



Financial Statements
September 30, 2010

Valley Regional Transit

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Independent Auditor's Report

To The Board of Directors
Valley Regional Transit
Meridian, Idaho

We have audited the accompanying basic financial statements of Valley Regional Transit (VRT) as of and for the year ended September 30, 2010, as listed in the table of contents. These financial statements are the responsibility of Valley Regional Transit's management. Our responsibility is to express an opinion on these financial statements based on our audit.

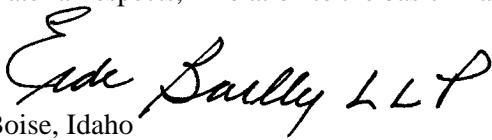
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Regional Transit, as of September 30, 2010, and the respective changes in financial position, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 03, 2011 on our consideration of Valley Regional Transit'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.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Valley Regional Transit's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Boise, Idaho
March 03, 2011

The following provides the readers of VRT's financial statements with a narrative overview and analysis of the financial activities of Valley Regional Transit for the fiscal year ended September 30, 2010 (Fiscal Year 2010).

Financial Highlights

- The assets of Valley Regional Transit exceeded its liabilities at September 30, 2010 by \$7,465,226.
- Total net assets of Valley Regional Transit increased by \$1,410,799 while total net capital assets net of related debt decreased by \$434,262.
- Valley Regional Transit's total long-term debt obligations decreased by \$51,482.

Overview of the Financial Statements

The discussion and analysis related to the overview of the financial statements is intended to serve as an introduction to Valley Regional Transit's basic financial statements and is designed to provide readers with a broad overview of Valley Regional Transit's finances in a manner similar to a private-sector business. The following describes each of the statements and their use.

- *Statement of Net Assets* presents information on the assets and liabilities, with the difference reported as net assets. Analyzing increases and decreases in net assets is one way to measure Valley Regional Transit's overall financial position and may serve as an indicator of whether the financial position is improving or deteriorating.
- *Statement of Revenues, Expenses, and Change in Net Assets* show how Valley Regional Transit's net assets changed during the year. Valley Regional Transit is structured as a single enterprise fund established to operate in a manner similar to private business enterprises where our intent is to provide services to our Ridership on a continuing basis in part through user fees. Valley Regional Transit's accounting system functions and reports on an accrual basis which dictates that revenues are recognized when earned, not when received and expenses recognized when incurred, not when paid. Additionally, all changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows.

Notes to the financial statements provide additional information that is helpful when analyzing the data provided in the financial statements.

Financial Analysis

Statement of Net Assets

As previously noted, net assets may serve, over time, as a useful indicator of an entity's financial position. As of September 30, 2010, Valley Regional Transit's assets exceeded liabilities by \$7,465,226.

Net Assets		
	2010	2009
Assets		
Current Assets	\$ 2,360,947	\$ 1,200,558
Capital Assets	6,316,605	6,833,115
Total Assets	8,677,552	8,033,673
Liabilities		
Current Liabilities	1,190,212	1,905,650
Long-Term Liabilities	22,114	73,596
Total Liabilities	1,212,326	1,979,246
Net Assets		
Investment in Capital Assets, Net of related debt	6,242,822	6,677,084
Unrestricted	1,222,404	(622,657)
Total Net Assets	\$ 7,465,226	\$ 6,054,427

By far the largest portion of Valley Regional Transit's net assets reflects investments in capital assets less any related outstanding debt used to acquire those assets. All capital assets are used by Valley Regional Transit in the provision of regional public transportation services and are utilized in the capacity as intended and therefore are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. These net capital assets are further restricted as any liquidation occurring prior to the asset's useful life must have the corresponding Federal assistance repaid to the Federal Transit Administration (FTA).

Unrestricted net assets which represent assets that may be used to meet on going obligations to its Ridership and creditors totaled \$1,222,404. The change in unrestricted net assets reflects the delay in processing FY 2009 grants by the Federal Transit Administration. In FY 2010, these grants were obligated and Federal funds were received resulting in the significant change in net assets.

Total investment in capital assets, net of related debt decreased by \$434,262. This decrease reflects the fact that Valley Regional Transit made limited expenditures on new capital assets in FY 2010 while depreciation continued to accrue on existing capital assets. In addition, one bus was scrapped in the Boise system. The depreciation schedule is compliant with Federal Transit Administration (FTA) regulations and is an unfunded expense.

Current assets increased by \$1,160,389 due to prior year Federal grants being obligated which allowed the reimbursement of expenses which had been covered with cash reserves.

