

Valley Metro

# Comprehensive Annual Financial Report

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Fiscal Year Ended June 30, 2011



Regional Public Transportation Authority  
Phoenix, Arizona



# **Valley Metro**

## **Regional Public Transportation Authority**

Phoenix, Arizona

### Board of Directors

Chair, Councilmember Shana Ellis, Tempe  
Vice Chair, Councilmember Ron Aames, Peoria  
Treasurer, Councilmember Michael Johnson, Phoenix  
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Vice Mayor Trinity Donovan, Chandler  
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Vice Mayor Robert Littlefield, Scottsdale  
Mayor Lyn Truitt, Surprise  
Vice Mayor Kathie Farr, Tolleson  
Councilman Rui Pereira, Wickenburg

### Executive Director's Office

David A. Boggs, Executive Director  
Bryan Jungwirth, Chief of Staff  
Michael Taylor, Acting Finance Director  
Carol Ketcherside, Planning Director  
Jim Wright, Operations Director

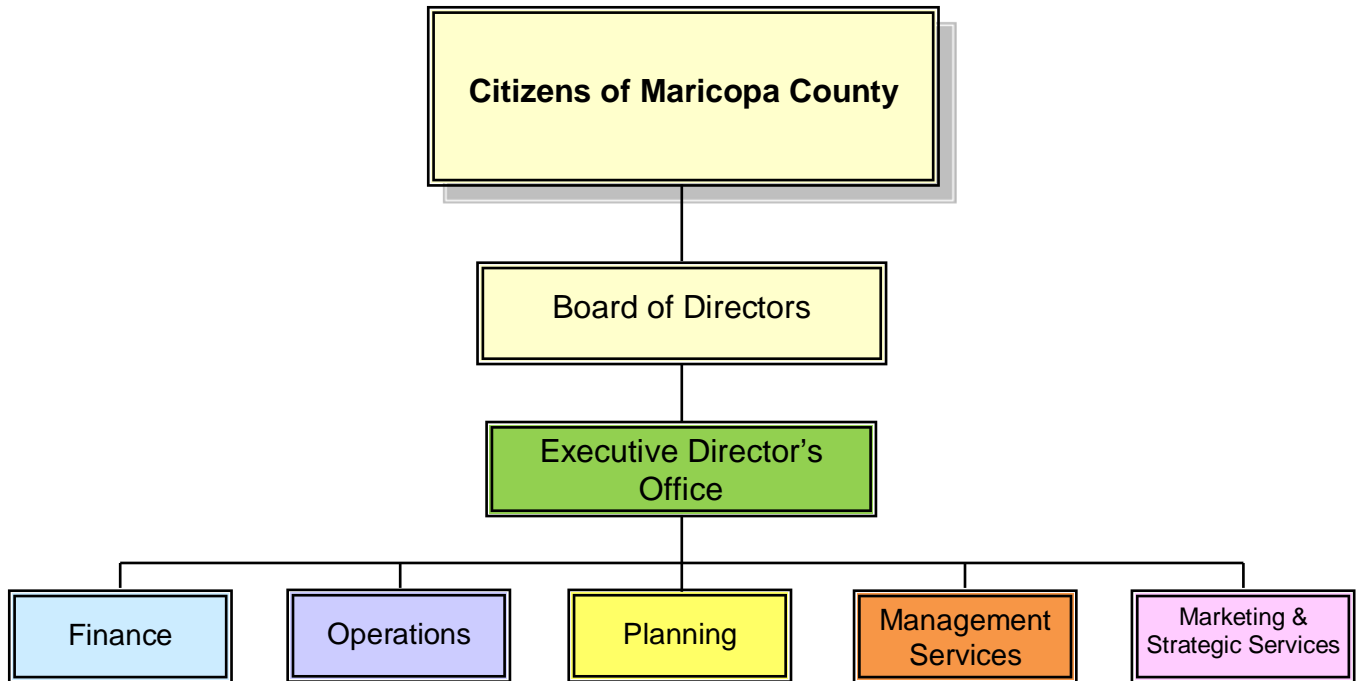
### Prepared By

Finance Department



**Valley Metro**  
**Regional Public Transportation Authority**  
*Organization Chart*

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



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**Regional Public Transportation Authority**  
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## ***Introductory Section***

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





February 28, 2012

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T 602.262.7433 F 602.523.6099 TTY 602.251.2039

**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, 2011 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 Heinfeld, Meech & Co., P.C., whose report is included herein, has audited the basic financial statements and related notes. As stated in the independent auditors' report, the goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Authority for the fiscal year ended June 30, 2011 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, 2011 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, 2011 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 2010-11, 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 Wickenburg. 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 3.8 million residents in 2010, an increase of 81 percent in just 20 years. According to the Greater Phoenix Economic Council, population is projected to grow 66 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 1.94 million people in 2010, 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 have been revised and adopted 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 Excise Tax Revenue 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 2012 as the agency continues the implementation of TLCP operating and capital projects. The major projects and studies for FY 2012 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. Provide transit data to MAG in updating the regional travel demand model, provide technical support to MAG on commuter rail planning. Participate in public meetings and open house workshops to solicit public review and comment. Provide for support in the development and administration of stakeholder communications, public meetings, and public outreach as required to collect and analyze opinions and input into system, corridor and capital planning programs, the transit lifecycle program, service adjustments, purchases and other agency programs and projects.
- Short Range Planning  
Annual update for the Maricopa Association of Government's (MAG) Annual Transportation Report and preparation of Annual Transit Performance Report. In addition, coordinate with all transit providers and funders in the MAG area on service and route planning activities including Supergrid, Arterial and Freeway Bus Rapid Transit (BRT), Express Bus routes, and Rural Connector routes. Collect and analyze information from operators and area communities to develop a Short Range Transit Program annual update that details regionally funded transit investments that will occur within the five year horizon of the Plan. Fulfill planning requirements of Title VI of the Civil Rights act as outlined in FTA Circular 4702.1A, addressing how service and project related impacts to minority and low income populations will be addressed, as well as the procedures used to address Title VI-related customer complaints.
- 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 ensuring 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.
- Operations Planning  
Provide staff support to Regional Transit Advisory Group (RTAG) on development of recommendations to integrate paratransit operations to improve service to riders and service efficiencies. Provide operations planning assistance to RPTA member agencies upon request.
- Project Management  
Provides project management in the implementation of the 20-year capital program identified in the RTP. Unless otherwise indicated, RPTA is the designated lead agency for development of transit capital and operating projects identified in the Regional Transportation Plan and funded through the 1/2 cent sales tax extension authorized by

Proposition 400. Project management for design and construction of facilities and associated support infrastructure.

- Regional Marketing Program

**Bus Book Development and Printing:** The Bus Book is the primary route and schedule communications vehicle in conjunction with on-line information 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. ShareTheRide.com is RPTA's tool for carpool and vanpool matching, and is linked to ValleyMetro.org. Information for the Valley METRO Rail is also highlighted. Over time the site design and navigation are essential to delivering a "transit portal" for the entire region.

**Valley Metro Communications Campaign:** Valley Metro and our contracted public relations firm, R&R Partners, plan to continue to implement a campaign designed to promote Valley Metro as the transportation solutions provider that makes the Valley a better place to live, work, play, and visit. This includes public relations support, creative design and development, and various forms of media purchase and placement including print, radio and online advertising over the 12-month Fiscal 2012 year.

- Regional Transportation Demand Management (TDM) Program

The Regional TDM Program promotes and provides ridesharing and alternative transportation modes 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, and bicycle partner opportunities; and assistance with implementing a variety of Transportation Demand Management (TDM) programs such as compressed work weeks and telecommuting programs. The TDM Program oversees and manages regional vanpool services. A public awareness program, the

Clean Air Campaign, is administered by the RPTA. This program is a private/public partnership encouraging participation in alternate modes of transportation, alternate work schedules, and other pollution reducing measures. The TDM Program also oversees regional bicycle and pedestrian safety & education programs.

In FY 2011, ridership system wide was 67.6 million passengers. Light rail ridership increased to 12.8 million riders. Bus ridership remained steady at 54.8 million riders.

### **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, 2010. This was the fourteenth 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,



Bryan Jungwirth  
Acting Executive Director



Michael Taylor  
Acting Finance Director

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# 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, 2010

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.



*Linda C. Davison*

President

*Jeffrey R. Egan*

Executive Director

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## **Financial Section**

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*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.*





HEINFELD, MEECH & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



## INDEPENDENT AUDITORS' REPORT

Chair and Members of the Board of Directors  
Valley Metro Regional Public Transportation Authority

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Valley Metro Regional Public Transportation Authority (the Authority), as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Valley Metro Regional Public Transportation Authority, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Authority implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2012, on our consideration of Valley Metro Regional Public Transportation Authority's internal control over financial reporting and on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The accompanying supplementary information such as the introductory section, individual fund financial schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

February 27, 2012

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, 2011. 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 \$25.8 million in FY 2011, an increase of \$6.9 million in governmental activities and a decrease \$32.6 million in business-type activities. Total net assets of the Authority are \$90.6 million, of which \$67.7 million is unrestricted.
- The governmental activities revenues increased by approximately \$3.7 million (3.5%) over the previous year.
- The business-type activities revenues decreased by approximately \$11.5 million (25%) from the previous year.
- At June 30, 2011, the Authority's governmental fund balance sheet reported a combined ending fund balance of \$52.4 million, an increase of \$6.2 million (13.5%) compared to the previous fiscal year.

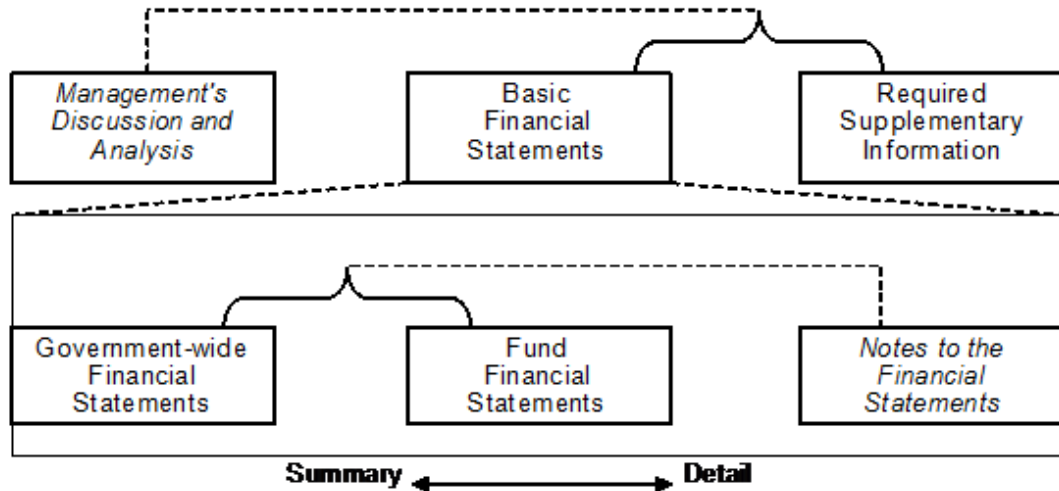
### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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 proprietary funds in the other supplementary information 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 14 – 16) 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

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

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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 17 - 18) 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 38 - 39).

**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 – 50) 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, 2011, 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, 2011 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
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$ 53,235.3	\$ 46,808.8	\$ 43,424.5	\$ 37,341.4	\$ 96,659.8	\$ 84,150.2	14.9%
Noncurrent assets							
Cash and cash equivalents	-	-	33,376.2	68,556.2	33,376.2	68,556.2	-51.3%
Deferred charges	-	-	756.5	816.9	756.5	816.9	-7.4%
Capital assets	1,346.6	689.8	93,285.7	108,271.0	94,632.3	108,960.8	-13.2%
Total assets	<u>\$ 54,581.9</u>	<u>\$ 47,498.6</u>	<u>\$ 170,842.9</u>	<u>\$ 214,985.5</u>	<u>\$ 225,424.8</u>	<u>\$ 262,484.1</u>	-14.1%
Other liabilities	\$ 1,486.5	\$ 683.8	\$ 29,948.1	\$ 38,262.1	\$ 31,434.6	\$ 38,945.9	-19.3%
Long-term liabilities	247.2	837.9	103,161.7	106,348.4	103,409.0	107,186.3	-3.5%
Total liabilities	<u>\$ 1,733.7</u>	<u>\$ 1,521.7</u>	<u>\$ 133,109.8</u>	<u>\$ 144,610.5</u>	<u>\$ 134,843.6</u>	<u>\$ 146,132.2</u>	-7.7%
Net assets:							
Invested in capital assets, net of related debt	\$ 1,346.6	\$ 689.8	\$ 21,322.7	\$ 106,601.8	\$ 22,669.3	\$ 107,291.6	-78.9%
Restricted	178.4	-	-	-	178.4	-	100.0%
Unrestricted	51,323.2	45,287.1	16,410.2	(36,226.8)	67,733.4	9,060.3	647.6%
Total net assets	<u>\$ 52,848.2</u>	<u>\$ 45,976.9</u>	<u>\$ 37,732.9</u>	<u>\$ 70,375.0</u>	<u>\$ 90,581.1</u>	<u>\$ 116,351.9</u>	-22.1%

The Authority's total net assets decreased \$25.8 million in FY 2011, an increase of \$6.9 million in governmental activities and a decrease of \$32.6 million in business-type activities. Total net assets of the Authority are \$90.6 million, of which \$67.7 million is unrestricted.

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

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A portion of net assets (25.0%) represents the Authority's investment in capital assets net of accumulated depreciation and related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide services to the region's citizens; consequently, it is not the Authority's intention to sell these assets, and they are therefore not available for future spending. The capital assets are reported net of related debt; as discussed in the Capital Assets and Debt Administration section (pages 11 - 12), the Authority pledged future transportation excise tax revenues to repay the outstanding debt obligations. The capital assets themselves are not intended to be used to liquidate these liabilities.

An additional 0.2% (\$0.2 million) of the Authority's net assets reflects resources that are subject to external restrictions, of which the majority is restricted for compensated absences. The remaining 74.8% (\$67.7 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 \$6.0 million (13.3%) of unrestricted net assets over the prior year largely attributed to an increase in the interfund balance relating to short-term loans to cover temporary cash deficits in the Transit Service Operations Fund.

The significant increase of \$47.0 million (129.9%) of unrestricted net assets over the prior year in business-type activities is significantly due to the change in classification of the invested in capital assets net of related debt to accurately report net assets from capital purchases net of the 2009 bond issuance.

