

Valley Metro

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010



Regional Public Transportation Authority
Phoenix, Arizona

Valley Metro

Regional Public Transportation Authority

Phoenix, Arizona

Board of Directors

Chair, Councilmember Michael Johnson, City of Phoenix
Vice Chair, Councilmember Shana Ellis, City of Tempe
Secretary, Mayor Lyn Truitt, City of Surprise
Treasurer, Vice Mayor Ron Aames, City of Peoria
Vice Mayor Jim McDonald, City of Avondale
Councilman Eric Orsborn, Town of Buckeye
Councilmember Trinity Donovan, City of Chandler
Mayor Michele Kern, City of El Mirage
Vice Mayor Les Presmyk, Town of Gilbert
Mayor Elaine Scruggs, City of Glendale
Councilmember Frank Cavaliere, City of Goodyear
Supervisor Mary Rose Wilcox, Maricopa County
Councilmember Scott Somers, City of Mesa
Councilmember Wayne Ecton, City of Scottsdale
Mayor Adolfo Gamez, City of Tolleson
Councilmember Rui Pereira, Town of Wickenburg

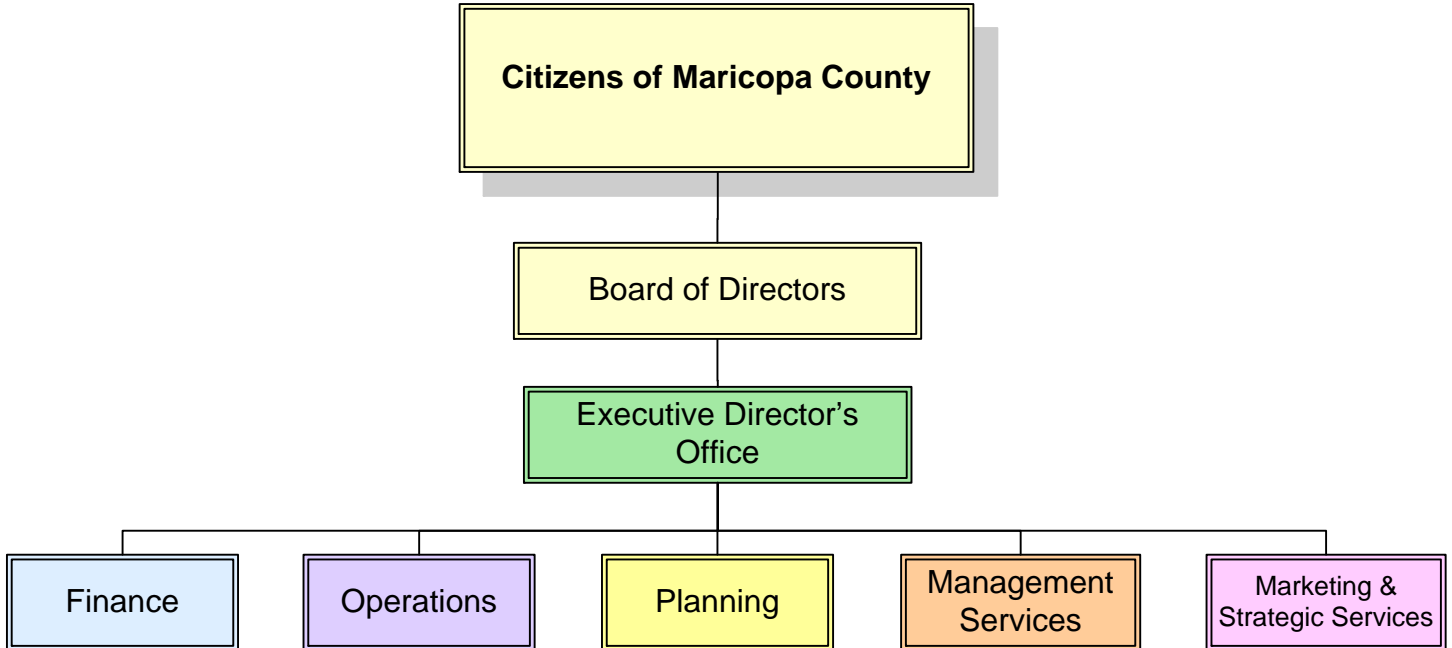
Executive Director's Office

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

**Valley Metro
Regional Public Transportation Authority**

Table of Contents
Comprehensive Annual Financial Report and Single Audit Reports
Fiscal Year Ended June 30, 2010

	<u>Page</u>
<u>Introductory Section</u>	
Letter of Transmittal	iii-ix
GFOA Certificate of Achievement	xi
<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 Balance - Budget to Actual - General Fund	21
Statement of Revenues, Expenditures and Changes in Fund Balance - 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 Fund	26
Index to the Notes to the 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 Balance - 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)

**Valley Metro
Regional Public Transportation Authority**

Table of Contents (Continued)

Comprehensive Annual Financial Report and Single Audit Reports

Fiscal Year Ended June 30, 2010

	<u>Page</u>
<u>Statistical Section</u>	
Statistical Section Contents	59
Financial Trends	
Net Assets by Component	60-61
Changes in Net Assets	62-65
Fund Balances of Governmental Funds	66-67
Changes in Fund Balances of Governmental Funds	68-69
Revenue Capacity	
Sales Tax Revenues by Component	70-71
Maricopa County Transportation Excise Tax Revenue Distributions	72-73
Maricopa County Transportation Excise Tax Revenue Collections by Category	74
Arizona Transaction Privilege Tax Excise Tax Rates by Category	76-77
Debt Capacity	
Transportation Excise Tax Revenue Bonds - Bond Coverage	78
Outstanding Debt by Type	79
Debt Service Revenue and Cost per Capita	80
Demographic and Economic Information	
Regional Population Statistics	82-83
Top Ten Employers for Maricopa County	84
Local Transportation Assistance Funds	86-87
Demographic and Economic Statistics	88
Operating Information	
Full-time Equivalent Employees by Function/Program	89
Operating Indicators by Program:	
Fixed Route System	90-91
Dial-a-Ride System	92-95
Shuttle / Circulator System	96-97
Capital Asset Statistics by Function/Program	
Revenue Vehicles for Transit Service Operations	98
<u>Single Audit Section</u>	
Supplementary Schedule of Expenditures of Federal Awards	99
Notes to the Supplementary Schedule of Expenditures of Federal Awards	100
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>	101-102
Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	103-104
Schedule of Findings and Questioned Costs	105-107

Introductory Section

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



December 29, 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, 2010 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 LarsonAllen LLP, whose report is included herein, has audited the basic financial statements and related notes. As stated in the independent auditors' report, the goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Authority for the fiscal year ended June 30, 2010 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, 2010 are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

As a subrecipient of federal and state financial assistance, the Authority is responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and by the Authority's independent audit firm. 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, 2010 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 member cities and towns. For fiscal year 2009-10, the members included 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. 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 Service 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 one of the top ten busiest airports in the United States with over 1,200 daily flights.

The County has grown from just over 2.1 million residents in 1990 to 4.1 million residents in 2009, an increase of 95 percent in just 19 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, 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 \$95 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 (ADOT). 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 original guiding principles and the 20-year financial model were adopted by the Board in June 2005 and then revised and adopted in April 2010. The original policies for the TLCP were adopted by the Board in October 2005 and are currently being revised for adoption by the Board in January 2011. The six adopted guiding principles of the TLCP are as follows:

1. A defined and consistent process will be established for allocating funding for projects in the Regional Transportation Plan.
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 maintained.

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 million for Bus and \$55 million 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 2011 as the agency continues the implementation of TLCP operating and capital projects. The major projects and studies for FY 2011 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 Governments' (MAG) Regional Transportation Plan (RTP). 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 life cycle program, service adjustments, purchases and other agency programs and projects.
- Short-Range Planning
Annual update for the Maricopa Association of Governments' (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.
- Operations Planning
Provide staff support to the Valley Metro Operations and Capital Committee (VMOCC), a 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, Inc. (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 the Arizona Avenue/Country Club BRT line. Update Short-Range Transit Plan. Provide operations planning assistance to the Authority's member agencies upon request.
- Project Management
Provide project management in the implementation of the 20-year capital program identified in the RTP. Unless otherwise indicated, the Authority is the designated lead agency for

development of transit capital and operating projects identified in the Regional Transportation Plan and funded through the half-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. 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 and periodic interactive contests will be enhanced for educational purposes and as an incentive to promote the use of alternative modes of transportation. ShareTheRide.com is the Authority'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 year 2011.

- 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 Authority. This program is a private/public partnership encouraging participation in alternate modes of transportation, alternate work schedules and other pollution-reducing measures.

In FY 2010, fixed route ridership was 67,693,003 for the region, down from the all-time high in FY 2009 of 71,251,667. In FY 2010, METRO Rail ridership was 12,112,738 surpassing all original estimates.

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, 2009. This was the thirteenth 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


Mary Jewell
Accounting Manager

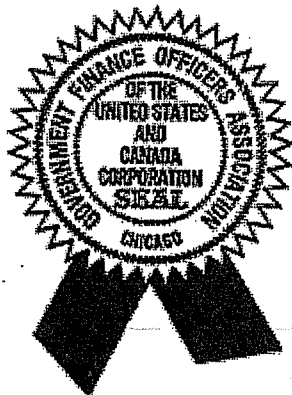
(This page intentionally left blank)

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, 2009

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



President

Executive Director

(This page intentionally left blank)

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.



CPAs, Consultants & Advisors

www.larsonallen.com

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, 2010, 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 the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Valley Metro Regional Public Transportation Authority, as of June 30, 2010, 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.



An independent member of Nexia International

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 purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. This supplementary information is the responsibility of management. The combining and individual fund financial statements and schedules and schedule of expenditures of federal awards 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 December 17, 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

Mesa, Arizona
December 17, 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, 2010. 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 position, (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 decreased \$15.5 million in FY 2010, an increase of \$7.5 million in governmental activities and a decrease of \$23.0 million in business-type activities. Total net assets of the Authority are \$116.3 million, of which \$9.1 million is unrestricted.
- The governmental activities revenues decreased by approximately \$9.8 million (8.5%) over the previous year.
- The business-type activities revenues decreased by approximately \$31.8 million (40.9%) from the previous year.
- At June 30, 2010, the Authority's governmental fund balance sheet reported a combined ending fund balance of \$46.1 million, an increase of \$8.1 million (21.3%) compared to the previous fiscal year.

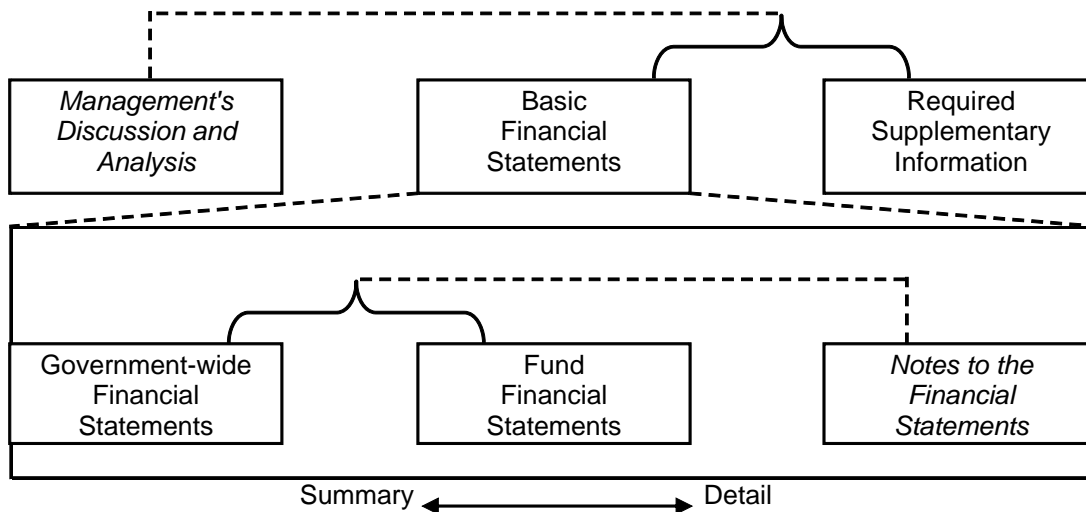
OVERVIEW OF THE FINANCIAL STATEMENTS

The financial 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 – the display of both the original adopted budget and the revised budget in the budgetary comparison schedules is required by GAAP. 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 in the combining and individual fund financial statements and schedules section as additional information.
- Required narrative analysis – the financial statements are required to 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 below, the financial section of the Comprehensive Annual Financial Report (CAFR) for the Authority consists of this discussion and analysis, the basic financial statements and required supplementary information (other than MD&A). There are also additional non-required supplementary schedules presented after the basic financial statements. The basic financial statements include the government-wide financial statements, fund financial statements, including the budgetary statements for the general fund and major special revenue funds, and notes to the financial statements.

Required Components of the Comprehensive Annual Financial Report



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 - 22) 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 – 47) 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.

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

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.

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, 2010, 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, 2010 compared to the prior year:

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

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2010	2009	2010	2009	2010	2009	
Current and other assets	\$ 46,808.8	\$ 39,057.2	\$ 37,341.4	\$ 57,327.0	\$ 84,150.2	\$ 96,384.2	-12.7%
Noncurrent assets							
Cash and cash equivalents	-	-	68,556.2	73,474.0	68,556.2	73,474.0	-6.7%
Deferred charges	-	-	816.9	-	816.9	-	N/A
Capital assets	689.8	1,229.9	108,271.0	110,356.7	108,960.8	111,586.6	-2.4%
Total assets	\$ 47,498.6	\$ 40,287.1	\$ 214,985.5	\$ 241,157.7	\$ 262,484.1	\$ 281,444.8	-6.7%
Other liabilities	\$ 683.8	\$ 1,036.8	\$ 38,262.1	\$ 41,995.3	\$ 38,945.9	\$ 43,032.1	-9.5%
Long-term liabilities	837.9	755.2	106,348.4	105,849.7	107,186.3	106,604.9	0.5%
Total liabilities	\$ 1,521.7	\$ 1,792.0	\$ 144,610.5	\$ 147,845.0	\$ 146,132.2	\$ 149,637.0	-2.3%
Net assets:							
Invested in capital assets, net of related debt	\$ 689.8	\$ 1,229.9	\$ 106,601.8	\$ 98,580.1	\$ 107,291.6	\$ 99,810.0	7.5%
Restricted	-	-	-	4,062.1	-	4,062.1	-100.0%
Unrestricted	45,287.1	37,265.2	(36,226.8)	(9,329.5)	9,060.3	27,935.7	-67.6%
Total net assets	\$ 45,976.9	\$ 38,495.1	\$ 70,375.0	\$ 93,312.7	\$ 116,351.9	\$ 131,807.8	-11.7%

The Authority's total net assets decreased \$15.5 million in FY 2010, an increase of \$7.5 million in governmental activities and a decrease of \$23.0 million in business-type activities. Total net assets of the Authority are \$116.3 million, of which \$9.1 million is unrestricted.

A large portion of net assets (92.2%) 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.

The remaining 7.8% (\$9.1 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 \$8.0 million (21.5%) 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 significant decrease of \$26.9 million (288.3%) of unrestricted net assets over the prior year in business-type activities is due to decreases in charges for transit service, federal grants, and lower transfers in from the Public Transportation Fund. Additionally, for FY 2010, the agency began making interest payments on its bond proceeds.

