440	144,086	836,209	7,176,835
Due from other funds	419,971	1,613,175	889,140	200,310	3,122,596
Other assets	-	-	-	904	904
Total assets	\$ 5,644,144	\$ 40,241,427	\$ 1,033,226	\$ 1,049,028	\$ 47,967,825
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 269,393	\$ -	\$ 663,889	\$ 480,728	\$ 1,414,010
Due to other funds	2,702,625	-	-	351,952	3,054,577
Due to other governments	42,458	-	-	-	42,458
Other liabilities	193,651	-	369,337	216,348	779,336
Total liabilities	3,208,127	-	1,033,226	1,049,028	5,290,381
Fund balances:					
Unreserved, designated	1,002,229	21,059,001	-	-	22,061,230
Unreserved, undesignated	1,433,788	19,182,426	-	-	20,616,214
Total fund balances	2,436,017	40,241,427	-	-	42,677,444
Total liabilities and fund balances	\$ 5,644,144	\$ 40,241,427	\$ 1,033,226	\$ 1,049,028	\$ 47,967,825

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

Fund balances, total governmental funds balance sheet	\$ 42,677,444
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental capital assets	2,150,230
Less accumulated depreciation	<u>(787,817)</u>
Net assets of governmental activities, statement of net assets	<u>\$ 44,039,857</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, 2007

	General	Public Transportation	Regional Customer Services	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Sales taxes:					
Public transportation funds	\$ -	\$ 130,187,667	\$ -	\$ -	\$ 130,187,667
Regional area road funds	4,047,593	-	-	-	4,047,593
Intergovernmental:					
State & county grants	-	-	-	400,000	400,000
Federal Transit Administration	-	-	195,322	798,405	993,727
CMAQ	-	-	-	1,298,056	1,298,056
Other federal grants	-	-	-	1,604	1,604
Charges for services	-	-	-	25,046	25,046
Interest earnings	385,177	1,279,180	-	-	1,664,357
Total revenues	<u>4,432,770</u>	<u>131,466,847</u>	<u>195,322</u>	<u>2,523,111</u>	<u>138,618,050</u>
Expenditures:					
Current:					
Regional planning:					
Long range	-	-	-	403,337	403,337
Short range	-	-	-	558,664	558,664
Capital	-	-	-	164,722	164,722
Program support	-	-	-	1,298,591	1,298,591
Transportation demand management:					
Trip reduction	-	-	-	719,854	719,854
Ridesharing	-	-	-	594,549	594,549
Other programs	-	-	-	385,257	385,257
Regional customer services:					
Marketing	-	-	2,578,094	-	2,578,094
Call center	-	-	3,087,948	-	3,087,948
Other programs	-	-	1,511,164	-	1,511,164
Administration:					
Executive director	1,712,451	-	-	-	1,712,451
Communications & government relations	260,965	-	-	-	260,965
Finance & management services	580,415	-	-	-	580,415
Capital outlay	-	-	531,334	234,307	765,641
Total expenditures	<u>2,553,831</u>	<u>-</u>	<u>7,708,540</u>	<u>4,359,281</u>	<u>14,621,652</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,878,939</u>	<u>131,466,847</u>	<u>(7,513,218)</u>	<u>(1,836,170)</u>	<u>123,996,398</u>
Other financing sources (uses):					
Transfers in	-	-	7,513,218	1,836,170	9,349,388
Transfers out	(1,731,039)	(101,161,496)	-	-	(102,892,535)
Total other financing sources (uses)	<u>(1,731,039)</u>	<u>(101,161,496)</u>	<u>7,513,218</u>	<u>1,836,170</u>	<u>(93,543,147)</u>
Net change in fund balances	147,900	30,305,351	-	-	30,453,251
Fund balance, beginning	2,288,117	9,936,076	-	-	12,224,193
Fund balance, ending	<u>\$ 2,436,017</u>	<u>\$ 40,241,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,677,444</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, 2007

Net change in fund balances, total governmental funds \$ 30,453,251

The change in net assets reported for governmental activities in the statement of activities is different because:

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

This is the amount by which capital outlays (\$692,176) exceeded depreciation expense (\$173,700) in the current period. 518,476

2. Transfers of capital assets from proprietary fund increase net assets in the statement of activities, but are not report in the governmental funds because they are not financial resources (see Note 19).

594,760

Net assets of governmental activities, statement of activities \$ 31,566,487

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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Sales taxes:				
Regional area road funds	\$ 4,310,077	\$ 4,047,593	\$ 4,047,593	\$ -
Interest	40,000	40,000	385,177	345,177
Total revenues	<u>4,350,077</u>	<u>4,087,593</u>	<u>4,432,770</u>	<u>345,177</u>
Expenditures:				
Current:				
Executive director	669,849	1,342,060	1,712,451	370,391
Communications & government relations	433,156	433,156	260,965	(172,191)
Finance and management services	506,803	506,803	580,415	73,612
Contingency	-	182,623	-	(182,623)
Total expenditures	<u>1,609,808</u>	<u>2,464,642</u>	<u>2,553,831</u>	<u>89,189</u>
Excess of revenues over expenditures	2,740,269	1,622,951	1,878,939	255,988
Other financing uses:				
Transfers out:				
Transit planning	(1,650,269)	(1,205,162)	(1,000,187)	204,975
Capital and other grants	(525,000)	(525,000)	(230,852)	294,148
Valley Metro Rail	(500,000)	(500,000)	(500,000)	-
Total other financing uses	<u>(2,675,269)</u>	<u>(2,230,162)</u>	<u>(1,731,039)</u>	<u>499,123</u>
Net change in fund balance	65,000	(607,211)	147,900	755,111
Fund balance, beginning	<u>1,013,401</u>	<u>1,094,501</u>	<u>2,288,117</u>	<u>1,193,616</u>
Fund balance, ending	<u>\$ 1,078,401</u>	<u>\$ 487,290</u>	<u>\$ 2,436,017</u>	<u>\$ 1,948,727</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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Sales taxes:				
Public transportation funds	\$ 121,416,923	\$ 132,200,000	\$ 130,187,667	\$ (2,012,333)
Interest	75,130	627,415	1,279,180	651,765
Total revenues	<u>121,492,053</u>	<u>132,827,415</u>	<u>131,466,847</u>	<u>(1,360,568)</u>
Excess of revenues over expenditures	<u>121,492,053</u>	<u>132,827,415</u>	<u>131,466,847</u>	<u>(1,360,568)</u>
Other financing uses:				
Transfers out:				
Transit planning	(1,201,644)	(534,894)	(605,131)	(70,237)
Transit operations	(53,874,178)	(41,120,350)	(36,750,000)	4,370,350
Regional customer services	(7,406,388)	(7,479,537)	(7,513,218)	(33,681)
Valley Metro Rail	(52,627,404)	(57,163,280)	(56,293,147)	870,133
Total other financing uses	<u>(115,109,614)</u>	<u>(106,298,061)</u>	<u>(101,161,496)</u>	<u>5,136,565</u>
Net change in fund balance	6,382,439	26,529,354	30,305,351	3,775,997
Fund balance, beginning	<u>3,518,349</u>	<u>1,121,306</u>	<u>9,936,076</u>	<u>8,814,770</u>
Fund balance, ending	<u>\$ 9,900,788</u>	<u>\$ 27,650,660</u>	<u>\$ 40,241,427</u>	<u>\$ 12,590,767</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

Regional Customer Services Fund

Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal Transit Administration	\$ -	\$ -	\$ 195,322	\$ 195,322
Total revenues	-	-	195,322	195,322
Expenditures:				
Current:				
Regional marketing	2,391,315	2,391,315	2,578,094	186,779
Regional call center	3,082,140	3,082,140	3,087,948	5,808
Other programs	1,584,383	1,584,383	1,511,164	(73,219)
Capital outlay	348,550	421,699	531,334	109,635
Total expenditures	7,406,388	7,479,537	7,708,540	229,003
Deficiency of revenues under expenditures	(7,406,388)	(7,479,537)	(7,513,218)	(33,681)
Other financing sources:				
Transfers in	7,406,388	7,479,537	7,513,218	33,681
Total other financing sources	7,406,388	7,479,537	7,513,218	33,681
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

Valley Metro
Regional Public Transportation Authority
 Statement of Net Assets
 Proprietary Funds
 June 30, 2007

	Business-Type Activities - Enterprise Funds			Total Proprietary Funds
	Transit Service Operations	Regional Customer Services	Valley Metro Rail	
Assets				
Current assets				
Cash and investments	\$ 5,040,498	\$ -	\$ 22,742,104	\$ 27,782,602
Receivables	260,000	-	80,332	340,332
Due from other governments	23,946,328	-	5,448,241	29,394,569
Other assets	486,908	-	-	486,908
Total current assets	29,733,734	-	28,270,677	58,004,411
Noncurrent assets				
Capital assets, not being depreciated	1,568,919	-	-	1,568,919
Capital assets, net of accumulated depreciation	46,376,888	-	-	46,376,888
Total noncurrent assets	47,945,807	-	-	47,945,807
Total assets	77,679,541	-	28,270,677	105,950,218
Liabilities				
Current liabilities:				
Accounts payable	17,131,693	-	-	17,131,693
Due to other funds	-	-	68,019	68,019
Due to other governments	76,528	-	16,985,245	17,061,773
Other current liabilities	132,575	-	689,459	822,034
Total current liabilities	17,340,796	-	17,742,723	35,083,519
Net Assets				
Invested in capital assets, net of related debt	47,945,807	-	-	47,945,807
Restricted:				
Vanpool vehicle replacement	1,778,889	-	-	1,778,889
Unrestricted	10,614,049	-	10,527,954	21,142,003
Total net assets	\$ 60,338,745	\$ -	\$ 10,527,954	\$ 70,866,699

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, 2007

	Business-Type Activities - Enterprise Funds			Total Proprietary Funds
	Transit Service Operations	Regional Customer Services	Valley Metro Rail	
Operating Revenues:				
Charges for services	\$ 22,973,176	\$ -	\$ 5,565,540	\$ 28,538,716
Total operating revenues	22,973,176	-	5,565,540	28,538,716
Operating Expenses:				
Local & express bus service	35,682,982	-	-	35,682,982
Light rail staff and administration	-	-	5,565,540	5,565,540
Regional customer services	-	-	-	-
Paratransit service	7,929,392	-	-	7,929,392
Vanpool service	784,831	-	-	784,831
Safety and security	240,236	-	-	240,236
Administrative and general	91,762	-	-	91,762
Depreciation	6,335,309	-	-	6,335,309
Total operating expenses	51,064,512	-	5,565,540	56,630,052
Operating loss	(28,091,336)	-	-	(28,091,336)
Non-Operating Revenues (Expenses):				
Lead agency disbursements	(8,722,421)	-	(57,660,187)	(66,382,608)
Federal Transit Administration grants	19,582,797	-	-	19,582,797
IRS fuel tax credit	2,408,687	-	-	2,408,687
Local member participation	100,609	-	-	100,609
Interest income	-	-	945,155	945,155
Interest expense	(303,231)	-	-	(303,231)
Gain on disposal of capital assets	155,604	-	-	155,604
Total non-operating revenues (expenses)	13,222,045	-	(56,715,032)	(43,492,987)
Income (loss) before contributions and transfers	(14,869,291)	-	(56,715,032)	(71,584,323)
Transfers in	36,750,000	-	56,793,147	93,543,147
Transfers out	-	(594,760)	-	(594,760)
Changes in net assets	21,880,709	(594,760)	78,115	21,364,064
Net assets, beginning	38,890,279	594,760	10,449,839	49,934,878
Restatement	(432,243)	-	-	(432,243)
Net assets, beginning, as restated	38,458,036	594,760	10,449,839	49,502,635
Net assets, ending	\$ 60,338,745	\$ -	\$ 10,527,954	\$ 70,866,699

See accompanying notes to the financial statements.

