



Valley Metro
Regional Public Transportation Authority
Phoenix, Arizona

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2009

Valley Metro

Regional Public Transportation Authority

Phoenix, Arizona

Board of Directors

Chair, Councilman Wayne Ecton, Scottsdale
Vice Chair, Councilmember Michael Johnson, City of Phoenix
Secretary, Vice Mayor Joe Johnson, City of Surprise
Treasurer, Vice Mayor Shana Ellis, Tempe
Councilman Jim McDonald, City of Avondale
Mayor Jackie Meck, Town of Buckeye
Councilmember Trinity Donovan, Chandler
Mayor Michele Kern, City of El Mirage
Councilmember Les Presmyk, Gilbert
Mayor Elaine Scruggs, City of Glendale
Councilmember Frank Cavalier, City of Goodyear
Supervisor Mary Rose Wilcox, Maricopa County
Councilman Scott Somers, City of Mesa
Councilmember Ron Aames, Peoria
Mayor Art Sanders, Town of Queen Creek
Mayor Adolfo Gamez, City of Tolleson

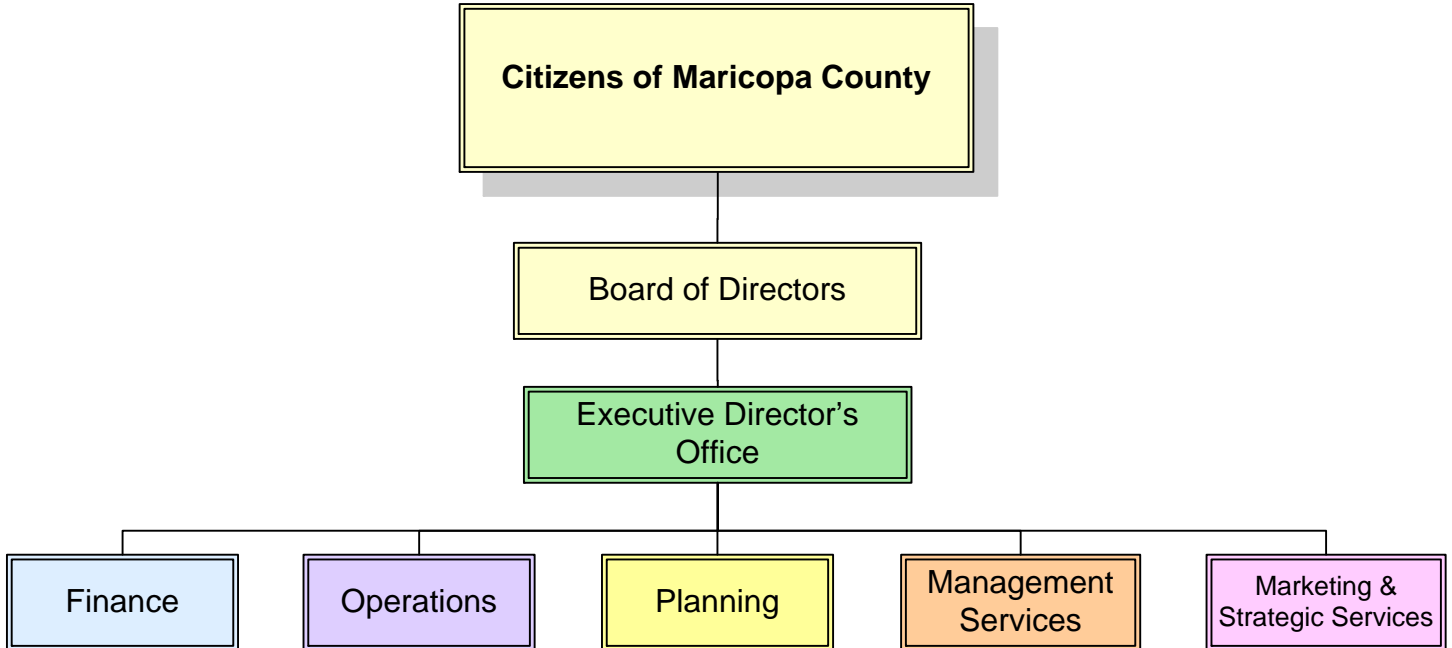
Executive Director's Office

David A. Boggs, Executive Director
Bryan Jungwirth, Chief of Staff
Mike Taylor, Acting 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, 2009

	<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)	3-14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16-17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual - General Fund	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual - Public Transportation Fund	22
Statement of Net Assets - Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	26
Index to the Notes to Financial Statements	27
Notes to the Financial Statements	28-48
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
Regional Customer Services Fund	54
Capital and Other Grants Fund	55
Schedule of Revenues, Expenses and Changes in Net Assets - Budget to Actual - Proprietary Funds:	
Enterprise Funds:	
Transit Service Operations Fund	56
Valley Metro Rail Fund	57

(Continued)

Regional Public Transportation Authority

Table of Contents (Continued)

Comprehensive Annual Financial Report and Single Audit Reports

Fiscal Year Ended June 30, 2009

	<u>Page</u>
<u>Statistical Section</u>	
Statistical Section Contents	58
Financial Trends	
Net Assets by Component	59-60
Changes in Net Assets	61-64
Fund Balances of Governmental Funds	65-66
Changes in Fund Balances of Governmental Funds	67-68
Revenue Capacity	
Sales Tax Revenues by Component	69-70
Maricopa County Transportation Excise Tax Revenue Distributions	71-72
Maricopa County Transportation Excise Tax Revenue Collections by Category	73
Arizona Transaction Privilege Tax Excise Tax Rates by Category	74-75
Debt Capacity	
Transportation Excise Tax Revenue Bonds Coverage	76
Debt Service Revenue and Cost per Capita	77
Demographic and Economic Information	
Regional Population Statistics	78-79
Local Transportation Assistance Funds	80-81
Demographic and Economic Statistics	82
Operating Information	
Full-time Equivalent Employees by Function/Program	83
Operating Indicators by Program:	
Fixed Route System	84-85
Dial-a-Ride System	86-89
Shuttle / Circulator System	90-91
Capital Asset Statistics by Function/Program	
Revenue Vehicle for Transit Service Operations	92
<u>Single Audit Section</u>	
Supplementary Schedule of Expenditures of Federal Awards	93
Notes to the Supplementary Schedule of Expenditures of Federal Awards	94
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>	95-96
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	97-98
Schedule of Findings and Questioned Costs	99-101

Introductory Section

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



January 25, 2010

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, 2009 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 for establishing and maintaining 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 Larson Allen, LLP, whose report is included herein, has audited the basic financial statements and related notes. As stated in the independent auditor's 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, 2009 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, 2009 are fairly

presented, in all material respects, in conformity with GAAP. The independent auditor's 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 auditor's 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, 2009 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 sixteen-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, Tempe and Tolleson, and the Towns of Buckeye, 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 and 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. 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 1.6 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 4 million residents in 2008, an increase of 90 percent in just 18 years. According to the Greater Phoenix Economic Council, population is projected to grow 58 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 almost 1.99 million people in 2008, an increase of over 84 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.

Although the economy has slowed this past year, population in Maricopa County has continued to increase and continues to challenge the Authority and the County it serves. Increases in population and fuel prices 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 began operating in December 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.

For the first time in the history of the Authority, financing using the sale of bonds occurred during FY 2009. The Authority's Board of Directors authorized the issuance of Senior Bonds in an amount not to exceed \$135 million. The actual issuance of bonds (net of unamortized costs) was \$105 million (\$50 mil for Bus and \$55 mil for Rail) on June 30, 2009. The Authority will use the bond proceeds for the payment or reimbursement of costs of capital expenditures in the regional transportation plan including, without limitation: relocation of utilities relating to the light rail system; planning, acquisition, construction and equipping expansions of the light rail system; bus transit centers and bus rail transit centers; acquisition of buses and paratransit vehicles; acquisition, construction and equipment of park and ride facilities; and related capital costs.

The Authority will undertake a number of key projects during FY 2010 as the agency continues the implementation of TLCP operating and capital projects. The major projects and studies for FY 2010 include the following:

- Long Range Planning
Update and/or produce information for the Long Range Transit Plan for Maricopa County, and annual update to the transit element of the Maricopa Association of Government's (MAG) Regional Transportation Plan. Provide transit data to MAG in updating the regional travel demand model, provide technical support to MAG on commuter rail planning. Participate in public meetings and open house workshops to solicit public review and comment. Provide for support in the development and administration of stakeholder communications, public meetings, and public outreach as required to collect and analyze opinions and input into system, corridor and capital planning programs, the transit lifecycle program, service adjustments, purchases and other agency programs and projects.
- Short Range Planning
Annual update for the Maricopa Association of Government's (MAG) Annual Transportation Report and preparation of Annual Transit Performance Report. In addition, coordinate with all transit providers and funders in the MAG area on service and route planning activities including Supergrid, Arterial and Freeway Bus Rapid Transit (BRT), Express Bus routes, and Rural Connector routes. Collect and analyze information from operators and area communities to develop a Short Range Transit Plan that details regionally funded transit investments that will occur within the five year horizon of the Plan. Assist with the review and recommendation of grant applications for federal Elderly and Persons with Disabilities Transportation Program funds to the MAG Regional Council for ADOT special transportation capital assistance.
- Transit Research and Survey
Develop, implement, and provide analysis for comprehensive transit research surveys and studies. Information from the surveys will be used to produce a database for transit planning purposes, including route evaluation and service adjustments. Survey information derived from the Origins and Destinations Survey will be used to calibrate the MAG travel model insuring that model outputs provide a more accurate projection of mode split and travel behavior. 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.
- Capital Planning
Coordinate, manage, develop and update the transit element of the Maricopa Association of Government's Transportation Improvement Program (TIP) on behalf of Valley Metro members and non-members. The TIP requires description of all transit capital projects in the region which will utilize federal funds as well as most locally funded projects. The TIP provides a method to assess short range improvement potential and funding requirements.
- Operations Planning
Provide staff support to Valley Metro Operations & Capital Committee (VMOCC) technical advisory committee on development of recommendations to integrate paratransit operations to improve service to riders and service efficiencies. In partnership with Valley Metro Rail (METRO), develop an alternatives analysis for the Scottsdale/Rural Road that will define a locally preferred high capacity transit alternative for this corridor. Develop final design, construction documents, and fleet requirements for Arizona Avenue/Country Club BRT line.

- Project Management

Provide project management in the implementation of the 20 year capital program identified in the RTP. Unless otherwise indicated, RPTA is the designated lead agency for development of transit capital and operating projects identified in the Regional Transportation Plan and funded through the 1/2 cent sales tax extension authorized by Proposition 400. Project management for design and construction of facilities and associated support infrastructure.

- Regional Marketing Program

Bus Book Development and Printing: The Bus Book is the primary route and schedule communications vehicle for Valley Metro bus riders. The Bus Book is being expanded to include full information on Valley METRO Rail and links to bus service. It is developed and distributed twice a year.

Printed Communications Tools and Signage: Various forms of printed materials are essential for providing transit related information to transit users, non-users, key stakeholders, and partners. This includes brochures, passenger notices, car cards, newsletters, printed guides, kiosk signage, schedules and system maps.

Web Site Design and Navigation: The mission of ValleyMetro.org is to provide up-to-date information needed to use Valley Metro's services, educating the public about what services are available and the benefits of using those services, and promoting alternative modes of transportation in an effort to minimize the impact of single-occupancy vehicle usage in the Valley. With the significant increase in services and information needed to be communicated to the public, ValleyMetro.org requires significant changes to the site design and navigation. Aside from basic Web site navigation features, interactive features such as the Online Trip Planner, the Commuting Cost Calculator, the Click Poll and periodic interactive contests will be enhanced for educational purposes and as an incentive to promote the use of alternative modes. ShareTheRide.com is RPTA's tool for carpool and vanpool matching, and is linked to ValleyMetro.org. Information for the Valley METRO Rail is also highlighted. Over time the site design and navigation are essential to delivering a "transit portal" for the entire region.

Valley Metro Communications Campaign: Valley Metro and our contracted public relations firm, R&R Partners, plan to continue to implement a campaign designed to promote Valley Metro as the transportation solutions provider that makes the Valley a better place to live, work, play, and visit. This includes public relations support, creative design and development, and various forms of media purchase and placement including print, radio and online advertising over the 12 month Fiscal 2010 year.

- Regional Ridesharing Program

The Regional Ridesharing Program promotes and provides ridesharing services to the general public and over 1,200 Valley employers involved in the Trip Reduction Program. Services include a computerized matching system for carpooling, vanpooling transit, and bicycle partner opportunities; vanpool program marketing; and, assistance with implementing a variety of Transportation Demand Management (TDM) programs such as compressed work weeks and telecommuting programs. A public awareness program, the Clean Air Campaign, is administered by the RPTA. This program is a private/public partnership encouraging participation in alternate modes of transportation, alternate work schedules, and other pollution reducing measures.

As we continue to evolve as an agency, we continue to break existing record numbers for ridership. In FY 2009, fixed route ridership reached an all-time high of 65,670,807 for the region, surpassing FY 2008 ridership of 60,227,104. In addition, for the first six month of Rail operations the ridership was 5,580,860 surpassing all original estimates.

The vanpool program has experienced larger than average growth due to a rise in the cost of gasoline and increased awareness resulting from an advertising and incentive program this year. At the end of June 2008, there were 345 operating vanpools in the Valley Metro Vanpool Program, and at the end of June 2009 the fleet had increased to 372 operating vanpools, an increase of over 7.8 percent.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the twelfth 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


Michael Taylor
Acting 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, 2008

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.



A handwritten signature in black ink, appearing to read "M. L. R.", is written over the printed name.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enos", is written over the printed name.

Executive Director

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 AUDITORS' REPORT

To the Members of the Board of Directors
Valley Metro Regional Public Transportation Authority

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Valley Metro Regional Public Transportation Authority (the Authority) as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Valley Metro Regional Public Transportation Authority's management. Our responsibility is to express an opinion 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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Valley Metro Regional Public Transportation Authority, as of June 30, 2009, 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.

The management's discussion and analysis on pages 3-14 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.

To the Members of the Board of Directors
Valley Metro Regional Public Transportation Authority

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 January 25, 2010 on our consideration of Valley Metro Regional Public Transportation 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
January 25, 2010

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, 2009. 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 \$9.4 million in FY 2009, an increase of \$8.9 million increase in governmental activities and a \$0.5 million increase in business-type activities. Total net assets of the Authority are \$131.8 million, of which \$27.9 million is unrestricted.
- The governmental activities revenues decreased by approximately \$19.2 million (14.2%) over the previous year.
- The business-type activities revenues increased by approximately \$28.9 million (58.9%) from the previous year.
- At June 30, 2009, the Authority's governmental fund balance sheet reported a combined ending fund balance of \$38.0 million, an increase of \$9.3 million (32.2%) compared to the previous fiscal year.
- On June 30, 2009, the Authority issued \$100.1 million of the business-type activities revenue bonds and has pledged future transportation excise tax revenues to repay outstanding bond principal and interest obligations.

OVERVIEW OF THE FINANCIAL STATEMENTS

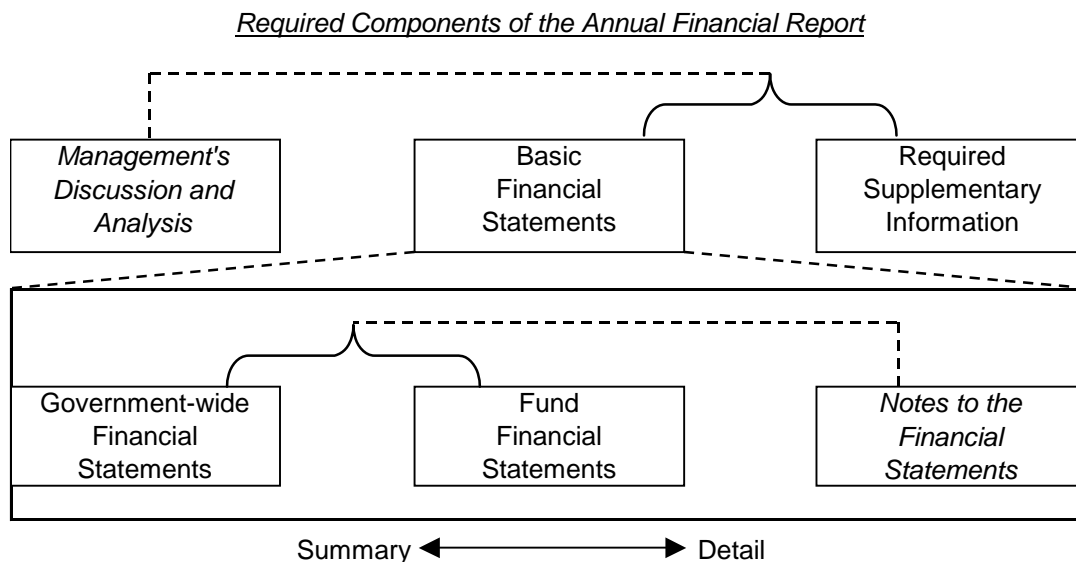
The financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). The statements are presented as follows:

- 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; these statements are

presented as part of the basic financial statements and the Authority has presented 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 presented on the following page, 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 15 – 17) 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 planning, transportation demand management, and regional customer services. Grants and general revenues generally support these activities.

- The *business-type activities* include the private sector type activities which are transit service operations 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 noncurrent, 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 18 - 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 37 - 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 23 - 25) 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 26) 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 28 – 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 Note 10 (pages 46 - 47).