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 were 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
	2010	2009	2010	2009	2010	2009	
REVENUES							
Program revenues:							
Charges for services	\$ 150.4	\$ -	\$ 27,253.1	\$ 32,505.9	\$ 27,403.5	\$ 32,505.9	-15.7%
Operating grants and contributions	2,055.9	2,632.5	2,607.8	2,609.2	4,663.7	5,241.7	-11.0%
Capital grants and contributions	-	-	14,996.6	40,555.6	14,996.6	40,555.6	-63.0%
General revenues:							
Sales taxes	103,722.5	113,297.7	-	-	103,722.5	113,297.7	-8.5%
Interest earnings	231.4	36.3	587.5	34.8	818.9	71.1	1051.8%
Other	73.5	75.2	650.6	2,233.4	724.1	2,308.6	-68.6%
Total revenues	106,233.7	116,041.7	46,095.6	77,938.9	152,329.3	193,980.6	-21.5%
EXPENSES							
Governmental activities:							
Regional planning	1,822.0	1,948.7	-	-	1,822.0	1,948.7	-6.5%
Transportation demand management	1,808.2	1,882.9	-	-	1,808.2	1,882.9	-4.0%
Regional customer services	8,497.2	8,747.4	-	-	8,497.2	8,747.4	-2.9%
Administration	1,879.1	1,910.8	-	-	1,879.1	1,910.8	-1.7%
Business-type activities:							
Transit service operations	-	-	93,074.5	99,625.8	93,074.5	99,625.8	-6.6%
Light rail transit	-	-	60,704.3	70,492.6	60,704.3	70,492.6	-13.9%
Total expenses	14,006.5	14,489.8	153,778.8	170,118.4	167,785.3	184,608.2	-9.1%
Excess (deficit) before transfers	92,227.2	101,551.9	(107,683.2)	(92,179.5)	(15,456.0)	9,372.4	-264.9%
Transfers in (out)	(84,745.3)	(92,630.6)	84,745.3	92,630.6	-	-	N/A
Increase (decrease) in net assets	\$ 7,481.9	\$ 8,921.3	\$ (22,937.9)	\$ 451.1	\$ (15,456.0)	\$ 9,372.4	-264.9%

The largest financing source for the Authority as a whole is sales taxes (68.1%). The major funding sources of governmental activities are sales taxes (97.6%) and federal and state grants (1.9%). The major funding sources for business-type activities are charges for services (20.8%) and transfers from the governmental activities (64.8%). Business-type activities also receive substantial federal grants and contributions revenue (13.5%).

The Authority's overall revenues decreased by \$41.7 million, or 21.5%, compared to last fiscal year. Total revenues of governmental activities decreased by \$9.8 million, or 8.5% over the previous year mainly due to the sales tax revenues shortfall in the Public Transportation Fund. Program revenues of business-type activities decreased by \$30.8 million, or 40.7%, compared to last fiscal year, which is largely attributable to decreases in Federal Transit Administration (FTA) capital grants.

The Authority's sales tax revenue over the prior year is limited to incorporating those elements necessary for implementing the fifth 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 (91.7%). For the governmental activities, the users of resources are regional customer services (60.7%), administration (13.4%), regional planning (13.0%), and transportation demand management (12.9%).

Overall expenses decreased by \$16.8 million, or 9.1%, compared to last fiscal year. The governmental activities expenses decreased by \$.5 million, or 3.3%, over the prior year due to conservative spending practices. The expenses of business-type activities decreased by \$16.3 million, or 9.6%, compared to the prior year due to a reduction in express and local bus service and a reduction in PTF and bond proceeds disbursements to Valley Metro Rail. The decreases in the business-type activities' expenses were adhered to as planned as the Authority entered its fifth 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 \$46.1 million, an increase of \$8.1 million, or 21.3%, from the previous year. Of the \$46.1 million total fund balance, the Authority has designated \$0.8 million for payment of compensated absences, and the remainder is in unreserved fund balance (see Note 5 - page 41). Unreserved fund balance may serve as a useful indicator of a government's net resources available for spending at the end of the year. Of the \$46.1 million fund balance, \$4.7 million is reported in the General Fund, and \$41.0 million is reported in the Public Transportation Fund, which is an increase of 20.7% over last fiscal year due to decreases of interfund transfers to other funds.

The General Fund accounts for activities that include the Executive Director's office and finance and management services. General Fund revenues increased \$0.2 million (4.0%) over the previous year due primarily to an increase in Regional Area Road Funds (RARF) revenue. 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 \$99.4 million PTF sales tax revenue represents the fourth full year of earned revenue and decreased by \$9.7 million from last year. The decrease was due to the continued weak economy during FY 2010 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, the Regional Customer Services Fund, 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 decreased \$0.4 million (61.3%) due to the expiration of a one-time FTA grant award received in the prior year. The expenditures decreased 6.5% 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 increased 18.6% 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 decreased 3.4% and expenditures decreased 4.0% from the prior year due to decreases in grant funds available for regional rideshare, telework and bike education programs.

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. Expenditures decreased \$0.3 million over the prior year due to conservative spending practices. Prior to 2006, sales taxes allocated to the Regional Customer Services Fund were shown as revenues. These monies were shown as transfers in. Total transfers in of sales taxes decreased \$0.3 million (3.7%) 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 \$0.3 million (65.4%) from the prior year due to conservative spending practices and further deferment of the implementation of the procurement software project. 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 (65.7%) 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 \$21.5 million (26.0%) over the prior year due mainly to decreases in capital contributions and FTA grants. In the prior year the Authority purchased a facility at an amount below the assessed valuation and as a result recorded a capital contribution of \$16.5 million.

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 \$9.0 million as of June 30, 2010 as compared to net assets of \$10.5 million at the end of the previous year. In fiscal year 2010, the Valley Metro Rail Fund received 40.3% of the total PTF sales tax revenues distributed to the Authority from the Arizona Department of Revenue, totaling \$40.0 million and received 11.4% of the \$4.4 million RARF sales tax revenue received by the Authority, totaling \$0.5 million. Additionally, the Valley Metro Rail Fund received \$10.0 million of transfers in of 2009 Bond proceeds from the Transit Service Operations Fund for VMR capital expenditure reimbursements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Authority did not amend their adopted budget during the fiscal year.

For the year ended June 30, 2010, actual expenditures were under the adopted budget amounts by \$0.3 million. The 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, 2010, the Authority had \$109.0 million invested in various capital assets, net of accumulated depreciation, for its governmental and business-type activities. The overall net decrease in the Authority's capital assets for the current fiscal year was 2.4%, a decrease of 43.9% for governmental activities and a decrease of 1.9% for business-type activities for the current year. Major capital asset events in the current year attributing to the decrease included the following:

- Several projects that had been recorded as work in process in the prior year were completed and subsequently handed over to various member cities. This decreased the capital assets in total by \$9.8 million.
- Depreciation expense in the current year totaled \$12.2 million, \$11.6 million for business type capital assets and \$0.6 million for governmental activities capital assets. The depreciation expense was the primary reason for the large decrease in governmental activities capital assets.

The following table provides a breakdown of capital assets of the Authority at June 30, 2010 with comparative information for the previous year. Additional information on the Authority's capital assets may be found in Note 6 on pages 41 – 43.

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

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

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2010	2009	2010	2009	2010	2009	
Non-depreciable assets:							
Land	\$ -	\$ -	\$ 5,292.0	\$ 5,292.0	\$ 5,292.0	\$ 5,292.0	0.0%
Work-in-progress	-	14.8	13,467.3	15,803.7	13,467.3	15,818.5	-14.9%
Depreciable assets:							
Transit fleet	-	-	65,484.3	64,149.9	65,484.3	64,149.9	2.1%
Building	-	-	12,808.5	13,099.6	12,808.5	13,099.6	-2.2%
Site improvements	-	-	6,823.2	7,277.9	6,823.2	7,277.9	-6.2%
Computers & software	338.4	732.7	211.8	41.0	550.2	773.7	-28.9%
Equipment	242.7	312.4	4,141.5	4,629.6	4,384.2	4,942.0	-11.3%
Vehicles	15.1	34.3	-	-	15.1	34.3	-56.0%
Furniture & fixtures	93.6	135.7	42.4	63.0	136.0	198.7	-31.6%
Total assets	\$ 689.8	\$ 1,229.9	\$ 108,271.0	\$ 110,356.7	\$ 108,960.8	\$ 111,586.6	-2.4%

Debt Administration

At June 30, 2010, the Authority had total bonded debt outstanding (including unamortized premium) of \$105.5 million related to business-type activities. The Authority has pledged future transportation excise tax revenues to repay this outstanding debt.

	Business-type Activities	
	2010	2009
Revenue bonds payable	\$ 100.1	\$ 100.1
Plus unamortized premium: Bond premium payable	5.4	5.8
Total	\$ 105.5	\$ 105.9

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

The Authority undertook a number of key projects during FY 2010, 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 2010 included:

- 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 Governments' (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 life cycle program, service adjustments, purchases and other agency programs and projects.
- Annual update for the Maricopa Association of Governments' (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.
- 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 ensuring that model outputs provide a more accurate projection of mode split and travel behavior.
- 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.
- Coordinate, manage, develop and update the transit element of the Maricopa Association of Governments' (MAG) Transportation Improvement Program (TIP) on behalf of Valley Metro members and non-members.
- Provide staff support to the Valley Metro Operations and Capital Committee (VMOCC), a 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, Inc. (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 the Arizona Avenue/Country Club BRT line.

The adopted FY 2011 combined operating and capital budget is \$225.0 million (down approximately 25% from fiscal year 2010). The FY 2011 budget includes the fifth full year of projects funded with Proposition 400 PTF sales tax revenues (\$97.3 million). Of the \$97.3 million PTF revenue budgeted, \$55.2 million is for bus operating and bus capital and \$42.1 million is for light rail/high capacity capital. The total operating budget of \$85.3 million represents an \$11.7 million (12%) decrease under the fiscal year 2010 operating budget of \$97.0 million. The total capital budget of \$139.7 million represents a \$61.4 million (30.5%) decrease under the fiscal year 2010 capital budget of \$201.1 million. The major reason for the decrease in the operating budget is directly related to the projects programmed in the Transit Life Cycle Program (TLCP) for fiscal year 2011. The budget is balanced; decreases in net assets other than capital assets are not anticipated for fiscal year 2011.

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 Acting Finance Director, Valley Metro RPTA, 101 North First Avenue, Suite 1100, Phoenix, Arizona 85003.

Basic Financial Statements

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

Valley Metro
Regional Public Transportation Authority
Statement of Net Assets
June 30, 2010

Assets	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 48,182,227	\$ 1,220,374	\$ 49,402,601
Receivables	504	-	504
Due from other governments	9,197,884	25,514,728	34,712,612
Internal balances	(10,600,000)	10,600,000	-
Other assets	28,176	6,250	34,426
Total current assets	<u>46,808,791</u>	<u>37,341,352</u>	<u>84,150,143</u>
Noncurrent Assets			
Cash and cash equivalents	-	68,556,165	68,556,165
Deferred charges	-	816,867	816,867
Capital assets, not being depreciated	-	18,759,250	18,759,250
Capital assets, net of accumulated depreciation	689,786	89,511,714	90,201,500
Total noncurrent assets	<u>689,786</u>	<u>177,643,996</u>	<u>178,333,782</u>
Total assets	<u>47,498,577</u>	<u>214,985,348</u>	<u>262,483,925</u>
Liabilities			
Liabilities:			
Current Liabilities			
Accounts payable	423,176	6,285,629	6,708,805
Accrued salaries and benefits	131,250	75,889	207,139
Due to other governments	112,546	29,277,967	29,390,513
Bond interest payable	-	2,622,659	2,622,659
Compensated absences payable	663,685	485,426	1,149,111
Other liabilities	16,824	-	16,824
Total current liabilities	<u>1,347,481</u>	<u>38,747,570</u>	<u>40,095,051</u>
Noncurrent liabilities:			
Compensated absences payable	174,195	399,581	573,776
Revenue bonds payable, including unamortized premium	-	105,463,437	105,463,437
Total noncurrent liabilities	<u>174,195</u>	<u>105,863,018</u>	<u>106,037,213</u>
Total liabilities	<u>1,521,676</u>	<u>144,610,588</u>	<u>146,132,264</u>
Net Assets			
Invested in capital assets, net of related debt	689,786	106,601,704	107,291,490
Unrestricted	45,287,115	(36,226,944)	9,060,171
Total net assets	<u>\$ 45,976,901</u>	<u>\$ 70,374,760</u>	<u>\$ 116,351,661</u>

See accompanying notes to the financial statements.

Valley Metro
Regional Public Transportation Authority
Statement of Activities
Fiscal Year Ended June 30, 2010

Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Regional planning:				
Long range	\$ 308,339	\$ -	\$ 84,092	\$ -
Short range	358,149	-	77,592	-
Capital	106,185	-	-	-
Program support	1,049,353	-	63,035	-
Transportation demand management:				
Trip reduction	1,052,649	-	1,034,327	-
Ridesharing	504,614	-	504,614	-
Other programs	250,976	-	250,976	-
Regional customer services:				
Marketing	2,585,192	-	-	-
Call center	3,896,440	150,353	-	-
Other programs	2,015,543	-	41,295	-
Administration:				
Executive director's office	1,128,667	-	-	-
Finance & management services	750,461	-	-	-
Total governmental activities	<u>14,006,568</u>	<u>150,353</u>	<u>2,055,931</u>	<u>-</u>
Business-type activities:				
Transit service operations	93,074,466	19,122,818	2,607,770	14,996,556
Light rail transit	60,704,307	8,130,261	-	-
Total business-type activities	<u>153,778,773</u>	<u>27,253,079</u>	<u>2,607,770</u>	<u>14,996,556</u>
Total primary government	<u>\$ 167,785,341</u>	<u>\$ 27,403,432</u>	<u>\$ 4,663,701</u>	<u>\$ 14,996,556</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

(Continued)

Net (Expense) Revenues and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (224,247)		\$ (224,247)
(280,557)		(280,557)
(106,185)		(106,185)
(986,318)		(986,318)
(18,322)		(18,322)
-		-
-		-
(2,585,192)		(2,585,192)
(3,746,087)		(3,746,087)
(1,974,248)		(1,974,248)
(1,128,667)		(1,128,667)
(750,461)		(750,461)
<u>(11,800,284)</u>		<u>(11,800,284)</u>
	\$ (56,347,322)	(56,347,322)
	(52,574,046)	(52,574,046)
	<u>(108,921,368)</u>	<u>(108,921,368)</u>
<u>(11,800,284)</u>	<u>(108,921,368)</u>	<u>(120,721,652)</u>
99,351,318	-	99,351,318
4,371,192	-	4,371,192
231,398	587,487	818,885
73,531	650,591	724,122
<u>(84,745,330)</u>	<u>84,745,330</u>	<u>-</u>
<u>19,282,109</u>	<u>85,983,408</u>	<u>105,265,517</u>
<u>7,481,825</u>	<u>(22,937,960)</u>	<u>(15,456,135)</u>
<u>38,495,076</u>	<u>93,312,720</u>	<u>131,807,796</u>
<u>\$ 45,976,901</u>	<u>\$ 70,374,760</u>	<u>\$ 116,351,661</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Balance Sheet
Governmental Funds
June 30, 2010

Assets	General	Public Transportation	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 4,253,318	\$ 43,272,733	\$ 656,176	\$ 48,182,227
Receivables	-	-	504	504
Due from other governments	86,779	8,503,245	607,860	9,197,884
Due from other funds	609,113	-	-	609,113
Other assets	26,001	-	2,175	28,176
Total assets	<u>\$ 4,975,211</u>	<u>\$ 51,775,978</u>	<u>\$ 1,266,715</u>	<u>\$ 58,017,904</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 83,106	\$ -	\$ 340,070	\$ 423,176
Accrued salaries and benefits	78,401	-	52,849	131,250
Due to other funds	-	10,763,768	445,345	11,209,113
Due to other governments	112,327	-	219	112,546
Other liabilities	10,610	-	6,214	16,824
Total liabilities	<u>284,444</u>	<u>10,763,768</u>	<u>844,697</u>	<u>11,892,909</u>
Fund balances:				
Unreserved, designated	837,880	-	-	837,880
Unreserved, undesignated				
General fund	3,852,887	-	-	3,852,887
Special revenue fund	-	41,012,210	422,018	41,434,228
Total fund balances	<u>4,690,767</u>	<u>41,012,210</u>	<u>422,018</u>	<u>46,124,995</u>
Total liabilities and fund balances	<u>\$ 4,975,211</u>	<u>\$ 51,775,978</u>	<u>\$ 1,266,715</u>	<u>\$ 58,017,904</u>

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

Fund balances, total governmental funds balance sheet	\$ 46,124,995
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental capital assets	3,073,993
Less accumulated depreciation	(2,384,207)
Governmental compensated absences	<u>(837,880)</u>
Net assets of governmental activities, statement of net assets	<u>\$ 45,976,901</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, 2010