Statement of Revenues, Expenses, and Change in Net Assets

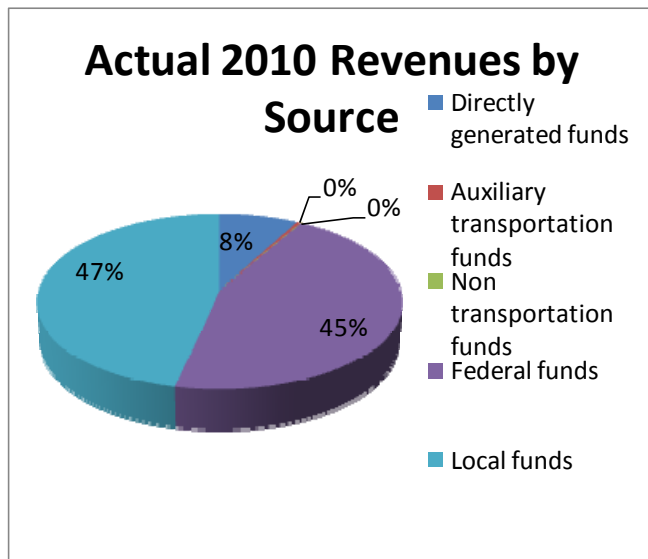
Operating as a single enterprise fund, Valley Regional Transit's financial structure is similar to a private business enterprise with the exception of unique revenue and expense reporting categories which are dictated by the Federal Transit Administration (FTA). All recipients of Federal assistance are required to conform to standardized revenue and expense classifications for the purpose of reporting on specific Federal grant assistance programs.

	2010	2009
Revenue		
Directly generated funds	\$ 1,059,598	\$ 970,029
Auxiliary transportation funds	47,451	65,347
Non transportation funds	(10,612)	1,770
Federal funds	6,061,038	2,175,713
Local funds	6,245,353	6,137,339
Total Revenue	13,402,828	9,350,198
Expenses		
Salaries and fringe benefits	6,033,439	5,694,683
Professional services	1,461,494	904,705
Materials and supplies	1,316,727	1,347,101
Utilities	109,199	102,243
Casualty and liability insurance	397,638	153,423
Miscellaneous	94,168	94,271
Interest expense	8,890	11,293
Lease and rental	424,334	315,502
Non-capital expenditures	47,654	30,614
Purchased transportation	1,060,182	1,206,936
Legal contingency expense	115,000	-
Depreciation	923,304	1,146,678
Total Expenses	11,992,029	11,007,449
Change in Net Assets	1,410,799	(1,657,251)
Beginning Balance Net Assets	6,054,427	7,711,678
Ending Balance Net Assets	\$ 7,465,226	\$ 6,054,427

Valley Regional Transit's directly generated funds, such as passenger fare/pass revenues, increased 9% over 2009. The system experienced increased ridership during 2010 which is evidenced by the increase in directly generated revenues.

Auxiliary transportation funds decreased by 27% in 2010. The primary reason for the marked decrease in auxiliary transportation revenues was the continued decline in advertising revenues.

FY 2010 saw a significant increase in Federal revenue received by VRT, which is the result of the American Recovery and Reinvestment Act (ARRA) which was passed by Congress in FY 2009. This Act changed the grant approval timeline within FTA and resulted in formula grants from FY 2009 not being approved until FY 2010. The result was that VRT received and recognized FY 2009 grant revenues in FY 2010. In effect, VRT received two years of grant revenues in FY 2010.



Valley Regional Transit receives Federal operating and capital assistance through the FTA Section 5307 Urbanized Area Formula Program and the FTA Section 5309 Capital Program for both the Boise Transportation Management Area (TMA) and the Nampa Urbanized Area (UZA). VRT also receives funding from Federal Section 5316 (Job Access and Reverse Commute) and 5317 (New Freedom Initiative) programs. These funds are employed in the Mobility Management programs administered by VRT.

While Valley Regional Transit is the designated recipient of Federal funds for both the Boise TMA and Nampa UZA each area is operated and funded independently.

Local revenues are contributions made by each of the members of Valley Regional Transit supporting regional planning as well as service contributions which are intended to fund the operating expenses of the various programs, depending on the services the member receives.

Most expenditure categories fell within a normal year over year variance range. However the casualty and liability line item experienced a significant negative budget variance. This was the result of the transition of the Boise and Nampa systems from direct operation by Valley Regional Transit (in the case of the Boise system) and a turnkey operation (in the Nampa system) to subsidiary corporation operation by PTM Boise LLC and MV Transit. The new business model required higher insurance limits and, consequently, higher premiums. Additional information can be found in Note 1 of the financial statements.