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, 2009, 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, 2009 compared to the prior year:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Percent Change</u>
	2009	2008	2009	2008	2009	2008	
Current and other assets	\$ 39,057.2	\$ 30,279.5	\$ 57,327.0	\$ 45,374.2	\$ 96,384.2	\$ 75,653.7	27.4%
Noncurrent assets							
cash and cash equivalents	-	-	73,474.0	-	73,474.0	-	N/A
Capital assets	1,229.9	1,467.0	110,356.7	72,537.5	111,586.6	74,004.5	50.8%
Total assets	<u>\$ 40,287.1</u>	<u>\$ 31,746.5</u>	<u>\$ 241,157.7</u>	<u>\$ 117,911.7</u>	<u>\$ 281,444.8</u>	<u>\$ 149,658.2</u>	88.1%
Current liabilities	\$ 1,635.0	\$ 2,022.9	\$ 42,461.0	\$ 24,734.1	\$ 44,096.0	\$ 26,757.0	64.8%
Noncurrent liabilities	157.0	149.8	105,384.0	316.0	105,541.0	465.8	22558.0%
Total liabilities	<u>\$ 1,792.0</u>	<u>\$ 2,172.7</u>	<u>\$ 147,845.0</u>	<u>\$ 25,050.1</u>	<u>\$ 149,637.0</u>	<u>\$ 27,222.8</u>	449.7%
Net assets:							
Invested in capital assets, net of related debt	\$ 1,229.9	\$ 1,467.0	\$ 98,580.1	\$ 72,537.5	\$ 99,810.0	\$ 74,004.5	34.9%
Restricted	-	-	4,062.1	2,332.5	4,062.1	2,332.5	74.2%
Unrestricted	37,265.2	28,106.8	(9,329.5)	17,991.6	27,935.7	46,098.4	-39.4%
Total net assets	<u>\$ 38,495.1</u>	<u>\$ 29,573.8</u>	<u>\$ 93,312.7</u>	<u>\$ 92,861.6</u>	<u>\$ 131,807.8</u>	<u>\$ 122,435.4</u>	7.7%

The Authority's total net assets increased \$9.4 million in FY 2009, an increase of \$8.9 million in governmental activities and a \$0.5 million increase in business-type activities. Total net assets of the Authority are \$131.8 million, of which \$27.9 million is unrestricted.

A large portion of net assets (75.7%) 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. The capital assets are reported net of related debt, as discussed in the Capital Assets and Debt Administration section (pages 11 - 12), the Authority pledged future transportation excise tax revenues to repay the outstanding debt obligations. The capital assets themselves are not intended to be used to liquidate these liabilities.

An additional 3.1% (\$4.1 million) of the Authority's net assets reflects resources that are subject to external restrictions, of which \$2.2 million consists of unspent bond proceeds net of related outstanding debt that are restricted for capital projects. The remaining 21.2% (\$27.9 million) represents unrestricted resources that may be used to meet the Authority's ongoing obligations to citizens, member agencies, contractors and creditors within the respective governmental and business-type activities.

The governmental activities reported an increase of \$9.1 million (32.6%) of unrestricted net assets over the prior year largely attributed to a decrease in interfund transfers from the Public Transportation Fund to other funds. The Authority implemented cost reduction measures in anticipation of the public transportation revenue shortfall starting the second quarter of the fiscal year, which resulted conservative spending practices and consequently required less interfund transfers from the Public Transportation Fund to other funds; additionally, some of the capital expenses in the business-type activities were funded with proceeds from the 2009 Bond issuance, thus required less interfund transfers from the Public Transportation Fund.

The significant decrease of \$27.3 million (151.3%) of unrestricted net assets over the prior year in business-type activities is due to decreases in the Transit Service Operations Fund largely due to the debt obligation of the 2009 bond issuance and lower transfers in from the Public Transportation Fund.

Changes in Net Assets

The following table compares the revenues and expenses of the Authority for the current and previous fiscal year. The increase (decrease) in net assets for each year represents the extent to which revenues over (under) expenses during the year.

(Remainder of this page intentionally left blank)

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

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

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2009	2008	2009	2008	2009	2008	
REVENUES							
Program revenues:							
Charges for services	\$ -	\$ -	\$ 32,505.9	\$ 29,170.6	\$ 32,505.9	\$ 29,170.6	11.4%
Operating grants and contributions	2,632.5	2,062.6	2,609.2	1,421.9	5,241.7	3,484.5	50.4%
Capital grants and contributions	-	-	40,555.6	16,237.0	40,555.6	16,237.0	149.8%
General revenues:							
Sales taxes	113,297.7	130,490.8	-	-	113,297.7	130,490.8	-13.2%
Interest earnings	36.3	2,503.9	34.8	536.1	71.1	3,040.0	-97.7%
Other	75.2	142.8	2,233.4	1,688.2	2,308.6	1,831.0	26.1%
Total revenues	116,041.7	135,200.1	77,938.9	49,053.8	193,980.6	184,253.9	5.3%
EXPENSES							
Governmental activities:							
Regional planning	1,948.7	2,390.3	-	-	1,948.7	2,390.3	-18.5%
Transportation demand management	1,882.9	1,785.8	-	-	1,882.9	1,785.8	5.4%
Regional customer services	8,747.4	8,567.3	-	-	8,747.4	8,567.3	2.1%
Administration	1,910.8	1,941.4	-	-	1,910.8	1,941.4	-1.6%
Business-type activities:							
Transit service operations	-	-	99,625.8	96,796.9	99,625.8	96,796.9	2.9%
Light rail transit	-	-	70,492.6	65,243.4	70,492.6	65,243.4	8.0%
Total expenses	14,489.8	14,684.8	170,118.4	162,040.3	184,608.2	176,725.1	4.5%
Excess (deficit) before transfers	101,551.9	120,515.3	(92,179.5)	(112,986.5)	9,372.4	7,528.8	24.5%
Transfers in (out)	(92,630.6)	(134,981.4)	92,630.6	134,981.4	-	-	N/A
Increase (decrease) in net assets	\$ 8,921.3	\$ (14,466.1)	\$ 451.1	\$ 21,994.9	\$ 9,372.4	\$ 7,528.8	24.5%

The largest financing source for the Authority as a whole is sales taxes (58.4%). The major funding sources of governmental activities are sales taxes (97.6%) and federal and state grants (2.3%). The major funding source for business-type activities is federal grants and contributions revenues (55.4%). Business-type activities also receive substantial charges for services (41.7%).

The Authority's overall revenues increased by \$9.7 million, or 5.3%, compared to last fiscal year. Total revenues of governmental activities decreased by \$19.2 million, or 14.2% over the previous year mainly due to the sales tax revenues shortfall in the Public Transportation Fund and coupled with lower interest income, which included the write-off of \$0.4 million of investments held in the State of Arizona's Local Government Investment Pool that have no market value at June 30, 2009. Program revenues of business-type activities increased by \$28.9 million, or 61.6%, compared to last fiscal year, which is largely attributable to increases in Federal Transit Administration (FTA) capital grants and capital contributions associated with the Mesa Facility purchase in the Transit Service Operations Fund.

The Authority's sales tax revenue over the prior year is limited to incorporating those elements necessary for implementing the fourth 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, as a result of changes in the distribution of funds made by House Bill 2292, 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 fund administration in the General Fund and planning 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 (92.2%). For the governmental activities, the largest users of resources are regional customer services (60.4%), regional planning (13.4%), administration (13.2%), and transportation demand management (13.0%).

Overall expenses increased by \$7.9 million, or 4.5%, compared to last fiscal year. The governmental expenses decreased by \$.2 million, or 1.3%, over the prior year due to conservative spending practices. The expenses of business-type activities increased by \$8.1 million, or 5%, compared to the prior year due to increase of construction related lead agency disbursements in the Valley Metro Rail Fund, increase of cost per mile charged by the contractor and the expansion of transit services in the Transit Service Operations Fund. The increases in the business-type activities' expenses were adhered to plan as the Authority entered its fourth year of implementing 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 18 – 22) 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 \$38.0 million, an increase of \$9.3 million, or 32.2%, from the previous year. Of the \$38.0 million total fund balance, the Authority has designated \$0.8 million for compensated absences and the remainder is in unreserved fund balance in the General Fund (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 \$38.0 million fund balance, \$3.6 million is reported in the General Fund, \$34.0 million is reported in the Public Transportation Fund, which is 34.7% over last fiscal year due to decreases of interfund transfers to other funds as discussed in the Net Assets section on Page 7, and \$0.4 million is reported in the Nonmajor Governmental Fund. All other governmental funds are primarily reimbursement-basis special revenue funds (i.e., revenues equal expenditures) that generally do not have fund balance except for the restatement as reported in the FY08 on the beginning fund balances related to the removal of compensated absences.

The General Fund accounts for activities that include the Executive Director's office and finance and management services. General Fund revenues decreased \$0.4 million (8.1%) over the

previous year, partly due to decreases in Regional Area Road Funds (RARF) revenues distributed to the Authority because of the continued weak economy. As mentioned above, RARF revenue is now limited to administration in the General Fund and planning 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 \$109 million PTF sales tax revenue represents the third full year of earned revenue and decreased by \$17.3 million from last year. The decrease was due to the continued weak economy during FY 2009 creating a decline in sales tax revenue.

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

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 \$0.3 million (100.0%) due to a one-time FTA grant award, in addition to the on-going FTA funds available for planning studies. The expenditures decreased 17.8% from the prior year due to conservative spending practices. 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 decreased 35.5% over the prior year.

The Transportation Demand Management Fund accounts for activities related to the countywide ridesharing program, trip reduction program and clean air campaign. Revenues increased 5.6% and expenditures increased 5.6% from the prior year due to an increase in grant funds available for trip reduction program.

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. It provides information and customer service for the region through its centralized transit information call center. Revenues increased \$0.1 million from the prior year due to reimbursement revenues collected for supports provided to Valley Metro Rail, Inc. Expenditures increased \$0.2 million over the prior year in the call center activities were offset by decreases in marketing activities. Prior to 2006, sales taxes allocated to the Regional Customer Services Fund were shown as revenues. Total transfers in of sales taxes decreased \$0.2 million (2.4%) over the prior year.

The Capital and Other Grants Fund accounts for state and federal grant revenues and expenditures not related to planning, transportation demand management or Regional Customer Services. Expenditures decreased \$0.4 million (42.9%) from the prior year due to the implementation of the procurement software project that has been deferred to FY2010. 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 decreased \$0.3 million (40.6%) over the prior year.

Proprietary funds

The proprietary fund financial statements (pages 23 – 25) 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.

The Transit Service Operations Fund accounts for the activities related to the operations of local and express bus, paratransit and vanpool services for the region. Net assets decreased \$2.7 million (3.1%) over the prior year 2009 due to increases in operation and capital expenses, decreases of transfers in from the Public Transportation Fund, increase of 2009 Bond debt obligations and increase of transfers out of bond proceeds to the Valley Metro Rail Fund.

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 28). The Valley Metro Rail Fund has net assets of \$10.5 million as of June 30, 2009 as compared to net assets of \$7.4 million at the end of the previous year. In fiscal year 2009, the Valley Metro Rail Fund received 43.24% of the total PTF sales tax revenues distributed to the Authority from the Arizona Department of Revenue, totaling \$51.5 million and received 11.7% of the \$4.3 million RARF sales tax revenue received by the Authority, totaling \$0.5 million. Additionally, the Valley Metro Rail Fund received \$12.8 million of transfers in of 2009 Bond proceeds from the Transit Service Operations Fund for VMR capital expenditure reimbursements.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a decrease of \$0.4 million in appropriations between the original and final amended expenditure budget.

For the year ended June 30, 2009, actual expenditures were under the final amended budget amounts by \$0.2 million. The positive variance was attributable to the Executive Director's Office and finance and management services activities of the General Fund being under budget because of conservative spending practices.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

As of June 30, 2009, the Authority had \$111.6 million invested in various capital assets, net of accumulated depreciation, for its governmental and business-type activities. The overall net increase in the authority's capital assets for the current fiscal year was 50.8%, a decrease of 16.2% for governmental activities and an increase of 52.1% for business type activities for the current year). Major capital asset events in the current year attributed to the increase for business-type activities included the following:

- The Authority had incurred cash outlay of \$9.3 million to acquire the Mesa Operations and Maintenance Facility from the City of Mesa; additionally, the authority recorded \$16.5 million as capital contributions to account for the fair values of the capital assets associated with this acquisition. The acquired property consists of 22 acres of land, a complex of five buildings constructed in 2004, equipment, fixtures, and other structures and improvements. The City of Mesa had received 57.02% grants from the Federal Transit Administration applied toward the construction costs.
- Expended \$22.1 million during the year on transit fleet for replacement and expansion.

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

- Expended \$5.2 million during the year on consultant activities and site improvements for the Bus Rapid Transit Project.

The following table provides a breakdown of capital assets of the Authority at June 30, 2009 with comparative information for the previous year. Additional information on the Authority's capital assets may be found in Note 6 on pages 42 - 44.

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

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2009	2008	2009	2008	2009	2008	
Non-depreciable assets:							
Land	\$ -	\$ -	\$ 5,292.0	\$ -	\$ 5,292.0	\$ -	N/A
Work-in-progress	14.8	-	15,803.7	18,660.2	15,818.5	18,660.2	-15.2%
Depreciable assets:							
Transit fleet	-	-	64,149.9	47,892.2	64,149.9	47,892.2	33.9%
Building	-	-	13,099.6	-	13,099.6	-	N/A
Site improvements	-	-	7,277.9	662.3	7,277.9	662.3	998.9%
Equipment	312.4	366.4	4,629.6	5,234.0	4,942.0	5,600.4	-11.8%
Computers & software	732.7	918.9	41.0	48.5	773.7	967.4	-20.0%
Vehicles	34.3	55.6	-	-	34.3	55.6	-38.3%
Furniture & fixtures	135.7	126.1	63.0	40.3	198.7	166.4	19.4%
Total assets	\$ 1,229.9	\$ 1,467.0	\$ 110,356.7	\$ 72,537.5	\$ 111,586.6	\$ 74,004.5	50.8%

Debt Administration

At June 30, 2009, the Authority had total bonded debt outstanding (net of unamortized costs) of \$105.0 million related to business type activities. The Authority has pledged future transportation excise tax revenues to repay this outstanding debt.

	Business-type Activities	
	2009	2008
Revenue bonds payable	\$ 100.1	\$ -
Less unamortized costs:		
Bond premium	5.8	-
Bond issuance costs	(0.9)	-
Total revenue bonds payable, net of unamortized costs	\$ 105.0	\$ -

The Authority's current bond ratings on transportation excise revenue tax bonds are AA+ from Standard & Poor's and AA from Fitch.

Additional information on the Authority's bonded debt and other long-term liabilities can be found in Note 8 on pages 44 - 45.

ECONOMIC FACTORS

RPTA undertook a number of key projects during FY 2009, as the agency continues the implementation of the TLCP operating and capital projects. Funding for these projects and studies comes from a combination of sales tax revenues (Public Transportation Funds [PTF] and Regional Area Road Funds [RARF]) and federal grants.

The key initiatives for fiscal year 2009 included:

- A new Financial Management system went live on July 1, 2008. 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), and 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.
- Develop, implement, and provide analysis for comprehensive transit research surveys and studies. Information from the surveys will be used to produce a database for transit planning purposes, including route evaluation and service adjustments. This includes telephone surveys on trip needs that people may have and other information needed for transit planning.
- Implementation and launch of key elements of a transit system identity program to include a new logo and new color design. 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.
- The Authority will take the first steps toward regionalization of ADA Paratransit Service. These first steps will be based on the results of the paratransit study conducted in FY 2007/08 and recommendations of the Valley Metro Operations & Capital Committee (VMOCC) Technical Advisory Committee (TAC) and Board of Directors approval.
- Site Selection and Environmental Assessment for multiple regional park and ride locations to allow for accelerated purchase and site preservation of future lot development in accordance with the Regional Transportation Plan (RTP). Also planned are Site Selection and Environmental Assessments for multiple transit center locations to allow for accelerated purchase and site preservation of future facility development in accordance with the RTP.

The adopted FY 2010 combined operating and capital budget is \$298.1 million (down approximately 6.6% from fiscal year 2009). The FY 2010 budget includes the fourth full year of projects funded with Proposition 400 PTF sales tax revenues (\$116.9 million). Of the \$116.9 million PTF revenue budgeted, \$66.3 million is for bus operating and bus capital and \$50.6 million is for light rail/high capacity capital. The total operating budget of \$97.0 million represents a \$9.1 million (10%) increase over the fiscal year 2009 operating budget of \$87.9 million. The total capital budget of \$201.1 million represents a \$30.0 million (13%) decrease under the fiscal year 2009 capital budget of \$231.1 million. The major reason for the increase in the operating budget is directly related to the projects programmed in the Transit Life Cycle Program (TLCP) for fiscal year 2010. The budget is balanced; decreases in net assets other than capital assets are not anticipated for fiscal year 2010.

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, 2009

Assets	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 27,072,730	\$ 27,032,176	\$ 54,104,906
Receivables	63,229	138,461	201,690
Due from other governments	10,024,847	31,911,671	41,936,518
Internal balances	1,755,296	(1,755,296)	-
Other assets	141,081	-	141,081
Total current assets	39,057,183	57,327,012	96,384,195
Noncurrent Assets			
Cash and cash equivalents	-	73,474,013	73,474,013
Capital assets, not being depreciated	14,804	21,095,722	21,110,526
Capital assets, net of accumulated depreciation	1,215,112	89,260,943	90,476,055
Total noncurrent assets	1,229,916	183,830,678	185,060,594
Total assets	40,287,099	241,157,690	281,444,789
Liabilities			
Liabilities:			
Current Liabilities			
Accounts payable	884,752	8,832,958	9,717,710
Due to other governments	104,889	33,139,825	33,244,714
Compensated absences payable	598,180	465,687	1,063,867
Other liabilities	47,199	22,496	69,695
Total current liabilities	1,635,020	42,460,966	44,095,986
Noncurrent liabilities:			
Compensated absences payable	157,003	383,332	540,335
Revenue bonds payable, net of unamortized cost	-	105,000,672	105,000,672
Total noncurrent liabilities	157,003	105,384,004	105,541,007
Total liabilities	1,792,023	147,844,970	149,636,993
Net Assets			
Invested in capital assets, net of related debt	1,229,916	98,580,060	99,809,976
Restricted for:			
Capital projects	-	2,246,490	2,246,490
Vanpool asset replacement	-	1,384,526	1,384,526
Transit vehicle replacement	-	431,141	431,141
Unrestricted	37,265,160	(9,329,497)	27,935,663
Total net assets	\$ 38,495,076	\$ 93,312,720	\$ 131,807,796

See accompanying notes to the financial statements.