	<u>General</u>	<u>Public Transportation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Sales taxes:				
Public transportation funds	\$ -	\$ 99,351,318	\$ -	\$ 99,351,318
Regional area road funds	4,371,192	-	-	4,371,192
Intergovernmental:				
State & county grants & pass through grants	-	-	688,659	688,659
Federal Transit Administration	-	-	266,015	266,015
CMAQ	-	-	1,101,257	1,101,257
Interest earnings	8,784	222,614	-	231,398
Miscellaneous	7,868	-	216,120	223,988
Total revenues	<u>4,387,844</u>	<u>99,573,932</u>	<u>2,272,051</u>	<u>106,233,827</u>
Expenditures:				
Current:				
Regional planning:				
Long range	-	-	308,339	308,339
Short range	-	-	358,149	358,149
Capital	-	-	106,185	106,185
Program support	-	-	1,049,353	1,049,353
Transportation demand management:				
Trip reduction	-	-	1,052,649	1,052,649
Ridesharing	-	-	504,614	504,614
Other programs	-	-	250,976	250,976
Regional customer services:				
Marketing	-	-	2,585,192	2,585,192
Call center	-	-	3,896,440	3,896,440
Other programs	-	-	1,662,194	1,662,194
Administration:				
Executive director's office	1,128,667	-	-	1,128,667
Finance & management services	335,087	120	83,971	419,178
Capital outlay	-	-	61,909	61,909
Total expenditures	<u>1,463,754</u>	<u>120</u>	<u>11,919,971</u>	<u>13,383,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,924,090</u>	<u>99,573,812</u>	<u>(9,647,920)</u>	<u>92,849,982</u>
Other financing sources (uses):				
Transfers in	-	-	9,658,964	9,658,964
Transfers out	(1,871,007)	(92,533,287)	-	(94,404,294)
Total other financing sources (uses)	<u>(1,871,007)</u>	<u>(92,533,287)</u>	<u>9,658,964</u>	<u>(84,745,330)</u>
Net change in fund balances	<u>1,053,083</u>	<u>7,040,525</u>	<u>11,044</u>	<u>8,104,652</u>
Fund balance, beginning	3,637,684	33,971,685	410,974	38,020,343
Fund balance, ending	<u>\$ 4,690,767</u>	<u>\$ 41,012,210</u>	<u>\$ 422,018</u>	<u>\$ 46,124,995</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, 2010

Net change in fund balances, total governmental funds \$ 8,104,652

The change in net assets reported for governmental activities in the statement of
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 depreciation expense (\$587,131) exceeded
capital outlays (\$61,909) in the current period. (525,222)

2. In the Statement of Activities, only the gain/loss on the sale of capital assets is
reported, whereas in the governmental funds, the proceeds from the sale increase
financial resources. Thus, the change in net assets differ from the change in fund
balance by the book value of capital assets sold. (14,908)

3. The governmental funds, under the modified accrual basis of accounting, do not
report the unpaid compensated absences as an 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. (82,697)

Change in net assets of governmental activities, statement of activities \$ 7,481,825

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
General Fund
Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u> <u>Original & Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Revenues:			
Sales taxes:			
Regional area road funds	\$ 4,389,000	\$ 4,371,192	\$ (17,808)
Interest earnings	100,000	8,784	(91,216)
Miscellaneous	-	7,868	7,868
Total revenues	<u>4,489,000</u>	<u>4,387,844</u>	<u>(101,156)</u>
Expenditures:			
Current:			
Executive director's office	1,283,583	1,128,667	(154,916)
Finance & management services	452,054	335,087	(116,967)
Total expenditures	<u>1,735,637</u>	<u>1,463,754</u>	<u>(271,883)</u>
Excess of revenues over expenditures	<u>2,753,363</u>	<u>2,924,090</u>	<u>170,727</u>
Other financing uses:			
Transfers out	(3,214,634)	(1,871,007)	1,343,627
Total other financing uses	<u>(3,214,634)</u>	<u>(1,871,007)</u>	<u>1,343,627</u>
Net change in fund balance	<u>(461,271)</u>	<u>1,053,083</u>	<u>1,514,354</u>
Fund balance, beginning	<u>1,896,614</u>	<u>3,637,684</u>	<u>1,741,070</u>
Fund balance, ending	<u>\$ 1,435,343</u>	<u>\$ 4,690,767</u>	<u>\$ 3,255,424</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Public Transportation Fund
Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u> <u>Original & Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Revenues:			
Sales taxes:			
Public transportation funds	\$ 116,849,700	\$ 99,351,318	\$ (17,498,382)
Interest earnings	-	222,614	222,614
Total revenues	<u>116,849,700</u>	<u>99,573,932</u>	<u>(17,275,768)</u>
Expenditures:			
Current:			
Finance & management services	-	120	120
Total expenditures	<u>-</u>	<u>120</u>	<u>120</u>
Excess of revenues over expenditures	<u>116,849,700</u>	<u>99,573,812</u>	<u>(17,275,888)</u>
Other financing uses:			
Transfers out	<u>(122,780,987)</u>	<u>(92,533,287)</u>	<u>30,247,700</u>
Total other financing uses	<u>(122,780,987)</u>	<u>(92,533,287)</u>	<u>30,247,700</u>
Net change in fund balance	<u>(5,931,287)</u>	<u>7,040,525</u>	<u>12,971,812</u>
Fund balance, beginning	<u>14,598,894</u>	<u>\$ 33,971,685</u>	<u>19,372,791</u>
Fund balance, ending	<u>\$ 8,667,607</u>	<u>\$ 41,012,210</u>	<u>\$ 32,344,603</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Statement of Net Assets

Proprietary Funds

June 30, 2010

	Business-Type Activities - Enterprise Funds		
	Transit Service Operations	Valley Metro Rail	Total Proprietary Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 238,887	\$ 981,487	\$ 1,220,374
Due from other governments	24,621,269	893,459	25,514,728
Due from other funds	2,600,000	9,666,331	12,266,331
Other assets	6,250	-	6,250
Total current assets	<u>27,466,406</u>	<u>11,541,277</u>	<u>39,007,683</u>
Noncurrent assets			
Cash and cash equivalents	68,556,165	-	68,556,165
Deferred charges	816,867	-	816,867
Capital assets, not being depreciated	18,759,250	-	18,759,250
Capital assets, net of accumulated depreciation	89,511,714	-	89,511,714
Total noncurrent assets	<u>177,643,996</u>	<u>-</u>	<u>177,643,996</u>
Total assets	<u>205,110,402</u>	<u>11,541,277</u>	<u>216,651,679</u>
Liabilities			
Current liabilities:			
Accounts payable	6,285,629	-	6,285,629
Accrued salaries and benefits	8,830	67,059	75,889
Due to other funds	1,666,331	-	1,666,331
Due to other governments	27,591,862	1,686,105	29,277,967
Bond interest payable	2,622,659	-	2,622,659
Compensated absences payable	71,702	413,724	485,426
Total current liabilities	<u>38,247,013</u>	<u>2,166,888</u>	<u>40,413,901</u>
Noncurrent liabilities:			
Compensated absences payable	59,021	340,560	399,581
Revenue bonds payable, including unamortized premium	105,463,437	-	105,463,437
Total noncurrent liabilities	<u>105,522,458</u>	<u>340,560</u>	<u>105,863,018</u>
Total liabilities	<u>143,769,471</u>	<u>2,507,448</u>	<u>146,276,919</u>
Net Assets			
Invested in capital assets, net of related debt	106,601,704	-	106,601,704
Unrestricted	(45,260,773)	9,033,829	(36,226,944)
Total net assets	<u>\$ 61,340,931</u>	<u>\$ 9,033,829</u>	<u>\$ 70,374,760</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, 2010

	Business-Type Activities - Enterprise Funds		Total Proprietary Funds
	Transit Service Operations	Valley Metro Rail	
Operating Revenues:			
Charges for services	\$ 19,122,818	\$ 8,130,261	\$ 27,253,079
Miscellaneous	106,662	-	106,662
Total operating revenues	<u>19,229,480</u>	<u>8,130,261</u>	<u>27,359,741</u>
Operating Expenses:			
Local & express bus service	49,283,402	-	49,283,402
Light rail staff and administration	-	8,130,261	8,130,261
Paratransit service	10,017,656	-	10,017,656
Vanpool service	782,665	-	782,665
Safety and security	371,149	-	371,149
Administrative and general	32,586	-	32,586
Depreciation	11,574,301	-	11,574,301
Total operating expenses	<u>72,061,759</u>	<u>8,130,261</u>	<u>80,192,020</u>
Operating loss	(52,832,279)	-	(52,832,279)
Non-Operating Revenues (Expenses):			
Lead agency disbursements	(16,267,314)	(52,574,046)	(68,841,360)
Federal Transit Administration	14,836,822	-	14,836,822
Other federal grants	160,167	-	160,167
IRS fuel tax credit	581,166	-	581,166
Interest income	494,304	93,183	587,487
Gain on disposal of capital assets	147,649	-	147,649
Miscellaneous	-	543,929	543,929
Interest subsidy	591,561	-	591,561
Interest expense	(4,845,393)	-	(4,845,393)
Bond issuance expense	(47,649)	-	(47,649)
Total non-operating revenues (expenses)	<u>(4,348,687)</u>	<u>(51,936,934)</u>	<u>(56,285,621)</u>
Income (loss) before contributions and transfers	(57,180,966)	(51,936,934)	(109,117,900)
Capital contributions	1,434,610	-	1,434,610
Transfers in	44,212,964	50,500,915	94,713,879
Transfers out	(9,968,549)	-	(9,968,549)
Changes in net assets	<u>(21,501,941)</u>	<u>(1,436,019)</u>	<u>(22,937,960)</u>
Net assets, beginning	<u>82,842,872</u>	<u>10,469,848</u>	<u>93,312,720</u>
Net assets, ending	<u>\$ 61,340,931</u>	<u>\$ 9,033,829</u>	<u>\$ 70,374,760</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, 2010

	Business-Type Activities - Enterprise Funds		Total Proprietary Funds
	Transit Service Operations	Valley Metro Rail	
Cash flows from operating activities			
Receipts from customers	\$ 16,015,532	\$ 8,287,689	\$ 24,303,221
Payments to suppliers	(50,537,382)	(2,160,558)	(52,697,940)
Payments to employees	(752,205)	(6,343,019)	(7,095,224)
Net cash provided by (used in) operating activities	(35,274,055)	(215,888)	(35,489,943)
Cash flows from noncapital and related financing activities			
Transfers in - sales taxes	38,526,362	500,000	39,026,362
Lead agency disbursements	(914,888)	(500,000)	(1,414,888)
Due to/from other funds	(2,688,964)	(9,682,178)	(12,371,142)
Federal alternative fuel tax credit	783,608	-	783,608
Receipts from federal grants	1,802,418	-	1,802,418
Net cash provided by (used in) noncapital and related financing activities	37,508,536	(9,682,178)	27,826,358
Cash flows from capital and related financing activities			
Purchases of capital assets	(8,466,258)	-	(8,466,258)
Lead agency disbursements	(15,352,426)	(66,500,530)	(81,852,956)
Receipts from federal capital grants	23,088,235	-	23,088,235
Proceeds from sale of capital assets	241,879	-	241,879
Interest paid on capital debt	(2,637,229)	-	(2,637,229)
Transfers out	(9,968,549)	-	(9,968,549)
Transfers in - sales taxes	5,686,602	50,228,550	55,915,152
Net cash provided by (used in) capital and related financing activities	(7,407,746)	(16,271,980)	(23,679,726)
Cash flows from investing activities			
Interest received on investments	494,304	119,357	613,661
Net cash provided by investing activities	494,304	119,357	613,661
Net decrease in cash and cash equivalents	(4,678,961)	(26,050,689)	(30,729,650)
Cash and cash equivalents, beginning of year	73,474,013	27,032,176	100,506,189
Cash and cash equivalents, end of year	\$ 68,795,052	\$ 981,487	\$ 69,776,539
From the Proprietary Funds Statement of Net Assets			
Current cash and cash equivalents	\$ 238,887	\$ 981,487	\$ 1,220,374
Noncurrent cash and cash equivalents	68,556,165	-	68,556,165
Total cash and cash equivalents	\$ 68,795,052	\$ 981,487	\$ 69,776,539
Reconciliation of operating loss to net cash provided by (used in) operating activities			
Operating loss	\$ (52,832,279)	\$ -	\$ (52,832,279)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	11,574,301	-	11,574,301
(Increase) decrease in assets:			
Accounts receivable	112,287	-	112,287
Due from other governments	(3,326,236)	-	(3,326,236)
Other assets	(6,250)	-	(6,250)
Increase (decrease) in liabilities:			
Accounts payable	(1,896,707)	-	(1,896,707)
Accrued salaries and benefits	(21,170)	(238,423)	(259,593)
Due to other governments	11,108,544	-	11,108,544
Compensated absences payable	13,455	22,535	35,990
Total adjustments	17,558,224	(215,888)	17,342,336
Net cash provided by (used in) operating activities	\$ (35,274,055)	\$ (215,888)	\$ (35,489,943)
Noncash capital and operating activities			
Capital assets contributed by a local member city	\$ 1,434,610	\$ -	\$ 1,434,610

See accompanying notes to the financial statements.

Valley Metro
Regional Public Transportation Authority
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Fiscal Year Ended June 30, 2010

	LTA II Private Purpose Trust Fund
Additions	
Contributions	\$ 5,518,556
Total additions	<u>5,518,556</u>
Deductions	
Distributions	<u>5,518,556</u>
Total deductions	<u>5,518,556</u>
Changes in net assets	-
Net assets, beginning	<u>-</u>
Net assets, ending	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.

Valley Metro
Regional Public Transportation Authority

Index to the Notes to the 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	31-32
e. Budgetary Basis of Accounting	33
f. Deposits and Investments	33
g. Prepaid Items	34
h. Capital Assets	34
i. Transactions Between Funds	35
j. Receivables	35
k. Compensated Absences	35
l. Long Term Obligations	36
m. Cash Equivalents	36
n. Use of Estimates	36
o. Accounting Pronouncements	36
2. Reconciliation of Governmental Fund Financial Statements to Government-Wide Statements	37-38
3. Deposits and Investments	39
a. Deposits	39
b. Investments	39-40
4. Interfund Receivables/Payables 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	43
a. Transportation Excise Tax Revenue Bonds	43-44
b. Compensated Absences	45
9. Risk Management	45
10. Retirement and Pension Plans	45
a. Plan descriptions	45
b. Funding policy	46
11. Contractual and Other Commitments	46
a. Underground Storage Tank Revolving Fund Replenishment	46
b. Commitments	46-47
12. Contingencies	47
13. Related Party Transactions	47
14. Excess of Expenditures over Appropriations	47

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements
Fiscal Year Ended June 30, 2010

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 member cities and towns. For fiscal year 2009-10, the members included 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, 2010

b. Basic Financial Statements

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 fund balances/net assets in the various funds to demonstrate the government's intended use of those net assets.

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

Also part of the basic financial statements are fund financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2010

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. Enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the Authority to establish activity fees or charges to recover the cost of providing services, including capital costs.

The Authority reports the following major enterprise funds:

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2010

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 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.

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2010

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 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.

Budgetary comparison statements for the general fund and major special revenue funds must be presented as part of the basic financial statements or as required supplementary information. The Authority has chosen to present this information as part of the basic financial statements. These statements must display original budget, amended budget and actual results (on a budgetary basis). Budgetary comparisons for the nonmajor governmental funds and the major enterprise funds are presented in the combining statements following the notes to the financial statements. Where necessary, a reconciliation has been provided of the adjustments required to convert the budgetary revenues and expenditures or changes in net assets on a budgetary basis to revenues and expenditures/expenses or change in net assets on a GAAP basis.

f. Deposits and Investments

State statutes authorize the Authority to invest in obligations of the U.S. Treasury and any of its agencies, corporations or instrumentalities, collateralized repurchase agreements, certificates of deposit and the State of Arizona's Local Government Investment Pool (LGIP). Currently the Authority invests only in the LGIP, which is operated by the Arizona State Treasurer's Office, as authorized by Arizona Revised Statutes, §35-326. Arizona Revised Statutes §35-312 and §35-313 regulate authorized investments.

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

The Authority maintains pooled cash and investments. Income from pooled cash and investments is allocated to the individual funds based on the fund's month end cash balance in relation to the total pooled cash and investments. Authority management has determined that the investment income related to all funds except the 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 due to other funds at year end.

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2010

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

All capital assets, whether owned by governmental activities or business-type activities, must 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 asset lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

<u>Assets</u>	<u>Useful Life (Years)</u>
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.

During the fiscal year ended June 30, 2010, the Authority recorded \$581,166 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 compressed natural gas (CNG), liquefied natural gas (LNG), propane and several other less frequently used fuels. The Authority 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.

I. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

m. Cash Equivalents

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

n. Use of Estimates

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

o. Accounting Pronouncements

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

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2010

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:

	Total Governmental Funds	Long-term Assets/ Liabilities	Reclassifications for Internal Balances and Eliminations	Statement of Net Assets Totals
Assets				
Cash and cash equivalents	\$ 48,182,227	\$ -	\$ -	\$ 48,182,227
Receivables	504	-	-	504
Due from other governments	9,197,884	-	-	9,197,884
Due from other funds	609,113	-	(609,113)	-
Internal balances	-	-	(10,600,000)	(10,600,000)
Other assets	28,176	-	-	28,176
Capital assets (net)	-	689,786	-	689,786
Total assets	<u>\$ 58,017,904</u>	<u>\$ 689,786</u>	<u>\$ (11,209,113)</u>	<u>\$ 47,498,577</u>
Liabilities				
Accounts payable	\$ 423,176	\$ -	\$ -	\$ 423,176
Accrued salaries and benefits	131,250	-	-	131,250
Due to other funds	11,209,113	-	(11,209,113)	-
Due to other governments	112,546	-	-	112,546
Other liabilities	16,824	-	-	16,824
Compensated absences	-	837,880	-	837,880
Total liabilities	<u>11,892,909</u>	<u>837,880</u>	<u>(11,209,113)</u>	<u>1,521,676</u>
Fund Balance/Net Assets				
Total fund balance/net assets	<u>\$ 46,124,995</u>	<u>\$ (148,094)</u>	<u>\$ -</u>	<u>\$ 45,976,901</u>

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

Cost of capital assets	\$ 3,073,993
Accumulated depreciation	<u>(2,384,207)</u>
Capital assets, net	<u>\$ 689,786</u>

Interfund transactions between governmental activities of \$609,113 are eliminated in the consolidation of these activities for the statement of net assets.

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2010

Under the modified accrual basis of accounting, the governmental funds do not accrue for unpaid compensated absences in the amount of \$837,880 as a 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 Balances and the Government-wide Statement of Activities:

	Total				Statement of
	Governmental	Capital	Depreciation	Compensated	Activities
	Funds	Purchases	and Disposals	Absences	Totals
Revenues					
Sales taxes	\$ 103,722,510	\$ -	\$ -	\$ -	\$103,722,510
Intergovernmental	2,055,931	-	-	-	2,055,931
Interest earnings	231,398	-	-	-	231,398
Miscellaneous	223,988	-	(104)	-	223,884
Total revenues	<u>106,233,827</u>	<u>-</u>	<u>(104)</u>	<u>-</u>	<u>106,233,723</u>
Expenditures/Expenses					
Current:					
Regional planning	1,822,026	-	-	-	1,822,026
Transportation demand management	1,808,239	-	-	-	1,808,239
Regional customer services	8,143,826	-	353,349	-	8,497,175
Administration	1,547,845	-	248,586	82,697	1,879,128
Capital outlay	61,909	(61,909)	-	-	-
Total expenditures/expenses and other uses	<u>13,383,845</u>	<u>(61,909)</u>	<u>601,935</u>	<u>82,697</u>	<u>14,006,568</u>
Other financing uses/changes in net assets					
Transfers in	9,658,964	-	-	-	9,658,964
Transfers out	(94,404,294)	-	-	-	(94,404,294)
Net transfers	<u>(84,745,330)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,745,330)</u>
Net change for the year	<u>\$ 8,104,652</u>	<u>\$ 61,909</u>	<u>\$ (602,039)</u>	<u>\$ (82,697)</u>	<u>\$ 7,481,825</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 amount of the financial resources expended for capital outlay (\$61,909), whereas net assets decrease by the amounts of disposals and depreciation expense charged for the year (\$602,039).

The governmental funds do not report the change in unpaid compensated absences in the amount of \$82,697 as expenditures, as they are not paid with expendable available financial resources. However, the statement of net assets includes the change in 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, 2010, was \$45,031,644 and the bank ledger balance was \$45,190,030. The difference of \$158,386 represents deposits in transit and outstanding checks. Of the bank balance, \$250,000 was covered by federal depository insurance and \$44,940,030 was covered by collateral held by the pledging financial institution in the Authority's name. Cash held with trustee in the amount of \$65,012,200 has federal depository insurance coverage in the amount of \$250,000 and \$64,762,200 was covered by collateral held by the pledging financial institution's trust department but not 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, 2010, the Authority's investments in the LGIP, investing in money market mutual funds, have the weighted average maturities less than 90 days.

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

Investments, including investments held by trustee, at June 30, 2010 consist of the following:

State of Arizona Local Government Investment Pool	\$	7,914,922
---	----	-----------

**Valley Metro
Regional Public Transportation Authority**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2010

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, 2010 consist of the following:

Carrying amount of the Authority's deposits	\$	45,031,644
Investments in the LGIP		7,914,922
Cash and investments with Trustee		65,012,200
Total cash and investments	<u>\$</u>	<u>117,958,766</u>

4. Interfund Receivables/Payables and Interfund Transactions

Interfund receivables and payables within the governmental activities and business-type activities are eliminated for the government-wide financial statements at June 30, 2010. The following interfund receivables and payables are included in the fund financial statements at June 30, 2010:

	<u>Due from other funds</u>			<u>Totals</u>
	<u>General Fund</u>	<u>Transit Service Operations</u>	<u>Valley Metro Rail</u>	
<u>Due to other funds</u>				
Governmental funds:				
Public Transportation	\$ 163,768	\$ 2,600,000	\$ 8,000,000	\$ 10,763,768
Nonmajor Governmental Funds	445,345	-	-	445,345
Total governmental funds	<u>609,113</u>	<u>2,600,000</u>	<u>8,000,000</u>	<u>11,209,113</u>
Enterprise funds:				
Transit Service Operations	-	-	1,666,331	1,666,331
Total enterprise funds	<u>-</u>	<u>-</u>	<u>1,666,331</u>	<u>1,666,331</u>
Grand totals	<u>\$ 609,113</u>	<u>\$ 2,600,000</u>	<u>\$ 9,666,331</u>	<u>\$ 12,875,444</u>

The interfund balances for the governmental funds at June 30, 2010 are short-term loans to cover temporary cash deficits in various funds. This occasionally occurs prior to grant and other reimbursements.

**Valley Metro
Regional Public Transportation Authority**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2010

The interfund balances within the business-type activities funds are amounts held in the Transit Service Operations Fund for debt service payments to be made by the Valley Metro Rail Fund and short-term loans to cover temporary cash deficits in pooled cash accounts. All interfund balances outstanding at June 30, 2010 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, 2010.

	Transfers Out			Totals
	General Fund	Public Transportation Fund	Transit Service Operations	
<u>Transfers In</u>				
Governmental funds:				
Nonmajor Governmental Funds	\$ 1,371,007	\$ 8,287,957	\$ -	\$ 9,658,964
Total governmental funds	<u>1,371,007</u>	<u>8,287,957</u>	<u>-</u>	<u>9,658,964</u>
Enterprise funds:				
Transit Service Operations	-	44,212,964		44,212,964
Valley Metro Rail	500,000	40,032,366	9,968,549	50,500,915
Total enterprise funds	<u>500,000</u>	<u>84,245,330</u>	<u>9,968,549</u>	<u>94,713,879</u>
Grand totals	<u>\$ 1,871,007</u>	<u>\$ 92,533,287</u>	<u>\$ 9,968,549</u>	<u>\$ 104,372,843</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 \$84,745,330.

5. Fund Balance/Net Assets Reservations and Designations

General Fund:

Unreserved/Designated - At June 30, 2010, \$837,880 of fund balance was designated by management for the payment of accrued compensated absences.

Transit Service Operations Enterprise Fund:

Unrestricted - At June 30, 2010, a negative amount of \$45,260,773 of net assets was unrestricted. This is because of \$106,601,704 that is reported as invested in capital assets, net of related debt.

6. Capital Assets

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2010:

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2010

	Balances, July 1, 2009	Increases	Decreases	Balances, June 30, 2010
Governmental activities:				
Non-depreciable assets:				
Work in progress	\$ 14,804	\$ -	\$ (14,804)	\$ -
Total non-depreciable assets	14,804	-	(14,804)	-
Depreciable assets:				
Computers & software	\$ 2,037,664	\$ 61,909	(7,062)	\$ 2,092,511
Equipment	572,034	-	-	572,034
Vehicles	134,911	-	-	134,911
Furniture & fixtures	274,537	-	-	274,537
Total depreciable assets at historical cost	3,019,146	61,909	(7,062)	3,073,993
Less accumulated depreciation for:				
Computers & software	(1,304,991)	(456,122)	6,958	(1,754,155)
Equipment	(259,584)	(69,730)	-	(329,314)
Vehicles	(100,607)	(19,159)	-	(119,766)
Furniture & fixtures	(138,852)	(42,120)	-	(180,972)
Total accumulated depreciation	(1,804,034)	(587,131)	6,958	(2,384,207)
Governmental activities capital assets, net	\$ 1,229,916	\$ (525,222)	\$ (14,908)	\$ 689,786
Business-type activities:				
Non-depreciable assets:				
Land	\$ 5,292,000	\$ -	\$ -	\$ 5,292,000
Work in progress	15,803,722	18,107,850	(20,444,322)	13,467,250
Total non-depreciable assets	21,095,722	18,107,850	(20,444,322)	18,759,250
Depreciable assets:				
Transit fleet	95,268,475	11,468,701	(4,907,284)	101,829,892
Building	13,390,731	2	-	13,390,733
Site improvements	7,802,996	-	-	7,802,996
Computers & software	94,192	231,344	-	325,536
Equipment	6,586,331	213,131	-	6,799,462
Furniture & fixtures	127,037	-	-	127,037
Total depreciable assets at historical cost	123,269,762	11,913,178	(4,907,284)	130,275,656
Less accumulated depreciation for:				
Transit fleet	(31,118,562)	(10,046,164)	4,819,178	(36,345,548)
Building	(291,103)	(291,103)	-	(582,206)
Site improvements	(525,142)	(454,641)	-	(979,783)
Computers & software	(53,238)	(60,528)	-	(113,766)
Equipment	(1,956,754)	(701,238)	-	(2,657,992)
Furniture & fixtures	(64,020)	(20,627)	-	(84,647)
Total accumulated depreciation	(34,008,819)	(11,574,301)	4,819,178	(40,763,942)
Business-type activities capital assets, net	\$ 110,356,665	\$ 18,446,727	\$ (20,532,428)	\$ 108,270,964

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2010

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

	Government Wide	Business- Type
Regional customer services	\$ 353,349	\$ -
Administration	233,782	-
Transit service operations	-	11,574,301
Total depreciation expense	<u>\$ 587,131</u>	<u>\$ 11,574,301</u>

The Authority's enterprise funds in the business-type activities have entered into contracts having remaining commitments at June 30, 2010 totaling approximately \$1.3 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 \$552,953 for the fiscal year ended June 30, 2010. The future minimum lease payments under noncancelable and final option of the operating lease at June 30, 2010 were as follows:

Year Ending June 30	
2011	\$ 280,565
Total	<u>\$ 280,565</u>

After year end the Authority entered into two separate operating leases for building space. The future minimum lease payments of the operating leases are as follows:

Year Ending June 30	
2011	\$ 465,162
2012	943,801
2013	957,279
2014	1,037,334
2015	1,117,389
2016-20	3,394,498
2021-25	3,056,599
2026	317,633
Total	<u>\$ 11,289,695</u>

8. **Long-Term Liabilities**

a. **Transportation Excise Tax Revenue Bonds**

In May 2009, the Board adopted the issuance of transportation revenue bonds, which are specifically for the purpose of payment or reimbursement of the costs of capital projects 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.

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, 2010, the revenues available for service of this debt were \$99,351,318 while interest paid on the debt was \$5,259,888. 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, with the first payment on January 1, 2010.

Transportation Excise Revenue Bonds annual debt service requirements at June 30, 2010 were as follows:

Year Ending June 30	Principal	Interest	Total
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	5,555,000	4,547,943	10,102,943
2016 - 2020	32,015,000	18,418,578	50,433,578
2021 - 2025	40,605,000	9,104,436	49,709,436
2026	9,260,000	299,098	9,559,098
Total	\$ 100,075,000	\$ 52,687,477	\$ 152,762,477

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2010

The revenue bonds liability activity for the fiscal year ended June 30, 2010 was as follows:

Business-Type Activities Revenue Bonds:

	Balance, July 1, 2009	Additions	Reductions	Balance, June 30, 2010	Amount Due Within One Year
Revenue bonds payable	\$ 100,075,000	\$ -	\$ -	\$ 100,075,000	\$ -
Plus: Bond premium	5,802,932	-	(414,495)	5,388,437	-
Total	\$ 105,877,932	\$ -	\$ (414,495)	\$ 105,463,437	\$ -

b. Compensated Absences

Compensated absences activity for the fiscal year ended June 30, 2010 is as follows:

	Balance, July 1, 2009	Increases	Decreases	Balance, June 30, 2010	Amount Due Within One Year
Compensated absences:					
Governmental activities	\$ 755,183	\$ 649,362	\$ (566,665)	\$ 837,880	\$ 663,685
Business-type activities	849,019	599,516	(563,528)	885,007	485,426
	\$ 1,604,202	\$ 1,248,878	\$ (1,130,193)	\$ 1,722,887	\$ 1,149,111

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

a. Plan descriptions

The Authority contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing multiple employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System (ASRS). The ASRS (through its Retirement Fund) provides retirement (i.e., pension), death and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a

**Valley Metro
Regional Public Transportation Authority**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2010

monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

b. Funding policy

The Arizona State Legislature establishes and may amend active plan members' and the Authority's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.40 percent (9.00 percent for retirement and 0.40 percent for long-term disability) of the members' annual covered payroll and the Authority was required by statute to contribute at the actuarially determined rate of 9.40 percent (8.34 percent for retirement, 0.66 percent for health insurance premium, and 0.40 percent for long-term disability) of the members' annual covered payroll.

The Authority's contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows.

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ending June 30:			
2010	\$ 1,053,332	\$ 83,357	\$ 50,520
2009	1,071,324	84,781	51,382
2008	927,023	73,362	44,461

11. Contractual and Other Commitments

a. Underground Storage Tank Revolving Fund Replenishment

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

b. Commitments

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

In addition, the Authority has entered into various contractual agreements to reimburse member cities for bus stop improvements, the Happy Valley Park-and-Ride, the Scottsdale Loop 101 Park-and-Ride, the Phoenix Camelback/19th Avenue Transit Center, the Surprise Park-and-Ride, the Buckeye Park-and-Ride, the Metrocenter Transit Center and ADA reimbursement contracts. At June 30, 2010, the Authority had outstanding contractual commitments for these services aggregating approximately \$16.3 million. These commitments have not been recorded in the accompanying financial statements because the member cities either had not incurred the related expenses or had not requested reimbursement for the related expenses. Only the currently payable portions of these contracts have been included in accounts payable in the accompanying financial statements.

12. Contingencies

As a sub-recipient 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, 2010, the Authority had expenditures of \$7,730,988 for various transportation improvement projects. As of June 30, 2010, 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 2011.

13. Related Party Transactions

As mentioned in Note 1 (a), the members of VMR's Board of Directors are also members of the sixteen-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, 2010, VMR paid \$8,130,261 for services provided by the Authority. At June 30, 2010, the Authority reported \$893,459 receivable from VMR and \$1,686,105 payable to VMR.

14. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2010, the Public Transportation Fund incurred \$120 of bank charges that were not budgeted.

