SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comprehensive Annual Financial Report

FISCAL YEAR 2010

For Fiscal Year Ended
June 30, 2010
Santa Clara County, California

SANTA CLARA
Valley Transportation Authority
Part of every trip you take®

Santa Clara Valley Transportation Authority

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2010

152/156 flyover decreases delays on this well-used roadway.

VTA's Light Rail service runs 42.2 miles with 62 stations throughout Santa Clara Valley, connecting to many regional services for greater mobility.

VTA's smaller community buses provide valuable connections to transit centers.

VTA's Mobility Options Program trains seniors to use transit.

VTA's Youth Outreach Program collaborates with teachers to educate students about how to safely use VTA services.

VTA's New Commuter Express service will save south San Jose riders time during commute hours.

Low-floor light rail vehicles and retrofitted platforms provide quick, level boarding for all riders.

SANTA CLARA VALLEY
TRANSPORTATION AUTHORITY

SAN JOSE, CALIFORNIA

Comprehensive Annual Financial Report (CAFR)
For Fiscal Year Ended June 30, 2010

Prepared by:
Fiscal Resources Division

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Clara Valley Transportation Authority

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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

President

Executive Director

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SECTION 1 - **INTRODUCTION**

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LETTER OF TRANSMITTAL

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SANTA CLARA
Valley Transportation Authority

October 15, 2010

Board of Directors
Santa Clara Valley Transportation Authority

Subject: Comprehensive Annual Financial Report

It is a pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) of the Santa Clara Valley Transportation Authority (VTA) for the year ended June 30, 2010. The CAFR was prepared in accordance with the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). Responsibility for the accuracy, completeness, and fairness of the data and the clarity of the presentation, including all disclosures, rests with VTA. To the best of our knowledge, the enclosed data is reported in a manner designed to present fairly, in all material respects, VTA's financial position, changes in financial position, and cash flows, when applicable, in accordance with the requirements of accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

Vavrinek, Trine, Day & Company LLP, a firm of licensed Certified Public Accountants, has audited the financial statements. The goal of the audit is to obtain a reasonable assurance that the financial statements are free of material misstatements. Vavrinek, Trine, Day & Company concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion for the fiscal year ended June 30, 2010, and that the financial statements are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

In addition, Vavrinek, Trine, Day & Company also conducts the federally mandated "Single Audit" designed to meet requirements of federal grantor agencies. The standards governing the Single Audit require the independent auditor to report on the fair presentation of the financial

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statements, agency's internal controls and compliance with legal requirements. The Single Audit Report reported no findings or questionable costs.

REPORTING ENTITY

VTA is an independent public agency responsible for bus and light rail operations in Santa Clara County (County), regional commuter and inter-city rail service, Americans with Disabilities Act (ADA) paratransit service, congestion management, specific highway improvements, and other transportation projects, as well as countywide transportation planning and funding. A map showing VTA's bus and rail transit service area is set forth on page 1-14. VTA was created in 1972 pursuant to the Santa Clara County Transit District Act. Prior to January 1, 1995, the County Board of Supervisors served as the VTA's Board of Directors. Effective January 1, 1995, pursuant to state of California (state) legislation, VTA has operated under a separate Board of Directors composed of county and city representatives. On January 1, 2000, pursuant to the state legislation, VTA's name was officially changed from the Santa Clara County Transit District to Santa Clara Valley Transportation Authority.

VTA is governed by a Board of Directors (the "Board" or the "Board of Directors") comprised of 12 elected officials appointed by the jurisdictions they represent. Five members of the Board and one alternate are appointed by the City of San Jose City Council. Three members of the Board and one alternate are appointed from among the city councils of the Cities of Los Altos, Mountain View, Palo Alto, Sunnyvale and Santa Clara, and the Town of Los Altos Hills. One Board member and one alternate are appointed from among the city councils of the cities of Campbell, Cupertino, Monte Sereno and Saratoga, and the Town of Los Gatos. One Board member and one alternate are also appointed from among the city councils of the cities of Gilroy, Milpitas and Morgan Hill. The final two seats on the Board and one alternate are appointed by the Board of Supervisors of the County. The allocation of Board representation is generally based on population.

ECONOMIC ENVIRONMENT

The largest county in the San Francisco Bay Area, Santa Clara County measures approximately 1,316 square miles. According to the California Department of Finance, the County is home to 1,880,876 residents. The County's population is projected to grow by more than 500,000 residents in 25 years, according to the Association of Bay Area Governments. The County is a major employment center for the region, providing more than a quarter of all jobs in the San Francisco Bay Area region. Northwestern Santa Clara County is part of an area known as the Silicon Valley, an industry region located around the southern shores of San Francisco Bay. The name was derived from a dense concentration of electronic and computer companies located there.

In a recent report, the National Bureau of Economic Research, an independent group of economists that are charged with dating when economic downturns begin and end, reported that the economic recession ended in June 2009[1]. But the news comes amid rising fears of a double-dip recession. That makes the 18-month recession which started in December 2007 the longest and deepest downturn for the U.S. economy since the Great Depression. The basis for this decision was the length and strength of the economic recovery to date. Due to the slow pace of new job creation, some economists are also calling it a jobless recovery. The national unemployment rate is around 9.6 percent almost at the same level as last year. The unemployment rate in the County averaged 11.3% in June 2010, slightly below 11.8% a year ago. During the same period, the state's unemployment rate was 12.2%, higher from 11.6% reported in the same period a year ago[2]. Contributing to this slowdown is global recession, credit crunch, financial meltdown and turmoil in financial stock markets which has resulted in a sharp downturn in the housing industry as well as loss of manufacturing and other jobs.

The Santa Clara County economy has not been immune to the economic meltdown, issues related to credit crunch, and failure of financial institutions across the country. The credit crunch has seriously impacted the housing industry as foreclosures and inventories of unsold homes hit record highs for the third year in a row. The consensus economic opinion now believes that the Silicon Valley economy will go through challenging periods as venture capital money to startup companies dries up and makes borrowing more difficult and expensive to meet the operating and capital needs of local high-tech firms.

The state has its own financial challenges which have and will continue to negatively impact local governments and agencies. In FY2010, the California Legislature approved and the Governor signed a series of bills in an attempt to balance the state's massive budget gap. This package consisted of tax hikes, borrowing, and spending reductions that also impacted public transit agencies. In the case of transportation, the State Transit Assistance Program (STA), the only State program that directly provides funds to operate bus and rail systems in California, was not funded. In FY2010, VTA did not receive any STA funds.

[1] www.cnnmoney.com, September 20, 2010.
[2] California Employment Development Department and U.S. Labor Department. Monthly Labor Force Data for Counties, August 20, 2010.

At the local level, reduced home building, home and auto sales and, business to business sales and other consumer spending contributed to a slowdown in taxable sales. As a result of the economic slowdown, VTA experienced double digit percentage declines in sales tax revenues during FY2009 – its largest source of funding for operating and capital needs. The negative trend seems to be turning around, based on FY2010 sales tax receipts. The 1976 Half-Cent Sales Tax increased over prior year by $2.4 million or 1.7% to $140 million. However TDA revenues, which are also derived from the local taxable sales tax activity base, declined $7.6 million or 10.3% in the current year compared to the prior year, adding uncertainty on the growth of taxable sales in the county. VTA will continue to take steps to exercise fiscal discipline and manage this revenue shortfall through diligent cost control and enhanced operating efficiencies. Nevertheless, it is likely that VTA will continue to face ongoing challenges, including sluggish sales tax receipts, higher employee benefit and pension contribution costs, as well as the turmoil and volatility in the financial markets.

CURRENT YEAR FINANCIAL HIGHLIGHTS

The following presents supplemental information to the MD&A, providing comparative financial data for VTA's Enterprise Fund for FY2010 and FY2009.

(in thousands)			Change Favorable/(Unfavorable)	
Enterprise Fund	**FY2010**	**FY2009**	**Amount**	**%**
Operating Revenues	$ 38,830	$ 38,439	$ 391	1.00%
Operating Expenses	(347,819)	(354,284)	6,465	1.80%
Sales Tax- 1976 Half-Cent	140,037	137,642	2,395	1.70%
Sales Tax- 2000 Measure A Half-Cent	139,305	137,261	2,044	1.50%
Federal and State Operating Grants	126,934	114,937	11,997	10.40%
Investment and Other Income	8,839	18,726	(9,887)	-52.80%
Other Non-Operating Expenses	(128,150)	(78,308)	(49,842)	-63.60%
Capital Contributions	92,594	82,175	10,419	12.70%
Change in Net Assets (1)	70,570	96,588	(26,018)	-26.90%
Net assets, beginning of year	2,724,072	2,627,484	96,588	
Net assets, end of year	$ 2,794,642	$ 2,724,072	$ 70,570	2.60%

(1) The amount consists primarily of 2000 Measure A Half-Cent Sales Tax which is designated for capital.

As reflected above, Enterprise Fund net assets increased $70.6 million in FY2010 to $2.8 billion. Net assets in the 2000 Measure A Transit Improvement Program increased $95.4 million which can only be expended on projects included on the 2000 Measure A ballot approved by the voters. For VTA Transit Fund, net assets decreased $6.5 million resulting mainly from higher non-operating expenses and lower investment earnings/other income, offset by increases in operating and various non-operating revenue categories. VTA's largest revenue sources for operating and capital funding – 1976 Half-Cent Sales Tax and 2000 Measure A Half-Cent Sales Tax, were slightly higher than FY2009 levels by $2.4 million and $2.0 million, respectively reflecting small growth compared to double-digit percentage decline in the prior year. In FY2010, operating expenses were $6.5 million lower from the prior year mainly due to salary savings attributed to not filling vacant positions and various other cost containment measures implemented to offset declining revenues.

Total FY2010 net assets are comprised of the following (in thousands):

Invested in capital assets, net of related debt	$ 2,195,790
Debt service	16,934
Retention payable	3,874
Restricted for 2000 Measure A Projects	279,323
Restricted for 1996 Measure B Projects	390
Inventory, prepaid expenses, and issuance costs	34,387
Local share of capital projects	44,729
Debt reduction	53,170
SWAP/lease collateral	114,188
Operating reserve	51,857
Total Net Assets	**$2,794,642**

FINANCIAL POLICIES

Internal Control

VTA management is responsible for establishing and maintaining an internal control system designed to ensure that its assets are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed benefits likely to be derived from its implementation. The valuation of costs and benefits requires estimates and judgments by management. VTA's management believes its internal controls are adequate.

Basis of Accounting

The VTA's accounting records are maintained on accrual and modified accrual basis of accounting. The activities are reported through the use of a fund accounting system.

Budgetary Control

The biennial operating and capital budget is proposed by VTA management and adopted by the Board of Directors after public discussion. The budget consists of five funds:

- VTA Transit Enterprise Fund,
- Congestion Management Program Fund,
- Congestion Management and Highway Improvement Program Fund,
- 2000 Measure A Transit Improvement Program Fund, and
- 1996 Measure B Transportation Improvement Program Fund.

The budget shall consist of five funds: the VTA Transit Enterprise Fund, the Congestion Management Program Fund, the Congestion Management and Highway Improvement Program Fund, the 2000 Measure A Transit Improvement Program Fund, and the 1996 Measure B Transportation Improvement Program Fund. The General Manager may reallocate appropriations between budget units and objects within each Fund up to the limits of each Fund's annual appropriation. Any net increase in authorized appropriations to any Fund (including an allocation from reserves) shall require an affirmative vote of at least eight Directors. Capital appropriations, which are not expended during the fiscal year, shall carry over to successive fiscal years until the projects are completed or otherwise terminated.

Operating Reserve Policies

The VTA Board has established an operating reserve goal of 15% of the final operating budget in the VTA Transit Enterprise Fund. As of June 30, 2010, the operating reserve is at $51.9 million, 15% of the FY2010 final operating budget. The detailed calculation and information on the operating reserve is shown on page 3-7.

Management's Discussion and Analysis (MD&A)

GASB Statement Number 34 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is designed to complement the MD&A beginning on page 2-3 and should be read in conjunction with it.

Cash and Investment Management Policies and Practices

VTA's cash and investments are managed in accordance with California Government Code Section 53601 and other applicable state law. The Restricted and Unrestricted Investment Policy is periodically reviewed by staff and approved by the Board of Directors when changed or modified. The Investment Policy defines permitted investments and prescribes investment strategies. The investment strategies are expressed through asset allocation ranges and targets. Risk tolerance and performance expectations are defined by benchmark indices. VTA contracts with professional money managers to manage its investment portfolio and their performance is overseen by VTA staff.

The VTA/ATU Pension Plan (Pension Plan) Investment Policy functions like the Restricted/Unrestricted Investment Policy, with the notable exception that Pension Plan Trustees review and approve the policy (pursuant to California State Proposition 162 enacted in November 1992). The Pension Plan is a defined benefit plan and its financial position and changes in financial position are reported in separately issued stand-alone financial statements. The Plan's asset allocations are reviewed relative to the targets on a monthly basis and action is taken to rebalance within the target ranges by means of asset transfers among categories. When necessary and/or available, cash inflows/outflows are managed in a manner consistent with the strategic asset allocation.

Risk Management

VTA is exposed to various risks of loss related to tort claims, theft, damage and destruction of VTA asset and property, errors and omissions, injuries to employees and the public and natural disasters. A combination of self-insurance and commercial coverage is used by VTA to manage its risks. Further details on the types and amounts of coverage are addressed in Note 16 in the Notes to the Basic Financial Statements.

Pension and Other Post-Employment Benefits

There are two specific pension plans offered by the VTA. All Amalgamated Transit Union (ATU) represented employees are covered under the Santa Clara Valley Transportation Authority Amalgamated Transit Union Pension Plan. The plan provides retirement, disability, and death benefits based on the employee's years of service, age, and final compensation. The second pension plan is the state's Public Employees Retirement System (CalPERS) for non-ATU represented employees. Further information on the two plans can be obtained in Notes 11 and 12 in the Notes to the Basic Financial Statements. In addition, there are Schedules of Funding Progress for the two plans within the Required Supplementary Information.

There are three health benefits programs for employees who retire directly from VTA as follows:

- ATU Retiree Health Care Program
- Non-ATU Retiree Health Care Program
- ATU Spousal Medical and Retiree Vision and Dental Fund (a defined contribution program funded by ATU represented employees)

MAJOR INITIATIVE

<u>BART Silicon Valley</u>

Bay Area Rapid Transit (BART) Silicon Valley Project is a 16-mile extension of the existing BART system to San Jose, Milpitas and Santa Clara, which will be delivered through a phased approach. The first phase, the Berryessa Extension, is a 10-mile, two-station extension, beginning in Fremont at the future BART Warm Springs Station and proceeding on the former Union Pacific Railroad right-of-way through Milpitas, the location of the first station, and goes to the Berryessa area of north San Jose, at the second station. VTA continues the design and engineering for the second 6-mile phase of the project that includes a 5.1 mile-long subway tunnel through downtown San Jose, and ends at grade in Santa Clara near the Caltrain Station. Construction on the second phase of the project will commence as additional funding is secured.

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 VTA for its FY2009 Comprehensive Annual Financial Report. This is the 14th consecutive year that VTA achieved this prestigious award.

In order to receive the prestigious award, a government agency must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America 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 CAFR required a concerted team effort throughout VTA, including staff from General Accounting, Capital and Revenue Accounting, Disbursements, Revenue Services, Contracts and Purchasing, Risk Management, Budget and Analysis, Investment Services, and Finance Department. The Copy Center and the Marketing and Customer Service Departments also made significant contributions to the form, content, and production of the report. The team members demonstrated a commendable degree of personal dedication and determination in producing this document.

In addition, special thanks to Vavrinek, Trine, Day & Company LLP, for their contribution, as well as all other VTA staff for responding positively and promptly to the request for information that occurs with each annual audit.

Michael T. Burns
General Manager

Joseph T. Smith
Chief Financial Officer

2010 VTA BOARD OF DIRECTORS

VTA is an independent special district governed by its own Board of Directors. The Board consists of 12 voting members, 5 alternates, and 2 ex officio members, all of whom are elected officials appointed to serve on the Board by the jurisdictions they represent. Board membership is based on population as follows:

Group 1	Six city council members from the City of San Jose.
Group 2	Four city council members from among the Cities of Los Altos, Los Altos Hills, Mountain View, Palo Alto, Santa Clara and Sunnyvale.
Group 3	Two city council members from among the Cities of Campbell, Cupertino, Los Gatos, Monte Sereno, and Saratoga.
Group 4	Two city council members from among the Cities of Gilroy, Milpitas and Morgan Hill.
Group 5	Three members from the Santa Clara County Board of Supervisors.
Group 6	Ex Officio, Santa Clara County's two representatives to the Metropolitan Transportation Commission (MTC).

The Board of Directors meet normally on the first Thursday of each month.

Sam Liccardo, Chairperson
Margaret Abe-Koga, Vice Chairperson

GROUP 1

City of San Jose	Chuck Reed, Mayor
	Sam Liccardo
	Rose Herrera
	Nancy Pyle
	Ash Kalra
	Nora Campos, Alt.

GROUP 2

City of Los Altos	
Town of Los Altos Hills	Rich Larsen
City of Mountain View	Margaret Abe-Koga
City of Palo Alto	
City of Santa Clara	Jamie Matthews, Alt.
City of Sunnyvale	Chris Moylan

GROUP 3

City of Campbell	
City of Cupertino	
Town of Los Gatos	
City of Monte Sereno	Marshall Anstandig, Alt.
City of Saratoga	Chuck Page

GROUP 4

City of Gilroy	Perry Woodward
City of Milpitas	Pete McHugh, Alt.
City of Morgan Hill	

GROUP 5

County of Santa Clara	Don Gage
	Liz Kniss
	George Shirakawa, Alt.

GROUP 6

Ex Officio	
Metropolitan	Ken Yeager
Transportation	Dean J. Chu
Commission	

VTA BOARD OF DIRECTORS' STANDING COMMITTEES

1. **Administration and Finance Committee (A & F)** reviews and recommends policies pertaining to the general administration of VTA, including administrative policies and procedures, legislative affairs, human resources, and fiscal issues.

2. **Audit Committee** manages and monitors VTA's auditing and financial reporting activities in order to fulfill the Board's financial oversight responsibilities. It also oversees the activities of the auditor general, the internal audit function, and the public accounting firm that conducts VTA's annual financial audit. In addition, it reviews the findings of any assessments conducted.

3. **Congestion Management Program and Planning Committee (CMPP)** reviews and recommends policies related to the Congestion Management Agency and the countrywide transportation plan, including the integration of transportation, land-use and air-quality planning.

4. **Transit Planning and Operations Committee (TP & O)** reviews and recommends policies related to transit planning, transit capital improvement projects, transit operations, and marketing.

VTA BOARD OF DIRECTORS' ADVISORY COMMITTEES

1. **Committee for Transit Accessibility (CTA)** is a 23-member committee comprised of individuals from the disabled community, representatives from human services agencies, an ex-officio member representing VTA's paratransit broker, and an ex-officio member from the VTA Board of Directors. The CTA provides advice to the VTA Board and staff on bus and rail system accessibility issues, as well as on paratransit service. Many of these issues are related to VTA's efforts to comply with the federal Americans with Disabilities Act (ADA).

2. **Citizens Advisory Committee (CAC) / 2000 Measure A Citizens Watchdog Committee** is a 17-member committee representing the residents of Santa Clara County, as well as specified community stakeholder groups, including business and labor, with an interest in transportation. The CAC advises the Board and VTA administration on issues impacting the communities and organizations they represent. It ***also serves as***: (1) the ballot-specified ***Citizens Watchdog Committee*** for the 2000 Measure A Transit Improvement Program; and (2) the 2008 Measure D ballot-specified advisory body that reviews and comments on VTA's comprehensive transit program as part of the countywide transportation plan.

3. **Bicycle and Pedestrian Advisory Committee (BPAC)** consists of one member appointed by each of the 15 cities within Santa Clara County, one member appointed by the county of Santa Clara, and one ex-officio representative from the Silicon Valley Bicycle Coalition. The BPAC advises the VTA Board of Directors on planning and funding issues related to bicycle and pedestrian mobility and access. The BPAC also serves as the bicycle and pedestrian advisory committee for the county of Santa Clara.

4. **Technical Advisory Committee (TAC)** consists of one staff member (usually a public works, planning or community development director) from each of the 15 cities and the county of Santa Clara. In addition, VTA and the California Department of Transportation (Caltrans) have one non-voting member on the TAC. The TAC provides in-depth analysis, technical expertise and timely recommendations regarding transportation projects, programs, funding, and other policy matters, while giving voice to and reconciling local and regional perspectives.

5. **Policy Advisory Committee (PAC)** consists of one city council member from each of the 15 cities within Santa Clara County and one member from the county Board of Supervisors. The PAC ensures that all local jurisdictions have an opportunity to participate in the development of VTA's policies.

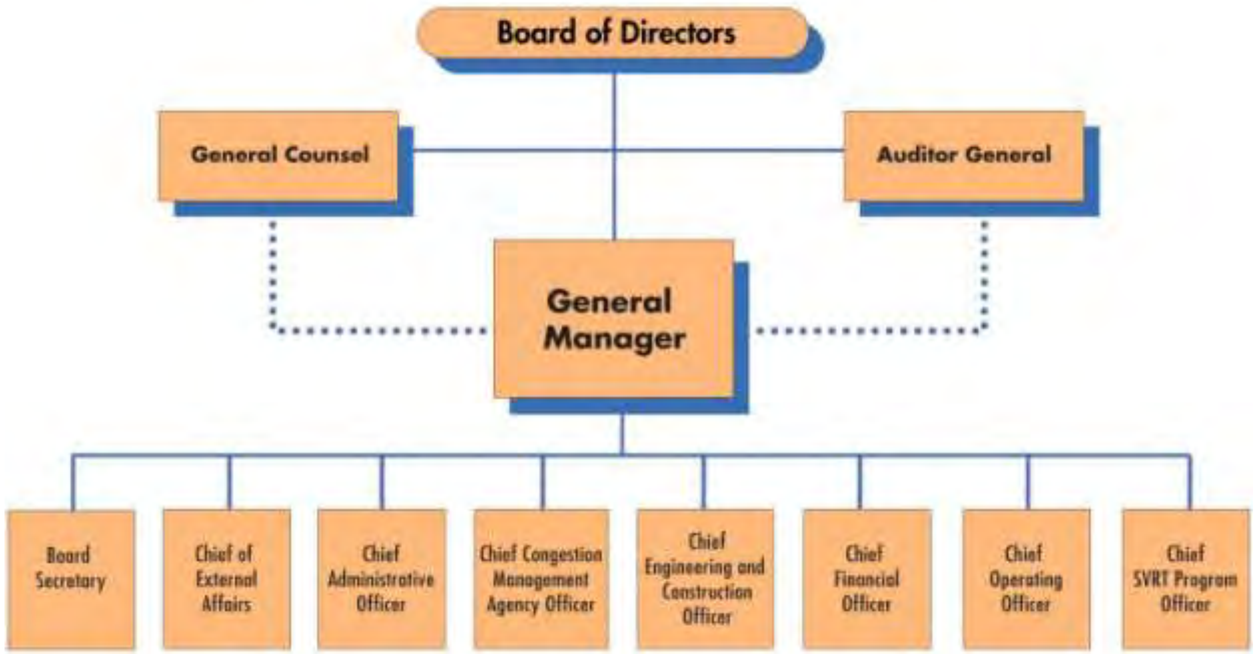
VTA BOARD OF DIRECTORS' POLICY ADVISORY BOARDS

The purpose of these Policy Advisory Boards (PAB) is to ensure that the local jurisdictions affected by major transportation improvement projects are involved in planning, design and construction. Membership for each PAB varies. There are currently three active PABs:

- **Downtown East Valley Policy Advisory Board**
- **Silicon Valley Rapid Transit Corridor and BART Warm Springs Extension Policy Advisory Board**
- **Vasona Light Rail Project Policy Advisory Board**

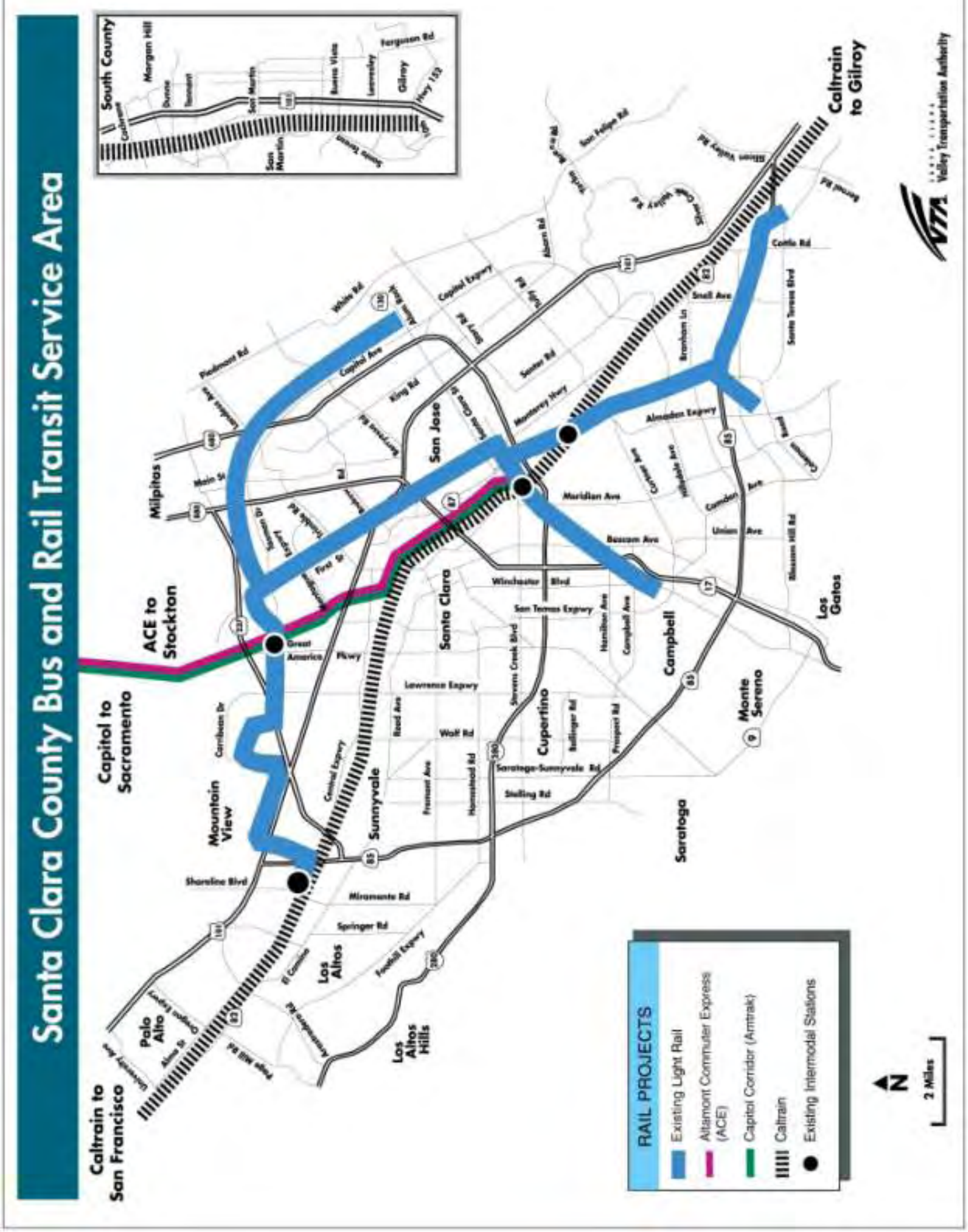
Santa Clara Valley Transportation Authority

As of June 30, 2010



Principal Officials as of June 30, 2010

General Manager	Michael T. Burns
General Counsel	Kevin D. Allmand
Board Secretary	Sandra A. Weymouth
Auditor General	Deloitte & Touche, LLP
Chief of External Affairs	Greta Helm
Chief Administrative Officer	Bill Lopez
Chief Congestion Management Agency Officer	John H. Ristow
Chief Engineering and Construction Officer	Mark S. Robinson
Chief Financial Officer	Joseph T. Smith
Chief Operating Officer	Donald (Dan) A. Smith
Chief SVRT Program Officer	Carolyn Gonot


Santa Clara County Bus and Rail Transit Service Area
Caltrain to San Francisco
Capitol to Sacramento
ACE to Stockton
Caltrain to Gilroy
South County
Palo Alto
Los Altos
Los Altos Hills
Mountain View
Sunnyvale
Santa Clara
San Jose
Milpitas
Cupertino
Campbell
Saratoga
Monte Sereno
Los Gatos
Morgan Hill
San Martin
Gilroy
RAIL PROJECTS
Existing Light Rail
Altamont Commuter Express (ACE)
Capitol Corridor (Amtrak)
Caltrain
Existing Intermodal Stations
N
2 Miles
Valley Transportation Authority

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SECTION 2 – **FINANCIAL SECTION**

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INDEPENDENT AUDITOR'S REPORT

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

Independent Auditor's Report

The Board of Directors
Santa Clara Valley Transportation Authority
San Jose, California

We have audited the accompanying financial statements of the business-type activity, the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Clara Valley Transportation Authority (VTA), as of and for the year ended June 30, 2010, which collectively comprise VTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of VTA'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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 business-type activity, the governmental activities, each major fund, and the aggregate remaining fund information of VTA as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 53 for the year ended June 30, 2010.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 15, 2010, on our consideration of VTA'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, the schedules of funding progress and the budgetary comparison schedules on pages 2-3 through 2-20 and pages 2-78 through 2-81 are not required parts of the basic financial statements but are 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 the VTA's basic financial statements. The introductory section, combining and comparative individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have previously audited, in accordance with auditing standards generally accepted in the United States, the VTA's basic financial statements for the year ended June 30, 2009, which are not presented with the accompanying financial statements. In our report dated October 15, 2009, we expressed unqualified opinions on the respective financial statements of the business-type activities, governmental activities, each major fund and the aggregate remaining fund information. In our opinion, the 2009 supplementary information is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2009. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vavrinek Trine Day + Co. LLP

Palo Alto, California
October 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Required Supplementary Information)

Management's Discussion and Analysis

This Section of the CAFR presents a narrative overview and analysis of the financial activities of VTA for FY2010. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

Financial Highlights

- As of June 30, 2010, VTA's assets exceeded liabilities by approximately $2.8 billion. Of the $2.8 billion in net assets, approximately $2.2 billion was invested in capital assets net of related debt which is associated with VTA's capital expansion program.
- Enterprise Fund operating revenues mainly from passenger fares were $38.8 million, an increase of $391 thousand or 1% percent compared to FY2009.
- As of June 30, 2010, VTA has total outstanding bonds in the amount of $616 million compared to $625 million the previous fiscal year.
- In FY2010, VTA Transit Fund net assets decreased $6.5 million to $2 billion. The three board-designated reserves: transit operating reserve, debt reduction fund and SWAP/collateral, were $51.9 million, $53.2 million, and $26.9 million, respectively.
- In FY2010, VTA Measure A Fund net assets increased $95.4 million to a total of $766.3 million. This amount is restricted for the Measure A Transit Improvement Program per the Measure A Ballot.
- The 1976 Sales Tax revenues increased $2.4 million or 1.7% to $140.0 million in FY2010 compared to FY2009 reflecting a slight improvement in taxable sales in the County.
- The 2000 Measure A Sales Tax revenues increased $2.0 million or 1.5% to $139.3 million in FY2010 compared to FY2009.
- Federal, state and local operating assistance were $12.0 million or 10.4% higher in FY2010 mainly due to increased revenues in federal operating grants.
- Capital grants were also $10.4 million above FY2009 mainly due to higher Traffic Congestion Relief Program (TCRP) grant receipts for the Silicon Valley Rapid Transit (SVRT) project.