**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.

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**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)*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Pimary Government</u>		<u>Percent Change</u>
	2011	2010	2011	2010	2011	2010	
<b>REVENUES</b>							
Program revenues:							
Charges for services	\$ 189.0	\$ 150.4	\$ 23,374.8	\$ 27,253.1	\$ 23,563.8	\$ 27,403.5	-14.0%
Operating grants and contributions	2,286.9	2,055.9	2,144.5	2,607.8	4,431.4	4,663.7	-5.0%
Capital grants and contributions	-	-	8,289.3	14,996.6	8,289.3	14,996.6	-44.7%
General revenues:							
Sales taxes	107,111.1	103,722.5	-	-	107,111.1	103,722.5	3.3%
Interest earnings	79.9	231.4	215.8	587.5	295.7	818.9	-63.9%
Other	233.4	73.5	560.6	650.6	794.0	724.1	9.7%
Total revenues	<u>109,900.3</u>	<u>106,233.7</u>	<u>34,585.0</u>	<u>46,095.6</u>	<u>144,485.3</u>	<u>152,329.3</u>	-5.1%
<b>EXPENSES</b>							
Governmental activities:							
Regional planning	2,274.7	1,822.0	-	-	2,274.7	1,822.0	24.8%
Transportation demand management	1,542.4	1,808.2	-	-	1,542.4	1,808.2	-14.7%
Regional customer services	7,995.4	8,497.2	-	-	7,995.4	8,497.2	-5.9%
Administration	1,966.3	1,879.1	-	-	1,966.3	1,879.1	4.6%
Business-type activities:							
Transit service operations	-	-	90,336.8	93,074.5	90,337	93,074.5	-2.9%
Light rail transit	-	-	66,140.2	60,704.3	66,140	60,704.3	9.0%
Total expenses	<u>13,778.8</u>	<u>14,006.5</u>	<u>156,477.0</u>	<u>153,778.8</u>	<u>170,255.8</u>	<u>167,785.3</u>	1.5%
Excess (deficit) before transfers	96,121.5	92,227.2	(121,892.0)	(107,683.2)	(25,770.5)	(15,456.0)	66.7%
Transfers in (out)	<u>(89,250.2)</u>	<u>(84,745.3)</u>	<u>89,250.2</u>	<u>84,745.3</u>	<u>-</u>	<u>-</u>	N/A
Increase (decrease) in net assets	<u>\$ 6,871.3</u>	<u>\$ 7,481.9</u>	<u>\$ (32,641.8)</u>	<u>\$ (22,937.9)</u>	<u>\$ (25,770.5)</u>	<u>\$ (15,456.0)</u>	66.7%

The largest financing source for the Authority as a whole is sales taxes (74.1%). The major funding sources of governmental activities are sales taxes (97.5%) and federal and state grants (2.1%). The major funding source for business-type activities are charges for services (67.6%) and transfers from the government activities (72.1%). Business-type activities also received substantial federal grants and contribution revenue (8.4%).

The Authority's overall revenues decreased by \$7.8 million, or 5.1%, compared to last fiscal year. Total revenues of governmental activities increased by \$3.7 million, or 3.5% over the previous year mainly due to the sales tax revenues in the Public Transportation Fund. Program revenues of business-type activities decreased by \$11.5 million, or 25%, 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 sixth 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.

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

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The largest user of resources for the Authority as a whole is the business-type activities (91.9%). For the governmental activities, the users of resources are regional customer services (58.0%), administration (14.3%), regional planning (16.5%), and transportation demand management (11.2%).

Overall expenses increased by \$2.5 million, or 1.5%, compared to last fiscal year. The governmental expenses decreased by \$ 0.2 million, or 1.6%, over the prior year due to conservative spending practices. The expenses of business-type activities increased by \$2.7 million, or 1.8%, compared to the prior year due to increase of disbursements in the Valley Metro Rail Fund. The increases in the business-type activities' expenses were adhered to plan as the Authority entered its fourth year of implementing the Proposition 400 TLCP.

**FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS**

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

**Governmental Funds**

The focus of the governmental funds financial statements (pages 17 – 22) is to provide information on near-term inflows, outflows and balances of spendable resources.

The fund balance of the governmental funds is \$52.3 million, an increase of \$6.2 million, or 13.5%, from the previous year. Of the \$52.4 million total fund balance, the Authority has restricted \$0.8 million for compensated absences and the remainder is in unassigned fund balance in the General Fund (see Note 5 - page 42). Unassigned 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 \$52.4 million fund balance, \$52.2 million is reported in the General Fund which includes \$47.6 million of Public Transportation Funds.

With the implementation of GASB Statement No. 54, the General Fund includes the Public Transportation Fund, the Regional Customer Service and the Capital and Other Grants Funds. Previously the Public Transportation Fund was shown separately and the Regional Customer Service Fund and the Capital and Other Grants Funds were part of the non major government funds.

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 \$102.7 million PTF sales tax revenue increased by \$3.3 million from the last year.

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. 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.

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

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The Transit Planning Fund accounts for activities related to the development of strategies to promote social and economic well-being of the community through the provision of an efficient and effective regional transit system. Revenues increased \$0.6 million (254.1%) due to the increase of \$.4 million in Federal grants and \$.2 million in charges for services to Valley Metro Rail to complete an Origins & Destinations study. The expenditures increased 24.8% from the prior year due to an increase in short range planning and to complete an Origins and Destinations study. Prior to 2006, sales taxes allocated to the Transit Planning Fund were shown as revenues. These monies are now shown as transfers in. Total transfers in decreased 9.5% over the prior year.

The Transportation Demand Management Fund accounts for activities related to the countywide ridesharing program, trip reduction program and clean air campaign. Revenues decreased 16.0% and expenditures decreased 14.7% from the prior year due to decreases in grant funds available for regional rideshare, telework and bike education programs.

**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 \$35.6 million (58%) over the prior year due mainly to increases in transfers out to Valley Metro Rail for bond proceeds, decreases in Federal grants, and reduction in bus service.

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 \$12.0 million as of June 30, 2011 as compared to net assets of \$9.0 million at the end of the previous year. In fiscal year 2011, the Valley Metro Rail Fund received 42.4% of the total PTF sales tax revenues distributed to the Authority from the Arizona Department of Revenue, totaling \$40.8 million and received 11.3% of the \$4.4 million RARF sales tax revenue received by the Authority, totaling \$0.5 million. Additionally, the Valley Metro Rail Fund received \$19.5 million of transfers in of 2009 Bond proceeds from the Transit Service Operations Fund for VMR capital expenditure reimbursements.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year there was a decrease \$0.2 million in appropriations between the original and final amended expenditure budget.

For the year ended June 30, 2011, actual expenditures were under the adopted budget amounts by \$0.5 million. The positive variance was attributable to the Marketing and Finance & Management Services activities of the General Fund being under budget because of conservative spending practices.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2011, the Authority had \$94.6 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 13.2%, an increase 95.2% for governmental activities and a decrease of 13.8% for business-type activities for the current year. Major capital asset events in the current year attributing to the decrease included the following:

- Depreciation expense in the current year totaled \$11.7 million, \$0.5 million for governmental activities capital assets and \$11.2 million for business type capital assets
- Projects that had been recorded as work in process in the prior year were completed and subsequently conveyed to various member cities. This decreased the capital assets in total by \$7.6 million.

The following table provides a breakdown of capital assets of the Authority at June 30, 2011 with comparative information for the previous year. Additional information on the Authority's capital assets may be found in Note 7 on pages 44 – 45.

*Capital Assets, Net of Accumulated Depreciation*

*As of June 30*

*(in thousands of dollars)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Percent Change</b>
	2011	2010	2011	2010	2011	2010	
Non-depreciable assets:							
Land	\$ -	\$ -	\$ 5,292.0	\$ 5,292.0	\$ 5,292.0	\$ 5,292.0	0.0%
Work-in-progress	-	-	2,719.1	13,467.3	2719.1	13,467.3	-79.8%
Depreciable assets:							
Transit fleet	-	-	62,411.0	65,484.3	62411.0	65,484.3	-4.7%
Building	-	-	12,517.4	12,808.5	12517.4	12,808.5	-2.3%
Site improvements	384.5	-	6,610.4	6,823.2	6994.9	6,823.2	2.5%
Computers & software	317.9	338.4	100.6	211.8	418.6	550.2	-23.9%
Equipment	460.1	242.7	3,613.4	4,141.5	4073.5	4,384.2	-7.1%
Vehicles	-	15.1	-	-	0.0	15.1	-100.0%
Furniture & fixtures	184.0	93.6	21.8	42.4	205.8	136.0	51.3%
<b>Total assets</b>	<b>\$ 1,346.6</b>	<b>\$ 689.8</b>	<b>\$ 93,285.7</b>	<b>\$ 108,271.0</b>	<b>\$ 94,632.3</b>	<b>\$ 108,960.8</b>	<b>-13.2%</b>

**Debt Administration**

At June 30, 2011, the Authority had total bonded debt outstanding (including unamortized premium) of \$105.1 million related to business-type activities. The Authority has pledged future transportation excise tax revenues to repay this outstanding debt.

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

	<b>Business-type Activities</b>	
	2011	2010
Revenue bonds payable	\$ 100.1	\$ 100.1
Plus unamortized premium: Bond premium payable	5.0	5.4
Total	<u>\$ 105.1</u>	<u>\$ 105.5</u>

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 9 on pages 46 - 47.

**ECONOMIC FACTORS**

RPTA undertook a number of key projects during FY 2011, 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 2011 included:

- Opening of the Valley Metro Mobility Center with a "transit walk" offering in-person Americans with Disabilities Act (ADA) assessments for the first time in the Valley.
- Start-up of Route 184, offering bus service to Phoenix-Mesa Gateway Airport, as well as public transportation for the first time south of Superstition Springs Mall on Power Road.
- New LINK bus route began on Arizona Avenue and Country Club Drive allowing a direct public transit link to METRO light rail from Chandler and Gilbert.
- Developed a new model for providing ADA Dial-a-Ride service in the West Valley utilizing a partnership with Discount Cab.
- For the first time ever, provided bus service to the Gila River Indian Community.
- Enhanced the mobile website and began using bar codes for enhanced communication to passengers.
- Kicked off the NextRide program to assist passengers with getting automated next bus and train information using a cell phone or the internet.
- Implemented the Interactive Voice Response system for East Valley Dial-a-Ride service making it easier for passengers to check on the status of upcoming trips or cancel trips.
- A real time bus tracker was initiated for the LINK bus routes, which is available at the station or by using the internet or a cell phone to see the exact location of a bus in real time.

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

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The adopted FY 2012 combined operating and capital budget is \$233.1 million (up approximately 4% from fiscal year 2011). The FY 2012 budget includes the sixth full year of projects funded with Proposition 400 PTF sales tax revenues (\$103.4 million). Of the \$103.4 million PTF revenue budgeted, \$58.7 million is for bus operating and bus capital and \$44.7 million is for light rail/high capacity capital. The total operating budget of \$84.7 million represents a \$563,000 (1%) decrease under the fiscal year 2011 operating budget of \$85.3 million. The total capital budget of \$148.4 million represents an \$8.7 million (6%) increase over the fiscal year 2011 capital budget of \$139.7 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 2012. The budget is balanced; decreases in net assets other than capital assets are not anticipated for fiscal year 2012.

**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 N. 1<sup>st</sup> Avenue, Suite 1100, Phoenix, AZ 85003.

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## **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, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 34,574,298	\$ 10,989,469	\$ 45,563,767
Due from other governments	10,006,801	41,076,533	51,083,334
Interfund balances	8,643,989	(8,643,989)	-
Prepaid Items	10,169	2,500	12,669
Total current assets	<u>53,235,257</u>	<u>43,424,513</u>	<u>96,659,770</u>
Noncurrent Assets:			
Cash and cash equivalents	-	33,376,169	33,376,169
Deferred charges	-	756,476	756,476
Capital assets, not being depreciated	-	8,011,141	8,011,141
Capital assets, net of accumulated depreciation	1,346,607	85,274,532	86,621,139
Total noncurrent assets	<u>1,346,607</u>	<u>127,418,318</u>	<u>128,764,925</u>
Total assets	<u>54,581,864</u>	<u>170,842,831</u>	<u>225,424,695</u>
<b>Liabilities</b>			
Liabilities:			
Current Liabilities			
Accounts payable	276,041	3,223,865	3,499,906
Accrued salaries and benefits	579,191	99,001	678,192
Due to other governments	30,198	21,234,150	21,264,348
Revenue bonds payable	-	2,265,000	2,265,000
Bond interest payable	-	2,622,659	2,622,659
Compensated absences payable	601,049	503,466	1,104,515
Total current liabilities	<u>1,486,479</u>	<u>29,948,141</u>	<u>31,434,620</u>
Noncurrent liabilities:			
Compensated absences payable	247,212	377,797	625,009
Revenue bonds payable, including unamortized premium	-	102,783,942	102,783,942
Total noncurrent liabilities	<u>247,212</u>	<u>103,161,739</u>	<u>103,408,951</u>
Total liabilities	<u>1,733,691</u>	<u>133,109,880</u>	<u>134,843,571</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,346,607	21,322,728	22,669,335
Restricted	178,382	-	178,382
Unrestricted	51,323,184	16,410,223	67,733,407
Total net assets	<u>\$ 52,848,173</u>	<u>\$ 37,732,951</u>	<u>\$ 90,581,124</u>

See accompanying notes to the financial statements.

Valley Metro  
Regional Public Transportation Authority  
Statement of Activities  
Fiscal Year June 30, 2011

Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
<b>Governmental activities:</b>				
Regional planning:				
Long range	101,121	\$ 189,000	\$ 799,840	\$ -
Short range	1,063,291	-	851,443	-
Capital	113,073	-	635,647	-
Program support	997,203	-	-	-
Transportation demand management:				
Trip reduction	909,742	-	-	-
Ridesharing	590,062	-	-	-
Other programs	42,633	-	-	-
Regional customer services:				
Marketing	2,201,863	-	-	-
Call center	3,833,319	-	-	-
Other programs	1,960,196	-	-	-
Administration:				
Executive director's office	1,284,141	-	-	-
Finance & management services	682,197	-	-	-
Total governmental activities	<u>13,778,841</u>	<u>189,000</u>	<u>2,286,930</u>	<u>-</u>
<b>Business-type activities:</b>				
Transit service operations	90,336,819	15,173,161	2,144,496	8,289,329
Light rail transit	66,140,185	8,201,600	-	-
Total business-type activities	<u>156,477,004</u>	<u>23,374,761</u>	<u>2,144,496</u>	<u>8,289,329</u>
Total primary government	<u>\$ 170,255,845</u>	<u>\$ 23,563,761</u>	<u>\$ 4,431,426</u>	<u>\$ 8,289,329</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)

See accompanying notes to the financial statements.