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 taxes 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, 2010

Assets	Transit Planning	Transportation Demand Management	Regional Customer Services	Capital and Other Grants	Total Nonmajor Governmental
Cash and cash equivalents	\$ 246,646	\$ -	\$ 409,357	\$ 173	\$ 656,176
Receivables	-	504	-	-	504
Due from other governments	-	566,470	41,390	-	607,860
Other assets	-	2,175	-	-	2,175
Total assets	\$ 246,646	\$ 569,149	\$ 450,747	\$ 173	\$ 1,266,715
 Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 138,739	\$ 32,594	\$ 168,564	\$ 173	\$ 340,070
Accrued salaries and benefits	7,482	6,007	39,360	-	52,849
Due to other funds	-	445,345	-	-	445,345
Due to other governments	219	-	-	-	219
Other liabilities	-	6,214	-	-	6,214
Total liabilities	146,440	490,160	207,924	173	844,697
Fund balances:					
Unreserved, undesignated	100,206	78,989	242,823	-	422,018
Total fund balances	100,206	78,989	242,823	-	422,018
Total liabilities and fund balances	\$ 246,646	\$ 569,149	\$ 450,747	\$ 173	\$ 1,266,715

**Valley Metro
Regional Public Transportation Authority**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2010

	Transit Planning	Transportation Demand Management	Regional Customer Services	Capital and Other Grants	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental:					
State & county grants & pass through grants	\$ -	\$ 688,659	\$ -	\$ -	\$ 688,659
Federal Transit Administration	224,720	-	41,295	-	266,015
CMAQ	-	1,101,257	-	-	1,101,257
Miscellaneous	12,428	29,367	166,645	7,680	216,120
Total revenues	<u>237,148</u>	<u>1,819,283</u>	<u>207,940</u>	<u>7,680</u>	<u>2,272,051</u>
Expenditures:					
Current:					
Regional planning:					
Long range	308,339	-	-	-	308,339
Short range	358,149	-	-	-	358,149
Capital	106,185	-	-	-	106,185
Program support	1,049,353	-	-	-	1,049,353
Transportation demand management:					
Trip reduction	-	1,052,649	-	-	1,052,649
Ridesharing	-	504,614	-	-	504,614
Other programs	-	250,976	-	-	250,976
Regional customer services:					
Marketing	-	-	2,585,192	-	2,585,192
Call center	-	-	3,896,440	-	3,896,440
Other programs	-	-	1,662,194	-	1,662,194
Administration:					
Finance & management services	-	-	-	83,971	83,971
Capital outlay	-	-	-	61,909	61,909
Total expenditures	<u>1,822,026</u>	<u>1,808,239</u>	<u>8,143,826</u>	<u>145,880</u>	<u>11,919,971</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,584,878)</u>	<u>11,044</u>	<u>(7,935,886)</u>	<u>(138,200)</u>	<u>(9,647,920)</u>
Other financing sources:					
Transfers in	1,584,878	-	7,935,886	138,200	9,658,964
Total other financing sources	<u>1,584,878</u>	<u>-</u>	<u>7,935,886</u>	<u>138,200</u>	<u>9,658,964</u>
Net change in fund balances	-	11,044	-	-	11,044
Fund balance, beginning	100,206	67,945	242,823	-	410,974
Fund balance, ending	<u>\$ 100,206</u>	<u>\$ 78,989</u>	<u>\$ 242,823</u>	<u>\$ -</u>	<u>\$ 422,018</u>

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Transit Planning Fund
Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u> <u>Original & Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Revenues:			
Intergovernmental:			
Federal Transit Administration	\$ 778,320	\$ 224,720	\$ (553,600)
Miscellaneous	368,000	12,428	(355,572)
Total revenues	<u>1,146,320</u>	<u>237,148</u>	<u>(909,172)</u>
Expenditures:			
Current:			
Regional planning:			
Long range	236,035	308,339	72,304
Short range	1,210,375	358,149	(852,226)
Capital	941,428	106,185	(835,243)
Program support	1,449,587	1,049,353	(400,234)
Total expenditures	<u>3,837,425</u>	<u>1,822,026</u>	<u>(2,015,399)</u>
Deficiency of revenues under expenditures	<u>(2,691,105)</u>	<u>(1,584,878)</u>	<u>1,106,227</u>
Other financing sources:			
Transfers in	2,691,105	1,584,878	(1,106,227)
Total other financing sources	<u>2,691,105</u>	<u>1,584,878</u>	<u>(1,106,227)</u>
Net change in fund balance	-	-	-
Fund balance, beginning	<u>-</u>	<u>100,206</u>	<u>100,206</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 100,206</u>	<u>\$ 100,206</u>

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Transportation Demand Management Fund
Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u> <u>Original & Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Revenues:			
Intergovernmental:			
State grants & pass through grants	\$ 831,880	\$ 688,659	\$ (143,221)
CMAQ	1,510,000	1,101,257	(408,743)
Miscellaneous	-	29,367	29,367
Total revenues	<u>2,341,880</u>	<u>1,819,283</u>	<u>(522,597)</u>
Expenditures:			
Current:			
Transportation demand management:			
Trip reduction	1,276,380	1,052,649	(223,731)
Ridesharing	594,000	504,614	(89,386)
Other programs	474,000	250,976	(223,024)
Total expenditures	<u>2,344,380</u>	<u>1,808,239</u>	<u>(536,141)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,500)</u>	<u>11,044</u>	<u>13,544</u>
Other financing sources:			
Transfers in	2,500	-	(2,500)
Total other financing sources	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
Net change in fund balance	-	11,044	11,044
Fund balance, beginning	<u>-</u>	<u>67,945</u>	<u>67,945</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 78,989</u>	<u>\$ 78,989</u>

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Regional Customer Services Fund
Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u> <u>Original & Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Revenues:			
Intergovernmental:			
Federal Transit Administration	\$ 100,000	\$ 41,295	\$ (58,705)
Miscellaneous	150,258	166,645	16,387
Total revenues	<u>250,258</u>	<u>207,940</u>	<u>(42,318)</u>
Expenditures:			
Current:			
Regional customer services:			
Marketing	3,128,435	2,585,192	(543,243)
Call center	3,851,478	3,896,440	44,962
Other programs	1,753,633	1,662,194	(91,439)
Capital outlay	145,000	-	(145,000)
Total expenditures	<u>8,878,546</u>	<u>8,143,826</u>	<u>(734,720)</u>
Deficiency of revenues under expenditures	<u>(8,628,288)</u>	<u>(7,935,886)</u>	<u>692,402</u>
Other financing sources:			
Transfers in	<u>8,628,288</u>	<u>7,935,886</u>	<u>(692,402)</u>
Total other financing sources	<u>8,628,288</u>	<u>7,935,886</u>	<u>(692,402)</u>
Net change in fund balance	-	-	-
Fund balance, beginning	<u>-</u>	<u>242,823</u>	<u>242,823</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 242,823</u>	<u>\$ 242,823</u>

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Capital and Other Grants Fund
Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u> <u>Original & Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Revenues:			
Miscellaneous	\$ -	\$ 7,680	\$ 7,680
Total revenues	<u>-</u>	<u>7,680</u>	<u>7,680</u>
Expenditures:			
Administration:			
Finance & management services	120,000	83,971	(36,029)
Capital outlay	470,000	61,909	(408,091)
Total expenditures	<u>590,000</u>	<u>145,880</u>	<u>(444,120)</u>
Deficiency of revenues under expenditures	<u>(590,000)</u>	<u>(138,200)</u>	<u>451,800</u>
Other financing sources:			
Transfers in	590,000	138,200	(451,800)
Total other financing sources	<u>590,000</u>	<u>138,200</u>	<u>(451,800)</u>
Net change in fund balance	-	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenses and Changes in Net Assets - Budget to Actual
Transit Service Operations Fund
Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts Original & Final</u>	<u>Actual Amounts (budgetary basis)</u>	<u>Variance with Final Budget Over (Under)</u>
Operating Revenues:			
Charges for services	\$ 25,227,297	\$ 19,122,818	\$ (6,104,479)
Miscellaneous	-	106,662	106,662
Total operating revenues	<u>25,227,297</u>	<u>19,229,480</u>	<u>(5,997,817)</u>
Operating Expenses:			
Local & express bus service	58,520,163	49,283,402	(9,236,761)
Paratransit service	12,759,711	10,017,656	(2,742,055)
Vanpool service	940,070	782,665	(157,405)
Safety and security	1,394,220	371,149	(1,023,071)
Administrative and general	33,322	32,586	(736)
Contingency	1,161,849	-	(1,161,849)
Capital outlay	47,803,513	8,026,259	(39,777,254)
Total operating expenses	<u>122,612,848</u>	<u>68,513,717</u>	<u>(54,099,131)</u>
Operating income (loss)	(97,385,551)	(49,284,237)	48,101,314
Non-Operating Revenues (Expenses):			
Lead agency disbursements	(19,729,291)	(16,267,314)	3,461,977
Federal Transit Administration grants	23,752,822	14,836,822	(8,916,000)
Other federal grants	1,568,400	160,167	(1,408,233)
IRS fuel tax credit	275,000	581,166	306,166
Interest income	-	494,304	494,304
Proceeds from disposition of capital assets	-	241,879	241,879
Interest subsidy	-	591,561	591,561
Interest expense	-	(4,845,393)	(4,845,393)
Bond issuance expense	-	(47,649)	(47,649)
Total nonoperating revenues (expenses)	<u>5,866,931</u>	<u>(4,254,457)</u>	<u>(10,121,388)</u>
Income (loss) before transfers	(91,518,620)	(53,538,694)	37,979,926
Transfers in	91,518,620	44,212,964	(47,305,656)
Transfers out	-	(9,968,549)	(9,968,549)
Change in net assets budgetary basis	<u>\$ -</u>	<u>\$ (19,294,279)</u>	<u>\$ (19,294,279)</u>

Explanation of differences between budgetary basis and GAAP basis

Excess revenues over expenses - budgetary basis	\$ (19,294,279)
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes	8,026,259
Contributions are not a budgeted revenue, but is revenue for GAAP purposes	1,434,610
Depreciation is not a budgeted expense, but is an expense for GAAP purposes	(11,574,301)
Proceeds from disposition of assets increase financial resources for budgetary basis, but is not a revenue for GAAP basis	(241,879)
The gain on disposal of capital assets is not a budgeted revenue, but is a revenue for GAAP purposes	<u>147,649</u>
Changes in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ (21,501,941)</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, 2010

	<u>Budgeted Amounts</u> <u>Original & Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Operating Revenues:			
Charges for services	\$ 9,858,369	\$ 8,130,261	\$ (1,728,108)
Total operating revenues	<u>9,858,369</u>	<u>8,130,261</u>	<u>(1,728,108)</u>
Operating Expenses:			
Light rail staff and administration	9,858,369	8,130,261	(1,728,108)
Total operating expenses	<u>9,858,369</u>	<u>8,130,261</u>	<u>(1,728,108)</u>
Operating income (loss)	-	-	-
Non-Operating Revenues (Expenses):			
Lead agency disbursements	(117,253,666)	(52,574,046)	64,679,620
Interest income	-	93,183	93,183
Miscellaneous	-	543,929	543,929
Total nonoperating revenues (expenses)	<u>(117,253,666)</u>	<u>(51,936,934)</u>	<u>65,316,732</u>
Income (loss) before transfers	(117,253,666)	(51,936,934)	65,316,732
Transfers in	<u>117,253,666</u>	<u>50,500,915</u>	<u>(66,752,751)</u>
Change in net assets - budgetary basis	<u>\$ -</u>	<u>\$ (1,436,019)</u>	<u>\$ (1,436,019)</u>

(This page intentionally left blank)

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. There is no statute on the Authority's debt limit on the issuance of bonds. The only limitation is the ability to secure the debts with available excise tax monies.

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 2001-02; schedules presenting government-wide information include information beginning in that year.

**Valley Metro
Regional Public Transportation Authority**

Net Assets by Component

Last Nine 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>
Governmental activities				
Invested in capital assets, net of related debt	\$ 152,674	\$ 175,418	\$ 199,619	\$ 161,090
Restricted	-	-	-	-
Unrestricted	2,303,561	2,303,561	3,300,859	3,300,859
Total governmental activities net asset	<u>\$ 2,456,235</u>	<u>\$ 2,478,979</u>	<u>\$ 3,500,478</u>	<u>\$ 3,461,949</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 17,034,467	\$ 14,186,807	\$ 11,497,494	\$ 12,283,769
Restricted	726,021	1,116,356	1,559,108	1,827,192
Unrestricted	12,075	943,423	1,250,277	1,299,780
Total business-type activities net assets	<u>\$ 17,772,563</u>	<u>\$ 16,246,586</u>	<u>\$ 14,306,879</u>	<u>\$ 15,410,741</u>
Primary government				
Invested in capital assets, net of related debt	\$ 17,187,141	\$ 14,362,225	\$ 11,697,113	\$ 12,444,859
Restricted	726,021	1,116,356	1,559,108	1,827,192
Unrestricted	2,315,636	3,246,984	4,551,136	4,600,639
Total primary government net assets	<u>\$ 20,228,798</u>	<u>\$ 18,725,565</u>	<u>\$ 17,807,357</u>	<u>\$ 18,872,690</u>

<u>FY 2005/06</u>	<u>FY 2006/07</u>	<u>FY 2007/08</u>	<u>FY 2008/09</u>	<u>FY 2009/10</u>
\$ 249,177	\$ 1,362,413	\$ 1,467,040	\$ 1,229,916	\$ 689,786
-	-	-	-	-
12,224,193	42,677,444	28,106,773	37,265,160	45,287,115
<u>\$ 12,473,370</u>	<u>\$ 44,039,857</u>	<u>\$ 29,573,813</u>	<u>\$ 38,495,076</u>	<u>\$ 45,976,901</u>
\$ 27,042,048	\$ 47,945,807	\$ 72,537,461	\$ 98,580,060	\$ 106,601,704
5,301,289	1,778,889	2,332,524	4,062,157	-
17,159,298	21,142,003	17,991,644	(9,329,497)	(36,226,944)
<u>\$ 49,502,635</u>	<u>\$ 70,866,699</u>	<u>\$ 92,861,629</u>	<u>\$ 93,312,720</u>	<u>\$ 70,374,760</u>
\$ 27,291,225	\$ 49,308,220	\$ 74,004,501	\$ 99,809,976	\$ 107,291,490
5,301,289	1,778,889	2,332,524	4,062,157	-
29,383,491	63,819,447	46,098,417	27,935,663	9,060,171
<u>\$ 61,976,005</u>	<u>\$ 114,906,556</u>	<u>\$ 122,435,442</u>	<u>\$ 131,807,796</u>	<u>\$ 116,351,661</u>

**Valley Metro
Regional Public Transportation Authority**

Changes in Net Assets
Last Nine 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	\$ 212,391	\$ 367,279	\$ 167,057	\$ 162,287
Short range	256,925	274,302	242,945	145,690
Capital	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	FY 2009/10
\$ 187,496	\$ 403,337	\$ 316,147	\$ 292,509	\$ 308,339
322,430	558,664	735,888	317,886	358,149
197,256	164,722	224,767	154,523	106,185
534,285	1,298,591	1,113,474	1,183,750	1,049,353
865,290	719,854	819,553	897,234	1,052,649
645,052	594,549	592,460	561,620	504,614
326,903	385,257	373,833	424,091	250,976
-	2,578,094	3,110,366	2,810,408	2,585,192
-	3,087,948	3,599,018	3,807,893	3,896,440
-	1,623,744	1,857,934	2,129,063	2,015,543
514,158	1,712,451	1,033,066	1,111,340	1,128,667
207,304	-	-	-	-
549,635	260,965	908,275	799,503	750,461
-	715,001	-	-	-
-	-	-	-	-
<u>4,349,809</u>	<u>14,103,177</u>	<u>14,684,781</u>	<u>14,489,820</u>	<u>14,006,568</u>
38,578,007	60,090,164	96,796,902	99,625,805	93,074,466
5,767,760	-	-	-	-
16,909,968	63,225,727	65,243,366	70,492,629	60,704,307
<u>61,255,735</u>	<u>123,315,891</u>	<u>162,040,268</u>	<u>170,118,434</u>	<u>153,778,773</u>
<u>\$ 65,605,544</u>	<u>\$ 137,419,068</u>	<u>\$ 176,725,049</u>	<u>\$ 184,608,254</u>	<u>\$ 167,785,341</u>

(Continued)