Overview of the Financial Statements

VTA's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition to the basic financial statements, this report also includes required and other supplementary information.

1. **Government-wide financial statements**. The *government-wide financial statements* provide a top-level view of VTA's financial picture in a format resembling that of a private-sector company.

   The *Statement of Net Assets* presents information on all of VTA's assets and liabilities, with the difference between the two reported as net assets. Over time, an increase or decrease in net assets may serve as an indicator of whether VTA's financial position is improving or deteriorating.

   The *Statement of Activities* presents information reflecting changes in VTA's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

   The government-wide statements distinguish functions of VTA that are principally supported by sales tax and intergovernmental revenues. The VTA business-type activity is transit, which includes bus/light rail operations and capital project activity. Although the transit operation's primary function is intended to recover its costs through charges for services (business-type activities), the recovery is not significant. The governmental activities of VTA consist of congestion management and highway programs, which include planning, programming, and construction of highway projects.

2. **Fund financial statements**. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. VTA, like local and state governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All VTA funds can be divided into three categories: governmental funds, proprietary funds (i.e., enterprise fund and internal service fund), and fiduciary funds.

   Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements 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 may be useful in evaluating a government's near-term financial requirements.

VTA maintains three major governmental funds to account for the financial activities of VTA's Congestion Management Program, the Congestion Management and Highway Capital Project programs, and the 1996 Measure B Highway Capital Project programs.

Proprietary funds. VTA maintains two types of proprietary funds: an enterprise fund and an internal service fund. The enterprise fund is used to report the same function presented as "business-type activity" in the government-wide financial statements. The internal service fund is used to account for activities that provide services to other funds, departments or to other governments on a cost-reimbursement basis. General Liability, Workers' Compensation, and Compensated Absences are accounted for in the internal service fund. VTA uses the enterprise fund to account for its transit operation and capital activities, the 1996 Measure B Transit projects, and the 2000 Measure A capital and operating activities.

The combination of the enterprise fund and the internal service fund provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside VTA. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support VTA's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The activities of the VTA Amalgamated Transit Union (ATU) Pension Plan, the ATU Spousal Medical and Retiree Vision and Dental Funds and the Retirees' Other Post Employment Benefits (OPEB) Trust are reported in the retiree trust funds. Pension trust funds are used to account for assets held by VTA as a trustee for individuals and other organizations, such as ATU.

The Bay Area Air Quality Management District (BAAQMD) program and the 1996 Measure B Ancillary Programs, which includes the Pavement Management and Bicycle Programs, are accounted for in an agency fund. Agency funds are used to account for assets held solely in a custodial capacity.

3. **Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements and notes, *required supplementary information* is presented as required by GAAP. The required supplementary information shows VTA's progress in funding its obligation to provide employees with pension benefits and also shows the Congestion Management Program Budgetary Schedule.

Other supplementary information such as the combining statements and other individual schedules found immediately following the required supplementary information present individual fund statements and schedules for the Enterprise and Fiduciary Funds.

4. **Government-wide Financial Analysis**. The Government-Wide Statement of Net Assets and the Statement of Activities reports a $73.9 million increase in net assets (pages 2-21 and 22). The increase was mainly in the Business-Type activities as the Government-type activities only experienced $235 thousand increase in its net assets. The business-type net asset increase was primarily due to Measure A sales tax receipts and capital grants related to the SVRT project as the locally funded capital expenditures were lower compared to the revenue receipts. During FY2010, VTA enterprise funds acquired or built total capital assets of approximately $59.5 million (see Note 6). These capital assets were funded by a variety of sources such as federal and state grants as well as local Measure A sales tax proceeds.

Santa Clara Valley Transportation Authority
Condensed Statement of Net Assets
FY2010 and FY2009
(In thousands)

	Business-Type Activity			Governmental Activity		Total	
	2010	2009		2010	2009	2010	2009
Assets:							
Current and other assets	$ 835,018	$ 693,752		$ 24,914	$ 29,757	$ 859,932	$ 723,509
Capital assets, net	2,811,863	2,806,348		-	-	2,811,863	2,806,348
Total assets	3,646,881	3,500,100		24,914	29,757	3,671,795	3,529,857
Liabilities:							
Current liabilities	122,071	100,643		24,627	29,705	146,698	130,348
Long-term liabilities outstanding	711,656	659,982		-	-	711,656	659,982
Total liabilities	833,727	760,625		24,627	29,705	858,354	790,330
Net assets:							
Invested in capital assets, net of related debt	2,195,790	2,180,768		-	-	2,195,790	2,180,768
Restricted	409,136	362,079	*	-	-	409,136	362,079
Unrestricted	208,228	196,628	*	287	52	208,515	196,680
Total net assets	$ 2,813,154	$ 2,739,475		$ 287	$ 52	$ 2,813,441	$ 2,739,527

*reclassified to match 2010 presentation

The largest portion of VTA's net assets (approximately 78%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related outstanding debt used to acquire those assets. VTA uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although VTA's investment in its 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 reasonably be used to liquidate these liabilities. The restricted assets represent mainly the funds set aside for the Measure A and B Transit Improvement Programs, Measure A bonds, debt service payments with the bond trustees, and reserve for inventory, prepaid expenses, and bond issuance unamortized costs. The unrestricted categories include funds set aside by Board policies and for funding of local share of capital projects, VTA transit operating reserve, and debt reduction and swap/lease collateral reserves, and for workers' compensation and liability claims. The unrestricted net assets are available for appropriation with Board approval. The details of net assets categories are shown on page 2-21.

Santa Clara Valley Transportation Authority

Statement of Activities

FY2010 and FY2009

(In thousands)

	Business-Type Activity		Governmental Activity		Total	
	2010	2009	2010	2009	2010	2009
Expenses:						
Operations, support services, and CMP program	$ 338,771	$ 343,973	$ 7,164	$ 8,840	$ 345,935	$ 352,813
Caltrain subsidy & capital expenditures on behalf of, and contribution to other agencies	97,592	58,504	-	-	97,592	58,504
Altamont Commuter Express subsidy	2,707	2,707	-	-	2,707	2,707
Interest Expense	20,583	11,651	-	-	20,583	11,651
Other non-operating expenses	7,268	5,446	-	-	7,268	5,446
Claims and change in future claim estimates	7,693	9,826	-	-	7,693	9,826
Capital outlay on behalf of other agencies	-	-	19,402	26,398	19,402	26,398
Total expenses	474,614	432,107	26,566	35,238	501,180	467,345
Program revenues:						
Charges for services	38,830	38,439	2,606	2,618	41,436	41,057
Operating grants	126,934	114,937	1,854	1,496	128,788	116,433
Capital grants	92,594	82,175	22,314	29,479	114,908	111,654
Total program revenues	258,358	235,551	26,774	33,593	285,132	269,144
Net program revenues (expenses)	(216,256)	(196,556)	208	(1,645)	(216,048)	(198,201)
General revenues:						
Sales tax revenue	279,342	274,903	-	-	279,342	274,903
Investment income	7,352	16,862	12	41	7,364	16,903
Other income	3,241	3,385	15	161	3,256	3,546
Total general revenues	289,935	295,150	27	202	289,962	295,352
Special items:						
Change in provisions for workers' compensation claims	-	3,500	-	-	-	3,500
Change in net assets	73,679	102,094	235	(1,443)	73,914	100,651
Net assets beginning of year	2,739,475	2,637,381	52	1,495	2,739,527	2,638,876
Net assets, end of year	$ 2,813,154	$ 2,739,475	$ 287	$ 52	$ 2,813,441	$ 2,739,527

Proprietary Funds. Total net assets were $2.8 billion in FY2010, an increase of $73.7 million compared to FY2009. Net program expenses (total expenses minus program revenues) were $216.3 million during FY2010 compared to $196.6 million in FY2009. Total expenses increased $42.5 million. Major increases were in the capital expenditures on behalf of, and contributions to other agencies ($39.1 million) and interest expenses ($8.9 million) categories. They were offset by a $5.2 million decrease in Operations and Support Services expenses as VTA implemented various cost containment measures in response to declining revenues. In the program revenue categories, operating assistance grants increased mainly due to higher receipt of federal preventive maintenance grant and operating assistance grants. Capital contributions were also higher in FY2010 compared to the prior year. Due to the state cutting STA funding to transit agencies in FY2010, VTA did not receive STA grants which are normally allocated through the state on the basis of population and operating revenues.

A detailed analysis of major revenue and expenditure accounts is included in the following section.

Comparison of
Proprietary Funds Revenue
FY2010 and FY2009
(In thousands)

Proprietary Funds Revenue	2010	2009	Change Favorable/(Unfavorable) Amount	Change Favorable/(Unfavorable) Percent
Charges for services	$ 38,830	$ 38,439	$ 391	1.02%
Operating grants	126,934	114,937	11,997	10.44%
Capital grants	92,594	82,175	10,419	12.68%
1976 half-cent sales tax	140,037	137,642	2,395	1.74%
2000 Measure A half-cent sales tax	139,305	137,261	2,044	1.49%
Investment earnings	7,352	16,862	(9,510)	-56.40%
Other income	3,241	6,885 [1]	(3,644)	-52.93%
TOTAL	$ 548,293	$ 534,201	$ 14,092	2.64%

[1] included a special item of $3.5 million related to change in provision for future general liability and workers' compensation claims.

Charges for Services

Charges for services, derived from bus fare box receipts, light rail ticket sales, the sale of monthly passes (including Eco Pass and tokens) and advertisement income were $38.8 million in FY2010, $391 thousand or 1% higher compared to FY2009 mainly as a result of fare increases implemented in the year. Overall for the fiscal year, bus and light rail ridership was 41.7 million which reflects a 7.8% decrease compared to the prior year. Continued high unemployment in Silicon Valley hampered ridership for all VTA transit services. Advertising and Shuttle revenues from contracted services were $2.0 million which were $282 thousand or 12.5% below FY2009, again a sign of a sluggish local economy.

Operating Grants

Operating grants include California Transportation Development Act (TDA), state operating assistance grants, Federal Section 5307 Urbanized Formula Program Grants, state vehicle license fees (AB434), federal planning grants, and new federal operating assistance under the American Recovery and Reinvestment Act (ARRA). In FY2010, total operating grants increased $12.0 million or 10.4% higher compared to FY2009.

TDA funds are derived from a quarter-cent sales tax levied by the state on taxable transactions occurring in the Santa Clara County. The Metropolitan Transportation Commission (MTC) retains a portion of these funds for administration and approximately 96.5% is returned to the source county (i.e., Santa Clara). After sales tax derived from local measures, TDA revenues are VTA's second largest source of revenue for operations. For FY2010, the actual TDA receipts were $65.8 million, reflecting a $7.6 million or 10.3% decline over the prior fiscal year.

STA funds are derived from state sales tax on gasoline and diesel fuel. STA apportionments are made to regional transportation planning agencies (MTC in the San Francisco Bay Area Region) based on a formula that allocates 50% of the funds according to population and 50% according to the transit operator's qualified revenues in the region from the prior fiscal year. In FY2010, VTA did not receive STA funds.

Federal Section 5307 allows eligible recipients to claim capital grant funds for maintenance costs and other projects such as routine bus replacements. Grant applicants may apply for FTA grants in an amount up to 80% of annual vehicle maintenance costs. The funds are reflected in the financial statements as Federal Operating Assistance. Currently, VTA treats a large portion of its bus maintenance costs for revenue and non-revenue vehicles as eligible expenditures. For FY2010, total grant revenues under this program were $58.7 million, a $25.3 million increase over FY2009.

Capital Grants

Capital grants include Federal Section 5309 capital grants, various State transit-related capital grants, capital contribution from local agencies, and reimbursements received by VTA for capital expenses undertaken on behalf of other agencies. In FY2010, total capital grants increased $10.4 million or 12.7% to $92.6 million. This was primarily due to higher grant revenues from the state under the Transit Congestion Relief Program (TCRP) to fund the SVRT project.

1976 Half-Cent Sales Tax Revenues

The 1976 Sales Tax is VTA's single largest source of revenue for operations. The State Board of Equalization (SBOE) collects the 1976 Sales Tax for VTA. The 1976 Sales Tax Revenues pay the operating expenses and capital expenditures, where state or federal capital assistance programs require that the recipient of assistance contribute locally derived revenue. Subsequent to the recovery from the dot.com bust, they were growing annually, but declined significantly in FY2009. For FY2010, total sales tax revenues were $140 million, $2.4 million or 1.7% higher compared to the prior fiscal year. Even though sales tax revenues grew slightly in FY2010, the ongoing recession, financial meltdown, and credit tightening along with high unemployment continue to have an impact on the taxable activity in the County.

2000 Measure A Half-Cent Sales Tax Revenues

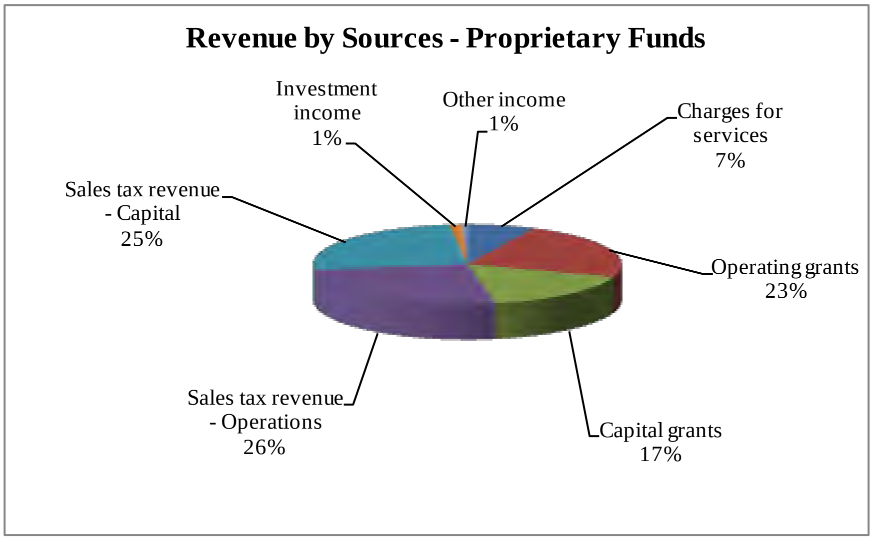
The 2000 Measure A Sales Tax is collected by the SBOE for VTA in the same manner as the 1976 Measure B Sales Tax. The collection of the Measure A half-cent sales tax revenue occurred after the expiration of 1996 Half-Cent Measure B Sales Tax on March 31, 2006. FY2010 revenues of $139.3 million were $2.0 million or 1.5% higher than the prior year. The 2000 Sales Tax revenues are restricted for projects and operational activities included on the 2000 Measure A ballot.

Investment Earnings

The investment earnings are derived from three primary sources: short, mid, and long-term investment portfolios. Pursuant to VTA's adopted investment policy and California Government Code, 100% of surplus assets are invested in domestic fixed income investments. In FY2010, the investment earnings decreased $9.5 million compared to FY2009 due mainly to reclassification of interest earnings capitalized in prior years in the Measure A Transit Improvement Fund. In addition, interest rates for investments remained historically low, contributing to revenue decline.

Other Income

In FY2010, total other income was $3.2 million; $0.1 million lower than the prior fiscal year.



Total expenses for Proprietary Funds increased $42.5 million or 9.8% in FY2010. A detail analysis of major expense categories is discussed below.

Comparison of
Proprietary Funds Expenses
for FY2010 and FY2009
(In thousands)

Proprietary Funds Expenses	2010	2009	Change Favorable/(Unfavorable) Amount	Percent
Operations and support services	$ 338,771	$ 343,973	$ (5,202)	-1.51%
Caltrain and ACE subsidy	18,585	18,585	-	0.00%
Capital contributions to/or expenses on-behalf of other agencies	81,714	42,626	39,088	91.70%
Interest expense	20,583	11,651	8,932	76.66%
Other non-operating expenses	7,268	5,446	1,822	33.46%
Claims and change in future claim estimates	7,693	9,826	(2,133)	-21.71%
TOTALS	**$ 474,614**	**$ 432,107**	**$ 42,507**	9.84%

Operations and Support Services

Operations and support services expenses are incurred for labor, support services, contracted services, insurance, purchased transportation and other overhead costs related to bus and light rail operations, services, and support programs. For FY2010, they were $5.2 million or 1.5% lower compared to FY2009 as VTA implemented various cost containment measures in response to declining revenues. Labor and benefit costs were almost flat in FY2010 as vacant positions and wages were frozen and an unpaid furlough program was implemented for certain categories of employees. Other major cost categories were lower in FY2010 as a result of budget cuts implemented in the Adopted 2010-2011 Biennial Budget.

Caltrain and Altamont Commuter Express (ACE) Subsidy

Caltrain is a commuter rail service, provided by the Peninsula Corridor Joint Powers Board (PCJPB), which is composed of 3 member agencies: VTA, San Mateo County Transit District (SamTrans) and City and County of San Francisco. VTA contributes a portion of Caltrain operating and maintenance costs for commuter train service from Santa Clara County to San Francisco. Operating subsidy to Caltrain was $15.9 million in FY2010; the same amount was contributed in FY2009.

The ACE is administered by and funded under a cooperative agreement among VTA, the Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission (SJRRC). VTA's subsidy to ACE commuter rail service totaled $2.7 million in FY2010. The same amount was contributed in FY2009. The annual subsidy was based on the joint power agreements with these agencies.

Capital Expenses to/or On-Behalf of Other Agencies

As a part of its capital program, VTA makes capital contribution to or undertakes capital projects jointly with other agencies. As the ownership of these capital projects does not rest with VTA, these capital expenses are reported as non-operating expenses on its financial statements. In FY2010, total capital contributions and expenses were $81.7 million, an increase $39.1 million compared to FY2009. The FY2010 contribution included $12.6 million swap payment to Congestion Management and Highway Program Fund and other agencies in the Measure A Transit Improvement Fund. In addition, Measure A Transit Improvement Fund expended $51.6 million to/or on behalf of other agencies. VTA was partially reimbursed for these capital expenses by other agencies and are reported as capital contributions. VTA Transit Fund and Measure B Transit Fund expended the remaining $17.5 million.

Interest Expenses

Bond interest expense was $20.6 million, $8.9 million higher compared to prior year primarily due to reclassification of bond interest expenses capitalized in prior years to interest expense in FY2010.

Other Non-Operating Expenses

Other non-operating expenses were $1.8 million higher in FY2010 compared to the prior fiscal year. Most of the increases were in the Measure A Transit Improvement Fund which included $1 million professional services expenses (reported as operating expense in FY2009) and $800 thousand higher Caltrain access fee.

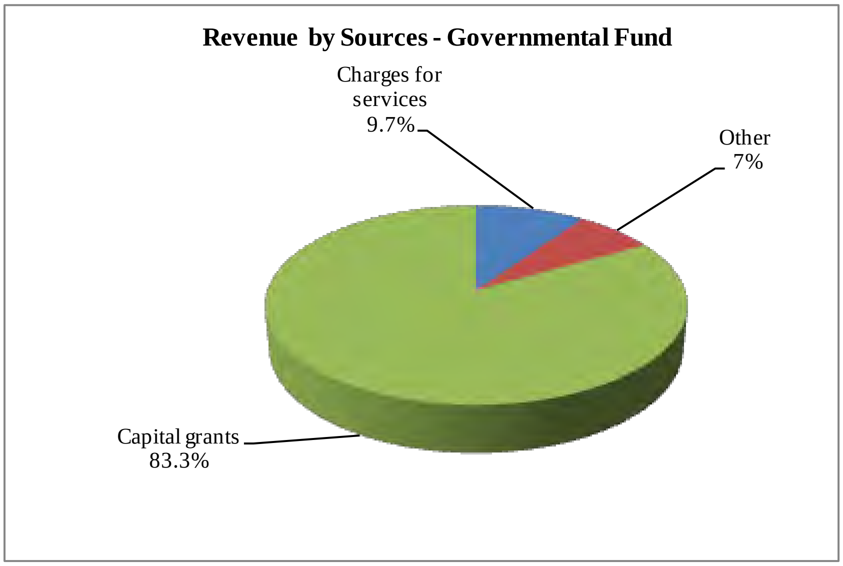
Claims and Change in Future Claim Estimates

Claim payments in FY2010 were $7.7 million, $2.1 million less than FY2009 due to lower payments made for workers' compensation claims and a decrease in liability claims. In addition, the provisions for future claim estimates were also lower in FY2010 based on the recent actuarial valuation report.

Governmental Funds. Total net assets for the governmental funds increased $235 thousand in FY2010, with an ending balance of $287 thousand, all in the Special Revenue Fund. Major elements of changes in net assets were as follows:

- In the Capital Projects Funds, total federal, state, and local grant revenues were $22.3 million and capital expenses and labor/overhead costs were also $22.3 million, with no net assets.

- In the Congestion Management Program (CMP) Special Revenue Fund, total revenue sources were $4.5 million, an increase of $184 thousand over FY2009 mainly due to higher state and federal operating assistance grants. Total expenditures were $4.3 million reflecting $1.5 million lower expenses compared to prior year, with a net change in net assets of $235 thousand. A number of CMP projects/studies were either deferred or changed in scope due to declining revenues. CMP projects are funded only from member assessments and various federal, state, and local grants.



Financial Analysis of VTA's Funds

VTA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary funds. VTA maintains two types of proprietary funds – *Enterprise Fund* and *Internal Service Fund*.

Enterprise fund. The Enterprise Fund is used to account for activities for which a fee is charged to external users for goods or services where:

(a) the activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or

(b) laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or

(c) the pricing policies of the activity establish fees and charges designated to recover its costs, including capital costs (such as depreciation or debt service).

A Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets is included on page 2-85 of this report. For FY2010, operating revenues were $38.8 million, up $391 thousand or 1% compared to FY2009. Fares from transit services increased $673 thousand or 1.9% from prior fiscal year mainly due to fare increases introduced during the fiscal year. Total operating expenses in FY2010 were $6.5 million or 1.8% lower than FY2009. Labor costs were $389 thousand higher than the prior fiscal year. The non-labor expense categories that experienced significant variance in FY2010 include Services ($4.4 million), Casualty and Liability Insurance ($1.1 million), Purchased Transportation ($3.7 million) and Leases and Rentals ($1.3 million) and Cost Allocated to Capital and Other Programs ($5.6 million) resulting in an overall decrease in operating expenses compared to FY2009.

FY2010 net non-operating revenues were $287.0 million, $43.3 million lower compared to FY2009. Major negative changes include a decrease in the state and local operating assistance grants ($13.7 million) especially in TDA and STA programs, and investment earnings ($9.6 million) due to the reclassification of interest earnings capitalized in prior years in the Measure A Transit Improvement Fund. Federal operating assistance grant increased $25.7 million as VTA programmed a higher allocation to preventive maintenance activities and receipt of federal operating assistance under ARRA. Total sales tax revenues were $4.4 million or 1.6% higher compared to FY2009. In non-operating expenses, the capital expenses on behalf of, and contribution to, other agencies increased $39.1 million. Interest expenses increased $8.9 million mainly as a result of the reclassification of bond interest capitalized in prior years to interest expense in the Measure A Transit improvement Fund. Capital contributions from other governmental agencies were $10.4 million more in FY2010 primarily due to higher TCRP grant funding for the SVRT project.

Total FY2010 Enterprise Fund net assets were $2.8 billion, an increase of $70.6 million over the FY2009 net assets. Of the total net asset increase, $95.4 million was related to the 2000 Measure A Transit Improvement Program Fund. VTA Transit Fund's net assets declined $6.5 million in FY2010, mainly due to lower TDA and STA grant revenues. Measure B Transit Fund's net assets also decreased $18.3 million in FY2010 mainly due the reclassification of two project costs to non-operating expenses capitalized in prior years. VTA accounts for the 2000 Measure A Sales Tax Capital Program as part of its Enterprise Fund. Even though the 2000 Measure A program revenues and related capital expenses are reported as part of Enterprise Fund financial statements, they are restricted for capital programs and operating activities included in the 2000 Measure A Ballot. VTA reports total net assets by restricted and unrestricted categories to comply with various legal requirements and board designations. For FY2010, the details of net assets are reported on Statement of Fund Net Assets on pages 2-23 & 24.

Internal service fund. VTA maintains an Internal Service Fund to account for the activities related to Workers' Compensation, General Liability, and Compensated Absences programs. The cost of these activities are accounted for in this fund and then charged to other VTA funds. As of June 30, 2010, total net assets for this fund were $18.5 million, an increase of $3.1 million from prior fiscal year. Decreases in claim payments were the major factors for higher net assets. In FY2010, provisions and claims liability in both workers' compensation and general liability programs were lowered based on the actuarial valuation report. This change also contributed to higher net assets in the internal service funds.

Governmental funds. The focus of VTA's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing VTA's financing requirements. In particular, unreserved fund balance may serve as a useful measure of VTA's net resources available for spending at the end of the fiscal year. VTA maintains two governmental fund types – *Special Revenue Fund* and *Capital Project Fund*.

Special revenue fund. This fund accounts for the activities of the Congestion Management Program. The table below shows the details of changes in net assets between the current and prior fiscal year:

Comparison of
Special Revenue Fund
FY2010 and FY2009
(In thousands)

Special Revenue Fund	2010	2009	Change Favorable/(Unfavorable) Amount	Percent
Member agency assessment revenues	$ 2,495	$ 2,495	$ -	0.00%
Federal technical studies operating assistance grants	1,235	915	320	34.97%
Administrative fees	111	123	(12)	-9.76%
State and local assistance grants	619	581	38	6.54%
Federal, state and local capital grant revenues	27	14	13	92.86%
Other revenues	15	161	(146)	-90.68%
Investment earnings	12	41	(29)	-70.73%
Salaries and benefits	(3,709)	(4,894)	1,185	-24.21%
Professional services	(541)	(793)	252	-31.78%
Material and services	(8)	(17)	9	-52.94%
Miscellaneous	(9)	(24)	15	-62.50%
Capital outlay on behalf of other agencies	(12)	(45)	33	-73.33%
Change in Net Assets	235	(1,443)	1,678	116.29%
Net assets, beginning of year	52	1,495	(1,443)	
Net assets, end of year	$ 287	$ 52	$ 235	451.92%

Total fund revenues, which mainly include member assessments and grants, were $4.5 million in FY2010, $184 thousand higher than prior year. The increase was mainly due to higher federal operating assistance grants billed in FY2010 compared to FY2009. Total expenses were $4.3 million, a decrease of $1.5 million is mainly due to lower VTA labor and overhead costs, and professional services. The ending fund balance was $287 thousand.

Capital project fund. This fund accounts for VTA's two major capital programs – Congestion Management Highway Program and Measure B Highway Program. The table below shows the details of changes in net assets between the current and prior fiscal year:

Comparison of
Capital Project Funds
FY2010 and FY2009
(In thousands)

			Change Favorable/(Unfavorable)	
Capital Projects Funds	**2010**	**2009**	**Amount**	**Percent**
Federal, state, and local capital grant revenues	$ 22,287	$ 29,465	$ (7,178)	-24.36%
VTA labor and overhead costs	(2,897)	(3,112)	215	-6.91%
Capital expenditures on behalf of other agencies	(19,390)	(26,353)	6,963	-26.42%
Change in Net Assets	$ -	$ -	$ -	

As of June 30, 2010, total revenues were $22.3 million which represents the total amount expended on the projects during the fiscal year and billed to other governmental agencies. The VTA labor and overhead costs were $215 thousand lower in FY2010 due to a decrease in project activity. Equity fund balances were zero at year-end.

Capital Assets and Debt Administration

Capital assets. VTA's investment in capital assets for its business-type activity as of June 30, 2010, amounts to $2.8 billion, net of accumulated depreciation. VTA has no capital assets invested in the governmental activities. This investment in capital assets includes: Land and Right-of-Way, Buildings, Improvements, Equipment & Furniture, Vehicles, the Caltrain-Gilroy Extension, Light Rail Tracks/Electrification, Leasehold Improvements, and Other Operating Equipment. During FY2010, VTA expended $59.5 million on the acquisition and construction of capital assets.

Capital Assets
(Net of Accumulated Depreciation)
(In thousands)

	2010	2009
Land and Right-of-way	$ 1,123,321	$ 1,119,217
Construction in Progress	814,241	781,381
Buildings & Improvements Equipment & Fixtures	292,603	298,818
Vehicles	286,826	304,406
Caltrain-Gilroy Extension	40,696	42,176
Light Rail Tracks/Electrification	232,223	245,185
Other Operating Equipment	13,414	6,184
Leasehold Improvements	8,539	8,981
Total	$ 2,811,863	$ 2,806,348

Additional information on VTA's capital assets can be found in Note 6 – Capital Assets.

Long-term debt. At year-end, VTA had $616.1 million in bonds outstanding versus $625.3 million in FY2009 – a decrease of $9.3 million which represents the principal payments made on the bonds during the year.

Outstanding Debt
Proprietary Funds
(In thousands)

	2010	2009
Jr. Lien Sales Tax Revenue Bonds (1976 Tax)	$ 67,395	$ 70,105
Sr. Lien Sales Tax Revenue Bonds (1976 Tax)	178,903	184,487
Sr. Lien Sales Tax Revenue Bonds (2000 Tax)	369,775	370,750
Total	$ 616,073	$ 625,342

More information on this transaction is included in Note 7a – Long-Term Debt and Liabilities.

VTA maintains uninsured ratings of "AAA" from Standard & Poor's (S&P), "AA" rating from Fitch, and a "Aa2" rating from Moody's for its Senior Lien Sales Revenue Bonds secured by 1976 sales tax revenues.

The ratings for Sales Tax Revenue Bonds secured by the 2000 Measure A sales tax are "Aa2" from Moody's and "AA+" from S&P. The 2007 Series A Measure A bonds have underlying (insured) ratings of AA+ and Aa2 from S&P and Moody's, respectively.

Additional information on VTA's long-term debt can be found in Note 7 – Long-Term Liabilities.

Economic Conditions

In a recent report, the National Bureau of Economic Research, an independent group of economists that are charged with dating when economic downturns begin and end, reported that the economic recession ended in June 2009[1]. But the news comes amid rising fears of a double-dip recession. That makes the 18-month recession that started in December 2007 the longest and deepest downturn for the U.S. economy since the Great Depression. The basis for this decision was the length and strength of the economic recovery to date. Some economists are also calling it a jobless recovery. The national unemployment rate is around 9.6 percent almost at the same level as last year. The unemployment rate in the county averaged 11.3% in June 2010, slightly below 11.8% a year ago. During the same period, the state's unemployment rate was 12.6%, higher from 11.6% reported in the same period a year ago[2]. Contributing to this slowdown is global recession and financial meltdown which has resulted in sharp downturn in the housing industry as well as loss of manufacturing and other jobs. The Santa Clara County economy has not been immune to the economic meltdown, issues related to credit crunch, and failure of financial institutions across the country. The credit crunch has seriously impacted the housing industry as foreclosures and inventories of unsold homes hit record highs for third year in a row. The consensus economic opinion now believes that the Silicon Valley economy will go through challenging periods as venture capital money to startup companies dries up and make borrowing more difficult and expensive to meet the operating and capital needs of local high-tech firms.