Valley Metro
Regional Public Transportation Authority
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2007

	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	\$ 21,395,029	\$ 8,381	\$ 5,196,493	\$ 26,599,903
Payments to suppliers	(32,994,468)	(175,302)	(186,411)	(33,356,181)
Payments to employees	(905,519)	(56,063)	(5,163,928)	(6,125,510)
Net cash used in operating activities	(12,504,958)	(222,984)	(153,846)	(12,881,788)
Cash flows from noncapital and related financing activities				
Transfers in - sales taxes	20,727,358	-	500,000	21,227,358
Lead agency disbursements	(894,321)	-	(500,000)	(1,394,321)
Due to other funds	-	-	68,019	68,019
Receipts from federal grants	588,559	-	-	588,559
Net cash provided by noncapital financing activities	20,421,596	-	68,019	20,489,615
Cash flows from capital and related financing activities				
Purchases of capital assets	(18,498,052)	-	-	(18,498,052)
Lead agency disbursements	(7,828,100)	-	(40,174,942)	(48,003,042)
Receipts from federal capital grants	9,033,024	-	-	9,033,024
Proceeds from sale of capital assets	221,037	-	-	221,037
Transfers in - sales taxes	16,022,642	-	60,607,536	76,630,178
Local member participation	45,143	-	-	45,143
Principal payments of capital lease	(8,285,000)	-	-	(8,285,000)
Interest payments of capital lease	(303,231)	-	-	(303,231)
Net cash (used in) provided by capital and related financing activities	(9,592,537)	-	20,432,594	10,840,057
Cash flows from investing activities				
Interest received on investments	-	-	879,396	879,396
Net cash provided by investing activities	-	-	879,396	879,396
Net increase (decrease) in cash and cash equivalents	(1,675,899)	(222,984)	21,226,163	19,327,280
Cash and cash equivalents, beginning of year	6,716,397	222,984	1,515,941	8,455,322
Cash and cash equivalents, end of year	\$ 5,040,498	\$ -	\$ 22,742,104	\$ 27,782,602
Reconciliation of operating loss to net cash (used in) provided by operating activities				
Operating loss	\$ (28,091,336)	\$ -	\$ -	\$ (28,091,336)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:				
Depreciation	6,335,309	-	-	6,335,309
(Increase) decrease in assets:				
Accounts receivable	4,249,780	16,294	-	4,266,074
Due from other governments	(5,727,318)	-	(369,047)	(6,096,365)
Other assets	(100,609)	1,875	-	(98,734)
Increase (decrease) in liabilities:				
Accounts payable	10,754,075	(177,177)	-	10,576,898
Due to other governments	10,923	(7,913)	-	3,010
Other liabilities	64,218	(56,063)	215,201	223,356
Total adjustments	15,586,378	(222,984)	(153,846)	15,209,548
Net cash used in operating activities	\$ (12,504,958)	\$ (222,984)	\$ (153,846)	\$ (12,881,788)
Noncash capital and operating activities				
Reclassification of capital assets purchased in prior years to operating activities	\$ 626,250	\$ -	\$ -	\$ 626,250
Transfer of capital assets to governmental fund	\$ -	\$ 594,760	\$ -	\$ 594,760
Purchase of capital assets with a corresponding increase in accounts payable	\$ 1,742,459	\$ -	\$ -	\$ 1,742,459

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, 2007

	<u>LTA II Private Purpose Trust Fund</u>
Additions	
Contributions	\$ 10,924,565
Total additions	<u>10,924,565</u>
Deductions	
Distributions	<u>10,924,565</u>
Total deductions	<u>10,924,565</u>
Changes in net assets	-
Net assets, beginning of year	<u>-</u>
Net assets, end of year	<u>\$ -</u>

See accompanying notes to the financial statements.

Regional Public Transportation Authority

Index to the Notes to Financial Statements

	<u>Page</u>
1. Summary of Significant Accounting Policies	26
a. Financial Reporting Entity	26
b. Basic Financial Statements	26-28
c. Basis of Presentation	28-29
d. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	29-31
e. Budgetary Basis of Accounting	31
f. Deposits and Investments	31-32
g. Prepaid Items	32
h. Capital Assets	32-33
i. Transactions between Funds	33
j. Receivables	33-34
k. Capital Lease Obligations and Short-Term Borrowings	34
l. Compensated Absences	34
m. Cash Equivalents	34
n. Use of Estimates	35
o. Accounting Pronouncements	35-36
2. Reconciliation of Governmental Fund Financial Statements to Government-Wide Statements	36-38
3. Deposits and Investments	38
a. Deposits	38
b. Investments	39
4. Accounts Receivable and Interfund transactions	39-40
5. Fund Balance/Net Assets Reservations and Designations	41
6. Capital Assets	41-43
7. Capital Lease Obligations	43
8. Operating Leases	44
9. Compensated Absences	44
10. Risk Management	44
11. Retirement and Pension Plans	
a. Plan descriptions	44
b. Financial report	45
c. Funding policy	45
12. Other Post-employment Benefits	45
13. Deferred Compensation Plan	45
14. Contractual and Other Commitments	
a. Underground Storage Tank Revolving Fund Replenishment	46
b. Commitments	16
15. Contingencies	46-47
16. Related Party Transactions	47
17. Excess of Expenditures over Appropriations	47
18. Restatement	48
19. Reclassification of Fund Type	48

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. The following summary of the more significant accounting policies of the Authority is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this financial report.

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, Tempe and Goodyear, and the towns of Gilbert and Queen Creek. 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 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 5 discusses the internal reservations and designations of net assets in the various funds to demonstrate the government's intended use of those net assets.

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.

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. Effective on July 1, 2006, the Regional Customer Services Fund was reclassified as a special revenue fund (see Note 19).

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. Effective on July 1, 2006, the Regional Customer Services Fund was reclassified as a special revenue fund in governmental funds (see Note 19).

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 transfers in of the Public Transportation Fund (PTF) and the Regional Area Road Funds (RARF) 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. This fund is inactive and has no fund balance in fiscal year 2007.

The LTA 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.

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

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2007

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, 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 2.

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 \$15.5 million of revenues primarily due to the revised PTF revenue estimate from ADOT and approved the decrease of expenditures of \$4.8 million mainly due to some of the capital projects extended to fiscal year 2008.

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 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.

(Remainder of this page intentionally left blank)

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

<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
Site improvements	20

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

Activities 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 4 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

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 associated with operating, capital projects and capital maintenance.

During the fiscal year ended June 30, 2007, the Authority recorded \$2,408,687 as non-operating revenues and receivables of alternative fuel tax credit filed with the Internal Revenue Service (IRS) for fuel purchases through June 30, 2007. The Authority received the cash payments from the IRS within six months after year-end. The federal

alternative fuel tax credit went into effect October 1, 2006, as part of the 2005 Transportation Act. Government and certain nonprofit organizations that qualify for the credit but do not have excise tax liability can receive cash payment from the federal government in the amount of \$0.50 per gallon-equivalent. This credit applies to CNG, LNG, propane, and several other less frequently used fuels. RPTA registered with the IRS and was approved as a qualifying agency to receive the alternative fuel tax credit.

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. 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. The total obligation of \$8,285,000 was paid in full on June 30, 2007.

i. Compensated Absences

Employees of the Authority are entitled to 23.6 - 31.5 paid time off days (vacation and sick leave) per calendar year - based on an eight-hour workday, depending upon length of service. Accumulated and unpaid time off at June 30 is accrued and included in Other Liabilities.

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.

o. Accounting Pronouncements

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, 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.

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. The Authority implemented this statement for the fiscal year ended June 30, 2006.

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, GASB No. 47, *Accounting for Termination Benefits*. The adoptions of these standards have no impact to the Authority's financial statements as the Authority does not provide post-employment benefits for its employees upon separation of service or retirement from service other than the pension benefits through the Arizona State Retirement System (Note 11) and healthcare continuation under the Consolidated Omnibus Budget Reconciliation Act (Note 12).

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or a collateralized borrowings. The statement also includes disclosure requirements for future revenues that are pledged or sold. The requirements of the new statement become effective for the Authority's financial statements for fiscal periods beginning after December 15, 2006. The Authority is in the process of reviewing and evaluating this statement. Therefore, the potential affect of this new pronouncement on the financial statements cannot be determined at this time.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement provides guidance on how to calculate and report the costs

and obligations associated with pollution cleanup efforts. The requirements of the new statement become effective for the Authority's financial statements for fiscal periods beginning after December 15, 2007. The Authority is in the process of reviewing and evaluating this statement. Therefore, the potential affect of this new pronouncement on the financial statements cannot be determined at this time.

GASB Statement No. 50, *Pension Disclosures*. This statement amends GASB Statements No. 25 and No. 27 to require defined benefit pension plans and sole and agent employers to present information related to note disclosures or RSI. The requirements of the new statement become effective for the Authority's financial statements for fiscal periods beginning after June 15, 2007. The Authority is in the process of reviewing and evaluating this statement. Therefore, the potential affect of this new pronouncement on the financial statements cannot be determined at this time.

2. 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.

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

(Remainder of this page intentionally left blank)

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2007

	Total Governmental Funds	Long-term Assets/ Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
Assets				
Cash and investments	\$ 37,480,065	\$ -	\$ -	\$ 37,480,065
Receivables	187,425	-	-	187,425
Due from other governments	7,176,835	-	-	7,176,835
Due from other funds	3,122,596	-	(3,054,577)	68,019
Other assets	904	-	-	904
Capital assets (net)	-	1,362,413	-	1,362,413
Total assets	<u>\$ 47,967,825</u>	<u>\$ 1,362,413</u>	<u>\$ (3,054,577)</u>	<u>\$ 46,275,661</u>
Liabilities				
Accounts payable	\$ 1,414,010	\$ -	\$ -	\$ 1,414,010
Due to other funds	3,054,577	-	(3,054,577)	-
Due to other governments	42,458	-	-	42,458
Other liabilities	779,336	-	-	779,336
Total liabilities	<u>5,290,381</u>	<u>-</u>	<u>(3,054,577)</u>	<u>2,235,804</u>
Fund Balance/Net Assets				
Total fund balance/net assets	42,677,444	1,362,413	-	44,039,857
Total liabilities and fund balance/net assets	<u>\$ 47,967,825</u>	<u>\$ 1,362,413</u>	<u>\$ (3,054,577)</u>	<u>\$ 46,275,661</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	\$ 2,150,230
Accumulated depreciation	<u>(787,817)</u>
Capital assets, net	<u>\$ 1,362,413</u>

Interfund transactions between governmental activities of \$3,054,577 are eliminated in the consolidation of these activities for the statement of activities.

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

(Remainder of this page intentionally left blank)

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2007

	Total Governmental Funds	Capital Purchases Disposals and Transfers	Depreciation Disposals and Transfers	Statement of Activities Totals
Revenues				
Sales taxes	\$ 134,235,260	\$ -	\$ -	\$ 134,235,260
Intergovernmental	2,693,387	-	-	2,693,387
Charges for services	25,046	-	-	25,046
Interest earnings	1,664,357	-	-	1,664,357
Total revenues	138,618,050	-	-	138,618,050
Expenditures/Expenses				
Current:				
Regional planning	2,425,314	-	-	2,425,314
Transportation demand management	1,699,660	-	-	1,699,660
Administration	2,553,831	73,465	61,120	2,688,416
Regional customer services	7,177,206	-	112,580	7,289,786
Capital outlay	765,641	(765,641)	-	-
Total expenditures/expenses and other uses	14,621,652	(692,176)	173,700	14,103,176
Other financing uses/changes in net assets				
Transfers in	9,349,388	785,357	(190,597)	9,944,148
Transfers out	(102,892,535)	-	-	(102,892,535)
Total fund balance/net assets	(93,543,147)	785,357	(190,597)	(92,948,387)
Net change for the year	\$ 30,453,251	\$ 1,477,533	\$ (364,297)	\$ 31,566,487

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 expense. As a result, fund balance decreases by the amount of the financial resources expended for capital outlay (\$692,176), whereas net assets decrease by the amount of depreciation expense charged for the year (\$173,700); additionally, as stated in Note 19 of the reclassification of fund type, the net capital assets amounts presented above included \$594,760 of transfers in from the Regional Customer Services' capital assets net of accumulated depreciation of the proprietary funds.