Valley Metro
Regional Public Transportation Authority
Changes in Net Assets (Continued)
Last Nine 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>	<u>FY 2009/10</u>
\$ 75,295	\$ 25,046	\$ -	\$ -	\$ 150,353
2,358,485	2,494,611	2,062,602	2,632,463	2,055,931
48,382	198,777	-	-	-
<u>2,482,162</u>	<u>2,718,434</u>	<u>2,062,602</u>	<u>2,632,463</u>	<u>2,206,284</u>
18,963,733	20,131,861	19,861,844	19,936,194	15,849,887
4,075,963	2,118,843	2,043,104	3,029,151	2,408,268
692,342	685,743	844,115	926,245	864,663
182,809	36,729	-	-	-
3,376,143	-	-	-	-
5,209,939	5,565,540	6,421,524	8,614,280	8,130,261
1,186,038	642,313	1,421,891	2,609,156	2,607,770
17,286,134	19,041,093	16,237,008	40,555,599	14,996,556
<u>50,973,101</u>	<u>48,222,122</u>	<u>46,829,486</u>	<u>75,670,625</u>	<u>44,857,405</u>
<u>\$ 53,455,263</u>	<u>\$ 50,940,556</u>	<u>\$ 48,892,088</u>	<u>\$ 78,303,088</u>	<u>\$ 47,063,689</u>
\$ (1,867,647)	\$ (11,384,743)	\$ (12,622,179)	\$ (11,857,357)	\$ (11,800,284)
(10,282,634)	(75,093,769)	(115,210,782)	(94,447,809)	(108,921,368)
<u>\$ (12,150,281)</u>	<u>\$ (86,478,512)</u>	<u>\$ (127,832,961)</u>	<u>\$ (106,305,166)</u>	<u>\$ (120,721,652)</u>
\$ 55,084,706	\$ 134,235,260	\$ 130,490,779	\$ 113,297,696	\$ 103,722,510
124,312	1,664,357	2,503,935	36,310	231,398
-	-	142,810	75,176	73,531
(44,329,950)	(92,948,387)	(134,981,389)	(92,630,562)	(84,745,330)
<u>10,879,068</u>	<u>42,951,230</u>	<u>(1,843,865)</u>	<u>20,778,620</u>	<u>19,282,109</u>
-	-	-	-	-
44,578	945,155	536,116	34,862	587,487
-	2,564,291	1,688,207	2,233,476	650,591
44,329,950	92,948,387	134,981,389	92,630,562	84,745,330
<u>44,374,528</u>	<u>96,457,833</u>	<u>137,205,712</u>	<u>94,898,900</u>	<u>85,983,408</u>
<u>\$ 55,253,596</u>	<u>\$ 139,409,063</u>	<u>\$ 135,361,847</u>	<u>\$ 115,677,520</u>	<u>\$ 105,265,517</u>
\$ 9,011,421	\$ 31,566,487	\$ (14,466,044)	\$ 8,921,263	\$ 7,481,825
34,091,894	21,364,064	21,994,930	451,091	(22,937,960)
<u>\$ 43,103,315</u>	<u>\$ 52,930,551</u>	<u>\$ 7,528,886</u>	<u>\$ 9,372,354</u>	<u>\$ (15,456,135)</u>

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

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

<u>FY 2005/06</u>	<u>FY 2006/07</u>	<u>FY 2007/08</u>	<u>FY 2008/09</u>	<u>FY 2009/10</u>
\$ -	\$ -	\$ -	\$ -	\$ -
649,225	1,002,229	233,480	755,184	837,880
<u>1,638,892</u>	<u>1,433,788</u>	<u>2,888,105</u>	<u>2,882,500</u>	<u>3,852,887</u>
<u>\$ 2,288,117</u>	<u>\$ 2,436,017</u>	<u>\$ 3,121,585</u>	<u>\$ 3,637,684</u>	<u>\$ 4,690,767</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	21,059,001	410,974	-	-
<u>9,936,076</u>	<u>19,182,426</u>	<u>25,218,669</u>	<u>34,382,659</u>	<u>41,434,228</u>
<u>\$ 9,936,076</u>	<u>\$ 40,241,427</u>	<u>\$ 25,629,643</u>	<u>\$ 34,382,659</u>	<u>\$ 41,434,228</u>

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

	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>
Revenues				
Sales taxes	\$ 1,941,168	\$ 2,587,302	\$ 3,071,725	\$ 1,154,022
Intergovernmental:				
State & county grants & pass through grants	409,000	400,000	400,000	400,000
Federal Transit Administration	553,492	599,460	335,365	526,176
CMAQ	1,604,348	1,312,424	1,264,654	1,493,178
Other federal grants	42,000	42,000	42,000	42,000
Charges for services	-	3,370	32,501	49,642
Interest earnings	167,272	64,528	83,977	103,981
Miscellaneous	-	21,603	966	1,047
Total revenues	<u>4,717,280</u>	<u>5,030,687</u>	<u>5,231,188</u>	<u>3,770,046</u>
Expenditures				
Governmental activities:				
Regional planning:				
Long range	\$ 212,391	367,279	167,057	162,287
Short range	256,925	274,302	242,945	145,690
Capital	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	153,369	117,333	115,173	214,350
Total expenditures	<u>4,431,988</u>	<u>3,202,144</u>	<u>3,094,467</u>	<u>3,770,046</u>
Excess of revenues over expenditures	<u>285,292</u>	<u>1,828,543</u>	<u>2,136,721</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(789,672)	(1,828,543)	(1,139,423)	-
Total other financing sources (uses)	<u>(789,672)</u>	<u>(1,828,543)</u>	<u>(1,139,423)</u>	<u>-</u>
Net change in fund balances	<u>\$ (504,380)</u>	<u>\$ -</u>	<u>\$ 997,298</u>	<u>\$ -</u>

<u>FY 2005/06</u>	<u>FY 2006/07</u>	<u>FY 2007/08</u>	<u>FY 2008/09</u>	<u>FY 2009/10</u>
\$ 55,084,706	\$ 134,235,260	\$ 130,490,779	\$ 113,297,696	\$ 103,722,510
400,000	400,000	422,887	455,671	688,659
569,622	993,727	268,661	612,190	266,015
1,395,577	1,298,056	1,287,054	1,411,497	1,101,257
41,668	1,604	84,000	-	-
75,295	25,046	-	-	-
124,312	1,664,357	2,503,935	36,310	231,398
-	-	144,672	228,281	223,988
<u>57,691,180</u>	<u>138,618,050</u>	<u>135,201,988</u>	<u>116,041,645</u>	<u>106,233,827</u>
187,496	403,337	311,129	292,509	308,339
322,430	558,664	733,017	317,886	358,149
197,256	164,722	222,439	154,523	106,185
534,285	1,298,591	1,104,198	1,183,750	1,049,353
865,290	719,854	816,128	897,234	1,052,649
645,052	594,549	601,220	561,620	504,614
326,903	385,257	370,142	424,091	250,976
-	2,578,094	3,084,872	2,810,408	2,585,192
-	3,087,948	3,563,629	3,807,893	3,896,440
-	1,511,164	1,380,563	1,733,413	1,662,194
514,158	1,712,451	1,030,804	1,111,340	1,128,667
207,304	260,965	-	-	-
419,571	580,415	318,945	462,737	419,178
-	-	-	-	-
218,151	765,641	1,078,709	384,564	61,909
<u>4,437,896</u>	<u>14,621,652</u>	<u>14,615,795</u>	<u>14,141,968</u>	<u>13,383,845</u>
<u>53,253,284</u>	<u>123,996,398</u>	<u>120,586,193</u>	<u>101,899,677</u>	<u>92,849,982</u>
814,701	9,349,388	11,165,777	9,975,889	9,658,964
<u>(45,144,651)</u>	<u>(102,892,535)</u>	<u>(146,147,166)</u>	<u>(102,606,451)</u>	<u>(94,404,294)</u>
<u>(44,329,950)</u>	<u>(93,543,147)</u>	<u>(134,981,389)</u>	<u>(92,630,562)</u>	<u>(84,745,330)</u>
<u>\$ 8,923,334</u>	<u>\$ 30,453,251</u>	<u>\$ (14,395,196)</u>	<u>\$ 9,269,115</u>	<u>\$ 8,104,652</u>

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

	<u>FY 2000/01</u>	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>
Governmental activities					
Regional area road funds	\$ 7,193,836	\$ 1,941,168	\$ 2,587,302	\$ 3,071,725	\$ 1,154,022
Public transportation funds	-	-	-	-	-
Total governmental activities sales taxes	<u>\$ 7,193,836</u>	<u>\$ 1,941,168</u>	<u>\$ 2,587,302</u>	<u>\$ 3,071,725</u>	<u>\$ 1,154,022</u>
Business-type activities					
Regional area road funds	\$ -	\$ 5,400,322	\$ 4,914,755	\$ 4,516,066	\$ 6,559,344
Public transportation funds	-	-	-	-	-
Total business-type activities sales taxes	<u>\$ -</u>	<u>\$ 5,400,322</u>	<u>\$ 4,914,755</u>	<u>\$ 4,516,066</u>	<u>\$ 6,559,344</u>
Primary government					
Regional area road funds	\$ 7,193,836	\$ 7,341,490	\$ 7,502,057	\$ 7,587,791	\$ 7,713,366
Public transportation funds	-	-	-	-	-
Total primary government sales taxes	<u>\$ 7,193,836</u>	<u>\$ 7,341,490</u>	<u>\$ 7,502,057</u>	<u>\$ 7,587,791</u>	<u>\$ 7,713,366</u>

(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 of the Public Transportation sales tax were reported.

<u>FY 2005/06 (2)</u>	<u>FY 2006/07 (2)</u>	<u>FY 2007/08 (2)</u>	<u>FY 2008/09 (2)</u>	<u>FY 2009/10 (2)</u>
\$ 3,938,570	\$ 4,047,593	\$ 4,167,168	\$ 4,277,292	\$ 4,371,192
51,146,136	130,187,667	126,323,611	109,020,404	99,351,318
<u>\$ 55,084,706</u>	<u>\$ 134,235,260</u>	<u>\$ 130,490,779</u>	<u>\$ 113,297,696</u>	<u>\$ 103,722,510</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,938,570	\$ 4,047,593	\$ 4,167,168	\$ 4,277,292	\$ 4,371,192
51,146,136	130,187,667	126,323,611	109,020,404	99,351,318
<u>\$ 55,084,706</u>	<u>\$ 134,235,260</u>	<u>\$ 130,490,779</u>	<u>\$ 113,297,696</u>	<u>\$ 103,722,510</u>

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

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

Source:

The Maricopa County Transportation Excise Tax Year-End Report prepared by the Arizona Department of Transportation, Financial Management Services, Office of Financial Planning.

Note:

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

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

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

<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>	<u>FY 2009/10</u>
\$ 281,012	\$ 309,092	\$ 292,487	\$ 213,119	\$ 205,576	\$ 176,235	\$ 159,604
7,588	7,713	7,877	8,095	8,334	8,555	8,742
-	-	16,127	41,050	39,832	34,376	31,327
<u>288,600</u>	<u>316,805</u>	<u>316,491</u>	<u>262,264</u>	<u>253,742</u>	<u>219,166</u>	<u>199,673</u>
-	-	51,146	130,188	126,324	109,020	99,351
<u>\$ 288,600</u>	<u>\$ 316,805</u>	<u>\$ 367,637</u>	<u>\$ 392,452</u>	<u>\$ 380,066</u>	<u>\$ 328,186</u>	<u>\$ 299,024</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
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
2009/10 (1)	143,205	28,953	29,385	30,558	35,825	11,983	19,115	299,024

Source: The Maricopa County Transportation Excise Tax Year-End Report, 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%.

Note: Information for individual taxpayers is confidential, and state statutes prohibit releasing the information.

(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.

(This page intentionally left blank)

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

	<u>FY 2000/01</u>	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06</u>
Retail sales						
Percent of Total Maricopa County						
Transaction Privilege Tax Collections	49.7200%	49.1100%	49.8400%	50.1800%	49.9300%	49.9300%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
Contracting						
Percent of Total Maricopa County						
Transaction Privilege Tax Collections	14.6600%	15.4000%	14.4700%	15.0800%	16.5200%	16.5200%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
Rental of Real Property (including hotels and motels) (1)						
Percent of Total Maricopa County						
Transaction Privilege Tax Collections	9.1100%	9.1700%	9.5800%	9.0500%	9.2500%	9.2500%
Transaction Privilege Tax Rate	1.8200%	1.8200%	1.8200%	1.8200%	1.8200%	1.8200%
Transportation Excise Tax Rate	0.5120%	0.5120%	0.5120%	0.5120%	0.5120%	0.5120%
Restaurants and Bars						
Percent of Total Maricopa County						
Transaction Privilege Tax Collections	8.0800%	8.1300%	8.4300%	8.6000%	8.5800%	8.5800%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
Utilities						
Percent of Total Maricopa County						
Transaction Privilege Tax Collections	6.7500%	6.8900%	6.8800%	6.9200%	6.5700%	6.5700%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
Rental of Personal Property						
Percent of Total Maricopa County						
Transaction Privilege Tax Collections	5.4500%	5.2100%	4.7800%	4.3800%	3.9800%	3.9800%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
Communications						
Percent of Total Maricopa County						
Transaction Privilege Tax Collections	3.7200%	3.7300%	3.4500%	3.3400%	3.2000%	3.2000%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
Amusements						
Percent of Total Maricopa County						
Transaction Privilege Tax Collections	1.0800%	1.1200%	1.1100%	1.0600%	1.0500%	1.0500%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
Publishing and Printing						
Percent of Total Maricopa County						
Transaction Privilege Tax Collections	0.7800%	0.7000%	0.7000%	0.6300%	0.6100%	0.6100%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
Other						
Percent of Total Maricopa County						
Transaction Privilege Tax Collections	0.6500%	0.5600%	0.7600%	0.7600%	0.3100%	0.3100%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	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%	0.0000%	0.0000%
Transaction Privilege Tax Rate	3.1250%	3.1250%	3.1250%	3.1250%	3.1250%	3.1250%
Transportation Excise Tax Rate	0.3125%	0.3125%	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 2006/07</u>	<u>FY 2007/08</u>	<u>FY 2008/09</u>	<u>FY 2009/10</u>
-------------------	-------------------	-------------------	-------------------

47.8600%	46.8000%	46.8300%	46.8300%
5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%

18.8200%	17.4000%	14.2800%	14.2800%
5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%

9.2700%	10.1000%	11.5000%	11.5000%
1.8200%	1.8200%	1.8200%	1.8200%
0.5120%	0.5120%	0.5120%	0.5120%

8.4300%	8.7000%	9.3700%	9.3700%
5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%

6.8000%	7.5000%	8.6900%	8.6900%
5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%

3.8400%	4.0000%	4.1000%	4.1000%
5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%

2.9300%	3.3000%	2.9900%	2.9900%
5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%

1.0600%	1.1000%	1.1900%	1.1900%
5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%

0.5300%	0.5000%	0.4900%	0.4900%
5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%

0.4600%	0.6000%	0.5600%	0.5600%
5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%

0.0000%	0.0000%	0.0000%	0.0000%
3.1250%	3.1250%	3.1250%	3.1250%
0.3125%	0.3125%	0.3125%	0.3125%

Valley Metro
Regional Public Transportation Authority
 Transportation Excise Tax Revenue Bonds
 Bond Coverage
 Last Two Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Pledged Revenue</u>	<u>Coverage</u>
2009	\$ -	\$ -	\$ -	\$ 109,020,404	N/A
2010	-	5,259,888	5,259,888	99,351,318	18.89

Note: On June 30, 2009, the 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.

Note: The pledged revenues of the Authority represent future sales taxes to be collected and used to repay the debt outstanding.

Valley Metro
Regional Public Transportation Authority
 Outstanding Debt by Type
 Last Two Fiscal Years

Business-type Activities					
Fiscal Year Ended June 30		Transportation Excise Tax Revenue Bonds	Percentage of Personal Income		Per Capita
2009	\$	100,075,000	0.07%	\$	24.31
2010		100,075,000	0.07%		26.35

Source: The source of this information is the Authority's financial records.

Regional Public Transportation Authority

Transportation Excise Tax Revenue Bonds

Debt Service Revenue and Cost Per Capita

Last Two Fiscal Years

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
2010	-	5,259,888	5,259,888	99,351,318	4,115,811	1	24

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

(This page intentionally left blank)

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

	<u>FY 2000/01 (2)</u>	<u>FY 2001/02 (1)</u>	<u>FY 2002/03 (1)</u>	<u>FY 2003/04 (1)</u>
Maricopa County	3,072,149	3,192,125	3,296,250	3,406,170
Avondale	35,883	40,445	47,610	54,200
Buckeye	N/A	N/A	N/A	N/A
Chandler	176,581	186,875	194,390	209,140
El Mirage	7,609	11,915	20,645	25,550
Gilbert	109,697	122,360	133,640	151,975
Glendale	218,812	224,970	227,495	231,150
Goodyear (3)	N/A	N/A	N/A	N/A
Mesa	396,375	414,075	427,550	435,380
Peoria	108,364	117,200	122,655	126,815
Phoenix	1,321,045	1,344,775	1,365,675	1,390,830
Queen Creek (3)	N/A	N/A	N/A	N/A
Scottsdale	202,705	209,960	214,090	218,095
Surprise (3)	30,848	38,400	45,125	51,885
Tempe	158,625	159,435	159,425	159,905
Tolleson	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 sixteen-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 Tolleson and the towns of Buckeye, Gilbert and Queen Creek. Any municipality in Maricopa County may join the Authority and have one elected official serve on the Board of Directors by committing a portion of its local transportation assistance funds to local public transportation.