The state has its own financial challenges which have and will continue to negatively impact local governments and agencies. In FY2010, California Legislature approved and the Governor signed a series of bills in an attempt to balance the state's massive budget gap. This package consisted of tax hikes, borrowing, and spending reductions that also impacted public transit agencies. In the case of transportation, the State Transit Assistance Program (STA), the only state program that directly provides funds to operate bus and rail systems in California, was not funded at all in FY2010. In VTA's case, STA program revenue loss amounted to approximately $13 million.

[1] www.cnnmoney.com, September 20, 2010.
[2] California Employment Development Department and U.S. Labor Department.

At the local level, reduced home building, home sales, auto sales and other consumer spending contributed to a slowdown in taxable sales. As a result of the economic slowdown, VTA experienced double digit percentage declines in sales tax revenues during FY2009 – its largest source of funding for operating and capital needs. The negative trend seems to be turning around, based on FY2010 sales tax receipts. The 1976 Half-Cent Sales Tax increased over the prior year by $2.4 million or 1.7% to $140 million. However TDA revenues, which are also derived from the local taxable sales tax activity base, declined $5.4 million or 7.4% in the current year compared to the prior year. VTA will continue to take steps to exercise fiscal discipline and manage this revenue shortfall through diligent cost control and enhanced operating efficiencies. Nevertheless, it is likely that VTA will continue to face ongoing challenges, including sluggish sales tax receipts, higher employee benefit and pension contribution costs, as well as the turmoil and volatility in the financial markets.

Adopted FY2010 and FY2011 Biennial Budget

In June 2009, VTA Board of Directors adopted a biennial budget for Fiscal Years 2010 and 2011. Overall, the adopted biennial budget represents a balanced approach by asking riders and employees to share the burden of bridging the funding gap in these difficult economic times while attempting to avoid more drastic solutions like widespread service cuts or layoffs. In addition, the adopted budget included drawing of operating reserves to balance the operating budget.

Requests for Information

Please address all questions or requests for additional information to the Fiscal Resources Division, Attention: Chief Financial Officer, Santa Clara Valley Transportation Authority, 3331 North First Street Building C, Second Floor, San Jose, CA 95134-1927.

BASIC FINANCIAL STATEMENTS

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Net Assets
June 30, 2010
(In thousands)

	Business-Type Activity	Governmental Activity	Total
ASSETS			
Cash and investments	$ 71,895	$ 949	$ 72,844
Receivables, net	3,526	-	3,526
Internal balances	(1,080)	1,080	-
Due from other governmental agencies	73,395	367	73,762
Inventories	20,818	-	20,818
Other current assets	1,308	-	1,308
Restricted assets:			
Cash and investments	527,679	17,548	545,227
Receivables, net	1,003	-	1,003
Due from other governmental agencies	52,347	4,970	57,317
Other current assets	33	-	33
Long-term assets:			
OPEB obligation over-contributions	837	-	837
Deferred charges	11,767	-	11,767
Deferred outflow of resources	71,490	-	71,490
Capital assets - nondepreciable	1,937,562	-	1,937,562
Capital assets - depreciable, net of accumulated depreciation	874,301	-	874,301
Total assets	**3,646,881**	**24,914**	**3,671,795**
LIABILITIES			
Accounts payable and accrued expenses	16,046	67	16,113
Deposits	481	-	481
Accrued payroll and related liabilities	10,033	-	10,033
Due to fiduciary funds	-	7	7
Bond interest and other fee payable	763	-	763
Deferred revenues	2,116	-	2,116
Other accrued expenses	133	-	133
Due to other governmental agencies	1,669	962	2,631
Liabilities payable from restricted assets:			
Accounts payable and accrued expenses	19,093	3,099	22,192
Bond interest and other fee payable	3,665	-	3,665
Deferred revenues	27	-	27
Due to other government agencies	43,060	20,492	63,552
Long-term liabilities:			
Derivative instruments	71,490	-	71,490
Due within one year	24,985	-	24,985
Due in more than one year	640,166	-	640,166
Total liabilities	**833,727**	**24,627**	**858,354**
NET ASSETS			
Invested in capital assets, net of related debt	2,195,790	-	2,195,790
Restricted:			
Measure A bonds debt service	3,885	-	3,885
Measure A fund SWAP/lease collateral	87,277	-	87,277
Retention	3,874	-	3,874
2000 Measure A projects	279,323	-	279,323
1996 Measure B projects	390	-	390
Inventory, prepaid expenses, and issuance cost	34,387	-	34,387
Unrestricted:			
Debt service	13,049	-	13,049
Local share of capital projects	44,729	-	44,729
Debt reduction	53,170	-	53,170
SWAP/lease collateral	26,911	-	26,911
Operating reserve	51,857	-	51,857
Workers' compensation and liability claims	18,512	-	18,512
Special revenue fund	-	287	287
Total net assets	**$ 2,813,154**	**$ 287**	**$ 2,813,441**

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Statement of Activities

For the Year Ended June 30, 2010

(In thousands)

	Business-Type Activity	Governmental Activity	Total
Expenses:			
Operations, support services, and CMP program	$ 338,771	$ 7,164	$ 345,935
Caltrain subsidy & capital expenditures on behalf of, and contribution to other agencies	97,592	-	97,592
Altamont Commuter Express subsidy	2,707	-	2,707
Interest expense	20,583	-	20,583
Other non-operating expenses	7,268	-	7,268
Claims and change in future claim estimates	7,693	-	7,693
Capital outlay on behalf of other agencies	-	19,402	19,402
Total expenses	474,614	26,566	501,180
Program revenues:			
Charges for services	38,830	2,606	41,436
Operating grants	126,934	1,854	128,788
Capital grants	92,594	22,314	114,908
Total program revenues	258,358	26,774	285,132
Net program revenues (expenses)	(216,256)	208	(216,048)
General revenues:			
Sales tax revenue	279,342	-	279,342
Investment income	7,352	12	7,364
Other income	3,241	15	3,256
Total general revenues	289,935	27	289,962
Change in net assets	73,679	235	73,914
Net assets beginning of year	2,739,475	52	2,739,527
Net assets, end of year	$ 2,813,154	$ 287	$ 2,813,441

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fund Net Assets
Proprietary Funds
June 30, 2010
(In thousands)

	Enterprise Funds				
	VTA Transit Fund	Measure B Transit Fund	Measure A Transit Fund	Total Enterprise Fund	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	$ 510	$ -	$ -	$ 510	$ 1,227
Investments	3,847	-	-	3,847	66,311
Receivables, net	3,526	-	-	3,526	-
Due from other funds	1,529	-	-	1,529	-
Due from other governmental agencies	73,395	-	-	73,395	-
Inventories	20,818	-	-	20,818	-
Other current assets	1,308	-	-	1,308	-
Restricted assets:					
Cash and cash equivalents	-	6,688	19	6,707	-
Cash and cash equivalents with fiscal agent	13,049	-	7,759	20,808	-
Investments	140,562	-	359,602	500,164	-
Receivables	-	-	1,003	1,003	-
Due from other governmental agencies	-	-	52,347	52,347	-
Other current assets	-	-	33	33	-
TOTAL CURRENT ASSETS	258,544	6,688	420,763	685,995	67,538
Noncurrent assets:					
OPEB obligation over-contributions	837	-	-	837	-
Deferred charges	1,638	-	10,129	11,767	-
Deferred outflow of resources	16,529	-	54,961	71,490	-
Capital assets - Non-depreciable:					
Land and right of way	1,123,321	-	-	1,123,321	-
Construction in progress	61,959	684	751,598	814,241	-
Capital assets - Depreciable:					
Caltrain - Gilroy extension	53,307	-	-	53,307	-
Buildings, improvements, furniture, and fixtures	495,436	-	-	495,436	-
Vehicles	435,652	-	-	435,652	-
Light-rail tracks and electrification	402,622	-	-	402,622	-
Leasehold Improvements	9,686	-	-	9,686	-
Other	42,610	-	-	42,610	-
Less accumulated depreciation	(565,012)	-	-	(565,012)	-
Net capital assets	2,059,581	684	751,598	2,811,863	-
TOTAL NONCURRENT ASSETS	2,078,585	684	816,688	2,895,957	-
TOTAL ASSETS	2,337,129	7,372	1,237,451	3,581,952	67,538

(continued on next page)

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fund Net Assets (*continued*)
Proprietary Funds
June 30, 2010
(In thousands)

	Enterprise Funds				
	VTA Transit Fund	Measure B Transit Fund	Measure A Transit Fund	Total Enterprise Funds	Internal Service Fund
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	15,755	-	-	15,755	291
Deposits	481	-	-	481	-
Accrued payroll and related liabilities	10,033	-	-	10,033	-
Bond interest and other fee payable	763	-	-	763	-
Deferred revenues	2,116	-	-	2,116	-
Due to other governmental agencies	1,669	-	-	1,669	-
Other accrued expenses	133	-	-	133	-
Claims liability	-	-	-	-	7,298
Compensated absences					5,887
Liabilities payable from restricted assets:					
Current portion of long-term debt (Note 7)	9,370	-	2,430	11,800	-
Accounts payable and accrued expenses	37	9	19,047	19,093	-
Bond interest and other fee payable	-	-	3,665	3,665	-
Deferred revenues	-	-	27	27	-
Due to other funds	-	3	2,606	2,609	-
Due to other governmental agencies	15,715	6,286	21,059	43,060	-
TOTAL CURRENT LIABILITIES	56,072	6,298	48,834	111,204	13,476
Non-current liabilities:					
Long-term debt, excluding current portion (Note 7)	236,928	-	367,345	604,273	-
Derivative instruments	16,529	-	54,961	71,490	-
Claims liability	-	-	-	-	19,311
Compensated absences	-	-	-	-	16,239
Other accrued expenses	343	-	-	343	-
TOTAL NON-CURRENT LIABILITIES	253,800	-	422,306	676,106	35,550
TOTAL LIABILITIES	309,872	6,298	471,140	787,310	49,026
NET ASSETS					
Invested in capital assets, net of related debt	1,813,283	684	381,823	2,195,790	-
Restricted:					
Debt service	-	-	3,885	3,885	-
Measure A fund SWAP/lease collateral	-	-	87,277	87,277	-
Retention	-	-	3,874	3,874	-
2000 Measure A projects	-	-	279,323	279,323	-
1996 Measure B projects	-	390	-	390	-
Inventory, prepaid expenses, and issuance cost	24,258	-	10,129	34,387	-
Unrestricted:					
Transit bonds debt service	13,049	-	-	13,049	-
Local share of capital projects	44,729	-	-	44,729	-
Debt reduction	53,170	-	-	53,170	-
VTA transit SWAP/lease collateral	26,911	-	-	26,911	-
Operating reserve	51,857	-	-	51,857	-
Workers' compensation and liability claims	-	-	-	-	18,512
TOTAL NET ASSETS	$ 2,027,257	$ 1,074	$ 766,311	$ 2,794,642	$ 18,512

Reconciliation of the Statement of Net Assets to the Statement of Fund Net Assets:

Net Assets of Enterprise Fund	$ 2,794,642
Net Assets of Internal Service Fund, which benefits Business-type Activity	18,512
Net Assets (page 2-21)	$ 2,813,154

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010
(In thousands)

	Enterprise Funds				
	VTA Transit Fund	Measure B Transit Fund	Measure A Transit Fund	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUE:					
Passenger fares	$ 36,857	$ -	$ -	$ 36,857	$ -
Advertising and other	1,973	-	-	1,973	-
Charges for services	-	-	-	-	11,638
Total Operating Revenues	38,830	-	-	38,830	11,638
OPERATING EXPENSE:					
Labor cost	246,539	-	-	246,539	-
Materials and supplies	26,216	-	-	26,216	-
Services	18,345	-	-	18,345	-
Utilities	6,718	-	-	6,718	-
Casualty and liability	4,689	-	-	4,689	-
Purchased transportation	24,245	-	-	24,245	-
Leases and rentals	2,217	-	-	2,217	-
Miscellaneous	1,461	-	-	1,461	2,590
Depreciation expense	51,378	-	-	51,378	-
Costs allocated to capital and other programs	(33,989)	-	-	(33,989)	-
Claims and change in future claims estimates	-	-	-	-	7,693
Total Operating Expense	347,819	-	-	347,819	10,283
Operating Income/(Loss)	(308,989)	-	-	(308,989)	1,355
NON-OPERATING REVENUES (EXPENSES):					
Sales tax revenue	140,037	-	139,305	279,342	-
Measure A operating assistance	25,711	-	(25,711)	-	-
Federal operating assistance and other grants	59,101	-	-	59,101	-
State and local operating assistance grants	67,833	-	-	67,833	-
Caltrain subsidy	(15,878)	-	-	(15,878)	-
Capital expenditure on behalf of, and contribution to other agencies	(2,675)	(14,839)	(64,200)	(81,714)	-
Altamont Commuter Express subsidy	(2,707)	-	-	(2,707)	-
Investment earnings	4,519	-	1,245	5,764	1,588
Interest expense	(7,025)	-	(13,558)	(20,583)	-
Measure A repayment obligations	11,275	-	(11,275)	-	-
Other income	2,689	-	386	3,075	166
Other expense	(4,560)	-	(2,708)	(7,268)	-
Non-operating revenues, net	278,320	(14,839)	23,484	286,965	1,754
Income(loss) before capital contributions	(30,669)	(14,839)	23,484	(22,024)	3,109
CAPITAL CONTRIBUTIONS	16,104	3,622	72,868	92,594	-
Change in net assets	(14,565)	(11,217)	96,352	70,570	3,109
Net assets, beginning of year	2,033,765	19,384	670,923	2,724,072	15,403
Equity Transfers[1]	8,057	(7,093)	(964)	-	-
Net assets, end of year	$ 2,027,257	$ 1,074	$ 766,311	$ 2,794,642	$ 18,512

Reconciliation of the Statement of Revenues, Expenses & Changes in Fund Net Assets to the Statement of Activities:

Change in net assets of the Enterprise Fund	$ 70,570
Change in net assets of the Internal Service Fund, which benefits Business-type Activity	3,109
Change in net assets of the Business-type Activity (page 2-22)	$ 73,679

[1]Note 2 (k)

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010
(In thousands)

	VTA Transit Fund	Measure B Transit Fund	Measure A Transit Fund	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from passenger fares	$ 36,857	$ -	$ -	$ 36,857	$ -
Cash received from advertising	1,973	-	-	1,973	-
Cash paid to employees	(212,509)	-	-	(212,509)	-
Cash paid to suppliers	(53,698)	-	-	(53,698)	-
Cash paid for purchased transportation	(24,245)	-	-	(24,245)	-
Cash received from contributions	-	-	-	-	11,638
Payments made to beneficiaries	-	-	-	-	(6,286)
Payments made to third party contractors	-	-	-	-	(2,590)
Net cash provided by/(used in) operating activities	(251,622)	-	-	(251,622)	2,762
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants received	125,894	-	-	125,894	-
Sales tax received	133,891	-	133,248	267,139	-
Measure A operating assistance	25,711	-	(25,711)	-	-
Measure A repayment obligations	11,275	-	(11,275)	-	-
Caltrain subsidy	(15,878)	-	-	(15,878)	-
Altamont Commuter Express subsidy	(2,707)	-	-	(2,707)	-
Other non-operating receipts/(payments)	4,161	(956)	(728)	2,477	-
Net cash provided by/(used in) non-capital financing activities	282,347	(956)	95,534	376,925	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Payment of long-term debt	(9,180)	-	-	(9,180)	-
Advance (to)/from other governments	11,583	-	2,627	14,210	-
Interest and other fees paid on long-term debt	(9,396)	-	(3,058)	(12,454)	-
Acquisition and construction of capital assets	(29,591)	(14,839)	(47,954)	(92,384)	-
Capital contributions to other agencies	(3,991)	-	(64,199)	(68,190)	-
Capital contribution from other governments	16,104	11,217	72,868	100,189	-
Net cash used in capital and related financing activities	(24,471)	(3,622)	(39,716)	(67,809)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments	248,846	-	436,365	685,211	-
Purchases in investments	(263,434)	-	(492,931)	(756,365)	(3,123)
Interest income received	2,809	-	1,545	4,354	1,588
Net cash provided by/(used in) investment activities	(11,779)	-	(55,021)	(66,800)	(1,535)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(5,525)	(4,578)	797	(9,306)	1,227
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,084	11,266	6,981	37,331	-
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 13,559	$ 6,688	$ 7,778	$ 28,025	$ 1,227
Reconciliation to Statement of Fund Net Assets:					
Unrestricted:					
Cash and cash equivalents	$ 510	$ -	$ -	$ 510	$ 1,227
Restricted					
Cash and cash equivalents	-	6,688	19	6,707	-
Cash and cash equivalents with fiscal agent	13,049	-	7,759	20,808	-
	$ 13,559	$ 6,688	$ 7,778	$ 28,025	$ 1,227

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Cash Flows *(Continued)*
Proprietary Funds
For the Year Ended June 30, 2010
(In thousands)

	VTA Transit Fund	Measure B Transit Fund	Measure A Transit Fund	Total Enterprise Funds	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:					
Operating income/(loss)	$ (308,989)	$ -	$ -	$ (308,989)	$ 2,762
Adjustments to reconcile operating income (loss) to net cash used in operating activities:					
Depreciation	51,378	-	-	51,378	-
Changes in operating assets and liabilities:					
Receivables	1,155	-	-	1,155	-
Due from other funds	(1,003)	-	-	(1,003)	-
Inventories	340	-	-	340	-
Accounts payable	2,709	-	-	2,709	-
Other accrued liabilities	133	-	-	133	-
Other current assets	(3)	-	-	(3)	-
Due to other governmental agencies	2,658	-	-	2,658	-
Net cash provided by/(used in) operating activities	$ (251,622)	$ -	$ -	$ (251,622)	$ 2,762
Reconciliation of cash and cash equivalents to the Statement of Fund Net Assets:					
Cash and cash equivalents, end of year:					
Unrestricted	$ 510	$ -	$ -	$ 510	$ 1,227
Restricted	13,049	6,688	7,778	27,515	-
	$ 13,559	$ 6,688	$ 7,778	$ 28,025	$ 1,227
NONCASH ACTIVITIES:					
Increase/(Decrease) in fair value of investments	$ 819	$ -	$ 2,496	$ 3,315	$ -
Amortization expense of Caltrain Access Fee	-	-	(1,314)	(1,314)	-
Change in estimates for provision of Worker's compensation, general liability, and Compensated absences claims	-	-	-	-	(1,407)
Total non-cash activities	$ 819	$ -	$ 1,182	$ 2,001	$ (1,407)

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Balance Sheet
Governmental Funds
June 30, 2010
(In thousands)

	Special Revenue Fund	Capital Projects Funds		
	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total
ASSETS				
Cash and cash equivalents	$ 949	$ -	$ -	$ 949
Due from other funds	-	1,411	-	1,411
Due from other governmental agencies	367	-	-	367
Restricted assets:				
Cash and cash equivalents	-	14,929	2,607	17,536
Investments	-	12	-	12
Due from other governmental agencies	-	4,970	-	4,970
TOTAL ASSETS	$ 1,316	$ 21,322	$ 2,607	$ 25,245
LIABILITIES				
Accounts payable	$ 67	$ -	$ -	$ 67
Due to other government agencies	962	-	-	962
Liabilities payable from restricted assets:				
Accounts payable	-	2,866	233	3,099
Due to other funds	-	301	37	338
Due to other governmental agencies	-	18,155	2,337	20,492
TOTAL LIABILITIES	1,029	21,322	2,607	24,958
FUND BALANCES				
Unreserved, reported in special revenue fund	287	-	-	287
TOTAL LIABILITIES AND FUND BALANCES	$ 1,316	$ 21,322	$ 2,607	$ 25,245

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010
(In thousands)

	Special Revenue Fund	Capital Projects Funds		
	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total
REVENUES:				
Member agency assessment revenue	$ 2,495	$ -	$ -	$ 2,495
Federal technical studies operating assistance grants	1,235	-	-	1,235
Administrative fees	111	-	-	111
State and local assistance grants	619	-	-	619
Federal, state and local capital grant revenues	27	19,875	2,412	22,314
Other revenues	15	-	-	15
Investment earnings	12	-	-	12
TOTAL REVENUES	4,514	19,875	2,412	26,801
EXPENDITURES:				
Congestion management:				
VTA labor and overhead costs	3,709	2,897	-	6,606
Professional services	541	-	-	541
Material and services	8	-	-	8
Miscellaneous	9	-	-	9
Capital expenditures on behalf of other agencies	12	16,978	2,412	19,402
TOTAL EXPENDITURES	4,279	19,875	2,412	26,566
CHANGE IN FUND BALANCES	235	-	-	235
FUND BALANCES, BEGINNING OF YEAR	52	-	-	52
FUND BALANCES, END OF YEAR	$ 287	$ -	$ -	$ 287

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010
(In thousands)

	Retiree Trust Funds	Agency Funds
ASSETS		
Restricted assets:		
Cash and Cash Equivalents	$ 789	$ 2,398
Investments	447,381	3,052
Receivables	1,623	-
Due from other funds	-	7
TOTAL ASSETS	449,793	$ 5,457
LIABILITIES		
Liabilities payable from restricted assets:		
Accounts payable	777	$ -
Program payable	-	5,457
TOTAL LIABILITIES	777	$ 5,457
NET ASSETS		
Net assets held in trust for:		
ATU Pension benefits	317,394	
Retiree medical benefits	119,687	
ATU Retiree spousal medical benefits	7,578	
ATU Retiree dental and vision benefits	4,357	
TOTAL NET ASSETS	$ 449,016	

See Accompanying Notes to Basic Financial Statements

SANTA CLARA VALLEY TRANSPORTATION AGENCY

Statement of Changes in Fiduciary Net Assets

Retiree Trust Funds

For the Year Ended June 30, 2010

(In thousands)

	Retiree Trust Fund
ADDITIONS	
Employer Contributions	$ 33,353
Investment earnings:	
Investment income	15,622
Net appreciation in the fair value of investments	38,826
Investment expense	(1,450)
Net investment income	52,998
TOTAL ADDITIONS	86,351
DEDUCTIONS	
Benefit payments	30,722
Administrative expenses	209
TOTAL DEDUCTIONS	30,931
NET INCREASE	55,420
NET ASSETS HELD IN TRUST	
Beginning of year	393,596
End of year	$ 449,016

See Accompanying Notes to Basic Financial Statements

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 – THE FINANCIAL REPORTING ENTITY

Santa Clara Valley Transportation Authority (VTA), which was established in 1972, develops, maintains, and operates a public mass transit system for the benefit of the residents of the County of Santa Clara (County), California (State). VTA's governing board consists of two members of the County Board of Supervisors, five City Council members from the City of San Jose, and five City Council members selected from among the remaining incorporated cities in the County.

The accompanying basic financial statements also include the financial activities of the Santa Clara Valley Transportation Authority Amalgamated Transit Union (ATU) Pension Plan and the Other Postemployment Benefit Plan (the Plans) in the Trust Funds. The financial activities of the Plans are included in the basic financial statements because they exclusively serve the employees of VTA. Due to the fact that the Plans are fiscally dependent on VTA, they are considered trust funds by VTA.

The Santa Clara Valley Transportation Authority Congestion Management Program (CMP) was created in 1990 in response to Proposition 111. The CMP is not legally separate from VTA. The CMP is responsible for the development and implementation of the Valley Transportation Plan (VTP), the long-range transportation and land use plan for the County, and for preparing and implementing the state-mandated Congestion Management Program. It is also responsible for the programming and oversight of discretionary federal, state and local funds, and for serving as the program manager for certain countywide grant funds, including the Transportation Fund for Clean Air (TFCA) and 1996 Measure B Transportation Improvement Program's (MBTIP) Ancillary Program. Annual contributions from 17 member agencies are based on a formula adopted by the VTA's Board of Directors. The contribution formula considers each member agency's share of Proposition 111, state gas tax monies, as well as employment within the County. The CMP is included as a major governmental fund in the accompanying basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about VTA as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *business-type* and *governmental activities* of VTA. Business-type activities, which normally rely to a significant extent on fees charged to external parties, are reported separately from governmental activities, which normally are supported by taxes and inter-governmental revenues.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type and governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about VTA's funds, including fiduciary funds. Separate statements for each fund category – *proprietary, governmental,* and *fiduciary* – are presented. The emphasis of fund financial statements is on the major governmental and the enterprise funds, each displayed in separate columns.

VTA reports the following major funds:

- The *Proprietary Fund (Enterprise Fund)* is used to account for activities for which a fee is charged to external users for goods or services where:
  (a) the activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or
  (b) laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues;
  (c) the pricing policies of the activity establish fees and charges designated to recover its costs, including capital costs (such as depreciation or debt service).

VTA reports the activities of its transit operations, 1996 Measure B Transit Improvement Program, and 2000 Measure A Transit Improvement Program as major funds in the Enterprise Fund.

- The *Governmental Funds* are used to account for VTA's general governmental activities where the proceeds of specific revenue sources are legally restricted to expenditures for specific purposes and for the acquisition of capital assets or construction of major capital projects (other than those financed by the Enterprise Fund).

- The *Congestion Management Program Special Revenue Fund* is used to account for the congestion management planning, programming, and development services for Santa Clara County.

- The *Congestion Management and Highway Program Capital Projects Fund* is used to account for the acquisition of capital assets and construction of highway projects administered on behalf of State and other local governments (other than those accounted for in the Measure B Highway Program Capital Projects Fund).

- The *Measure B Highway Program Capital Projects Fund* is used to account for acquisition of capital assets or construction of Measure B Highway projects.

VTA reports the following additional funds:

- The *Proprietary Fund (Internal Service Fund)* is used to account for activities that provide goods or services to other funds, departments or to other governments, on a cost-reimbursement basis. General Liability, Workers' Compensation, and Compensated Absences are accounted for in the Internal Service Fund.

- The *Fiduciary Funds* are used to account for assets held by VTA as a trustee or as an agent for others and which assets cannot be used to support its own programs. VTA's trust and agency funds include the VTA/ATU Pension Plan, Retirees' Other Post Employment Benefits Trust (OPEB Trust), ATU Spousal Medical and Retiree Dental Vision Fund, the Bay Area Air Quality Management District (BAAQMD) Program, and the Measure B Ancillary Program. The VTA/ATU Pension Plan, OPEB Trust, and the ATU Medical and Retiree Dental Vision Fund are reported as Retiree Trust Funds. The BAAQMD and the Measure B Ancillary Programs are reported as agency funds. The BAAQMD agency fund accounts for the activities that relate to the Transportation Fund for Clean Air (TFCA) Program. The Measure B Ancillary Program agency fund was established to administer the 1996 Measure B funds.

(b) Basis of Accounting

The government-wide, Business-type funds, and fiduciary funds including agency funds financial statements are reported using the accrual basis of accounting and the economic resources exchange measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which VTA gives (or receives) value without directly receiving (or giving) equal value in exchange, include sales tax and grants. Revenues from sales tax are recognized when the underlying transactions take place. Therefore, recorded sales taxes include an accrual for amounts collected by the State Board of Equalization but not remitted to VTA at the end of the fiscal year. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements for the purchase of right-of-way are considered met once the acquisition has settled. Fiduciary funds, including all agency funds, are also reported using accrual basis of accounting and the economic resources exchange measurement focus.

VTA's operating revenues are generated directly from its transit operations and consist principally of passenger fares. Operating expenses for the transit operations include all costs related to providing transit services. These costs include labor, fringe benefits, materials, supplies, services, utilities, leases and rentals, purchased transportation, and depreciation on capital assets. All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Interest, certain state and federal grants, and charges for services are accrued if their receipt occurs within 180 days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

VTA has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP) for governmental units. VTA has elected not to follow subsequent private-sector guidance of FASB after November 30, 1989.

(c) Cash and Investments

VTA contracts with money management firms to manage most of its investment portfolio. VTA's investment program manager has oversight responsibility for investments managed by these firms. The securities are held by a third-party custodial bank. Purchases and sales of securities are reflected on the trade date. Investment income is recognized as earned.

The remaining cash balances in certain VTA funds are invested in the Local Agency Investment Fund (LAIF). Unless there are specific legal or contractual requirements for specific allocations, income earned or losses arising from investments are allocated on a monthly basis to the appropriate fund(s) based on their average daily balances.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments, which are readily convertible to known amounts of cash. Restricted and unrestricted cash and cash equivalents and cash and investments with fiscal agents are considered to be cash and cash equivalents for purposes of the accompanying statement of cash flows. Access to cash and investments with fiscal agents is similar to that of a demand deposit account and, therefore, investments are considered to be cash equivalents.

VTA has reported its investments at fair value based on quoted market information, from its fiscal agent for actively managed accounts and from management firms for commingled accounts.

The fair value of VTA's investments commingled in LAIF state pool is based on VTA's cash positions in the commingled accounts as of the end of the fiscal year.

(d) Inventories

Inventories are stated at the lower of average cost/market and are charged to expense at the time individual items are withdrawn from inventory (consumption method). Inventory consists primarily of parts and supplies relating to transportation vehicles and facilities.

(e) Restricted Assets

Restricted assets consist of monies and other resources, the use of which is legally restricted for capital and operating, as well as Measure A debt service and Measure A funds swap/lease collateral.

(f) Bond Issuance Costs, Discounts, Premiums and Deferred Amount on Refundings

Bond issuance costs, discounts, premiums and deferred amount on refundings for the government-wide statement of net assets and the enterprise funds are deferred and amortized over the term of the bonds using a method that approximates the interest method. Government-wide statement and enterprise fund bond discounts and deferred amount on refundings are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as a deferred cost (asset).

(g) Capital Assets

It is VTA's policy that assets with a value of $5,000 or more, and a useful life beyond one year are capitalized, and included in the capital asset accounting system and depreciated accordingly. Property, facilities, and equipment are stated at historical cost. Normal maintenance and repairs costs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related assets.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Asset being Depreciated	Useful Life
Buildings, improvements, furniture and fixtures	5 to 50 years
Vehicles (excluding light-rail vehicles)	5 to 12 years
Light-rail tracks, electrification and light-rail vehicles	25 to 45 years
Leasehold improvements	10 to 35 years
Other operating equipment	5 to 10 years

Depreciation on such assets is included in the accompanying statement of activities and statement of revenues, expenses, and changes in fund net assets.

Interest is capitalized on construction in progress. Accordingly, interest capitalized is the total interest cost from the date of the borrowing until the specified asset is ready for its intended use. In the current year, VTA capitalized total interest expense of $14.0 million relating to the Measure A Transit Improvement Projects.

(h) Vacation and Sick Leave Benefits

It is the policy of VTA to permit employees to accumulate unused vacation and sick leave benefits up to the limit designated in the various collective bargaining agreements. As vacation and sick leave are used during the year, they are reported as expenses. Additionally, there is an amount charged each month to accrue the estimated increase in unused vacation and sick leave. The balance reflecting the year-end value of unused vacation and sick leave is reported in the Internal Service Fund.

(i) Self-Insurance

VTA is self-insured for general liability and workers' compensation claims. Estimated losses on claims other than workers' compensation claims are charged to expense in the period the loss is determinable. Estimated losses for workers' compensation claims are charged to expense as a percentage of labor in each accounting period. The costs incurred for workers' compensation and general liability (including estimates for claims incurred but not yet reported) are reported in the Internal Service Fund based on an actuarial determination of the present value of estimated future cash payments (see Notes 14 and 16).