Capital Asset and Debt Administration

Valley Regional Transit's investment in capital assets as of September 30, 2010 amounts to \$6,316,605 (net of accumulated depreciation). This investment in capital assets includes office equipment, building and improvements, vehicles, machinery and equipment and construction in process. Additional information can be found in Note 3 of the financial statements.

The decrease in Valley Regional Transit's investment in capital assets, net of related debt for the current fiscal year was 7%. This decrease was the result of limited capital expenditures for new assets in FY 2010 offset by increasing depreciation for existing assets. VRT is engaged in a number of capital acquisitions that will result in new rolling stock and new buildings for the system. This is reflected in the increased balances in the work in progress and machinery and equipment classifications. The increase in work in progress reflects expenditures for the Downtown Multi-modal center and for ADA Bus Stop Enhancements. The increase in machinery and equipment reflects expenditures in the Nampa system for new shop equipment and new security equipment.

**Capital Assets
Net of Accumulated Depreciation**

	2010	2009
Office Equipment	\$ 207,906	\$ 276,560
Software	356,364	288,052
Building and Improvements	5,284,080	5,267,505
Vehicles	9,063,691	9,233,855
Machinery and Equipment	712,973	618,168
Work in Progress	1,381,959	1,146,505
Total Capital Assets	17,006,973	16,830,645
Accumulated Depreciation	(10,690,368)	(9,997,530)
Net Capital Assets	\$ 6,316,605	\$ 6,833,115

As of September 30, 2010 Valley Regional Transit's debt obligations totaled \$213,783 with \$22,114 in long-term debt and \$191,669 in short debt. Debt instruments include capital leases and an unsecured revolving line of credit. Additional information can be found in Note 5 of the financial statements.

	2010	2009
Short-Term Debt		
City of Boise Operating Advance	\$ -	\$ 670,298
Line of Credit	140,000	125,000
Total Short-Term Debt	140,000	795,298
Long-Term Debt		
Capital Lease-Due within 12 months	51,669	82,435
Capital Lease	22,114	73,596
Total Long-Term Debt	73,783	156,031
Total Debt	\$ 213,783	\$ 951,329

Economic Factors and Next Year's Budgets

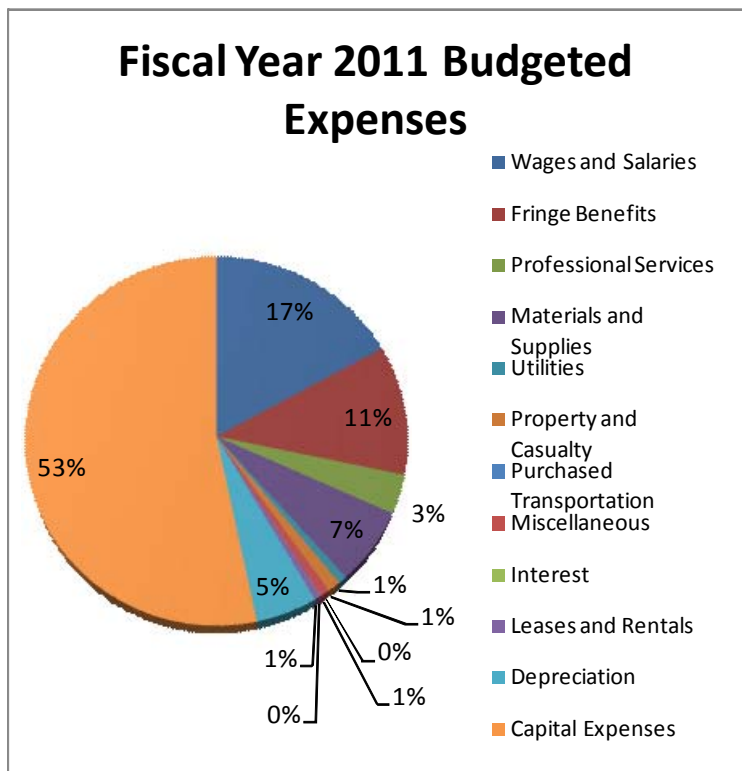
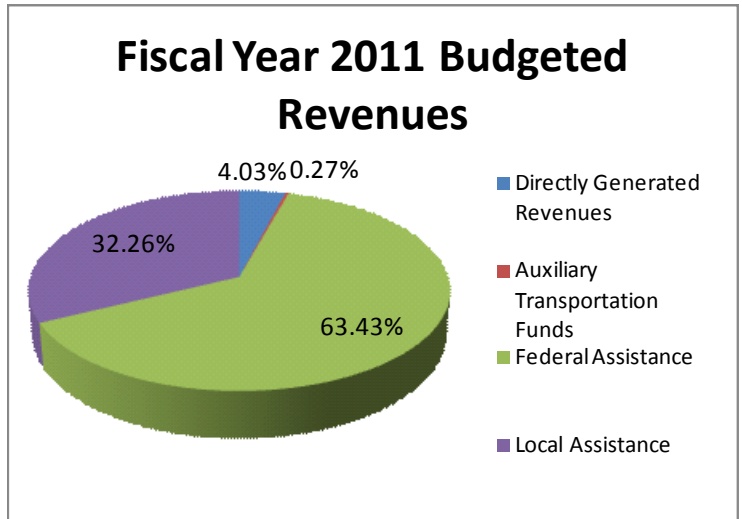
As a component of the annual budget process Valley Regional Transit prepares a six year operating budget and ten year capital budget. These budget projections assist with the current year budget by establishing base fundamental assumptions with regard to capital replacement requirements, maintenance demands, changes to wage overhead rates, operating expenses, funding projections, and fare returns.