State legislation designates that 100% of the proceeds from the Arizona State Lottery received by participating municipalities with 300,000 or more in population, 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 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>	<u>FY 2009/10 (1)</u>
3,537,630	3,648,545	3,792,675	3,907,492	3,987,942	4,023,331
60,490	66,110	72,210	75,256	76,648	76,900
N/A	N/A	N/A	N/A	50,143	52,764
221,555	231,785	235,450	241,205	244,376	245,087
28,420	29,630	32,605	33,583	33,647	33,610
165,325	178,000	185,030	203,656	214,820	217,521
234,225	236,030	243,540	246,076	248,435	249,197
N/A	N/A	49,720	55,954	59,436	61,916
448,845	452,355	451,360	456,344	459,682	461,102
132,805	137,285	145,135	151,541	155,557	158,709
1,421,450	1,452,825	1,505,265	1,538,568	1,561,485	1,575,423
N/A	N/A	18,690	21,363	23,329	24,926
221,980	223,835	237,120	240,126	242,337	243,501
64,210	78,265	98,140	104,895	108,761	109,482
161,420	160,735	165,890	167,871	172,641	174,833
N/A	N/A	N/A	N/A	N/A	6,923

Valley Metro
Regional Public Transportation Authority
 Top Ten Employers for Maricopa County
 Current Year and Nine Years Ago

Employer	2009			2000		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
State of Arizona	50,936	1	3.06%	59,348	1	3.85%
Wal-Mart Stores, Inc.	32,814	2	1.97%	13,800	6	0.89%
Banner Health Systems	23,100	3	1.39%	13,973	4	0.91%
City of Phoenix	17,068	4	1.03%	12,917	7	0.84%
Maricopa County	14,014	5	0.84%	13,860	5	0.90%
Wells Fargo & Company	14,000	6	0.84%	9,837	8	0.64%
Arizona State University	13,005	7	0.78%			
Honeywell Aerospace	12,600	8	0.76%	17,500	2	1.13%
U.S. Postal Services	10,545	9	0.63%	9,756	9	0.63%
Basha's Inc.	10,460	10	0.63%			
Fry's Food and Drug Stores				15,500	3	1.00%
Motorola				9,700	10	0.63%
Total for Principal Employers	198,542		11.93%	176,191		11.42%
Total Employment in Maricopa County As of June 30	1,663,600			1,542,765		

Source: The Business Journal, Book of Lists
 Workforce Informer Arizona at www.workforce.az.gov for total employed in Maricopa County.

Note: The information for FY 2010 was not available at the time the CAFR was drafted.

(This page intentionally left blank)

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

	FY 2000/2001	FY 2001/2002	FY 2002/2003	FY 2003/2004	FY 2004/2005
Avondale					
Local transportation assistance funds received	\$ 190,883	\$ 203,685	\$ 220,818	\$ 252,589	\$ 277,421
Minimum local expenditures required	143,162	152,764	165,614	189,442	208,066
Percentage required	75.0%	75.0%	75.0%	75.0%	75.0%
Buckeye (1)					
Local transportation assistance funds received	N/A	N/A	N/A	N/A	N/A
Minimum local expenditures required	N/A	N/A	N/A	N/A	N/A
Percentage required	N/A	N/A	N/A	N/A	N/A
Chandler					
Local transportation assistance funds received	999,497	1,002,340	1,020,285	1,031,314	1,072,387
Minimum local expenditures required	333,166	334,113	340,095	343,771	357,462
Percentage required	33.3%	33.3%	33.3%	33.3%	33.3%
El Mirage					
Local transportation assistance funds received	34,647	43,192	65,053	109,530	130,312
Minimum local expenditures required	25,985	32,394	48,790	82,148	97,734
Percentage required	75.0%	75.0%	75.0%	75.0%	75.0%
Gilbert					
Local transportation assistance funds received	596,742	622,681	668,051	709,012	778,323
Minimum local expenditures required	198,914	207,560	222,684	236,337	259,441
Percentage required	33.3%	33.3%	33.3%	33.3%	33.3%
Glendale					
Local transportation assistance funds received	1,230,349	1,242,059	1,228,273	1,206,948	1,186,391
Minimum local expenditures required	410,116	414,020	409,424	402,316	395,464
Percentage required	33.3%	33.3%	33.3%	33.3%	33.3%
Goodyear (1)					
Local transportation assistance funds received	NA	NA	NA	NA	NA
Minimum local expenditures required	NA	NA	NA	NA	NA
Percentage required	NA	NA	NA	NA	NA
Mesa					
Local transportation assistance funds received	2,216,247	2,249,873	2,260,734	2,268,317	2,233,853
Minimum local expenditures required	2,216,247	2,249,873	2,260,734	2,268,317	2,233,853
Percentage required	100.0%	100.0%	100.0%	100.0%	100.0%
Peoria					
Local transportation assistance funds received	598,664	616,116	639,879	650,732	650,326
Minimum local expenditures required	199,555	205,372	213,293	216,911	216,775
Percentage required	33.3%	33.3%	33.3%	33.3%	33.3%
Phoenix					
Local transportation assistance funds received	7,336,182	7,498,747	7,342,097	7,245,430	7,138,976
Minimum local expenditures required	7,336,182	7,498,747	7,342,097	7,245,430	7,138,976
Percentage required	100.0%	100.0%	100.0%	100.0%	100.0%
Queen Creek (1)					
Local transportation assistance funds received	NA	NA	NA	NA	NA
Minimum local expenditures required	NA	NA	NA	NA	NA
Percentage required	NA	NA	NA	NA	NA
Scottsdale					
Local transportation assistance funds received	1,210,039	1,150,630	1,146,323	1,135,830	1,119,229
Minimum local expenditures required	403,346	383,543	382,108	378,610	373,076
Percentage required	33.3%	33.3%	33.3%	33.3%	33.3%
Surprise (1) (2)					
Local transportation assistance funds received	N/A	N/A	N/A	239,405	265,383
Minimum local expenditures required	N/A	N/A	N/A	179,554	88,373
Percentage required	N/A	N/A	N/A	75.0%	33.3%
Tempe					
Local transportation assistance funds received	957,785	800,415	870,471	845,811	821,152
Minimum local expenditures required	319,262	266,805	290,157	281,937	273,717
Percentage required	33.3%	33.3%	33.3%	33.3%	33.3%
Tolleson					
Local transportation assistance funds received	N/A	N/A	N/A	N/A	N/A
Minimum local expenditures required	N/A	N/A	N/A	N/A	N/A
Percentage required	N/A	N/A	N/A	N/A	N/A

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 sixteen-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 Tolleson and the towns of Buckeye, Gilbert and Queen Creek. Any municipality in Maricopa County may join the Authority and have one elected official serve on the Board of Directors by committing a portion of its local transportation assistance funds to local public transportation.

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

(2) Percentages of proceeds designated for expenditures have been revised according to the reported population starting FY2004/05.

	FY 2005/2006	FY 2006/2007	FY 2007/2008	FY 2008/2009	FY 2009/2010
\$	299,299	\$ 317,127	\$ 331,478	\$ 318,231	\$ 185,086
	99,667	105,603	110,382	105,971	61,634
	33.3%	33.3%	33.3%	33.3%	33.3%
	N/A	N/A	N/A	171,121	121,083
	N/A	N/A	N/A	128,341	90,812
	N/A	N/A	N/A	75.0%	75.0%
	1,096,287	1,111,863	1,080,826	1,019,970	590,108
	365,064	370,250	359,915	339,650	196,506
	33.3%	33.3%	33.3%	33.3%	33.3%
	140,622	142,134	149,672	142,011	81,249
	105,467	106,600	112,254	106,508	60,937
	75.0%	75.0%	75.0%	75.0%	75.0%
	818,025	853,858	849,374	861,189	518,737
	272,402	284,335	282,842	286,776	172,739
	33.3%	33.3%	33.3%	33.3%	33.3%
	1,158,998	1,132,226	1,117,962	1,040,568	599,909
	385,946	377,031	372,281	346,509	199,770
	33.3%	33.3%	33.3%	33.3%	33.3%
	NA	197,755	228,238	236,610	143,523
	NA	148,316	171,179	177,458	107,642
	NA	75.0%	75.0%	75.0%	75.0%
	2,220,987	2,169,928	2,071,953	1,929,717	1,110,018
	2,220,987	2,169,928	2,071,953	1,929,717	1,110,018
	100.0%	100.0%	100.0%	100.0%	100.0%
	657,162	658,598	666,237	640,826	375,639
	218,835	219,313	221,857	213,395	125,088
	33.3%	33.3%	33.3%	33.3%	33.3%
	7,033,839	6,969,140	6,909,870	6,506,059	3,770,600
	7,033,839	6,969,140	6,909,870	6,506,059	3,770,600
	100.0%	100.0%	100.0%	100.0%	100.0%
	NA	76,224	85,796	91,884	57,536
	NA	57,168	64,347	68,913	43,152
	NA	75.0%	75.0%	75.0%	75.0%
	1,098,399	1,073,727	1,088,492	1,015,408	585,184
	365,767	357,551	362,468	338,131	194,866
	33.3%	33.3%	33.3%	33.3%	33.3%
	317,703	375,434	450,508	443,564	262,631
	105,795	125,019	150,019	147,707	87,456
	33.3%	33.3%	33.3%	33.3%	33.3%
	798,826	771,039	761,513	709,867	416,885
	266,009	256,756	253,584	236,386	138,823
	33.3%	33.3%	33.3%	33.3%	33.3%
	N/A	N/A	N/A	N/A	16,500
	N/A	N/A	N/A	N/A	12,375
	N/A	N/A	N/A	N/A	75.0%

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

Fiscal Year	Population (1,2)	Income (1,2) (in thousands)	Per Capita Income (1,2)	Median Age (1,3)	School Enrollment (4)	Unemployment Rate (5)
2010	4,115,811	\$152,216,281	\$36,983	36.8	684,510	8.8%
2009	3,987,942	147,912,041	37,090	33.6	683,966	8.1%
2008	3,907,492	143,729,512	36,783	33.7	732,146	4.2%
2007	3,792,675	139,665,253	36,825	33.4	707,771	3.5%
2006	3,648,545	134,339,487	36,820	33.0	689,411	3.6%
2005	3,537,630	120,716,738	34,124	33.0	652,333	4.1%
2004	3,498,587	110,278,789	31,521	33.0	626,461	4.4%
2003	3,388,711	101,378,940	29,917	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%

(1) Calendar year

(2) Source: Arizona Workforce Informer, Labor Market Information, for Maricopa County

Population for fiscal years 2005 through 2010 are estimates from the Department of Economic Security.

Personal income for fiscal years 2008 through 2010 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 and 2010, 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.

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

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:										
Regional planning	4.26	3.58	4.45	4.59	4.54	7.91	7.88	8.13	8.03	8.10
Transportation demand management	10.91	10.25	10.25	10.25	10.25	10.25	9.00	10.50	10.00	10.00
Regional customer services	-	-	-	4.72	4.67	4.20	71.50	74.60	78.24	78.26
Administration	7.90	7.80	7.90	7.90	8.90	14.75	20.10	22.20	22.20	22.20
Total governmental activities FTE	<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>	<u>118.56</u>
Business-type activities:										
Transit service operations	7.60	6.09	6.40	4.54	4.64	4.89	10.52	8.57	8.53	8.44
Light rail transit (1)	4.33	21.28	31.00	33.00	42.00	47.00	51.00	58.00	92.00	96.00
Total business-type activities FTE	<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>	<u>104.44</u>
Total primary government FTE	<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>	<u>223.00</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>	<u>FY 2003/2004</u>
Fixed Route System (1)					
City of Phoenix Transit System					
Total boardings	30,656,284	31,897,150	34,642,732	37,543,692	40,427,904
Revenue miles	11,261,534	12,525,236	14,498,806	16,479,011	16,956,333
Revenue hours	756,527	801,069	941,752	1,089,891	1,115,462
Operating cost	\$ 54,726,226	\$ 65,946,654	\$ 76,314,996	\$ 90,376,532	\$ 93,661,178
Operating cost per boarding	\$ 1.79	\$ 2.07	\$ 2.20	\$ 2.41	\$ 2.32
Farebox recovery ratio	35.3%	33.5%	25.5%	23.0%	24.8%
Regional Public Transportation Authority (2)					
Total boardings	4,266,198	4,179,015	4,979,305	5,688,992	6,503,504
Revenue miles	4,305,173	4,702,350	4,727,196	4,799,475	4,971,133
Revenue hours	311,975	320,533	321,379	379,892	375,171
Operating cost	\$ 12,618,457	\$ 15,585,768	\$ 17,271,336	\$ 17,059,807	\$ 18,200,836
Operating cost per boarding	\$ 2.96	\$ 3.73	\$ 3.47	\$ 3.00	\$ 2.80
Farebox recovery ratio	22.1%	18.3%	16.3%	19.7%	18.3%
City of Tempe					
Total boardings	2,394,572	3,201,550	3,865,511	4,906,953	4,813,237
Revenue miles	2,350,597	3,302,089	3,730,509	3,814,559	3,826,195
Revenue hours	192,313	246,388	350,657	267,347	314,932
Operating cost	\$ 6,902,393	\$ 12,028,529	\$ 12,485,395	\$ 13,110,640	\$ 14,864,954
Operating cost per boarding	\$ 2.88	\$ 3.76	\$ 3.23	\$ 2.67	\$ 3.09
Farebox recovery ratio	12.8%	13.9%	17.2%	20.6%	18.2%
City of Glendale - Luke Link					
Total boardings	50,530	35,978	36,404	51,246	70,823
Revenue miles	121,712	103,338	89,650	106,326	131,400
Revenue hours	8,069	5,530	3,876	4,630	7,088
Operating cost	\$ 249,717	\$ 245,369	\$ 136,565	\$ 163,768	\$ 228,160
Operating cost per boarding	\$ 4.94	\$ 6.82	\$ 3.75	\$ 3.20	\$ 3.22
Farebox recovery ratio	8.7%	10.1%	22.3%	30.5%	20.9%
Total fixed route system					
Total boardings	37,367,584	39,313,693	43,523,952	48,190,883	51,815,468
Revenue miles	18,039,016	20,633,013	23,046,161	25,199,371	25,885,061
Revenue hours	1,268,884	1,373,520	1,617,664	1,741,760	1,812,653
Operating cost	\$ 74,496,793	\$ 93,806,320	\$ 106,208,292	\$ 120,710,747	\$ 126,955,128
Operating cost per boarding	\$ 1.99	\$ 2.39	\$ 2.44	\$ 2.50	\$ 2.45
Farebox recovery ratio	30.9%	28.4%	23.0%	22.3%	23.1%

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.

- (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.

Note: Information for fiscal year 2009-10 was not available at the time the CAFR was drafted.