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

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ 887,719	\$ -	\$ 887,719
(211,848)	-	(211,848)
522,574	-	522,574
(997,203)	-	(997,203)
(909,742)	-	(909,742)
(590,062)	-	(590,062)
(42,633)	-	(42,633)
(2,201,863)	-	(2,201,863)
(3,833,319)	-	(3,833,319)
(1,960,196)	-	(1,960,196)
(1,284,141)	-	(1,284,141)
(682,197)	-	(682,197)
<u>(11,302,911)</u>	<u>-</u>	<u>(11,302,911)</u>
-	(64,729,833)	(64,729,833)
<u>-</u>	<u>(57,938,585)</u>	<u>(57,938,585)</u>
<u>-</u>	<u>(122,668,418)</u>	<u>(122,668,418)</u>
\$ (11,302,911)	\$ (122,668,418)	\$ (133,971,329)
102,688,559	-	102,688,559
4,422,559	-	4,422,559
79,874	215,800	295,674
233,357	560,643	794,000
(89,250,166)	89,250,166	-
<u>18,174,183</u>	<u>90,026,609</u>	<u>108,200,792</u>
<u>6,871,272</u>	<u>(32,641,809)</u>	<u>(25,770,537)</u>
<u>45,976,901</u>	<u>70,374,760</u>	<u>116,351,661</u>
<u>\$ 52,848,173</u>	<u>\$ 37,732,951</u>	<u>\$ 90,581,124</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
 Balance Sheet  
 Governmental Funds  
 June 30, 2011

	<u>General</u>	<u>Transit Planning</u>	<u>Transportation Demand Management</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 34,574,298	\$ -	\$ -	\$ 34,574,298
Due from other governments	9,154,974	623,452	228,375	10,006,801
Due from other funds	9,251,963	-	-	9,251,963
Prepaid Items	6,797	-	3,372	10,169
Total assets	<u>\$ 52,988,032</u>	<u>\$ 623,452</u>	<u>\$ 231,747</u>	<u>\$ 53,843,231</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 222,964	\$ 37,223	\$ 15,854	\$ 276,041
Accrued salaries and benefits	563,425	10,595	5,171	579,191
Due to other funds	-	475,428	132,546	607,974
Due to other governments	30,198	-	-	30,198
Total liabilities	<u>816,587</u>	<u>523,246</u>	<u>153,571</u>	<u>1,493,404</u>
Fund balances:				
Nonspendable:				
Prepays	6,797	-	3,372	10,169
Restricted:	-	100,206	74,804	175,010
Unassigned:	<u>52,164,648</u>	<u>-</u>	<u>-</u>	<u>52,164,648</u>
Total fund balances	<u>52,171,445</u>	<u>100,206</u>	<u>78,176</u>	<u>52,349,827</u>
Total liabilities and fund balances	<u>\$ 52,988,032</u>	<u>\$ 623,452</u>	<u>\$ 231,747</u>	<u>\$ 53,843,231</u>

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

Fund balances, total governmental funds balance sheet	\$ 52,349,827
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental capital assets	4,041,918
Less accumulated depreciation	(2,695,311)
Governmental compensated absences	<u>(848,261)</u>
Net assets of governmental activities, statement of net assets	<u>\$ 52,848,173</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, 2011

	<u>General</u>	<u>Transit Planning</u>	<u>Transportation Demand Management</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Sales taxes:				
Public transportation funds	\$ 102,688,559	\$ -	\$ -	\$ 102,688,559
Regional area road funds	4,422,559	-	-	4,422,559
Intergovernmental:				
State & county grants & pass through gra	-	-	635,647	635,647
Federal Transit Administration	149,065	650,775	-	799,840
CMAQ	-	-	851,443	851,443
Charges for services	-	189,000	-	189,000
Interest earnings	79,874	-	-	79,874
Miscellaneous	191,489	48	41,820	233,357
Total revenues	<u>107,531,546</u>	<u>839,823</u>	<u>1,528,910</u>	<u>109,900,279</u>
<b>Expenditures:</b>				
Current:				
Regional planning:				
Long range	-	101,121	-	101,121
Short range	-	1,063,291	-	1,063,291
Capital	-	113,073	-	113,073
Program support	-	997,203	-	997,203
Transportation demand management:				
Trip reduction	-	-	909,742	909,742
Ridesharing	-	-	590,062	590,062
Other programs	-	-	42,633	42,633
Regional customer services:				
Marketing	2,201,863	-	-	2,201,863
Call center	3,833,319	-	-	3,833,319
Other programs	1,815,740	-	-	1,815,740
Administration:				
Executive director's office	1,284,141	-	-	1,284,141
Finance & management services	359,637	-	-	359,637
Capital outlay	1,113,456	-	-	1,113,456
Total expenditures	<u>10,608,156</u>	<u>2,274,688</u>	<u>1,542,437</u>	<u>14,425,281</u>
Excess (deficiency) of revenues over (under) expenditures	<u>96,923,390</u>	<u>(1,434,865)</u>	<u>(13,527)</u>	<u>95,474,998</u>
Other financing sources (uses):				
Transfers in	-	1,434,865	12,714	1,447,579
Transfers out	(90,697,745)	-	-	(90,697,745)
Total other financing sources (uses)	<u>(90,697,745)</u>	<u>1,434,865</u>	<u>12,714</u>	<u>(89,250,166)</u>
Net change in fund balances	<u>6,225,645</u>	<u>-</u>	<u>(813)</u>	<u>6,224,832</u>
Fund balance, beginning as restated	<u>45,945,800</u>	<u>100,206</u>	<u>78,989</u>	<u>46,124,995</u>
Fund balance, ending	<u>\$ 52,171,445</u>	<u>\$ 100,206</u>	<u>\$ 78,176</u>	<u>\$ 52,349,827</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, 2011

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Net change in fund balances, total governmental funds \$ 6,224,832

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 capital outlay expense (\$1,114,341) exceeded depreciation expense (\$453,736) in the current period. 660,607

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. (3,786)

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. (10,381)

Change in net assets of governmental activities, statement of activities \$ 6,871,272

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Sales taxes:				
Regional area road funds	\$ 4,467,000	\$ 4,422,558	\$ 4,422,559	\$ 1
Public Transportation fund	97,300,000	98,800,000	102,688,559	3,888,559
Intergovernmental:				
Federal Transit Administration	100,000	150,000	149,065	(935)
Interest earnings	100,000	100,000	79,874	(20,126)
Miscellaneous	150,515	150,515	191,489	40,974
Total revenues	<u>102,117,515</u>	<u>103,623,073</u>	<u>107,531,546</u>	<u>3,908,473</u>
<b>Expenditures:</b>				
Current:				
Regional Customer Services:				
Marketing	2,581,525	2,350,000	2,201,863	(148,137)
Call Center	3,819,385	3,819,385	3,833,319	13,934
Other Programs	2,184,385	1,818,385	1,815,740	(2,645)
Executive director's office	1,255,083	1,255,083	1,284,141	29,058
Finance & management services	591,671	1,094,725	359,637	(735,088)
Capital Outlay	442,000	773,901	1,113,456	339,555
Total expenditures	<u>10,874,049</u>	<u>11,111,479</u>	<u>10,608,156</u>	<u>(503,323)</u>
Excess of revenues over expenditures	<u>91,243,466</u>	<u>92,511,594</u>	<u>96,923,390</u>	<u>4,411,796</u>
Other financing uses:				
Transfers in	8,876,780	9,064,210	-	(9,064,210)
Transfers out	<u>(100,120,246)</u>	<u>(102,450,759)</u>	<u>(90,697,745)</u>	<u>11,753,014</u>
Total other financing uses	<u>(91,243,466)</u>	<u>(93,386,549)</u>	<u>(90,697,745)</u>	<u>2,688,804</u>
Net change in fund balance	<u>-</u>	<u>(874,955)</u>	<u>6,225,645</u>	<u>7,100,600</u>
Fund balance, beginning	<u>33,078,580</u>	<u>33,078,580</u>	<u>45,945,800</u>	<u>12,867,220</u>
Fund balance, ending	<u>\$ 33,078,580</u>	<u>\$ 32,203,625</u>	<u>\$ 52,171,445</u>	<u>\$ 19,967,820</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  
Transit Planning Fund  
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental:				
Federal Transit Administration	\$ 701,711	\$ 709,256	650,775	\$ (58,481)
Charges for Services	26,000	189,000	189,000	-
Miscellaneous	-	-	48	48
Total revenues	<u>727,711</u>	<u>898,256</u>	<u>839,823</u>	<u>(58,433)</u>
<b>Expenditures:</b>				
Current:				
Regional planning:				
Long range	136,723	136,723	101,121	(35,602)
Short range	985,728	1,220,898	1,063,291	(157,607)
Capital	145,187	145,187	113,073	(32,114)
Program support	1,259,743	1,227,743	997,203	(230,540)
Total expenditures	<u>2,527,381</u>	<u>2,730,551</u>	<u>2,274,688</u>	<u>(455,863)</u>
Excess of revenues over expenditures	<u>(1,799,670)</u>	<u>(1,832,295)</u>	<u>(1,434,865)</u>	<u>397,430</u>
Other financing uses:				
Transfers in	1,799,670	1,832,295	1,434,865	(397,430)
Total other financing uses	<u>1,799,670</u>	<u>1,832,295</u>	<u>1,434,865</u>	<u>(397,430)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	100,206	100,206
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,206</u>	<u>\$ 100,206</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  
Transportation Demand Management Fund  
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental:				
State grants & pass through grants	\$ 507,238	\$ 512,238	\$ 635,647	\$ 123,409
CMAQ	994,000	994,000	851,443	(142,557)
Miscellaneous	-	-	41,820	41,820
Total revenues	<u>1,501,238</u>	<u>1,506,238</u>	<u>1,528,910</u>	<u>22,672</u>
<b>Expenditures:</b>				
Current:				
Transportation Demand Management:				
Trip reduction	907,238	912,238	909,742	(2,496)
Ridesharing	594,000	594,000	590,062	(3,938)
Other programs	-	-	42,633	42,633
Total expenditures	<u>1,501,238</u>	<u>1,506,238</u>	<u>1,542,437</u>	<u>36,199</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(13,527)</u>	<u>(13,527)</u>
Other financing uses:				
Transfers in	-	-	12,714	12,714
Total other financing uses	<u>-</u>	<u>-</u>	<u>12,714</u>	<u>12,714</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(813)</u>	<u>(813)</u>
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>78,989</u>	<u>78,989</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,176</u>	<u>\$ 78,176</u>

See accompanying notes to the financial statements.

**Valley Metro**  
**Regional Public Transportation Authority**  
 Statement of Net Assets  
 Proprietary Funds  
 June 30, 2011

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Transit Service Operations</b>	<b>Valley Metro Rail</b>	<b>Total Proprietary Funds</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ -	\$ 10,989,469	\$ 10,989,469
Due from other governments	33,924,348	7,152,185	41,076,533
Due from other funds	5,765,381	4,848,951	10,614,332
Prepaid Items	2,500	-	2,500
Total current assets	<u>39,692,229</u>	<u>22,990,605</u>	<u>62,682,834</u>
Noncurrent assets			
Cash and cash equivalents	33,085,997	290,172	33,376,169
Deferred charges	756,476	-	756,476
Capital assets, not being depreciated	8,011,141	-	8,011,141
Capital assets, net of accumulated depreciation	85,274,532	-	85,274,532
Total noncurrent assets	<u>127,128,146</u>	<u>290,172</u>	<u>127,418,318</u>
Total assets	<u>166,820,375</u>	<u>23,280,777</u>	<u>190,101,152</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	3,223,865	-	3,223,865
Accrued salaries and benefits	13,694	85,307	99,001
Due to other funds	13,492,940	5,765,381	19,258,321
Due to other governments	16,537,688	4,696,462	21,234,150
Bond payable - current	2,265,000	-	2,265,000
Bond interest payable	2,622,659	-	2,622,659
Compensated absences payable	55,840	447,626	503,466
Total current liabilities	<u>38,211,686</u>	<u>10,994,776</u>	<u>49,206,462</u>
Noncurrent liabilities:			
Compensated absences payable	41,902	335,895	377,797
Revenue bonds payable, including unamortized premium	102,783,942	-	102,783,942
Total noncurrent liabilities	<u>102,825,844</u>	<u>335,895</u>	<u>103,161,739</u>
Total liabilities	<u>141,037,530</u>	<u>11,330,671</u>	<u>152,368,201</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	21,322,728	-	21,322,728
Unrestricted	4,460,117	11,950,106	16,410,223
Total net assets	<u>\$ 25,782,845</u>	<u>\$ 11,950,106</u>	<u>\$ 37,732,951</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, 2011

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Transit Service Operations</u>	<u>Valley Metro Rail</u>	<u>Total Proprietary Funds</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 15,173,161	\$ 8,201,600	\$ 23,374,761
Miscellaneous	560,643	-	560,643
Total operating revenues	<u>15,733,804</u>	<u>8,201,600</u>	<u>23,935,404</u>
<b>Operating Expenses:</b>			
Local & express bus service	42,912,290	-	42,912,290
Light rail staff and administration	-	8,360,915	8,360,915
Paratransit service	10,634,693	-	10,634,693
Vanpool service	1,394,994	-	1,394,994
Safety and security	179,439	-	179,439
Administrative and general	33,512	-	33,512
Depreciation	11,209,083	-	11,209,083
Total operating expenses	<u>66,364,011</u>	<u>8,360,915</u>	<u>74,724,926</u>
Operating loss	(50,630,207)	(159,315)	(50,789,522)
<b>Non-Operating Revenues (Expenses):</b>			
Lead agency disbursements	(11,612,532)	(57,779,270)	(69,391,802)
Federal Transit Administration	7,667,042	-	7,667,042
Other federal grants	622,287	-	622,287
IRS fuel tax credit	1,554,573	-	1,554,573
Interest income	188,748	27,052	215,800
Loss on disposal of capital assets	85,359	-	85,359
Capital conveyance	(7,554,419)	-	(7,554,419)
Interest subsidy	589,923	-	589,923
Interest expense	(4,830,824)	-	(4,830,824)
Bond issuance expense	(60,392)	-	(60,392)
Total non-operating revenues (expenses)	<u>(13,350,235)</u>	<u>(57,752,218)</u>	<u>(71,102,453)</u>
Income (loss) before contributions and transfers	(63,980,442)	(57,911,533)	(121,891,975)
Transfers in	47,972,245	64,452,422	112,424,667
Transfers out	(19,549,889)	(3,624,612)	(23,174,501)
Changes in net assets	<u>(35,558,086)</u>	<u>2,916,277</u>	<u>(32,641,809)</u>
Net assets, beginning	<u>61,340,931</u>	<u>9,033,829</u>	<u>70,374,760</u>
Net assets, ending	<u>\$ 25,782,845</u>	<u>\$ 11,950,106</u>	<u>\$ 37,732,951</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, 2011

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Transit Service Operations</b>	<b>Valley Metro Rail</b>	<b>Total Proprietary Funds</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 6,430,725	\$ 1,942,874	\$ 8,373,599
Payments to suppliers	(68,363,795)	753,031	(67,610,764)
Payments to employees	(931,438)	(6,056,104)	(6,987,542)
Net cash provided by (used in) operating activities	(62,864,508)	(3,360,199)	(66,224,707)
<b>Cash flows from noncapital and related financing activities</b>			
Transfers in - sales taxes	47,939,297	500,000	48,439,297
Lead agency disbursements	(8,573,158)	(500,000)	(9,073,158)
Due to/from other funds	8,661,228	10,582,761	19,243,989
Federal alternative fuel tax credit	1,554,573	-	1,554,573
Receipts from federal grants	622,287	-	622,287
Net cash provided by (used in) noncapital and related financing activities	50,204,227	10,582,761	60,786,988
<b>Cash flows from capital and related financing activities</b>			
Purchases of capital assets	3,861,567	-	3,861,567
Capital conveyance	(7,554,419)	-	(7,554,419)
Lead agency disbursements	(3,039,374)	(57,279,270)	(60,318,644)
Receipts from federal capital grants	7,667,042	-	7,667,042
Interest subsidy	589,923	-	589,923
Interest paid on capital debt	(5,245,320)	-	(5,245,320)
Transfers out	(19,549,889)	(3,624,612)	(23,174,501)
Transfers in - sales taxes	32,948	63,952,422	63,985,370
Net cash provided by (used in) capital and related financing activities	(23,237,522)	3,048,540	(20,188,982)
<b>Cash flows from investing activities</b>			
Interest received on investments	188,748	27,052	215,800
Net cash provided by investing activities	188,748	27,052	215,800
Net increase(decrease) in cash and cash equivalents	(35,709,055)	10,298,154	(25,410,901)
Cash and cash equivalents, beginning of year	68,795,052	981,487	69,776,539
Cash and cash equivalents, end of year	\$ 33,085,997	\$ 11,279,641	\$ 44,365,638
<b>From the Proprietary Funds Statement of Net Assets</b>			
Current cash and cash equivalents	-	10,989,469	10,989,469
Noncurrent cash and cash equivalents	33,085,997	290,172	33,376,169
Total cash and cash equivalents	\$ 33,085,997	\$ 11,279,641	\$ 44,365,638
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities</b>			
Operating loss	\$ (50,630,207)	\$ (159,315)	\$ (50,789,522)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	11,209,083	-	11,209,083
(Increase) decrease in assets:			
Due from other governments	(9,303,079)	(6,258,726)	(15,561,805)
Other assets	3,750	-	3,750
Increase (decrease) in liabilities:			
Accounts payable	(3,061,764)	-	(3,061,764)
Accrued salaries and benefits	4,864	18,248	23,112
Due to other governments	(11,054,174)	3,010,357	(8,043,817)
Compensated absences payable	(32,981)	29,237	(3,744)
Total adjustments	(12,234,301)	(3,200,884)	(15,435,185)
Net cash provided by (used in) operating activities	\$ (62,864,508)	\$ (3,360,199)	\$ (66,224,707)
<b>Noncash capital and operating activities</b>			
Capital assets contributed by a local member city	\$ -	\$ -	\$ -

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, 2011

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	<b>LTA II Private Purpose Trust Fund</b>
<b>Additions</b>	
Contributions	\$ 3,201,875
Total additions	<u>3,201,875</u>
<b>Deductions</b>	
Distributions	<u>3,201,875</u>
Total deductions	<u>3,201,875</u>
Changes in net assets	-
Net assets, beginning	<u>-</u>
Net assets, ending	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.