(j) Net Assets

The government-wide and enterprise fund financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and designated.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt (including deferred bond issuance costs) that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category consists of Measure A bond service reserve, Measure A SWAP/lease, and net assets restricted for Measure B Transit and 2000 Measure A capital programs, and carrying balances of inventory, retention payable, prepaid expenses, and unamortized bond issuance cost.
- *Unrestricted Net Assets* – The remaining unrestricted net assets, although not legally restricted, have been earmarked for future capital and operating needs, as well as for other purposes in accordance with Board directives.

The Statement of Fund Net Assets on pages 2-23 & 24 reports that enterprise fund net assets amount to $2.8 billion as of June 30, 2010, of which $766 million is restricted by enabling legislation for the 2000 Measure A Sales Tax Programs. The 2000 Measure A half-cent sales tax was approved by Santa Clara County voters to fund certain transportation related projects.

(k) Equity Transfers

Equity transfers among three major enterprise funds represent the transfer of completed capital project costs from Measure A Transit and Measure B Transit fund to VTA Transit Fund so that the capital cost can be capitalized as fixed assets. The capital costs are transferred when the acquired or constructed assets are put into revenue service and their depreciation costs are recorded on VTA's Transit Fund. During FY2010, $1.0 million and $7.1million of capital costs were transferred from Measure A Transit Fund and Measure B Transit Fund, respectively, to VTA Transit Fund.

(l) Cost Allocated to Capital and Other Programs

On the Statement of Revenues, Expenses and Changes in Net Assets, the VTA Transit Fund reports $34.0 million as costs allocated to capital and other programs. This amount represents a credit for direct and indirect labor and associated fringe benefits, reproduction and mileage costs, and other costs that were capitalized as construction in progress.

(m) Estimates

VTA's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenues, expenses, expenditures and the disclosure of contingent liabilities to prepare the basic financial statements in conformity with GAAP. Actual results could differ from those estimates.

(n) GASB Pronouncements

In FY2010, VTA implemented the GASB Statement 53, *"Accounting and Financial Reporting for Derivative Investments".* The Statement requires VTA to record the fair value of their interest rate swaps in the financial statements. Please see Note 7(e) for a summary of the fair values of those swaps as of June 30, 2010. GASB Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets"*, which is also required to be implemented in FY2010, has no impact on VTA's financial statements.

VTA will implement GASB Statement 54, *"Fund Balance Reporting and Governmental Fund Type Definition*" in financial statements for fiscal year ending June 30, 2011.

NOTE 3 - CASH AND INVESTMENTS

Total cash and investments as of June 30, 2010, are reported in the accompanying basic financial statements as follows (in thousands):

Cash and Cash Equivalents	Enterprise Fund	Internal Service Fund	Governmental Fund	Retiree Trust Funds	Agency Funds	Total
Unrestricted:						
Cash and Cash Equivalents	$ 510	$ 1,227	$ 949	$ -	$ -	$ 2,686
Investments	3,847	66,311	-	-	-	70,158
Total unrestricted	4,357	67,538	949	-	-	72,844
Restricted:						
Cash and Cash Equivalents	6,707	-	17,536	789	2,398	27,430
Cash and Cash Equivalents with Fiscal Agents	20,808	-	-	-	-	20,808
Investments	500,164	-	12	447,381	3,052	950,609
Total restricted	527,679	-	17,548	448,170	5,450	998,847
Total Cash and Investments	$ 532,036	$ 67,538	$ 18,497	$ 448,170	$ 5,450	$ 1,071,691

As of June 30, 2010, total cash and investments among all funds consisted of the following (in thousands):

Cash and Cash Equivalents	$ 30,116
Cash and Cash Equivalents with Fiscal Agents	20,808
Investments	1,020,767
Total	$ 1,071,691

Cash and Cash Equivalents

VTA maintains checking accounts for its operations, the Congestion Management and Highway Programs (CM&HP) and the Measure B Transportation Improvement Program (Measure B account). These checking accounts earn interest based on the bank's monthly sweep average repurchase agreement rate. At June 30, 2010, the carrying amounts of these cash balances are shown below (in thousands):

Operations Account	$ 5,892
CM&HP Account	14,929
Measure B Account	9,295
Total Deposits	$ 30,116

Investments

Government code requires that the primary objective of the trustee is to safeguard the principal, secondarily meet the liquidity needs of the depositors, and then achieve a reasonable return on the funds under the trustee's control. Further, the intent of the government code is to minimize risk of loss on held investments from:

1. Interest rate risk
2. Credit risk
3. Custodial credit risk
4. Concentration of credit risk

Specific restrictions of investment are noted below:

VTA's investment policies (Unrestricted/Restricted Funds and ATU Pension Plan) conform to state statutes, and provide written investment guidance regarding the types of investments that may be made and amounts, which may be invested in any one financial institution or amounts which may be invested in any one long-term instrument. VTA's permissible investments include U.S. treasury obligations, obligations of federal agencies and U.S. government sponsored enterprises, state of California obligations, local agency obligations, bonds issued by VTA, bankers' acceptances, commercial paper, repurchase and reverse repurchase agreements, medium-term corporate notes, insured savings/money market accounts, negotiable certificates of deposit, mortgage and asset-back obligations, mutual funds, state of California's local agency agreements, and qualified structured investment. The ATU pension plan's asset allocation includes investments in bonds, equity securities, and cash.

The Local Investment Advisory Board has oversight responsibility for Local Agency Investment Fund (LAIF). The Board consists of five members as designated by the state statute. The value of the pooled shares in the LAIF that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of VTA's position in the pool.

VTA's portfolio includes asset-backed securities, which are invested directly by VTA and structured notes which are invested indirectly through LAIF. At June 30, 2010, investment in LAIF is $35.4 million. LAIF is voluntarily commingled within the state of California Pooled Money Investment Account (PMIA), whose balance at June 30, 2010 was approximately $69.4 billion. If cash reserves of the state of California are exhausted, then the participation by the State's General Fund in the PMIA is zero. There is no correlation between the state's general fund cash reserves and VTA's funds on deposit in the LAIF. None of this amount was invested in derivative instruments. PMIA is not a Securities and Exchange Commission (SEC) registered pool, but it is required to invest in accordance with the guidelines established by the California Government Code. The weighted-average to maturity of the investments in PMIA at June 30, 2010 was 203 days. The value of the pool shares in investment earnings are paid quarterly based on the average daily balance. Withdrawals from LAIF are completed on a dollar for dollar basis.

<u>Interest rate risk</u> – Interest rate risk is the risk that changes in market interest rates and may adversely affect the fair value of an investment. Normally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Of VTA's (Operation Funds and Plan Trust Funds) $1,020.7 million in investments, over 41% of the investments have a maturity of less than 1 year. Of the remainder, only 8% have a maturity of more than 10 years. Per VTA's investment policy, long-term securities of more than five years are limited to 40% of the portfolio.

<u>Credit risk</u> – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Per its investment policy, VTA is permitted to hold investments in commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. Negotiable certificates of deposit are restricted to those

rated B or better by the Thompson Bankwatch Rating, Inc. rating service. Purchases of mortgage and asset-back obligations do not exceed 20% of VTA's portfolio. In addition, VTA is permitted to invest in the state's Local Agency Investment Fund, money market and mutual funds that are non-rated. Table on page 2-43 shows the credit quality of VTA's investments as of June 30, 2010.

Custodial Credit Risk - Deposits - For deposits, custodial credit risk is the risk that in the event of a bank failure, VTA's deposits may not be returned to it. California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of VTA's cash on deposit or first trust deed mortgage notes with a value of 150 percent of the deposit as collateral for these deposits. Under California Law this collateral is held in VTA's name and places VTA ahead of general creditors of the institutions. At June 30, 2010, VTA deposits were collateralized by securities held by the financial institutions, but not in VTA's name.

Custodial Credit Risk – Investments – The custodial credit risk for investments is the risk that that, in the event of a failure of the counterparty (e.g. broker-dealer) to a transaction, VTA may not be able to recover the value of its investments or collateral securities that are in the possession of another party. VTA's Investment Policy limit its exposure to custodial credit risk by requiring that all securities owned by VTA are kept in safekeeping with "perfected interest" in the name of VTA by a third-party bank trust department, acting as agent for VTA under the terms of a custody agreement executed between the bank and VTA. As of June 30, 2010, VTA did not participate in reverse securities lending that would result in any possible risk in this area.

Concentration of Credit Risk - Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on VTA. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement, as they are normally diversified themselves. 47.6% of VTA's investments at year-end are in U.S. Government or Agencies issues. There is no limitation on amounts invested in these types of issues. At June 30, 2010, VTA had $246.3 million representing 24.1% of VTA's portfolio invested in debt securities issued by the US Government Agencies. At June 30, 2010, VTA had $62.5 million, $114.2 million and $30.0 million representing 6.1%, 11.2% and 2.9% of VTA's portfolio invested in debt securities issued by the Federal Home Loan Mortgage Corporation (FHLM), Federal National Mortgage Association (FNMA), and Federal Home Loan Banks (FHLB), respectively. Of the 26.2% of the portfolio invested in equities, no investment in a single issuer exceeds 5%.

Certain investments, such as obligations that are backed by the full faith and credit of the United States Treasury are not subject to credit ratings. The following schedule indicates the interest rate and credit risk at June 30, 2010 (in thousands):

	Maturity				
Investment Type	**Less than 1 Year**	**2-5 Years**	**6-10 Years**	**Over 10 Years**	**Market Value**
Corporate Bonds - Commingled	$ 36,746	$ 123,663	$ -	$ -	$ 160,409
Corporate Bonds - Pension Plan	-	5,905	29,647	11,260	46,812
Corporate Bonds - OPEB Trust	-	3,180	11,719	5,119	20,018
US Goverment Agency Bonds					
Commingled	45,196	114,388	3,743	-	163,327
Pension Plan	-	2,503	10,907	44,642	58,052
OPEB Trust	74	933	1,893	22,038	24,938
US Treasury					
Commingled	14,799	140,055	70,174	-	225,028
Pension Plan	9,073	-	-	-	9,073
OPEB Trust	4,990	-	-	-	4,990
SUB TOTAL	**110,878**	**390,627**	**128,083**	**83,059**	**712,647**
Money Market Funds - OPS	(8,269)	-	-	-	(8,269) [1]
Money Market Funds - Pension	12,489	-	-	-	12,489
Money Market Funds - OPEB Trust	1,053	-	-	-	1,053
Cash with Fiscal Agents - Commercial Paper	1,386	-	-	-	1,386
Cash with Fiscal Agents - Money Market Funds	8,018	-	-	-	8,018
Cash with Fiscal Agents - Repurchase Agreement	-	-	-	7,531	7,531
TOTAL INVESTMENTS with Money Managers	**125,555**	**390,627**	**128,083**	**90,590**	**734,855**
LAIF	35,400	-	-	-	35,400
TOTAL INVESTMENTS	**$ 160,955**	**$ 390,627**	**$ 128,083**	**$ 90,590**	**770,255**
Equity-Based Investments					267,447
Retention Fund at Escrow Agents (Deposits)					3,873
Cash Deposits					30,116
TOTAL					**$1,071,691**

The following is a summary of the credit quality distribution for investments with credit exposure as a percentage of total investments as rated by Standards and Poors:

Ratings	Fair Value (In Thousands)	Percentages of Porfolios
Unrated	$ 336,857	31.43%
Not Applicable	503,669	47.01%
BBB-	12,806	1.19%
BBB	13,409	1.25%
BBB+	7,124	0.66%
A-1+	1,386	0.13%
A-	15,994	1.49%
A	62,727	5.85%
A+	17,797	1.66%
AA-	15,866	1.48%
AA	13,361	1.25%
AA+	13,785	1.29%
AAA	56,910	5.31%
TOTAL	$ 1,071,691	**100.00%**

[1]This is to record the trade on June 30, 2010. GASB requires that investments be stated at the trade date.

As of June 30, 2010, the Retiree Trust Funds restricted investments consisted of the following (in thousands):

ATU Pension Plan Investments	$ 316,057
ATU Spousal Medical Investment	11,905
Retiree Medical Trust	119,419
	$ 447,381

NOTE 4 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2010 is as follows (in thousands):

Due from other funds	Due to other funds	Amount
VTA Transit Fund	Congestion Management & Highway Program Fund	$ 294 [1]
VTA Transit Fund	Measure B Transit Program Fund	3 [1]
VTA Transit Fund	Measure B Highway Program Fund	37 [1]
VTA Transit Fund	Measure A Program Fund	1,195 [2]
Measure B Ancillary Program Fund	Congestion Management & Highway Program Fund	7 [3]
Congestion Management & Highway Program Fund	Measure A Program Fund	1,110 [3]
		$ 2,646

[1] represents labor and internal charges for the program.
[2] represents operating assistance due to VTA Transit Fund.
[3] represents the swap project cost.

NOTE 5 – DUE FROM AND DUE TO OTHER GOVERNMENTAL AGENCIES

Due from other governmental agencies as of June 30, 2010 consisted of the following (in thousands):

	Business Type Activity	Governmental Activity		
GOVERNMENTAL AGENCY	Enterprise Fund	Congestion Management Program	Congestion Management & Highway Program	Total
Federal Government	$ 44,617	$ 325	$ 3,945	$ 48,887
State Government	76,578	20	199	76,797
Others	4,547	22	826	5,395
Total All Governmental Agencies	$ 125,742	$ 367	$ 4,970	$ 131,079

Due from other governmental agencies as of June 30, 2010, is reported in the accompanying general-purpose financial statements as follows (in thousands):

	Business-Type Activity	Governmental Activity		
ASSETS	Enterprise Fund	Congestion Management Program	Congestion Management & Highway Program	Total
Current assets - unrestricted	$ 73,395	$ 367	$ -	$ 73,762
Current assets - restricted	52,347	-	4,970	57,317
Total	$ 125,742	$ 367	$ 4,970	$131,079

Due to other governmental agencies as of June 30, 2010, consisted of the following (in thousands):

	Business-Type Activity	Governmental Activity			
GOVERNMENTAL AGENCY	Enterprise Fund	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total
State government	$ 32,136	$ -	$ -	$ -	$ 32,136
County of Santa Clara	7,905	962	13,489	2,337	24,693
City of San Jose	-	-	1,710	-	1,710
City of Fremont	3,674	-	-	-	3,674
City of Milpitas	-	-	107	-	107
Santa Clara Valley Water District	1,014	-	-	-	1,014
Miscellaneous	-	-	2,849	-	2,849
Total	$ 44,729	$ 962	$ 18,155	$ 2,337	$ 66,183

Due to other governmental agencies as of June 30, 2010, is reported in the accompanying basic financial statements as follows (in thousands):

LIABILITIES	Enterprise Fund	Congestion Management Program	Congestion Management & Highway Program	Measure B Highway Program	Total
Current Liabilities (unrestricted)	$ 1,669	$ 962	$ -	$ -	$ 2,631
Liabilities payable from restricted assets	43,060	-	18,155	2,337	63,552
Total	$ 44,729	$ 962	$ 18,155	$ 2,337	$ 66,183

NOTE 6 – CAPITAL ASSETS

Capital asset changes for VTA's business-type activity for the year ended June 30, 2010 were as follows (in thousands):

	July 1, 2009	Additions	Retirements	Transfers	June 30, 2010
Capital assets, not being depreciated:					
Land and right of way	$ 1,119,217	$ -	$ -	$ 4,104	$ 1,123,321
Construction in progress	781,381	59,518	-	(26,658)	814,241
Total capital assets, not being depreciated	1,900,598	59,518	-	(22,554)	1,937,562
Capital assets, being depreciated:					
Buildings, improvements, furniture and fixtures	488,156	-	(60)	7,340	495,436
Vehicles	442,771	-	(8,478)	1,359	435,652
Light-rail tracks and electrification	399,824	-	(339)	3,137	402,622
Caltrain – Gilroy extension	53,155	-	-	152	53,307
Other operating equipment	32,044	-	-	10,566	42,610
Leasehold Improvement	9,686	-	-	-	9,686
Total capital assets, being depreciated	1,425,636	-	(8,877)	22,554	1,439,313
Accumulated Depreciation:					
Buildings, improvements, furniture and fixtures	(189,338)	(13,555)	60	-	(202,833)
Vehicles	(138,365)	(16,422)	5,961	-	(148,826)
Light-rail tracks and electrification	(154,639)	(15,991)	231	-	(170,399)
Caltrain – Gilroy extension	(10,979)	(1,632)	-	-	(12,611)
Other operating equipment	(25,860)	(3,336)	-	-	(29,196)
Leasehold Improvement	(705)	(442)	-	-	(1,147)
Total accumulated depreciation	(519,886)	(51,378)	6,252	-	(565,012)
Total capital assets, being depreciated, net	905,750	(51,378)	(2,625)	22,554	874,301
Total capital assets, net	**$ 2,806,348**	**$ 8,140**	**$ (2,625)**	**$ -**	**$ 2,811,863**

Construction in progress (CIP) includes capitalized costs and right-of-way acquisitions associated with the following projects as of June 30, 2010 (in thousands):

Silicon Valley Rapid Transit Corridor	$ 688,230
Capitol Corridor Projects	46,507
Facilities Modifications	56,862
Project Studies	15,991
Software develoment	1,514
Vasona Corridor Projects	4,020
Coach & Vehicle Replacements	36
Guadalupe Corridor	1,081
Total project costs expended to date	$ 814,241

Additional information regarding projects in progress as of June 30, 2010 is as follows (in thousands):

Information Regarding Projects:	Costs
Total Board approved project budget	$ 1,661,578
Expended to date	(814,241)
Remaining budget available for CIP	$ 847,337
Anticipated funding sources are as follows:	
Federal, state, and other local assistance	422,561
Local contributions	424,776
Total funding sources	$ 847,337

VTA has outstanding commitments of about $164.0 million as of June 30, 2010, related to the above capital projects.

NOTE 7 - LONG-TERM DEBT & LIABILITIES

Long-term debt as of June 30, 2010, consisted of the following (in thousands):

Secured by VTA's 1976 1/2 cent Sales Tax	
1998 Series A Junior Lien	$37,120
2000 Series A Junior Lien	30,275
2001 Series A Senior Lien	3,455
2007 Series A Refunding ($24,525 plus unamortized premium of $869 and less unamortized loss in refunding of $2,089)	23,305
2008 Series A-C Refunding ($166,155 less refunding deferred amount of $14,012)	152,143
Secured by VTA's 2000 Measure A 1/2 cent Sales Tax	
2007 Series A Measure A Refunding ($120,095 plus unamortized premium of $4,274 and deferred amount in refunding of $4,491)	128,860
2008 Series A-D Measure A Refunding ($235,875 plus deferred amount in refunding of $5,040)	240,915
Total long-term debt	**616,073**
Less current portion of long-term debt	(11,800)
Long-term debt, excluding current portion	**$604,273**

(a) Sales Tax Revenue Bonds, secured by 1976 ½ cent sales tax revenues

- $50.0 million of 1998 Series A Junior Lien Sales Tax Revenues Bonds (1998 Bonds) were issued through the California Transit Variable Rate Program of the California Transit Finance Authority (CTFA) (Note 20d), to finance certain capital expenditures. The 1998 Bonds bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the bonds at par value. Their maturities extend to October 1, 2027 and are subject to mandatory and optional redemption provisions.

- $40.0 million of 2000 Series A Junior Lien Sales Tax Revenue Bonds (2000 Bonds) were issued through the California Transit Variable Rate Program of the California Transit Finance Authority (CTFA) (Note 20d), to finance certain capital expenditures. The 2000

Bonds bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the bonds at par value. Their maturities extend to October 1, 2027 and are subject to mandatory and optional redemption provisions.

- $200.0 million of 2001 Series A Senior Lien Sales Tax Revenue Bonds (2001 Bonds) were issued, at a true interest cost of 5.08%, to finance portions of the Tasman East, Vasona, and Capitol Corridor Light Rail projects. Their maturities extended through June 1, 2026. Maturities through June 1, 2011 are not subject to redemption before their maturities. Maturities from June 1, 2012 through June 1, 2026 (the Defeased 2001 Bonds) were defeased from proceeds of the 2005 Series A - C Sales Tax Revenue Refunding Bonds and will be redeemed on June 1, 2011. Such proceeds were placed in an escrow account held by a Trustee to provide for future debt service payments on the Defeased 2001 Bonds through their redemption date. The advance refunding met the requirement of an in-substance debt defeasance, and the Defeased Bonds were removed from VTA's long-term debt. Accordingly, the escrow account assets and liabilities from the Defeased 2001 Bonds are not included in VTA's financial statements. At June 30, 2009, $155.3 million of bonds outstanding are considered defeased with an escrow balance of $157.4 million.

- $26.3 million of 2007 Series A Sales Tax Revenue Refunding Bonds (2007 Bonds) were issued, at a true interest cost of 3.97%, to refund and completely pay off a portion of the 1997 Series A Sales Tax Revenue Bonds, maturing in series on each June 1st from 2010 – 2021. Proceeds of the 2007 Bonds were deposited into an escrow account held by a Trustee, and were used to pay the principal and accrued interest on the refunded bonds on the redemption date of June 1, 2007; therefore there are no refunded bonds outstanding and no funds remaining in escrow. The 2007 Bonds have a final maturity of June 1, 2021. 2007 Bonds maturing on or before June 1, 2017 are not subject to redemption prior to their respective stated maturities. The 2007 Bonds maturing on or after June 1, 2018 are subject to redemption prior to their stated maturities any time on or after June 1, 2017.

- $168.6 million of 2008 Series A-C Sales Tax Revenue Refunding Bonds (2008 VTA Bonds) were issued to implement a current refunding and completely pay off the 2005 Sales Tax Revenue Refunding Bonds, originally issued to finance the retirement of a portion of 2001 Bonds (see note regarding 2001 bonds). There is no escrow fund nor are there 2005 Sales Tax Revenue Refunding Bonds outstanding. The 2008 VTA Bonds were issued as variable rate demand bonds and bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the 2008 VTA Bonds at par value. The maturities of the 2008 VTA Bonds extend to June 1, 2026 and are subject to optional and mandatory redemption and optional and mandatory tender for purchase before maturity.

- Concurrent with the issuance and sale of the 2008 VTA Bonds, VTA was required to amend transferred interest rate swap agreements (originally entered into concurrent with the issuance of the retired 2005 Sales Tax Revenue Refunding Bonds) to reflect current market rates. Pursuant to the amended terms of the swap agreements, VTA owes interest at a fixed rate of 3.145% to the counterparties to the swaps. In return, the counterparties pay VTA interest based on a formula (lower of 1 Month LIBOR[1] or a rate equal to the greater of 63.5% of 1 Month LIBOR, or 55.5% of 1 Month LIBOR plus 0.44%). The amendment changing VTA's fixed rate to an on-market rate of 3.145% was necessary due to tax code compliance related to the still existing refunding escrow (see note regarding 2001 bonds), which had been funded from proceeds of the retired 2005 Sales Tax Revenue Refunding Bonds. The outstanding principal on the 2008 VTA Bonds is used as the basis on which the interest payments are calculated. In consideration for the market rate adjustment on the fixed rate paid to the counterparties of the swaps, VTA received a one-time benefit of $1.1 million. Under certain circumstances, the agreements are subject to termination before maturity of the 2008 VTA Bonds.

(b) Sales Tax Revenue Bonds, secured by 2000 Measure A ½ cent sales tax revenues

- $120.1 million of 2007 Measure A Series A Sales Tax Revenue Refunding Bonds (2007 Measure A Bonds) were issued, at a true interest cost of 4.60%, to current refund Series F and G of the 2006 Measure A Sale Tax Revenue Bonds, none of which remain outstanding. Proceeds of the 2007 Measure A Bonds were deposited into an escrow account held by a Trustee, and were used to fully pay the principal and accrued interest on the refunded bonds on the redemption date of November 6, 2007. There is no open escrow or refunded bonds outstanding. Maturities for the 2007 Measure A Bonds extend to April 1, 2036. 2007 Measure A Bonds maturing on or before April 1, 2017 are not subject to redemption prior to their respective stated maturities. 2007 Measure A Bonds maturing on or after April 1, 2018 are subject to redemption any time on or after April 1, 2017.

- $236.7 million of 2008 Series A-D Measure A Sales Tax Revenue Refunding Bonds (2008 Measure A Bonds) were issued to current refund Series A-D of the 2006 Measure a Sales Tax Revenue Bonds, none of which remain outstanding. The 2008 Measure A Bonds were issued as variable rate demand bonds and bear interest at a weekly rate, which is determined by the Remarketing Agent to be the rate necessary to remarket the 2008 Measure A Bonds at par value. The maturities of the 2008 Measure A Bonds extend to April 1, 2036 and are

[1] LIBOR: London Inter Bank Offering Rate is a daily reference rate based on the interest rate at which banks offer to lend unsecured funds to other banks in the London wholesale (interbank) money market.

subject to optional and mandatory redemption and optional and mandatory tender for purchase before maturity.

- Concurrent with the issuance and sale of the 2008 Measure A Bonds, the four interest rate swap agreements (originally entered into concurrent with the issuance of the Series A-D of the 2006 Measure A Sales Tax Revenue Bonds, none of which remain outstanding) were reassigned to the 2008 Measure A Bonds. Pursuant to the terms of the swap agreements, VTA pays interest at a fixed rate of 3.765% to the counterparties to the swaps. In return, the counterparties pay VTA a variable rate of interest equal to 65% of three-month LIBOR. The outstanding principal is used as the basis on which the interest payments are calculated. Under certain circumstances, the agreements are subject to termination before maturity of the 2008 Measure A Bonds.

(c) Interest Rate Swaps

VTA has seven interest rate swap agreements outstanding as of year end. Three require that VTA pay fixed interest rates and receive variable interest at the lower of: 1)1 month LIBOR or, 2) a rate equal to the greater of 63.5% of 1 month LIBOR or 55.5% of 1 month LIBOR plus 0.44%. Four agreements require that VTA pay fixed interest rates and receive interest at 65% of three-month LIBOR.

Objective of the Swaps: The objective of the swaps is to hedge VTA's exposure to variable rate risk by synthetically fixing its interest costs at rates anticipated to be less than what VTA otherwise would have paid to issue fixed rate debt in the tax-exempt municipal bond market.

(d) ***Summary**:* The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2010 were as follows (dollars in thousands):

Associated Bonds	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value [FV]	Swap Termination Date	Counterparty Credit Rating [CR]
2008A	$ 66,575	7/7/2005[ED]	3.15%	Cal-E[VR]	$ (6,621)	6/1/2026	Aa1,AAA,---
2008B	49,790	7/7/2005[ED]	3.15%	Cal-E[VR]	(4,954)	6/1/2026	A1, A+, ---
2008C	49,790	7/7/2005[ED]	3.15%	Cal-E[VR]	(4,954)	6/1/2026	A2, A, A
MA2008A	85,875	8/10/2006	3.77%	65% 3Mo LIBOR	(20,008)	4/1/2036	A1, A+, ---
MA2008B	50,000	8/10/2006	3.77%	65% 3Mo LIBOR	(11,651)	4/1/2036	Aa3, A+, A+
MA2008C	50,000	8/10/2006	3.77%	65% 3Mo LIBOR	(11,651)	4/1/2036	A2, A, A
MA2008D	50,000	8/10/2006	3.77%	65% 3Mo LIBOR	(11,651)	4/1/2036	Aa1,AAA,---
	$402,030				**$ (71,490)**		

[FV] Includes accrued interest.
[CR] Moody's, Standard and Poor's, and Fitch, respectively.
[ED] Amended June 26, 2008 to reflect on-market fixed rate to be paid of 3.145%.
[VR] Lower of 1 month LIBOR or a rate equal to the greatest of 63.5% of 1 month LIBOR or 55.5% of 1 month LIBOR plus 0.44%.

***Fair Values**:* At June 30, 2010, the swaps had a negative fair value of $71.5 million. This is because interest rates have declined since the execution of the swaps. The fair values include accrued interest. Because the coupons on VTA's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases or decreases. The fair values of the interest rate swaps were estimated using the zero-coupon method. The swaps were deemed to be effective derivative instruments using regression analysis and therefore were recorded as deferred outflow of resources in the assets section and as a derivative instrument liability in the liability section of the statement of net assets.

Credit Risks: It is VTA's policy to enter into derivative agreements with highly rated counterparties. As of the end of the period, all interest rate swap counterparties are rated A2 or higher by Moody's, and A or higher by S&P. VTA manages credit risk by requiring counterparties to post collateral based on certain events. VTA is entitled to collateral in an amount up to 100% of the swap's fair value as identified in the following table.

Swap	Amount of Collateral Required	Rating Threshold for Collateral Requirement[CR]	Rating Threshold for 100% Collateral
2008A	$ 5,000,000	A3/A-	Baa1/BBB+
2008B	7,000,000	A2/A	A3/A-
2008C	5,000,000	A3/A-	Baa3/BBB-
MA2008A	7,000,000	A2/A	A3/A-
MA2008B	7,000,000	A2/A	A3/A-
MA2008C	5,000,000	A3/A-	Baa1/BBB+
MA2008D	5,000,000	A3/A-	Baa3/BBB-

[CR] Moody's or Standard and Poor's, respectively

Collateral generally consists of cash, U.S. Government securities and U.S. Agency securities, held by a third party custodian. VTA enters into derivative agreements with multiple counterparties to limit concentration of credit risk. Currently, VTA has interest rate swaps with four different counterparties and no counterparty accounts for more than 35% of outstanding notional. VTA monitors counterparty credit risk on an ongoing basis.

Basis Risk: The variable rate debt hedged by VTA's derivatives are variable rate demand obligation (VRDO) bonds that are remarketed weekly. VTA is exposed to basis risk because the variable rate receipts from the hedging derivative are based on a rate or index other than the interest rates VTA pays on the VRDO bonds. VTA is exposed to basis risk to the extent that variable payments on the hedged item are not offset by the variable receipts from the hedging derivative. On June 30, 2010, the weighted average interest rates of the variable rate debt associated with the 2008 VTA VRDO Bonds was 0.34%. The interest rate for variable rate payments received from the counterparties pursuant to the swaps was 0.35%. The weighted average interest rates of the variable rate debt associated with the 2008 Measure A VRDO Bonds was 0.26%, and the interest rate for variable rate payments received from the counterparties pursuant to the swaps was 0.35%.

Interest Rate Risk: Interest payments on VTA's variable rate debt will typically increase as interest rates increase. VTA believes it has significantly reduced interest rate risk by entering into pay-fixed, receive floating interest rate swaps. As interest rates increase, variable rate debt interest payments increase and net swap payments decrease. As interest rates decrease, variable rate debt interest payments decrease and net swap payments increase.

Rollover Risk: Rollover risk is the risk that a hedging derivative instrument associated with a hedgeable items does not extend to the maturity of that hedgeable item. All of VTA's swap agreements have maturities equal to the term of the bonds.

Termination Risk: VTA has the right to terminate any swap at its option at any time. In addition, each counterparty may terminate a swap if VTA fails to perform under the terms of the contract. Furthermore, the terms of the agreements provide for Additional Termination Events in the event that the ratings of either the counterparty or the unenhanced long-term revenue bonds ratings of VTA are downgraded below Baa3 by Moody's or BBB- by S & P. An additional termination event, if it occurs, could cause a substantial termination payment to be owed by VTA. As of the end of the period, VTA's unenhanced long-term revenue bond rating is Aa2 by Moody's and AAA by S&P (AA+ for Measure A secured bonds).