Valley Regional Transit's fiscal year 2011 total budget decreased over fiscal year 2010 by a total of 17% or \$5,076,591. The decrease is the result of the new budget process for long term capital acquisitions and construction projects. The final fiscal year 2011 operating budget stands at \$11,942,351 with a capital budget of \$13,638,591.

The following charts show the composition of anticipated revenues and expenditures within the 2011 budget.

Fiscal year 2011 budget issues included:

- Transition to a new business model for the system's Nampa operations. A contract was awarded to MV Transit to operate the Nampa system. This contract utilizes the subsidiary corporation business model that is also employed in the Boise system.
- A dedicated funding source has not yet been established, therefore, the fiscal year 2011 budget was built upon member contributions, directly generated funds, auxiliary funds, and Federal assistance.
- Until a dedicated funding source is identified and approved, all Valley Regional Transit member agencies have agreed to continue support at the current service levels.



Valley Regional Transit
Statement of Net Assets
September 30, 2010

Assets

Current Assets

Cash	\$ 873,942
Accounts receivable	188,105
Federal receivable	805,823
Other assets	143,517
Inventories	349,560
	<u>349,560</u>

Total current assets	<u>2,360,947</u>
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Capital Assets

Construction in process	1,381,959
Office equipment	207,906
Software	356,364
Machinery and equipment	712,973
Vehicles	9,063,691
Buildings and improvements	5,284,080
Accumulated depreciation	(10,690,368)
	<u>(10,690,368)</u>

Total capital assets	<u>6,316,605</u>
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	<u><u>\$ 8,677,552</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable and other accrued expenses	\$ 480,081
Accrued payroll	403,462
Legal contingency payable	115,000
Current portion of obligations under capital leases	51,669
Other short-term debt	140,000
	<u>140,000</u>

Total current liabilities	<u>1,190,212</u>
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Long-Term Liabilities

Long-term portion of obligations under capital leases	<u>22,114</u>
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Net Assets

Invested in capital assets, net of related debt	6,242,822
Unrestricted	1,222,404
	<u>1,222,404</u>

Total net assets	<u>7,465,226</u>
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	<u><u>\$ 8,677,552</u></u>
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Valley Regional Transit
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2010

Operating Revenues	
Directly generated funds	\$ 1,059,598
Auxiliary transportation funds	47,451
Federal funds	5,257,151
Local funds	6,019,452
	<hr/>
Total operating revenues	12,383,652
	<hr/>
Operating Expenses	
Salaries and fringe benefits	6,033,439
Professional services	1,461,494
Materials and supplies	1,316,727
Utilities	109,199
Casualty and liability insurance	397,638
Miscellaneous	94,168
Lease and rental	424,334
Non-capital expenditures	47,654
Purchased transportation	1,060,182
Legal contingency expense	115,000
Depreciation	923,304
	<hr/>
Total operating expenses	11,983,139
	<hr/>
Operating Income	400,513
	<hr/>
Non-Operating Revenue (Expense)	
Federal capital grants	803,887
Local capital grants	225,901
Interest expense	(8,890)
Loss on disposal of capital asset	(11,995)
Interest income	1,383
	<hr/>
Total non-operating income	1,010,286
	<hr/>
Change in Net Assets	1,410,799
Net Assets, Beginning of Year	6,054,427
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Net Assets, End of Year	\$ 7,465,226
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Valley Regional Transit
Statement of Cash Flows
Year Ended September 30, 2010