Valley Metro
Regional Public Transportation Authority
Statement of Activities
Fiscal Year Ended June 30, 2009

Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Regional planning:				
Long range	\$ 292,509	\$ -	\$ 64,568	\$ -
Short range	317,886	-	461,605	-
Capital	154,523	-	74,319	-
Program support	1,183,750	-	11,699	-
Transportation demand management:				
Trip reduction	897,234	-	881,456	-
Ridesharing	561,620	-	561,620	-
Other programs	424,091	-	424,091	-
Regional customer services:				
Marketing	2,810,408	-	-	-
Call center	3,807,893	-	153,105	-
Other programs	2,129,063	-	-	-
Administration:				
Executive director	1,111,340	-	-	-
Finance & management services	799,503	-	-	-
Total governmental activities	<u>14,489,820</u>	<u>-</u>	<u>2,632,463</u>	<u>-</u>
Business-type activities:				
Transit service operations	99,625,805	23,891,590	2,609,156	40,555,599
Light rail transit	70,492,629	8,614,280	-	-
Total business-type activities	<u>170,118,434</u>	<u>32,505,870</u>	<u>2,609,156</u>	<u>40,555,599</u>
Total primary government	<u>\$ 184,608,254</u>	<u>\$ 32,505,870</u>	<u>\$ 5,241,619</u>	<u>\$ 40,555,599</u>

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
Net assets - ending

Net (Expense) Revenues and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (227,941)		\$ (227,941)
143,719		143,719
(80,204)		(80,204)
(1,172,051)		(1,172,051)
(15,778)		(15,778)
-		-
-		-
(2,810,408)		(2,810,408)
(3,654,788)		(3,654,788)
(2,129,063)		(2,129,063)
(1,111,340)		(1,111,340)
(799,503)		(799,503)
<u>(11,857,357)</u>		<u>(11,857,357)</u>
	\$ (32,569,460)	(32,569,460)
	(61,878,349)	(61,878,349)
	<u>(94,447,809)</u>	<u>(94,447,809)</u>
<u>(11,857,357)</u>	<u>(94,447,809)</u>	<u>(106,305,166)</u>
109,020,404	-	109,020,404
4,277,292	-	4,277,292
36,310	34,862	71,172
75,176	2,233,476	2,308,652
(92,630,562)	92,630,562	-
<u>20,778,620</u>	<u>94,898,900</u>	<u>115,677,520</u>
<u>8,921,263</u>	<u>451,091</u>	<u>9,372,354</u>
<u>29,573,813</u>	<u>92,861,629</u>	<u>122,435,442</u>
<u>\$ 38,495,076</u>	<u>\$ 93,312,720</u>	<u>\$ 131,807,796</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Balance Sheet
Governmental Funds
June 30, 2009

Assets	General	Public Transportation	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 3,487,620	\$ 22,823,736	\$ 761,374	\$ 27,072,730
Receivables	16,870	40,801	5,558	63,229
Due from other governments	126,414	8,624,689	1,273,744	10,024,847
Due from other funds	224,442	2,482,459	-	2,706,901
Other assets	76,983	-	64,098	141,081
Total assets	<u>\$ 3,932,329</u>	<u>\$ 33,971,685</u>	<u>\$ 2,104,774</u>	<u>\$ 40,008,788</u>

Liabilities and Fund Balances

Liabilities:				
Accounts payable	\$ 166,120	\$ -	\$ 718,632	\$ 884,752
Due to other funds	-	-	951,605	951,605
Due to other governments	104,889	-	-	104,889
Other liabilities	23,636	-	23,563	47,199
Total liabilities	<u>294,645</u>	<u>-</u>	<u>1,693,800</u>	<u>1,988,445</u>
Fund balances:				
Unreserved, designated	755,183	-	-	755,183
Unreserved, undesignated				
General fund	2,882,501	-	-	2,882,501
Special revenue fund	-	33,971,685	410,974	34,382,659
Total fund balances	<u>3,637,684</u>	<u>33,971,685</u>	<u>410,974</u>	<u>38,020,343</u>
Total liabilities and fund balances	<u>\$ 3,932,329</u>	<u>\$ 33,971,685</u>	<u>\$ 2,104,774</u>	<u>\$ 40,008,788</u>

Reconciliation of the balance sheet to the statement of net assets

Fund balances, total governmental funds balance sheet	\$ 38,020,343
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental capital assets	3,033,950
Less accumulated depreciation	<u>(1,804,034)</u>
Governmental compensated absences	<u>(755,183)</u>
Net assets of governmental activities, statement of net assets	<u>\$ 38,495,076</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, 2009

	<u>General</u>	<u>Public Transportation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Sales taxes:				
Public transportation funds	\$ -	\$ 109,020,404	\$ -	\$ 109,020,404
Regional area road funds	4,277,292	-	-	4,277,292
Intergovernmental:				
State & county grants	-	-	455,671	455,671
Federal Transit Administration	-	-	612,190	612,190
CMAQ	-	-	1,411,497	1,411,497
Interest earnings (loss)	(63,584)	99,894	-	36,310
Miscellaneous	3,510	-	224,771	228,281
Total revenues	<u>4,217,218</u>	<u>109,120,298</u>	<u>2,704,129</u>	<u>116,041,645</u>
Expenditures:				
Current:				
Regional planning:				
Long range	-	-	292,509	292,509
Short range	-	-	317,886	317,886
Capital	-	-	154,523	154,523
Program support	-	-	1,183,750	1,183,750
Transportation demand management:				
Trip reduction	-	-	897,234	897,234
Ridesharing	-	-	561,620	561,620
Other programs	-	-	424,091	424,091
Regional customer services:				
Marketing	-	-	2,810,408	2,810,408
Call center	-	-	3,807,893	3,807,893
Other programs	-	-	1,733,413	1,733,413
Administration:				
Executive director's office	1,111,340	-	-	1,111,340
Finance & management services	350,610	-	112,127	462,737
Capital outlay	-	-	384,564	384,564
Total expenditures	<u>1,461,950</u>	<u>-</u>	<u>12,680,018</u>	<u>14,141,968</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,755,268</u>	<u>109,120,298</u>	<u>(9,975,889)</u>	<u>101,899,677</u>
Other financing sources (uses):				
Transfers in	-	-	9,975,889	9,975,889
Transfers out	(2,239,169)	(100,367,282)	-	(102,606,451)
Total other financing sources (uses)	<u>(2,239,169)</u>	<u>(100,367,282)</u>	<u>9,975,889</u>	<u>(92,630,562)</u>
Net change in fund balances	<u>516,099</u>	<u>8,753,016</u>	<u>-</u>	<u>9,269,115</u>
Fund balance, beginning	<u>3,121,585</u>	<u>25,218,669</u>	<u>410,974</u>	<u>28,751,228</u>
Fund balance, ending	<u>\$ 3,637,684</u>	<u>\$ 33,971,685</u>	<u>\$ 410,974</u>	<u>\$ 38,020,343</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, 2009

Net change in fund balances, total governmental funds \$ 9,269,115

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 (\$384,564) exceeded depreciation expense (\$621,688) in the current period. (237,124)

2. The governmental funds, under the modified accrual basis of accounting, do not report the unpaid compensated absences as expenditure or liability, as they are not paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are used. (110,728)

Change in net assets of governmental activities, statement of activities \$ 8,921,263

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Sales taxes:				
Regional area road funds	\$ 4,292,000	\$ 4,277,291	\$ 4,277,292	\$ 1
Interest earnings (loss)	350,000	350,000	(63,584)	(413,584)
Miscellaneous	-	-	3,510	3,510
Total revenues	<u>4,642,000</u>	<u>4,627,291</u>	<u>4,217,218</u>	<u>(410,073)</u>
Expenditures:				
Current:				
Executive director	1,247,273	1,227,273	1,111,340	(115,933)
Finance and management services	879,448	466,023	350,610	(115,413)
Total expenditures	<u>2,126,721</u>	<u>1,693,296</u>	<u>1,461,950</u>	<u>(231,346)</u>
Excess of revenues over expenditures	<u>2,515,279</u>	<u>2,933,995</u>	<u>2,755,268</u>	<u>(178,727)</u>
Other financing uses:				
Transfers out	(2,488,658)	(4,158,966)	(2,239,169)	1,919,797
Total other financing uses	<u>(2,488,658)</u>	<u>(4,158,966)</u>	<u>(2,239,169)</u>	<u>1,919,797</u>
Net change in fund balance	<u>26,621</u>	<u>(1,224,971)</u>	<u>516,099</u>	<u>1,741,070</u>
Fund balance, beginning	<u>1,724,017</u>	<u>3,121,585</u>	<u>3,121,585</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,750,638</u>	<u>\$ 1,896,614</u>	<u>\$ 3,637,684</u>	<u>\$ 1,741,070</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Sales taxes:				
Public transportation funds	\$ 133,500,000	\$ 115,118,101	\$ 109,020,404	\$ (6,097,697)
Interest earnings	1,230,256	-	99,894	99,894
Total revenues	<u>134,730,256</u>	<u>115,118,101</u>	<u>109,120,298</u>	<u>(5,997,803)</u>
Excess of revenues over expenditures	<u>134,730,256</u>	<u>115,118,101</u>	<u>109,120,298</u>	<u>(5,997,803)</u>
Other financing uses:				
Transfers out	<u>(133,500,000)</u>	<u>(113,887,845)</u>	<u>(100,367,282)</u>	<u>13,520,563</u>
Total other financing uses	<u>(133,500,000)</u>	<u>(113,887,845)</u>	<u>(100,367,282)</u>	<u>13,520,563</u>
Net change in fund balance	<u>1,230,256</u>	<u>1,230,256</u>	<u>8,753,016</u>	<u>7,522,760</u>
Fund balance, beginning	<u>-</u>	<u>\$ 25,218,669</u>	<u>\$ 25,218,669</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,230,256</u>	<u>\$ 26,448,925</u>	<u>\$ 33,971,685</u>	<u>\$ 7,522,760</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Statement of Net Assets

Proprietary Funds

June 30, 2009

	Business-Type Activities - Enterprise Funds		Total Proprietary Funds
	Transit Service Operations	Valley Metro Rail	
Assets			
Current assets			
Cash and cash equivalents	\$ -	\$ 27,032,176	\$ 27,032,176
Receivables	112,287	26,174	138,461
Due from other governments	30,790,577	1,121,094	31,911,671
Total current assets	<u>30,902,864</u>	<u>28,179,444</u>	<u>59,082,308</u>
Noncurrent assets			
Cash and cash equivalents	73,474,013	-	73,474,013
Capital assets, not being depreciated	21,095,722	-	21,095,722
Capital assets, net of accumulated depreciation	89,260,943	-	89,260,943
Total noncurrent assets	<u>183,830,678</u>	<u>-</u>	<u>183,830,678</u>
Total assets	<u>214,733,542</u>	<u>28,179,444</u>	<u>242,912,986</u>
Liabilities			
Current liabilities:			
Accounts payable	8,531,920	301,038	8,832,958
Due to other funds	1,755,296	-	1,755,296
Due to other governments	16,483,307	16,656,518	33,139,825
Compensated absences payable	64,323	401,364	465,687
Other current liabilities	2,205	20,291	22,496
Total current liabilities	<u>26,837,051</u>	<u>17,379,211</u>	<u>44,216,262</u>
Noncurrent liabilities:			
Compensated absences payable	52,947	330,385	383,332
Revenue bonds payable, net of unamortized cost	105,000,672	-	105,000,672
Total noncurrent liabilities	<u>105,053,619</u>	<u>330,385</u>	<u>105,384,004</u>
Total liabilities	<u>131,890,670</u>	<u>17,709,596</u>	<u>149,600,266</u>
Net Assets			
Invested in capital assets, net of related debt	98,580,060	-	98,580,060
Restricted:			
Capital projects	2,246,490	-	2,246,490
Vanpool vehicle replacement	1,384,526	-	1,384,526
Transit vehicle replacement	431,141	-	431,141
Unrestricted	(19,799,345)	10,469,848	(9,329,497)
Total net assets	<u>\$ 82,842,872</u>	<u>\$ 10,469,848</u>	<u>\$ 93,312,720</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Fiscal Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds		Total Proprietary Funds
	Transit Service Operations	Valley Metro Rail	
Operating Revenues:			
Charges for services	\$ 23,891,590	\$ 8,614,280	\$ 32,505,870
Miscellaneous	826,905	-	826,905
Total operating revenues	<u>24,718,495</u>	<u>8,614,280</u>	<u>33,332,775</u>
Operating Expenses:			
Local & express bus service	51,501,081	-	51,501,081
Light rail staff and administration	-	8,614,280	8,614,280
Paratransit service	10,280,588	-	10,280,588
Vanpool service	781,556	-	781,556
Safety and security	344,819	-	344,819
Administrative and general	36,653	-	36,653
Depreciation	11,160,298	-	11,160,298
Total operating expenses	<u>74,104,995</u>	<u>8,614,280</u>	<u>82,719,275</u>
Operating loss	(49,386,500)	-	(49,386,500)
Non-Operating Revenues (Expenses):			
Lead agency disbursements	(25,520,810)	(61,878,249)	(87,399,059)
Federal Transit Administration	23,717,327	-	23,717,327
Other federal grants	2,926,010	-	2,926,010
IRS fuel tax credit	1,162,508	-	1,162,508
Interest income	-	34,862	34,862
Gain on disposal of capital assets	241,285	-	241,285
Miscellaneous	2,778	(100)	2,678
Total non-operating revenues (expenses)	<u>2,529,098</u>	<u>(61,843,487)</u>	<u>(59,314,389)</u>
Income (loss) before contributions and transfers	(46,857,402)	(61,843,487)	(108,700,889)
Capital contributions	16,521,418	-	16,521,418
Transfers in	40,570,347	64,948,778	105,519,125
Transfers out	(12,888,563)	-	(12,888,563)
Changes in net assets	<u>(2,654,200)</u>	<u>3,105,291</u>	<u>451,091</u>
Net assets, beginning	<u>85,497,072</u>	<u>7,364,557</u>	<u>92,861,629</u>
Net assets, ending	<u>\$ 82,842,872</u>	<u>\$ 10,469,848</u>	<u>\$ 93,312,720</u>

See accompanying notes to the financial statements.

Valley Metro
Regional Public Transportation Authority
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds		
	Transit Service Operations	Valley Metro Rail	Total Proprietary Funds
Cash flows from operating activities			
Receipts from customers	\$ 20,002,503	\$ 8,614,280	\$ 28,616,783
Payments to suppliers	(51,791,879)	(358,752)	(52,150,631)
Payments to employees	(894,209)	(7,830,627)	(8,724,836)
Net cash provided by (used in) operating activities	(32,683,585)	424,901	(32,258,684)
Cash flows from noncapital and related financing activities			
Transfers in - sales taxes	35,334,122	500,000	35,834,122
Lead agency disbursements	(884,968)	(500,000)	(1,384,968)
Due to/from other funds	4,263,482	(309,164)	3,954,318
Federal alternative fuel tax credit	1,075,462	-	1,075,462
Due from federal grants	(18,723,300)	-	(18,723,300)
Net cash provided by noncapital and related financing activities	21,064,798	(309,164)	20,755,634
Cash flows from capital and related financing activities			
Purchases of capital assets	(38,826,239)	-	(38,826,239)
Lead agency disbursements	(24,635,842)	(48,223,513)	(72,859,355)
Receipts from federal capital grants	37,252,711	-	37,252,711
Proceeds from sale of capital assets	374,368	-	374,368
Proceeds from sale of revenue bonds	105,430,672	-	105,430,672
Transfers out	(12,888,563)	-	(12,888,563)
Transfers in - sales taxes	5,236,224	68,684,815	73,921,039
Local member participation	1,740,041	-	1,740,041
Net cash provided by (used in) capital and related financing activities	73,683,372	20,461,302	94,144,674
Cash flows from investing activities			
Interest received on investments	-	26,691	26,691
Net cash provided by investing activities	-	26,691	26,691
Net increase in cash and cash equivalents	62,064,585	20,603,730	82,668,315
Cash and cash equivalents, beginning of year	11,409,428	6,428,446	17,837,874
Cash and cash equivalents, end of year	\$ 73,474,013	\$ 27,032,176	\$ 100,506,189
Reconciliation of operating loss to net cash provided by (used in) operating activities			
Operating loss	\$ (49,386,500)	\$ -	\$ (49,386,500)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	11,160,298	-	11,160,298
(Increase) decrease in assets:			
Accounts receivable	87,480	-	87,480
Due from other governments	(4,803,468)	-	(4,803,468)
Other assets	236,250	-	236,250
Increase (decrease) in liabilities:			
Accounts payable	(6,463,158)	404,610	(6,058,548)
Due to other funds	-	-	-
Due to other governments	16,483,307	-	16,483,307
Other current liabilities	2,206	20,291	22,497
Total adjustments	16,702,915	424,901	17,127,816
Net cash provided by (used in) operating activities	\$ (32,683,585)	\$ 424,901	\$ (32,258,684)
Noncash capital and operating activities			
Capital assets contributed by a local member city	\$ 16,521,418	\$ -	\$ 16,521,418

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, 2009

	LTAIF II Private Purpose Trust Fund
Additions	
Contributions	\$ 7,032,776
Total additions	<u>7,032,776</u>
Deductions	
Distributions	<u>7,032,776</u>
Total deductions	<u>7,032,776</u>
Changes in net assets	-
Net assets, beginning	<u>-</u>
Net assets, ending	<u><u>\$ -</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	28
a. Financial Reporting Entity	28
b. Basic Financial Statements	29-30
c. Basis of Presentation	30-31
d. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	31-33
e. Budgetary Basis of Accounting	33
f. Deposits and Investments	33-34
g. Prepaid Items	34
h. Capital Assets	34-35
i. Transactions between Funds	35
j. Receivables	35-36
k. Compensated Absences	36
l. Cash Equivalents	36
m. Use of Estimates	36
n. Accounting Pronouncements	36-37
2. Reconciliation of Governmental Fund Financial Statements to Government-Wide Statements	37-39
3. Deposits and Investments	
a. Deposits	39
b. Investments	39-40
4. Accounts Receivable and Interfund Transactions	40-41
5. Fund Balance/Net Assets Reservations and Designations	41
6. Capital Assets	41-43
7. Operating Leases	43
8. Long-Term Liabilities	
a. Transportation Excise Tax Revenue Bonds	43-44
b. Compensated Absences	45
9. Risk Management	45
10. Retirement and Pension Plans	
a. Plan descriptions	45
b. Financial report	45
c. Funding policy	46
11. Deferred Compensation Plan	46
12. Contractual and Other Commitments	
a. Underground Storage Tank Revolving Fund Replenishment	46
b. Commitments	47
13. Contingencies	47
14. Related Party Transactions	48
15. Excess of Expenditures over Appropriations	48

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2009

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, Goodyear, Mesa, Peoria, Phoenix, Scottsdale, Surprise, Tempe and Tolleson, and the towns of Buckeye, 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.