Tax Risk: As with other forms of variable rate exposure and the relationship between the taxable and tax-exempt markets, VTA is exposed to tax risk should tax-exempt interest rates on variable rate debt issued in conjunction with the swaps rise faster than taxable interest rates received by the swap counterparties, due particularly to reduced federal or state income tax rates, over the term of the swaps.

Foreign Currency Risk: All of VTA's swaps are denominated in US Dollars and therefore VTA is not exposed to foreign currency risk.

Commitments: Because the Swap Insurer has been downgraded below minimum thresholds, all of the swap agreements contain provisions that require collateral posting by VTA at specific fair value amounts based on VTA's unenhanced long term credit ratings during times when the swaps are in liability positions (negative fair value). For swaps associated with long-term variable rate bonds secured by VTA's 1976 Sales Tax Revenues, VTA is required to post the full collateralization of the fair value of the transactions should VTA's credit rating fall below A or A2 for two of the swaps and below A- or A3 for one of the swaps. For the swaps associated with long-term variable rate bond secured by 2000 Measure A Sales Tax Revenues, VTA is required to post the full collateralization of the fair value of the transaction should the long-term unenhanced rating fall below A or A2 for two swaps, A- or A3 for one swap or below BBB or Baa2 for the fourth remaining Measure A swap. In addition, each credit support annex requires collateral posting at various rating levels and threshold amounts. Collateral generally consists of cash, U.S. Government securities and U.S. Agency securities. As of June 30, 2010, no collateral is posted by VTA to any counterparty under any swap agreement.

(e) Swap Payments and Associated Debt

Using rates as of June 30, 2010, debt service requirements on VTA's swap-related variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary (dollars in thousands).

	Variable Rate Bonds		Interest Rate	
Year Ending June 30	Principal	Interest	Swap, Net	Total
2011	$ 1,275	$ 1,192	$ 12,704	$ 15,171
2012	4,670	1,188	12,668	18,526
2013	4,760	1,172	12,538	18,470
2014	4,555	1,155	12,405	18,115
2015	4,570	1,140	12,277	17,987
2016-2020	53,925	5,259	57,817	117,001
2021-2025	75,225	4,208	49,294	128,727
2026-2030	17,175	3,155	40,758	61,088
2031-2035	173,600	2,651	34,495	210,746
2036-2036	62,275	163	2,127	64,565
	$ 402,030	**$ 21,283**	**$ 247,083**	**$ 670,396**

Long-term Debt Obligation Summary

Interest Rates on all outstanding fixed-rate obligations range from 4.00% - 5.00%. Interest on the variable rate debt is reset weekly based upon market conditions. Projected principal and interest obligations as of June 30, 2010 are as follows:

(Dollars in thousands)			
Year ending June 30:	Principal	Interest	Total
2011	$ 11,800	$ 21,601	$ 33,401
2012	12,045	21,180	33,225
2013	12,465	20,823	33,288
2014	12,620	20,427	33,047
2015	13,015	20,023	33,038
2016-2020	99,490	92,328	191,818
2021-2025	119,695	75,744	195,439
2026-2030	58,225	59,787	118,012
2031-2035	207,940	45,331	253,271
2036-2036	70,205	2,741	72,946
	617,500	$ 379,985	$ 997,485
Unamortized bond discount, premium and deferred amount on refunding,	(1,427)		
Total debt	616,073		
Less current portion	(11,800)		
Long-term portion of debt	$ 604,273		

(f) Restrictions and limitations

There are a number of restrictions and limitations contained in the various bond indentures. VTA's management believes that VTA has complied with all applicable restrictions and limitations.

(g) Long Term Liabilities

(Dollars in thousands)	July 1, 2009	Additions	Reductions	June 30, 2010	Amounts Due Within One Year
Sales Tax Revenue Bonds Secured by 1976 ½ Cent Sales Tax					
1998 Series A	$ 38,605	$ -	$ (1,485)	$ 37,120	$ 1,535
2000 Series A	31,500	-	(1,225)	30,275	1,265
2001 Series A	6,940	-	(3,485)	3,455	3,455
2007 Series A	26,275	-	(1,750)	24,525	1,840
2008 Series A	167,390	-	(1,235)	166,155	1,275
Sales Tax Revenue Bonds: Secured by 2000 Measure A ½ Cent Sales					
2007 Series A	120,095	-	-	120,095	2,430
2008 Series A	235,875	-	-	235,875	-
Total Outstanding Debt	626,680	-	(9,180)	617,500	11,800
Plus (less) premiums, deferred amount on refundings and discounts	(1,338)	1,071	(1,160)	(1,427)	-
Outstanding Debt, Net	625,342	1,071	(10,340)	616,073	11,800
Derivative Instruments Liability	-	71,490	-	71,490	-
Arbitrage Liability	238	105	-	343	-
Claims Liability:					
General Liability	5,691	-	(775)	4,916	3,006
Worker's Compensation	22,325	-	(632)	21,693	4,292
Compensated Absences	22,126	3,700	(3,700)	22,126	5,887
Total Long-Term Liabilities	$ 675,722	$ 76,366	$ (15,447)	$ 736,641	$ 24,985

NOTE 8 –SALES TAX REVENUES

Sales tax revenue represents sales tax receipts from the California State Board of Equalization, which, under voter-approved 1976 and 2000 Sales Tax Measures, collects a half-cent for each taxable sales dollar spent in the County. These amounts are available to fund both operations and capital expenditures except that portion which is to be used to repay long-term debt as described in Note 7. The amount of the 1976 Sales Tax and 2000 Measure A Sales Tax recognized during FY2010 was $140.0 million and $139.3 million respectively, totaling $279.3 million.

NOTE 9 – VTA PROGRAMS FUNDED THROUGH LOCAL SALES TAX MEASURES

Measure B Transportation Improvement Program (MBTIP)

In November 1996, the voters of Santa Clara County approved Measure A - an advisory measure listing an ambitious program of transportation improvements for the County. Also approved on the same ballot, Measure B authorized the County Board of Supervisors to collect a nine-year half-cent sales tax for general County purposes. The tax was identified as a funding source for Measure A projects. Collection of the tax began in April 1997; however, use of the revenue was delayed pending the outcome of litigation challenging the legality of the sales tax. In August 1998, the California courts upheld the tax allowing the Measure A transportation program to move forward.

In March 1999, the VTA Board of Directors and the County Board of Supervisors approved a Master Agreement formalizing the partnership to implement Measure A. With this partnership in place, the County and VTA were in a position to complete a transportation program valued at $2.1 billion. The County administered the funding, and VTA was responsible for the project management of the transit and highway projects as well as assisting in the administration of the pavement management and bicycle elements of the program.

The Measure B Transit Projects, which consist mainly of light rail extensions and new rail vehicles, become the property of VTA. The Measure B Highway projects, which consist primarily of widening highways and improvements become the property of the state. The accompanying basic financial statements include the financial activities of the Measure B Transit Projects in the Enterprise Fund and in the business-type activity, Measure B Highway Projects in a capital projects fund and in governmental activity and the Measure B Ancillary Program, which includes pavement and bicycle elements, in an agency fund. The Ancillary Program was created to administer the Measure B Pavement & Bikeways Program and Measure B Ancillary Fund, also known as the Local Program Reserves.

In fiscal year 2001, VTA and the County entered into two agreements for Fund Swap arrangements, whereby VTA agreed to secure federal and/or state grant funds and program them for certain 1996 MBTIP Projects in exchange for the County to release the corresponding 1996 MBTIP Project funds for other local projects. The Tasman East Light Rail Project was programmed for $72.8 million with $67.9 million being available for other local projects, the Vasona Light Rail Project was programmed for $51.6 million with the same amount being available for other local projects, and the Route 237/880 Interchange Hwy Project was programmed for $22.5 million with the same amount being available for other local projects.

A third agreement provided for a simultaneous exchange of funds. VTA secured 2001 Series A Senior Lien Sales Tax Revenue Bonds to reimburse the County approximately $184.1 million of 1996 MBTIP project costs, namely the Tasman East, Vasona and Capitol Corridor Light Rail Projects. The reimbursement of 1996 MBTIP project costs made $184.1 million available for the acquisition of low floor vehicles. On February 15, 2002, Amendment Number 1 to the Master Agreement was executed to increase the amount of reimbursement to $198.3 million. As of FY2002, full reimbursement of the $198.3 million was made to the Measure B Ancillary Program Agency Fund. As of June 30, 2008, the full amount of $198.3 million has been expended out of the agency fund for the acquisition of low floor vehicles.

Amendment 20 to the Master Agreement was executed in June 2007 to formalize the process for winding down the Measure B Program. That amendment included the following significant terms:

- VTA was paid the value of all approved 1996 Measure B project budgets, less the funds already paid by the County to VTA, and the net remaining Measure B funding for Fund Swap Projects and Ancillary Programs administered by VTA.
- A lump sum amount of approximately $4.0 million was also paid to VTA by the County to cover the closeout effort associated with incomplete projects.

During the current fiscal year, VTA paid approximately $13.3 million for current year costs for the program. This amount was contributed by the Santa Clara County as follows: $5.3 million of Measure B fund for transit projects in the Enterprise Fund**;** $2.4 million ($2.2 million Measure B fund and $0.2 million Measure B Swap fund) for highway projects in the Measure B Highway Capital Projects Fund; and $5.6 million for the Ancillary Program (Measure B Projects, Pavement and Bikeways).

2000 Measure A Program

The Santa Clara Valley Transportation Authority 2000 Measure A Program (the Measure A Program) was created in response to the Measure A ballot approved by the voters of Santa Clara County on November 7, 2000. The Measure A Program is responsible for a number of key capital transit projects, including the connection of rapid transit to San Jose, increased bus and light rail service and providing for related operating expenses. The Measure A Program is funded by the half-cent sales tax to be imposed for a period of 30 years and took effect upon expiration of the current County of Santa Clara 1996 Measure B half-cent sales tax on March 31, 2006.

The Measure A Program consists of those projects and increased operations included in the 2000 Measure A ballot, as noted below:

- Extend San Francisco Bay Area Rapid Transit District service ("BART") from Fremont through Milpitas to Downtown San Jose and the Santa Clara Caltrain Station (the "Silicon Valley Rapid Transit Project" or "SVRT");
- Provide connections from the San Jose International Airport to BART, Caltrain commuter rail service ("Caltrain") and VTA's light rail system;
- Extend VTA's light rail system from Downtown San Jose to the East Valley portion of Santa Clara County ("DTEV Extension");
- Purchase low floor light rail vehicles to better serve the disabled, senior and other segments of the ridership;
- Improve Caltrain by extending the system's double track to Gilroy and providing funds to electrify the system;
- Increase Caltrain service;
- Construct a new Palo Alto Intermodal Transit Center;
- Improve bus service in major bus corridors;
- Upgrade the Altamont Commuter Express ("ACE") services;
- Improve the Highway 17 express bus service;
- Connect Caltrain with the Dumbarton Rail Corridor (serving Alameda and San Mateo County);
- Purchase zero emission buses and construct service facilities;
- Provide funds to develop new light rail corridors;
- Fund operating and maintenance costs associated with increased bus, rail and paratransit service.

The following activities have either been completed or are in progress, funded by a combination of Tax revenues, state and federal grants, bond proceeds and other locally obtained funds:

- Completed the purchase of low floor light rail vehicles
- Completed the Zero Emission Bus demonstration project.
- The Bus Rapid Transit (BRT) Strategic Plan, adopted by the VTA Board in May 2009, recommends moving forward with BRT deployment in the Santa Clara/Alum Rock corridor. VTA has initiated a federal environmental review to make this project eligible for federal funds. Preliminary Engineering began in mid 2010.
- Fiber optic cable relocation began on Phase 1 of the South County Improvements: grading and crossing work in preparation for eight miles of double-track installation in the UPRR corridor from Coyote to Morgan Hill.
- In June 2010, VTA received notification that the FTA issued a Record of Decision (ROD) for the first 10-mile phase of the SVRT project. This milestone signifies that VTA satisfied the requirements of the National Environmental Policy Act (NEPA), thereby issuing environmental impact approval for the $2.1 billion Berryessa Extension.
- Currently, utility relocation and construction are moving forward in the freight rail corridor in Fremont and Milpitas. The Freight Railroad Relocation (FRR) activities fulfill VTA's obligations under the Purchase and Sale Agreement with Union Pacific Railroad (UPRR) and eliminate ongoing freight operations on VTA property. The FRR activities are compatible with the eventual use of the property as a transportation corridor but do not include SVRT project-level elements.
- A Federal Environmental Impact Statement is being prepared for the Capitol Expressway Light Rail Extension to Eastridge. A draft for circulation is anticipated in mid 2010, with final approval in early 2011. Pedestrian Improvements (sidewalk and landscaping) and the Eastridge Transit Center are being advanced as the initial stage of the light rail project.
- The Light Rail Systems Analysis is complete and was adopted by the VTA Board in May 2010. The Light Rail Improvement Plan will now serve as an action plan for future implementation and an investment program which identifies capital and operating improvements for the system over the next 20 years. The study recommends making improvements in two phases. Phase I is designed for near-term implementation (within the next several years), while Phase II is designed to complement the introduction of BART service to East San Jose in 2018.
- The first contract under the second phase of the Caltrain Safety Improvements – JPB Crossings project was awarded. It will construct safety improvements at eight JPB crossings from Sunnyvale to Palo Alto. Design work also continued on the Blossom Hill Pedestrian Overcrossing.
- Receiving TCRP funds as reimbursements for the preliminary engineering phase on the BART extension.
- Providing operating assistance to VTA Transit operations.

NOTE 10 – FEDERAL, STATE, AND LOCAL ASSISTANCE

VTA is dependent upon the receipt of funds from several sources to meet its operating, maintenance, and capital requirements. The receipt of such revenues is controlled by federal, state, and local laws, the provisions of various grant contracts and regulatory approvals and, in some instances, is dependent on the availability of grant funds and the availability of local matching funds. A summary of the various governmental funding sources is as follows:

(a) Federal Grants

Federal grants are approved principally by the Federal Transportation Administration (FTA) and the Federal Highway Administration (FHWA). Federal grants for the year ended June 30, 2010 are summarized as follows (in thousands):

	Enterprise Fund	Special Revenue Fund	Capital Project Funds
Operating Assistance Grants:			
FTA Section 9	$ 58,668	$ -	$ -
FTA Section 18	229		
Federal Technical Studies/Training Grants	204	1,235	-
Total Operating Assistance Grants	59,101	1,235	-
Capital Grants:			
FTA Section 3	3,363	-	-
FTA Section 9	7,240	-	-
Pass-through Grants	-	-	5,269
Total Capital Grants	10,603	-	5,269
Total Operating Assistance and Capital Grants	$ 69,704	$ 1,235	$ 5,269

FTA and FHWA reserve the right to audit expenditures financed by their grants to determine if such expenditures comply with the conditions of the grant agreements. VTA's management believes the results of such audits would not have a material adverse effect on VTA's financial position. FTA and FHWA retain their interest in assets acquired under federal grants should the assets be disposed of prior to the end of their economic lives, or not be used for mass transit purposes.

FTA Section 3 capital grants represent the transit capital investment program (49 U.S.C. 5309), which provides capital assistance for three primary activities:

- New and replacement of buses and facilities
- Modernization of existing rail systems, and
- New fixed guideway systems

FTA Section 9 grants represent the federal program (49 U.S.C. 5307), which makes federal resources available to urbanized areas and to Governors for transit capital and operating assistance in urbanized areas and for transportation related planning.

The grants from the following passthrough fund agreements are presented as part of the Capital Grants – FTA Section 9:

- Clipper® fees are funds received from the Metropolitan Transportation Commission in accordance with the Clipper® Phase II site preparation fund agreement whereby VTA is to perform site preparation on its premises for the implementation of Clipper® Phase II project. The agreement is funded in whole or in part from the proceeds of a grant from the United States Department of Transportation.

- The Transit Security Grant Program (TSGP) award comes from the State Governor's Office of Homeland Security for costs related to addressing security and preparedness enhancements for transit systems. The program includes a requirement that transit systems selected for funding participate in a Regional Transit Security Working Group for the purpose of developing the Regional Transit Security Strategy as well as a regional consensus on the expenditure of TSGP funds.

The pass-through federal grants under the Capital Project Funds represent fund agreements covering highway projects with various government agencies of the State of California.

(b) State and Local Grants and Assistance

State and local grants for the year ended June 30, 2010, are summarized as follows (in thousands):

	Enterprise Fund	Special Revenue Fund	Capital Projects Fund
Operating Assistance Grants:			
Transportation Development Act	$ 65,801	$ -	$ -
State and Local Operating Assistance Grants	367	619	-
Other Operating Assistance Grants	112	-	-
AB434	1,553	-	-
Total Operating Assistance Grants	67,833	619	-
Capital grants:			
Traffic Congestion Relief Program	59,445	-	-
AB434 BAAQ TFCA	22	-	-
Regional Measure 2	2,166	-	-
Public Transportation Modernization Improvement and Service Enhancement Act	1,961	-	-
Congestion Management Highway Program	-	-	14,606
Measure B Highway	-	-	2,412
Santa Clara County (Measure B Program) –	3,787	-	-
Proposition 1B Fund	2,903	-	-
Various cities, counties and others	11,707	27	-
Total Capital Grants	81,991	27	17,018
Total State and Local Grants	$ 149,824	$ 646	$ 17,018

Transportation Development Act (TDA) funds represent VTA's share of the 0.25% sales tax collected in the County.

State Transit Assistance (STA) represents funds received pursuant to the STA Program, whereby, a portion of gasoline sales tax revenues is appropriated by the state legislature to the State Transportation Planning and Development Account for certain transit and energy-related purposes. STA funds are allocated throughout the state on the basis of population and operating revenues and are claimed by VTA on a cost-reimbursement basis. Due the State slashing the entire STA funding to transit agencies in FY2010, VTA did not receive STA grants.

State Operating Assistance Grants represent (a) reimbursement receipts for operating bus lines in the City of Gilroy under the Enterprise Fund and (b) grant receipts from the California Department of Transportation for project planning, programming and monitoring activities related to development of the Regional Transportation Improvement Program under the Congestion Management Program.

AB434 fees represent funds received from the Bay Area Air Quality Management District. These funds are used for shuttle services and projects promoting clean air in the South Bay.
The Traffic Congestion Relief Program (TCRP) provides funds for projects throughout the state of California to reduce traffic congestion, provide for safe and efficient movement of goods, and provide system connectivity. The California Transportation Commission (CTC), in consultation with the California Department of Transportation, implements TCRP.

Santa Clara County Fund Swap is Measure B revenue received by VTA for local projects in exchange for federal and/or state grant funds and program them for certain 1996 MBTIP Projects. Additional information on the 1996 MBTIP can be found in Note 9.

Proposition 1B Fund provides funding under the California Transit Security Grant Program and is administered by the California Emergency Management Agency.

Various cities, counties and others contribute revenue to light rail projects and Silicon Valley Rapid Transit Corridor for project enhancements and to procurement of zero emission buses and the corresponding facility improvements.

Capital Projects revenues consist of federal, state, and local grant revenues pertaining to Congestion Management and Highway Program of $19.9 million and Measure B Highway Program of $2.4 million.

NOTE 11 – SANTA CLARA VALLEY TRANSPORTATION AUTHORITY AMALGAMATED TRANSIT UNION PENSION PLAN

(a) Plan Description

All ATU represented employees are covered by the Plan, which is a noncontributory single-employer defined benefit pension plan. The Plan provides retirement, disability, and death benefits based on the employees' years of service, age, and final compensation.

Employees with 10 or more years of service are entitled to full annual pension benefits beginning at normal retirement age of 65. Employees with less than 10 years of service are entitled to a reduced annual benefit at age 65 provided the Pension Board approves of such benefit. Employees with 15 or more years of service are entitled to full annual pension benefits beginning at age 55. The Plan permits early retirement if an employee becomes disabled after 10 or more years of service, and deferred vested retirement upon employee termination after 10 or more years of service, with benefits payable permitted at age 65. Employees may elect to receive their benefits in the form of a joint or survivor annuity. These benefit provisions and all other requirements are established by California statute and the labor agreement with the ATU.

Separately issued audited GAAP basis financial statements of the Plan are available and can be obtained from Santa Clara Valley Transportation Authority, Fiscal Resources, 3331 North First Street, Building C-2, San Jose, California 95134-1906.

The current membership of the Plan as of June 30, 2010 is comprised of the following:

Membership Status	No. of Members
Retirees and beneficiaries currently receiving benefits	982
Terminated vested members not yet receiving benefits	172
Active Members	1,394
Total	2,548

(b) Basis of Accounting

Contributions are recognized as revenue in the period in which employee services are performed. Benefits (distributions to participants) and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates. Purchases and sales of securities are reflected on the trade date and investment income is recognized as earned.

(c) Actuarial Methods and Assumptions

Description	***Methods/Assumptions***	
Valuation date	January 1, 2010	
Actuarial cost method	Aggregate Entry Age Normal	
Amortization method	Level dollar open	
Remaining amortization period	20 years	
Actuarial asset valuation method	Market value less unrecognized investment gain or losses during the prior four years, phased in at 20% per year, subject to a minimum of 80% and a maximum of 120% of market value.	
Actuarial assumptions	Investment rate of return	8.0%
	Projected salary increases	22.13% for the first three years of service, 3.76% thereafter.
	Inflation rate	3.5%
	Cost of living adjustments	None

(d) Concentration

Investments in the commingled State Street Global Advisers, S&P 500 Conservative Index Fund and MFS Investment Management represented 14.83% and 15.18%, respectively, of the Plan's investments as of June 30, 2010.

(e) Funding Policy

VTA contributes to the Plan at actuarially determined rates applied to eligible payroll sufficient to maintain funding of vested benefits. VTA's contributions to the Plan for the year ended June 30, 2010 were made in accordance with actuarially determined requirements computed as of January 1, 2010. VTA's contribution rate as a percentage of payroll was 18.25 % for fiscal year 2010.

(f) Net Pension Obligation

VTA's net pension obligation to the Plan was zero as of June 30, 2010. The three-year trend information is shown below (in thousands):

Net Pension Obligation

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	$16,137	100%	-
6/30/09	14,843	100%	-
6/30/10	17,905	100%	-

(g) Funding Status & Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan was 77% funded. The actuarial accrued liability was $462.9 million and the actuarial value of assets was $354.8 million resulting in an unfunded actuarial accrued liability (UAAL) of $108.1 million. The total covered payroll was $102.6 million which resulted in a UAAL percentage of 105% of total covered payroll. The schedule of funding progress is presented on page 2-78, in the required supplementary information following the notes to the financial statements.

NOTE 12 – PUBLIC EMPLOYEES' RETIREMENT PLAN

(a) Plan Description

All eligible non-ATU employees of VTA participate in the California Public Employees Retirement System (CalPERS). Prior to separation from the County on January 1, 1995, all eligible VTA employees participated in CalPERS through the County. As a result of the separation from the County, certain administrative employees were transferred from the County to VTA. All of those administrative employees' service credits earned during the period they worked for the County's transportation agency were transferred to VTA's CalPERS account. The transfer of related assets at a market value totaling approximately $52,300,000 was completed by CalPERS in FY1999.

CalPERS is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within California. CalPERS provides retirement, disability, and death benefits based on the employees' years of service, age, and final compensation. Employees vest after five years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by state statute and VTA resolutions. VTA contracts with CalPERS to administer these benefits.

Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814. A separate report for VTA's plan is not available.

(b) Actuarial Methods and Assumptions

Description	***Methods/Assumptions***
Valuation date	June 30, 2008
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll
Average Remaining Period	26 years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% Depending on Age, Service, and Type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

(c) Funding Policy

Active members in VTA's CalPERS Plan are not required to contribute to the CalPERS Plan. VTA elected to contribute the actuarially determined amount necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution rate from July 1, 2009 through June 30, 2010, was 12.077% for the employer and 7% for employees. Employees are contributing 0.154% more than the required 6.846%. The required employee contribution was paid by VTA. The contribution requirements of the CalPERS Plan are established by state statute and the employer contribution is established and may be amended by CalPERS. The amortization period used is closed which means that amortization periods for initial unfunded liability, benefit change, and assumption change decline every year.

(d) Net Pension Obligation

VTA's net pension obligation to the CalPERS Plan was zero as of June 30, 2010. For FY2010, VTA's annual pension cost was approximately $6.2 million, which was fully contributed. The required contribution for FY2010 was determined as part of the June 30, 2008, actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. Three-year trend information follows (in thousands):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	$6,278	100%	-
6/30/09	6,507	100%	-
6/30/10	6,167	100%	-

(e) Funding Status and Progress

As of June 30, 2008, the most recent actuarial valuation date, plan was 88.1% funded. The actuarial accrued liability was $214.4 million and the actuarial value of assets was $188.9 million resulting in an unfunded accrued actuarial liability of $25.5 million. The total covered payroll was $51 million which resulted in a 50.1% UAAL as a percent of covered payroll. The schedule of funding progress is presented on page 2-79, in the required supplementary information following the notes to the financial statements.

NOTE 13 – ATU SPOUSAL MEDICAL AND VISION/DENTAL FUND

VTA administers the ATU Spousal Medical and Retiree Vision and Dental Fund. Both are considered to be employee plans. As of June 30, 2010, VTA has net assets of approximately $7.6 million for the ATU Spousal Medical Fund and $4.4 million for the Retiree Vision and Dental Fund.

The Spousal Medical Fund is a medical insurance benefit for eligible pensioners' spouses. Pursuant to a collective bargaining agreement with ATU represented employees, contribution to the Spousal Fund was changed from $0.20 to $0.35 per hour worked. In May 2010, the contribution was increased to $0.40 per hour worked. As of June 30, 2010, there were 251 participating spouses who were eligible for benefits from the Spousal Medical Fund. Contributions were approximately $909 thousand. Benefit payments made by the Fund for during FY2010 were approximately $1.2 million.

The Retiree Vision and Dental Fund is a vision and dental benefit for eligible pensioners. Effective 1999 and pursuant to a collective bargaining agreement, ATU represented employees are required to contribute $0.10 per hour worked. As of June 30, 2010, there were 883 eligible participants. Contributions were approximately $324.6 thousand for the Retiree Vision and Dental Fund during the current fiscal year.

NOTE 14 – INTERNAL SERVICE FUND

As of June 30, 2010, the assets and liabilities by individual components of the Internal Service Fund are as follows (in thousands):

	Workers' Compensation	General Liability	Compensated Absences	Total
Assets	$ 35,065	$ 10,898	$ 21,575	$ 67,538
Liabilities	21,937	4,963	22,126	49,026
Net Assets (Reserve)	$ 13,128	$ 5,935	$ (551)	$ 18,512

Workers' Compensation and General Liability

VTA contracts with third-party administrators to process claims for both programs. VTA's annual contribution to General Liability is based on a budgeted self-insured expense amount. Contributions to Workers' Compensation fund occur every pay period. Actuarial studies for both activities are obtained on an annual basis.

Actuarial Information

An actuarial analysis as of June 30, 2010 disclosed that the present values of estimated outstanding losses, at 4% average discount rate using a 90% confidence level, are $21.9 million and $5 million for Workers' Compensation and General Liability, respectively. However, VTA has decided to maintain the provision of estimated outstanding losses for the Workers' Compensation and General Liability programs at higher levels in unrestricted net assets. For Workers' Compensation, the decrease in reserves is predominantly due to paid and incurred development that was far less than anticipated. This favorable emergence is particularly pronounced in the claim experience after January 1, 2004, the date of the first statutory benefit reform. The decrease in reserves for General Liability program was based on similar trends for all policy periods. The accrued liabilities for both Workers' Compensation and General Liability claims were based on the actuarial estimates. It is VTA's practice to obtain full actuarial studies annually.

Changes in the balance of Workers' Compensation and General Claims Liabilities for the two years ended June 30, 2010, are as follows (in thousands):

	Workers' Compensation	General Liability
Unpaid claims at June 30, 2008	$ 22,116	$ 9,955
Provision for claims and claims adjustment	5,904	(29)
Payment for claims and other adjustments		
Change in estimates for provision for future	(5,695)	(4,235)
Unpaid claims at June 30, 2009	22,325	5,691
Provision for claims and claims adjustment	5,726	2,479
Payment for claims and other adjustments	(6,114)	(3,207)
Unpaid claims at June 30, 2010	$ 21,937	$ 4,963

Compensated Absences

This represents the amount charged each month to accrue the estimated increase in unused vacation and sick leave. This account is adjusted annually to reflect the year-end value of unused vacation and sick leave. Compensated absences are limited to leaves that are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. At June 30, 2010, the outstanding balance of compensated absence liability was $22.1 million.

NOTE 15 – SANTA CLARA VALLEY TRANSPORTATION AUTHORITY OTHER POST EMPLOYMENT BENEFITS TRUST

(a) OPEB Trust Description

VTA offers post employment benefits to its employees through the Santa Clara Valley Transportation Authority Other Post Employment Benefit Trust, a single employer defined benefit health plan funded and administered by VTA.

Employees who retire directly from VTA are eligible for retiree health benefits if they meet certain requirements relating to age and service. For ATU represented retirees, VTA provides an ATU Retiree Health Care Program (the ATU Program), a post-employment benefit, in accordance with the agreement between VTA and the ATU, to all ATU represented employees who retire from VTA on or after attaining the age of 55 with at least 15 years of service, or age 65 with 10 years of service, or if an employee becomes disabled and has completed at least 10 years of service. ATU retirees can select either the Kaiser or PacifiCare retiree health plans. Certain ATU retirees are grandfathered in other plans. VTA pays the full cost of employee-only premium, and ATU retirees who are eligible for Medicare are reimbursed for the Medicare Part B premium. ATU employees who retire on or after September 1, 2004, must contribute $25 toward the employee only monthly premium. As of June 30, 2010, 883 retirees met the eligibility requirements for the ATU Program.

All Non-ATU employees who retire directly from VTA with age at least 50 years are also covered under a Retiree Health Care Program (the Non-ATU Program) provided that they retire with at least 5 years of service, if hired before the following dates or at least 8 years of service (2,088 days) if hired on or after the following dates.

- Service Employees International Union (SEIU) represented employees on or after May 15, 2006.
- Transportation Authority Engineers and Architects Association (TAEA) represented

employees on or after December 5, 2006.

- American Federation of State, County and Municipal Employees (AFSCME) represented employees on or after August 30, 2007.

VTA's contribution towards retiree health benefits for Non-ATU retirees is limited to the Kaiser rate for active single employees. VTA is also reimbursed for Medicare Part B premiums for retirees eligible for Medicare. Non-ATU employees who retire on or after January 1, 2006, must contribute $25 toward the employee only monthly premium. As of June 30, 2010, 275 retirees met the eligibility requirements for the Non-ATU Program.

VTA also provides life insurance benefits for all ATU retirees and Executive Management retirees. ATU retirees receive $5,000 in life insurance coverage. Executive Management retirees receive $50,000 in life insurance coverage for the first year of retirement, decreasing to $10,000 each year until its expiration in the sixth year.

(b) Funding Policy

Benefit allowance provisions are established through agreements and memorandums of understanding (MOU) between VTA and unions representing its employees. VTA's contributions to the plans are based on Annual Required Contribution (ARC) as determined by an actuarial valuation study. In FY2008, VTA established an irrevocable trust to fund the ARC in accordance with the provisions of GASB Statement 45.