3. 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 carrying amount of the Authority's deposits at June 30, 2007, was \$10,031,466 and the bank ledger balance was \$10,631,223. The difference of \$599,757 represents deposits in transit and outstanding checks. Of the bank balance, \$100,000 was covered

by federal depository insurance and \$10,531,223 was covered by collateral held by the pledging financial institution in the Authority's name.

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). As of June 30, 2007, the Authority's investments in the LGIP, investing in money market mutual funds, have the weighted average maturities less than 90 days.

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, 2007 consist of the following:

State of Arizona Local Government Investment Pool	\$ 55,231,201
---	---------------

Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, 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, 2007 consist of the following:

Carrying amount of the Authority's deposits	\$ 10,031,466
Investments in the LGIP	55,231,201
Total cash and investments	<u>\$ 65,262,667</u>

4. 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, 2007 are expected to be collected in full; therefore, an allowance for uncollectibles has not been recorded.

Net interfund receivables and payables between governmental activities and business-type activities of \$68,019 are included in the government-wide financial statements at June 30,

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2007

2007. The following interfund receivables and payables are included in the fund financial statements at June 30, 2007:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental activities:		
General fund	Valley Metro Rail	\$ 68,019
General fund	Nonmajor governmental funds	351,952
Public transportation fund	General fund	1,613,175
Regional Customer Services	General fund	889,140
Nonmajor governmental funds	General fund	200,310
Total		<u>\$ 3,122,596</u>

The interfund balances at June 30, 2007 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, 2007 are expected to be repaid within one year.

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. The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2007.

	<u>Transfers Out</u>		<u>Totals</u>
	<u>General Fund</u>	<u>Public Transportation Fund</u>	
<u>Transfers In</u>			
Governmental funds:			
Regional customer services	\$ -	\$ 7,513,218	\$ 7,513,218
Nonmajor governmental funds	1,231,039	605,131	1,836,170
Total governmental funds	<u>1,231,039</u>	<u>8,118,349</u>	<u>9,349,388</u>
Enterprise funds:			
Transit service operations	-	36,750,000	36,750,000
Valley Metro Rail	500,000	56,293,147	56,793,147
Total enterprise funds	<u>500,000</u>	<u>93,043,147</u>	<u>93,543,147</u>
Grand totals	<u>\$ 1,731,039</u>	<u>\$ 101,161,496</u>	<u>\$ 102,892,535</u>

In addition to the above transfers between funds of the Authority, the additional amount of \$594,760 was transferred out of the Regional Customer Services' net capital assets of the enterprise fund to the governmental fund (see Note 19). Net transfers from governmental activities to business-type activities on the government-wide statement of activities to the Enterprise funds are in the amount \$92,948,387.

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements

Fiscal Year Ended June 30, 2007

5. Fund Balance/Net Assets Reservations and Designations

General Fund:

Unreserved/Designated - At June 30, 2007, \$1,002,229 of fund balance was designated by management for the payment of accrued compensated absences.

Unreserved/Undesignated - At June 30, 2007, \$1,433,788 of fund balance was unreserved and undesignated.

Public Transportation Fund:

Unreserved/Designated - At June 30, 2007, \$21,059,001 of fund balance was designated by management to be transferred out to repay the local governments for the construction of the East and West Valley operating facilities for fixed route services.

Unreserved/Undesignated - At June 30, 2007, \$19,182,426 of fund balance was unreserved and undesignated.

Transit Service Operations Enterprise Fund:

Restricted for Vanpool Vehicle Replacement - At June 30, 2007, \$1,778,889 was restricted for replacement of vanpool vehicles.

Unrestricted - At June 30, 2007, \$10,614,049 of fund balance was unrestricted.

However, for internal purposes the Authority has earmarked \$5,933,005 at June 30, 2007, for completing the following capital projects: \$4,211,199 for purchase of the regional operating facility in Mesa, purchase and installation of equipment at the facility; \$1,626,058 for disbursements to local governments for pre-design, design, land and construction of park-and-ride facilities; \$69,066 for vanpool replacement and \$26,682 vanpool expansion.

6. Capital Assets

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2007:

(Remainder of this page intentionally left blank)

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2007

	Balances, July 1, 2006 (restated)		Increases	Decreases	Balances, June 30, 2007	
Governmental activities:						
Non-depreciable assets:						
Work in progress -						
SANS processor and equipment	\$	-	\$ 102,629	\$	-	\$ 102,629
Regional customer relation management system		-	195,635		-	195,635
Total work in progress		-	298,264		-	298,264
Depreciable assets:						
Computers & software	\$	261,047	\$ 992,838	(26,185)	\$	1,227,700
Equipment		169,036	72,908	-		241,944
Vehicles		76,810	76,631	-		153,441
Furniture & fixtures		191,988	36,893	-		228,881
Total depreciable assets at historical cost		698,881	1,179,270	(26,185)		1,851,966
Less accumulated depreciation for:						
Computers & software		(234,308)	(277,231)	26,185		(485,354)
Equipment		(126,055)	(31,978)	-		(158,033)
Vehicles		(64,140)	(10,202)	-		(74,342)
Furniture & fixtures		(25,201)	(44,887)	-		(70,088)
Total accumulated depreciation		(449,704)	(364,298)	26,185		(787,817)
Governmental activities capital assets, net	\$	249,177	\$ 1,113,236	\$	-	\$ 1,362,413
Business-type activities:						
Non-depreciable assets:						
Work in progress -						
Bus spec development	\$	-	\$ 49,750	\$	-	\$ 49,750
Fare collection system		-	1,496,416		-	1,496,416
Voice recording/quality monitoring system		385,848	-	(385,848)		-
Articulated buses		3,640,118	-	(3,640,118)		-
East valley equipment upgrades		51,006	39	(28,292)		22,753
Diesel fuel station		178,019	-	(178,019)		-
LNG fuel station		626,250	-	(626,250)		-
Total work in progress		4,881,241	1,546,205	(4,858,527)		1,568,919
Depreciable assets:						
Transit fleet		58,753,865	21,669,868	(3,123,266)		77,300,467
Site improvements		-	685,209	-		685,209
Computers & software		289,708	75,932	(289,708)		75,932
Equipment		2,501,573	109,726	(72,906)		2,538,391
Furniture & fixtures		120,558	-	(36,893)		83,665
Total depreciable assets at historical cost		61,665,704	22,540,735	(3,522,775)		80,683,664
Less accumulated depreciation for:						
Transit fleet		(30,691,997)	(5,924,609)	3,057,833		(33,558,773)
Site improvements		-	(34,260)	-		(34,260)
Computers & software		(165,987)	(2,109)	165,987		(2,109)
Equipment		(330,234)	(362,379)	12,420		(680,193)
Furniture & fixtures		(31,679)	(11,952)	12,190		(31,441)
Total accumulated depreciation		(31,219,897)	(6,335,309)	3,248,430		(34,306,776)
Business-type activities capital assets, net	\$	35,327,048	\$ 17,751,631	\$ (5,132,872)	\$	47,945,807

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2007

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

	Government- Wide	Business- Type
General government	\$ 61,120	\$ -
Regional customer services	112,580	-
Transit service operations	-	6,335,309
Total depreciation expense	<u>\$ 173,700</u>	<u>\$ 6,335,309</u>

During the fiscal year ended June 30, 2007, the Authority closed out the Regional Customer Services enterprise fund. The Assets previously reported in the business-type activities were transferred to the governmental activities, reflecting a current year increase in the governmental activities of \$785,357 cost and \$190,597 in accumulated depreciation, corresponding decrease was recorded in the business-type activities (see Note 19).

The Authority's enterprise funds have entered into contracts having remaining commitments at June 30, 2007 as follows:

	To Date	Amount	Commitments
Governmental activities:			
SANS processor and equipment	\$ 102,629	\$ 102,629	\$ -
Regional customer relation management system	195,635	343,793	148,158
Business-type activities:			
Bus spec development	49,750	97,750	48,000
Fare collection system	1,496,416	3,145,183	1,648,767
East valley equipment upgrades	22,753	96,591	73,838
Total work in progress	<u>\$ 1,867,183</u>	<u>\$ 3,785,946</u>	<u>\$ 1,918,763</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.

7. Capital Lease Obligations

During fiscal year 2006, the Authority entered into a Board approved capital lease purchase financing agreement with SunTrust Leasing Corporation to acquire 23 buses one year in advance of the Transit Life Cycle Program (TLCP). The debt totaling \$8,285,000 was paid off in its entirety on June 30, 2007.

There are no capital lease obligations outstanding at June 30, 2007.

8. Operating Leases

The Authority leases office space, fuel station and land under various operating lease agreements. Total rent expenditures for these leases were \$1,054,757, for the fiscal year ended June 30, 2007. The future minimum lease payments under noncancelable operating leases at June 30, 2007 were as follows:

Year Ending June 30		
2008	\$	1,188,536
2009		<u>459,888</u>
Total	\$	<u><u>1,648,424</u></u>

9. Compensated Absences

Compensated absences activity for the fiscal year ended June 30, 2007, is as follows:

	Balance, July 1, 2006	Increases	Decreases	Balance, June 30, 2007	Amount Due Within One Year
Compensated absences:					
Governmental activities	\$ 248,230	\$ 664,802	\$ (444,052)	\$ 468,980	\$ 468,980
Business-type activities	400,995	450,207	(317,953)	533,249	533,249
	<u>\$ 649,225</u>	<u>\$ 1,115,009</u>	<u>\$ (762,005)</u>	<u>\$ 1,002,229</u>	<u>\$ 1,002,229</u>

10. 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.

11. Retirement and Pension Plans

Arizona State Retirement System

a. Plan descriptions

All full-time Authority employees participate in the Arizona State Retirement System (ASRS), a multiple-employer cost sharing defined benefit pension plan. The ASRS is administered in accordance with Title 38, Chapter 5, of the Arizona Revised Statutes.

b. Financial report

The Arizona State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. A report may be obtained by writing to ASRS, P.O. Box 33910, Phoenix, Arizona 85067-3910, or by calling 1-800-621-3778.

c. Funding policy

The Arizona Revised Statutes provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. The Arizona State Legislature establishes and may amend a contribution rate other than the actuarially determined rate. For the year ended June 30, 2007, the Authority and active ASRS members were each required by statute to contribute at the actuarially determined rate of 9.1% (8.6% retirement and 0.5% long-term disability) of the annual covered payroll. The Authority's contributions from employer to ASRS for the year ended June 30, 2007 were \$859,573, which were equal to the required contributions for the year by the employer. This was the first year that the Authority participated in the Arizona State Retirement System.

12. Other Post-Employment Benefits

As mentioned in Note 1 (o) related to GASB Statements No. 43, 45 and 47, that other than the pension benefits through the Arizona State Retirement System and healthcare continuation under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Authority does not provide post-employment benefits for its employees upon separation of service or retirement from service.

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, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the Authority does not account for or report the Deferred Compensation Plan in the financial records. The Plan is administered by ICMA Retirement Corporation, 777 North Capital Street, NE, Washington, D.C. 2002-4240.