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2009

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.

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2009

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

c. Basis of Presentation

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

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

Governmental Funds

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

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

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

Proprietary Funds

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

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

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2009

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 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 fund accounts 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 fund of the Authority is as follows:

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 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

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2009

current period. The Authority considers revenues available under modified accrual, if they are earned by June 30 (all eligibility requirements have been met) and the revenue is expected to be collected within six months after year-end. Expenditures are recorded when the related fund liability is incurred.

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

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2009

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 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 decrease of \$20.0 million PTF revenue, the increase of \$5.7 million grant revenue collections, the increase of \$57.4 million 2009 Bond issuance and approved the decrease of expenditures of \$58.2 million mainly due to some of the local governments' construction project reimbursements projects have been deferred.

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.

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2009

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 Public Transportation Fund and 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 or Public Transportation 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)

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2009

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

Assets	Useful Life (Years)
Equipment	3-20
Furniture and fixtures	3-15
Vehicles	
Cars and vans	4
Buses greater than 30 feet	10
Buses greater than 40 feet	20
Computers and software	3
Site Improvements	16-30
Buildings	46-50

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.

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2009

During the fiscal year ended June 30, 2009, the Authority recorded \$1,162,508 as non-operating revenues and receivables of alternative fuel tax credit filed with the Internal Revenue Service (IRS) for fuel purchases during the fiscal year. 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. 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. The valuation of accrued leave benefits is calculated in accordance with GASB Statement No. 16. Unpaid compensated absences are recorded as a liability when the benefits are earned in the proprietary fund financial statements. For governmental funds, there is no legal requirement to accumulate expendable available financial resources to liquidate the obligation; thus expenditures are recognized in the governmental funds when payments are made to employees. The current portion of the accrued compensated absences liability is based on the average annual amount of leave charged over the preceding three years. Generally, resources from the General Fund are used to liquidate the governmental funds liabilities for compensated absences.

l. 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.

m. 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.

n. 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

**Valley Metro
Regional Public Transportation Authority**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2009

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.

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:

	Governmental Funds	Assets/ Liabilities	and Eliminations	Net Assets Totals
Assets				
Cash and cash equivalents	\$ 27,072,730	\$ -	\$ -	\$ 27,072,730
Receivables	63,229	-	-	63,229
Due from other governments	10,024,847	-	-	10,024,847
Due from other funds	2,706,901	-	(951,605)	1,755,296
Other assets	141,081	-	-	141,081
Capital assets (net)	-	1,229,916	-	1,229,916
Total assets	<u>\$ 40,008,788</u>	<u>\$ 1,229,916</u>	<u>\$ (951,605)</u>	<u>\$ 40,287,099</u>
Liabilities				
Accounts payable	\$ 884,752	\$ -	\$ -	\$ 884,752
Due to other funds	951,605	-	(951,605)	-
Due to other governments	104,889	-	-	104,889
Other liabilities	47,199	-	-	47,199
Compensated absences	-	755,183	-	755,183
Total liabilities	<u>1,988,445</u>	<u>755,183</u>	<u>(951,605)</u>	<u>1,792,023</u>
Fund Balance/Net Assets				
Total fund balance/net assets	<u>\$ 38,020,343</u>	<u>\$ 474,733</u>	<u>\$ -</u>	<u>\$ 38,495,076</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:

**Valley Metro
Regional Public Transportation Authority**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2009

Cost of capital assets	\$ 3,033,950
Accumulated depreciation	<u>(1,804,034)</u>
Capital assets, net	<u>\$ 1,229,916</u>

Interfund transactions between governmental activities of \$951,605 are eliminated in the consolidation of these activities for the statement of net assets.

Under the modified accrual basis of accounting, the governmental funds do not accrue for unpaid compensated absences in the amount of \$755,184 as liability, as they are not paid with expendable available financial resources. However, the statement of net assets includes the unpaid compensated absences as long-term liabilities regardless of when financial resources are used, and thus a reduction in net assets.

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

	Total Governmental Funds	Capital Purchases	Depreciation Disposals	Compensated Absences	Statement of Activities Totals
Revenues					
Sales taxes	\$ 113,297,696	\$ -	\$ -	\$ -	\$ 113,297,696
Intergovernmental	2,479,358	-	-	-	2,479,358
Interest earnings	36,310	-	-	-	36,310
Miscellaneous	228,281	-	-	-	228,281
Total revenues	<u>116,041,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,041,645</u>
Expenditures/Expenses					
Current:					
Regional planning	1,948,668	-	-	-	1,948,668
Transportation demand management	1,882,945	-	-	-	1,882,945
Administration	1,574,077	-	226,038	110,728	1,910,843
Regional customer services	8,351,714	-	395,650	-	8,747,364
Capital outlay	384,564	(384,564)	-	-	-
Total expenditures/expenses and other uses	<u>14,141,968</u>	<u>(384,564)</u>	<u>621,688</u>	<u>110,728</u>	<u>14,489,820</u>
Other financing uses/changes in net assets					
Transfers in	9,975,889	-	-	-	9,975,889
Transfers out	(102,606,451)	-	-	-	(102,606,451)
Net transfers	<u>(92,630,562)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(92,630,562)</u>
Net change for the year	<u>\$ 9,269,115</u>	<u>\$ 384,564</u>	<u>\$ (621,688)</u>	<u>\$ (110,728)</u>	<u>\$ 8,921,263</u>

When capital assets that are to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. As a result, fund balance decreases by the

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2009

amount of the financial resources expended for capital outlay (\$384,564), whereas net assets decrease by the amounts of disposals and depreciation expense charged for the year (\$621,688).

The governmental funds do not report unpaid compensated absences in the amount of \$110,728 as expenditures, as they are not paid with expendable available financial resources. However, the statement of net assets includes the unpaid compensated absences as accrued expenses regardless of when financial resources are used, and thus a reduction in net assets.

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, 2009, was \$53,697,230 and the bank ledger balance was \$54,084,842. The difference of \$387,612 represents deposits in transit and outstanding checks. Of the bank balance, \$250,000 was covered by federal depository insurance and \$53,834,842 was covered by collateral held by the pledging financial institution in the Authority's name. Cash held with trustee in the amount of \$73,474,013 has federal depository insurance coverage in the amount of \$250,000 and \$73,224,013 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, 2009, 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.

**Valley Metro
Regional Public Transportation Authority**

Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2009

Investments at June 30, 2009 consist of the following:

State of Arizona Local Government Investment Pool	\$	407,676
---	----	---------

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, 2009 consist of the following:

Carrying amount of the Authority's deposits	\$	53,697,230
Cash with trustee		73,474,013
Investments in the LGIP		407,676
Total cash and investments	\$	127,578,919

4. Accounts Receivable and Interfund Transactions

Net interfund receivables and payables between governmental activities and business-type activities of \$1,755,296 are included in the government-wide financial statements at June 30, 2009. The following interfund receivables and payables are included in the fund financial statements at June 30, 2009:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
Governmental activities:		
General	Nonmajor governmental funds	\$ 224,442
Public transportation fund	Transit service operations	1,755,296
Public transportation fund	Nonmajor governmental funds	727,163
Total governmental activities		\$ 2,706,901

The interfund balances at June 30, 2009 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, 2009 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. Interfund transfers between the enterprise funds are for transfers of bond proceeds for reimbursements of light rail capital expenditures. The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2009.

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2009

	Transfers Out			Totals
	General Fund	Public Transportation Fund	Transit Service Operations	
<u>Transfers In</u>				
Governmental funds:				
Nonmajor governmental funds	\$ 1,739,169	\$ 8,236,720	\$ -	\$ 9,975,889
Total governmental funds	<u>1,739,169</u>	<u>8,236,720</u>	<u>-</u>	<u>9,975,889</u>
Enterprise funds:				
Transit service operations	-	40,570,347	-	40,570,347
Valley Metro Rail	500,000	51,560,215	12,888,563	64,948,778
Total enterprise funds	<u>500,000</u>	<u>92,130,562</u>	<u>12,888,563</u>	<u>105,519,125</u>
Grand totals	<u>\$ 2,239,169</u>	<u>\$ 100,367,282</u>	<u>\$ 12,888,563</u>	<u>\$ 115,495,014</u>

Net transfers from governmental activities to business-type activities on the government-wide statement of activities to the Enterprise funds are in the amount \$92,630,562.

5. Fund Balance/Net Assets Reservations and Designations

General Fund:

Unreserved/Designated - At June 30, 2009, \$755,183 of fund balance was designated by management for the payment of accrued compensated absences.

Transit Service Operations Enterprise Fund:

Restricted for Capital projects – At June 30, 2009, \$2,246,490 (net of related 2009 Bonds payable in the amount of \$18,667,673) was restricted for capital projects.

Restricted for Vanpool Vehicle Replacement - At June 30, 2009, \$1,384,526 was restricted for replacement of vanpool vehicles.

Restricted for Transit capital asset Replacement - At June 30, 2009, \$431,141 was restricted for capital asset replacement.

Unrestricted - At June 30, 2009, a negative amount of \$19,799,345 of net assets was unrestricted. This is because of lead agency disbursements that are related to the 2009 bond issuance, which included \$75,765,664 of the bond payable.

6. Capital Assets

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2009:

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2009

	Balances, July 1, 2008		Increases		Decreases		Balances, June 30, 2009	
Governmental activities:								
Non-depreciable assets:								
Work in progress	\$	-	\$	14,804	\$	-	\$	14,804
Total non-depreciable assets		-		14,804		-		14,804
Depreciable assets:								
Computers & software		1,725,616		312,048		-		2,037,664
Equipment		559,978		12,056		-		572,034
Vehicles		153,441		-		(18,530)		134,911
Furniture & fixtures		228,881		45,656		-		274,537
Total depreciable assets at historical cost		2,667,916		369,760		(18,530)		3,019,146
Less accumulated depreciation for:								
Computers & software		(806,733)		(498,258)		-		(1,304,991)
Equipment		(193,538)		(66,046)		-		(259,584)
Vehicles		(97,820)		(21,317)		18,530		(100,607)
Furniture & fixtures		(102,785)		(36,067)		-		(138,852)
Total accumulated depreciation		(1,200,876)		(621,688)		18,530		(1,804,034)
Governmental activities capital assets, net	\$	1,467,040	\$	(237,124)	\$	-	\$	1,229,916
Business-type activities:								
Non-depreciable assets:								
Land	\$	-	\$	5,292,000	\$	-	\$	5,292,000
Work in progress		18,660,154		20,976,719		(23,833,151)		15,803,722
Total non-depreciable assets		18,660,154		26,268,719		(23,833,151)		21,095,722
Depreciable assets:								
Transit fleet		80,166,236		26,049,069		(10,946,830)		95,268,475
Building		-		13,390,731		-		13,390,731
Site improvements		732,746		7,070,250		-		7,802,996
Computers & software		75,932		18,260		-		94,192
Equipment		6,502,424		83,907		-		6,586,331
Furniture & fixtures		83,665		43,372		-		127,037
Total depreciable assets at historical cost		87,561,003		46,655,589		(10,946,830)		123,269,762
Less accumulated depreciation for:								
Transit fleet		(32,273,993)		(9,679,744)		10,835,175		(31,118,562)
Building		-		(291,103)		-		(291,103)
Site improvements		(70,501)		(454,641)		-		(525,142)
Computers & software		(27,420)		(25,818)		-		(53,238)
Equipment		(1,268,389)		(688,365)		-		(1,956,754)
Furniture & fixtures		(43,393)		(20,627)		-		(64,020)
Total accumulated depreciation		(33,683,696)		(11,160,298)		10,835,175		(34,008,819)
Business-type activities capital assets, net	\$	72,537,461	\$	61,764,010	\$	(23,944,806)	\$	110,356,665

**Valley Metro
Regional Public Transportation Authority**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2009

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

	Government Wide	Business- Type
General government	\$ 226,038	\$ -
Regional customer services	395,650	-
Transit service operations	-	11,160,298
Total depreciation expense	<u>\$ 621,688</u>	<u>\$ 11,160,298</u>

The Authority's enterprise funds in the business type activities have entered into contracts having remaining commitments at June 30, 2009 totaling approximately \$3.8 million. 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. Operating Leases

The Authority leases office space under a lease agreement. Total rent expenditures were \$572,570 for the fiscal year ended June 30, 2009. The future minimum lease payments under noncancelable and final option of the operating lease at June 30, 2009 were as follows:

Year Ending June 30		
2010	\$	544,776
2011		552,953
2012		280,565
Total	\$	<u>1,378,294</u>

8. Long-Term Liabilities

a. Transportation Excise Tax Revenue Bonds

In May 2009, the Board adopted issuance of the transportation revenue bonds, which are specifically for the purpose of payment or reimbursement the costs of capital project expenditures in the regional transportation plan. These bonds are payable solely from the revenues received by the Authority from the Transportation Excise Tax revenues collected by the Arizona Department of Revenue. The bonds were issued on June 30, 2009 in two series. Series 2009A consisted of \$73,795,000 transportation excise tax revenue bonds – tax exempt bonds and Series 2009B consisted of \$26,280,000 transportation excise tax revenue bonds – federally taxable Build America Bonds. Annual installments of \$2,265,000 to \$9,260,000 will be made through 2025; interest ranges from 3.25 to 6.46 percent.

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2009

The Authority has pledged future transportation excise tax revenues to repay a total of \$100,075,000 in outstanding transportation revenue bonds. Proceeds of the bonds were used for improvements and expansions to the Authority's bus and light rail projects. The bonds are payable solely from excise tax revenues and are payable through July 1, 2025. For the fiscal year ended June 30, 2009, the revenues available for service of this debt were \$109,020,404. Principal payment date is July 1 and is not scheduled to start until July 1, 2011. Interest payment dates are January 1 and July 1, and are not scheduled to start until January 1, 2010.

Transportation Excise Revenue Bonds annual debt service requirements at June 30, 2009 were as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ -	\$ 2,637,229	\$ 2,637,229
2011	-	5,245,318	5,245,318
2012	2,265,000	5,200,018	7,465,018
2013	5,085,000	5,053,018	10,138,018
2014	5,290,000	4,819,068	10,109,068
2015 - 2019	30,545,000	19,926,153	50,471,153
2020 - 2024	38,740,000	11,259,460	49,999,460
2025 - 2026	18,150,000	1,184,441	19,334,441
Total	<u>\$ 100,075,000</u>	<u>\$ 55,324,705</u>	<u>\$ 155,399,705</u>

The revenue bonds liability activity for the fiscal year ended June 30, 2009 was as follows:

Business-Type Activities Revenue Bonds:

	Balance, July 1, 2008	Additions	Reductions	Balance, June 30, 2009	Amount Due Within One Year
Revenue bonds payable	\$ -	\$ 100,075,000	\$ -	\$ 100,075,000	\$ -
Less unamortized costs:				-	
Bond premium	-	5,802,932	-	5,802,932	-
Bond issuance costs	-	(877,260)	-	(877,260)	-
Total revenue bonds payable, net of unamortized costs	<u>\$ -</u>	<u>\$ 105,000,672</u>	<u>\$ -</u>	<u>\$ 105,000,672</u>	<u>\$ -</u>

b. Compensated Absences

Compensated absences activity for the fiscal year ended June 30, 2009 is as follows:

	Balance, July 1, 2008	Increases	Decreases	Balance, June 30, 2009	Amount Due Within One Year
Compensated absences:					
Governmental activities	\$ 644,455	\$ 604,343	\$ (493,615)	\$ 755,183	\$ 598,180
Business-type activities	712,973	582,112	(446,066)	849,019	465,687
	<u>\$ 1,357,428</u>	<u>\$ 1,186,455</u>	<u>\$ (939,681)</u>	<u>\$ 1,604,202</u>	<u>\$ 1,063,867</u>

9. 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.

10. 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.

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2009

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, 2009, the Authority and active ASRS members were each required by statute to contribute at the actuarially determined rate of 9.45% (7.90% retirement, 1.05% health insurance premium and 0.50% long-term disability) of the annual covered payroll. The Authority's contributions from employer to ASRS for the fiscal years ending June 30, 2009, 2008 and 2007 were \$1,207,487, \$1,044,846 and \$859,573, respectively, which were equal to the required contributions for each fiscal year by the employer. Fiscal year ended June 30, 2007 was the first year that the Authority participated in the Arizona State Retirement System.

11. 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.

12. 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.

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2009

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 bus stop improvements, Happy Valley Park and Ride, Scottsdale Loop 101 Park and Ride, Phoenix Camelback/19th Avenue Transit Center, Surprise Park-and-Ride, Buckeye Park-and-Ride, Metrocenter Transit Center and ADA reimbursement contracts. At June 30, 2009, the Authority had outstanding contractual commitments for these services aggregating approximately \$14.1 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.

13. 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.

During the fiscal year ended June 30, 2009, the Authority had expenditures of \$18,094,020 for various transportation improvement projects. As of June 30, 2009, the projects had been approved by the Maricopa Association of Governments Council and the City of Phoenix but were still waiting for approval from the Federal Transportation Agency (FTA). These expenditures have been reported on the Schedule of Expenditures of Federal Awards because the Authority anticipates the grant agreement to be approved and receive the reimbursement funds from the FTA (passed through the City of Phoenix) in fiscal year 2010.