As of June 30, 2010, VTA had assets of $119.7 million to cover costs of the ATU and Non-ATU Programs. The Plan is presented in these financial statements as the OPEB Trust. Separate financial statements are also prepared for the trust.

(c) Annual OPEB Cost and Net OPEB Obligations

VTA's Annual Plan Cost (Expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years, using an open amortization methodology.

Plan cost which was estimated using the level percentage method, the percentage of annual cost contributed to the Plan, and the net Plan obligation for the year is as follows (in thousands):

Annual Required Contributions	$	(14,849)
Interest on Net Plan Asset		-
Annual Plan Cost (Expense)		(14,849)
Contributions Made		14,213
Net Plan Assets, Beginning of Year		1,473
Net Plan Asset, End of Year	$	837

Net plan assets shown above represent the contributed amount above the ARC in FY2010. This amount is recorded as a prepaid item in the other current assets on the Statement of Fund Net Assets – Proprietary Funds (VTA Transit Fund).

Plan cost, the percentage of annual cost contributed to the Plan, and the net Plan assets for the year ended June 30, 2010 is as follows (in thousands):

Annual Required Contribution	Amount Contributed	Percentage Contributed	Net Plan Asset
$ 14,849	$ 15,187	102%	$ 837

Net Other Post Employment Benefit Obligation

Fiscal Year Ended	Annual Other Post Employment Benefit (OPEB)Cost	Percentage of Annual OPEB Contributed	Net Other Post Employment Benefit Obligation
6/30/08	$ 15,685	106%	-
6/30/09	15,900	104%	-
6/30/10	15,187	102%	-

(d) Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

As of July 1, 2008, the most recent actuarial valuation date, the plan was 46.3% funded. The actuarial accrued liability was $225.4 million and the actuarial value of assets was $104.4 million, resulting in an unfunded accrued liability (UAAL) of $121 million. The covered payroll was $155.4 million which resulted in a 77.9% UAAL as a percent of covered payroll. The schedule of funding progress is presented on page 2-80, in the required supplementary information following the notes to the financial statements.

NOTE 16 –INSURANCE

VTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors, and omissions; injuries to employees; injuries to the public; and natural disasters. For additional information on workers' compensation and general liability, see Note 14. Coverage provided by self-insurance/insurance and excess coverage as of June 30, 2009, is shown below.

Type of Coverage	Self-Insurance/ Deductible	Excess Coverage (in aggregate)
Workers' compensation	Self-Insured	None
Employer's liability	$3,000,000	$22,000,000 per accident
Excess public liability/property damage	$3,000,000	$22,000,000
Property, boiler, and machinery	$100,000	$70,000,000 combined blanket limit
National Flood Insurance (eligible locations)	$5,000	$500,000
Light rail vehicles (includes spare parts coverage, no earthquake coverage	$250,000	$20,000,000
Buses	$100,000	$20,000,000
Community Buses	$ 75,000	
Vans and mobile equipment	$25,000	Included in $20,000,000 with buses
Public officials liability	Self-Insured $3,000,000	$22,000,000

NOTE 17 – LEASES

VTA leases various properties for use as transfer facilities, parking lots, information centers, and warehouses under lease agreements that expire at various dates through 2030. These agreements are accounted for as operating leases. Rent expense was approximately $288 thousand in FY2010. The future lease payments under noncancellable lease agreements are as follows (in thousands):

Year ending June 30,		Future Lease Payments
2011		$ 313
2012		330
2013		348
2014		366
2015-2019		386
2020-2024		2,270
2025-2029		2,964
2030		3,854
	Total	$ 10,831

NOTE 18 – LITIGATION

As of September 30, 2010, VTA has no open claims which will have any adverse financial impact or liability. VTA's management believes its actuarially determined reserves and excess insurance coverage will adequately cover estimated potential material adverse losses as of June 30, 2010.

NOTE 19 – CONTRACTED SERVICES PROVIDED BY THE COUNTY OF SANTA CLARA

The County provides support services to VTA for protection (Office of the Sheriff), vehicle maintenance and fuel, and contributions for retiree medical for County public safety staff assigned to VTA. Amounts paid to the County for such services were approximately $5.1 million during FY2010.

NOTE 20 – JOINT VENTURES

(a) Peninsula Corridor Joint Powers Board

VTA is a member agency of the Peninsula Corridor Joint Powers Board (PCJPB), along with the San Mateo County Transit District (SamTrans) and the City and County of San Francisco (CCSF). The PCJPB is governed by a separate board composed of nine members, three from each participating agency. The PCJPB was formed in October 1991 to plan, administer, and operate the Peninsula Corridor rail service (Caltrain), which began operating on July 1, 1992. Prior to July 1, 1992, such rail service was operated by Caltrans.

The net operating costs and administrative expenses of the PCJPB for services provided between San Francisco and San Jose are reimbursed by the member agencies. In FY2010, VTA, SamTrans, and CCSF were responsible for 40.3%, 41.9%, and 17.8%, respectively, of the member agencies' total reimbursement for such expenses. During the year ended June 30, 2010, VTA paid $15.9 million to the PCJPB for operating costs.

SamTrans serves as the managing agency of the PCJPB, providing administrative personnel and facilities. The disbursement of funds received by the PCJPB is controlled by provisions of various grant contracts entered into with the U.S. government, the state, and the member agencies.

VTA's agreement with the PCJPB expired in 2001 and continues in full force and effect on a year-to-year basis, until any member provides a one-year's prior written notice of withdrawal. If two or more parties to the agreement withdraw, then the agreement shall terminate at the end of the fiscal year following expiration of the one-year's notice given by the second party. In that event, the property and funds of the PCJPB would be distributed to the member agencies in accordance with a separate agreement to be entered into between the parties.

Summary financial information (not included in VTA's financial statements) for the PCJPB for the years ended June 30, 2009 and 2008 (in thousands), are as follows[1]:

PCJPB Financial Information	2009	2008
Total assets	$ 1,188,338	$ 1,175,491
Total liabilities	(61,087)	(64,157)
Total net assets	$ 1,127,251	$ 1,111,334
Operating revenues	$ 46,719	$ 43,760
Operating expenses	(143,450)	(133,248)
Non-operating revenues, net	41,407	43,220
Capital contributions	71,241	82,551
Change in net assets	$ 15,917	$ 36,283

[1] Latest audited information available.

Complete financial statements for the PCJPB can be obtained from SamTrans at 1250 San Carlos Avenue, San Carlos, California 94070.

(b) Altamont Commuter Express

The Altamont Commuter Express (ACE) is a commuter rail service covering over 85 miles between Stockton and San Jose with stops in Manteca, Tracy, Livermore, Pleasanton, Fremont, Santa Clara, and San Jose. ACE is funded by VTA, the Alameda County Congestion Management Agency and the San Joaquin Regional Rail Commission which also serves as the managing agency.

ACE commenced operations in October 1998, and now provides four daily round trips commuter rail service from San Joaquin County through the Tri-Valley Area of Alameda County to Santa Clara County. The operating maintenance and management costs of the service is reimbursed by the members at a rate of approximately 42% from VTA, 28% from San Joaquin Regional Rail Commission and 30% from the Alameda County Congestion Management Agency. In June 2003, VTA entered into a Cooperative Service Agreement with the San Joaquin Regional Rail Commission (SJRRC) and the Alameda County Congestion Management Agency (ACCMA) for continued VTA funding of Altamont Commuter Express (ACE) commuter rail service. The cooperative agreement replaced the ACE Joint Powers Agreement (JPA) executed by the ACE member agencies – VTA, SJRRC and ACCMA. During the year ended June 30, 2010, VTA contributed approximately $2.7 million for operating costs.

Summary financial information (not included in VTA's financial statements) for the Altamont Commuter Express for the years ended June 30, 2009 and 2008 (in thousands), are as follows[1]:

ACE Financial Information	2009	2008 [2]
Total assets	$ 155,322	$ 117,287
Total liabilities	(20,947)	(2,243)
Total net assets	$ 134,375	$ 115,044
Operating revenues	$ 4,793	$ 4,352
Operating expenses	(19,811)	(16,978)
Non-operating revenues, net	11,800	10,697
Capital contributions	22,906	8,646
Change in net assets	$ 19,688	$ 6,717

[1] Latest audited information available.
[2] Restated in 2009

Complete financial statements for ACE can be obtained from the San Joaquin Regional Rail Commission at 949 East Channel Street, Stockton, California 95202.

(c) Capitol Corridor Intercity Rail Service

VTA is a member agency of the Capitol Corridor Joint Powers Authority, which provides intercity rail service between Sacramento and San Jose. The Capitol Corridor intercity rail service is provided by the Capitol Corridor Joint Powers Board, which is comprised of members of the governing bodies of VTA, the Sacramento Regional Transit District, the Placer County Transportation Planning Agency, the congestion management agencies of Solano and Yolo counties, and the Bay Area Rapid Transit District (BART). BART is the managing agency for the Capitol Corridor Service. VTA offers no funds to the operation of this service.

Complete financial statements for the Capitol Corridor Service can be obtained from the San Francisco Bay Area Rapid Transit District (BART) at P.O. Box 12688, Oakland, California 94606-2688.

(d) California Transit Finance Authority

VTA is a participant of the California Transit Finance Authority (CTFA), which was formed in 1997 through a joint powers agreement for the purpose of establishing the California Transit Variable Rate Finance Program (Program). The Program makes low-cost, variable rate financing available to the members of the California Transit Association for the acquisition of transit equipment and facilities. In December 1997, the CTFA issued $200,000,000 of variable rate demand bonds (the “CTFA Bonds”) to fund the Program. In March 1998, VTA borrowed $50,000,000 under the Program and evidenced its borrowing through the issuance of $50,000,000 Junior Lien Sales Tax Revenue Bonds, 1998 Series A held by the CTFA Bond trustee. In November 2000, VTA borrowed an additional $40,000,000 under the Program and evidenced its borrowing through the issuance of

$40,000,000 Junior Lien Sales Tax Revenue Bonds, 2000 Series A held by the CTFA Bond trustee. (Note 7 – Long-Term Liabilities).

Complete financial statements for the CTFA can be obtained from Shaw/Yoder Inc., 1414 K Street, Suite 320, Sacramento, California 95814.

NOTE 21 – OTHER FINANCING TRANSACTIONS

(a) Lease/Leaseback

In September 1998, VTA simultaneously entered into two transactions to lease 50 vehicle cars to investors (Headlease), U.S. Bank National Association (Successor Trustee), and simultaneously subleased the vehicles back from the investors for a period of 32 to 33 years. VTA maintains ownership of the vehicles and is obligated to insure and maintain the vehicles throughout the term of the lease. VTA has the right to buy out the lease after 16.5 and 18.5 years depending on the equity investor and the condition of the equipment.

VTA received a prepayment of approximately $92,286,000, which represented certain rental obligations owed by the investors under the Headlease. Investors made equity contributions of approximately 20% and a financial institution made loans to the trust for the balance of the Headlease rental prepayment amount. VTA is required to make annual rental payments pursuant to the sublease.

Simultaneously, VTA entered into a payment agreement with a American International Group, Inc (AIG). Under the terms of the payment agreement, VTA made a payment of $68,149,000 in consideration of the agreement by AIG to make payments equal to the debt portion of future rental payments, the debt portion of the early buy-out option and its absolute, unconditional and irrevocable guarantee of the prompt payment of such amounts when due. VTA is obligated to replace American International Group (AIG) if the credit rating assigned to such Provider by Standard & Poor's or Moody's falls below Baa1/BBB+.

VTA used an additional $16,853,000 of the Headlease prepayment to purchase obligations of the United States government in various dollar amounts and maturities, which coincide with the due dates of the equity portion of the sublease rental obligations and the equity portion of the early buy-out option. The investments have been transferred to a custodian. Additionally, VTA acquired a financial guaranty insurance policy from FSA to secure part of the equity portion of the sublease termination obligations. VTA is obligated to replace FSA if its credit rating by Standard & Poor's or Moody's falls below Aa3/AA-. VTA paid

$1,683,000 in appraisal, legal advisor and other fees. The pecuniary benefit to VTA in fiscal 1999 was $5,600,000.

(b) Sublease Agreement with Utah Transit Authority (UTA) and Sacramento Regional Transit District (RT)

In May 2003, the VTA Board approved the execution of the sublease agreements with the Utah Transit Authority (UTA) and Sacramento Regional Transit District (RT) for the sublease of 50 UTDC Light Rail Vehicles (LRVs) with aggregate prepaid rent in the amount of $9.3 million.

Per the sublease agreement, VTA shipped 29 LRV cars to UTA and 21 LRV cars to Sacramento. The UTA/RT Agreements provide that UTA and RT pay the prorated portion of the prepaid rent for the UTDC LRVs upon the delivery of each vehicle to UTA or RT. The aggregate amount of rental payments for UTA and RT are $5.2 million and $4.1 million, respectively. During FY2006, VTA shipped 14 cars to UTA, 21 cars to Sacramento, and the remaining 15 cars were shipped to UTA with total proceeds of approximately $2.3 million.

The basic sublease term is approximately 13 years with a sublease renewal term of 9 years thereafter. The sublease transaction was recorded as a capital lease during FY2004. The net book value of assets amounting to $23 million was taken out from the books and a loss in the amount of $16 million was immediately recognized as a special item in FY2004 and FY2005 respectively.

(c) Lease to Service Contracts

In August and December 2003, VTA entered into four "lease to service" agreements covering 66 Kinkisharyo low floor light rail vehicles. These agreements included four head leases to lease the vehicles to trusts created by equity and simultaneously lease them back under separate leases. Under certain conditions there could be 12-19 year service periods following the lease periods, which range from 24-30 years. VTA received prepayments of the head lease rents from the investors of approximately $291.2 million, of which $221.5 million was invested with a debt payment undertaker, who will make the scheduled lease rent payments and $33.5 million was invested in fixed rate securities or payment undertakers to fund purchase options at the end of the lease terms, should VTA decide to exercise its purchase options.

Approximately $30.0 million represents considerations for tax benefits net of $6.2

million in expenses, and was reported as revenue from head lease in the enterprise fund. VTA's payment obligations under these leases are guaranteed by either AIG or Ambac Assurance Corporation (Ambac). VTA is obligated to replace these parties if their credit rating by Standard & Poor's or Moody's falls below designated levels.

During 2008, AIG's credit rating was reduced amid the U.S. global economic crisis. The downgrade of AIG impacted three of four lease to service contracts. Although each equity investor had the right to demand that VTA replace AIG as guarantor, one of the investors decided to exercise the option to terminate a transaction. VTA entered negotiations with this investor to unwind the transaction at the current market value in the equity defeasance account plus a return of $3.0 million (equal to 24% of the original net benefit received by VTA for the transaction). The negotiations were finalized in FY2009 and final payment was made and a termination agreement was executed. VTA is in negotiations with the other equity investor (covering two transactions) to determine a mutually agreeable resolution as no replacements for AIG are available in the current market.

During 2008, Ambac's credit rating was also reduced, impacting the fourth lease to service contract. In June 2010, VTA and the equity investor entered into a Collateral Delivery and Pledge Agreement (Pledge Agreement). Under the terms of the Pledge Agreement the equity investor waived the requirement to replace Ambac as the surety provider in the transaction, in exchange for a pledge of collateral in an amount equal to 50% of Ambac's scheduled obligations (adjusted to account for market values). The initial amount of pledged collateral was $6.7 million and will be adjusted on an annual basis based on the June 30 market values of the securities that have been pledged. Pledged collateral is held by VTA's custodian and is included in the Statement of Fund Net Assets as a restricted investment. Also in June 2010, one light rail vehicle was removed from this transaction due to loss.

VTA is obligated to insure and maintain the light rail vehicles. The lease agreements provide for VTA's right to continue to use and control the light rail vehicles. VTA has also agreed to indemnify the lessor from any taxes imposed by United States taxing authorities and from any other increased costs.

REQUIRED SUPPLEMENTARY INFORMATION
(other than MD&A)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Funding Progress [1]

As of June 30, 2010

Amalgamated Transit Union Pension Plan

(Unaudited)

(In thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
1/1/2008	$ 344,522	$ 423,739	$ 79,218	81.3%	$ 98,722	80.2%
1/1/2009	325,247	442,831	117,583	73.0%	100,878	117.0%
1/1/2010	354,785	462,912	108,127	77.0%	102,626	105.0%

[1] The schedule of funding progress presents the most recent actuarial information regarding the funding progress of the Santa Clara Valley Transportation Authority Amalgamated Transit Union Pension Plan.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Required Supplementary Information
Schedule of Funding Progress
As of June 30, 2010

CalPERS Plan
(Unaudited)
(In thousands)

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (AAL)	Funded Ratio	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
6/30/2006	$ 177,983	$ 152,536	$ 25,447	85.70%	$ 50,302	50.60%
6/30/2007	195,099	170,837	24,262	87.60%	49,682	48.80%
6/30/2008	214,451	188,898	25,553	88.10%	51,043	50.10%

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Schedule of Funding Progress

As of June 30, 2010

Retirees' Other Post Employment Benefits (OPEB) Trust

(Unaudited)

(In thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
7/1/2007	$ 101,738	$ 208,775	$ 107,037	48.7%	$ 153,176	69.9%
7/1/2008	104,404	225,482	121,078	46.3%	155,426	77.9%

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Required Supplementary Information

Budgetary Comparison Schedule

Congestion Management Program Special Revenue Fund

For the Year ended June 30, 2010

(In thousands)

	Original Budget	Final Budget	Actual	Favorable/ (Unfavorable)
Revenue:				
Assessments to member agencies	$ 2,495	$ 2,495	$ 2,495	$ -
Federal grant revenues	1,085	1,085	1,235	150
Administrative fees	-	130	111	(19)
State and local operating assistance grants	980	850	619	(231)
Other revenues	50	50	42	(8)
Investment earnings	-	-	12	12
TOTAL REVENUE	4,610	4,610	4,514	(96)
Expenditures:				
VTA labor and overhead costs	4,302	4,302	3,709	593
Services and other:				
Professional services	500	500	518	(18)
Other services	31	31	23	8
Data processing	12	12	8	4
Miscellaneous	25	25	9	16
Capital outlay on behalf of other agencies	-	-	12	(12)
TOTAL EXPENDITURES	4,870	4,870	4,279	591
Change in fund balance, on a budgetary basis	$ (260)	$ (260)	$ 235	$ 495
Revenues and Expenditure not budgeted:				
Investment earnings			(12)	
Capital Outlay on behalf of other agencies			12	
Change in fund balance, on a GAAP basis			235	
Fund Balance, Beginning of Year			52	
Fund Balance, End of Year			$ 287	

Budgetary Basis of Accounting

State law requires the adoption of an annual budget, which must be approved by the VTA's Board of Directors. The VTA Board adopts a biennial budget for its Congestion Management Program Special Revenue Fund. The budget for the Special Revenue Fund is prepared on a modified accrual basis.

Budgetary control is maintained at the fund level. The Division Chief must authorize line item reclassification amendments to the budget. Managers are assigned the responsibility for controlling their budgets and monitoring operating expenses. Annual appropriations for the operating budget lapse at the end of the fiscal year to the extent that they have not been expended. The unexpended capital budget at fiscal year end is carried forward from year to year until the project is completed.

SUPPLEMENTARY INFORMATION

(Combining and Individual Fund Statements)

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Fund Net Assets

Enterprise Funds

June 30,

(In thousands)

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 510	$ 5,502
Investments	3,847	4,167
Receivables, net	3,526	4,417
Due from other funds	1,529	526
Due from other governmental agencies	73,395	65,149
Inventories	20,818	21,158
Other current assets	1,308	1,305
Total current assets	**104,933**	**102,224**
Restricted assets:		
Cash and cash equivalents	6,707	11,266
Cash and investments with fiscal agent	20,808	20,563
Investments	500,164	433,587
Receivables, net	1,003	1,267
Due from other governmental agencies	52,347	47,883
Other current assets	33	173
Total restricted current assets	**581,062**	**514,739**
Non-current assets:		
OPEB obligation over-contributions	837	1,473
Deferred charges	11,767	10,944
Deferred outflow of resources	71,490	-
Capital Assets		
Nondepreciable:		
Land and right-of-way	1,123,321	1,119,217
Construction in progress	814,241	781,381
Depreciable		
Buildings, improvements, furniture, and fixtures	495,436	488,156
Vehicles	435,652	442,771
Light-rail tracks and electrification	402,622	399,824
CalTrain - Gilroy extension	53,307	53,155
Other	52,296	41,730
Less: Accumulated depreciation	(565,012)	(519,886)
Net capital assets	**2,811,863**	**2,806,348**
TOTAL ASSETS	**3,581,952**	**3,435,728**

(Continued)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Comparative Statement of Fund Net Assets *(Continued)*

Enterprise Funds

June 30,

(In thousands)

	2010	2009
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	15,755	12,813
Deposits	481	459
Accrued payroll and related liabilities	10,033	8,642
Bond interest and other fee payable	763	704
Deferred revenues	2,116	1,470
Due to other governmental agencies	1,669	448
Other accrued liabilities	133	-
Total current liabilities	**30,950**	**24,536**
Liabilities payable from restricted assets:		
Current portion of long-term debt	11,800	9,180
Accounts payable and accrued expenses	19,093	19,326
Bond interest and other fee payable	3,665	3,642
Deferred revenues	27	286
Due to other funds	2,609	1,173
Due to other governmental agencies	43,060	33,811
Other accrued liabilities-current	-	3,302
Total current liabilities payable from restricted assets	**80,254**	**70,720**
Non-current liabilities		
Long-term debt, excluding current portion	604,273	616,162
Derivative instruments	71,490	-
Other accrued liabilities	343	238
Total non-current liabilities	**676,106**	**616,400**
TOTAL LIABILITIES	**787,310**	**711,656**
NET ASSETS	**$ 2,794,642**	**$2,724,072**

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Fund
For the Years Ended June 30,
(In thousands)

	2010	2009
OPERATING REVENUES:		
Passenger fares	$ 36,857	$ 36,184
Advertising and other	1,973	2,255
TOTAL OPERATING REVENUES	38,830	38,439
OPERATING EXPENSES:		
Labor cost	246,539	246,150
Materials and supplies	26,216	27,097
Services	18,345	22,777
Utilities	6,718	6,869
Casualty and Liability	4,689	5,818
Purchased transportation	24,245	27,974
Leases and rentals	2,217	3,499
Miscellaneous	1,461	1,966
Depreciation expense	51,378	51,762
Costs allocated to capital and other programs	(33,989)	(39,628)
TOTAL OPERATING EXPENSE	347,819	354,284
OPERATING LOSS	(308,989)	(315,845)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	279,342	274,903
Federal operating assistance and other grants	59,101	33,449
State and local operating assistance grants	67,833	81,488
Caltrain subsidy	(15,878)	(15,878)
Capital expenses on behalf of, and contribution to, other agencies	(81,714)	(42,626)
Altamont Commuter Express subsidy	(2,707)	(2,707)
Investment earnings	5,764	15,341
Interest expense	(20,583)	(11,651)
Other income	3,075	3,385
Other expense	(7,268)	(5,446)
NON-OPERATING REVENUE, NET	286,965	330,258
INCOME (LOSS) BEFORE CONTRIBUTIONS	(22,024)	14,413
CAPITAL CONTRIBUTIONS	92,594	82,175
CHANGE IN NET ASSETS	70,570	96,588
NET ASSETS, BEGINNING OF YEAR	2,724,072	2,627,484
NET ASSETS, END OF YEAR	$ 2,794,642	$ 2,724,072

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended June 30,
(In thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger fares	$ 36,857	$ 36,184
Cash received from advertising	1,973	2,255
Cash paid to employees	(212,509)	(206,475)
Cash paid to suppliers	(53,698)	(79,011)
Cash paid for purchased transportation	(24,245)	(27,974)
Net cash provided by/(used in) operating activities	(251,622)	(275,021)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	125,894	113,712
Sales tax received	267,139	292,241
Caltrain subsidy	(15,878)	(15,878)
Altamont Commuter Express subsidy	(2,707)	(2,707)
Other non-operating receipts/(payments)	2,477	(1,237)
	376,925	386,131
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of long-term debt	(9,180)	(9,745)
Advance from other governments	14,210	(2,114)
Interest paid on long-term debt	(12,454)	(26,500)
Cost of bond issuance	-	(11,651)
Acquisition and construction of capital assets	(92,384)	(180,496)
Capital contribution to other agencies	(68,190)	(23,893)
Capital contribution from other governments	100,189	107,550
	(67,809)	(146,849)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	685,211	1,151,288
Purchases in investments	(756,365)	(1,135,915)
Interest income received	4,354	10,752
	(66,800)	26,125
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,306)	(9,614)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	37,331	46,945
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 28,025	$ 37,331

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Comparative Statement of Cash Flows *(Continued)*
Enterprise Fund
For the Years Ended June 30,
(In thousands)

	2010	2009
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Operating income/(loss)	$ (308,989)	$ (315,845)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	51,378	51,762
Changes in operating assets and liabilities:		
Receivables	1,155	(2,539)
Due from other governmental agencies	(1,003)	-
Inventories	340	(1,214)
Accounts payable	2,709	(6,911)
Other accrued liabilities	133	1,665
Other Current assets	(3)	(2,099)
Due to other governmental agencies	2,658	30,718
Due to/from other funds	-	(30,558)
Net cash provided by/(used in) operating activities	$ (251,622)	$ (275,021)
Reconciliation of cash and cash equivalents to the Statement of Fund Net Assets:		
Cash and cash equivalents, end of year:		
Unrestricted	$ 510	$ 5,502
Restricted	27,515	31,829
	$ 28,025	$ 37,331
NONCASH ACTIVITIES:		
Increase/(Decrease) in fair value of investments	$ 3,315	$ 3,316
Amortization expense of Caltrain Access Fee	(1,314)	(832)
Total non-cash activities	$ 2,001	$ 2,484

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Budgetary Comparison Schedule - Enterprise Fund
VTA Transit Fund
For the year ended June 30, 2010
(In thousands)

	FY10 Adopted Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES				
Fares	$ 38,533	$ 38,533	$ 36,857	$ (1,676)
1976 1/2 Cent Sales Tax	144,420	144,420	140,037	(4,383)
Transportation Development Act funds	67,877	67,877	65,801	(2,076)
Measure A Sales Tax Oper Assistance	26,380	26,380	25,711	(669)
Federal Operating Grants	50,946	50,946	59,101	8,155
State Operating Grants	2,023	2,023	2,032	9
Investment Earnings	2,196	2,196	2,147	(49)
Advertising Income	2,023	2,023	1,671	(352)
Other Income	15,202	15,202	13,603	(1,599)
Total revenues	**349,600**	**349,600**	**346,960**	**(2,640)**
OPERATING EXPENSES				
Labor Costs	253,360	249,777	246,539	3,238
Materials & Supplies	15,432	15,412	15,537	(125)
Security	7,584	7,484	7,273	211
Professional & Special Services	3,685	3,680	2,788	892
Other Services	8,016	7,863	7,022	841
Fuel	10,829	10,829	10,151	678
Traction Power	3,351	3,351	3,072	279
Tires	1,597	1,597	1,528	69
Utilities	2,461	2,462	2,533	(71)
Insurance	4,847	4,772	4,689	83
Data Processing	2,694	2,259	2,134	125
Office Expense	347	347	308	39
Communications	1,039	1,039	1,113	(74)
Employee Related Expense	828	828	630	198
Leases & Rents	512	512	404	108
Miscellaneous	946	908	539	369
Reimbursements	(41,966)	(41,603)	(43,441)	1,838
Total operating expenses	**275,562**	**271,517**	**262,819**	**8,698**
OTHER EXPENSES				
Paratransit	32,132	29,275	26,376	2,899
Caltrain	18,179	18,179	18,149	30
Light Rail Shuttles	34	34	41	(7)
Altamont Commuter Express	4,509	4,468	4,389	79
Highway 17 Express	411	411	325	86
Dumbarton Express	457	457	410	47
Monterey-San Jose Express Service	46	46	40	6
Contribution to Other Agencies	671	670	588	82
Debt Service	20,893	20,408	17,541	2,867
Other expenses	-		2	(2)
Contingencies	500	250		250
Total other expenses	**77,832**	**74,198**	**67,861**	**6,337**
Total operating and other expenses	**353,394**	**345,715**	**330,680**	**15,035**
Net income(loss), on a budgetary basis	**$ (3,794)**	**$ 3,885**	**16,280**	**$ 12,395**

(continued on next page)

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Budgetary Comparison Schedule - Enterprise Fund (continued)

VTA Transit Fund

For the year ended June 30, 2010

(In thousands)

	FY10 Adopted Budget	Final Budget	Actual	Favorable (Unfavorable)
Net income(loss), on a budgetary basis	**$ (3,794)**	**$ 3,885**	**16,280**	**$ 12,395**
Reconciliation of net income on a budgetary basis to net income on a GAAP Basis:				
Project Revenues - VTA Enterprise			16,104	
Project Expenditure			(2,929)	
Capital Contributions to Other Agencies			(3,403)	
Bond Principal Payment			9,180	
Amortization of Bond Discounts			(1,036)	
Unrealized Gain on investment			819	
Debt Reduction Fund Interest Earnings			1,553	
Other non-budgetary revenues/(expenses)			421	
Gain/(Loss) on Disposal of assets			(176)	
Depreciation			(51,378)	
Net Loss, on a GAAP Basis			**$ (14,565)**	

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Net Assets

Retiree Trust Funds

June 30, 2010

(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trust: Spousal Medical	ATU Medical Trust: Vision/ Medical	ATU Medical Trust: Total Medical Trust	Total
ASSETS						
Restricted assets:						
Cash and cash equivalents	$ 466	$ 292	$ 20	$ 11	$ 31	$ 789
Investments	316,057	119,419	7,559	4,346	11,905	447,381
Receivables	1,125	498	-	-	-	1,623
Total assets	317,648	120,209	7,579	4,357	11,936	449,793
LIABILITIES						
Restricted liabilities:						
Accounts payable	254	522	1	-	1	777
NET ASSETS						
Net assets held in trust for:						
Pension benefits	317,394	-	-	-	-	317,394
Other post-employment benefits	-	119,687	-	-	-	119,687
Spousal medical benefits	-	-	7,578	-	7,578	7,578
Retiree dental and vision benefits	-	-	-	4,357	4,357	4,357
TOTAL NET ASSETS	$ 317,394	$ 119,687	$ 7,578	$ 4,357	$ 11,935	$ 449,016

SANTA CLARA VALLEY TRANSPORTATION AGENCY
Combining Statement of Changes in Fiduciary Net Assets
Retiree Trust Funds
For the Year Ended June 30, 2010
(In thousands)

	ATU Pension Trust	OPEB Trust	ATU Medical Trust: Spousal Medical	ATU Medical Trust: Vision/ Dental	ATU Medical Trust: Total Medical Trust	Total
ADDITIONS						
Contributions	$ 17,905	$ 14,213	$ 910	$ 325	$ 1,235	$ 33,353
Investment earnings:						
Investment income	12,950	2,669	2	1	3	15,622
Net appreciation in the fair value of investments	27,305	10,121	898	502	1,400	38,826
Investment expense	(1,316)	(131)	(2)	(1)	(3)	(1,450)
Net investment income	38,939	12,659	898	502	1,400	52,998
TOTAL ADDITIONS	56,844	26,872	1,808	827	2,635	86,351
DEDUCTIONS						
Benefit payments	22,043	7,477	1,202	-	1,202	30,722
Administrative expenses	209	-	-	-	-	209
TOTAL DEDUCTIONS	22,252	7,477	1,202	-	1,202	30,931
NET INCREASE	34,592	19,395	606	827	1,433	55,420
NET ASSETS HELD IN TRUST						
BEGINNING OF YEAR	282,802	100,292	6,972	3,530	10,502	393,596
END OF YEAR	$ 317,394	$ 119,687	$ 7,578	$ 4,357	$ 11,935	$449,016