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**Valley Metro**  
**Regional Public Transportation Authority**  
Index to the Notes to the Financial Statements

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**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 2010-11, 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 Wickenburg. A municipality may have one elected official serve on the Authority's Board of Directors by committing a portion of their local transportation assistance funds to local public transportation.

In October 2002, the city councils of Glendale, Mesa, Phoenix and Tempe approved the formation of a public nonprofit corporation by the name of Valley Metro Rail, Inc. (VMR). The nonprofit corporation was organized for the purpose of planning, designing, constructing and operating the Light Rail Transit Project. VMR contracts with the Authority for certain administrative functions, including personnel, administration and financial and accounting services. This activity is recorded in the Authority's Valley Metro Rail Enterprise Fund. All VMR staff is hired and employed by the Authority but works solely under the direction of the legally separate entity of VMR and its Board of Directors through a contractual arrangement with the Authority. The Board of VMR is solely responsible for the governance of VMR, and the Authority's Board of Directors has no responsibility for VMR. VMR is not a component unit of the Authority because the economic resources received by VMR are entirely for the direct benefit of VMR, and the Authority is not entitled to and has no ability to otherwise access any of the economic resources received or held by VMR. However, VMR is a related party of the Authority since the cities who are members of VMR's Board of Directors are also members of the Authority's Board of Directors.

b. **Basic Financial Statements**

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 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 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 Transit Planning Fund accounts for the receipt and expenditure of U.S. Department of Transportation, Federal Transit Administration, Federal Transit Technical Studies grant monies and member cities local match restricted for various planning studies.

The Transportation Demand Management Fund accounts 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.

**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:

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.

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 major enterprise funds are presented following the notes to the financial statements. Where necessary, a reconciliation has been provided of the adjustments required to convert the budgetary revenues and expenditures or changes in net assets on a budgetary basis to revenues and expenditures/expenses or change in net assets on a GAAP basis.

**f. Deposits and Investments**

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

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

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

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

**g. Prepaid Items**

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

**h. Capital Assets**

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
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, 2011, the Authority recorded \$1,554,573 as non-operating revenues and receivables of alternative fuel tax credit filed with the Internal Revenue Service (IRS) for fuel purchases. \$725,000 is reserved for capital purchases. The federal alternative fuel tax credit went into effect October 1, 2006, as part of the 2005 Transportation Act. Government and certain nonprofit organizations that qualify for the credit but do not have excise tax liability can receive cash payment from the federal government in the amount of \$0.50 per gallon-equivalent. This credit applies to CNG, 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. Net Assets**

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because capital assets make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the Authority. Unrestricted net assets are the remaining net assets not included in the previous two categories.

**n. Fund Balances**

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable and spendable fund balances. Spendable fund balances include restricted, committed, assigned and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations. The committed fund balances are self-imposed limitations approved by the Authority's Board of Directors, which is the highest level of decision-making authority within the Authority. Only RPTA's Board of Directors can remove or change the constraints placed on committed fund balances. The Board of Directors must commit fund balances before the end of the fiscal year. Assigned fund balances are resources constrained by the Authority's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Directors has authorized the Executive Director or designee to make assignments of resources for a specific purpose. The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred, it is the Authority's policy to use restricted fund balance first, then committed, assigned and unassigned fund balances as resources are available.

**o. 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.

**p. 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.

**q. Accounting Pronouncements**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, has been implemented by the Board of Directors for the current fiscal year. GASB Statement No. 2, *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 20, 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 onto 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 33, 1989.

**2. Reconciliation of Governmental Fund Financial Statements to Government-Wide Statements**

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

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

	<b>Total Governmental Funds</b>	<b>Long-term Assets/ Liabilities</b>	<b>Reclassifications for Internal Balances and Eliminations</b>	<b>Statement of Net Assets Totals</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 34,574,298	\$ -	\$ -	\$ 34,574,298
Due from other governments	10,006,801	-	-	10,006,801
Due from other funds	9,251,963	-	(9,251,963)	-
Internal balances	-	-	8,643,989	8,643,989
Prepaid items	10,169	-	-	10,169
Capital assets (net)	-	1,346,607	-	1,346,607
Total assets	<u>\$ 53,843,231</u>	<u>\$ 1,346,607</u>	<u>\$ (607,974)</u>	<u>\$ 54,581,864</u>
<b>Liabilities</b>				
Accounts payable	\$ 276,041	\$ -	\$ -	\$ 276,041
Accrued salaries and benefits	579,191	-	-	579,191
Due to other funds	607,974	-	(607,974)	-
Due to other governments	30,198	-	-	30,198
Other liabilities	-	-	-	-
Compensated absences	-	848,261	-	848,261
Total liabilities	<u>1,493,404</u>	<u>848,261</u>	<u>(607,974)</u>	<u>1,733,691</u>
<b>Fund Balance/Net Assets</b>				
Total fund balance/net assets	<u>\$ 52,349,827</u>	<u>\$ 498,346</u>	<u>\$ -</u>	<u>\$ 52,848,173</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	\$ 4,041,918
Accumulated depreciation	<u>(2,695,311)</u>
Capital assets, net	<u>\$ 1,346,607</u>

Interfund transactions between governmental activities of \$607,974 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, 2011

Under the modified accrual basis of accounting, the governmental funds do not accrue for unpaid compensated absences in the amount of \$848,261 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:

	<b>Total Governmental Funds</b>	<b>Capital Purchases</b>	<b>Depreciation and Disposals</b>	<b>Compensated Absences</b>	<b>Statement of Activities Totals</b>
<b>Revenues</b>					
Sales taxes	\$ 107,111,118	\$ -	\$ -	\$ -	\$ 107,111,118
Intergovernmental	2,286,930	-	-	-	2,286,930
Interest earnings	79,874	-	-	-	79,874
Charges for services	189,000	-	-	-	189,000
Miscellaneous	233,357	-	-	-	233,357
Total revenues	<u>109,900,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,900,279</u>
<b>Expenditures/Expenses</b>					
Current:					
Regional planning	2,274,688	-	-	-	2,274,688
Transportation demand management	1,542,437	-	-	-	1,542,437
Regional customer services	7,850,922	-	141,557	-	7,992,479
Administration	1,643,778	-	312,179	10,381	1,966,338
Capital outlay	1,113,456	(1,114,343)	3,786	-	2,899
Total expenditures/expenses and other uses	<u>14,425,281</u>	<u>(1,114,343)</u>	<u>457,522</u>	<u>10,381</u>	<u>13,778,841</u>
<b>Other financing uses/changes in net assets</b>					
Transfers in	1,447,579	-	-	-	1,447,579
Transfers out	(90,697,745)	-	-	-	(90,697,745)
Net transfers	<u>(89,250,166)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(89,250,166)</u>
Net change for the year	<u>\$ 6,224,832</u>	<u>\$ 1,114,343</u>	<u>\$ (457,522)</u>	<u>\$ (10,381)</u>	<u>\$ 6,871,272</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 (\$1,114,343), whereas net assets decrease by the amounts of disposals and depreciation expense charged for the year (\$457,522).

The governmental funds do not report the change in unpaid compensated absences in the amount of \$10,381 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, 2011, was \$32,655,888 and the bank ledger balance was \$35,463,541. The difference of \$2,807,653 represents deposits in transit and outstanding checks. Of the bank balance, \$250,000 was covered by federal depository insurance and \$35,213,541 was covered by collateral held by the pledging financial institution in the Authority's name. Cash held with trustee in the amount of \$37,049,779 has federal depository insurance coverage in the amount of \$250,000 and \$36,799,779 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, 2011, 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 Investment. 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, 2011 consist of the following:

State of Arizona Local Government Investment Pool	<u>\$ 9,234,269</u>
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**Valley Metro**  
**Regional Public Transportation Authority**  
Notes to the Financial Statements (Continued)  
Fiscal Year Ended June 30, 2011

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, 2011 consist of the following:

Carrying amount of the Authority's deposits	\$ 32,655,888
Investments in the LGIP	9,234,269
Cash and investments with Trustee	<u>37,049,779</u>
Total cash and investments	<u>\$ 78,939,936</u>

Of the \$37,049,779 of cash and investments held with Trustee, \$32,162,120 represents unspent bond proceeds that will be used in future periods to pay for capital purchases. The remaining \$4,887,659 is principal and interest due on the bonds July 1, 2011.

**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, 2011. The following interfund receivables and payables are included in the fund financial statements at June 30, 2011:

	Due from other funds			Total
	General Fund	Transit Service Operations Fund	Valley Metro Rail Fund	
<u>Due to other funds</u>				
Governmental funds:				
Transit Planning	\$ 475,428	\$ -	\$ -	\$ 475,428
Transportation Demand Management	132,546	-	-	132,546
Total governmental funds	<u>607,974</u>	<u>-</u>	<u>-</u>	<u>607,974</u>
Enterprise funds:				
Transit Service Operations	8,643,989	-	4,848,951	13,492,940
Valley Metro Rail	-	5,765,381	-	5,765,381
Total enterprise funds	<u>8,643,989</u>	<u>5,765,381</u>	<u>4,848,951</u>	<u>19,258,321</u>
Grand totals	<u>\$ 9,251,963</u>	<u>\$ 5,765,381</u>	<u>\$ 4,848,951</u>	<u>\$ 19,866,295</u>

The interfund balances for the governmental funds at June 30, 2011 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, 2011

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, 2011 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, 2011.

	Transfers Out			Totals
	General Fund	Transit Service Operations Fund	Valley Metro Rail Fund	
<u>Transfers In</u>				
Governmental funds:				
Transit Planning	\$ 1,434,865	\$ -	\$ -	\$ 1,434,865
Transportation Demand Management	12,714	-	-	12,714
Total governmental funds	<u>1,447,579</u>	<u>-</u>	<u>-</u>	<u>1,447,579</u>
Enterprise funds:				
Transit Service Operations	44,347,633	-	3,624,612	47,972,245
Valley Metro Rail	44,902,533	19,549,889	-	64,452,422
Total enterprise funds	<u>89,250,166</u>	<u>19,549,889</u>	<u>3,624,612</u>	<u>112,424,667</u>
Grand totals	<u>\$ 90,697,745</u>	<u>\$ 19,549,889</u>	<u>\$ 3,624,612</u>	<u>\$ 113,872,246</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 \$89,250,166.

**5. Fund Balance Reservations and Designations**

Fund Balance classifications reported in the governmental funds include the following:

	General Fund	Transit Planning Fund	Transportation Demand Management Fund	Totals
	Nonspendable			
Prepays	\$ 6,797	\$ -	\$ 3,372	\$ 10,169
Spendable				
Restricted				
Transit Planning	-	100,206	-	100,206
Transportation Demand Management	-	-	74,804	74,804
Unassigned	<u>52,164,648</u>	<u>-</u>	<u>-</u>	<u>52,164,648</u>
	<u>\$ 52,171,445</u>	<u>\$ 100,206</u>	<u>\$ 78,176</u>	<u>\$ 52,349,827</u>

**6. Restatement of Fund Balances**

As a result of the implementation of GASB Statement No.54, the Public Transportation Fund Regional Customer Services Fund and Capital and Other Grants Fund previously reported as Special Revenue Funds, were reclassified to be included as part of the General Fund. The Transit Planning Fund and Transportation Demand Management Fund continue to be reported as Special Revenue Funds due to their fund definitions and restricted funding sources.