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/maintenance facilities for bus services, bus stop improvements, and ADA reimbursement contracts. At June 30, 2007, the Authority had outstanding contractual commitments for these services aggregating approximately \$40.3 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 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.

During the fiscal year ended June 30, 2007, the Authority received one distribution of payouts of funds being held by the Indenture Trustee for NCFE securities totaling \$28,537 plus interest on those amounts totaling \$712. Of the total \$29,250 received, \$11,639 was allocated to Valley Metro Rail, Inc. As of June 30, 2007, the balance was reduced to \$106,708. Of the \$106,708, \$42,458 was invested on behalf of Valley Metro Rail, Inc.

16. Related Party Transactions

As mentioned in Note 1 (a), the members of VMR's Board of Directors are also members of the fourteen-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, 2007, VMR paid \$5,565,540 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):

General fund - excess of \$89,189
Regional Customer Services fund - excess of \$229,003

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. Restatement

The July 1, 2006 beginning net assets amount of the Transit Service Operations proprietary fund has been restated, for a downward adjustment of \$432,243, in order to reflect the LNG project expenses that were reclassified from work-in-progress capital assets during fiscal year 2007 and to account for the amount as operating expenses prior to fiscal year 2007.

19. Reclassification of Fund Type

Effective on July 1, 2006, the Regional Customer Services Fund was reclassified from an enterprise fund of the proprietary funds to a major special revenue fund of the governmental funds, and the residual balances of current assets and liabilities, along with the capital assets at cost in the amount of \$785,357 and the accumulated depreciation in the amount of \$190,597, were transferred accordingly. This fund is no longer collecting fees for services from the member cities and towns, financing sources are now funded mainly from transfers of the sales tax revenues from the Public Transportation Fund.

Other Supplementary Information

**Combining and Individual Fund
Financial Statements and Schedules**

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, 2007

	Transit Planning	Transportation Demand Management	Capital and Other Grants	Total Nonmajor Governmental Funds
Assets				
Receivables	\$ -	\$ -	\$ 11,605	\$ 11,605
Due from other governments	143,623	692,586	-	836,209
Due from other funds	200,310	-	-	200,310
Other assets	-	904	-	904
Total assets	\$ 343,933	\$ 693,490	\$ 11,605	\$ 1,049,028
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 225,023	\$ 255,705	\$ -	\$ 480,728
Due to other funds	-	340,347	11,605	351,952
Other liabilities	118,910	97,438	-	216,348
Total liabilities	343,933	693,490	11,605	1,049,028
Fund balances:				
Unreserved, undesignated	-	-	-	-
Total fund balances	-	-	-	-
Total liabilities and fund balances	\$ 343,933	\$ 693,490	\$ 11,605	\$ 1,049,028

Valley Metro

Regional Public Transportation Authority

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2007

	<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	794,950	-	3,455	798,405
CMAQ	-	1,298,056	-	1,298,056
Other federal grants	-	1,604	-	1,604
Charges for services	25,046	-	-	25,046
Total revenues	<u>819,996</u>	<u>1,699,660</u>	<u>3,455</u>	<u>2,523,111</u>
Expenditures:				
Current:				
Regional planning:				
Long range	403,337	-	-	403,337
Short range	558,664	-	-	558,664
Capital	164,722	-	-	164,722
Program support	1,298,591	-	-	1,298,591
Transportation demand management:				
Trip reduction	-	719,854	-	719,854
Ridesharing	-	594,549	-	594,549
Other programs	-	385,257	-	385,257
Capital outlay	-	-	234,307	234,307
Total expenditures	<u>2,425,314</u>	<u>1,699,660</u>	<u>234,307</u>	<u>4,359,281</u>
Deficiency of revenues under expenditures	<u>(1,605,318)</u>	<u>-</u>	<u>(230,852)</u>	<u>(1,836,170)</u>
Other financing sources:				
Transfers in:				
General fund	1,000,187	-	230,852	1,231,039
Public transportation fund	605,131	-	-	605,131
Total other financing sources	<u>1,605,318</u>	<u>-</u>	<u>230,852</u>	<u>1,836,170</u>
Net change in fund balances	-	-	-	-
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

Transit Planning Fund

Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal Transit Administration	\$ 1,224,449	\$ 697,040	\$ 794,950	\$ 97,910
Charges for services	379,433	140,427	25,046	(115,381)
Total revenues	<u>1,603,882</u>	<u>837,467</u>	<u>819,996</u>	<u>(17,471)</u>
Expenditures:				
Current:				
Long range	375,202	516,462	403,337	(113,125)
Short range	2,056,736	445,980	558,664	112,684
Capital	418,751	118,751	164,722	45,971
Program support	1,605,106	1,496,330	1,298,591	(197,739)
Total expenditures	<u>4,455,795</u>	<u>2,577,523</u>	<u>2,425,314</u>	<u>(152,209)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,851,913)</u>	<u>(1,740,056)</u>	<u>(1,605,318)</u>	<u>134,738</u>
Transfers in:				
General fund	1,650,269	1,205,162	1,000,187	(204,975)
Public transportation fund	1,201,644	534,894	605,131	70,237
Total transfers in	<u>2,851,913</u>	<u>1,740,056</u>	<u>1,605,318</u>	<u>(134,738)</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, 2007

	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	1,444,000	1,444,000	1,298,056	(145,944)
Other federal grants	42,000	42,000	1,604	(40,396)
Total revenues	<u>1,886,000</u>	<u>1,886,000</u>	<u>1,699,660</u>	<u>(186,340)</u>
Expenditures:				
Current:				
Trip reduction	842,000	842,000	719,854	(122,146)
Ridesharing	594,000	594,000	594,549	549
Other programs	450,000	450,000	385,257	(64,743)
Total expenditures	<u>1,886,000</u>	<u>1,886,000</u>	<u>1,699,660</u>	<u>(186,340)</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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal Transit Administration	\$ 40,000	\$ 40,000	\$ 3,455	\$ (36,545)
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>3,455</u>	<u>(36,545)</u>
Expenditures:				
Capital outlay	565,000	565,000	234,307	(330,693)
Total expenditures	<u>565,000</u>	<u>565,000</u>	<u>234,307</u>	<u>(330,693)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(525,000)</u>	<u>(525,000)</u>	<u>(230,852)</u>	<u>294,148</u>
Transfers in:				
General fund	525,000	525,000	230,852	(294,148)
Net change in fund balance	-	-	-	-
Budgetary fund balance, beginning	-	-	-	-
Budgetary fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2007

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
Operating Revenues:				
Charges for services	\$ 24,221,961	\$ 24,253,038	\$ 22,973,176	\$ (1,279,862)
Total operating revenues	<u>24,221,961</u>	<u>24,253,038</u>	<u>22,973,176</u>	<u>(1,279,862)</u>
Operating Expenses:				
Local & express bus service	34,744,174	35,200,546	35,682,982	482,436
Paratransit service	8,143,627	7,873,627	7,929,392	55,765
Vanpool service	778,346	778,346	784,831	6,485
Safety and security	706,039	706,039	240,236	(465,803)
Administrative and general	28,390	28,390	91,762	63,372
Contingency	4,058,437	1,086,976	-	(1,086,976)
Capital outlay	20,933,847	20,382,599	20,240,511	(142,088)
Total operating expenses	<u>69,392,860</u>	<u>66,056,523</u>	<u>64,969,714</u>	<u>(1,086,809)</u>
Operating income (loss)	<u>(45,170,899)</u>	<u>(41,803,485)</u>	<u>(41,996,538)</u>	<u>(193,053)</u>
Non-Operating Revenues (Expenses):				
Lead agency disbursements	(18,291,348)	(13,648,998)	(8,722,421)	4,926,577
Federal Transit Administration grants	19,301,662	24,284,500	19,582,797	(4,701,703)
IRS fuel tax credit	-	-	2,408,687	2,408,687
Local member participation	-	-	100,609	100,609
Proceeds from disposition of assets	-	-	221,037	221,037
Principal payments	(8,285,000)	(8,285,000)	(8,285,000)	-
Interest expense	(303,231)	(303,231)	(303,231)	-
Total nonoperating revenues (expenses)	<u>(7,577,917)</u>	<u>2,047,271</u>	<u>5,002,478</u>	<u>2,955,207</u>
Income (loss) before transfers	(52,748,816)	(39,756,214)	(36,994,060)	2,762,154
Transfers in:				
General fund	-	-	-	-
Public transportation fund	53,874,178	41,120,350	36,750,000	(4,370,350)
Total transfers in	<u>53,874,178</u>	<u>41,120,350</u>	<u>36,750,000</u>	<u>(4,370,350)</u>
Excess revenues over expenses - budgetary basis	<u>\$ 1,125,362</u>	<u>\$ 1,364,136</u>	<u>\$ (244,060)</u>	<u>\$ (1,608,196)</u>

Explanation of differences between budgetary basis and GAAP basis

Excess revenues over expenses - budgetary basis	\$ (244,060)
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes	20,240,511
Debt principal payments are an expense for budgetary purposes, but are a reduction of long-term obligations and therefore not an expense GAAP purposes	8,285,000
Depreciation is not a budgeted expense, but is an expense for GAAP purposes	(6,335,309)
Proceeds from disposition of assets increase financial resources for budgetary basis, but is not a revenue for GAAP basis	(221,037)
The gain on disposal of capital assets is not a budgeted expense, but is a revenue for GAAP purposes	155,604
Changes in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 21,880,709</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, 2007

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
Operating Revenues:				
Charges for services				
Total operating revenues	\$ 7,142,141	\$ 7,142,141	\$ 5,565,540	\$ (1,576,601)
	<u>7,142,141</u>	<u>7,142,141</u>	<u>5,565,540</u>	<u>(1,576,601)</u>
Operating Expenses:				
Light rail staff and administration	7,142,141	7,142,141	5,565,540	(1,576,601)
Total operating expenses	<u>7,142,141</u>	<u>7,142,141</u>	<u>5,565,540</u>	<u>(1,576,601)</u>
Operating income (loss)	-	-	-	-
Non-Operating Revenues (Expenses):				
Lead agency disbursements	(53,127,404)	(57,663,280)	(57,660,187)	3,093
Interest income	-	-	945,155	945,155
Total nonoperating revenues (expenses)	<u>(53,127,404)</u>	<u>(57,663,280)</u>	<u>(56,715,032)</u>	<u>948,248</u>
Income (loss) before transfers	(53,127,404)	(57,663,280)	(56,715,032)	948,248
Transfers in:				
General fund	500,000	500,000	500,000	-
Transfers from public transportation fund	<u>52,627,404</u>	<u>57,163,280</u>	<u>56,293,147</u>	<u>(870,133)</u>
Total transfers in	<u>53,127,404</u>	<u>57,663,280</u>	<u>56,793,147</u>	<u>(870,133)</u>
Excess revenues over expenses - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,115</u>	<u>\$ 78,115</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.



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 Six 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>	<u>FY 2006/07</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 152,674	\$ 175,418	\$ 199,619	\$ 161,090	\$ 249,177	\$ 1,362,413
Restricted	-	-	-	-	-	-
Unrestricted	2,303,561	2,303,561	3,300,859	3,300,859	12,224,193	42,677,444
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>	<u>\$ 44,039,857</u>
Business-type activities						
Invested in capital assets, net of related debt (1)	\$ 17,034,467	\$ 14,186,807	\$ 11,497,494	\$ 12,283,769	\$ 27,042,048	\$ 47,945,807
Restricted	726,021	1,116,356	1,559,108	1,827,192	5,301,289	1,778,889
Unrestricted	12,075	943,423	1,250,277	1,299,780	17,159,298	21,142,003
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>\$ 49,502,635</u>	<u>\$ 70,866,699</u>
Primary government						
Invested in capital assets, net of related debt (1)	\$ 17,187,141	\$ 14,362,225	\$ 11,697,113	\$ 12,444,859	\$ 27,291,225	\$ 49,308,220
Restricted	726,021	1,116,356	1,559,108	1,827,192	5,301,289	1,778,889
Unrestricted	2,315,636	3,246,984	4,551,136	4,600,639	29,383,491	63,819,447
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>\$ 61,976,005</u>	<u>\$ 114,906,556</u>

(1) Restated FY2005/06, see Note # 18 of Notes to the Financial Statements.