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2010

(In thousands)

	BAAQMD Program	Measure B Ancillary Program	Total
Assets			
Restricted assets:			
Cash and cash equivalents	$ 230	$ 2,168	$ 2,398
Investments	3,052	-	3,052
Due from other funds	-	7	7
TOTAL ASSETS	3,282	2,175	5,457
Liabilities			
Liabilities payable from restricted assets:			
Program payable	3,282	2,175	5,457
Total Liabilities Payable from Restricted Assets	$ 3,282	$ 2,175	$ 5,457

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2010

(In thousands)

	Balance June 30, 2009	Increase	Decrease	Balance June 30, 2010
BAAQMD Program				
Restricted assets:				
Cash and cash equivalents	$ -	$ 230	$ -	$ 230
Investments	3,012	40	-	3,052
Total restricted assets	$ 3,012	$ 270	$ -	$ 3,282
Liabilities payable from restricted assets:				
Program payable	$ 3,012	$ 270	$ -	$ 3,282
Total liabilities payable from restricted assets	$ 3,012	$ 270	$ -	$ 3,282
Measure B Ancillary Program				
Restricted assets:				
Cash and cash equivalents	$ 8,285	$ -	$ 6,117	$ 2,168
Due from other funds	-	7	-	7
Total restricted assets	$ 8,285	$ 7	$ 6,117	$ 2,175
Liabilities payable from restricted assets:				
Program payable	$ 411	$ 1,764	$ -	$ 2,175
Due to other funds	3	-	3	-
Due to other governmental agencies	7,871	-	7,871	-
Total liabilities payable from restricted assets	$ 8,285	$ 1,764	$ 7,874	$ 2,175
Total - All Agency Funds				
Restricted assets:				
Cash and cash equivalents	$ 8,285	$ 230	$ 6,117	$ 2,398
Investments	3,012	40	-	3,052
Due from other funds	-	7	-	7
Total restricted assets	$ 11,297	$ 277	$ 6,117	$ 5,457
Liabilities payable from restricted assets:				
Program payable	$ 3,423	$ 2,034	$ -	$ 5,457
Due to other funds	3	-	3	-
Due to other governmental agencies	7,871	-	7,871	-
Total liabilities payable from restricted assets	$ 11,297	$ 2,034	$ 7,874	$ 5,457

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SECTION 3 – **STATISTICAL SECTION**

FINANCIAL TRENDS:

These schedules contain trend information to help the reader understand how VTA's financial performance and financial condition have changed over time:

- Table 1 – Changes in Net Assets
- Table 2 – Net Assets by Component
- Table 3 – Fund Balances and Changes in Fund Balances, Governmental Funds
- Table 4 – Current Ratio
- Table 5 – Operating Revenues and Operating Expenses
- Table 6 – Non Operating Assistance and Interest Income
- Table 7 – Targeted Operating Reserves

REVENUE CAPACITY:

These schedules contain information to help the reader assess VTA's most significant local revenue source, the sales tax:

- Table 8 – Revenue Base and Revenue Rates
- Table 9 – Overlapping Revenue
- Table 10 – Principal Sales Tax Payers by Segments

DEBT CAPACITY:

These schedules present information to help the reader assess the affordability of VTA's current levels of outstanding debt and VTA's ability to issue additional debt in the future:

- Table 11 – Total Outstanding Debt by Type
- Table 12 – Ratios of Outstanding Debt
- Table 13 – Direct and Overlapping Debt and Debt Limitation
- Table 14 – Pledged Revenue Coverage - 1976 Half-Cent Sales Tax Revenue Bonds
- Table 15 – Pledged Revenue Coverage – 2000 Measure A Half-Cent Sales Tax Revenue Bonds
- Table 16 – Projected Pledged Revenue Coverage

DEMOGRAPHIC AND ECONOMIC INFORMATION:

These schedules offer demographic and economic indicators to help the reader understand the environment within which VTA's financial activities take place:

- Table 17 – Population Trends
- Table 18 – Income and Unemployment Rates
- Table 19 – Wage and Salary Employment by Industry (Annual Average)
- Table 20 – Silicon Valley Major Employers

OPERATING INFORMATION:

- Table 21 – Operating Indicators
- Table 22 – Farebox Recovery Ratio
- Table 23 – Revenue Miles
- Table 24 – Passenger Miles
- Table 25 – Selected Statistical Data
- Table 26 – System Data
- Table 27 – Employees
- Table 28 – Capital Assets

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TABLE 1
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Changes in Net Assets
Nine Years Ended June 30, 2010
(In thousands)

	Fiscal Year								
	2002[1]	2003	2004	2005	2006	2007	2008	2009	2010
EXPENSES									
Business-type activities:									
Operations and Operating Projects	$ 341,209	$ 335,760	$ 286,098	$ 300,430	$ 339,857	$ 321,059	$ 344,469	$ 343,973	$ 338,771
Caltrain Subsidy	25,315	22,298	16,805	14,112	14,801	15,237	15,416	15,878	15,878
Capital Expenses on behalf of, and contribution to other agencies	-	-	-	-	27,399	7,272	19,331	42,626	81,714
Altamont Commuter Express Subsidy	1,740	2,715	2,392	2,470	2,470	2,542	2,621	2,707	2,707
Interest Expense	14,717	14,222	13,690	13,761	11,562	13,672	12,214	11,651	20,583
Other Expenses	2,838	4,858	3,022	3,316	6,972	4,636	3,280	5,446	7,268
Benefit Payments	-	-	14,816	21,370	11,538	14,285	10,513	9,826	7,693
Total Business-Type Activities Expenses	385,819	379,853	336,823	355,459	414,599	378,703	407,844	432,107	474,614
Governmental activities:									
Operations and operating projects	2,740	3,582	2,858	4,735	5,982	6,528	6,450	8,840	7,164
Capital projects for the benefit of other agencies	112,697	141,271	115,262	94,146	80,763	45,806	43,798	26,398	19,402
Total governmental activities expenses	115,437	144,853	118,120	98,881	86,745	52,334	50,248	35,238	26,566
Total primary government expenses	$ 501,256	$ 524,706	$ 454,943	$ 454,340	$ 501,344	$ 431,037	$ 458,092	$ 467,345	$ 501,180
PROGRAM REVENUES									
Business-type activities:									
Charges for services	$ 37,122	$ 34,376	$ 33,422	$ 34,692	$ 36,926	$ 37,876	$ 38,053	$ 38,439	$ 38,830
Operating grants	127,373	104,132	111,577	113,925	114,764	140,431	126,505	114,937	126,934
Capital grants	226,125	316,997	217,053	96,860	22,522	199,999	153,443	82,175	92,594
Total business-type activates program revenues	390,620	455,505	362,052	245,477	174,212	378,306	318,001	235,551	258,358
Governmental activities:									
Charges for services	1,686	2,177	1,862	2,231	2,290	2,397	2,475	2,618	2,606
Operating grants	2,405	852	517	1,190	850	1,023	2,193	1,496	1,854
Capital grants	112,668	141,364	116,012	95,746	83,207	48,180	45,109	29,479	22,314
Total governmental activates program revenues	116,759	144,393	118,391	99,167	86,347	51,600	49,777	33,593	26,774
Total primary government revenues	$ 507,379	$ 599,898	$ 480,443	$ 344,644	$ 260,559	$ 429,906	$ 367,778	$ 269,144	$ 285,132
NET (EXPENSE)/REVENUE									
Business-type activities	$ 4,801	$ 75,652	$ 25,229	$ (109,982)	$(240,387)	$ (397)	$ (89,843)	$ (196,556)	$ (216,256)
Governmental activities	1,322	(460)	271	286	(398)	(734)	(471)	(1,645)	208
Total primary government net expense	$ 6,123	$ 75,192	$ 25,500	$ (109,696)	$(240,785)	$ (1,131)	$ (90,314)	$ (198,201)	$ (216,048)

[1] The data is shown retroactively to fiscal years when VTA implemented GASB Statement No. 34.
Source: Comprehensive Annual Financial Reports

TABLE 2
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Net Assets by Component
Nine Years Ended June 30, 2010
(In thousands)

	Fiscal Year								
	2002[1]	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009[2]**	**2010**
BUSINESS-TYPE ACTIVITIES									
Invested in Capital Assets, Net of Related Debt	$ 1,367,401	$1,686,313	$1,846,221	$ 1,867,513	$ 1,817,396	$ 1,888,879	$2,056,769	$2,180,768	$2,195,790
Restricted	-	-	65,780	44,400	35,153	353,186	141,764	362,079	409,136
Unrestricted	242,699	162,644	169,798	210,973	245,098	232,626	438,848	196,628	208,228
Total Business-Type Activities Net Assets	1,610,100	1,848,957	2,081,799	2,122,886	2,097,647	2,474,691	2,637,381	2,739,475	2,813,154
GOVERNMENTAL ACTIVITIES									
Unrestricted	1,624	1,336	1,705	2,184	1,930	1,466	1,495	52	287
Total Governmental Activities Net Assets	1,624	1,336	1,705	2,184	1,930	1,466	1,495	52	287
PRIMARY GOVERNMENT									
Invested in Capital Assets, Net of Related Debt	1,367,401	1,686,313	1,846,221	1,867,513	1,817,396	1,888,879	2,056,769	2,180,768	2,195,790
Restricted	-	-	65,780	44,400	35,153	353,186	141,764	362,079	409,136
Unrestricted	244,323	163,980	171,503	213,157	247,028	234,092	438,848	196,680	208,515
Total Primary Government Net Assets	$ 1,611,724	$ 1,850,293	$ 2,083,504	$ 2,125,070	$ 2,099,577	$ 2,476,157	$ 2,638,876	$ 2,739,527	$ 2,813,441

[1] The data is shown retroactively to fiscal years when VTA implemented GASB Statement No. 34.
Source: Comprehensive Annual Financial Reports
[2] Business-type amount reclassified t o match 2010 persentation.

TABLE 3
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Fund Balances and Changes in Fund Balances, Governmental Funds
Ten Years Ended June 30, 2010
(Modified Accrual Basis of Accounting)
(In thousands)

	Fiscal Year									
	2001[1]	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
REVENUES										
Member Agency Assessment Revenue	$ 1,240	$ 1,587	$ 2,032	$ 1,783	$ 2,174	$ 2,250	$ 2,329	$ 2,410	$ 2,495	$ 2,495
Federal Technical Studies Operating Assistance Grants	453	452	453	223	1,036	621	794	1,102	915	1,235
Sales Tax	71	-	60	-	-	-	-	-	-	-
Administrative Fees	53	99	145	80	57	40	68	65	123	111
State and Local Assistance Grants	118	1,953	400	293	63	229	229	1,091	581	619
Local Grant Revenue	41,107	112,668	141,364	116,013	95,746	83,207	48,180	45,109	29,479	22,314
Other Revenues	35	8	12	17	19	28	3	151	161	15
Investment Earnings	37	30	99	79	174	207	267	349	41	12
Total Revenues	43,114	116,797	144,565	118,488	99,269	86,582	51,870	50,277	33,795	26,801
EXPENDITURES										
Current:										
Congestion Management:										
VTA Labor and Overhead Costs	1,551	1,388	2,604	2,733	4,177	5,179	5,640	5,680	8,006	6,606
Professional Services	1,469	1,283	919	390	640	803	888	770	793	541
Program Expenditures	-	-	-	-	-	-	-	-	41	17
Capital Improvement Projects	40,963	112,697	141,271	115,262	94,064	80,763	45,806	43,798	26,398	19,402
Total Expenditures	43,983	115,368	144,794	118,385	98,881	86,745	52,334	50,248	35,238	26,566
Excess (Deficiency) of Revenues Over Expenditures	(869)	1,429	(229)	103	388	(163)	(464)	29	(1,443)	235
OTHER FINANCING SOURCES (USES):										
Transfer In	-	-	-	-	86	-	-	-	-	-
Transfer Out	-	-	-	-	(86)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	$ (869)	$ 1,429	$ (229)	$ 103	$ 388	$ (163)	$ (464)	$ 29	$ (1,443)	$ 235
TOTAL GOVERNMENTAL FUNDS										
Unreserved – Capital Projects Funds	-	-	-	-	(258)	-	-	-	-	-
Unreserved – Special Revenue Funds	402	1,831	1,602	1,705	2,351	1,930	1,466	1,495	52	287
Total Governmental Funds	$ 402	$ 1,831	$ 1,602	$ 1,705	$ 2,093	$ 1,930	$ 1,466	$ 1,495	$ 52	$ 287

[1] FY2001 restated for changes in accounting principles.

TABLE 4
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Current Ratio
Enterprise Fund
Ten Years Ended June 30, 2010

The Current Ratio indicates VTA's ability to meet all of its short-term liabilities with liquid assets and is determined by dividing total current assets and restricted assets, by all current liabilities and liabilities payable from restricted assets. A Current Ratio of 1 or higher is an indication of financial strength.

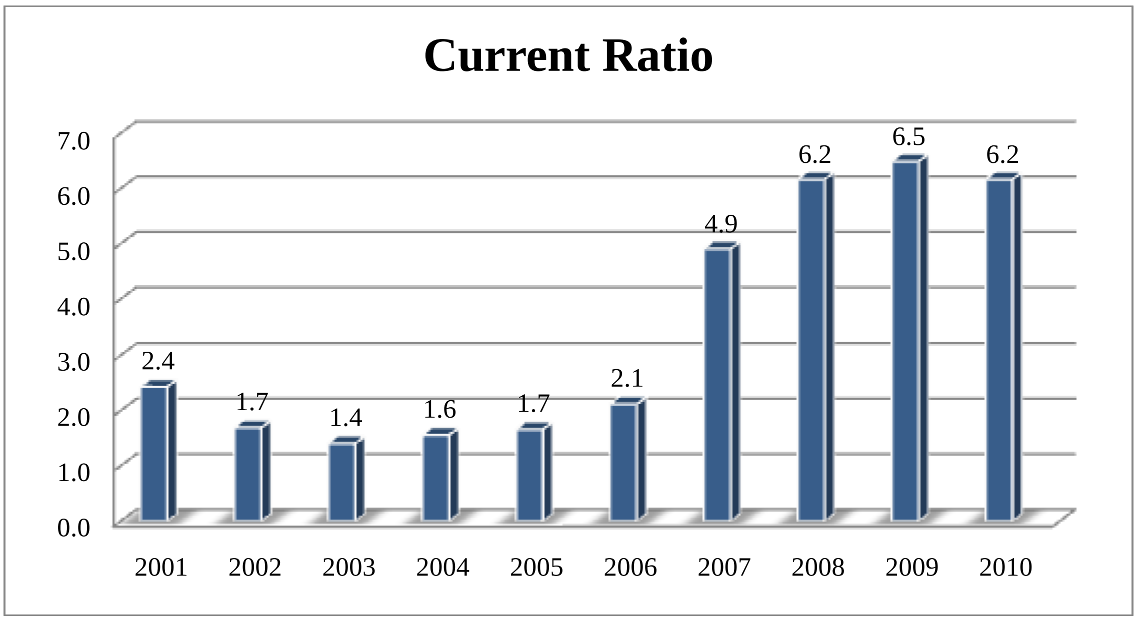
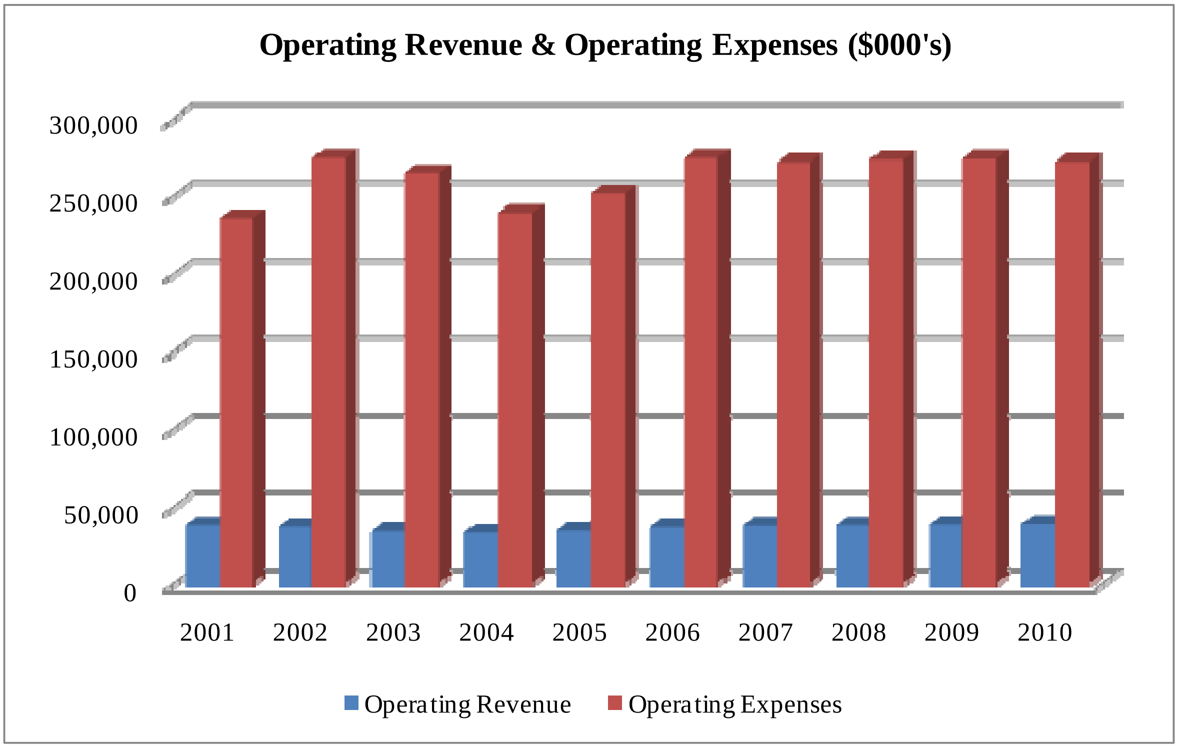


TABLE 5
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Operating Revenues and Operating Expenses
VTA Transit
Ten Years Ended June 30, 2010

The chart below shows a comparison of operating revenue to expenses. Operating expenses are exclusive of purchased transportation and depreciation to more accurately reflect operating expenses related to direct operating service.

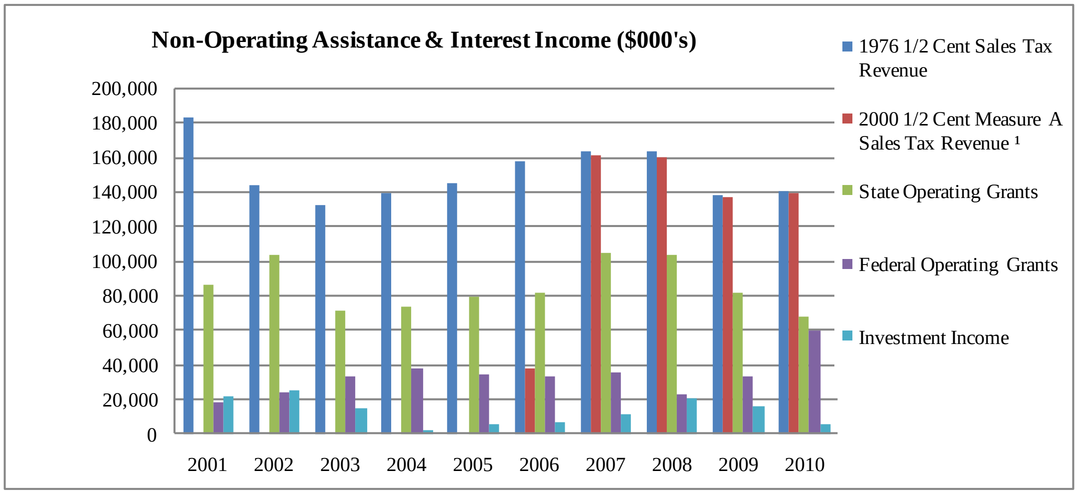


Operating Revenues and Operating Expenses

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Operating Revenue	$37,982	$37,122	$34,376	$33,421	$34,692	$36,926	$37,876	$38,053	$38,439	$38,830
Operating Expenses	236,137	274,407	265,180	239,411	251,874	274,426	271,975	273,495	273,979	272,196

TABLE 6
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends - Non-Operating Assistance and Interest Income
Enterprise Fund
Ten Years Ended June 30, 2010

The following chart illustrates trends in selected non-operating revenue sources. Sales tax revenue is the largest non-operating revenue source shown in the following graph. This is the fifth year 2000 Measure A Half-Cent Sales Tax revenue has been collected.



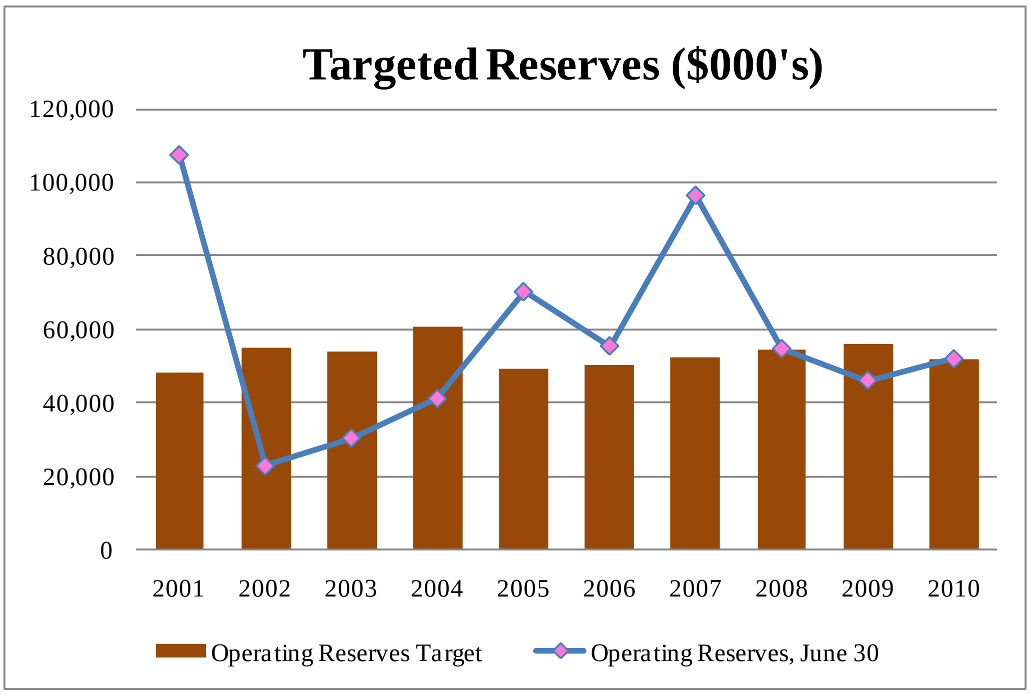
[1]The collection of VTA's 2000 Measure A Sales Tax started on April 1, 2006.

Non-Operating Assistance and Interest Income

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1976 1/2 Cent Sales Tax Revenue	$ 183,540	$ 144,218	$ 132,632	$ 138,917	$ 145,008	$ 157,283	$ 163,676	$163,038	$137,642	$140,037
2000 1/2 Cent Measure A Sales Tax Revenue[1]	-	-	-	-	-	38,170	161,361	160,537	137,261	139,305
State Operating Grants	86,388	103,561	70,956	73,433	79,509	81,199	104,917	104,080	81,488	67,833
Federal Operating Grants	17,867	23,811	33,176	38,144	34,416	33,565	35,514	22,425	33,449	59,101
Investment Income	22,078	24,513	14,245	1,592	5,666	6,457	11,304	20,370	15,341	5,764

TABLE 7
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Financial Trends – Targeted Operating Reserves
Enterprise Funds
Ten Years Ended June 30, 2010

The VTA Board has established an operating reserve for the VTA Transit Enterprise Fund of at least 15% of final operating budget expenses at June 30. To calculate the actual reserve at fiscal year end, current unrestricted assets are reduced by current unrestricted liabilities to determine current net assets. Current Net Assets are then reduced by inventory and other current assets to reach a current operating reserve total.



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010[2]
Current Assets	$169,905	$ 84,793	$ 96,026	$111,232	$126,644	$113,717	$158,291[1]	$120,374	$103,697	$104,933
Total Current Liabilities	(46,804)	(41,876)	(43,785)	(45,865)	(37,762)	(37,945)	(41,602)	(44,953)	(33,716)	(30,950)
Net Current Assets	123,101	42,917	52,241	65,367	88,882	75,772	116,689	75,421	69,981	73,983
Less: Inventory & Other Current Assets[3]	(15,634)	(20,239)	(21,951)	(24,335)	(18,713)	(20,361)	(20,234)	(20,791)	(23,936)	(22,126)
Operating Reserves, June 30	$107,467	$ 22,678	$ 30,290	$ 41,032	$ 70,169	$ 55,411	$ 96,455	$ 54,630	$ 46,045	$ 51,857
Operating Reserves Target (15% of Adopted Budget Expenses)	$ 48,221	$ 54,784	$ 53,843	$ 60,899	$ 49,112	$ 50,081	$ 52,599	$ 54,630	$ 55,760	$ 51,857

1 Includes transfer to debt reduction fund of $50 M.

2 Starting in FY2010, the operating reserve target is 15% of final operating budget at June 30. In Prior years, it was based on 15% of adopted operating budget.

3 Starting FY2008, includes inventory and other current assets; prior years included inventory only

TABLE 8
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity - Revenue Base and Revenue Rates
Ten Years Ended June 30, 2010

	Fiscal Year									
Revenue Rates (In thousands)	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Passenger Fares [1]	$ 33,838	$ 31,282	$ 30,960	$ 30,625	$ 32,061	$ 34,335	$ 35,242	$ 35,830	$ 36,184	$ 36,857
Percentage Increase/(Decrease) from Prior Year	4.7%	(7.6)%	(1.0)%	(1.1)%	4.7%	7.1%	2.6%	1.7%	1.0%	1.9%
Revenue Base										
Number of Passengers [2]	56,474,822	52,690,092	45,221,844	38,375,374	37,077,149	39,217,851	41,990,098	43,555,049	45,264,434	41,733,376
Percentage Increase/(Decrease) from Prior Year	2.8%	(6.7)%	(14.2)%	(15.1)%	(3.4)%	5.8%	7.1%	3.7%	3.9%	(7.8)%
Fare Structure										
Adult Local Fare	$1.25	$0.25	$1.40	$1.50	$1.75	$1.75	$1.75	$1.75	$1.75	$2.00
Youth Local Fare	0.70	0.70	0.85	1.25	1.50	1.50	1.50	1.50	1.50	1.75
Senior/Disabled Local Fare	0.40	0.40	0.45	0.75	0.75	0.75	0.75	0.75	0.75	1.00
Half-Cent Sales Tax Revenues (In thousands)										
1976 1/2 Cent Sales Tax [3]	$ 183,540	$ 144,218	$ 132,632	$ 138,917	$ 145,008	$ 157,283	$ 163,676	$ 163,038	$ 137,642	$ 140,037
2000 Measure A 1/2 Cent Sales Tax [4]	-	-	-	-	-	38,170	161,361	160,537	137,261	139,305
Total Sales Tax Revenue Receipts [5]	$ 183,540	$ 144,218	$ 132,632	$ 138,917	$ 145,008	$ 195,453	$ 325,037	$ 323,575	$ 274,903	$ 279,342
Percentage Increase/(Decrease) from Prior Year										
1976 1/2 Cent Sales Tax	10.1%	(21.4)%	(8.0)%	4.7%	4.4%	8.5%	4.1%	(0.4)%	(15.6)%	1.7%
2000 Measure A 1/2 Cent Sales Tax [4]	N/A	N/A	N/A	N/A	N/A	N/A	322.7%	(0.5)%	(14.5)%	1.5%

[1] Includes fares for directly operated transit services such as bus, light rail, and shuttle services.
[2] Represents system ridership total boardings.
Source: VTA Operations Division.
[3] The 1976 half-cent Sales Tax was approved by County voters in 1976 to fund VTA's transit operations and transportation improvements.
[4] The 2000 Measure A half-cent Sales Tax was approved by County voters in 2000 to fund specific transportation improvement projects.
The collection of this half-cent tax measure started in April 2006.
[5] VTA receives the sales tax based on the total taxable sales activity in the County.

TABLE 9
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity - Overlapping Revenue
Sales Tax Rates
Ten Years Ended June 30, 2010

Fiscal Year	State	City	County[1]	VTA[2]	Total
2001	6.25%	1.00%	0.5%	0.5%	8.25%
2002	6.25%	1.00%	0.5%	0.5%	8.25%
2003	6.25%	1.00%	0.5%	0.5%	8.25%
2004	6.25%	1.00%	0.5%	0.5%	8.25%
2005	6.25%	1.00%	0.5%	0.5%	8.25%
2006[3]	6.25%	1.00%	0.0%	1.00%	8.25%
2007	6.25%	1.00%	0.0%	1.00%	8.25%
2008	6.25%	1.00%	0.0%	1.00%	8.25%
2009[4]	7.25%	1.00%	0.0%	1.00%	9.25%
2010	7.25%	1.00%	0.0%	1.00%	9.25%

[1] Measure B, approved by Santa Clara County voters in the November 1996 General Election, authorized the Santa Clara County Board of Supervisors to collect a half-cent sales tax for nine years. The 1996 sales tax funded specific countywide transportation projects approved by voters under Measure A during the same election. The 1996 sales tax expired on March 31, 2006.

[2] VTA has two specific sales tax measures approved by the voters. The 1976 half-cent sales tax measure was approved by voters in 1976 and does not have a sunset clause. The 2000 Measure A half-cent sales tax was approved in the 2000 General Election and became effective on April 1, 2006. The 30-year sales tax measure will sunset on March 31, 2036.

[3] There was a partial year collection of 1996 Measure B Sales Tax which expired on March 31, 2006. The collection of VTA's 2000 Measure A Sales Tax started on April 1, 2006.

[4] California state legislature approved a 1% sales tax increase effective July 1, 2009.

Source: California Board of Equalization

TABLE 10
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Revenue Capacity - Principal Sales Tax Payers by Segments
(In millions)

	Fiscal Year 2009 [1]			Fiscal Year 2000		
Principal Revenue Payers	Rank	Percentage of Taxable Sales	Amount	Rank	Percentage of Taxable Sales	Amount
Total all Other Outlets[2]	1	40.9%	$ 11,854	1	43.6%	$14,759
Food Services & Drinking Places	2	9.6%	2,781	5	6.8%	2,293
General Merchandise Stores	3	8.1%	2,344	4	7.5%	2,527
Motor Vehicle & Parts Dealers	4	7.9%	2,285	2	11.5%	3,889
Gasoline Stations	5	6.8%	1,965	7	4.1%	1,385
Clothing & Clothing Accessories	6	5.8%	1,677	9	3.0%	1,032
Bldg. Matrl.&Garden Equip. & Suppl.	7	4.4%	1,269	6	4.6%	1,566
Electronics & Appliance Stores	8	4.2%	1,227	12	1.1%	368
Miscellaneous Store Retailers	9	3.9%	1,130	3	10.0%	3,385
Food & Beverage Stores	10	3.4%	983	8	3.2%	1,093
Furniture & Home Furnishing Stores	11	1.7%	484	10	2.2%	734
Sport Goods, Hobby, Book & Music	12	1.5%	460	11	1.1%	374
Health & Personal Care Stores	13	1.4%	423	13	1.1%	364
Non-Store Retailers	14	0.4%	127	14	0.2%	74
Total		100.0%	$ 29,009		100.0%	$ 33,843

[1] 2010 data not available at printing
[2] This category is made up of diverse manufacturers and wholesalers, construction contractors, petroleum producer, and a multitude of professional services.

