September 30, 2011

To: Executive Board

Subject: **Fiscal Year 2011 Financial and Compliance Audit Results**

Recommendation

Receive and file the Fiscal Year 2011 financial and compliance audit results.

Analysis

The accounting firm of Lance, Soll and Lunghard LLP has completed their audit of Foothill Transit's balance sheet as of June 30, 2011 and the related statements of revenues, expenses, and cash flow. The audit was conducted in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. This audit was performed for the purpose of forming an opinion regarding Foothill Transit's financial statements.

In addition to the financial audit, Lance, Soll and Lunghard LLP has completed an audit of Foothill Transit's compliance with the Single Audit (Office of Management and Budget Circular [OMB] A-133) guidelines mandated by our receipt of federal funds, the Transportation Development Act, and the rules and regulations of the Los Angeles County Metropolitan Authority. The purpose of this audit is to determine compliance with all laws, regulations, contracts, and grants, including the Transportation Development Act as summarized in the "Guidelines on Auditing for Conformance" which is published by the Southern California Association of Governments.

Lance, Soll and Lunghard LLP will present a review of the audit results and present the final Independent Financial and Single Audit Reports to the Executive Board on Friday, September 30, 2011. A copy of the Financial Report is attached for your review.

For the ninth year in a row, Foothill Transit has received a clean audit. The Auditors did not recommend and/or require any adjustments to Foothill Transit's financial statements to properly reflect the financial position and changes in its financial position for the fiscal year ended June 30, 2011.

A summary of the financial activities are as follows:

Summary of Financial Activity for Fiscal Year Ended June 30, 2011

Total farebox revenue	$ 17,238,311
Other revenue	1,268,787
Total operating revenues	18,517,098
Operating expense before depreciation	59,827,273
Depreciation expense	17,509,060
Total operating expense	77,336,333
Operating loss	(58,829,235)
Non-operating revenues	41,388,504
Other income (expense) net	(68,328)
Loss before capital contributions	(17,509,059)
Capital contributions	16,687,490
Net change in net assets	(821,569)
Net assets at beginning of year	178,139,652
Net assets at end of year	$177,318,083
Farebox Recovery Ratio	28.81%

Foothill Transit's working capital (current assets less current liabilities); a measure of Foothill Transit's liquidity was $55.9 million, increasing approximately $11.85 million since last year. This is an indicator of Foothill Transit's ability to respond to an unexpected situation requiring immediate cash. A copy of the audit report is attached for your review (**Attachment A**).

Sincerely,

Richard Hasenohrl
Director of Finance

Doran J. Barnes
Executive Director

Attachment

Foothill Transit

GOING GOOD PLACES

DRAFT

West Covina, California

Comprehensive Annual Financial Report

For the Fiscal Years Ended
June 30, 2011 and 2010

Prepared by:
Finance Department

Richard Hasenohrl
Finance Director

FOOTHILL TRANSIT
(A JOINT POWERS AUTHORITY)

JUNE 30, 2011 AND 2010

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FOOTHILL TRANSIT
(A JOINT POWERS AUTHORITY)

JUNE 30, 2011 AND 2010

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INTRODUCTORY SECTION

Executive Board Memorandum

September 30, 2011

To: Executive Board

Subject: **Fiscal Year 2010-11 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

It is my pleasure to present the Comprehensive Annual Financial Report of Foothill Transit for the fiscal year ended June 30, 2011. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with Foothill Transit. To the best of my knowledge and belief, the information presented is accurate in all material aspects and includes all disclosures necessary to enable the reader to gain an understanding of Foothill Transit's financial activities.

In addition to the financial audit, Foothill Transit is required to conduct an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations. Information related to the single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditors' reports on internal control structure and compliance with applicable laws and regulations are included with this report.

Independent Audit. The accounting firm of Lance, Soll & Lunghard, LLP was selected to perform an annual independent audit of Foothill Transit's financial statements. The goal of the independent audit was to provide reasonable assurance that Foothill Transit's financial statements for the fiscal year ended June 30, 2011, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that Foothill Transit's financial statements for fiscal year ended June 30, 2011, are fairly presented in conformity with generally accepted accounting principles (GAAP). The audit also was designed to meet the requirements of the Federal Single Audit Act of 1984 and related OBM Circular A-133. The auditor's report on the basic financial statements and schedules including reports specifically related to the single audit are included in this document.

Management's Representations. This report consists of management representations concerning Foothill Transit's finances. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, Foothill Transit's management has established a comprehensive internal control framework designed to ensure that the assets of Foothill Transit are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefit likely to be derived; and (2) the valuation of the costs and benefits requires estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Single Audit. As a recipient of federal and state assistance, Foothill Transit is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the staff of Foothill Transit.

As part of Foothill Transit's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that Foothill Transit has complied with applicable laws and regulations. The results of Foothill Transit's single audit for the fiscal year ended June 30, 2011 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

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

Reporting Entity. Foothill Transit, a joint powers authority of 22 cities and the County of Los Angles, is a public transit provider located in the San Gabriel and Pomona Valleys in Los Angeles County. Foothill Transit operates a fleet of 300 buses transporting 13.9 million passengers with 9.9 million vehicle service miles. The entire fleet is equipped with bicycle racks and is wheelchair accessible and 92.3 percent of the buses are powered by either compressed natural gas (CNG) or electricity. Foothill Transit's most unique feature is that it has no employees – both its management and operations are contracted to private enterprises.