Valley Metro
Regional Public Transportation Authority
 Changes in Net Assets
 Last Six 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>	<u>FY 2006/07</u>
Expenses						
Governmental activities:						
Regional planning:						
Long range planning	\$ 212,391	\$ 367,279	\$ 167,057	\$ 162,287	\$ 187,496	\$ 403,337
Short range planning	256,925	274,302	242,945	145,690	322,430	558,664
Capital planning	307,518	118,161	163,818	236,219	197,256	164,722
Program support	29,746	43,722	53,199	171,169	534,285	1,298,591
Transportation demand management:						
Trip reduction	853,216	820,699	784,056	931,196	865,290	719,854
Ridesharing	608,955	589,798	656,311	514,977	645,052	594,549
Other programs	497,885	294,016	267,869	486,102	326,903	385,257
Regional customer services (1):						
Marketing	-	-	-	-	-	2,578,094
Call center	-	-	-	-	-	3,087,948
Other programs	-	-	-	-	-	1,623,744
Administration:						
Executive director's office	262,172	226,215	238,134	400,777	514,158	1,712,451
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	260,965
Community funded transportation	1,000,000	51,652	51,652	51,652	-	715,001
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>	<u>14,103,177</u>
Business-type activities:						
Transit service operations (2)	28,475,928	30,011,849	30,650,723	34,834,292	38,578,007	60,090,164
Regional customer services (1)	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	63,225,727
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>61,255,735</u>	<u>123,315,891</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>\$65,605,544</u>	<u>\$137,419,068</u>

(1) See Note # 19 of Notes to the Financial Statements.

(2) Restated FY2005/06, see Note # 18 of Notes to the Financial Statements.

(Continued)

**Valley Metro
Regional Public Transportation Authority**

Changes in Net Assets (Continued)

Last Six 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>	<u>FY 2006/07</u>
Program revenues						
Governmental activities:						
Charges for services	\$ -	\$ 3,370	\$ 32,501	\$ 49,642	\$ 75,295	\$ 25,046
Operating grants and contributions	2,486,448	2,259,396	1,949,879	2,288,916	2,358,485	2,494,611
Capital grants and contributions	122,392	94,488	92,140	172,438	48,382	198,777
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>	<u>2,718,434</u>
Business-type activities:						
Charges for services						
Transit service operations:						
Local & express bus service	\$ 11,474,892	\$ 14,423,963	\$ 15,487,044	\$ 18,135,892	\$ 18,963,733	\$ 20,131,861
Paratransit service	4,603,962	4,623,029	4,640,901	5,344,925	4,075,963	2,118,843
Vanpool service	319,875	594,796	534,764	526,891	692,342	685,743
Other activities	53,288	58,957	70,001	49,550	182,809	36,729
Regional customer services (1)	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	5,565,540
Operating grants and contributions	13,324,905	4,108,637	1,834,067	5,140,813	1,186,038	642,313
Capital grants and contributions	5,374,355	609,542	820,223	387,845	17,286,134	19,041,093
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>	<u>48,222,122</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>	<u>\$ 50,940,556</u>
Net (Expense)/Revenue						
Governmental activities	\$ (1,803,979)	\$ (822,146)	\$ (995,746)	\$ (1,224,799)	\$ (1,867,647)	\$ (11,384,743)
Business-type activities (1) (2)	(5,093,239)	(8,291,977)	(7,595,516)	(5,409,366)	(10,282,634)	(75,093,769)
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>\$ (12,150,281)</u>	<u>\$ (86,478,512)</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	\$ 134,235,260
Interest earnings	167,272	64,528	83,977	103,981	124,312	1,664,357
Other income	-	21,603	966	1,047	-	-
Transfers in (out)	(789,672)	(1,828,543)	(1,139,423)	-	(44,329,950)	(92,948,387)
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>	<u>42,951,230</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	945,155
Other income	16,775	-	-	-	-	2,564,291
Transfers in (out)	789,672	1,828,543	1,139,423	-	44,329,950	92,948,387
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>	<u>96,457,833</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>	<u>\$ 139,409,063</u>
Change in net assets:						
Governmental activities	\$ (485,211)	\$ 22,744	\$ 1,021,499	\$ 34,251	\$ 9,011,421	\$ 31,566,487
Business-type activities (2)	1,159,020	(1,525,977)	(1,939,707)	1,152,752	34,091,894	21,364,064
Total primary government net expense	<u>\$ 673,809</u>	<u>\$ (1,503,233)</u>	<u>\$ (918,208)</u>	<u>\$ 1,187,003</u>	<u>\$ 43,103,315</u>	<u>\$ 52,930,551</u>

(1) See Note # 19 of Notes to the Financial Statements.

(2) Restated FY2005/06, see Note # 18 of Notes to the Financial Statements.

Valley Metro
Regional Public Transportation Authority
 Fund Balances of Governmental Funds
 Last Six 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>	<u>FY 2006/07</u>
General fund:						
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated	238,405	318,191	384,887	350,173	649,225	1,002,229
Unreserved, undesignated	2,065,156	1,985,370	2,915,972	2,950,686	1,638,892	1,433,788
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>	<u>\$ 2,436,017</u>
All other governmental funds:						
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designed, reported in Special revenue funds	-	-	-	-	-	21,059,001
Unreserved, undesignated, reported in Special revenue funds	-	-	-	-	9,936,076	19,182,426
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,936,076</u>	<u>\$ 40,241,427</u>

Valley Metro
Regional Public Transportation Authority
Changes in Fund Balances of Governmental Funds
Last Six 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>	<u>FY 2006/07</u>
Revenues						
Sales taxes	\$ 1,941,168	\$ 2,587,302	\$ 3,071,725	\$ 1,154,022	\$ 55,084,706	\$ 134,235,260
Intergovernmental:						
State & county grants	409,000	400,000	400,000	400,000	400,000	400,000
Federal Transit Administration	553,492	599,460	335,365	526,176	569,622	993,727
CMAQ	1,604,348	1,312,424	1,264,654	1,493,178	1,395,577	1,298,056
Other federal grants	42,000	42,000	42,000	42,000	41,668	1,604
Charges for services	-	3,370	32,501	49,642	75,295	25,046
Interest earnings	167,272	64,528	83,977	103,981	124,312	1,664,357
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>	<u>138,618,050</u>
Expenditures						
Governmental activities:						
Regional planning:						
Long range planning	212,391	367,279	167,057	162,287	187,496	403,337
Short range planning	256,925	274,302	242,945	145,690	322,430	558,664
Capital planning	307,518	118,161	163,818	236,219	197,256	164,722
Program support	29,746	43,722	53,199	171,169	534,285	1,298,591
Transportation demand management:						
Trip reduction	853,216	820,699	784,056	931,196	865,290	719,854
Ridesharing	608,955	589,798	656,311	514,977	645,052	594,549
Other programs	497,885	294,016	267,869	486,102	326,903	385,257
Regional customer services (1):						
Marketing	-	-	-	-	-	2,578,094
Call center	-	-	-	-	-	3,087,948
Other programs	-	-	-	-	-	1,511,164
Administration:						
Executive director's office	262,172	226,215	238,134	400,777	514,158	1,712,451
Communications & government relations	162,556	207,283	247,948	161,979	207,304	260,965
Finance & management services	87,255	91,684	106,305	293,648	419,571	580,415
Community funded transportation	1,000,000	51,652	51,652	51,652	-	-
Capital outlay	153,369	117,333	115,173	214,350	218,151	765,641
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>	<u>14,621,652</u>
Excess of revenues over expenditures	285,292	1,828,543	2,136,721	-	53,253,284	123,996,398
Other financing sources (uses)						
Transfers in	-	-	-	-	814,701	9,349,388
Transfers out	(789,672)	(1,828,543)	(1,139,423)	-	(45,144,651)	(102,892,535)
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>	<u>(93,543,147)</u>
Net change in fund balances	\$ (504,380)	\$ -	\$ 997,298	\$ -	\$ 8,923,334	\$ 30,453,251

Valley Metro
Regional Public Transportation Authority
Sales Tax Revenues by Component (1)
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>FY 1997/98</u>	<u>FY 1998/99</u>	<u>FY 1999/00</u>	<u>FY 2000/01</u>
Governmental activities				
Regional area road funds	\$ 6,883,299	\$ 7,019,772	\$ 7,090,674	\$ 7,193,836
Public transportation funds	-	-	-	-
Total governmental activities sales taxes	<u>\$ 6,883,299</u>	<u>\$ 7,019,772</u>	<u>\$ 7,090,674</u>	<u>\$ 7,193,836</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	\$ 6,883,299	\$ 7,019,772	\$ 7,090,674	\$ 7,193,836
Public transportation funds	-	-	-	-
Total primary government sales taxes	<u>\$ 6,883,299</u>	<u>\$ 7,019,772</u>	<u>\$ 7,090,674</u>	<u>\$ 7,193,836</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 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06 (2)</u>	<u>FY 2006/07</u>
\$ 1,941,168	\$ 2,587,302	\$ 3,071,725	\$ 1,154,022	\$ 3,938,570	\$ 4,047,593
-	-	-	-	51,146,136	130,187,667
<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>	<u>\$ 134,235,260</u>
\$ 5,400,322	\$ 4,914,755	\$ 4,516,066	\$ 6,559,344	\$ -	\$ -
-	-	-	-	-	-
<u>\$ 5,400,322</u>	<u>\$ 4,914,755</u>	<u>\$ 4,516,066</u>	<u>\$ 6,559,344</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,341,490	\$ 7,502,057	\$ 7,587,791	\$ 7,713,366	\$ 3,938,570	\$ 4,047,593
-	-	-	-	51,146,136	130,187,667
<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>	<u>\$ 134,235,260</u>

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

	<u>FY 1997/98</u>	<u>FY 1998/99</u>	<u>FY 1999/00</u>	<u>FY 2000/01</u>
Regional area road funds				
Freeways	\$ 202,380	\$ 222,450	\$ 241,505	\$ 257,529
Regional Public Transportation Authority / Maricopa Association of Governments (1)	6,883	7,020	7,091	7,194
Arterial streets	-	-	-	-
Total regional area road fund distributions	<u>209,263</u>	<u>229,470</u>	<u>248,596</u>	<u>264,722</u>
Public transportation funds	-	-	-	-
Total Maricopa County transportation excise tax revenue distributions	<u>\$ 209,263</u>	<u>\$ 229,470</u>	<u>\$ 248,596</u>	<u>\$ 264,722</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) Distributions are a mix of both Proposition 300 and Proposition 400 collections.

(Continued)

<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>	<u>FY 2006/07 (2)</u>
\$ 260,222	\$ 261,219	\$ 281,012	\$ 309,092	\$ 292,487	\$ 213,119
7,341	7,502	7,588	7,713	7,877	8,095
-	-	-	-	16,127	41,050
<u>267,563</u>	<u>268,721</u>	<u>288,600</u>	<u>316,805</u>	<u>316,491</u>	<u>262,264</u>
-	-	-	-	51,146	130,188
<u>\$ 267,563</u>	<u>\$ 268,721</u>	<u>\$ 288,600</u>	<u>\$ 316,805</u>	<u>\$ 367,637</u>	<u>\$ 392,452</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
1997/98	\$ 104,073	\$ 30,610	\$ 15,101	\$ 16,917	\$ 19,552	\$ 11,539	\$ 11,471	\$ 209,263
1998/99	113,528	35,632	15,680	18,304	20,266	12,787	13,273	229,470
1999/00	124,428	37,384	16,437	20,005	22,080	13,434	14,828	248,596
2000/01	131,608	38,820	17,862	21,395	24,112	14,416	16,509	264,722
2001/02	131,393	41,218	18,432	21,748	24,529	13,928	16,315	267,563
2002/03	133,922	38,894	18,485	22,646	25,747	12,834	16,193	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
2006/07 (1)	187,817	73,864	26,697	33,073	36,398	15,053	19,550	392,452

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 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.