	FY 2004/2005	FY 2005/2006	FY 2006/2007	FY 2007/2008	FY 2008/2009
	42,909,890	44,182,683	44,101,320	42,670,621	44,642,019
	17,420,722	17,166,702	18,412,020	18,826,324	18,238,826
	1,146,819	1,166,967	1,166,986	998,142	1,172,816
\$	89,543,836	\$ 93,058,555	\$ 108,350,712	\$ 117,350,016	\$ 109,867,153
\$	2.09	\$ 2.11	\$ 2.46	\$ 2.75	\$ 2.46
	27.0%	26.6%	27.0%	27.5%	32.1%
	6,203,696	6,484,886	6,772,065	7,908,819	8,390,453
	4,379,307	4,956,352	5,521,319	6,218,876	6,548,640
	276,517	389,349	381,620	377,267	372,580
\$	16,445,778	\$ 19,613,325	\$ 22,493,215	\$ 30,076,788	\$ 34,853,186
\$	2.65	\$ 3.02	\$ 3.32	\$ 3.80	\$ 4.15
	23.1%	20.7%	20.2%	18.1%	15.5%
	4,805,598	5,063,284	6,808,547	4,896,103	5,846,385
	3,797,053	3,868,790	4,497,200	4,372,291	4,752,561
	311,852	297,027	364,249	326,640	371,445
\$	15,738,112	\$ 16,738,459	\$ 19,496,217	\$ 19,947,661	\$ 27,191,179
\$	3.27	\$ 3.31	\$ 2.86	\$ 4.07	\$ 4.65
	17.3%	17.9%	16.2%	16.6%	11.8%
	93,024	101,444	227,702	NA	NA
	139,789	142,109	252,413	NA	NA
	7,962	8,121	19,455	NA	NA
\$	218,243	\$ 232,802	\$ 435,099	NA	NA
\$	2.35	\$ 2.29	\$ 1.91	NA	NA
	26.8%	27.5%	227.5%	NA	NA
	54,012,208	55,832,297	57,909,634	55,475,543	58,878,857
	25,736,871	26,133,953	28,682,952	29,417,491	29,507,613
	1,743,150	1,861,464	1,932,310	1,702,049	1,916,841
\$	121,945,969	\$ 129,643,141	\$ 150,775,243	\$ 167,374,465	\$ 171,911,518
\$	2.26	\$ 2.32	\$ 4.32	\$ 3.02	\$ 3.00
	25.2%	24.6%	224.6%	24.5%	25.5%

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>	<u>FY 2003/2004</u>
Dial-a-Ride System (1)					
Phoenix Dial-a-Ride					
Total boardings	179,094	237,886	270,493	333,860	369,791
Revenue miles	2,113,092	2,961,140	3,238,681	3,687,477	3,901,614
Revenue hours	140,909	191,525	230,951	255,922	262,372
Operating cost	\$ 4,733,615	\$ 6,909,752	\$ 9,462,730	\$ 10,385,900	\$ 11,150,114
Operating cost per boarding	\$ 26.43	\$ 29.05	\$ 34.98	\$ 31.11	\$ 30.15
Farebox recovery ratio	7.2%	6.4%	5.2%	4.9%	4.8%
Phoenix Reserve-a-Ride					
Total boardings	221,991	203,616	193,986	162,760	153,697
Revenue miles	646,039	567,565	550,850	540,282	540,388
Revenue hours	53,846	50,909	51,559	47,155	50,754
Operating cost	\$ 2,289,621	\$ 2,442,020	\$ 2,589,906	\$ 2,689,066	\$ 2,757,131
Operating cost per boarding	\$ 10.31	\$ 11.99	\$ 13.35	\$ 16.52	\$ 17.94
Farebox recovery ratio	3.2%	2.6%	3.3%	3.2%	3.1%
East Valley Dial-a-Ride					
Total boardings	258,880	266,624	252,441	240,879	222,736
Revenue miles	1,841,774	1,952,587	1,995,550	1,371,852	2,048,542
Revenue hours	115,478	115,673	116,884	117,217	111,514
Operating cost	\$ 4,423,962	\$ 4,524,032	\$ 4,772,217	\$ 5,076,798	\$ 4,963,617
Operating cost per boarding	\$ 17.09	\$ 16.97	\$ 18.90	\$ 21.08	\$ 22.28
Farebox recovery ratio	7.7%	8.0%	7.6%	7.0%	6.5%
Maricopa County STS					
Total boardings	132,490	141,541	124,822	106,395	103,533
Revenue miles	818,046	634,593	455,897	732,376	730,180
Revenue hours	56,405	45,553	56,251	70,238	67,836
Operating cost	\$ 1,691,032	\$ 1,653,677	\$ 1,379,719	\$ 1,587,982	\$ 1,534,951
Operating cost per boarding	\$ 12.76	\$ 11.68	\$ 11.05	\$ 14.93	\$ 14.83
Farebox recovery ratio	3.2%	4.3%	4.5%	1.1%	1.0%
Sun Cities Area Transit					
Total boardings	59,777	61,317	60,400	60,345	61,147
Revenue miles	219,408	222,535	218,313	226,194	229,917
Revenue hours	18,838	18,847	17,998	19,226	20,015
Operating cost	\$ 498,481	\$ 617,129	\$ 656,655	\$ 671,365	\$ 671,410
Operating cost per boarding	\$ 8.34	\$ 10.06	\$ 10.87	\$ 11.13	\$ 10.98
Farebox recovery ratio	30.5%	25.3%	22.9%	22.4%	22.7%

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.

(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

Note: Information for fiscal year 2009-10 was not available at the time the CAFR was drafted.

	<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>
	393,053	415,733	410,838	391,420	396,474
	4,084,991	4,276,365	NA	4,806,031	4,064,584
	274,099	285,137	287,882	292,601	295,057
\$	12,375,324	\$ 12,452,214	\$ 13,655,624	\$ 14,759,075	\$ 14,991,465
\$	31.49	\$ 29.95	\$ 33.24	\$ 37.71	\$ 37.81
	4.0%	5.0%	4.7%	4.1%	4.2%
	152,631	NR	NR	NR	NR
	518,616	NR	NR	NR	NR
	47,282	NR	NR	NR	NR
\$	2,853,105	NR	NR	NR	NR
\$	18.69	NR	NR	NR	NR
	2.7%	NR	NR	NR	NR
	223,130	220,153	226,050	240,424	262,364
	1,622,795	1,796,728	NA	NA	2,090,445
	118,032	121,607	126,131	131,842	137,604
\$	5,338,924	\$ 6,596,249	\$ 7,685,324	\$ 8,461,088	\$ 9,760,107
\$	23.93	\$ 29.96	\$ 34.00	\$ 35.19	\$ 37.20
	6.6%	5.2%	5.0%	4.6%	4.1%
	105,342	100,243	91,082	87,134	35,488
	523,119	913,009	NA	NA	362,525
	41,189	56,585	49,524	47,511	24,641
\$	3,249,859	\$ 3,312,076	\$ 3,368,464	\$ 3,350,837	\$ 256,574
\$	30.85	\$ 33.04	\$ 36.98	\$ 38.46	\$ 7.23
	0.4%	0.3%	0.0%	0.0%	0.0%
	58,069	57,091	45,612	34,924	27,652
	254,897	230,472	NA	NA	109,741
	22,648	21,802	16,526	12,974	13,081
\$	714,915	\$ 689,473	\$ 697,877	\$ 560,024	\$ 610,581
\$	12.31	\$ 12.08	\$ 15.30	\$ 16.04	\$ 22.08
	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 Dial-a-Ride				
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.

(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

Note: Information for fiscal year 2009-10 was not available at the time the CAFR was drafted.

	<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>	<u>FY 2004/2005</u>
Shuttle/Circulator System				
City of Phoenix (1)				
Total boardings	437,421	770,348	747,351	794,945
Revenue miles	361,830	604,325	577,579	601,547
Revenue hours	26,505	40,480	37,636	38,156
Operating cost	\$ 1,058,452	\$ 1,619,238	\$ 1,435,044	\$ 2,386,820
Operating cost per boarding	\$ 2.42	\$ 2.10	\$ 1.92	\$ 3.00
Farebox recovery ratio	0.0%	0.0%	0.0%	0.0%
City of Tempe (2)				
Total boardings	1,222,122	1,445,714	1,705,025	1,999,795
Revenue miles	601,509	441,587	487,780	475,609
Revenue hours	61,681	30,949	40,149	39,831
Operating cost	\$ 1,995,345	\$ 1,517,734	\$ 1,771,216	\$ 1,835,387
Operating cost per boarding	\$ 1.63	\$ 1.05	\$ 1.04	\$ 0.92
Farebox recovery ratio	0.0%	0.0%	0.0%	0.0%
City of Scottsdale				
Total boardings	42,456	49,498	52,599	92,139
Revenue miles	30,060	33,129	37,272	57,696
Revenue hours	4,676	4,683	6,185	8,167
Operating cost	\$ 290,066	\$ 308,684	\$ 377,726	\$ 547,764
Operating cost per boarding	\$ 6.83	\$ 6.24	\$ 7.18	\$ 5.94
Farebox recovery ratio	0.0%	0.0%	0.0%	0.0%
City of Glendale (5)				
Total boardings	51,180	54,093	59,692	82,569
Revenue miles	66,784	78,895	93,794	100,295
Revenue hours	8,055	6,361	7,897	8,301
Operating cost	\$ 267,801	\$ 185,407	\$ 203,149	\$ 144,934
Operating cost per boarding	\$ 5.23	\$ 3.43	\$ 3.39	\$ 1.76
Farebox recovery ratio	4.6%	5.7%	5.9%	11.0%
Regional Public Transportation Authority (6)				
Total boardings	N/A	N/A	N/A	N/A
Revenue miles	N/A	N/A	N/A	N/A
Revenue hours	N/A	N/A	N/A	N/A
Operating cost	N/A	N/A	N/A	N/A
Operating cost per boarding	N/A	N/A	N/A	N/A
Farebox recovery ratio	N/A	N/A	N/A	N/A
Total Shuttle/Circulator System				
Total boardings	1,753,179	2,319,653	2,564,667	2,969,448
Revenue miles	1,060,183	1,157,936	1,196,425	1,235,147
Revenue hours	100,917	82,473	91,867	94,455
Operating cost	\$ 3,611,664	\$ 3,631,063	\$ 3,787,135	\$ 4,914,905
Operating cost per boarding	\$ 2.06	\$ 1.57	\$ 1.48	\$ 4.20
Farebox recovery ratio	N/A	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.

- (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 for FY 07-08.
- (5) City of Glendale - GUS 7 Luke Link
- (6) RPTA- BUZZ

Note: Information for fiscal year 2009-10 was not available at the time the CAFR was drafted.

	<u>FY 2005/2006</u>	<u>FY 2006/2007</u>	<u>FY 2007/2008</u>	<u>FY 2008/2009</u>
	766,676	735,941	1,799,974	2,599,292
	580,884	580,080	1,614,317	1,960,474
	36,923	36,710	79,529	118,173
\$	1,812,780	\$ 1,889,393	\$ 7,173,722	\$ 9,626,975
\$	2.36	\$ 2.57	\$ 3.99	\$ 3.70
	0.0%	0.0%	0.1%	0.0%
	2,034,656	1,616,729	2,456,646	3,307,223
	479,595	482,538	1,613,904	2,105,878
	48,794	52,379	150,171	206,964
\$	1,954,659	\$ 2,091,895	\$ 6,833,012	\$ 11,414,395
\$	0.96	\$ 1.29	\$ 2.78	\$ 3.45
	0.0%	0.0%	0.0%	0.0%
	125,435	274,961	384,000	572,925
	80,489	219,861	-	439,307
	14,025	33,828	48,240	48,648
\$	953,477	\$ 1,887,546	\$ 2,400,000	\$ 2,627,403
\$	7.60	\$ 6.86	\$ 6.25	\$ 4.59
	0.0%	0.0%	0.0%	0.0%
	96,258	97,681	110,941	113,382
	96,838	NR	110,005	98,760
	7,969	NR	8,858	8,735
\$	158,442	NR	\$ 176,574	\$ 668,581
\$	1.65	NR	\$ 1.59	\$ 5.90
	10.3%	NR	16.25%	3.62%
	N/A	N/A	N/A	80,133
	N/A	N/A	N/A	60,795
	N/A	N/A	N/A	5,755
	N/A	N/A	N/A	\$ 319,570
	N/A	N/A	N/A	\$ 3.99
	N/A	N/A	N/A	0.00%
	3,023,025	2,725,312	4,751,561	6,672,955
	1,237,806	1,282,479	3,338,226	4,665,213
	107,711	122,917	286,798	388,275
\$	4,879,358	\$ 5,868,834	\$ 16,583,308	\$ 24,656,925
\$	1.61	\$ 2.15	\$ 3.49	\$ 3.88
	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>
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
2009/10	251	111	376

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

- (1) For years FY98 through FY04, the NTD reported numbers included vans that were owned by the contractor; thus, those assets are not reported.

Single Audit Section

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

Valley Metro
Regional Public Transportation Authority
 Supplementary Schedule of Expenditures of Federal Awards
 Fiscal Year Ended June 30, 2010

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-X070	\$ 328,480
Urbanized Area Formula (Section 5307)	20.507	City of Phoenix	AZ-90-X074	170,505
Urbanized Area Formula (Section 5307)	20.507	City of Phoenix	AZ-90-X080	95,384
Urbanized Area Formula (Section 5307)	20.507	City of Phoenix	AZ-90-X088	7,526
Urbanized Area Formula (Section 5307)	20.507	City of Phoenix	AZ-90-X096	216,695
Urbanized Area Formula (Section 5307)	20.507	City of Phoenix	AZ-90-X103	7,577,910
Urbanized Area Formula (Section 5307)-ARRA	20.500	City of Phoenix	AZ-96-X002	4,764,319
Total Transit Cluster				<u>13,160,819</u>
FHWA Transfer Funds (STP/CMAQ)	20.205	City of Phoenix	AZ-90-X080	252,122
FHWA Transfer Funds (STP/CMAQ)	20.205	City of Phoenix	AZ-95-0004	161,826
New Freedoms (Section 5317)	20.521	City of Phoenix	AZ-57-X001	168,721
New Freedoms (Section 5317)	20.521	City of Phoenix	AZ-57-X008	73,371
New Freedoms (Section 5317)	20.521	City of Phoenix	AZ-57-X009	156,460
Job Access/Reverse Commute -JARC (Section 5316)	20.518	City of Phoenix	AZ-37-X011	315,662
State Rural Area Formula (Section 5311) ARRA	20.509	ADOT	AZ-18-X042	188,290
Gila Bend/Phoenix Regional Transit Connector Service	20.509	ADOT	JPA 06-011T	335,938
Wickenburg Regional Transit Connector Service	20.509	ADOT	JPA 06 024T	184,745
Federal Transit Technical Studies Grant	20.505	MAG	388	224,720
Total Federal Transit Administration				<u>15,222,674</u>
Federal Highway Administration				
Congestion Mitigation and Air Quality Improvement Program Funds:				
Regional Ridesharing Program	20.205	MAG	413	355,725
Trip Reduction Program	20.205	Maricopa County	C-85-09-006-3-00	94,989
Trip Reduction Program	20.205	Maricopa County	C-85-10-021-3-01	250,678
Trip Reduction Program	20.205	Maricopa County	C-85-10-009-3-00	254,226
Telework	20.205	MAG	264	285,425
Bike Education	20.205	MAG	391	114,441
Transportation Enhancement Funds:				<u>1,355,484</u>
Regional Bicycle & Pedestrian Safety Education Program	20.200	ADOT	JPA 08-0851 Fed aid #: TEA-VMT 0-(207)A	272,092
Regional Bicycle Safe Routes to School			JPA 08-083-1 Fed aid # TEA-VMT-0(200)A	162,340
Total Federal Highway Administration	20.200	ADOT		<u>1,789,916</u>
Department of Homeland Security				
Homeland Security Grant Program				
TARR Training	97.067	City of Phoenix through AZDOHS	333219	40,330
Total Department of Homeland Security				<u>40,330</u>
Total Expenditures of Federal Awards				<u>\$ 17,052,920</u>

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 2010 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 governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Valley Metro Regional Public Transportation Authority (the Authority) as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements and have issued our report thereon dated December 17, 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 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 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 deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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
December 17, 2010

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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

We have audited Valley Metro Regional Public Transportation Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2010. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, Valley Metro Regional Public Transportation Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-1.

Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-1. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Valley Metro Regional Public Transportation Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Valley Metro Regional Public Transportation Authority's response and, accordingly, we express no opinion on the response.

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
December 17, 2010

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? X yes _____ none reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? X yes _____ 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
20.509	Formula Grants Other Than Urbanized Areas
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$511,588

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

SECTION II—FINANCIAL STATEMENT FINDINGS

None noted

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Department of Transportation
Federal Transit Cluster
CFDA Number: 20.500 and 20.507
Passed Through the City of Phoenix
Pass-Through Numbers: AZ-90-X070
AZ-90-X074
AZ-90-X080
AZ-90-X088
AZ-90-X096
AZ-90-X103
AZ-96-X002

2010-1

Condition: Requests for reimbursement were not made within a reasonable time period of incurring those costs.

Criteria: OMB Circular A-133 – Cash Management and internal control procedures.

Effect: Noncompliance with OMB Circular A-133 as grants were being reconciled one time a year and requests for reimbursement were being made at the end of the fiscal year.

Cause: The Authority was only requesting reimbursements one time a year (the end of the fiscal year). The requests were being once a year because the Authority could not reasonably estimate or was not requesting vendors to bill for maintenance costs throughout the year.

Recommendation: In order to comply with OMB Circular A-133 and strengthen internal controls over cash management of the grants, the Authority should request reimbursement within a reasonable time period of incurring the expenses. The Authority should consider requesting reimbursement at least quarterly.

Corrective Action: The Authority concurs with this recommendation and implemented, during the fiscal year 2010-11 a system in which requests are being prepared quarterly to ensure requests are made within a reasonable time period of the actual expenses/expenditures being incurred.

Contact: Mike Taylor, Finance Director

SECTION IV—SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No Prior Year Federal Award Findings

101 North 1st Avenue, Suite 1100 • Phoenix, Arizona 85003
602-262-7433 • www.ValleyMetro.org