(Remainder of page intentionally left blank)

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2009

14. 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, 2009, VMR paid \$8,614,380 for services provided by the Authority. At June 30, 2009, the Authority reported \$1,121,194 receivable from VMR and \$16,656,518 payable to VMR.

15. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2009, no excess of expenditures over appropriations at the department level of budgetary control occurred.

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 Regional Customer Services Fund accounts for activities related to marketing, customer services, Americans with Disabilities (ADA) compliance, contract maintenance and quality monitoring, and farebox data reporting for the region.
- The 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, 2009

Assets	Transit Planning	Transportation Demand Management	Regional Customer Services	Capital and Other Grants	Total Nonmajor Governmental Funds
Cash and cash equivalents	\$ -	\$ -	\$ 728,050	\$ 33,324	\$ 761,374
Receivables	-	3,864	1,694	-	5,558
Due from other governments	416,016	857,728	-	-	1,273,744
Other assets	-	-	64,098	-	64,098
Total assets	\$ 416,016	\$ 861,592	\$ 793,842	\$ 33,324	\$ 2,104,774
 Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 89,052	\$ 56,864	\$ 539,392	\$ 33,324	\$ 718,632
Due to other funds	224,442	727,163	-	-	951,605
Other liabilities	2,316	9,620	11,627	-	23,563
Total liabilities	315,810	793,647	551,019	33,324	1,693,800
Fund balances:					
Unreserved, undesignated	100,206	67,945	242,823	-	410,974
Total fund balances	100,206	67,945	242,823	-	410,974
Total liabilities and fund balances	\$ 416,016	\$ 861,592	\$ 793,842	\$ 33,324	\$ 2,104,774

Valley Metro
Regional Public Transportation Authority
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2009

	Transit Planning	Transportation Demand Management	Regional Customer Services	Capital and Other Grants	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental:					
State & county grants	\$ -	\$ 455,671	\$ -	\$ -	\$ 455,671
Federal Transit Administration	612,190	-	-	-	612,190
CMAQ	-	1,411,497	-	-	1,411,497
Miscellaneous	-	15,777	190,398	18,596	224,771
Total revenues	<u>612,190</u>	<u>1,882,945</u>	<u>190,398</u>	<u>18,596</u>	<u>2,704,129</u>
Expenditures:					
Current:					
Regional planning:					
Long range	292,509	-	-	-	292,509
Short range	317,886	-	-	-	317,886
Capital	154,523	-	-	-	154,523
Program support	1,183,750	-	-	-	1,183,750
Transportation demand management:					
Trip reduction	-	897,234	-	-	897,234
Ridesharing	-	561,620	-	-	561,620
Other programs	-	424,091	-	-	424,091
Regional customer services:					
Marketing	-	-	2,810,408	-	2,810,408
Call center	-	-	3,807,893	-	3,807,893
Other programs	-	-	1,733,413	-	1,733,413
Administration:					
Finance & management services	-	-	-	112,127	112,127
Capital outlay	-	-	75,404	309,160	384,564
Total expenditures	<u>1,948,668</u>	<u>1,882,945</u>	<u>8,427,118</u>	<u>421,287</u>	<u>12,680,018</u>
Deficiency of revenues under expenditures	<u>(1,336,478)</u>	<u>-</u>	<u>(8,236,720)</u>	<u>(402,691)</u>	<u>(9,975,889)</u>
Other financing sources:					
Transfers in	1,336,478	-	8,236,720	402,691	9,975,889
Total other financing sources	<u>1,336,478</u>	<u>-</u>	<u>8,236,720</u>	<u>402,691</u>	<u>9,975,889</u>
Net change in fund balances	-	-	-	-	-
Fund balance, beginning	100,206	67,945	242,823	-	410,974
Fund balance, ending	<u>\$ 100,206</u>	<u>\$ 67,945</u>	<u>\$ 242,823</u>	<u>\$ -</u>	<u>\$ 410,974</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal Transit Administration	\$ 1,128,470	\$ 343,920	\$ 612,190	\$ 268,270
Miscellaneous	-	260,000	-	(260,000)
Total revenues	<u>1,128,470</u>	<u>603,920</u>	<u>612,190</u>	<u>8,270</u>
Expenditures:				
Current:				
Long range	665,505	563,615	292,509	(271,106)
Short range	1,197,909	1,198,909	317,886	(881,023)
Capital	105,698	476,544	154,523	(322,021)
Program support	2,283,177	1,433,818	1,183,750	(250,068)
Total expenditures	<u>4,252,289</u>	<u>3,672,886</u>	<u>1,948,668</u>	<u>(1,724,218)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,123,819)</u>	<u>(3,068,966)</u>	<u>(1,336,478)</u>	<u>1,732,488</u>
Other financing sources:				
Transfers in	3,123,819	3,068,966	1,336,478	(1,732,488)
Total other financing sources	<u>3,123,819</u>	<u>3,068,966</u>	<u>1,336,478</u>	<u>(1,732,488)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>100,206</u>	<u>100,206</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,206</u>	<u>\$ 100,206</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
State sources:				
State grants	\$ 847,105	\$ 847,105	\$ 455,671	\$ (391,434)
Intergovernmental:				
CMAQ	1,468,000	1,468,000	1,411,497	(56,503)
Other federal grants	42,000	42,000	-	(42,000)
Miscellaneous	-	-	15,777	15,777
Total revenues	<u>2,357,105</u>	<u>2,357,105</u>	<u>1,882,945</u>	<u>(474,160)</u>
Expenditures:				
Current:				
Trip reduction	842,000	842,000	897,234	55,234
Ridesharing	594,000	594,000	561,620	(32,380)
Other programs	921,105	921,105	424,091	(497,014)
Total expenditures	<u>2,357,105</u>	<u>2,357,105</u>	<u>1,882,945</u>	<u>(474,160)</u>
Excess revenues over expenditures	-	-	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>67,945</u>	<u>67,945</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,945</u>	<u>\$ 67,945</u>

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Regional Customer Services Fund
Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Miscellaneous	\$	\$ 153,105	\$ 190,398	\$ 37,293
Total revenues	-	153,105	190,398	37,293
Expenditures:				
Current:				
Regional marketing	3,663,320	3,116,580	2,810,408	(306,172)
Regional call center	3,635,898	3,847,663	3,807,893	(39,770)
Other programs	1,828,646	1,802,456	1,733,413	(69,043)
Capital outlay	159,700	159,700	75,404	(84,296)
Total expenditures	9,287,564	8,926,399	8,427,118	(499,281)
Deficiency of revenues under expenditures	(9,287,564)	(8,773,294)	(8,236,720)	536,574
Other financing sources:				
Transfers in	9,287,564	8,773,294	8,236,720	(536,574)
Total other financing sources	9,287,564	8,773,294	8,236,720	(536,574)
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	242,823	242,823
Fund balance, ending	\$ -	\$ -	\$ 242,823	\$ 242,823

**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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 18,596	\$ 18,596
Total revenues	-	-	18,596	18,596
Expenditures:				
Administration:				
Finance & management services	120,000	120,000	112,127	(7,873)
Capital outlay	470,000	470,000	309,160	(160,840)
Total expenditures	590,000	590,000	421,287	(168,713)
Excess (deficiency) of revenues over (under) expenditures	(590,000)	(590,000)	(402,691)	187,309
Other financing sources:				
Transfers in	590,000	590,000	402,691	(187,309)
Total other financing sources	590,000	590,000	402,691	(187,309)
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenses and Changes in Net Assets - Budget to Actual
Transit Service Operations Fund
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
Operating Revenues:				
Charges for services	\$ 24,925,728	\$ 24,781,846	\$ 23,891,590	\$ (890,256)
Miscellaneous	-	26,460	826,905	800,445
Total operating revenues	<u>24,925,728</u>	<u>24,808,306</u>	<u>24,718,495</u>	<u>(89,811)</u>
Operating Expenses:				
Local & express bus service	51,348,243	52,550,666	51,501,081	(1,049,585)
Paratransit service	9,862,198	9,855,898	10,280,588	424,690
Vanpool service	1,708,618	1,523,721	781,556	(742,165)
Safety and security	1,153,641	555,142	344,819	(210,323)
Administrative and general	38,518	36,668	36,653	(15)
Contingency	7,833,270	400,000	-	(400,000)
Capital outlay	36,775,001	36,474,220	32,569,737	(3,904,483)
Total operating expenses	<u>108,719,489</u>	<u>101,396,315</u>	<u>95,514,434</u>	<u>(5,881,881)</u>
Operating income (loss)	<u>(83,793,761)</u>	<u>(76,588,009)</u>	<u>(70,795,939)</u>	<u>5,792,070</u>
Non-Operating Revenues (Expenses):				
Lead agency disbursements	(61,195,645)	(31,033,379)	(25,520,810)	5,512,569
Federal Transit Administration grants	14,495,027	21,001,394	23,717,327	2,715,933
Other federal grants	-	-	2,926,010	2,926,010
IRS fuel tax credit	990,000	990,000	1,162,508	172,508
Proceeds from disposition of capital assets	-	-	374,368	374,368
Miscellaneous	-	-	2,778	2,778
Proceeds from revenue bond issuance	77,600,000	135,000,000	105,000,672	(29,999,328)
Total nonoperating revenues (expenses)	<u>31,889,382</u>	<u>125,958,015</u>	<u>107,662,853</u>	<u>(18,295,162)</u>
Income (loss) before transfers	<u>(51,904,379)</u>	<u>49,370,006</u>	<u>36,866,914</u>	<u>(12,503,092)</u>
Transfers in	64,761,875	55,337,485	40,570,347	(14,767,138)
Transfers out	<u>(26,100,000)</u>	<u>(14,700,000)</u>	<u>(12,888,563)</u>	<u>1,811,437</u>
Change in net assets - budgetary basis	<u>\$ (13,242,504)</u>	<u>\$ 90,007,491</u>	<u>\$ 64,548,698</u>	<u>\$ (25,458,793)</u>

Explanation of differences between budgetary basis and GAAP basis

Excess revenues over expenses - budgetary basis	\$ 64,548,698
Bond proceeds are recorded as a financing source for budgetary purposes, and as a liability for GAAP purposes	(105,000,672)
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes	32,569,737
Contributed capital is not a budgeted revenue, but is revenue for GAAP purposes	16,521,418
Depreciation is not a budgeted expense, but is an expense for GAAP purposes	(11,160,298)
Proceeds from disposition of assets increase financial resources for budgetary basis, but is not a revenue for GAAP basis	(374,368)
The gain on disposal of capital assets is not a budgeted revenue, but is a revenue for GAAP purposes	<u>241,285</u>
Changes in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ (2,654,200)</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, 2009

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
Operating Revenues:				
Charges for services	\$ 10,087,924	\$ 10,087,924	\$ 8,614,280	\$ (1,473,644)
Total operating revenues	10,087,924	10,087,924	8,614,280	(1,473,644)
Operating Expenses:				
Light rail staff and administration	10,087,924	10,087,924	8,614,280	(1,473,644)
Total operating expenses	10,087,924	10,087,924	8,614,280	(1,473,644)
Operating income (loss)	(10,087,924)	(10,087,924)	(8,614,280)	1,473,644
Non-Operating Revenues (Expenses):				
Lead agency disbursements	(84,325,400)	(64,977,066)	(61,878,249)	3,098,817
Interest income	-	-	34,862	34,862
Miscellaneous	-	-	(100)	(100)
Total nonoperating revenues (expenses)	(84,325,400)	(64,977,066)	(61,843,487)	3,133,579
Income (loss) before transfers	(84,325,400)	(64,977,066)	(61,843,487)	3,133,579
Transfers in	84,325,400	64,977,066	64,948,778	(28,288)
Excess revenues over expenses - budgetary basis	\$ -	\$ -	\$ 3,105,291	\$ 3,105,291

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.

Debt Capacity

These schedules contain information to help the reader assess the affordability of the Authority's current levels of outstanding debt, the Authority's ability to issue additional debt in the future.

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 Eight Fiscal Years
(accrual basis of accounting)

	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 152,674	\$ 175,418	\$ 199,619
Restricted	-	-	-
Unrestricted	2,303,561	2,303,561	3,300,859
Total governmental activities net asset	<u>\$ 2,456,235</u>	<u>\$ 2,478,979</u>	<u>\$ 3,500,478</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 17,034,467	\$ 14,186,807	\$ 11,497,494
Restricted	726,021	1,116,356	1,559,108
Unrestricted	12,075	943,423	1,250,277
Total business-type activities net assets	<u>\$ 17,772,563</u>	<u>\$ 16,246,586</u>	<u>\$ 14,306,879</u>
Primary government			
Invested in capital assets, net of related debt	\$ 17,187,141	\$ 14,362,225	\$ 11,697,113
Restricted	726,021	1,116,356	1,559,108
Unrestricted	2,315,636	3,246,984	4,551,136
Total primary government net assets	<u>\$ 20,228,798</u>	<u>\$ 18,725,565</u>	<u>\$ 17,807,357</u>

<u>FY 2004/05</u>	<u>FY 2005/06</u>	<u>FY 2006/07</u>	<u>FY 2007/08</u>	<u>FY 2008/09</u>
\$ 161,090	\$ 249,177	\$ 1,362,413	\$ 1,467,040	\$ 1,229,916
-	-	-	-	
3,300,859	12,224,193	42,677,444	28,106,773	37,265,160
<u>\$ 3,461,949</u>	<u>\$ 12,473,370</u>	<u>\$ 44,039,857</u>	<u>\$ 29,573,813</u>	<u>\$ 38,495,076</u>
\$ 12,283,769	\$ 27,042,048	\$ 47,945,807	\$ 72,537,461	\$ 98,580,060
1,827,192	5,301,289	1,778,889	2,332,524	4,062,157
1,299,780	17,159,298	21,142,003	17,991,644	(9,329,497)
<u>\$ 15,410,741</u>	<u>\$ 49,502,635</u>	<u>\$ 70,866,699</u>	<u>\$ 92,861,629</u>	<u>\$ 93,312,720</u>
\$ 12,444,859	\$ 27,291,225	\$ 49,308,220	\$ 74,004,501	\$ 99,809,976
1,827,192	5,301,289	1,778,889	2,332,524	4,062,157
4,600,639	29,383,491	63,819,447	46,098,417	27,935,663
<u>\$ 18,872,690</u>	<u>\$ 61,976,005</u>	<u>\$ 114,906,556</u>	<u>\$ 122,435,442</u>	<u>\$ 131,807,796</u>

**Valley Metro
Regional Public Transportation Authority**

Changes in Net Assets
Last Eight 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>Expenses</u>				
Governmental activities:				
Regional planning:				
Long range planning	\$ 212,391	\$ 367,279	\$ 167,057	\$ 162,287
Short range planning	256,925	274,302	242,945	145,690
Capital planning	307,518	118,161	163,818	236,219
Program support	29,746	43,722	53,199	171,169
Transportation demand management:				
Trip reduction	853,216	820,699	784,056	931,196
Ridesharing	608,955	589,798	656,311	514,977
Other programs	497,885	294,016	267,869	486,102
Regional customer services:				
Marketing	-	-	-	-
Call center	-	-	-	-
Other programs	-	-	-	-
Administration:				
Executive director's office	262,172	226,215	238,134	400,777
Communications & government relations	162,556	207,283	247,948	161,979
Finance & management services	87,255	91,684	106,305	293,648
Community funded transportation	1,000,000	51,652	51,652	51,652
Capital outlay	134,200	94,589	90,972	180,099
Total governmental activities expenses	<u>4,412,819</u>	<u>3,179,400</u>	<u>3,070,266</u>	<u>3,735,795</u>
Business-type activities:				
Transit service operations	28,475,928	30,011,849	30,650,723	34,834,292
Regional customer services	5,010,019	4,229,972	4,710,645	5,123,118
Light rail transit	16,765,586	5,033,179	2,982,701	3,667,400
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>
Total primary government expenses	<u>\$ 54,664,352</u>	<u>\$ 42,454,400</u>	<u>\$ 41,414,335</u>	<u>\$ 47,360,605</u>

FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09
\$ 187,496	\$ 403,337	\$ 316,147	\$ 292,509
322,430	558,664	735,888	317,886
197,256	164,722	224,767	154,523
534,285	1,298,591	1,113,474	1,183,750
865,290	719,854	819,553	897,234
645,052	594,549	592,460	561,620
326,903	385,257	373,833	424,091
-	2,578,094	3,110,366	2,810,408
-	3,087,948	3,599,018	3,807,893
-	1,623,744	1,857,934	2,129,063
514,158	1,712,451	1,033,066	1,111,340
207,304	-	-	-
549,635	260,965	908,275	799,503
-	715,001	-	-
-	-	-	-
<u>4,349,809</u>	<u>14,103,177</u>	<u>14,684,781</u>	<u>14,489,820</u>
38,578,007	60,090,164	96,796,902	99,625,805
5,767,760	-	-	-
16,909,968	63,225,727	65,243,366	70,492,629
<u>61,255,735</u>	<u>123,315,891</u>	<u>162,040,268</u>	<u>170,118,434</u>
<u>\$ 65,605,544</u>	<u>\$ 137,419,068</u>	<u>\$ 176,725,049</u>	<u>\$ 184,608,254</u>

(Continued)

**Valley Metro
Regional Public Transportation Authority**

Changes in Net Assets (Continued)