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

	<u>FY 1997/98</u>	<u>FY 1998/99</u>	<u>FY 1999/00</u>	<u>FY 2000/01</u>
Retail sales				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	49.7400%	49.5400%	50.0500%	49.7200%
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	14.6300%	15.5000%	15.0400%	14.6600%
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	9.3400%	9.2500%	8.8800%	9.1100%
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	8.0800%	8.0000%	8.0500%	8.0800%
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	7.2200%	6.8800%	6.6100%	6.7500%
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	5.5100%	5.4700%	5.4000%	5.4500%
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	3.2000%	3.2400%	3.4100%	3.7200%
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	1.1900%	1.0900%	1.1400%	1.0800%
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	0.9600%	0.9300%	0.8700%	0.7800%
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	0.1300%	0.1100%	0.5500%	0.6500%
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	0.0000%	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 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06</u>	<u>FY 2006/07</u>
49.1100%	49.8400%	50.1800%	49.9300%	49.9300%	47.8600%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
15.4000%	14.4700%	15.0800%	16.5200%	16.5200%	18.8200%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
9.1700%	9.5800%	9.0500%	9.2500%	9.2500%	9.2700%
1.8200%	1.8200%	1.8200%	1.8200%	1.8200%	1.8200%
0.5120%	0.5120%	0.5120%	0.5120%	0.5120%	0.5120%
8.1300%	8.4300%	8.6000%	8.5800%	8.5800%	8.4300%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
6.8900%	6.8800%	6.9200%	6.5700%	6.5700%	6.8000%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
5.2100%	4.7800%	4.3800%	3.9800%	3.9800%	3.8400%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
3.7300%	3.4500%	3.3400%	3.2000%	3.2000%	2.9300%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
1.1200%	1.1100%	1.0600%	1.0500%	1.0500%	1.0600%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
0.7000%	0.7000%	0.6300%	0.6100%	0.6100%	0.5300%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
0.5600%	0.7600%	0.7600%	0.3100%	0.3100%	0.4600%
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 1997/98 (1)</u>	<u>FY 1998/99 (1)</u>	<u>FY 1999/00 (1)</u>	<u>FY 2000/01 (2)</u>	<u>FY 2001/02 (1)</u>
Maricopa County	2,720,575	2,806,100	2,913,475	3,072,149	3,192,125
Avondale	26,020	28,650	32,270	35,883	40,445
Chandler	151,370	160,165	169,000	176,581	186,875
El Mirage	5,770	5,885	5,860	7,609	11,915
Gilbert	79,310	91,290	100,850	109,697	122,360
Glendale	191,105	196,820	208,095	218,812	224,970
Goodyear (3)	N/A	N/A	N/A	N/A	N/A
Mesa	350,555	361,895	374,560	396,375	414,075
Peoria	83,505	89,930	101,235	108,364	117,200
Phoenix	1,205,285	1,220,710	1,240,775	1,321,045	1,344,775
Queen Creek (3)	N/A	N/A	N/A	N/A	N/A
Scottsdale	186,610	195,495	204,660	202,705	209,960
Surprise (3)	N/A	N/A	N/A	30,848	38,400
Tempe	158,135	159,220	161,995	158,625	159,435

(1) Source: Arizona Department of Economic Security, Annual Population Estimates

(2) Source: U.S. Census

(3) Data for fiscal years prior to membership of the Authority was not available.

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 fourteen-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, Goodyear, Mesa, Peoria, Phoenix, Scottsdale, Surprise, Tempe, and the towns of Gilbert and Queen Creek. 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 2002/03 (1)</u>	<u>FY 2003/04 (1)</u>	<u>FY 2004/05 (1)</u>	<u>FY 2005/06 (1)</u>	<u>FY 2006/07 (1)</u>
3,296,250	3,406,170	3,537,630	3,648,545	3,792,675
47,610	54,200	60,490	66,110	72,210
194,390	209,140	221,555	231,785	235,450
20,645	25,550	28,420	29,630	32,605
133,640	151,975	165,325	178,000	185,030
227,495	231,150	234,225	236,030	243,540
N/A	N/A	N/A	N/A	49,720
427,550	435,380	448,845	452,355	451,360
122,655	126,815	132,805	137,285	145,135
1,365,675	1,390,830	1,421,450	1,452,825	1,505,265
N/A	N/A	N/A	N/A	18,690
214,090	218,095	221,980	223,835	237,120
45,125	51,885	64,210	78,265	98,140
159,425	159,905	161,420	160,735	165,890

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

	FY 1997/1998	FY 1998/1999	FY 1999/2000	FY 2000/2001
Avondale				
Local transportation assistance funds received	\$ 159,307	\$ 164,641	\$ 175,624	\$ 190,883
Minimum local expenditures required	119,480	123,481	131,718	143,162
Percentage required	75.0%	75.0%	75.0%	75.0%
Chandler				
Local transportation assistance funds received	926,526	960,480	981,869	999,497
Minimum local expenditures required	308,842	320,160	327,290	333,166
Percentage required	33.3%	33.3%	33.3%	33.3%
El Mirage				
Local transportation assistance funds received	37,686	36,510	35,891	34,647
Minimum local expenditures required	28,265	27,383	26,918	25,985
Percentage required	75.0%	75.0%	75.0%	75.0%
Gilbert				
Local transportation assistance funds received	440,936	501,832	560,035	596,742
Minimum local expenditures required	146,979	167,277	186,678	198,914
Percentage required	33.3%	33.3%	33.3%	33.3%
Glendale				
Local transportation assistance funds received	1,220,430	1,209,213	1,206,502	1,230,349
Minimum local expenditures required	406,810	1,209,213	402,167	410,116
Percentage required	33.3%	33.3%	33.3%	33.3%
Goodyear (1)				
Local transportation assistance funds received	NA	NA	NA	NA
Minimum local expenditures required	NA	NA	NA	NA
Percentage required	NA	NA	NA	NA
Mesa				
Local transportation assistance funds received	2,246,842	2,218,130	2,220,982	2,216,247
Minimum local expenditures required	2,246,842	739,377	2,220,982	2,216,247
Percentage required	100.0%	100.0%	100.0%	100.0%
Peoria				
Local transportation assistance funds received	511,915	528,376	551,269	598,664
Minimum local expenditures required	170,638	176,125	183,756	199,555
Percentage required	33.3%	33.3%	33.3%	33.3%
Phoenix				
Local transportation assistance funds received	7,718,595	7,626,417	7,483,045	7,336,182
Minimum local expenditures required	7,718,595	7,626,417	7,483,045	7,336,182
Percentage required	100.0%	100.0%	100.0%	100.0%
Queen Creek (1)				
Local transportation assistance funds received	NA	NA	NA	NA
Minimum local expenditures required	NA	NA	NA	NA
Percentage required	NA	NA	NA	NA
Scottsdale				
Local transportation assistance funds received	1,167,003	1,180,771	1,198,380	1,210,039
Minimum local expenditures required	389,001	393,590	399,460	403,346
Percentage required	33.3%	33.3%	33.3%	33.3%
Surprise (1)				
Local transportation assistance funds received	N/A	N/A	N/A	N/A
Minimum local expenditures required	N/A	N/A	N/A	N/A
Percentage required	N/A	N/A	N/A	N/A
Tempe				
Local transportation assistance funds received	1,019,776	1,000,596	976,015	957,785
Minimum local expenditures required	339,925	333,532	325,338	319,262
Percentage required	33.3%	33.3%	33.3%	33.3%

Source: State of Arizona, Office of the Treasurer

(1) Data for fiscal years prior to membership of the Authority was not available.

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 fourteen-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, Goodyear, Mesa, Peoria, Phoenix, Scottsdale, Surprise, Tempe, and the towns of Gilbert and Queen Creek. 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 shown above.

(Continued)

FY 2001/2002	FY 2002/2003	FY 2003/2004	FY 2004/2005	FY 2005/2006	FY 2006/2007
\$ 202,685	\$ 220,812	\$ 252,585	\$ 277,421	\$ 299,299	\$ 317,127
152,764	165,614	189,442	208,066	224,474	237,846
75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
1,002,340	1,020,285	1,031,314	1,072,387	1,096,287	1,111,863
334,113	340,095	343,771	357,462	365,064	370,250
33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
43,192	65,053	109,530	130,312	140,622	142,134
32,394	48,790	82,148	97,734	105,467	106,600
75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
622,681	668,051	709,012	778,323	818,025	853,858
207,560	222,684	236,337	259,441	272,402	284,335
33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
1,242,059	1,228,273	1,206,948	1,186,391	1,158,998	1,132,226
414,020	409,424	402,316	395,464	385,946	377,031
33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
NA	NA	NA	NA	NA	197,755
NA	NA	NA	NA	NA	148,316
NA	NA	NA	NA	NA	75.0%
2,249,873	2,260,734	2,268,317	2,233,853	2,220,987	2,169,928
2,249,873	2,260,734	2,268,317	2,233,853	2,220,987	2,169,928
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
616,116	639,879	650,732	650,326	657,162	658,598
205,372	213,293	216,911	216,775	218,835	219,313
33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
7,498,747	7,342,097	7,245,430	7,138,976	7,033,839	6,969,140
7,498,747	7,342,097	7,245,430	7,138,976	7,033,839	6,969,140
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
NA	NA	NA	NA	NA	76,224
NA	NA	NA	NA	NA	57,168
NA	NA	NA	NA	NA	75.0%
1,150,630	1,146,323	1,135,830	1,119,229	1,098,399	1,073,727
383,543	382,108	378,610	373,076	365,767	357,551
33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
N/A	N/A	239,405	265,383	317,703	375,434
N/A	N/A	179,554	199,037	238,277	281,575
N/A	N/A	75.0%	75.0%	75.0%	75.0%
800,415	870,471	845,811	821,152	798,826	771,039
266,605	290,157	281,937	273,717	266,009	256,756
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)
2007	3,792,675	\$ 120,716,738	\$ 31,829	33.4	707,771	3.5%
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%

(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.