The following summary is to reconcile beginning Fund Balances to the prior year audited financial statements:

Nonspendable	Fund Balances As Previously Stated	Restatement Due to Change in Accounting Principle	Fund Balances As Restated
Governmental Funds			
General Fund	\$ 4,690,767	\$ 41,255,033	\$ 45,945,800
Public Transportation Fund	41,012,210	(41,012,210)	-
Transit Planning Fund	100,206	-	100,206
Transportation Demand Management Fund	78,989	-	78,989
Nonmajor Governmental Funds	242,823	(242,823)	-
Total Governmental Funds	<u>\$ 46,124,995</u>	<u>\$ -</u>	<u>\$ 46,124,995</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
Notes to the Financial Statements (Continued)  
Fiscal Year Ended June 30, 2011

**7. Capital Assets**

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2011:

	<b>Balances, July 1, 2010</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, June 30, 2011</b>
<b>Governmental activities:</b>				
Depreciable assets:				
Site Improvements	\$ -	\$ 430,572	\$ -	\$ 430,572
Computers & software	2,092,511	240,441	-	2,332,952
Equipment	572,034	311,102	(115,990)	767,146
Vehicles	134,911	-	-	134,911
Furniture & fixtures	274,537	132,228	(30,428)	376,337
Total depreciable assets at historical cost	3,073,993	1,114,343	(146,418)	4,041,918
Less accumulated depreciation for:				
Site Improvements	-	(46,071)	-	(46,071)
Computers & software	(1,754,155)	(260,861)	-	(2,015,016)
Equipment	(329,314)	(90,574)	112,878	(307,010)
Vehicles	(119,766)	(15,148)	-	(134,914)
Furniture & fixtures	(180,972)	(41,082)	29,754	(192,300)
Total accumulated depreciation	(2,384,207)	(453,736)	142,632	(2,695,311)
Governmental activities capital assets, net	<u>\$ 689,786</u>	<u>\$ 660,607</u>	<u>\$ (3,786)</u>	<u>\$ 1,346,607</u>
<b>Business-type activities:</b>				
Non-depreciable assets:				
Land	\$ 5,292,000	\$ -	\$ -	\$ 5,292,000
Work in progress	13,467,250	2,557,051	(13,305,160)	2,719,141
Total non-depreciable assets	18,759,250	2,557,051	(13,305,160)	8,011,141
Depreciable assets:				
Transit fleet	101,829,892	6,864,410	(4,782,677)	103,911,625
Building	13,390,733	-	-	13,390,733
Site improvements	7,802,996	243,483	-	8,046,479
Computers & software	325,536	-	(54,075)	271,461
Equipment	6,799,462	201,002	-	7,000,464
Furniture & fixtures	127,037	-	-	127,037
Total depreciable assets at historical cost	130,275,656	7,308,895	(4,836,752)	132,747,799
Less accumulated depreciation for:				
Transit fleet	(36,345,548)	(9,654,854)	4,499,758	(41,500,644)
Building	(582,206)	(291,103)	-	(873,309)
Site improvements	(979,783)	(456,332)	-	(1,436,115)
Computers & software	(113,766)	(57,063)	-	(170,829)
Equipment	(2,657,992)	(729,104)	-	(3,387,096)
Furniture & fixtures	(84,647)	(20,627)	-	(105,274)
Total accumulated depreciation	(40,763,942)	(11,209,083)	4,499,758	(47,473,267)
Business-type activities capital assets, net	<u>\$108,270,964</u>	<u>\$ (1,343,137)</u>	<u>\$ (13,642,154)</u>	<u>\$ 93,285,673</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
Notes to the Financial Statements (Continued)  
Fiscal Year Ended June 30, 2011

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

	<b>Governmental Activities</b>	<b>Business Type Activities</b>
Regional customer services	\$ 141,557	\$ -
Administration	312,179	-
Transit service operations	-	11,209,083
Total depreciation expense	<u>\$ 453,736</u>	<u>\$ 11,209,083</u>

The Authority's enterprise funds in the business-type activities have entered into contracts having remaining commitments at June 30, 2011 totaling approximately \$1.7 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.

In the Business-Type Activities, the decrease in construction in progress is greater than total additions, due to the capital conveyance of completed projects to member cities during the fiscal year.

**8. Operating Leases**

The Authority leases office space under three separate lease agreements. Total rent expenditures were \$790,120 for the fiscal year ended June 30, 2011. The future minimum lease payments under noncancelable operating lease at June 30, 2011 were as follows:

	101 N 1st Ave Phoenix, AZ	4600 E Washington St Phoenix, AZ
June 30		
2012	\$ 552,593	\$ 391,208
2013	566,071	391,208
2014	579,549	457,785
2015	593,027	524,362
2016	606,505	535,487
2017-21		2,843,445
2022-26		2,474,314
Total	<u>\$ 2,897,745</u>	<u>\$ 7,617,809</u>

**9. 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 2026; 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, 2026. For the fiscal year ended June 30, 2011, the revenues available for service of this debt were \$102,688,559 while interest paid on the debt was \$5,245,318. Principal payment date is July 1. Interest payment dates are January 1 and July 1.

Transportation Excise Revenue Bonds annual debt service requirements at June 30, 2011 were as follows:

Year Ending June 30	Principal	Interest	Total
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	5,835,000	4,282,006	10,117,006
2017-2021	33,555,000	16,816,940	50,371,940
2022-2026	42,490,000	6,723,166	49,213,166
Total	<u>\$ 100,075,000</u>	<u>\$ 47,442,159</u>	<u>\$ 147,517,159</u>

**Amortization of Costs of Issuance and Premium**

Year Ending June 30	Issuance Costs	Premium Amortization
2012	\$ 60,392	\$ 414,495
2013	60,392	414,495
2014	60,392	414,495
2015	60,392	414,495
2016	60,393	414,495
2017-2021	301,962	2,072,476
2022-2026	152,552	828,990
Total	<u>\$ 756,475</u>	<u>\$ 4,973,941</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
Notes to the Financial Statements (Continued)  
Fiscal Year Ended June 30, 2011

The revenue bonds liability activity for the fiscal year ended June 30, 2011 was as follows:

	<u>Balance, July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2011</u>	<u>Amount Due Within One Year</u>
Revenue bonds payable	\$ 100,075,000	\$ -	\$ -	\$ 100,075,000	\$ 2,265,000
Plus: Bond premium	5,388,437	-	(414,495)	4,973,942	-
Total	<u>\$ 105,463,437</u>	<u>\$ -</u>	<u>\$ (414,495)</u>	<u>\$ 105,048,942</u>	<u>\$ 2,265,000</u>

**b. Compensated Absences**

Compensated absences activity for the fiscal year ended June 30, 2011 is as follows:

	<u>Balance, July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2011</u>	<u>Amount Due Within One Year</u>
Compensated absences:					
Governmental activities	\$ 837,880	\$ 616,278	\$ (605,897)	\$ 848,261	\$ 601,049
Business-type activities	885,007	615,146	(618,890)	881,263	503,466
Total	<u>\$ 1,722,887</u>	<u>\$ 1,231,424</u>	<u>\$ (1,224,787)</u>	<u>\$ 1,729,524</u>	<u>\$ 1,104,515</u>

**10. Risk Management**

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

**11. Retirement and Pension Plans**

**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 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 9.85 percent (9.60 percent for retirement and 0.25 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 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium, and 0.25 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.

	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Year ending June 30:			
2011	\$ 1,104,744	\$ 72,342	\$ 30,653
2010	1,053,332	83,357	50,520
2009	1,071,324	84,781	51,382

## 12. Contractual and Other Commitments

### a. Underground Storage Tank Revolving Fund Replenishment

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

### 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 Scottsdale Loop 101 Park-and-Ride, the Surprise Park-and-Ride, the Buckeye Park-and-Ride, and ADA reimbursement contracts. At June 30, 2011, the Authority had outstanding contractual commitments for these services aggregating approximately \$7.6 million. These commitments have not been recorded in the accompanying financial statements because the member cities either had not incurred the related expenses or had not requested reimbursement for the related expenses. Only the currently payable portions of these contracts have been included in accounts payable in the accompanying financial statements.

## 13. Contingencies

As a 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.

**14. 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, 2011, VMR paid \$8,201,600 for services provided by the Authority. At June 30, 2011, the Authority reported \$893,459 receivable from VMR and \$1,686,105 payable to VMR.

Additionally, during the fiscal year, RPTA entered into a lease arrangement with Valley Metro Rail to use a portion of their office space.

**15. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2011, the Public Transportation Fund incurred \$120 of bank charges that were not budgeted.

**16. Subsequent Events**

In February, 2012, the Board of Directors approved a contract award to Total Transit, Inc. for the provision of paratransit services for the East valley communities. This new contract changes the current service delivery model (traditional dial-a-ride service utilizing 12-14 passenger accessible mini-buses) to a brokerage model in which multiple providers would use a mixed-fleet of vehicles including wheelchair-accessible vans and taxi service based on customer need. This new contract and change in the model of delivering service will save the agency approximately \$3.0 million annually.

On February 16, 2012, the governing boards of the Regional Public Transportation Authority and Valley Metro Rail, Inc. each voted unanimously to offer Steve Banta a five-year contract as the single Chief Executive Officer over both agencies. The vote capped a year-long effort involving many meetings among members of both transit boards. This contract becomes effective March 1, 2012.

## **Other Supplementary Information**

**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, 2011

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
<b>Operating Revenues:</b>				
Charges for services	\$ 22,019,205	\$ 17,063,098	\$ 15,173,161	\$ (1,889,937)
Miscellaneous	-	493,243	560,643	\$ 67,400
Total operating revenues	<u>22,019,205</u>	<u>17,556,341</u>	<u>15,733,804</u>	<u>(1,822,537)</u>
<b>Operating Expenses:</b>				
Local & express bus service	49,419,879	43,751,217	42,912,290	(838,927)
Paratransit service	11,247,761	11,442,209	10,634,693	(807,516)
Vanpool service	893,000	812,045	1,394,994	582,949
Safety and security	689,145	967,062	179,439	(787,623)
Administrative and general	33,776	33,776	33,512	(264)
Contingency	3,137,171	1,044,423	-	(1,044,423)
Capital outlay	42,882,340	9,948,100	4,414,571	(5,533,529)
Total operating expenses	<u>108,303,072</u>	<u>67,998,832</u>	<u>59,569,499</u>	<u>(8,429,333)</u>
Operating income (loss)	(86,283,867)	(50,442,491)	(43,835,695)	10,251,870
<b>Non-Operating Revenues (Expenses):</b>				
Lead agency disbursements	(27,029,093)	(12,080,847)	(11,612,532)	468,315
Federal Transit Administration grants	47,954,008	11,631,709	7,667,042	(3,964,667)
Other federal grants	-	-	622,287	622,287
Capital Conveyance	-	-	(7,554,419)	(7,554,419)
IRS fuel tax credit	-	750,000	1,554,573	804,573
Interest income	-	-	188,748	188,748
Interest subsidy	-	-	589,923	589,923
Interest expense	-	-	(4,830,824)	(4,830,824)
Bond issuance expense	-	-	(60,392)	(60,392)
Total nonoperating revenues (expenses)	<u>20,924,915</u>	<u>600,862</u>	<u>(13,435,594)</u>	<u>(14,036,456)</u>
Income (loss) before transfers	(65,358,952)	(49,841,629)	(57,271,289)	(3,784,586)
Transfers in	43,294,954	44,756,812	47,972,245	3,215,433
Transfers out	(14,405,640)	(5,152,183)	(19,549,889)	(14,397,706)
Change in net assets budgetary basis	<u>\$ (36,469,638)</u>	<u>\$ (10,237,000)</u>	<u>\$ (28,848,933)</u>	<u>\$ (14,966,859)</u>
<b>Explanation of differences between budgetary basis and GAAP basis</b>				
Excess revenues over expenses - budgetary basis			\$ (28,848,933)	
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes			4,414,571	
Depreciation is not a budgeted expense, but is an expense for GAAP purposes			(11,209,083)	
The loss on disposal of capital assets is not a budgeted revenue, but is a revenue for GAAP purposes			85,359	
Changes in net assets per the statement of revenues, expenses and changes in fund net assets			<u>\$ (35,558,086)</u>	

**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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Operating Revenues:</b>				
Charges for services	\$ 8,874,939	\$ 8,874,939	\$ 8,201,600	\$ (673,339)
Total operating revenues	<u>8,874,939</u>	<u>8,874,939</u>	<u>8,201,600</u>	<u>(673,339)</u>
<b>Operating Expenses:</b>				
Light rail staff and administration	<u>8,874,939</u>	<u>8,874,939</u>	<u>8,360,915</u>	<u>(514,024)</u>
Total operating expenses	<u>8,874,939</u>	<u>8,874,939</u>	<u>8,360,915</u>	<u>(514,024)</u>
Operating income (loss)	-	-	(159,315)	(159,315)
<b>Non-Operating Revenues (Expenses):</b>				
Lead agency disbursements	(58,371,511)	(52,237,124)	(57,779,270)	(5,542,146)
Interest income	-	-	27,052	27,052
Total nonoperating revenues (expenses)	<u>(58,371,511)</u>	<u>(52,237,124)</u>	<u>(57,752,218)</u>	<u>(5,515,094)</u>
Income (loss) before transfers	(58,371,511)	(52,237,124)	(57,911,533)	(5,355,779)
Transfers in	58,371,511	52,237,124	64,452,422	12,215,298
Transfers out	<u>-</u>	<u>-</u>	<u>(3,624,612)</u>	<u>(3,624,612)</u>
Change in net assets - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,916,277</u>	<u>\$ 3,234,907</u>

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## ***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 Ten 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>	<u>FY 2010/11</u>
\$ 249,177	\$ 1,362,413	\$ 1,467,040	\$ 1,229,916	\$ 689,786	\$ 1,346,607
-	-	-	-	-	178,382
12,224,193	42,677,444	28,106,773	37,265,160	45,287,115	51,323,184
<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>	<u>\$ 52,848,173</u>
\$ 27,042,048	\$ 47,945,807	\$ 72,537,461	\$ 98,580,060	\$106,601,704	21,322,728
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)	16,410,223
<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>	<u>\$ 37,732,951</u>
\$ 27,291,225	\$ 49,308,220	\$ 74,004,501	\$ 99,809,976	\$107,291,490	\$ 22,669,335
5,301,289	1,778,889	2,332,524	4,062,157	-	178,382
29,383,491	63,819,447	46,098,417	27,935,663	9,060,171	67,733,407
<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>	<u>\$ 90,581,124</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
Changes in Net Assets  
Last Ten 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>
<b>Expenses</b>				
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>

	<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>	<u>FY 2010/11</u>
\$	187,496	\$ 403,337	\$ 316,147	\$ 292,509	\$ 308,339	\$ 101,121
	322,430	558,664	735,888	317,886	358,149	1,063,291
	197,256	164,722	224,767	154,523	106,185	113,073
	534,285	1,298,591	1,113,474	1,183,750	1,049,353	997,203
	865,290	719,854	819,553	897,234	1,052,649	909,742
	645,052	594,549	592,460	561,620	504,614	590,062
	326,903	385,257	373,833	424,091	250,976	42,633
	-	2,578,094	3,110,366	2,810,408	2,585,192	2,201,863
	-	3,087,948	3,599,018	3,807,893	3,896,440	3,833,319
	-	1,623,744	1,857,934	2,129,063	2,015,543	1,960,196
	514,158	1,712,451	1,033,066	1,111,340	1,128,667	1,284,141
	207,304	-	-	-	-	-
	549,635	260,965	908,275	799,503	750,461	682,197
	-	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>	<u>13,778,841</u>
	38,578,007	60,090,164	96,796,902	99,625,805	93,074,466	90,336,819
	5,767,760	-	-	-	-	-
	<u>16,909,968</u>	<u>63,225,727</u>	<u>65,243,366</u>	<u>70,492,629</u>	<u>60,704,307</u>	<u>66,140,185</u>
	<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>156,477,004</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>	<u>\$170,255,845</u>

(Continued)

**Valley Metro**  
**Regional Public Transportation Authority**  
Changes in Net Assets (Continued)  
Last Ten 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>
<b>Program revenues</b>				
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>	<u>FY 2010/11</u>
\$ 75,295	\$ 25,046	\$ -	\$ -	\$ 150,353	\$ 189,000
2,358,485	2,494,611	2,062,602	2,632,463	2,055,931	2,286,930
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>	<u>2,475,930</u>
18,963,733	20,131,861	19,861,844	19,936,194	15,849,887	9,811,268
4,075,963	2,118,843	2,043,104	3,029,151	2,408,268	2,431,467
692,342	685,743	844,115	926,245	864,663	318,945
182,809	36,729	-	-	-	2,611,481
3,376,143	-	-	-	-	-
5,209,939	5,565,540	6,421,524	8,614,280	8,130,261	8,201,600
1,186,038	642,313	1,421,891	2,609,156	2,607,770	2,144,496
17,286,134	19,041,093	16,237,008	40,555,599	14,996,556	8,289,329
<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>33,808,586</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>	<u>\$ 36,284,516</u>
\$ (1,867,647)	\$ (11,384,743)	\$ (12,622,179)	\$ (11,857,357)	\$ (11,800,284)	\$ (11,302,911)
(10,282,634)	(75,093,769)	(115,210,782)	(94,447,809)	(108,921,368)	(122,668,418)
<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>	<u>\$ (133,971,329)</u>
\$ 55,084,706	\$134,235,260	\$ 130,490,779	\$ 113,297,696	\$ 103,722,510	\$ 107,111,118
124,312	1,664,357	2,503,935	36,310	231,398	79,874
-	-	142,810	75,176	73,531	233,357
(44,329,950)	(92,948,387)	(134,981,389)	(92,630,562)	(84,745,330)	(89,250,166)
<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>	<u>18,174,183</u>
-	-	-	-	-	-
44,578	945,155	536,116	34,862	587,487	215,800
-	2,564,291	1,688,207	2,233,476	650,591	560,643
44,329,950	92,948,387	134,981,389	92,630,562	84,745,330	89,250,166
<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>90,026,609</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>	<u>\$ 108,200,792</u>
\$ 9,011,421	\$ 31,566,487	\$ (14,466,044)	\$ 8,921,263	\$ 7,481,825	\$ 6,871,272
34,091,894	21,364,064	21,994,930	451,091	(22,937,960)	(32,641,809)
<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>	<u>\$ (25,770,537)</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
Fund Balances of Governmental Funds  
Last Ten 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
Nonspendable:				
Prepaid Items				
Unassigned				
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	-	-	-	-
Nonspendable:				
Prepaid Items				
Restricted				
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: 2011 was the first year the Authority implemented GASB Statement No. 54.