Last Eight 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>
Program revenues				
Governmental activities:				
Charges for services	\$ -	\$ 3,370	\$ 32,501	\$ 49,642
Operating grants and contributions	2,486,448	2,259,396	1,949,879	2,288,916
Capital grants and contributions	122,392	94,488	92,140	172,438
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>
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
Paratransit service	4,603,962	4,623,029	4,640,901	5,344,925
Vanpool service	319,875	594,796	534,764	526,891
Other activities	53,288	56,957	70,001	49,550
Regional customer services	4,683,109	3,997,064	4,378,852	4,962,128
Light rail transit	5,323,908	2,569,035	2,982,701	3,667,400
Operating grants and contributions	13,324,905	4,108,637	1,834,067	5,140,813
Capital grants and contributions	5,374,355	609,542	820,223	387,845
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>
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>
Net (Expense)/Revenue				
Governmental activities	\$ (1,803,979)	\$ (822,146)	\$ (995,746)	\$ (1,224,799)
Business-type activities	(5,093,239)	(8,291,977)	(7,595,516)	(5,409,366)
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>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Sales taxes	\$ 1,941,168	\$ 2,587,302	\$ 3,071,725	\$ 1,154,022
Interest earnings	167,272	64,528	83,977	103,981
Other income	-	21,603	966	1,047
Transfers in (out)	(789,672)	(1,828,543)	(1,139,423)	-
Total governmental activities	<u>1,318,768</u>	<u>844,890</u>	<u>2,017,245</u>	<u>1,259,050</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
Other income	16,775	-	-	-
Transfers in (out)	789,672	1,828,543	1,139,423	-
Total business-type activities:	<u>6,252,259</u>	<u>6,766,000</u>	<u>5,655,809</u>	<u>6,562,118</u>
Total primary government	<u>\$ 7,571,027</u>	<u>\$ 7,610,890</u>	<u>\$ 7,673,054</u>	<u>\$ 7,821,168</u>
Change in net assets:				
Governmental activities	\$ (485,211)	\$ 22,744	\$ 1,021,499	\$ 34,251
Business-type activities	1,159,020	(1,525,977)	(1,939,707)	1,152,752
Total primary government net expense	<u>\$ 673,809</u>	<u>\$ (1,503,233)</u>	<u>\$ (918,208)</u>	<u>\$ 1,187,003</u>

<u>FY 2005/06</u>	<u>FY 2006/07</u>	<u>FY 2007/08</u>	<u>FY 2008/09</u>
\$ 75,295	\$ 25,046	\$ -	\$ -
2,358,485	2,494,611	2,062,602	2,632,463
48,382	198,777	-	-
<u>2,482,162</u>	<u>2,718,434</u>	<u>2,062,602</u>	<u>2,632,463</u>
18,963,733	20,131,861	19,861,844	19,936,194
4,075,963	2,118,843	2,043,104	3,029,151
692,342	685,743	844,115	926,245
182,809	36,729	-	-
3,376,143	-	-	-
5,209,939	5,565,540	6,421,524	8,614,280
1,186,038	642,313	1,421,891	2,609,156
17,286,134	19,041,093	16,237,008	40,555,599
<u>50,973,101</u>	<u>48,222,122</u>	<u>46,829,486</u>	<u>75,670,625</u>
<u>\$ 53,455,263</u>	<u>\$ 50,940,556</u>	<u>\$ 48,892,088</u>	<u>\$ 78,303,088</u>
\$ (1,867,647)	\$ (11,384,743)	\$ (12,622,179)	\$ (11,857,357)
(10,282,634)	(75,093,769)	(115,210,782)	(94,447,809)
<u>\$ (12,150,281)</u>	<u>\$ (86,478,512)</u>	<u>\$ (127,832,961)</u>	<u>\$ (106,305,166)</u>
\$ 55,084,706	\$ 134,235,260	\$ 130,490,779	\$ 113,297,696
124,312	1,664,357	2,503,935	36,310
-	-	142,810	75,176
(44,329,950)	(92,948,387)	(134,981,389)	(92,630,562)
<u>10,879,068</u>	<u>42,951,230</u>	<u>(1,843,865)</u>	<u>20,778,620</u>
-	-	-	-
44,578	945,155	536,116	34,862
-	2,564,291	1,688,207	2,233,476
44,329,950	92,948,387	134,981,389	92,630,562
44,374,528	96,457,833	137,205,712	94,898,900
<u>\$ 55,253,596</u>	<u>\$ 139,409,063</u>	<u>\$ 135,361,847</u>	<u>\$ 115,677,520</u>
\$ 9,011,421	\$ 31,566,487	\$ (14,466,044)	\$ 8,921,263
34,091,894	21,364,064	21,994,930	451,091
<u>\$ 43,103,315</u>	<u>\$ 52,930,551</u>	<u>\$ 7,528,886</u>	<u>\$ 9,372,354</u>

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

	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>
General fund:			
Reserved	\$ -	\$ -	\$ -
Unreserved, designated	238,405	318,191	384,887
Unreserved, undesignated	2,065,156	1,985,370	2,915,972
Total general fund	<u>\$2,303,561</u>	<u>\$2,303,561</u>	<u>\$3,300,859</u>
All other governmental funds:			
Reserved	\$ -	\$ -	\$ -
Unreserved, designed, reported in Special revenue funds	-	-	-
Unreserved, undesignated, reported in Special revenue funds	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>FY 2004/05</u>	<u>FY 2005/06</u>	<u>FY 2006/07</u>	<u>FY 2007/08</u>	<u>FY 2008/09</u>
\$ -	\$ -	\$ -	\$ -	\$ -
350,173	649,225	1,002,229	233,480	755,184
<u>2,950,686</u>	<u>1,638,892</u>	<u>1,433,788</u>	<u>2,888,105</u>	<u>2,882,500</u>
<u>\$ 3,300,859</u>	<u>\$ 2,288,117</u>	<u>\$ 2,436,017</u>	<u>\$ 3,121,585</u>	<u>\$ 3,637,684</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	21,059,001	410,974	-
-	9,936,076	19,182,426	25,218,669	34,382,659
<u>\$ -</u>	<u>\$ 9,936,076</u>	<u>\$ 40,241,427</u>	<u>\$ 25,629,643</u>	<u>\$ 34,382,659</u>

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

	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>
Revenues			
Sales taxes	\$ 1,941,168	\$ 2,587,302	\$ 3,071,725
Intergovernmental:			
State & county grants	409,000	400,000	400,000
Federal Transit Administration	553,492	599,460	335,365
CMAQ	1,604,348	1,312,424	1,264,654
Other federal grants	42,000	42,000	42,000
Charges for services	-	3,370	32,501
Interest earnings	167,272	64,528	83,977
Other	-	21,603	966
Total revenues	<u>4,717,280</u>	<u>5,030,687</u>	<u>5,231,188</u>
Expenditures			
Governmental activities:			
Regional planning:			
Long range planning	212,391	367,279	167,057
Short range planning	256,925	274,302	242,945
Capital planning	307,518	118,161	163,818
Program support	29,746	43,722	53,199
Transportation demand management:			
Trip reduction	853,216	820,699	784,056
Ridesharing	608,955	589,798	656,311
Other programs	497,885	294,016	267,869
Regional customer services:			
Marketing	-	-	-
Call center	-	-	-
Other programs	-	-	-
Administration:			
Executive director's office	262,172	226,215	238,134
Communications & government relations	162,556	207,283	247,948
Finance & management services	87,255	91,684	106,305
Community funded transportation	1,000,000	51,652	51,652
Capital outlay	153,369	117,333	115,173
Total expenditures	<u>4,431,988</u>	<u>3,202,144</u>	<u>3,094,467</u>
Excess of revenues over expenditures	<u>285,292</u>	<u>1,828,543</u>	<u>2,136,721</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	<u>(789,672)</u>	<u>(1,828,543)</u>	<u>(1,139,423)</u>
Total other financing sources (uses)	<u>(789,672)</u>	<u>(1,828,543)</u>	<u>(1,139,423)</u>
Net change in fund balances	<u>\$ (504,380)</u>	<u>\$ -</u>	<u>\$ 997,298</u>

<u>FY 2004/05</u>	<u>FY 2005/06</u>	<u>FY 2006/07</u>	<u>FY 2007/08</u>	<u>FY 2008/09</u>
\$ 1,154,022	\$ 55,084,706	\$ 134,235,260	\$ 130,490,779	\$ 113,297,696
400,000	400,000	400,000	422,887	455,671
526,176	569,622	993,727	268,661	612,190
1,493,178	1,395,577	1,298,056	1,287,054	1,411,497
42,000	41,668	1,604	84,000	-
49,642	75,295	25,046	-	-
103,981	124,312	1,664,357	2,503,935	36,310
1,047	-	-	144,672	228,281
<u>3,770,046</u>	<u>57,691,180</u>	<u>138,618,050</u>	<u>135,201,988</u>	<u>116,041,645</u>
162,287	187,496	403,337	311,129	292,509
145,690	322,430	558,664	733,017	317,886
236,219	197,256	164,722	222,439	154,523
171,169	534,285	1,298,591	1,104,198	1,183,750
931,196	865,290	719,854	816,128	897,234
514,977	645,052	594,549	601,220	561,620
486,102	326,903	385,257	370,142	424,091
-	-	2,578,094	3,084,872	2,810,408
-	-	3,087,948	3,563,629	3,807,893
-	-	1,511,164	1,380,563	1,733,413
400,777	514,158	1,712,451	1,030,804	1,111,340
161,979	207,304	260,965	-	-
293,648	419,571	580,415	318,945	462,737
51,652	-	-	-	-
214,350	218,151	765,641	1,078,709	384,564
<u>3,770,046</u>	<u>4,437,896</u>	<u>14,621,652</u>	<u>14,615,795</u>	<u>14,141,968</u>
-	53,253,284	123,996,398	120,586,193	101,899,677
-	814,701	9,349,388	11,165,777	9,975,889
-	(45,144,651)	(102,892,535)	(146,147,166)	(102,606,451)
-	(44,329,950)	(93,543,147)	(134,981,389)	(92,630,562)
<u>\$ -</u>	<u>\$ 8,923,334</u>	<u>\$ 30,453,251</u>	<u>\$ (14,395,196)</u>	<u>\$ 9,269,115</u>

**Valley Metro
Regional Public Transportation Authority**

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

	<u>FY 1999/00</u>	<u>FY 2000/01</u>	<u>FY 2001/02</u>	<u>FY 2002/03</u>
Governmental activities				
Regional area road funds	\$ 7,090,674	\$ 7,193,836	\$ 1,941,168	\$ 2,587,302
Public transportation funds	-	-	-	-
Total governmental activities sales taxes	<u>\$ 7,090,674</u>	<u>\$ 7,193,836</u>	<u>\$ 1,941,168</u>	<u>\$ 2,587,302</u>
Business-type activities				
Regional area road funds	\$ -	\$ -	\$ 5,400,322	\$ 4,914,755
Public transportation funds	-	-	-	-
Total business-type activities sales taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,400,322</u>	<u>\$ 4,914,755</u>
Primary government				
Regional area road funds	\$ 7,090,674	\$ 7,193,836	\$ 7,341,490	\$ 7,502,057
Public transportation funds	-	-	-	-
Total primary government sales taxes	<u>\$ 7,090,674</u>	<u>\$ 7,193,836</u>	<u>\$ 7,341,490</u>	<u>\$ 7,502,057</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.

<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06 (2)</u>	<u>FY 2006/07 (2)</u>	<u>FY 2007/08 (2)</u>	<u>FY 2008/09 (2)</u>
\$ 3,071,725	\$ 1,154,022	\$ 3,938,570	\$ 4,047,593	\$ 4,167,168	\$ 4,277,292
-	-	51,146,136	130,187,667	126,323,611	109,020,404
<u>\$ 3,071,725</u>	<u>\$ 1,154,022</u>	<u>\$ 55,084,706</u>	<u>\$ 134,235,260</u>	<u>\$ 130,490,779</u>	<u>\$ 113,297,696</u>
\$ 4,516,066	\$ 6,559,344	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ 4,516,066</u>	<u>\$ 6,559,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,587,791	\$ 7,713,366	\$ 3,938,570	\$ 4,047,593	\$ 4,167,168	\$ 4,277,292
-	-	51,146,136	130,187,667	126,323,611	109,020,404
<u>\$ 7,587,791</u>	<u>\$ 7,713,366</u>	<u>\$ 55,084,706</u>	<u>\$ 134,235,260</u>	<u>\$ 130,490,779</u>	<u>\$ 113,297,696</u>

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

	<u>FY 1999/00</u>	<u>FY 2000/01</u>	<u>FY 2001/02</u>	<u>FY 2002/03</u>
Regional area road funds				
Freeways	\$ 241,505	\$ 257,529	\$ 260,222	\$ 261,219
Regional Public Transportation Authority / Maricopa Association of Governments (1)	7,091	7,194	7,341	7,502
Arterial streets	-	-	-	-
Total regional area road fund distributions	<u>248,596</u>	<u>264,723</u>	<u>267,563</u>	<u>268,721</u>
Public transportation funds	-	-	-	-
Total Maricopa County transportation excise tax revenue distributions	<u>\$ 248,596</u>	<u>\$ 264,723</u>	<u>\$ 267,563</u>	<u>\$ 268,721</u>

Source: The Maricopa County Transportation Excise Tax Year-End Report for Fiscal Year 2008, dated July 2008, 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.

(2) Distributions are a mix of both Proposition 300 and Proposition 400 collections.

<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06 (2)</u>	<u>FY 2006/07 (2)</u>	<u>FY 2007/08</u>	<u>FY 2008/09</u>
\$ 281,012	\$ 309,092	\$ 292,487	\$ 213,119	\$ 205,576	\$ 176,235
7,588	7,713	7,877	8,095	8,334	8,555
-	-	16,127	41,050	39,832	34,376
<u>288,600</u>	<u>316,805</u>	<u>316,491</u>	<u>262,264</u>	<u>253,742</u>	<u>219,166</u>
-	-	51,146	130,188	126,324	109,020
<u>\$ 288,600</u>	<u>\$ 316,805</u>	<u>\$ 367,637</u>	<u>\$ 392,452</u>	<u>\$ 380,066</u>	<u>\$ 328,186</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
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
2007/08 (1)	177,845	66,046	28,630	33,021	38,605	15,111	20,808	380,066
2008/09 (1)	153,681	46,865	28,510	30,763	37,757	13,470	17,140	328,186

Source: The Maricopa County Transportation Excise Tax Year-End Report for Fiscal Year 2009, dated July 2009, 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 1999/00</u>	<u>FY 2000/01</u>	<u>FY 2001/02</u>	<u>FY 2002/03</u>
Retail sales				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	50.0500%	49.7200%	49.1100%	49.8400%
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	15.0400%	14.6600%	15.4000%	14.4700%
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	8.8800%	9.1100%	9.1700%	9.5800%
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	8.0500%	8.0800%	8.1300%	8.4300%
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	6.6100%	6.7500%	6.8900%	6.8800%
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	5.4000%	5.4500%	5.2100%	4.7800%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Communications				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	3.4100%	3.7200%	3.7300%	3.4500%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Amusements				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	1.1400%	1.0800%	1.1200%	1.1100%
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	0.8700%	0.7800%	0.7000%	0.7000%
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	0.5500%	0.6500%	0.5600%	0.7600%
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.

<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06</u>	<u>FY 2006/07</u>	<u>FY 2007/08</u>	<u>FY 2008/09</u>
50.1800%	49.9300%	49.9300%	47.8600%	46.8000%	46.8300%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
15.0800%	16.5200%	16.5200%	18.8200%	17.4000%	14.2800%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
9.0500%	9.2500%	9.2500%	9.2700%	10.1000%	11.5000%
1.8200%	1.8200%	1.8200%	1.8200%	1.8200%	1.8200%
0.5120%	0.5120%	0.5120%	0.5120%	0.5120%	0.5120%
8.6000%	8.5800%	8.5800%	8.4300%	8.7000%	9.3700%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
6.9200%	6.5700%	6.5700%	6.8000%	7.5000%	8.6900%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
4.3800%	3.9800%	3.9800%	3.8400%	4.0000%	4.1000%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
3.3400%	3.2000%	3.2000%	2.9300%	3.3000%	2.9900%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
1.0600%	1.0500%	1.0500%	1.0600%	1.1000%	1.1900%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
0.6300%	0.6100%	0.6100%	0.5300%	0.5000%	0.4900%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
0.7600%	0.3100%	0.3100%	0.4600%	0.6000%	0.5600%
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%

Regional Public Transportation Authority
 Transportation Excise Tax Revenue Bonds
 Bond Coverage
 For the fiscal year ended June 30, 2009

Fiscal Year	Principal	Interest	Total	Pledged Revenue	Coverage
2009	\$ -	\$ -	\$ -	\$ 109,020,404	N/A

Note: On June 30, 2009 Regional Public Transportation Authority raised \$100,075,000 on bonds issued secured by its portion of the Transportation Excise Tax revenues collected by the Arizona Department of Revenue. As of June 30, 2009 no amounts were required to fund the debt service accounts.

Regional Public Transportation Authority
 Transportation Excise Tax Revenue Bonds
 Debt Service Revenue and Cost Per Capita
 For the fiscal year ended June 30, 2009

Fiscal Year	Principal	Interest	Total Cost	Revenue	Maricopa County Population (1)	Cost Per Capita	Revenue Per Capita
2009	\$ -	\$ -	\$ -	\$109,020,404	3,987,942	\$ -	\$ 27

(1) Source: Maricopa Association of Governments, Resident Population Estimates Documentation

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

	<u>FY 1999/00 (1)</u>	<u>FY 2000/01 (2)</u>	<u>FY 2001/02 (1)</u>	<u>FY 2002/03 (1)</u>
Maricopa County	2,913,475	3,072,149	3,192,125	3,296,250
Avondale	32,270	35,883	40,445	47,610
Chandler	169,000	176,581	186,875	194,390
El Mirage	5,860	7,609	11,915	20,645
Gilbert	100,850	109,697	122,360	133,640
Glendale	208,095	218,812	224,970	227,495
Goodyear (3)	N/A	N/A	N/A	N/A
Mesa	374,560	396,375	414,075	427,550
Peoria	101,235	108,364	117,200	122,655
Phoenix	1,240,775	1,321,045	1,344,775	1,365,675
Queen Creek (3)	N/A	N/A	N/A	N/A
Scottsdale	204,660	202,705	209,960	214,090
Surprise (3)	N/A	30,848	38,400	45,125
Tempe	161,995	158,625	159,435	159,425
Buckeye	N/A	N/A	N/A	N/A

- (1) Source: Maricopa Association of Governments, Resident Population Estimates Documentation
- (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 fifteen-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, Queen Creek and Buckeye. 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

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.