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

Function/Program	Fiscal year ended June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Governmental activities										
Regional planning	4.00	4.85	4.85	4.26	3.58	4.45	4.59	4.54	7.91	7.88
Transportation demand management	10.45	9.33	9.33	10.91	10.25	10.25	10.25	10.25	10.25	9.00
Administration	7.85	8.00	8.00	7.90	7.80	7.90	7.90	8.90	14.75	20.10
Total governmental activities FTE	<u>22.30</u>	<u>22.18</u>	<u>22.18</u>	<u>23.07</u>	<u>21.63</u>	<u>22.60</u>	<u>22.74</u>	<u>23.69</u>	<u>32.91</u>	<u>36.98</u>
Business-type activities:										
Transit service operations	4.70	7.70	7.70	7.60	6.09	6.40	4.54	4.64	4.89	10.52
Regional customer services	-	-	-	-	-	-	4.72	4.67	4.20	71.50
Light rail transit (1)	1.00	2.12	2.12	4.33	21.28	31.00	33.00	42.00	47.00	51.00
Total business-type activities FTE	<u>5.70</u>	<u>9.82</u>	<u>9.82</u>	<u>11.93</u>	<u>27.37</u>	<u>37.40</u>	<u>42.26</u>	<u>51.31</u>	<u>56.09</u>	<u>133.02</u>
Total primary government FTE	<u>28.00</u>	<u>32.00</u>	<u>32.00</u>	<u>35.00</u>	<u>49.00</u>	<u>60.00</u>	<u>65.00</u>	<u>75.00</u>	<u>89.00</u>	<u>170.00</u>

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 1998/1999</u>	<u>FY 1999/2000</u>	<u>FY 2000/2001</u>	<u>FY 2001/2002</u>
Fixed Route System (1)				
City of Phoenix Transit System				
Total boardings	32,113,786	30,656,284	31,897,150	34,642,732
Revenue miles	10,922,938	11,261,534	12,525,236	14,498,806
Revenue hours	748,623	756,527	801,069	941,752
Operating cost	\$ 50,700,937	\$ 54,726,226	\$ 65,946,654	\$ 76,314,996
Operating cost per boarding	\$ 1.58	\$ 1.79	\$ 2.07	\$ 2.20
Farebox recovery ratio	33.4%	35.3%	33.5%	25.5%
Regional Public Transportation Authority (2)				
Total boardings	3,978,393	4,266,198	4,179,015	4,979,305
Revenue miles	4,096,443	4,305,173	4,702,350	4,727,196
Revenue hours	290,119	311,975	320,533	321,379
Operating cost	\$ 11,531,961	\$ 12,618,457	\$ 15,585,768	\$ 17,271,336
Operating cost per boarding	\$ 2.90	\$ 2.96	\$ 3.73	\$ 3.47
Farebox recovery ratio	21.7%	22.1%	18.3%	16.3%
City of Tempe				
Total boardings	1,482,694	2,394,572	3,201,550	3,865,511
Revenue miles	1,178,837	2,350,597	3,302,089	3,730,509
Revenue hours	101,952	192,313	246,388	350,657
Operating cost	\$ 3,385,613	\$ 6,902,393	\$ 12,028,529	\$ 12,485,395
Operating cost per boarding	\$ 2.30	\$ 2.88	\$ 3.76	\$ 3.23
Farebox recovery ratio	11.6%	12.8%	13.9%	17.2%
City of Glendale - Luke Link				
Total boardings		50,530	35,978	36,404
Revenue miles		121,712	103,338	89,650
Revenue hours		8,069	5,530	3,876
Operating cost		\$ 249,717	\$ 245,369	\$ 136,565
Operating cost per boarding		\$ 4.94	\$ 6.82	\$ 3.75
Farebox recovery ratio		8.7%	10.1%	22.3%
Total fixed route system				
Total boardings	37,574,873	37,367,584	39,313,693	43,523,952
Revenue miles	16,196,218	18,039,016	20,633,013	23,046,161
Revenue hours	1,140,694	1,268,884	1,373,520	1,617,664
Operating cost	\$ 65,618,511	\$ 74,496,793	\$ 93,806,320	\$ 106,208,292
Operating cost per boarding	\$ 1.75	\$ 1.99	\$ 2.39	\$ 2.44
Farebox recovery ratio	30.2%	30.9%	28.4%	23.0%

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 2002/2003</u>	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>	<u>FY 2006/2007</u>
37,543,692	40,427,904	42,909,890	44,182,683	44,101,320
16,479,011	16,956,333	17,420,722	17,166,702	18,412,020
1,089,891	1,115,462	1,146,819	1,166,967	1,166,986
\$ 90,376,532	\$ 93,661,178	\$ 89,543,836	\$ 93,058,555	\$ 108,350,712
\$ 2.41	\$ 2.32	\$ 2.09	\$ 2.11	\$ 2.46
23.0%	24.8%	27.0%	26.6%	27.0%
5,688,992	6,503,504	6,203,696	6,484,886	6,772,065
4,799,475	4,971,133	4,379,307	4,956,352	5,521,319
379,892	375,171	276,517	389,349	381,620
\$ 17,059,807	\$ 18,200,836	\$ 16,445,778	\$ 19,613,325	\$ 22,493,215
\$ 3.00	\$ 2.80	\$ 2.65	\$ 3.02	\$ 3.32
19.7%	18.3%	23.1%	20.7%	20.2%
4,906,953	4,813,237	4,805,598	5,063,284	6,808,547
3,814,559	3,826,195	3,797,053	3,868,790	4,497,200
267,347	314,932	311,852	297,027	364,249
\$ 13,110,640	\$ 14,864,954	\$ 15,738,112	\$ 16,738,459	\$ 19,496,217
\$ 2.67	\$ 3.09	\$ 3.27	\$ 3.31	\$ 2.86
20.6%	18.2%	17.3%	17.9%	16.2%
51,246	70,823	93,024	101,444	227,702
106,326	131,400	139,789	142,109	252,413
4,630	7,088	7,962	8,121	19,455
\$ 163,768	\$ 228,160	\$ 218,243	\$ 232,802	\$ 435,099
\$ 3.20	\$ 3.22	\$ 2.35	\$ 2.29	\$ 1.91
30.5%	20.9%	26.8%	27.5%	227.5%
48,190,883	51,815,468	54,012,208	55,832,297	57,909,634
25,199,371	25,885,061	25,736,871	26,133,953	28,682,952
1,741,760	1,812,653	1,743,150	1,861,464	1,932,310
\$ 120,710,747	\$ 126,955,128	\$ 121,945,969	\$ 129,643,141	\$ 150,775,243
\$ 2.50	\$ 2.45	\$ 2.26	\$ 2.32	\$ 4.32
22.3%	23.1%	25.2%	24.6%	224.6%

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

	<u>FY 1997/1998</u>	<u>FY 1998/1999</u>	<u>FY 1999/2000</u>	<u>FY 2000/2001</u>
Dial-a-Ride System (1)				
Phoenix Dial-a-Ride				
Total boardings	163,328	175,195	179,094	237,886
Revenue miles	2,272,207	2,452,257	2,113,092	2,961,140
Revenue hours	146,228	157,024	140,909	191,525
Operating cost	\$ 3,391,842	\$ 4,309,829	\$ 4,733,615	\$ 6,909,752
Operating cost per boarding	\$ 20.77	\$ 24.60	\$ 26.43	\$ 29.05
Farebox recovery ratio	8.8%	7.4%	7.2%	6.4%
Phoenix Reserve-a-Ride				
Total boardings	204,438	173,572	221,991	203,616
Revenue miles	685,215	620,628	646,039	567,565
Revenue hours	51,476	45,408	53,846	50,909
Operating cost	\$ 1,947,405	\$ 1,890,985	\$ 2,289,621	\$ 2,442,020
Operating cost per boarding	\$ 9.53	\$ 10.89	\$ 10.31	\$ 11.99
Farebox recovery ratio	4.1%	4.4%	3.2%	2.6%
East Valley Dial-a-Ride				
Total boardings	246,280	260,951	258,880	266,624
Revenue miles	1,307,361	1,430,233	1,841,774	1,952,587
Revenue hours	102,524	108,216	115,478	115,673
Operating cost	\$ 2,882,144	\$ 3,052,064	\$ 4,423,962	\$ 4,524,032
Operating cost per boarding	\$ 11.70	\$ 11.70	\$ 17.09	\$ 16.97
Farebox recovery ratio	11.2%	11.2%	7.7%	8.0%
Maricopa County STS				
Total boardings	125,497	134,640	132,490	141,541
Revenue miles	698,969	791,449	818,046	634,593
Revenue hours	57,886	63,279	56,405	45,553
Operating cost	\$ 1,224,756	\$ 1,549,359	\$ 1,691,032	\$ 1,653,677
Operating cost per boarding	\$ 9.76	\$ 11.51	\$ 12.76	\$ 11.68
Farebox recovery ratio	5.1%	5.5%	3.2%	4.3%
Sun Cities Area Transit				
Total boardings	78,717	65,279	59,777	61,317
Revenue miles	266,848	228,163	219,408	222,535
Revenue hours	24,907	20,046	18,838	18,847
Operating cost	\$ 601,492	\$ 525,182	\$ 498,481	\$ 617,129
Operating cost per boarding	\$ 7.64	\$ 8.05	\$ 8.34	\$ 10.06
Farebox recovery ratio	22.8%	28.4%	30.5%	25.3%

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 2001/2002</u>	<u>FY 2002/2003</u>	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>	<u>FY 2006/2007</u>
	270,493	333,860	369,791	393,053	415,733	410,838
	3,238,681	3,687,477	3,901,614	4,084,991	4,276,365	NA
	230,951	255,922	262,372	274,099	285,137	287,882
\$	9,462,730	\$ 10,385,900	\$ 11,150,114	\$ 12,375,324	\$ 12,452,214	\$ 13,655,624
\$	34.98	\$ 31.11	\$ 30.15	\$ 31.49	\$ 29.95	\$ 33.24
	5.2%	4.9%	4.8%	4.0%	5.0%	4.7%
	193,986	162,760	153,697	152,631	NR	NR
	550,850	540,282	540,388	518,616	NR	NR
	51,559	47,155	50,754	47,282	NR	NR
\$	2,589,906	\$ 2,689,066	\$ 2,757,131	\$ 2,853,105	NR	NR
\$	13.35	\$ 16.52	\$ 17.94	\$ 18.69	NR	NR
	3.3%	3.2%	3.1%	2.7%	NR	NR
	252,441	240,879	222,736	223,130	220,153	226,050
	1,995,550	1,371,852	2,048,542	1,622,795	1,796,728	NA
	116,884	117,217	111,514	118,032	121,607	126,131
\$	4,772,217	\$ 5,076,798	\$ 4,963,617	\$ 5,338,924	\$ 6,596,249	\$ 7,685,324
\$	18.90	\$ 21.08	\$ 22.28	\$ 23.93	\$ 29.96	\$ 34.00
	7.6%	7.0%	6.5%	6.6%	5.2%	5.0%
	124,822	106,395	103,533	105,342	100,243	91,082
	455,897	732,376	730,180	523,119	913,009	NA
	56,251	70,238	67,836	41,189	56,585	49,524
\$	1,379,719	\$ 1,587,982	\$ 1,534,951	\$ 3,249,859	\$ 3,312,076	\$ 3,368,464
\$	11.05	\$ 14.93	\$ 14.83	\$ 30.85	\$ 33.04	\$ 36.98
	4.5%	1.1%	1.0%	0.4%	0.3%	0.0%
	60,400	60,345	61,147	58,069	57,091	45,612
	218,313	226,194	229,917	254,897	230,472	NA
	17,998	19,226	20,015	22,648	21,802	16,526
\$	656,655	\$ 671,365	\$ 671,410	\$ 714,915	\$ 689,473	\$ 697,877
\$	10.87	\$ 11.13	\$ 10.98	\$ 12.31	\$ 12.08	\$ 15.30
	22.9%	22.4%	22.7%	21.3%	23.5%	18.0%

(Continued)