Cash Flows from Operating Activities	
From customers and users	\$ 415,086
From federal government	5,394,959
From local government	5,905,095
To suppliers	(5,057,282)
To employees	(6,114,605)
	<u>543,253</u>
Net Cash from Operating Activities	
Cash Flows from Noncapital and related Financing Activities	
Proceeds from line of credit	436,000
Payments on advance funds from the City of Boise	(670,298)
Payments on line of credit	(421,000)
	<u>(655,298)</u>
Net Cash used for Noncapital and related Financing Activities	
Interest paid	(8,890)
Principal payments on lease financings	(82,248)
Receipts of capital grants	1,029,788
Purchase of equipment	(432,023)
	<u>506,627</u>
Net Cash from Capital and Related Financing Activities	
Cash Flows from Capital and Related Investing Activities	
Proceeds from sale of capital assets	13,234
Interest received on cash equivalents	1,383
	<u>14,617</u>
Net Cash from Capital and Related Investing Activities	
Net Increase in Cash	<u>409,199</u>
Cash, Beginning of Year	<u>464,743</u>
Cash, End of Year	<u>\$ 873,942</u>

Valley Regional Transit
Statements of Cash Flows
Year Ended September 30, 2010

Reconciliation of Operating Income to Net Cash
used by Operating Activities

Operating income	\$ 400,513
Adjustment to reconcile operating income to net cash from by operating activities:	
Depreciation and amortization	923,304
Changes in assets and liabilities	
Accounts receivable	(667,672)
Inventories	47,904
Prepaid expenses	(131,422)
Accounts payable	(62,368)
Accrued expenses	33,834
Deferred revenue	(840)
	<u>\$ 543,253</u>

Note 1 - Summary of Significant Accounting Policies

The financial statements of Valley Regional Transit (VRT) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (where applicable). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Board has elected not to apply to its proprietary activities Private Accounting Standards after November 30, 1989.

The more significant of the government's accounting policies are described below.

Reporting Entity

Valley Regional Transit is an enterprise fund created by a vote of Ada and Canyon County voters. Valley Regional Transit is the regional public transportation authority responsible for the short and long-term planning and operations of the regional transit system. The Valley Regional Transit Board of Directors consists of 24 appointed representatives from incorporated cities, counties and highway districts in Ada and Canyon Counties plus one representative from Capital City Development Corporation (CCDC), one representative from Meridian Development Corporation, one representative from Idaho Department of Transportation and one representative from Boise State University.

On January 1, 2010, Valley Regional Transit entered into a contract with PTM Boise, LLC. (PTM), a wholly owned subsidiary of PTM Corporation, for operation of the Boise transit system. Effective January 1, 2010, all employees associated with the Boise system were terminated by Valley Regional Transit and were subsequently hired by PTM. Under this business model, PTM is responsible for all operational and personnel decisions for the Boise operations. PTM performs all payroll and human resource functions, issues standard purchase orders, approves accounts payable, manages inventory and maintains separate bank accounts for the Boise operations. PTM enters all approved purchase orders and accounts payable into the Fleetnet system which is the overall financial information system for Valley Regional Transit. Valley Regional Transit generates all accounts payable checks which are approved by the Board of Directors and signed by authorized signatories within Valley Regional Transit. Valley Regional Transit transfers funds to the PTM payroll account on a bi-weekly basis to cover incurred personnel expenses. The results of all financial and personnel transactions are reflected in Valley Regional Transit's financial statements. PTM is responsible for remittance and reporting of all employer related payroll expenses. Valley Regional Transit is responsible for all W-9 reporting, Federal grant reporting and system financial reporting. Due to this arrangement, all unionized employees who were previously concentrated under Valley Regional Transit as being members of the Amalgamated Transit Union (ATU) are now employed and are the responsibility of PTM.

On August 1, 2010, Valley Regional Transit entered into a contract with MV Transit to manage the Nampa system under the same business model as has been employed in the Boise system.