<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>	<u>FY 2010/11</u>
\$ -	\$ -	\$ -	\$ -	\$ -	
649,225	1,002,229	233,480	755,184	837,880	
1,638,892	1,433,788	2,888,105	2,882,500	3,852,887	
					\$ 6,797
					52,164,648
<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>	<u>\$ 52,171,445</u>
\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	
-	21,059,001	410,974	-	-	
9,936,076	19,182,426	25,218,669	34,382,659	41,434,228	
					\$ 3,372
					175,010
<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>	<u>\$ 178,382</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
Changes in Fund Balances of Governmental Funds  
Last Ten 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>
<b>Revenues</b>				
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>
<b>Expenditures</b>				
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>	<u>FY 2010/11</u>
\$ 55,084,706	\$134,235,260	\$130,490,779	\$113,297,696	\$103,722,510	\$107,111,118
400,000	400,000	422,887	455,671	688,659	635,647
569,622	993,727	268,661	612,190	266,015	799,840
1,395,577	1,298,056	1,287,054	1,411,497	1,101,257	851,443
41,668	1,604	84,000	-	-	-
75,295	25,046	-	-	-	189,000
124,312	1,664,357	2,503,935	36,310	231,398	79,874
-	-	144,672	228,281	223,988	233,357
<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>	<u>109,900,279</u>
187,496	403,337	311,129	292,509	308,339	101,121
322,430	558,664	733,017	317,886	358,149	1,063,291
197,256	164,722	222,439	154,523	106,185	113,073
534,285	1,298,591	1,104,198	1,183,750	1,049,353	997,203
865,290	719,854	816,128	897,234	1,052,649	909,742
645,052	594,549	601,220	561,620	504,614	590,062
326,903	385,257	370,142	424,091	250,976	42,633
-	2,578,094	3,084,872	2,810,408	2,585,192	2,201,863
-	3,087,948	3,563,629	3,807,893	3,896,440	3,833,319
-	1,511,164	1,380,563	1,733,413	1,662,194	1,815,740
514,158	1,712,451	1,030,804	1,111,340	1,128,667	1,284,141
207,304	260,965	-	-	-	-
419,571	580,415	318,945	462,737	419,178	359,637
-	-	-	-	-	-
218,151	765,641	1,078,709	384,564	61,909	1,113,456
<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>14,425,281</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>	<u>95,474,998</u>
814,701	9,349,388	11,165,777	9,975,889	9,658,964	1,447,579
(45,144,651)	(102,892,535)	(146,147,166)	(102,606,451)	(94,404,294)	(90,697,745)
<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>(89,250,166)</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>	<u>\$ 6,224,832</u>

**Valley Metro**  
**Regional Public Transportation Authority**  
Sales Tax Revenues by Component  
Last Ten 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				
Regional area road funds	\$ 1,941,168	\$ 2,587,302	\$ 3,071,725	\$ 1,154,022
Public transportation funds	-	-	-	-
Total governmental activities sales taxes	<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>\$ 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	\$ 7,341,490	\$ 7,502,057	\$ 7,587,791	\$ 7,713,366
Public transportation funds	-	-	-	-
Total primary government sales taxes	<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>	<u>FY 2010/11 (2)</u>
\$ 3,938,570	\$ 4,047,593	\$ 4,167,168	\$ 4,277,292	\$ 4,371,192	\$ 4,422,559
<u>51,146,136</u>	<u>130,187,667</u>	<u>126,323,611</u>	<u>109,020,404</u>	<u>99,351,318</u>	<u>102,688,559</u>
<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>\$107,111,118</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</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	\$ 4,422,559
<u>51,146,136</u>	<u>130,187,667</u>	<u>126,323,611</u>	<u>109,020,404</u>	<u>99,351,318</u>	<u>102,688,559</u>
<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>\$107,111,118</u>

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

	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06 (2)</u>
Regional area road funds					
Freeways	\$ 260,222	\$ 261,219	\$ 281,012	\$ 309,092	\$ 292,487
Regional Public Transportation Authority / Maricopa Association of Governments (1)	7,341	7,502	7,588	7,713	7,877
Arterial streets	-	-	-	-	16,127
Total regional area road fund distributions	<u>267,563</u>	<u>268,721</u>	<u>288,600</u>	<u>316,805</u>	<u>316,491</u>
Public transportation funds	-	-	-	-	51,146
Total Maricopa County transportation excise tax revenue distributions	<u>\$ 267,563</u>	<u>\$ 268,721</u>	<u>\$ 288,600</u>	<u>\$ 316,805</u>	<u>\$ 367,637</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.

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

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<u>FY 2006/07 (2)</u>	<u>FY 2007/08</u>	<u>FY 2008/09</u>	<u>FY 2009/10</u>	<u>FY 2010/11</u>
\$ 213,119	\$ 205,576	\$ 176,235	\$ 159,604	\$ 165,321
8,095	8,334	8,555	8,742	8,845
<u>41,050</u>	<u>39,832</u>	<u>34,376</u>	<u>31,327</u>	<u>32,379</u>
262,264	253,742	219,166	199,673	206,545
130,188	126,324	109,020	99,351	102,689
<u>\$ 392,452</u>	<u>\$ 380,066</u>	<u>\$ 328,186</u>	<u>\$ 299,024</u>	<u>\$ 309,234</u>

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**Valley Metro**  
**Regional Public Transportation Authority**  
 Maricopa County Transportation Excise Tax Revenue Collections by Category  
 Last Ten Fiscal Years  
 (in thousands)

<b>Fiscal Year</b>	<b>Retail Sales</b>	<b>Contracting</b>	<b>Utilities</b>	<b>Restaurant and Bar</b>	<b>Rental Real Property</b>	<b>Rental Personal Property</b>	<b>Other</b>	<b>Total</b>
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
2010/11 (1)	152,003	28,012	29,511	31,729	35,731	11,606	20,643	309,235

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:**

<b>Retail Sales</b>	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.
<b>Contracting</b>	Includes prime contracting and dealership of manufactured buildings and owner-builder operations.
<b>Utilities</b>	Includes producing and/or furnishing to consumers electricity, natural or artificial gas, and water.
<b>Restaurant and Bar</b>	Includes operations of restaurants and drinking establishments.
<b>Rental of Real Property</b>	Includes leasing or renting real property, hotels and motels.
<b>Rental of Personal Property</b>	Includes leasing or renting tangible personal property such as leased vehicles and construction equipment.
<b>Other</b>	Includes intrastate transportation of persons, freight or operations of property, intrastate telecommunication services, intrastate operation of pipelines for oil or natural or artificial gas, job printing, engraving, embossing and publication, publication of newspapers, magazines and other periodicals, operations of amusement places and miscellaneous other revenues.

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

	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06</u>
<b>Retail sales</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	49.1100%	49.8400%	50.1800%	49.9300%	49.9300%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
<b>Contracting</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	15.4000%	14.4700%	15.0800%	16.5200%	16.5200%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
<b>Rental of Real Property (including hotels and motels) (1)</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	9.1700%	9.5800%	9.0500%	9.2500%	9.2500%
Transaction Privilege Tax Rate	1.8200%	1.8200%	1.8200%	1.8200%	1.8200%
Transportation Excise Tax Rate	0.5120%	0.5120%	0.5120%	0.5120%	0.5120%
<b>Restaurants and Bars</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	8.1300%	8.4300%	8.6000%	8.5800%	8.5800%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
<b>Utilities</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	6.8900%	6.8800%	6.9200%	6.5700%	6.5700%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
<b>Rental of Personal Property</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	5.2100%	4.7800%	4.3800%	3.9800%	3.9800%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
<b>Communications</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	3.7300%	3.4500%	3.3400%	3.2000%	3.2000%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
<b>Amusements</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	1.1200%	1.1100%	1.0600%	1.0500%	1.0500%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
<b>Publishing and Printing</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	0.7000%	0.7000%	0.6300%	0.6100%	0.6100%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
<b>Other</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	0.5600%	0.7600%	0.7600%	0.3100%	0.3100%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
<b>Mining</b>					
Percent of Total Maricopa County					
Transaction Privilege Tax Collections	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Transaction Privilege Tax Rate	3.1250%	3.1250%	3.1250%	3.1250%	3.1250%
Transportation Excise Tax Rate	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.

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**FY 2006/07   FY 2007/08   FY 2008/09   FY 2009/10   FY 2010/11**

47.8600%	46.8000%	46.8300%	46.8300%	49.1600%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
18.8200%	17.4000%	14.2800%	14.2800%	9.0600%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
9.2700%	10.1000%	11.5000%	11.5000%	11.5500%
1.8200%	1.8200%	1.8200%	1.8200%	1.8200%
0.5120%	0.5120%	0.5120%	0.5120%	0.5120%
8.4300%	8.7000%	9.3700%	9.3700%	10.2600%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
6.8000%	7.5000%	8.6900%	8.6900%	9.5400%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
3.8400%	4.0000%	4.1000%	4.1000%	3.7500%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
2.9300%	3.3000%	2.9900%	2.9900%	3.2700%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
1.0600%	1.1000%	1.1900%	1.1900%	1.1800%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
0.5300%	0.5000%	0.4900%	0.4900%	0.5200%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
0.4600%	0.6000%	0.5600%	0.5600%	1.7100%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
3.1250%	3.1250%	3.1250%	3.1250%	3.1250%
0.3125%	0.3125%	0.3125%	0.3125%	0.3125%

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

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<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
2011	2,265,000	5,245,318	7,510,318	102,688,559	13.67

Note 1: 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 2: 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 Three Fiscal Years

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Fiscal Year Ended June 30	Business-type Activities		
	Transportation Excise Tax Revenue Bonds	Percentage of Personal Income	Per Capita
2009	\$ 100,075,000	0.07%	\$ 25.09
2010	100,075,000	0.07%	26.35
2011	100,075,000	0.06%	26.22

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

**Valley Metro**  
**Regional Public Transportation Authority**  
 Transportation Excise Tax Revenue Bonds  
 Debt Service Revenue and Cost Per Capita  
 Last Three Fiscal Years

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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
2011	2,265,000	5,245,318	7,510,318	102,688,559	3,817,117	2	27

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

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

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	<u>FY 2001/02 (1)</u>	<u>FY 2002/03 (1)</u>	<u>FY 2003/04 (1)</u>	<u>FY 2004/05 (1)</u>	<u>FY 2005/06 (1)</u>
Maricopa County	3,192,125	3,296,250	3,406,170	3,537,630	3,648,545
Avondale	40,445	47,610	54,200	60,490	66,110
Buckeye	N/A	N/A	N/A	N/A	N/A
Chandler	186,875	194,390	209,140	221,555	231,785
El Mirage	11,915	20,645	25,550	28,420	29,630
Gilbert	122,360	133,640	151,975	165,325	178,000
Glendale	224,970	227,495	231,150	234,225	236,030
Goodyear (3)	N/A	N/A	N/A	N/A	N/A
Mesa	414,075	427,550	435,380	448,845	452,355
Peoria	117,200	122,655	126,815	132,805	137,285
Phoenix	1,344,775	1,365,675	1,390,830	1,421,450	1,452,825
Queen Creek (3)	N/A	N/A	N/A	N/A	N/A
Scottsdale	209,960	214,090	218,095	221,980	223,835
Surprise (3)	38,400	45,125	51,885	64,210	78,265
Tempe	159,435	159,425	159,905	161,420	160,735

(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.

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<u>FY 2006/07 (1)</u>	<u>FY 2007/08 (1)</u>	<u>FY 2008/09 (1)</u>	<u>FY 2009/10 (1)</u>	<u>FY 2010/11 (1)</u>
3,792,675	3,907,492	3,987,942	4,023,331	3,817,117
72,210	75,256	76,648	76,900	76,238
N/A	N/A	50,143	52,764	50,876
235,450	241,205	244,376	245,087	236,123
32,605	33,583	33,647	33,610	31,797
185,030	203,656	214,820	217,521	208,453
243,540	246,076	248,435	249,197	226,721
49,720	55,954	59,436	61,916	65,275
451,360	456,344	459,682	461,102	439,041
145,135	151,541	155,557	158,709	154,065
1,505,265	1,538,568	1,561,485	1,575,423	1,445,632
18,690	21,363	23,329	24,926	26,361
237,120	240,126	242,337	243,501	217,385
98,140	104,895	108,761	109,482	117,517
165,890	167,871	172,641	174,833	161,719

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

Employer	2011			2002		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
State of Arizona	52,420	1	3.22%	59,348	1	3.82%
Wal-Mart Stores, Inc.	31,280	2	1.92%	13,800	6	0.89%
Banner Health Systems	27,431	3	1.68%	13,973	4	0.90%
City of Phoenix	16,375	4	1.01%	12,917	7	0.83%
Wells Fargo & Company	14,000	5	0.86%			
Maricopa County	12,996	6	0.80%	13,860	5	0.89%
Apollo Group Inc.	12,299	7	0.76%			
Arizona State University	12,043	8	0.74%			
Honeywell Aerospace	10,145	9	0.62%	17,500	2	1.13%
Bank of America	10,000	10	0.61%			
Motorola				15,500	3	1.00%
The Kroger Co.				9,837	8	0.63%
US Postal Service - Arizona District				9,756	9	0.63%
Raytheon Missile Systems				9,700	10	0.62%
<b>Total for Principal Employers</b>	<b>198,989</b>		<b>12.22%</b>	<b>176,191</b>		<b>11.34%</b>
<b>Total Employment in Maricopa County</b>						
As of June 30	1,628,700			1,552,400		

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

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

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

Source: State of Arizona, Office of the Treasurer

- (1) Data for fiscal years prior to membership of the Authority was not available.
- (2) Percentages of proceeds designated for expenditures have been revised according to the reported population starting FY2004/05.