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

	<u>FY 1997/1998</u>	<u>FY 1998/1999</u>	<u>FY 1999/2000</u>	<u>FY 2000/2001</u>
Dial-a-Ride System (1)				
Glendale Dial-a-Ride				
Total boardings	67,627	70,032	69,081	66,536
Revenue miles	274,954	274,698	280,529	281,461
Revenue hours	19,621	20,574	21,174	20,718
Operating cost	\$ 1,200,025	\$ 1,218,900	\$ 1,312,716	\$ 1,442,170
Operating cost per boarding	\$ 17.74	\$ 17.40	\$ 19.00	\$ 21.68
Farebox recovery ratio	5.8%	6.2%	6.1%	5.4%
Peoria Dial-a-Ride				
Total boardings	42,899	39,492	30,395	33,540
Revenue miles	147,337	294,828	125,632	169,360
Revenue hours	7,279	7,206	6,466	8,352
Operating cost	\$ 463,958	\$ 495,866	\$ 506,767	\$ 598,195
Operating cost per boarding	\$ 10.82	\$ 12.56	\$ 16.67	\$ 17.84
Farebox recovery ratio	9.9%	9.4%	7.1%	6.1%
El Mirage				
Total boardings	3,904	3,469	3,318	2,054
Revenue miles	8,587	9,154	9,820	12,698
Revenue hours	1,920	2,080	2,080	2,080
Operating cost	\$ 40,619	\$ 49,055	\$ 41,355	\$ 88,592
Operating cost per boarding	\$ 10.40	\$ 14.14	\$ 12.46	\$ 43.13
Farebox recovery ratio	6.2%	4.5%	5.7%	1.7%
Surprise Dial-a-Ride				
Total boardings	5,969	7,046	7,261	5,777
Revenue miles	38,062	38,742	40,772	38,834
Revenue hours	2,932	3,370	3,080	2,726
Operating cost	\$ 59,242	\$ 69,390	\$ 76,997	\$ 77,418
Operating cost per boarding	\$ 9.92	\$ 9.85	\$ 10.60	\$ 13.40
Farebox recovery ratio	8.4%	9.7%	9.2%	8.5%
Total Dial-a-Ride System				
Total boardings	938,659	929,676	962,287	1,018,891
Revenue miles	5,699,540	6,140,152	6,095,112	6,840,773
Revenue hours	414,773	427,203	418,276	456,383
Operating cost	\$ 11,811,483	\$ 13,160,630	\$ 15,574,546	\$ 18,352,985
Operating cost per boarding	\$ 12.58	\$ 14.16	\$ 16.18	\$ 18.01
Farebox recovery ratio	8.7%	8.4%	7.0%	6.7%

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 2001/2002</u>	<u>FY 2002/2003</u>	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>	<u>FY 2006/2007</u>
	76,622	81,768	86,132	87,831	89,055	84,132
	316,961	376,504	387,531	386,587	390,561	NA
	22,662	25,782	26,252	29,554	29,594	29,448
\$	1,807,835	\$ 2,074,611	\$ 2,255,038	\$ 2,247,156	\$ 2,387,554	\$ 2,446,602
\$	23.59	\$ 25.37	\$ 26.18	\$ 25.58	\$ 26.81	\$ 29.08
	4.9%	4.7%	4.7%	5.0%	4.6%	3.3%
	32,176	30,399	29,258	33,805	42,560	45,790
	196,224	189,984	158,456	153,805	159,903	NA
	9,457	9,276	7,920	8,258	9,975	12,663
\$	624,322	\$ 727,770	\$ 738,683	\$ 827,786	\$ 927,312	\$ 1,045,445
\$	19.40	\$ 23.94	\$ 25.25	\$ 24.49	\$ 21.79	\$ 22.83
	5.4%	5.0%	4.5%	4.0%	5.1%	4.5%
	1,204	1,103	1,061	1,558	1,466	1,947
	6,020	9,172	7,230	10,017	12,284	NA
	750	1,834	NR	NR	1,613	1,820
\$	93,178	\$ 93,632	\$ 76,813	\$ 70,459	\$ 74,023	\$ 99,256
\$	77.39	\$ 84.89	\$ 72.40	\$ 45.22	\$ 50.49	\$ 50.98
	1.5%	0.9%	1.0%	1.7%	2.0%	3.7%
	7,775	7,094	7,387	8,181	12,578	17,339
	45,800	43,716	48,768	68,291	86,045	NA
	2,818	3,881	4,891	5,016	6,554	8,037
\$	105,800	\$ 162,931	\$ 185,646	\$ 283,624	\$ 367,093	\$ 506,921
\$	13.61	\$ 22.97	\$ 25.13	\$ 34.67	\$ 29.19	\$ 29.24
	6.2%	4.6%	4.3%	3.5%	3.5%	3.6%
	1,019,919	1,024,603	1,034,742	1,063,600	938,879	922,790
	7,024,296	7,177,557	8,052,626	7,623,118	7,865,367	NA
	509,330	550,531	551,554	546,078	532,887	532,031
\$	21,492,362	\$ 23,470,055	\$ 24,333,403	\$ 27,961,152	\$ 26,805,994	\$ 29,505,513
\$	21.07	\$ 22.91	\$ 23.52	\$ 26.29	\$ 28.55	\$ 31.97
	6.0%	5.4%	5.2%	4.5%	4.9%	4.4%

Valley Metro
Regional Public Transportation Authority
 Operating Indicators by Program - Shuttle / Circulator System
 Last Seven 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>	<u>FY 2006/2007</u>
Shuttle/Circulator System							
City of Phoenix - DASH & ALEX							
Total boardings	154,226	437,421	770,348	747,351	794,945	766,676	735,941
Revenue miles	83,402	361,830	604,325	577,579	601,547	580,884	580,080
Revenue hours	9,184	26,505	40,480	37,636	38,156	36,923	36,710
Operating cost	\$ 354,932	\$ 1,058,452	\$ 1,619,238	\$ 1,435,044	\$ 2,386,820	\$ 1,812,780	\$ 1,889,393
Operating cost per boarding	\$ 2.30	\$ 2.42	\$ 2.10	\$ 1.92	\$ 3.00	\$ 2.36	\$ 2.57
Farebox recovery ratio	0.0%	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	1,616,729
Revenue miles	449,658	601,509	441,587	487,780	475,609	479,595	482,538
Revenue hours	37,691	61,681	30,949	40,149	39,831	48,794	52,379
Operating cost	\$ 1,632,164	\$ 1,995,345	\$ 1,517,734	\$ 1,771,216	\$ 1,835,387	\$ 1,954,659	\$ 2,091,895
Operating cost per boarding	\$ 2.36	\$ 1.63	\$ 1.05	\$ 1.04	\$ 0.92	\$ 0.96	\$ 1.29
Farebox recovery ratio	0.0%	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	274,961
Revenue miles	29,952	30,060	33,129	37,272	57,696	80,489	219,861
Revenue hours	5,028	4,676	4,683	6,185	8,167	14,025	33,828
Operating cost	\$ 277,700	\$ 290,066	\$ 308,684	\$ 377,726	\$ 547,764	\$ 953,477	\$ 1,887,546
Operating cost per boarding	\$ 4.95	\$ 6.83	\$ 6.24	\$ 7.18	\$ 5.94	\$ 7.60	\$ 6.86
Farebox recovery ratio	0.0%	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	97,681
Revenue miles	55,758	66,784	78,895	93,794	100,295	96,838	NR
Revenue hours	4,647	8,055	6,361	7,897	8,301	7,969	NR
Operating cost	\$ 136,334	\$ 267,801	\$ 185,407	\$ 203,149	\$ 144,934	\$ 158,442	NR
Operating cost per boarding	\$ 3.74	\$ 5.23	\$ 3.43	\$ 3.39	\$ 1.76	\$ 1.65	NR
Farebox recovery ratio	4.8%	4.6%	5.7%	5.9%	11.0%	10.3%	NR
Total Shuttle/Circulator System							
Total boardings	937,154	1,753,179	2,319,653	2,564,667	2,969,448	3,023,025	2,725,312
Revenue miles	618,770	1,060,183	1,157,936	1,196,425	1,235,147	1,237,806	1,282,479
Revenue hours	56,550	100,917	82,473	91,867	94,455	107,711	122,917
Operating cost	\$ 2,401,130	\$ 3,611,664	\$ 3,631,063	\$ 3,787,135	\$ 4,914,905	\$ 4,879,358	5,868,834
Operating cost per boarding	\$ 2.56	\$ 2.06	\$ 1.57	\$ 1.48	\$ 4.20	\$ 1.61	\$ 2.15
Farebox recovery ratio	N/A	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
 Capital Asset Statistics by Function/Program
 Revenue Vehicles for Transit Service Operations
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Local and Express Bus</u>	<u>Paratransit / Dail-a-Ride</u>	<u>Vanpool</u>
1997/98	51	52	NA
1998/99	85	73	NA
1999/00	98	86	NA
2000/01	72	63	NA
2001/02	72	63	NA
2002/03	80	67	NA
2003/04	80	62	NA
2004/05	133	61	250
2005/06	181	57	303
2006/07	172	75	328

Source: National Transit Data Base

Note: For years FY98 through FY04, the NTD reported numbers included vans that were owned by the contractor, thus those assets are not reported.

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, 2007

Federal Grantor Agency and Program Title	CFDA Number	Pass-Through Grantor	Pass-Through Identifying Number	Awards Expended
Department of Transportation				
Federal Transit Administration				
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X058	\$ 497,395
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X063	371,455
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X068	1,541,564
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X070	1,407,401
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X074	2,824,279
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X080	13,495,182
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X084	346,497
Ajo/Phoenix Regional Transit Connector Service	20.507	Maricopa County	KR 05-0254-TRN	64,070
Ajo/Phoenix Regional Transit Connector Service	20.507	ADOT	JPA 05 034 P	33,203
Ajo/Phoenix Regional Transit Connector Service	20.507	ADOT	JPA 06 024T	134,281
Federal Transit Technical Studies Grant	20.505	MAG	0118	224,720
Total Federal Transit Administration				<u>20,940,047</u>
Federal Highway Administration				
Congestion Mitigation and Air Quality Improvement Program Funds:				
Regional Ridesharing Program	20.205	MAG	0099	30,782
Regional Ridesharing Program	20.205	MAG	0099	563,767
Trip Reduction Program	20.205	Maricopa County	C-88-04-034-200	37,049
Trip Reduction Program	20.205	Maricopa County	C-88-05-023-2-00	281,201
Telework	20.205	MAG	0115	100,664
Telework	20.205	MAG	0115	207,739
Bike Education	20.205	MAG	0252	76,854
State Planning and Research Funds:				
Clean Air Promotional Campaign	20.205	ADOT	JPA 04-017P	332
Total Federal Highway Administration				<u>1,298,388</u>
Total Expenditures of Federal Awards				<u><u>\$ 22,238,435</u></u>

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 2007 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.

(This page intentionally left blank)



**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

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, 2007, and have issued our report thereon dated February 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Regional Public Transportation Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Regional Public Transportation Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

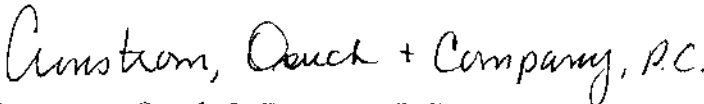
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional Public Transportation 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*. We noted certain matters that we reported to management of the Authority in a separate letter dated February 8, 2008.

This report is intended solely for the information and use of the members 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.

February 8, 2008



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

Compliance with Requirements Applicable to Each Major Program

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, 2007. The Regional Public Transportation 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 Regional Public Transportation Authority's management. Our responsibility is to express an opinion on the Regional Public Transportation 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 Regional Public Transportation 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 Regional Public Transportation Authority's compliance with those requirements.

In our opinion, the Regional Public Transportation 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, 2007.

Internal Control over Compliance in Accordance with OMB Circular A-133

The management of the Regional Public Transportation 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 Regional Public Transportation 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with applicable laws, regulations, contracts and grant agreements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a major federal program being audited in accordance with the applicable laws, regulations, contracts and grant agreements, such that there is more than a remote likelihood that the noncompliance that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with the applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major federal program being audited will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the 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 as of and for the year ended June 30, 2007, and have issued our report thereon dated February 8, 2008. 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 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 members the Board of Director, 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 8, 2008

REGIONAL PUBLIC TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FISCAL YEAR ENDED JUNE 30, 2007

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified not considered to be material weaknesses? _____ yes X 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 X 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: \$667,153

Auditee qualified as low-risk auditee? X yes _____ no

REGIONAL PUBLIC TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2007

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.



Smart **move.**

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