Valley Regional Transit follows GASB Statement Nos. 14 and 39, "The Financial Reporting Entity", in determining the reporting entity and component units. The financial statements for Valley Regional Transit include all organizations for which Valley Regional Transit is financially accountable, and other organizations for which the nature and significance of their relationships with Valley Regional Transit are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Basis of Presentation

Valley Regional Transit is accounted for and reported as a proprietary-type enterprise fund using the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred. The statement of net assets and the statements of revenues, expenses, and changes in net assets display information about Valley Regional Transit. These statements include the financial activity of the overall reporting entity. These statements report all activities of Valley Regional Transit as a business type activity. Operations are financed from Federal grant monies, local contributions, advertising and fares.

When both restricted and unrestricted resources are available for use, it is Valley Regional Transit's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are user charges to customers, local contributions, dues and operating grants. Operating expenses for enterprise funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The entity classifies net assets, revenues and other support based on the existence or absence of grantor-imposed restrictions. Accordingly, net assets of Valley Regional Transit and changes therein are classified and reported as follows:

Invested in Capital Assets, Net of Related Debt – This represents Valley Regional Transit's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this section.

Restricted Expendable – Net assets subject to grantor-imposed stipulations that will be transferred to the government agency for direct use for a designated function.

Unrestricted – Net assets not subject to grantor-imposed stipulations or received with restrictions that were satisfied in the same period.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Valley Regional Transit considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Receivables are due from city and federal governments for capital commitment contributions, fuel rebates, and federal grants. Based on experience, no allowance for uncollectible accounts has been established as of September 30, 2010. It is reasonably possible that this estimate will change within one year of the date of the financial statements.

Inventories

Inventories are stated at average cost. Inventories consist of spare parts and equipment held for consumption. The cost is recorded as an expense at the time individual inventory items are used.

Capital Assets

The policy of Valley Regional Transit is to capitalize all capital assets which have a value or cost in excess of \$5,000 at the date of acquisition and have an expected useful life of two or more years. Amounts less than \$5,000 are expensed. All capital assets are valued at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the results of operations in the period of disposal.

The estimated useful lives of fixed assets are as follows:

Office equipment	3-15 years
Software	3 years
Machinery and equipment	5-15 years
Vehicles	3-15 years
Buildings and improvements	10-45 years

Accrued Compensated Absences

Accumulated unpaid vacation and compensatory time amounts are accrued and charged to expenses when incurred. Sick pay amounts are charged to expenses when used. Terminated employees are not paid for unused sick time unless they have 15 years of service or are over 60 years of age at the date of termination in which case they are eligible to receive 50% of their sick pay balance.

Self-Insurance

Valley Regional Transit self-insures a portion of the employee's health insurance deductible.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net assets and disclosures regarding contingent assets and liabilities. Actual results could differ from those estimates. The most significant estimate is the estimated liability for claims incurred but not reported (IBNR) for self insurance.

Subsequent Events

Valley Regional Transit has evaluated subsequent events through March 03, 2011, the date which financial statements were available to be issued.

Note 2 - Cash and Cash Equivalents

Financial instruments which potentially subject Valley Regional Transit to concentration of credit risk consist principally of cash and sweep accounts. Valley Regional Transit minimizes concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Valley Regional Transit maintains its cash and sweep accounts in one commercial bank.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, Valley Regional Transit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All deposits greater than FDIC were subject to custodial credit risk. Valley Regional Transit has a written policy limiting custodial credit risk through preauthorization of financial institutions. Accounts at the commercial bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The sweep accounts are not insured by the FDIC insurance or collateralized if over \$100,000. Sweep accounts under \$100,000 are swept into a collateralized option that is held in the name of the bank.

A summary of the total insured and uninsured bank balances follows:

	Banks	Sweep Accounts	Total
Total cash	\$ 418,577	\$ 698,686	\$ 1,117,263
Portion insured by Collateralized FDIC	-	(5,896)	(5,896)
	(250,000)	-	(250,000)
Uninsured and uncollateralized cash	\$ 168,577	\$ 692,790	\$ 861,367

Note 3 - Capital Assets

The following presents capital asset activity for the year ended September 30, 2010.