<u>FY 2003/04 (1)</u>	<u>FY 2004/05 (1)</u>	<u>FY 2005/06 (1)</u>	<u>FY 2006/07 (1)</u>	<u>FY 2007/08 (1)</u>	<u>FY 2008/09 (1)</u>
3,406,170	3,537,630	3,648,545	3,792,675	3,907,492	3,987,942
54,200	60,490	66,110	72,210	75,256	76,648
209,140	221,555	231,785	235,450	241,205	244,376
25,550	28,420	29,630	32,605	33,583	33,647
151,975	165,325	178,000	185,030	203,656	214,820
231,150	234,225	236,030	243,540	246,076	248,435
N/A	N/A	N/A	49,720	55,954	59,436
435,380	448,845	452,355	451,360	456,344	459,682
126,815	132,805	137,285	145,135	151,541	155,557
1,390,830	1,421,450	1,452,825	1,505,265	1,538,568	1,561,485
N/A	N/A	N/A	18,690	21,363	23,329
218,095	221,980	223,835	237,120	240,126	242,337
51,885	64,210	78,265	98,140	104,895	108,761
159,905	161,420	160,735	165,890	167,871	172,641
N/A	N/A	N/A	N/A	N/A	50,143

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

	<u>FY 1999/2000</u>	<u>FY 2000/2001</u>	<u>FY 2001/2002</u>	<u>FY 2002/2003</u>
Avondale				
Local transportation assistance funds received	\$ 175,624	\$ 190,883	\$ 203,685	\$ 220,818
Minimum local expenditures required	131,718	143,162	152,764	165,614
Percentage required	75.0%	75.0%	75.0%	75.0%
Buckeye (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
Chandler				
Local transportation assistance funds received	981,869	999,497	1,002,340	1,020,285
Minimum local expenditures required	327,290	333,166	334,113	340,095
Percentage required	33.3%	33.3%	33.3%	33.3%
El Mirage				
Local transportation assistance funds received	35,891	34,647	43,192	65,053
Minimum local expenditures required	26,918	25,985	32,394	48,790
Percentage required	75.0%	75.0%	75.0%	75.0%
Gilbert				
Local transportation assistance funds received	560,035	596,742	622,681	668,051
Minimum local expenditures required	186,678	198,914	207,560	222,684
Percentage required	33.3%	33.3%	33.3%	33.3%
Glendale				
Local transportation assistance funds received	1,206,502	1,230,349	1,242,059	1,228,273
Minimum local expenditures required	402,167	410,116	414,020	409,424
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	2,220,982	2,216,247	2,249,873	2,260,734
Minimum local expenditures required	2,220,982	2,216,247	2,249,873	2,260,734
Percentage required	100.0%	100.0%	100.0%	100.0%
Peoria				
Local transportation assistance funds received	551,269	598,664	616,116	639,879
Minimum local expenditures required	183,756	199,555	205,372	213,293
Percentage required	33.3%	33.3%	33.3%	33.3%
Phoenix				
Local transportation assistance funds received	7,483,045	7,336,182	7,498,747	7,342,097
Minimum local expenditures required	7,483,045	7,336,182	7,498,747	7,342,097
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	1,198,380	1,210,039	1,150,630	1,146,323
Minimum local expenditures required	399,460	403,346	383,543	382,108
Percentage required	33.3%	33.3%	33.3%	33.3%
Surprise (1) (2)				
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	976,015	957,785	800,415	870,471
Minimum local expenditures required	325,338	319,262	266,805	290,157
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 fifteen-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, Queen Creek and Buckeye. 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.

(2) Percentages of proceeds designated for expenditures have been revised according to the reported population starting FY2004/2005

	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>	<u>FY 2006/2007</u>	<u>FY 2007/2008</u>	<u>FY 2008/2009</u>
\$	252,589	\$ 277,421	\$ 299,299	\$ 317,127	\$ 331,478	\$ 318,231
	189,442	208,066	99,667	105,603	110,382	105,971
	75.0%	75.0%	33.3%	33.3%	33.3%	33.3%
	N/A	N/A	N/A	N/A	N/A	171,121
	N/A	N/A	N/A	N/A	N/A	128,341
	N/A	N/A	N/A	N/A	N/A	75.0%
	1,031,314	1,072,387	1,096,287	1,111,863	1,080,826	1,019,970
	343,771	357,462	365,064	370,250	359,915	339,650
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
	109,530	130,312	140,622	142,134	149,672	142,011
	82,148	97,734	105,467	106,600	112,254	106,508
	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
	709,012	778,323	818,025	853,858	849,374	861,189
	236,337	259,441	272,402	284,335	282,842	286,776
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
	1,206,948	1,186,391	1,158,998	1,132,226	1,117,962	1,040,568
	402,316	395,464	385,946	377,031	372,281	346,509
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
	NA	NA	NA	197,755	228,238	236,610
	NA	NA	NA	148,316	171,179	177,458
	NA	NA	NA	75.0%	75.0%	75.0%
	2,268,317	2,233,853	2,220,987	2,169,928	2,071,953	1,929,717
	2,268,317	2,233,853	2,220,987	2,169,928	2,071,953	1,929,717
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	650,732	650,326	657,162	658,598	666,237	640,826
	216,911	216,775	218,835	219,313	221,857	213,395
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
	7,245,430	7,138,976	7,033,839	6,969,140	6,909,870	6,506,059
	7,245,430	7,138,976	7,033,839	6,969,140	6,909,870	6,506,059
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	NA	NA	NA	76,224	85,796	91,884
	NA	NA	NA	57,168	64,347	68,913
	NA	NA	NA	75.0%	75.0%	75.0%
	1,135,830	1,119,229	1,098,399	1,073,727	1,088,492	1,015,408
	378,610	373,076	365,767	357,551	362,468	338,131
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
	239,405	265,383	317,703	375,434	450,508	443,564
	179,554	88,373	105,795	125,019	150,019	147,707
	75.0%	33.3%	33.3%	33.3%	33.3%	33.3%
	845,811	821,152	798,826	771,039	761,513	709,867
	281,937	273,717	266,009	256,756	253,584	236,386
	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 (5)
2009	4,105,823	\$127,844,676	\$31,137	33.6	683,966	8.1%
2008	3,992,887	124,229,595	31,113	33.7	732,146	4.2%
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%

(1) Calendar year

(2) Source: Arizona Workforce Informer, Labor Market Information, for Maricopa County
Population for fiscal years 2005 through 2009 are estimates from the Department of Economic Security
Personal income for fiscal years 2005 through 2009 were not available. The income 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 2008, median age is based on the 2000 U.S. Census. For 2009, median age is from Maricopa Association of Governments Human services Coordination Transportation Plan, 2009 Update.

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

(5) Maricopa County Labor Force and NonFarm Employment June 2009.

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

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities:										
Regional planning	4.85	4.26	3.58	4.45	4.59	4.54	7.91	7.88	8.13	8.03
Transportation demand management	9.33	10.91	10.25	10.25	10.25	10.25	10.25	9.00	10.50	10.00
Regional customer services	-	-	-	-	4.72	4.67	4.20	71.50	74.60	78.24
Administration	8.00	7.90	7.80	7.90	7.90	8.90	14.75	20.10	22.20	22.20
Total governmental activities FTE	<u>22.18</u>	<u>23.07</u>	<u>21.63</u>	<u>22.60</u>	<u>27.46</u>	<u>28.36</u>	<u>37.11</u>	<u>108.48</u>	<u>115.43</u>	<u>118.47</u>
Business-type activities:										
Transit service operations	7.70	7.60	6.09	6.40	4.54	4.64	4.89	10.52	8.57	8.53
Light rail transit (1)	2.12	4.33	21.28	31.00	33.00	42.00	47.00	51.00	58.00	92.00
Total business-type activities FTE	<u>9.82</u>	<u>11.93</u>	<u>27.37</u>	<u>37.40</u>	<u>37.54</u>	<u>46.64</u>	<u>51.89</u>	<u>61.52</u>	<u>66.57</u>	<u>100.53</u>
Total primary government FTE	<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>	<u>182.00</u>	<u>219.00</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 1999/2000</u>	<u>FY 2000/2001</u>	<u>FY 2001/2002</u>	<u>FY 2002/2003</u>
Fixed Route System (1)				
City of Phoenix Transit System				
Total boardings	30,656,284	31,897,150	34,642,732	37,543,692
Revenue miles	11,261,534	12,525,236	14,498,806	16,479,011
Revenue hours	756,527	801,069	941,752	1,089,891
Operating cost	\$ 54,726,226	\$ 65,946,654	\$ 76,314,996	\$ 90,376,532
Operating cost per boarding	\$ 1.79	\$ 2.07	\$ 2.20	\$ 2.41
Farebox recovery ratio	35.3%	33.5%	25.5%	23.0%
Regional Public Transportation Authority (2)				
Total boardings	4,266,198	4,179,015	4,979,305	5,688,992
Revenue miles	4,305,173	4,702,350	4,727,196	4,799,475
Revenue hours	311,975	320,533	321,379	379,892
Operating cost	\$ 12,618,457	\$ 15,585,768	\$ 17,271,336	\$ 17,059,807
Operating cost per boarding	\$ 2.96	\$ 3.73	\$ 3.47	\$ 3.00
Farebox recovery ratio	22.1%	18.3%	16.3%	19.7%
City of Tempe				
Total boardings	2,394,572	3,201,550	3,865,511	4,906,953
Revenue miles	2,350,597	3,302,089	3,730,509	3,814,559
Revenue hours	192,313	246,388	350,657	267,347
Operating cost	\$ 6,902,393	\$ 12,028,529	\$ 12,485,395	\$ 13,110,640
Operating cost per boarding	\$ 2.88	\$ 3.76	\$ 3.23	\$ 2.67
Farebox recovery ratio	12.8%	13.9%	17.2%	20.6%
City of Glendale - Luke Link				
Total boardings	50,530	35,978	36,404	51,246
Revenue miles	121,712	103,338	89,650	106,326
Revenue hours	8,069	5,530	3,876	4,630
Operating cost	\$ 249,717	\$ 245,369	\$ 136,565	\$ 163,768
Operating cost per boarding	\$ 4.94	\$ 6.82	\$ 3.75	\$ 3.20
Farebox recovery ratio	8.7%	10.1%	22.3%	30.5%
Total fixed route system				
Total boardings	37,367,584	39,313,693	43,523,952	48,190,883
Revenue miles	18,039,016	20,633,013	23,046,161	25,199,371
Revenue hours	1,268,884	1,373,520	1,617,664	1,741,760
Operating cost	\$ 74,496,793	\$ 93,806,320	\$ 106,208,292	\$ 120,710,747
Operating cost per boarding	\$ 1.99	\$ 2.39	\$ 2.44	\$ 2.50
Farebox recovery ratio	30.9%	28.4%	23.0%	22.3%

Source: Reports prepared by the Regional Public Transportation Authority (RPTA):
Performance Management Analysis System for fiscal years 2001 through 2007.
Annual Transit Performance Report for fiscal years beginning FY 2008, data for FY 2009 pending RPTA Board approval.

- (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.
- (4) NA - City of Glendale did not run a fixed route.

<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>	<u>FY 2006/2007</u>	<u>FY 2007/2008</u>	<u>FY 2008/2009</u>
40,427,904	42,909,890	44,182,683	44,101,320	42,670,621	43,281,117
16,956,333	17,420,722	17,166,702	18,412,020	18,826,324	15,280,011
1,115,462	1,146,819	1,166,967	1,166,986	998,142	1,172,816
\$ 93,661,178	\$ 89,543,836	\$ 93,058,555	\$ 108,350,712	\$ 117,350,016	\$ 109,867,153
\$ 2.32	\$ 2.09	\$ 2.11	\$ 2.46	\$ 2.75	\$ 2.54
24.8%	27.0%	26.6%	27.0%	27.5%	32.1%
6,503,504	6,203,696	6,484,886	6,772,065	7,908,819	8,390,453
4,971,133	4,379,307	4,956,352	5,521,319	6,218,876	6,548,640
375,171	276,517	389,349	381,620	377,267	372,580
\$ 18,200,836	\$ 16,445,778	\$ 19,613,325	\$ 22,493,215	\$ 30,076,788	\$ 34,853,186
\$ 2.80	\$ 2.65	\$ 3.02	\$ 3.32	\$ 3.80	\$ 4.15
18.3%	23.1%	20.7%	20.2%	18.1%	15.5%
4,813,237	4,805,598	5,063,284	6,808,547	4,896,103	5,593,702
3,826,195	3,797,053	3,868,790	4,497,200	4,372,291	4,779,775
314,932	311,852	297,027	364,249	326,640	367,302
\$ 14,864,954	\$ 15,738,112	\$ 16,738,459	\$ 19,496,217	\$ 19,947,661	\$ 26,885,980
\$ 3.09	\$ 3.27	\$ 3.31	\$ 2.86	\$ 4.07	\$ 4.81
18.2%	17.3%	17.9%	16.2%	16.6%	11.8%
70,823	93,024	101,444	227,702	NA	NA
131,400	139,789	142,109	252,413	NA	NA
7,088	7,962	8,121	19,455	NA	NA
\$ 228,160	\$ 218,243	\$ 232,802	\$ 435,099	NA	NA
\$ 3.22	\$ 2.35	\$ 2.29	\$ 1.91	NA	NA
20.9%	26.8%	27.5%	227.5%	NA	NA
51,815,468	54,012,208	55,832,297	57,909,634	55,475,543	57,265,272
25,885,061	25,736,871	26,133,953	28,682,952	29,417,491	26,608,425
1,812,653	1,743,150	1,861,464	1,932,310	1,702,049	1,912,698
\$ 126,955,128	\$ 121,945,969	\$ 129,643,141	\$ 150,775,243	\$ 167,374,465	\$ 171,606,319
\$ 2.45	\$ 2.26	\$ 2.32	\$ 4.32	\$ 3.02	\$ 3.00
23.1%	25.2%	24.6%	224.6%	24.5%	25.6%

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

	<u>FY 1999/2000</u>	<u>FY 2000/2001</u>	<u>FY 2001/2002</u>	<u>FY 2002/2003</u>
Dial-a-Ride System (1)				
Phoenix Dial-a-Ride				
Total boardings	179,094	237,886	270,493	333,860
Revenue miles	2,113,092	2,961,140	3,238,681	3,687,477
Revenue hours	140,909	191,525	230,951	255,922
Operating cost	\$ 4,733,615	\$ 6,909,752	\$ 9,462,730	\$ 10,385,900
Operating cost per boarding	\$ 26.43	\$ 29.05	\$ 34.98	\$ 31.11
Farebox recovery ratio	7.2%	6.4%	5.2%	4.9%
Phoenix Reserve-a-Ride				
Total boardings	221,991	203,616	193,986	162,760
Revenue miles	646,039	567,565	550,850	540,282
Revenue hours	53,846	50,909	51,559	47,155
Operating cost	\$ 2,289,621	\$ 2,442,020	\$ 2,589,906	\$ 2,689,066
Operating cost per boarding	\$ 10.31	\$ 11.99	\$ 13.35	\$ 16.52
Farebox recovery ratio	3.2%	2.6%	3.3%	3.2%
East Valley Dial-a-Ride				
Total boardings	258,880	266,624	252,441	240,879
Revenue miles	1,841,774	1,952,587	1,995,550	1,371,852
Revenue hours	115,478	115,673	116,884	117,217
Operating cost	\$ 4,423,962	\$ 4,524,032	\$ 4,772,217	\$ 5,076,798
Operating cost per boarding	\$ 17.09	\$ 16.97	\$ 18.90	\$ 21.08
Farebox recovery ratio	7.7%	8.0%	7.6%	7.0%
Maricopa County STS				
Total boardings	132,490	141,541	124,822	106,395
Revenue miles	818,046	634,593	455,897	732,376
Revenue hours	56,405	45,553	56,251	70,238
Operating cost	\$ 1,691,032	\$ 1,653,677	\$ 1,379,719	\$ 1,587,982
Operating cost per boarding	\$ 12.76	\$ 11.68	\$ 11.05	\$ 14.93
Farebox recovery ratio	3.2%	4.3%	4.5%	1.1%
Sun Cities Area Transit				
Total boardings	59,777	61,317	60,400	60,345
Revenue miles	219,408	222,535	218,313	226,194
Revenue hours	18,838	18,847	17,998	19,226
Operating cost	\$ 498,481	\$ 617,129	\$ 656,655	\$ 671,365
Operating cost per boarding	\$ 8.34	\$ 10.06	\$ 10.87	\$ 11.13
Farebox recovery ratio	30.5%	25.3%	22.9%	22.4%

Source: Reports prepared by the Regional Public Transportation Authority:
 Performance Management Analysis System for fiscal years 2001 through 2007.
 Annual Transit Performance Report for fiscal years beginning FY 2008;
 data for FY 2008 has been updated; data for FY 2009 pending RPTA Board approval.