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- (3) Funding was eliminated in March 2010.

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

<u>FY 2005/2006</u>	<u>FY 2006/2007</u>	<u>FY 2007/2008</u>	<u>FY 2008/2009</u>	<u>FY 2009/2010</u>	<u>FY 2010/2011 (3)</u>
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%	0.0%
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%	0.0%
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%	0.0%
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%	0.0%
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%	0.0%
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%	0.0%
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%	0.0%
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%	0.0%
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%	0.0%
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%	0.0%
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%	0.0%
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%	0.0%
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%	0.0%
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%	0.0%
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%	0.0%

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

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<b>Fiscal Year</b>	<b>Population (1,2)</b>	<b>Income (1,2) (in thousands)</b>	<b>Per Capita Income (1,2)</b>	<b>Median Age (1,3)</b>	<b>School Enrollment (4)</b>	<b>Unemployment Rate (5)</b>
2011	3,817,117	\$ 135,393,497	\$ 27,185	34.8	684,028	8.3%
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	689,411	3.6%
2005	3,537,630	120,716,738	34,124	33	652,333	4.1%
2004	3,498,587	110,278,789	31,521	33	626,461	4.4%
2003	3,388,711	101,378,940	29,917	33	600,577	5.2%
2002	3,293,441	96,998,974	29,452	33	565,517	5.6%

(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

Function/Program	<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>	<u>2011</u>
Governmental activities:										
Regional planning	3.58	4.45	4.59	4.54	7.91	7.88	8.13	8.03	8.1	7.7
Transportation demand management	10.25	10.25	10.25	10.25	10.25	9	10.5	10	10	9
Regional customer services	-	-	4.72	4.67	4.2	71.5	74.6	78.24	78.26	72.85
Administration	7.8	7.9	7.9	8.9	14.75	20.1	22.2	22.2	22.2	20.4
Total governmental activities FTE	<u>21.63</u>	<u>22.6</u>	<u>27.46</u>	<u>28.36</u>	<u>37.11</u>	<u>108.5</u>	<u>115.4</u>	<u>118.5</u>	<u>118.6</u>	<u>110.0</u>
Business-type activities:										
Transit service operations	6.09	6.4	4.54	4.64	4.89	10.52	8.57	8.53	8.44	10.05
Light rail transit (1)	21.28	31	33	42	47	51	58	92	96	84
Total business-type activities FTE	<u>27.37</u>	<u>37.4</u>	<u>37.54</u>	<u>46.64</u>	<u>51.89</u>	<u>61.52</u>	<u>66.57</u>	<u>100.5</u>	<u>104.4</u>	<u>94.05</u>
Total primary government FTE	<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>	<u>204.00</u>

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

(1) Light rail transit staff are employees of the Authority and 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 2000/2001</u>	<u>FY 2001/2002</u>	<u>FY 2002/2003</u>	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>
Fixed Route System (1)					
City of Phoenix Transit System					
Total boardings	31,897,150	34,642,732	37,543,692	40,427,904	42,909,890
Revenue miles	12,525,236	14,498,806	16,479,011	16,956,333	17,420,722
Revenue hours	801,069	941,752	1,089,891	1,115,462	1,146,819
Operating cost	\$ 65,946,654	\$ 76,314,996	\$ 90,376,532	\$ 93,661,178	\$ 89,543,836
Operating cost per boarding	\$ 2.07	\$ 2.20	\$ 2.41	\$ 2.32	\$ 2.09
Farebox recovery ratio	33.5%	25.5%	23.0%	24.8%	27.0%
Regional Public Transportation Authority (2)					
Total boardings	4,179,015	4,979,305	5,688,992	6,503,504	6,203,696
Revenue miles	4,702,350	4,727,196	4,799,475	4,971,133	4,379,307
Revenue hours	320,533	321,379	379,892	375,171	276,517
Operating cost	\$ 15,585,768	\$ 17,271,336	\$ 17,059,807	\$ 18,200,836	\$ 16,445,778
Operating cost per boarding	\$ 3.73	\$ 3.47	\$ 3.00	\$ 2.80	\$ 2.65
Farebox recovery ratio	18.3%	16.3%	19.7%	18.3%	23.1%
City of Tempe					
Total boardings	3,201,550	3,865,511	4,906,953	4,813,237	4,805,598
Revenue miles	3,302,089	3,730,509	3,814,559	3,826,195	3,797,053
Revenue hours	246,388	350,657	267,347	314,932	311,852
Operating cost	\$ 12,028,529	\$ 12,485,395	\$ 13,110,640	\$ 14,864,954	\$ 15,738,112
Operating cost per boarding	\$ 3.76	\$ 3.23	\$ 2.67	\$ 3.09	\$ 3.27
Farebox recovery ratio	13.9%	17.2%	20.6%	18.2%	17.3%
City of Glendale - Luke Link (3)					
Total boardings	35,978	36,404	51,246	70,823	93,024
Revenue miles	103,338	89,650	106,326	131,400	139,789
Revenue hours	5,530	3,876	4,630	7,088	7,962
Operating cost	\$ 245,369	\$ 136,565	\$ 163,768	\$ 228,160	\$ 218,243
Operating cost per boarding	\$ 6.82	\$ 3.75	\$ 3.20	\$ 3.22	\$ 2.35
Farebox recovery ratio	10.1%	22.3%	30.5%	20.9%	26.8%
Total fixed route system					
Total boardings	39,313,693	43,523,952	48,190,883	51,815,468	54,012,208
Revenue miles	20,633,013	23,046,161	25,199,371	25,885,061	25,736,871
Revenue hours	1,373,520	1,617,664	1,741,760	1,812,653	1,743,150
Operating cost	\$ 93,806,320	\$ 106,208,292	\$ 120,710,747	\$ 126,955,128	\$ 121,945,969
Operating cost per boarding	\$ 2.39	\$ 2.44	\$ 2.50	\$ 2.45	\$ 2.26
Farebox recovery ratio	28.4%	23.0%	22.3%	23.1%	25.2%

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

Note: Information for fiscal year 2010-11 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>	<u>FY 2009/2010</u>
	44,182,683	44,101,320	42,670,621	44,642,019	35,806,019
	17,166,702	18,412,020	18,826,324	18,238,826	17,692,736
	1,166,967	1,166,986	998,142	1,172,816	1,196,437
\$	93,058,555	\$ 108,350,712	\$ 117,350,016	\$ 109,867,153	\$ 113,744,493
\$	2.11	\$ 2.46	\$ 2.75	\$ 2.46	\$ 3.18
	26.6%	27.0%	27.5%	32.1%	30.9%
	6,484,886	6,772,065	7,908,819	8,390,453	7,277,608
	4,956,352	5,521,319	6,218,876	6,548,640	6,392,468
	389,349	381,620	377,267	372,580	438,051
\$	19,613,325	\$ 22,493,215	\$ 30,076,788	\$ 34,853,186	\$ 33,248,059
\$	3.02	\$ 3.32	\$ 3.80	\$ 4.15	\$ 4.57
	20.7%	20.2%	18.1%	15.5%	20.4%
	5,063,284	6,808,547	4,896,103	5,846,385	5,217,425
	3,868,790	4,497,200	4,372,291	4,752,561	4,889,470
	297,027	364,249	326,640	371,445	370,738
\$	16,738,459	\$ 19,496,217	\$ 19,947,661	\$ 27,191,179	\$ 28,676,837
\$	3.31	\$ 2.86	\$ 4.07	\$ 4.65	\$ 5.50
	17.9%	16.2%	16.6%	11.8%	17.2%
	101,444	227,702	NA	NA	116,952
	142,109	252,413	NA	NA	101,154
	8,121	19,455	NA	NA	37,006
\$	232,802	\$ 435,099	NA	NA	\$ 820,392
\$	2.29	\$ 1.91	NA	NA	\$ 7.01
	27.5%	227.5%	NA	NA	3.1%
	55,832,297	57,909,634	55,475,543	58,878,857	48,418,004
	26,133,953	28,682,952	29,417,491	29,507,613	29,075,828
	1,861,464	1,932,310	1,702,049	1,916,841	2,042,232
\$	129,643,141	\$ 150,775,243	\$ 167,374,465	\$ 171,911,518	\$ 176,489,781
\$	2.32	\$ 4.32	\$ 3.02	\$ 3.00	\$ 3.65
	24.6%	224.6%	24.5%	25.5%	26.6%

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

	FY 2000/2001	FY 2001/2002	FY 2002/2003	FY 2003/2004	FY 2004/2005
<b>Dial-a-Ride System (1)</b>					
Phoenix Dial-a-Ride					
Total boardings	237,886	270,493	333,860	369,791	393,053
Revenue miles	2,961,140	3,238,681	3,687,477	3,901,614	4,084,991
Revenue hours	191,525	230,951	255,922	262,372	274,099
Operating cost	\$ 6,909,752	\$ 9,462,730	\$ 10,385,900	\$ 11,150,114	\$ 12,375,324
Operating cost per boarding	\$ 29.05	\$ 34.98	\$ 31.11	\$ 30.15	\$ 31.49
Farebox recovery ratio	6.4%	5.2%	4.9%	4.8%	4.0%
Phoenix Reserve-a-Ride					
Total boardings	203,616	193,986	162,760	153,697	152,631
Revenue miles	567,565	550,850	540,282	540,388	518,616
Revenue hours	50,909	51,559	47,155	50,754	47,282
Operating cost	\$ 2,442,020	\$ 2,589,906	\$ 2,689,066	\$ 2,757,131	\$ 2,853,105
Operating cost per boarding	\$ 11.99	\$ 13.35	\$ 16.52	\$ 17.94	\$ 18.69
Farebox recovery ratio	2.6%	3.3%	3.2%	3.1%	2.7%
East Valley Dial-a-Ride					
Total boardings	266,624	252,441	240,879	222,736	223,130
Revenue miles	1,952,587	1,995,550	1,371,852	2,048,542	1,622,795
Revenue hours	115,673	116,884	117,217	111,514	118,032
Operating cost	\$ 4,524,032	\$ 4,772,217	\$ 5,076,798	\$ 4,963,617	\$ 5,338,924
Operating cost per boarding	\$ 16.97	\$ 18.90	\$ 21.08	\$ 22.28	\$ 23.93
Farebox recovery ratio	8.0%	7.6%	7.0%	6.5%	6.6%
Maricopa County STS					
Total boardings	141,541	124,822	106,395	103,533	105,342
Revenue miles	634,593	455,897	732,376	730,180	523,119
Revenue hours	45,553	56,251	70,238	67,836	41,189
Operating cost	\$ 1,653,677	\$ 1,379,719	\$ 1,587,982	\$ 1,534,951	\$ 3,249,859
Operating cost per boarding	\$ 11.68	\$ 11.05	\$ 14.93	\$ 14.83	\$ 30.85
Farebox recovery ratio	4.3%	4.5%	1.1%	1.0%	0.4%
Sun Cities Area Transit					
Total boardings	61,317	60,400	60,345	61,147	58,069
Revenue miles	222,535	218,313	226,194	229,917	254,897
Revenue hours	18,847	17,998	19,226	20,015	22,648
Operating cost	\$ 617,129	\$ 656,655	\$ 671,365	\$ 671,410	\$ 714,915
Operating cost per boarding	\$ 10.06	\$ 10.87	\$ 11.13	\$ 10.98	\$ 12.31
Farebox recovery ratio	25.3%	22.9%	22.4%	22.7%	21.3%

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 2010-11 was not available at the time the CAFR was drafted.

	FY 2005/2006	FY 2006/2007	FY 2007/2008	FY 2008/2009	FY 2009/2010
	415,733	410,838	391,420	396,474	353,674
	4,276,365	NA	4,806,031	4,064,584	3,675,478
	285,137	287,882	292,601	295,057	283,686
\$	12,452,214	\$ 13,655,624	\$ 14,759,075	\$ 14,991,465	\$ 14,749,818
\$	29.95	\$ 33.24	\$ 37.71	\$ 37.81	\$ 41.70
	5.0%	4.7%	4.1%	4.2%	7.3%
	NR	NR	NR	NR	NR
	NR	NR	NR	NR	NR
	NR	NR	NR	NR	NR
	NR	NR	NR	NR	NR
	NR	NR	NR	NR	NR
	NR	NR	NR	NR	NR
	220,153	226,050	240,424	262,364	248,462
	1,796,728	NA	NA	2,090,445	2,123,274
	121,607	126,131	131,842	137,604	129,168
\$	6,596,249	\$ 7,685,324	\$ 8,461,088	\$ 9,760,107	\$ 9,322,558
\$	29.96	\$ 34.00	\$ 35.19	\$ 37.20	\$ 37.52
	5.2%	5.0%	4.6%	4.1%	4.9%
	100,243	91,082	87,134	35,488	NR
	913,009	NA	NA	362,525	NR
	56,585	49,524	47,511	24,641	NR
\$	3,312,076	\$ 3,368,464	\$ 3,350,837	\$ 256,574	NR
\$	33.04	\$ 36.98	\$ 38.46	\$ 7.23	NR
	0.3%	0.0%	0.0%	0.0%	NR
	57,091	45,612	34,924	27,652	30,509
	230,472	NA	NA	109,741	120,305
	21,802	16,526	12,974	13,081	30,509
\$	689,473	\$ 697,877	\$ 560,024	\$ 610,581	\$ 558,965
\$	12.08	\$ 15.30	\$ 16.04	\$ 22.08	\$ 18.32
	23.5%	18.0%	22.0%	17.4%	18.6%

(Continued)

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

	FY 2000/2001	FY 2001/2002	FY 2002/2003	FY 2003/2004	FY 2004/2005
<b>Dial-a-Ride System (1)</b>					
Glendale Dial-a-Ride					
Total boardings	66,536	76,622	81,768	86,132	87,831
Revenue miles	281,461	316,961	376,504	387,531	386,587
Revenue hours	20,718	22,662	25,782	26,252	29,554
Operating cost	\$ 1,442,170	\$ 1,807,835	\$ 2,074,611	\$ 2,255,038	\$ 2,247,156
Operating cost per boarding	\$ 21.68	\$ 23.59	\$ 25.37	\$ 26.18	\$ 25.58
Farebox recovery ratio	5.4%	4.9%	4.7%	4.7%	5.0%
Peoria Dial-a-Ride					
Total boardings	33,540	32,176	30,399	29,258	33,805
Revenue miles	169,360	196,224	189,984	158,456	153,805
Revenue hours	8,352	9,457	9,276	7,920	8,258
Operating cost	\$ 598,195	\$ 624,322	\$ 727,770	\$ 738,683	\$ 827,786
Operating cost per boarding	\$ 17.84	\$ 19.40	\$ 23.94	\$ 25.25	\$ 24.49
Farebox recovery ratio	6.1%	5.4%	5.0%	4.5%	4.0%
El Mirage Dial-a-Ride					
Total boardings	2,054	1,204	1,103	1,061	1,558
Revenue miles	12,698	6,020	9,172	7,230	10,017
Revenue hours	2,080	750	1,834	NR	NR
Operating cost	\$ 88,592	\$ 93,178	\$ 93,632	\$ 76,813	\$ 70,459
Operating cost per boarding	\$ 43.13	\$ 77.39	\$ 84.89	\$ 72.40	\$ 45.22
Farebox recovery ratio	1.7%	1.5%	0.9%	1.0%	1.7%
Surprise Dial-a-Ride					
Total boardings	5,777	7,775	7,094	7,387	8,181
Revenue miles	38,834	45,800	43,716	48,768	68,291
Revenue hours	2,726	2,818	3,881	4,891	5,016
Operating cost	\$ 77,418	\$ 105,800	\$ 162,931	\$ 185,646	\$ 283,624
Operating cost per boarding	\$ 13.40	\$ 13.61	\$ 22.97	\$ 25.13	\$ 34.67
Farebox recovery ratio	8.5%	6.2%	4.6%	4.3%	3.5%
Total Dial-a-Ride System					
Total boardings	1,018,891	1,019,919	1,024,603	1,034,742	1,063,600
Revenue miles	6,840,773	7,024,296	7,177,557	8,052,626	7,623,118
Revenue hours	456,383	509,330	550,531	551,554	546,078
Operating cost	\$ 18,352,985	\$ 21,492,362	\$ 23,470,055	\$ 24,333,403	\$ 27,961,152
Operating cost per boarding	\$ 18.01	\$ 21.07	\$ 22.91	\$ 23.52	\$ 26.29
Farebox recovery ratio	6.7%	6.0%	5.4%	5.2%	4.5%

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 2010-11 was not available at the time the CAFR was drafted.