	Balance October 1, 2009	Additions	Deletions	Transfers	Balance September 30, 2010
Non-depreciable					
Construction in process	\$ 1,146,505	\$ 273,352	\$ -	\$ (37,898)	\$ 1,381,959
Depreciable					
Office equipment	208,248	6,984	(7,326)	-	207,906
Software	356,364	-	-	-	356,364
Machinery and equipment	618,168	94,805	-	-	712,973
Vehicles	9,233,855	24,836	(195,000)	-	9,063,691
Building and improvements	5,267,505	32,046	(53,369)	37,898	5,284,080
Total capital assets	16,830,645	432,023	(255,695)	-	17,006,973
Accumulated depreciation	(9,997,530)	(923,304)	230,466	-	(10,690,368)
Net capital assets	\$ 6,833,115	\$ (491,281)	\$ (25,229)	\$ -	\$ 6,316,605

Note 4 - Other Short-Term Debt

Short-term debt activity for the year ended September 30, 2010, was as follows:

	Balance October 1, 2009	Draws	Repayments	Balance September 30, 2010
Line of credit	\$ 125,000	\$ 436,000	\$ 421,000	\$ 140,000
Advance from City of Boise	670,298	-	670,298	-
	\$ 795,298	\$ 436,000	\$ 1,091,298	\$ 140,000

Valley Regional Transit uses a revolving line of credit to assist with the daily operating cash flow requirements of the Nampa Urbanized Area. The line of \$250,000 carries an interest rate of index plus 3.5% percentage points which was 6.75% at September 30, 2010. The revolving line of credit is uncollateralized. The balance outstanding at September 30, 2010 was \$140,000. Valley Regional Transit enacted the letter of credit subfeature within the line of credit agreement for \$45,000. This exists so that in the event of cessation of Valley Regional Transit the insurance company would have some coverage to cover the deductible. The amount cannot be drawn against for any other reason. No amount was drawn as of September 30, 2010.

Valley Ride also has a master agreement with the City of Boise where the City will advance funding in order to assist with cash flow needs created by timeliness related to drawing down federal funds and processing grant amendments. The Federal Transit Authority (FTA) grant execution by Valley Regional Transit triggers their ability to reimburse the City of Boise for advance funding received. Valley Regional Transit will repay or reimburse advance funding amounts no later than 30 days following the date of execution of the FTA grant. The master agreement carries an interest rate equal to the current annual yield percentage on Boise City General Fund's total portfolio. No advance was assessed for the year ended September 30, 2010.

Note 5 - Long-Term Debt

Long-term debt consists of amounts due under capital leases. The leases are due in monthly installments of \$4,491 (including interest of 4.537%) and expire in February of 2012. The debt is collateralized by the vehicles.

The annual requirements to amortize all debt outstanding at September 30, 2010 are as follows:

	Principal	Interest
2011	\$ 51,669	\$ 2,314
2012	22,114	256
	\$ 73,783	\$ 2,570

The following is a summary of changes in long-term debt for the year ended September 30, 2010.

	Long-Term Debt At Oct. 1, 2009	Debt Issued	Debt Retired	Long-Term Debt At Sept. 30, 2010
Capital Leases	\$ 156,031	\$ -	\$ (82,248)	\$ 73,783

Assets under capital lease were recorded at a cost of \$719,714 with accumulated depreciation of \$632,573 at September 30, 2010.

Note 6 - Pension Plan

Valley Regional Transit has the 457(b) Valley Regional Transit Employee’s Deferred Compensation Plan and the 401(a) Valley Regional Transit Employee Retirement Plan in which all employees that have completed six months of continuous service and are scheduled to work 20 hours per week and have at least 1,000 hours each calendar year are eligible to participate. The 401(a) plan provides for a non-discretionary contribution equal to 7.5% of eligible compensation. \$365,368 was contributed to the 401 (a) plan in 2010.

The 457(b) plan allows employee deferred contributions. The maximum contribution amount to the plan is 100% of compensation less any mandatory before-tax contributions to a governmental pension plan per year or the IRS prescribed amount (\$16,500 in 2010), whichever is less. Both plans are administered by Great West Retirement Services.

Note 7 - Lease Commitments

Valley Regional Transit occupies office space under a long-term operating lease, which commenced on January 1, 2001 and expires on January 1, 2011. Under the transfer agreement with Boise City, Valley Regional Transit also assumed lease payments for the vehicle maintenance facility located at the airport, which commenced on October 1, 1995 and expires on September 30, 2015. Valley Regional Transit leases buses from ABC Leasing Company for use on its routes in Nampa. The leases have varying expiration dates ranging from January 2010 to October 2010. Upon expiration of the individual bus lease, the agreement converts to a month to month rental agreement. Valley Regional Transit entered into four one year bus leases with Shuttle Bus Leasing commencing on March 1, 2010 and expiring on March 14, 2011. Valley Regional Transit has also entered into an operating lease for the Nampa Operations site which commenced on August 1, 2010 and expires on July 21, 2011.

Minimum lease payments are as follows:

2011		\$	211,726
2012			126,454
2013			31,031
2014			31,031
2015			31,031
			\$ 431,273

Total rent expense was \$424,334 for the year ended September 30, 2010.