Source: State Board of Equalization, Taxable Sales in California (Sales and Use Tax)

TABLE 11
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Total Outstanding Debt by Type
Ten Years Ended June 30, 2010
(In thousands)

Fiscal Year	Series 1985 A Equipment Trust Certificates[1]	1976 Sales Tax Revenue Bonds	2000 Sales Tax Revenue Bonds	Total Outstanding Debt
2001	$ 29,660	$ 321,354	$ -	$ 351,014
2002	29,660	313,641	-	343,301
2003	29,660	387,810	-	417,470
2004	29,660	297,415	250,042	577,117
2005	29,660	288,758	390,309	708,727
2006	29,660	280,319	390,036	700,015
2007	29,200	271,277	445,651	746,128
2008	26,500	279,600	356,825	662,925
2009	-	270,710	355,970	626,680
2010	-	246,298	369,775	616,073

[1] $26.5 million redeemed in FY2009.

TABLE 12
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity - Ratios of Outstanding Debt
Ten Years Ended June 30, 2010
(In thousands)

Fiscal Year	Total Outstanding Debt	Total County Taxable Sales[1]	Total Debt as a % of Taxable Sales	Personal Income[2]	Total Debt as a % of Personal Income
2001	$351,014	$28,491,600	1.23%	$83,839,000	0.42%
2002	343,301	27,062,700	1.27%	77,549,000	0.44%
2003	417,470	27,453,900	1.52%	77,680,000	0.54%
2004	577,118	27,906,967	2.07%	82,639,000	0.70%
2005	708,727	28,878,355	2.45%	87,909,716	0.81%
2006	700,015	31,623,873	2.21%	96,443,117	0.73%
2007	746,128	33,131,466	2.25%	104,102,000	0.72%
2008	662,925	33,476,000	1.98%	103,992,999	0.64%
2009	626,680	29,009,000	2.16%	102,953,069	0.61%
2010	616,073	29,299,000	2.10%	101,923,538	0.60%

The total VTA outstanding debt is pledged by its sales tax revenues. VTA has two sales tax revenue measures approved by the voters. The 1976 1/2 cent Sales Tax measure was approved in 1976 and the 2000 Measure A 1/2 cent Sales Tax was passed by County voters in the 2000 general election. The collection of this tax measure started in April 2006.

[1] Taxable sales data is available through Fiscal Year 2009. FY 2010 assumes a 1% increase over 2009 numbers.
[2] Personal income actual is available through Fiscal Year 2008. FYs 2009 and 2010 assume a 1% decrease over the prior years' numbers.

TABLE 13
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Direct and Overlapping Debt and Debt Limitation

Santa Clara Valley Transportation Authority does not have overlapping debt with other governments.

Santa Clara Valley Transportation Authority does not have a legal debt limit.

TABLE 14
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Pledged Revenue Coverage – 1976 Half-Cent Sales Tax Revenue Bonds
Ten Years Ended June 30, 2010
(In thousands)

Fiscal Year	Available Revenue	Annual Debt Service			
	Sales Tax Revenue	Principal	Interest[1]	Total	Coverage[2]
2001	$183,540	$2,124	$6,806	$8,930	20.6
2002	144,218	7,952	14,717	22,669	6.4
2003	132,632	8,159	14,222	22,381	5.9
2004	138,917	8,894	13,691	22,585	6.2
2005	145,008	9,290	13,761	23,051	6.3
2006	157,283	10,955	11,562	22,517	7.0
2007	163,676	10,855	13,672	24,527	6.7
2008	163,038	11,315	12,214	23,529	6.9
2009	137,642	8,890	11,651	20,541	6.7
2010	140,037	9,180[3]	7,025	16,205	8.6

[1] Interest does not include interest paid from bond proceeds.
[2] Bond indenture requires VTA to maintain coverage ratio of at least 2.0 times on its outstanding bonds.
[3] Does not include regular principal of $2.9 million due for 1985 Equipment Trust Certificates bonds redeemed in FY2009.

TABLE 15
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity - Pledged Revenue Coverage - 2000 Measure A Half-Cent Sales Tax Revenue Bonds
Seven Years Ended June 30, 2010
(In thousands)

	Available Revenue	Annual Debt Service			
Fiscal Year	**Sales Tax Revenue**	**Principal**	**Interest[1]**	**Total**	**Coverage[2]**
2004	$ -	$ -	$ 1,874	$ 1,874	-
2005	-	-	11,996	11,996	-
2006	38,170	-	17,467	17,467	n/a[3]
2007	161,361	-	15,202	15,202	10.6
2008	160,537	-	14,943	14,943	10.7
2009	137,261	855	12,321	13,176	10.4
2010	139,305	-	13,558	13,558	10.3

[1] Interest does not include interest paid from bond proceeds.

[2] Bond indenture requires VTA to maintain coverage ratio of at least 1.25 times on its outstanding bonds.

[3] Collection of the 2000 Measure A Sales Tax started in April 2006.

TABLE 16
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Debt Capacity – Projected Pledged Revenue Coverage
(Proforma and Unaudited)

The table below presents a five-year projection of forecasted debt service coverage based on estimates of the 1976 Sales Tax Revenues for the five years ending June 30, 2011 through 2015.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
1976 Sales Tax Revenues and Senior Lien Debt Service Coverage
Fiscal Years Ending June 30, 2011 – 2015 (Proforma and Unaudited)
(In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase[1*]	Aggregate Debt Service[2]	Projected Coverage[3]
2011	$ 145,022	3.56%	$13,134	11.0
2012	154,880	6.80%	12,880	12.0
2013	163,829	5.78%	12,851	12.8
2014	170,692	4.19%	12,527	13.6
2015	175,579	2.86%	12,427	14.1

[1] Growth rates provided by outside economists.
[2] Includes actual debt service on the 2001 and 2007 Bonds. Debt Service on the 2008 Bonds is calculated based on the rate established pursuant to the 2008 Swap Agreement, 3.145%.
[3] Does not include any additional parity debt.

The table below presents a five-year projection of forecasted debt service coverage for the Measure A Bonds, based on estimates of the 2000 Measure A Sales Tax Revenues for the five years ending June 30, 2011 through 2015.

SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
2000 Measure A Sales Tax Revenues and Debt Service Coverage
Fiscal Years Ending June 30, 2011 – 2015 (Proforma and Unaudited)
(In thousands)

Fiscal Year Ending June 30	Projected Sales Tax Revenue	Percent Increase[1*]	Aggregate Debt Service[2]	Projected Coverage[3]
2011	$144,264	3.56%	$17,211	8.4
2012	154,071	6.80%	17,209	9.0
2013	162,973	5.78%	17,208	9.5
2014	169,800	4.19%	17,212	9.9
2015	174,661	2.86%	17,209	10.1

[1] Growth rates provided by outside economists.
[2] Includes actual debt service on the 2007 Series A Measure A Bonds. Debt service on the 2008 Series A-D is calculated based on the rate established pursuant to the 2008 Swap Agreement, 3.765%.
[3] Does not include any additional parity debt.

* No assurance is given that actual results will meet the forecasts of VTA in any way.
Projection based on Version A (Economy.com 908 projection)

TABLE 17
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data – Population Trends

According to population estimates provided by the State of California, the number of residents in Santa Clara County is increasing gradually on a yearly basis. The County's population increased by approximately 11.8% in 2010 compared to the 2000 Census.

A historical summary of population in the County and its incorporated cities is provided in the following table:

County of Santa Clara Population

	1960	1970	1980	1990	2000	2010[1]
Campbell	11,863	24,731	26,843	36,048	38,138	40,860
Cupertino	3,664	18,216	34,297	40,263	50,546	56,431
Gilroy	7,348	12,665	21,641	31,487	41,464	52,027
Los Altos	19,696	24,872	25,769	26,303	27,693	28,863
Los Altos Hills	3,412	6,862	7,421	7,514	7,902	9,042
Los Gatos	9,036	23,466	26,906	27,357	28,592	30,802
Milpitas	6,572	27,149	37,820	50,686	62,698	71,552
Monte Sereno	1,506	3,074	3,434	3,287	3,483	3,666
Morgan Hill	3,151	6,485	17,060	23,928	33,556	40,246
Mountain View	30,889	54,206	58,655	67,460	70,708	75,787
Palo Alto	52,475	55,999	55,225	55,900	58,598	65,408
San Jose	204,196	445,779	629,400	782,248	894,943	1,023,083
Santa Clara	58,880	87,717	87,700	93,613	102,361	118,830
Saratoga	14,861	27,199	29,261	28,061	29,843	31,997
Sunnyvale	51,898	95,408	106,618	117,229	131,760	140,450
Unincorporated	162,056	152,181	127,021	106,193	100,300	91,832
County Total[2]	641,503	1,066,009	1,295,071	1,497,577	1,682,585	1,880,876
California	15,717,204	18,136,045	23,668,145	29,760,021	33,871,648	38,648,090

[1] This report provides provisional population estimates for January 1, 2010.
Source: U.S. Census; State of California, Department of Finance, Demographic Research Unit.
[2] Totals may not be precise due to independent rounding.

TABLE 18
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data - Income and Unemployment Rates

Year	Santa Clara County Personal Income (In thousands)[1,2]	Santa Clara County Per Capita Personal Income[1,2]	Unemployment Rate[3]
2001	$ 83,838,707	$ 49,615	5.1%
2002	77,548,912	46,305	8.5%
2003	77,680,349	46,363	8.5%
2004	82,638,917	49,132	6.6%
2005	89,926,000	51,277	5.5%
2006	97,685,000	55,020	5.0%
2007	104,102,241	60,107	4.7%
2008	103,992,999	59,227	5.1%
2009	102,953,069	58,635	11.8%
2010	101,923,538	58,049	11.3%

[1] Bureau of Economic Analysis U.S. Department of Commerce.
[2] Actual data is available through 2008. Years 2009 and 2010 data are preliminary and assume a 1% decline over prior year.
[3] California Employment Development Department. Not seasonally adjusted.

TABLE 19
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data – Wage and Salary Employment by Industry (Annual Average)
(In thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Civilian Labor Force[1]	1,001.8	1,005.8	958.2	895.1	828.8	823.7	834.4	855.2	876.8	879.8
Civilian Employment	982.0	960.0	877.6	821.6	774.2	778.7	797.1	814.7	825.2	777.5
Civilian Unemployment	19.8	45.8	80.6	73.5	54.6	45.0	37.3	40.5	51.7	102.2
Civilian Unemployment Rate										
County	2.0%	4.6%	8.5%	8.2%	6.6%	5.5%	4.5%	4.7%	5.9%	11.6%
State of California	4.9%	5.3%	6.7%	6.5%	6.5%	5.4%	4.9%	5.4%	7.0%	11.6%
Wage and Salary Employment[2]										
Total Farm Agriculture	5.0	4.6	4.5	4.2	4.1	3.8	3.8	3.7	4.6	3.6
Construction and Mining	47.6	48.0	42.5	39.0	40.1	42.7	45.5	49.5	50.1	32.9
Manufacturing	251.7	240.5	201.2	177.0	167.9	168.6	167.4	163.7	166.3	153.5
Transportation & Public Utilities	17.6	16.3	15.0	14.2	13.3	13.0	12.6	13.1	13.8	11.7
Wholesale Trade	42.2	40.7	35.7	33.5	34.0	35.1	37.6	39.1	39.9	36.0
Retail Trade	90.6	88.2	83.6	81.0	80.2	81.7	83.1	86.2	88.2	77.4
Finance, Insurance & Real Estate	34.0	35.2	35.0	34.8	34.7	35.9	36.8	38.2	39.5	31.5
Services	451.8	440.0	391.7	379.9	385.0	384.8	401.3	416.7	424.1	404.4
Government	94.5	94.6	98.1	94.8	91.7	93.0	93.5	90.2	92.7	95.0
Total[3]	1,035.0	1,008.1	907.3	858.4	851.0	858.6	881.6	900.4	919.2	846.0

[1] Labor force data are based upon place of residence. Employment includes self-employed, unpaid family, workers domestics, and workers involved in labor-management disputes. Data are benchmarked to 2009.
[2] Wage and salary employment is reported by place of work. Data are benchmarked to 2009.
[3] Totals may not be precise due to independent rounding.

Source: State of California, Employment Development Department
Department of Finance, Statistics & Demographic Research.
www.dice.com, April 2007 - Technology Job Market – Silicon Valley, CA Q1 2007

TABLE 20
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Demographic and Economic Data – Silicon Valley Major Employers
Fiscal Year Ended June 30, 2010

Company Name	Number of Employees	Nature of Operations
Cisco Systems, Inc.	17,100	Computer network equipment manufacturer
Santa Clara County	15,000	County government
Kaiser Permanente	13,501	Health care organization
Stanford University, SLAC	11,979	Higher education, academic research, electron accelerators & related facilities
Apple Inc.	10,000	Computer & consumer electronics products
Oracle Corp.	8,000	Software developer
Lockheed Martin Space System Co.	7,845	Aerospace systems
State of California	7,454	State government
Stanford Hospital & clinics	7,294	Hospital
City of San Jose	6,623	Local government
Google Inc.	6,000	Internet applications
San Mateo County	5,600	County government
Intel Corp.	5,090	Semiconductor manufacturer
Yahoo Inc.	4,895	Internet information provider
County of Monterey	4,848	County government
New United Motor Manufacturing, Inc.	4,700	Automobile manufacturer
San Jose State University	4,693	State university
IBM Corp.	4,100	Information technology
Wells Fargo Bank	4,049	Financial services
University of California, Santa Cruz	4,000	Public university
U.S. Postal Service	3,885	Shipping & mailing
Applied Materials Inc.	3,500	Semiconductor equipment manufacturer
Lucile Salter Packard Children's Hospital at Stanford	3,500	Children's health care
Veterans Affairs, Palo Alto Health Care System	3,464	Veterans hospital
eBay Inc.	3,300	E-commerce

Source: Silicon Valley/San Jose Business Journal January 2010

The concentration of Santa Clara County's productivity is derived primarily from numerous high-technology and bioscience companies. Public-sector employers continue to rank high among the largest employers in Silicon Valley. As depicted in the chart above, as an employer, Santa Clara County itself, continues to have the largest public-sector employee base with 15,000 workers. The City of San Jose alone has 6,623 full-time employees.

The table above lists the largest employers in the Silicon Valley, which encompasses the County and surrounding areas.

TABLE 21
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Operating Indicators
Ten Years Ended June 30, 2010

BUS

Fiscal Year	Total Ridership	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Vehicle Revenue Miles	Passenger Miles (000's)	Peak Buses	Active Buses	Bus Fleet
2001	47,237,748	152,708	22,640,485	1,616,941	19,176,759	182,187	418	502	562
2002	44,900,522	144,823	22,043,527	1,589,200	18,714,024	177,883	402	491	690
2003	39,169,325	126,030	20,556,769	1,497,846	17,471,291	152,036	375	454	524
2004	32,902,350	105,588	18,681,967	1,359,608	15,754,661	136,693	345	457	523
2005	30,296,718	97,117	18,259,119	1,330,707	15,416,363	125,953	344	441	525
2006	30,938,044	99,966	18,499,971	1,346,841	15,678,367	120,583	345	440	524
2007	31,646,555	102,123	18,705,711	1,364,903	15,882,356	128,290	345	453	524
2008	33,103,495	106,673	18,784,524	1,389,344	16,013,930	143,102	343	456	535
2009	34,510,273	111,820	18,500,655	1,379,428	15,800,214	152,856	336	424	448
2010	31,983,494	103,575	17,739,605	1,322,661	15,130,519	142,754	333	412	424

LIGHT RAIL

Fiscal Year	Total Ridership[1]	Average Weekday Ridership	Scheduled Miles	Scheduled Hours	Train Revenue Miles	Passenger Miles (000's)	Peak Cars	Light Rail Fleet
2001	9,237,074	30,383	1,986,763	136,483	1,925,908	42,462	41	54
2002	7,789,570	25,573	2,032,588	137,087	1,961,941	34,656	41	66
2003	6,052,519	19,772	1,567,594	106,416	1,498,685	26,815	29	98
2004	5,473,024	17,636	1,464,325	98,930	1,372,375	24,166	26	80
2005	6,780,431	21,436	1,774,543	114,663	1,647,376	32,290	34	100
2006	8,279,807	26,137	2,129,189	138,348	1,993,940	41,913	39	100
2007	10,278,460	32,567	2,220,230	143,816	2,105,819	54,528	53	100
2008	10,451,136	33,043	2,223,823	143,576	2,112,080	54,475	53	100
2009	10,754,161	34,305	2,216,957	143,533	2,105,555	58,709	54	99
2010	9,749,882	31,555	2,182,849	141,095	2,062,832	50,000	46	99

[1] Light rail ridership increased in FY2006 with the opening of the Vasona Light Rail Extension.
Source: VTA Operations Division.

TABLE 22
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Farebox Recovery Ratio
Ten Years Ended June 30, 2010

The farebox recovery ratio is a measure capturing the percentage of system operated expenses recovered by fare revenue. This ratio is calculated by fare revenue generated from directly operated service (motor bus and light rail) divided by expenses for these same services. Operating expenses consist of bus and light rail modal operating expenses reported annually in the National Transit Database.

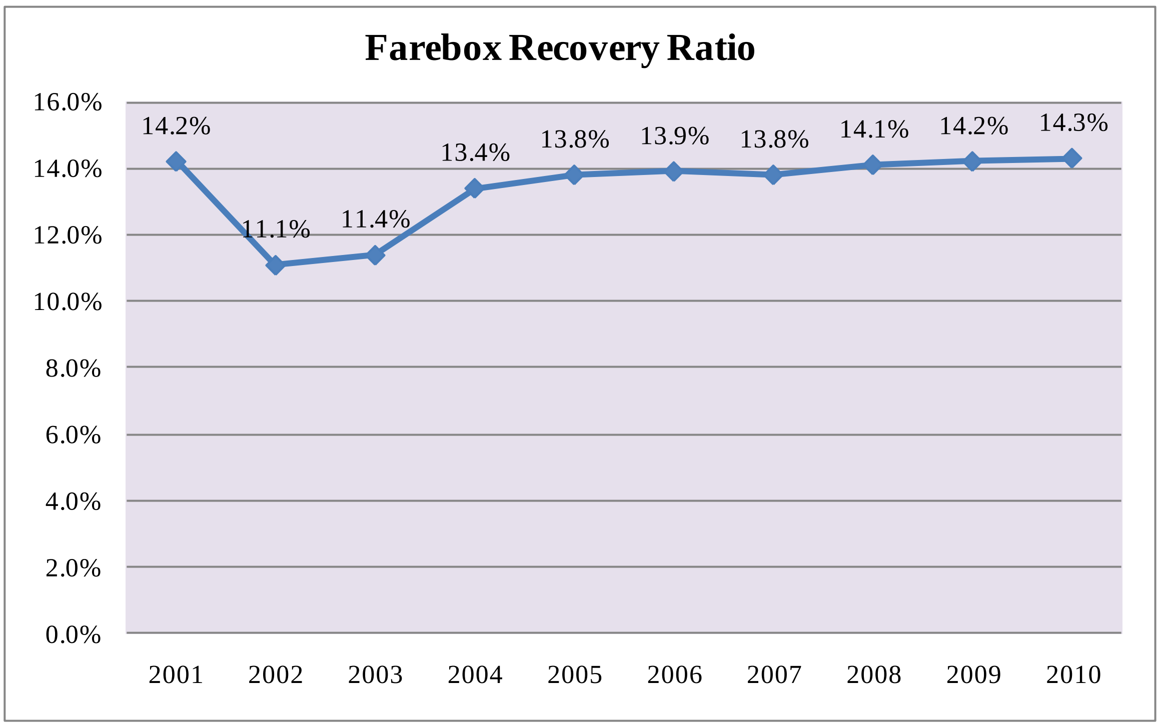


TABLE 23
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Revenue Miles
Ten Years Ended June 30, 2010

The following chart shows total vehicle miles in revenue service. FY2010 marks another year when the total vehicle revenue miles declined due mainly to service reductions implemented in January 2010.

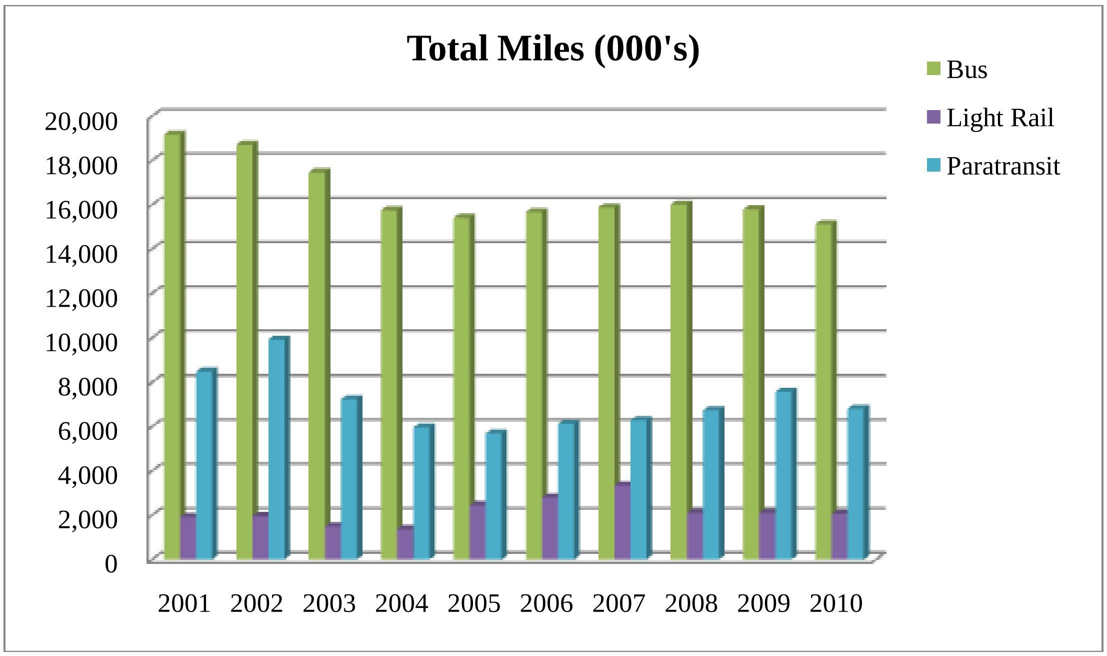


TABLE 24
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Passenger Miles
Ten Years Ended June 30, 2010

Passenger mile statistics are presented in the chart below. In FY 2010, the total passenger miles have decreased by 8.9% from FY 2009.

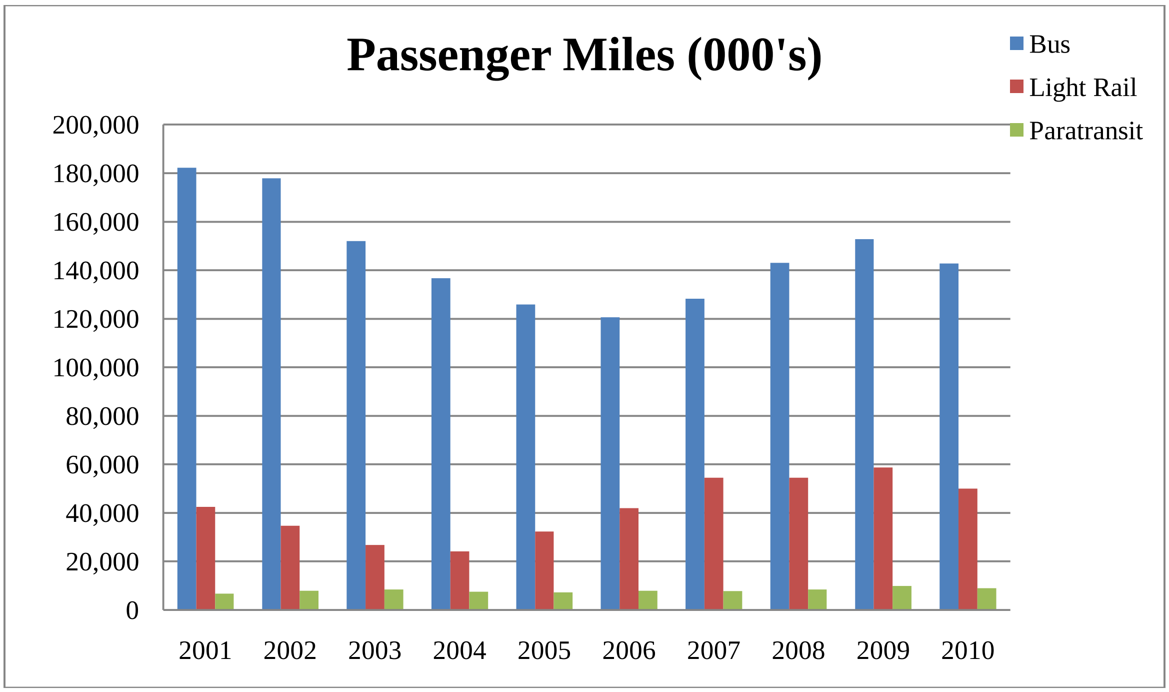


TABLE 25
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information – Selected Statistical Data
Ten Years Ended June 30, 2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FAREBOX REVENUE ($000's)[1]	$ 32,326	$ 33,837	$ 31,282	$ 30,959	$ 30,625	$32,061	$ 34,335	$ 35,242	$ 35,830	$ 36,184	$ 36,857
VEHICLE REVENUE MILES (000's)											
BUS	19,373	19,177	18,714	17,471	15,755	15,315	15,573	15,851	15,951	15,800	15,131
LIGHT RAIL	1,608	1,926	1,962	1,499	1,372	2,460	2,810	3,354	2,112	2,106	2,063
PARATRANSIT	4,748	8,495	9,937	7,233	5,967	5,702	6,126	6,296	6,746	7,582	6,816
PASSENGER MILES (000's)											
BUS	178,688	182,187	177,883	152,036	136,693	125,953	120,581	128,290	143,102	152,856	142,754
LIGHT RAIL	35,758	42,462	34,656	26,815	24,166	32,290	41,913	54,528	54,475	58,708	50,000
PARATRANSIT	6,013	6,711	7,947	8,497	7,546	7,314	7,896	7,835	8,486	9,908	9,005
FLEET SIZE											
BUS	512	502	491	524	523	525	524	539	480	448	424
LIGHT RAIL	55	54	68	98	80	100	100	100	100	99	99
CASH FARE SINGLE RIDE											
ADULT	$1.25	$1.25	$1.25	$1.40	$1.50	$1.75	$1.75	$1.75	$1.75	$1.75	$2.00
YOUTH	$0.70	$0.70	$0.70	$0.85	$1.25	$1.50	$1.50	$1.50	$1.50	$1.50	$1.75
SENIOR	$0.40	$0.40	$0.40	$0.45	$0.75	$0.75	$0.75	$0.75	$0.75	$0.75	$1.00

[1] Includes fare revenue from motor bus, light rail and shuttle services.

TABLE 26
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - System Data
As of June 30, 2010

URBANIZED AREA (UZA):

326 Square Miles

ROUTES

Type of Route	Number of Routes
Local	55
Limited Stop	4
Express	11
Rapid	1
Light Rail	2
Total	73

HOURS OF OPERATION

Monday-Sunday	24 hours

PARK AND RIDE LOTS:

	Number of Lots	Number of Parking Spaces
Bus	12	777
Light Rail	21	6,471
Caltrain	16	5,006
Total	49	12,254

FACILITIES

Type of Facility	Number of Facilities
Bus Stops	3,803
Shelters	799
Benches	1,924
Trash Receptacles	826
Transit Centers	16

TABLE 27
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Employees
Five Years Ended June 30, 2010[1]

Full-time Equivalent Employees[2]

Fiscal Year	Operations	Congestion Management	Fiscal Resources	Engineering & Construction	External Affairs[3]	Administrative Services	General Counsel	General Manager	SVRT Program[3]	Total
2006	1,597	104	105	107	NA	101	9	30	NA	2,053
2007	1,584	101	100	98	NA	102	8	27	NA	2,020
2008	1,628	48	103	98	70	92	10	4	4	2,057
2009	1,649	51	97	99	74	102	8	4	4	2,088
2010	1,588	50	95	97	57	100	8	18	4	2,017

[1] Data from prior years not available in this organizational format.
[2] A full-time employee is scheduled to work 2,088 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,088. The table shows the total full-time equivalent by division.
[3] New divisions created as part of the reorganization in FY2008.

TABLE 28
SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
Operating Information - Capital Assets
Ten Years Ended June 30, 2010
(In thousands)

	Fiscal Year									
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Capital assets, not being depreciated:										
Land and right of way	$ 571,682	$ 572,665	$ 570,715	$ 747,679	$ 761,818	$ 1,131,579	$ 1,118,577	$ 1,118,212	$ 1,119,217	$ 1,123,321
Construction in Progress	332,370	608,403	923,872	690,853	775,711	380,776	488,192	639,708	781,381	814,241
Total capital assets, not being depreciated	904,052	1,181,068	1,494,587	1,438,532	1,537,529	1,512,355	1,606,769	1,757,920	1,900,598	1,937,562
Capital assets, being depreciated:										
Buildings, improvements, furniture and fixtures	229,820	227,826	237,239	337,565	340,546	462,448	460,900	487,116	488,156	495,436
Vehicles	185,851	220,504	306,328	363,270	480,174	457,616	458,001	462,027	442,771	435,652
Light-rail tracks and electrification	272,750	276,398	281,182	375,049	365,505	384,435	399,563	399,824	399,824	402,622
Caltrain – Gilroy extension	48,775	48,775	48,962	52,990	52,990	52,990	53,155	53,155	53,155	53,307
Other operating equipment	27,452	28,366	28,706	28,830	28,830	29,002	29,416	39,770	32,044	42,610
Leasehold Improvement	-	-	-	-	-	-	2,169	9,686	9,686	9,686
Total capital assets, being depreciated	764,648	801,869	902,417	1,157,704	1,268,045	1,386,491	1,403,204	1,451,578	1,425,636	1,439,313
Less accumulated depreciation										
Total accumulated depreciation	(239,635)	(242,026)	(270,924)	(289,653)	(335,200)	(398,635)	(446,408)	(493,895)	(519,886)	(565,012)
Total capital assets, being depreciated, net	525,013	559,843	631,493	868,051	932,845	987,856	956,796	957,683	905,750	874,301
Total capital assets, net	$ 1,429,065	$ 1,740,911	$ 2,126,080	$ 2,306,583	$ 2,470,374	$ 2,500,211	$ 2,563,565	$ 2,715,603	$ 2,806,348	$ 2,811,863

Source: Comprehensive Annual Financial Reports