	FY 2005/2006	FY 2006/2007	FY 2007/2008	FY 2008/2009	FY 2009/2010
	89,055	84,132	88,638	92,381	89,808
	390,561	NA	NA	408,986	411,136
	29,594	29,448	30,642	30,594	29,927
\$	2,387,554	\$ 2,446,602	\$ 2,878,740	\$ 2,431,098	\$ 2,430,543
\$	26.81	\$ 29.08	\$ 32.48	\$ 26.32	\$ 27.06
	4.6%	3.3%	3.8%	4.4%	4.3%
	42,560	45,790	40,122	38,978	32,921
	159,903	NA	NA	212,812	158,846
	9,975	12,663	14,875	14,567	13,218
\$	927,312	\$ 1,045,445	\$ 1,239,982	\$ 1,239,982	\$ 1,109,380
\$	21.79	\$ 22.83	\$ 30.91	\$ 31.81	\$ 33.70
	5.1%	4.5%	3.2%	3.1%	2.9%
	1,466	1,947	1,131	1,459	NR
	12,284	NA	NA	NA	NR
	1,613	1,820	1,764	1,680	NR
\$	74,023	\$ 99,256	\$ 97,262	\$ 102,139	NR
\$	50.49	\$ 50.98	\$ 86.00	\$ 70.01	NR
	2.0%	3.7%	2.3%	2.9%	NR
	12,578	17,339	20,075	19,336	22,151
	86,045	NA	NA	79,989	83,761
	6,554	8,037	8,698	7,918	8,561
\$	367,093	\$ 506,921	\$ 589,469	\$ 644,740	\$ 591,150
\$	29.19	\$ 29.24	\$ 29.36	\$ 33.34	\$ 26.69
	3.5%	3.6%	3.7%	3.0%	3.8%
	938,879	922,790	903,868	874,132	777,525
	7,865,367	NA	NA	7,329,082	6,572,800
	532,887	532,031	540,907	524,842	478,158
\$	26,805,994	\$ 29,505,513	\$ 31,936,477	\$ 30,057,041	\$ 28,762,414
\$	28.55	\$ 31.97	\$ 35.33	\$ 34.39	\$ 36.99
	4.9%	4.4%	4.1%	4.3%	6.2%

**Valley Metro**  
**Regional Public Transportation Authority**  
 Operating Indicators by Program – Shuttle / Circulator System  
 Last Nine Fiscal Years

	<u>FY 2001/2002</u>	<u>FY 2002/2003</u>	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>
<b>Shuttle/Circulator System</b>				
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 (3) (4)				
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 2010-11 was not available at the time the CAFR was drafted.

N/A – Indicates information is not applicable.

**Valley Metro**  
**Regional Public Transportation Authority**  
 Operating Indicators by Program – Shuttle / Circulator System  
 Last Nine Fiscal Years

	<u>FY 2005/2006</u>	<u>FY 2006/2007</u>	<u>FY 2007/2008</u>	<u>FY 2008/2009</u>	<u>FY 2009/2010</u>
	766,676	735,941	1,799,974	2,599,292	2,643,678
	580,884	580,080	1,614,317	1,960,474	1,609,412
	36,923	36,710	79,529	118,173	99,367
\$	1,812,780	\$ 1,889,393	\$ 7,173,722	\$ 9,626,975	\$ 7,306,773
\$	2.36	\$ 2.57	\$ 3.99	\$ 3.70	\$ 2.76
	0.0%	0.0%	0.1%	0.0%	0.0%
	2,034,656	1,616,729	2,456,646	3,307,223	3,660,543
	479,595	482,538	1,613,904	2,105,878	1,819,126
	48,794	52,379	150,171	206,964	194,057
\$	1,954,659	\$ 2,091,895	\$ 6,833,012	\$ 11,414,395	\$ 10,070,159
\$	0.96	\$ 1.29	\$ 2.78	\$ 3.45	\$ 2.75
	0.0%	0.0%	0.0%	0.0%	0.0%
	125,435	274,961	384,000	572,925	652,230
	80,489	219,861	-	439,307	358,482
	14,025	33,828	48,240	48,648	37,006
\$	953,477	\$ 1,887,546	\$ 2,400,000	\$ 2,627,403	N/A
\$	7.60	\$ 6.86	\$ 6.25	\$ 4.59	N/A
	0.0%	0.0%	0.0%	0.0%	N/A
	96,258	97,681	110,941	113,382	116,952
	96,838	NR	110,005	98,760	104,154
	7,969	NR	8,858	8,735	12,412
\$	158,442	NR	\$ 176,574	\$ 668,581	\$ 820,392
\$	1.65	NR	\$ 1.59	\$ 5.90	\$ 7.01
	10.3%	NR	16.3%	3.6%	3.1%
	N/A	N/A	N/A	80,133	200,504
	N/A	N/A	N/A	60,795	105,935
	N/A	N/A	N/A	5,755	8,726
	N/A	N/A	\$ N/A	\$ 319,570	\$ 547,823
	N/A	N/A	\$ N/A	\$ 3.99	\$ 2.73
	N/A	N/A	N/A	0.0%	0.0%
	3,023,025	2,725,312	4,751,561	6,672,955	7,273,907
	1,237,806	1,282,479	3,338,226	4,665,213	3,997,109
	107,711	122,917	286,798	388,275	351,567
\$	4,879,358	\$ 5,868,834	\$ 16,583,308	\$ 24,656,925	\$ 18,745,147
\$	1.61	\$ 2.15	\$ 3.49	\$ 3.88	\$ 2.58
	N/A	N/A	0.2%	0.1%	N/A

**Valley Metro**  
**Regional Public Transportation Authority**  
 Capital Asset Statistics by Function/Program  
 Revenue Vehicles for Transit Service Operations  
 Last Ten Fiscal Years

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<u>Fiscal Year</u>	<u>Local and Express Bus</u>	<u>Paratransit / Dial-a-Ride</u>	<u>Vanpool</u>
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
2010/11	242	80	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***

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*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, 2011

Federal Grantor Agency and Program Title	CFDA Number	Pass-Through Grantor	Pass-Through Identifying Number	Awards Expended
<b>Department of Transportation</b>				
<i><b>Federal Transit Administration</b></i>				
Urbanized Area Formula (Section 5307)	20.507	City of Phoenix	AZ-90-X070	\$ 57,691
Urbanized Area Formula (Section 5307)	20.507	City of Phoenix	AZ-90-X074	166,941
Urbanized Area Formula (Section 5307)	20.507	City of Phoenix	AZ-90-X080	211,019
Urbanized Area Formula (Section 5307)	20.507	City of Phoenix	AZ-90-X103	1,544,641
Urbanized Area Formula (Section 5307)-ARRA	20.500	City of Phoenix	AZ-96-X002	<u>4,504,513</u>
Total Federal Transit Cluster				<u>6,484,805</u>
New Freedoms (Section 5317)	20.521	City of Phoenix	AZ-57-X001	213,440
New Freedoms (Section 5317)	20.521	City of Phoenix	AZ-57-X008	172,324
New Freedoms (Section 5317)	20.521	City of Phoenix	AZ-57-X009	455,864
New Freedoms (Section 5317)	20.521	City of Phoenix	AZ-57-X012	228,095
Job Access/Reverse Commute -JARC (Section 5316)	20.516	City of Phoenix	AZ-37-X011	99,375
Job Access/Reverse Commute -JARC (Section 5316)	20.516	City of Phoenix	AZ-37-X017	<u>97,394</u>
Total Transit Service Program Cluster				<u>1,266,492</u>
FHWA Transfer Funds (STP/CMAQ)	20.205	City of Phoenix	AZ-90-X080	254,256
FHWA Transfer Funds (STP/CMAQ)	20.205	City of Phoenix	AZ-95-0004	368,031
State Rural Area Formula (Section 5311) Gila Bend	20.509	ADOT	AZ-18-X038	65,662
State Rural Area Formula (Section 5311) Wickenburg	20.509	ADOT	AZ-18-X041	379,903
State Rural Area Formula (Section 5311) ARRA	20.509	ADOT	AZ-85-X001	<u>24,400</u>
Total Federal Transit Administration				<u>8,843,549</u>
<i><b>Federal Highway Administration</b></i>				
Congestion Mitigation and Air Quality Improvement Program Funds:				
Regional Ridesharing Program	20.205	MAG	413	227,368
Regional Ridesharing Program	20.205	MAG	413	362,694
Trip Reduction Program	20.205	Maricopa County	C-85-10-021-3-01	58,673
Trip Reduction Program	20.205	Maricopa County	C-85-11-006-3-00	202,709
Trip Reduction Program	20.205	Maricopa County	C-85-11-004-3-00	<u>255,000</u>
				<u>1,106,444</u>
Transportation Enhancement Funds:				
Regional Bicycle & Pedestrian Safety	20.200	ADOT	JPA 08-0851	94,138
Regional Bicycle Safe Routes to School	20.200	ADOT	JPA 08-083-1	76,176
Regional Bicycle Bike Pedal Safety	20.200	ADOT	JPA 10-0421	<u>210,333</u>
				<u>380,647</u>
Total Federal Highway Administration				<u>1,487,091</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 10,330,640</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 (ADOT), Maricopa County and Maricopa Association of Governments (MAG). 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 2011 Catalog of Federal Domestic Assistance.

**4. Period of Award**

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



HEINFELD, MEECH & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



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

Board of Directors  
Valley Metro Regional Public Transportation Authority

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Valley Metro Regional Public Transportation Authority as of and for the year ended June 30, 2011, which collectively comprise Valley Metro Regional Public Transportation Authority's basic financial statements and have issued our report thereon dated February 27, 2012, which was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 54. 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**

Management of Valley Metro Regional Public Transportation Authority is responsible for establishing and maintaining effective 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 Valley Metro Regional Public Transportation Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

#### 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 or other matters that are required to be reported under *Government Auditing Standards*.

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 it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

February 27, 2012



**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**

Independent Auditors' Report

Board of Directors  
Valley Metro Regional Public Transportation Authority

Compliance

We have audited Valley Metro Regional Public Transportation Authority's 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 Valley Metro Regional Public Transportation Authority's major federal programs for the year ended June 30, 2011. Valley Metro Regional Public Transportation 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 Valley Metro Regional Public Transportation Authority's management. Our responsibility is to express an opinion on Valley Metro Regional Public Transportation Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2011.

### 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.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of Valley Metro Regional Public Transportation Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated February 27, 2012, which was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 54. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Valley Metro Regional Public Transportation Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

February 27, 2012

**VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

**SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes        no
- Significant deficiency(ies) identified?        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?        yes   X   none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?        yes   X   no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.500, 20.507	Federal Transit Cluster
20.516, 20.521	Transit Services Program Cluster
20.200	Highway Research and Development Program

Dollar threshold used to distinguish between Type A and Type B programs:   \$309,919  

Auditee qualified as low-risk auditee?   X   yes        no

**VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Reference Number:** 2011-1

**Type of Finding:** Material weakness

**Description:** Insufficient internal controls over financial reporting and the schedule of expenditures of federal awards

CRITERIA

The Authority's management is responsible for establishing and maintaining internal controls that include controls for the generally accepted accounting principles (GAAP) basis financial statements issued by the Authority. The Authority's system of internal controls must extend beyond the general ledger and the supporting schedules prepared by the Authority; rather it must also include controls over the GAAP basis financial statements. In addition, OMB Circular A-133 requires proper presentation of federal awards in the Schedule of Expenditures of Federal Awards.

CONDITION/CONTEXT

Management requested outside consultants prepare a draft of the financial statements, including related note disclosures. The outsourcing of these services is not unusual and is a result of management's cost benefit decision to rely on the accounting expertise of the consultants. The Authority's management did not have adequate internal control procedures in place over the financial statements issued by the Authority using the basis of accounting required by GAAP. In addition, the Authority's internal controls over federal reporting for the Schedule of Expenditures of Federal Awards did not include a review process to ensure that Catalog of Federal Domestic Assistance (CFDA) numbers are correct.

EFFECT

Audit adjustments were necessary to properly state account balances, transaction classifications, and related note disclosures. In addition, incorrect presentation of a program CFDA number resulted in an understatement of expenditures; as a result, the program cluster was not audited as a major federal program as required in the prior year.

CAUSE

The Authority's limited resources contribute to difficulties in establishing controls over financial reporting at the financial statement level. In addition, a clerical error was made on the Schedule of Expenditures and Federal Awards.

**VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Concl'd)**

**Reference Number:** 2011-1

**RECOMMENDATION**

The Authority must design and implement effective internal control procedures to ensure the financial statements and related notes are complete and free from material misstatements and misclassification. Specifically, the Authority should use checklists to aid in the review of the financial statements and related notes to the financial statements. The Authority's personnel should obtain additional training to increase their understanding of the GAAP basis financial statements drafted by the consulting firm as well as the related adjusting entries and reclassifications notated throughout the audit of the Authority's financial statements. In addition, the Authority must design and implement effective internal control procedures to ensure the federal reporting and presentation of the Schedule of Expenditures of Federal Awards and related notes are free from material misstatements and misclassification. Such controls should include a review of the Schedule of Expenditures and Federal Awards to include verification of CFDA numbers.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS**

The Authority concurs with this recommendation and will implement a checklist to aid in the review of the financial statements. As budget allows, personnel will obtain ongoing training to increase their understanding of the GAAP basis financial statements. In addition, we have asked the Federal grantee to include in the Intergovernmental agreements verification of CFDA numbers for all future grants.

**VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2011**

**Status of Federal Award Findings and Questioned Costs**

Reference Number: 2010-1  
Program Name: Federal Transit Cluster  
CFDA Nos.: 20.500, 20.507

Status: Corrected.

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