(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

	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>	<u>FY 2006/2007</u>	<u>FY 2007/2008</u>	<u>FY 2008/2009</u>
	369,791	393,053	415,733	410,838	391,420	396,474
	3,901,614	4,084,991	4,276,365	NA	4,806,031	4,064,584
	262,372	274,099	285,137	287,882	292,601	295,057
\$	11,150,114	\$ 12,375,324	\$ 12,452,214	\$ 13,655,624	\$ 14,759,075	\$ 14,991,465
\$	30.15	\$ 31.49	\$ 29.95	\$ 33.24	\$ 37.71	\$ 37.81
	4.8%	4.0%	5.0%	4.7%	4.1%	4.2%
	153,697	152,631	NR	NR	NR	NR
	540,388	518,616	NR	NR	NR	NR
	50,754	47,282	NR	NR	NR	NR
\$	2,757,131	\$ 2,853,105	NR	NR	NR	NR
\$	17.94	\$ 18.69	NR	NR	NR	NR
	3.1%	2.7%	NR	NR	NR	NR
	222,736	223,130	220,153	226,050	240,424	262,364
	2,048,542	1,622,795	1,796,728	NA	NA	2,090,445
	111,514	118,032	121,607	126,131	131,842	137,604
\$	4,963,617	\$ 5,338,924	\$ 6,596,249	\$ 7,685,324	\$ 8,461,088	\$ 9,760,107
\$	22.28	\$ 23.93	\$ 29.96	\$ 34.00	\$ 35.19	\$ 37.20
	6.5%	6.6%	5.2%	5.0%	4.6%	4.1%
	103,533	105,342	100,243	91,082	87,134	35,488
	730,180	523,119	913,009	NA	NA	362,525
	67,836	41,189	56,585	49,524	47,511	24,641
\$	1,534,951	\$ 3,249,859	\$ 3,312,076	\$ 3,368,464	\$ 3,350,837	\$ 256,574
\$	14.83	\$ 30.85	\$ 33.04	\$ 36.98	\$ 38.46	\$ 7.23
	1.0%	0.4%	0.3%	0.0%	0.0%	0.0%
	61,147	58,069	57,091	45,612	34,924	27,652
	229,917	254,897	230,472	NA	NA	109,741
	20,015	22,648	21,802	16,526	12,974	13,081
\$	671,410	\$ 714,915	\$ 689,473	\$ 697,877	\$ 560,024	\$ 610,581
\$	10.98	\$ 12.31	\$ 12.08	\$ 15.30	\$ 16.04	\$ 22.08
	22.7%	21.3%	23.5%	18.0%	22.0%	17.4%

(Continued)

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

	<u>FY 1999/2000</u>	<u>FY 2000/2001</u>	<u>FY 2001/2002</u>	<u>FY 2002/2003</u>
Dial-a-Ride System (1)				
Glendale Dial-a-Ride				
Total boardings	69,081	66,536	76,622	81,768
Revenue miles	280,529	281,461	316,961	376,504
Revenue hours	21,174	20,718	22,662	25,782
Operating cost	\$ 1,312,716	\$ 1,442,170	\$ 1,807,835	\$ 2,074,611
Operating cost per boarding	\$ 19.00	\$ 21.68	\$ 23.59	\$ 25.37
Farebox recovery ratio	6.1%	5.4%	4.9%	4.7%
Peoria Dial-a-Ride				
Total boardings	30,395	33,540	32,176	30,399
Revenue miles	125,632	169,360	196,224	189,984
Revenue hours	6,466	8,352	9,457	9,276
Operating cost	\$ 506,767	\$ 598,195	\$ 624,322	\$ 727,770
Operating cost per boarding	\$ 16.67	\$ 17.84	\$ 19.40	\$ 23.94
Farebox recovery ratio	7.1%	6.1%	5.4%	5.0%
El Mirage				
Total boardings	3,318	2,054	1,204	1,103
Revenue miles	9,820	12,698	6,020	9,172
Revenue hours	2,080	2,080	750	1,834
Operating cost	\$ 41,355	\$ 88,592	\$ 93,178	\$ 93,632
Operating cost per boarding	\$ 12.46	\$ 43.13	\$ 77.39	\$ 84.89
Farebox recovery ratio	5.7%	1.7%	1.5%	0.9%
Surprise Dial-a-Ride				
Total boardings	7,261	5,777	7,775	7,094
Revenue miles	40,772	38,834	45,800	43,716
Revenue hours	3,080	2,726	2,818	3,881
Operating cost	\$ 76,997	\$ 77,418	\$ 105,800	\$ 162,931
Operating cost per boarding	\$ 10.60	\$ 13.40	\$ 13.61	\$ 22.97
Farebox recovery ratio	9.2%	8.5%	6.2%	4.6%
Total Dial-a-Ride System				
Total boardings	962,287	1,018,891	1,019,919	1,024,603
Revenue miles	6,095,112	6,840,773	7,024,296	7,177,557
Revenue hours	418,276	456,383	509,330	550,531
Operating cost	\$ 15,574,546	\$ 18,352,985	\$ 21,492,362	\$ 23,470,055
Operating cost per boarding	\$ 16.18	\$ 18.01	\$ 21.07	\$ 22.91
Farebox recovery ratio	7.0%	6.7%	6.0%	5.4%

Source: Reports prepared by the Regional Public Transportation Authority:
Performance Management Analysis System for fiscal years 2001 through 2007.
Annual Transit Performance Report for fiscal years beginning FY 2008, data for FY 2009 pending RPTA Board approval.

(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

	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>	<u>FY 2006/2007</u>	<u>FY 2007/2008</u>	<u>FY 2008/2009</u>
	86,132	87,831	89,055	84,132	88,638	92,381
	387,531	386,587	390,561	NA	NA	408,986
	26,252	29,554	29,594	29,448	30,642	30,594
\$	2,255,038	\$ 2,247,156	\$ 2,387,554	\$ 2,446,602	\$ 2,878,740	\$ 2,431,098
\$	26.18	\$ 25.58	\$ 26.81	\$ 29.08	\$ 32.48	\$ 26.32
	4.7%	5.0%	4.6%	3.3%	3.8%	4.4%
	29,258	33,805	42,560	45,790	40,122	38,978
	158,456	153,805	159,903	NA	NA	212,812
	7,920	8,258	9,975	12,663	14,875	14,567
\$	738,683	\$ 827,786	\$ 927,312	\$ 1,045,445	\$ 1,239,982	\$ 1,239,982
\$	25.25	\$ 24.49	\$ 21.79	\$ 22.83	\$ 30.91	\$ 31.81
	4.5%	4.0%	5.1%	4.5%	3.2%	3.1%
	1,061	1,558	1,466	1,947	1,131	1,459
	7,230	10,017	12,284	NA	NA	NA
	NR	NR	1,613	1,820	1,764	1,680
\$	76,813	\$ 70,459	\$ 74,023	\$ 99,256	\$ 97,262	\$ 102,139
\$	72.40	\$ 45.22	\$ 50.49	\$ 50.98	\$ 86.00	\$ 70.01
	1.0%	1.7%	2.0%	3.7%	2.3%	2.9%
	7,387	8,181	12,578	17,339	20,075	19,336
	48,768	68,291	86,045	NA	NA	79,989
	4,891	5,016	6,554	8,037	8,698	7,918
\$	185,646	\$ 283,624	\$ 367,093	\$ 506,921	\$ 589,469	\$ 644,740
\$	25.13	\$ 34.67	\$ 29.19	\$ 29.24	\$ 29.36	\$ 33.34
	4.3%	3.5%	3.5%	3.6%	3.7%	3.0%
	1,034,742	1,063,600	938,879	922,790	903,868	874,132
	8,052,626	7,623,118	7,865,367	NA	NA	7,329,082
	551,554	546,078	532,887	532,031	540,907	524,842
\$	24,333,403	\$ 27,961,152	\$ 26,805,994	29,505,513	31,936,477	30,057,041
\$	23.52	\$ 26.29	\$ 28.55	\$ 31.97	\$ 35.33	\$ 34.39
	5.2%	4.5%	4.9%	4.4%	4.1%	4.3%

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

	<u>FY 2001/2002</u>	<u>FY 2002/2003</u>	<u>FY 2003/2004</u>
Shuttle/Circulator System			
City of Phoenix			
Total boardings	437,421	770,348	747,351
Revenue miles	361,830	604,325	577,579
Revenue hours	26,505	40,480	37,636
Operating cost	\$ 1,058,452	\$ 1,619,238	\$ 1,435,044
Operating cost per boarding	\$ 2.42	\$ 2.10	\$ 1.92
Farebox recovery ratio	0.0%	0.0%	0.0%
City of Tempe			
Total boardings	1,222,122	1,445,714	1,705,025
Revenue miles	601,509	441,587	487,780
Revenue hours	61,681	30,949	40,149
Operating cost	\$ 1,995,345	\$ 1,517,734	\$ 1,771,216
Operating cost per boarding	\$ 1.63	\$ 1.05	\$ 1.04
Farebox recovery ratio	0.0%	0.0%	0.0%
City of Scottsdale			
Total boardings	42,456	49,498	52,599
Revenue miles	30,060	33,129	37,272
Revenue hours	4,676	4,683	6,185
Operating cost	\$ 290,066	\$ 308,684	\$ 377,726
Operating cost per boarding	\$ 6.83	\$ 6.24	\$ 7.18
Farebox recovery ratio	0.0%	0.0%	0.0%
City of Glendale			
Total boardings	51,180	54,093	59,692
Revenue miles	66,784	78,895	93,794
Revenue hours	8,055	6,361	7,897
Operating cost	\$ 267,801	\$ 185,407	\$ 203,149
Operating cost per boarding	\$ 5.23	\$ 3.43	\$ 3.39
Farebox recovery ratio	4.6%	5.7%	5.9%
Regional Public Transportation Authority (6)			
Total boardings	N/A	N/A	N/A
Revenue miles	N/A	N/A	N/A
Revenue hours	N/A	N/A	N/A
Operating cost	N/A	N/A	N/A
Operating cost per boarding	N/A	N/A	N/A
Farebox recovery ratio	N/A	N/A	N/A
Total Shuttle/Circulator System			
Total boardings	1,753,179	2,319,653	2,564,667
Revenue miles	1,060,183	1,157,936	1,196,425
Revenue hours	100,917	82,473	91,867
Operating cost	\$ 3,611,664	\$ 3,631,063	\$ 3,787,135
Operating cost per boarding	\$ 2.06	\$ 1.57	\$ 1.48
Farebox recovery ratio	N/A	N/A	N/A

Source: Reports prepared by the Regional Public Transportation Authority:
Performance Management Analysis System for fiscal years 2001 through 2007.
Annual Transit Performance Report for fiscal years beginning FY 2008, data for FY 2009 pending RPTA Board approval.

- (1) City of Phoenix - Alex, Dart, Dash, Deer Run, Durango Shuttle, Mart & Smart; prior to FY 07-08 included only Dash and Alex.
- (2) City of Tempe - FLASH, Orbit-Earth, Jupiter, Mars, Mercury, Neighborhood FLASH & Venus; prior to FY 07-08 included only Flash, Neighborhood Flash.
- (3) City of Scottsdale - Neighborhood Trolley and Downtown Trolley; prior to FY 07-08 included only Roundup.
- (4) City of Scottsdale did not track revenue miles.
- (5) City of Glendale - GUS 7 Luke Link
- (6) RPTA- BUZZ

	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>	<u>FY 2006/2007</u>	<u>FY 2007/2008</u>	<u>FY 2008/2009</u>
	794,945	766,676	735,941	1,799,974	2,068,042
	601,547	580,884	580,080	1,614,317	1,842,602
	38,156	36,923	36,710	79,529	107,221
\$	2,386,820	\$ 1,812,780	\$ 1,889,393	\$ 7,173,722	\$ 8,800,658
\$	3.00	\$ 2.36	\$ 2.57	\$ 3.99	\$ 4.26
	0.0%	0.0%	0.0%	0.1%	0.0%
	1,999,795	2,034,656	1,616,729	2,456,646	3,307,223
	475,609	479,595	482,538	1,613,904	2,105,878
	39,831	48,794	52,379	150,171	206,964
\$	1,835,387	\$ 1,954,659	\$ 2,091,895	\$ 6,833,012	\$ 11,414,395
\$	0.92	\$ 0.96	\$ 1.29	\$ 2.78	\$ 3.45
	0.0%	0.0%	0.0%	0.0%	0.0%
	92,139	125,435	274,961	384,000	567,816
	57,696	80,489	219,861	0	439,307
	8,167	14,025	33,828	48,240	48,648
\$	547,764	\$ 953,477	\$ 1,887,546	\$ 2,400,000	\$ 2,627,403
\$	5.94	\$ 7.60	\$ 6.86	\$ 6.25	\$ 4.63
	0.0%	0.0%	0.0%	0.0%	0.0%
	82,569	96,258	97,681	110,941	113,382
	100,295	96,838	NR	110,005	98,760
	8,301	7,969	NR	8,858	8,735
\$	144,934	\$ 158,442	NR	\$ 176,574	\$ 668,581
\$	1.76	\$ 1.65	NR	\$ 1.59	\$ 5.90
	11.0%	10.3%	NR	16.25%	3.62%
	N/A	N/A	N/A	N/A	80,133
	N/A	N/A	N/A	N/A	60,795
	N/A	N/A	N/A	N/A	5,755
	N/A	N/A	N/A	N/A	\$ 319,570
	N/A	N/A	N/A	N/A	\$ 3.99
	N/A	N/A	N/A	N/A	0.00%
	2,969,448	3,023,025	2,725,312	4,751,561	6,136,596
	1,235,147	1,237,806	1,282,479	3,338,226	4,547,341
	94,455	107,711	122,917	286,798	377,323
\$	4,914,905	\$ 4,879,358	\$ 5,868,834	\$ 16,583,308	\$ 23,830,608
\$	4.20	\$ 1.61	\$ 2.15	\$ 3.49	\$ 3.88
	N/A	N/A	N/A	0.18%	0.10%

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>
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	308
2007/08	192	76	347
2008/09	257	76	421

Source: National Transit Data Base (1999/00-2007/08)
 FAS GOV 100 Asset Accounting (2008/09)

- (1) For years FY98 through FY04, the NTD reported numbers included vans that were owned by the contractor, thus those assets are not reported.
- (2) The numbers of vans for 2006/07 Vanpool have been updated.

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, 2009

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 (Section 5307)	20.507	City of Phoenix	AZ-90-X074	\$ 481,252
Urbanized Area Formula (Section 5307)	20.507	City of Phoenix	AZ-90-X080	370,156
Urbanized Area Formula (Section 5307)	20.507	City of Phoenix	AZ-90-X088	4,096,866
Urbanized Area Formula (Section 5307)	20.507	City of Phoenix	AZ-90-X096	12,813,948
Alternatives Analysis (Section 5339)	20.522	City of Phoenix	AZ-39-0001	387,863
FHWA Transfer Funds (STP/CMAQ)	20.205	City of Phoenix	AZ-90-X080	523,744
FHWA Transfer Funds (STP/CMAQ)	20.205	City of Phoenix	AZ-95-0004	2,401,491
New Freedoms (Section 5317)	20.521	City of Phoenix	AZ-57-X001	192,037
Capital Funding (Section 5309)	20.500	City of Phoenix	AZ-04-0008	3,490,000
Fixed Guideway Modernization Formula (Section 5309)	20.500	City of Phoenix	AZ-05-0202	1,790,072
Total Transit Cluster				<u>26,547,429</u>
State Rural Area Formula (Section 5311)	20.509	ADOT	AZ-18-0026	12,055
State Rural Area Formula (Section 5311)	20.509	ADOT	AZ-18-0027	78,682
Ajo/Phoenix Regional Transit Connector Service	20.509	ADOT	JPA 06-011T	239,973
Ajo/Phoenix Regional Transit Connector Service	20.509	ADOT	JPA 06 024T	152,286
Federal Transit Technical Studies Grant	20.505	MAG	0118	224,327
Total Federal Transit Administration				<u>27,254,752</u>
Federal Highway Administration				
Congestion Mitigation and Air Quality Improvement Program Funds:				
Regional Ridesharing Program	20.205	MAG	264	561,620
Trip Reduction Program	20.205	Maricopa County	C-85-07-009-3-01	425,786
Telework	20.205	MAG	270	221,941
Bike Education	20.205	MAG	0359	202,150
Transportation Enhancement Funds:				
Regional Bicycle & Pedestrian Safety Education Program	20.200	ADOT	JPA 08-0851 Fed aid #: TEA-VMT 0-(207)A	108,770
Regional Bicycle Safe Routes to School Support Center Project			JPA 08-083-1 Fed aid # TEA-VMT-0(200)A	81,889
Total Federal Highway Administration	20.200	ADOT		<u>1,602,156</u>
Total Expenditures of Federal Awards				<u>\$ 28,856,908</u>

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

Valley Metro
Regional Public Transportation Authority
Notes to the Supplementary Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2009

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 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 2009 Catalog of Federal Domestic Assistance.

4. Pass-Through Grantors Reference

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

ADOT	Arizona Department of Transportation
MAG	Maricopa Association of Governments

5. Period of Award

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors of the
Valley Metro Regional Public Transportation Authority

We have audited the financial statements of the Valley Metro Regional Public Transportation Authority (the Authority) as of and for the year ended June 30, 2009, and have issued our report thereon dated January 25, 2010. 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 Valley Metro 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 Valley Metro 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.

The Board of Directors of the
Valley Metro Regional Public Transportation Authority
January 25, 2010

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Valley Metro 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*.

This report is intended solely for the information and use of the Board of Directors, Management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
January 25, 2010

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

The Board of Directors of the
Valley Metro Regional Public Transportation Authority

Compliance with Requirements Applicable to Each Major Program

We have audited the compliance of the Valley Metro Regional Public Transportation Authority (The 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, 2009. The Valley Metro 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 grant agreements applicable to each of its major federal programs is the responsibility of the Valley Metro Regional Public Transportation Authority's management. Our responsibility is to express an opinion on the Valley Metro 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 Valley Metro 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 Valley Metro Regional Public Transportation Authority's compliance with those requirements.

In our opinion, the Valley Metro 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, 2009.

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

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

A control deficiency in the Authority's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a major federal program such that there is more than a remote likelihood that the noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program 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, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and aggregate remaining fund information of the Valley Metro Regional Public Transportation Authority as of and for the year ended June 30, 2009, and have issued our report thereon dated Report Date. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, Management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Larson Allen LLP

LarsonAllen LLP

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified*
 Internal control over financial reporting:
 • Material weakness(es) identified? _____ yes X no
 • Significant deficiency (ies) 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
 • Significant Deficiency(ies) 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(s)</u>	<u>Name of Federal Program or Cluster</u>
20.500 and 20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$865,707

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

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

**FEDERAL TRANSIT GRANT
FEDERAL TRANSIT ADMINISTRATION
PASSED THROUGH CITY OF PHOENIX AND ADOT
CFDA No. 20.507**

08-1	<i>Condition/ Context</i>	The first, second and third quarter grant status reports were not properly supported during the fiscal year.
	<i>Status</i>	Corrected in the current fiscal year.