Note 8 - Concentrations

Concentration by revenue source:

Approximately 45% of Valley Regional Transit’s revenue for the year ended September 30, 2010 was derived from contracts with the Federal government and 41% of the local revenue came from the City of Boise.

Note 9 - Related Parties

Valley Regional Transit and COMPASS have a close working relationship which is formalized in a Memorandum of Understanding that outlines duties and responsibilities of both organizations. COMPASS is charged with long range transportation planning in Ada and Canyon counties. Valley Regional Transit provides public transit services to the same two county areas. The Boards of Directors of the two organizations work closely together and share approximately 1/2 of the same members during the year. A member of Ada County Highway District (ACHD) is on the VRT Board. VRT and ACHD will collaborate on projects throughout the fiscal year. Such collaboration is supported by a memorandum of understanding. The project to develop Mobility management Strategies for Treasure Valley is an example of a joint project between Valley Regional and COMPASS, while the State Street Corridor Study is a joint project between VRT and ACHD.

Cost sharing and ownership of any project is detailed in the respective memorandum of understanding. Valley Regional had a payable to COMPASS for \$23,032 at September 30, 2010. Valley Regional had a receivable from ACHD of \$53,657 at September 30, 2010.

Note 10 - Legal Contingencies

Local 398 of the Amalgamated Transit Union (ATU) has filed a lawsuit against VRT on labor related issues. An arbitrator found that Valley Regional Transit had violated the collective bargaining agreement as it relates to subcontracting of responsibilities. A financial settlement could not be reached between Valley Regional Transit and the ATU resulting in the ATU filing the lawsuit. In November 2010, the courts found in favor of the ATU. The amount of the settlement is now the only item in question, based upon the court's ruling, Valley Regional Transit's minimum financial exposure is \$115,000. Funds have been reserved in prior years to cover the costs of the labor dispute.

Single Audit
September 30, 2010
Valley Regional Transit

Valley Regional Transit
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2010

<u>Federal/Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>		<u>Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Transit - Formula Grants	20.507	*	\$ 5,716,998
Federal Transit - Formula Grants - ARRA	20.507	*	174,374
Federal Transit - Capital Improvement Grants	20.500	*	34,094
Federal Transit - Job Access-Reverse Commute Grant	20.516		57,753
Federal Transit - New Freedom Grant	20.521		<u>77,819</u>
			<u>\$ 6,061,038</u>

* Denotes a major program cluster.

Note 1 - Basis of Presentation

The Schedule of Expenditures of Federal Awards presents the activity of all federal grant activity of Valley Regional Transit. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The reporting entity is defined in Note 1 to the financial statements.

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

Note 2 - Major Programs

The following programs have been identified as a major program for the year ended September 30, 2010.

<u>Program</u>	<u>CFDA Number</u>
Federal Transit-Formula Grants	20.507
Federal Transit – Capital Improvement Grants	20.500



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Valley Regional Transit
Meridian, Idaho

We have audited the basic financial statements of Valley Regional Transit as of and for the year ended September 30, 2010, and have issued our report thereon dated March 03, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Valley Regional Transit'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 Regional Transit's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Valley Regional Transit's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

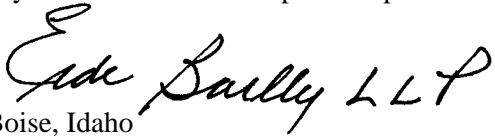
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valley Regional Transit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and 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*.

We noted certain other matters that we reported to management of Valley Regional Transit in a separate letter dated March 03, 2011.

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


Boise, Idaho
March 03, 2011



Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Board of Directors
Valley Regional Transit
Meridian, Idaho

Compliance

We have audited the compliance of Valley Regional Transit, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. Valley Regional Transit's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Valley Regional Transit's management. Our responsibility is to express an opinion on Valley Regional Transit'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 Regional Transit'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 Regional Transit's compliance with those requirements.

In our opinion, Valley Regional Transit complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.


Internal Control Over Compliance

Management of Valley Regional Transit 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 Regional Transit's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliances in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal controls over compliance. Accordingly, we do not express an opinion on the effectiveness of Valley Regional Transit's internal controls 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.

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


Boise, Idaho
March 03, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.500	Department of Transportation – Capital Improvement Grants
20.507	Department of Transportation – Formula Grants
20.507	Department of Transportation – Formula Grants - ARRA

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings None

Section III - Federal Award Findings and Questioned Costs None