Risk Management. Foothill Transit protects itself against adverse consequences of material loss through a program of risk transfer. This includes the purchase of liability insurance and contractual agreements which require the private enterprises furnishing management and operations service to maintain certain levels of liability coverage. Contractual agreements with the private enterprises also require that Foothill Transit be held harmless for claims arising from their services.

Cash Management. Cash temporarily idle during the year was invested primarily in the Local Agency Investment Fund, Certificates of Deposit, US Treasury Notes and in money market funds.

Foothill Transit's investment transactions are conducted in conformance with internal investment policies and the State of California Government Code. The Executive Board has assigned the responsibility for investing to the Finance Director.

Local Economy. Foothill Transit provides service in the San Gabriel and Pomona Valleys located in the Los Angeles basin. The Los Angeles basin experienced the upheaval of the sub-prime loans which have led to a depressed housing market affecting the construction, financial and housing related products sectors. Originally it did not appear that the depressed housing market would impact other areas of the economy, however that has not been the case. A year later many segments of the economy, especially high tech and tourism sectors have experienced improvement. However the high tech sector may become a victim of the administration's goal to reduce defense spending. Other factors affecting many segments of the economy experiencing drops in sales are attributed to the State's budget crisis and double digit unemployment, which will remain painfully high through 2012. The effects of the State's budget crisis is beginning to effect other agencies dependent on state revenues including schools, local governments and transit agencies. Government budgets are under extreme stress and may be faced with another round of job and program cuts related to decreased revenues. Home sales/construction continues in a depressed state though activity picked up briefly in 2010, however the large inventory of unsold homes and potential foreclosures may prolong any recovery in this sector. While experiencing the lowest mortgage rates in decades, buyers are finding it tougher to meet lending requirements. Agriculture has shown improvements in revenues and employment because of the increased water supply, for the moment at least. Increased costs, especially fuel, energy and feed remain a concern. Businesses continue to defer investment spending because of the uncertainty of the economy while US exports have increased fueled by China's demand and the weaker dollar. Consumer spending for technology products like computers, e-readers, and cell phones mushroomed especially for high tech manufacturers (semiconductors). Consumers spending in all segments of the economy are necessary for a robust recovery which is tempered both by the unwillingness of financial institutions to lend and consumer's unwillingness to borrow. The retail industry in Southern California has taken a beating, especially auto dealers, furniture and building supply stores. Consumers are spending less and looking for bargains affecting even high-end stores. The region will likely see minimal increases of taxable sales continuing into 2012.

The entertainment industry has begun to recovered from the Writer Guild of America strike which cost the local economy $2.5 billion. During the first half of 2011 the industry experienced a rebound with more motion pictures, television pilots, and commercials being filmed.

The economy continues very moderate overall growth, which is an indication the recession is over, however at its current rate it will require several years (2014) before the economy is at pre-recession levels. The moderate growth, while indicating an improving economy could easily derail creating a double dipped recession many economists fear. The worst may be over in the private sector; however the public sector typically lags two years behind. The state's budget problems continue to affect California's economic recovery which will lag behind the rest of the nation.

California's state businesses continue to experience uncertainty in today's adverse business climate. Businesses are therefore reluctant to make capital investments or hire full time employees, even though needs exist.

Total personal income dropped by 2.5% in 2009, the first annual decline since 1938. The 3.0% growth in 2011 personal income is beginning to relieve the downward pressure on consumer demand created with the 2009 decline in personal income.

The FY 2011 budget assumed that the moderate growth experienced in FY 2010 would continue throughout 2011 and into 2012. With the State's budget problems and a sluggish economy the likelihood of any substantial improvement is more than two years away. UCLA has forecasted the weakest economic recovery of the postwar era.

The majority of Foothill Transit's funding is provided from Propositions A, C and R, local sales taxes. With the uncertainty in the economy, consumer spending will likely stay flat into 2012 when unemployment is no longer double digits. The Fiscal year 2011 budget was prepared with revenues, service, and fares at current levels to balance the budget.

New capital acquisitions and/or construction projects and those carried forward from the previous year include Park and Ride parking structure(s), new replacement buses and improvements to the administrative offices. The Park and Ride facility (facilities) will allow greater utilization of current bus service potentially increasing fare revenue. The bus purchases will reduce operational expenses eliminating major repairs. The administration office improvements will include parking lot improvements to reduce ongoing operation and maintenance expenses. Sufficient funding (grants) has been dedicated for the completion of these projects

Future capital projects may be limited because of the unavailability of the needed local matching funding required to utilize federal grants. The projected Sales Tax revenue coupled with increases in operations costs may leave nothing for capital project matching funds. In the event operation costs consume all available local funding, Foothill Transit will need to allocate funding between operations and capital.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Foothill Transit for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. This was the seventh consecutive year that Foothill Transit has received this prestigious award. This certificate of award is the highest form of recognition for excellence in state and local government financial reporting.

In order to receive this award, Foothill Transit must publish an easily readable and well organized comprehensive financial report whose content conforms to the program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement for Excellence in Financial Reporting is valid for a one year period only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and are submitting it to determine eligibility for another certificate.

Acknowledgments. The preparation of this report would not have been possible without the efficient and dedicated service of the entire Finance Department. We wish to express our sincere appreciation for the hard work and long hours that contributed to the preparation of this report. Appreciation is also extended to the Executive Board and the various departments for their cooperation and dedicated service that made it possible to produce a report of the highest standards.

Sincerely,

Richard Hasenohrl
Director of Finance

Doran J. Barnes
Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Foothill Transit California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010

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

President

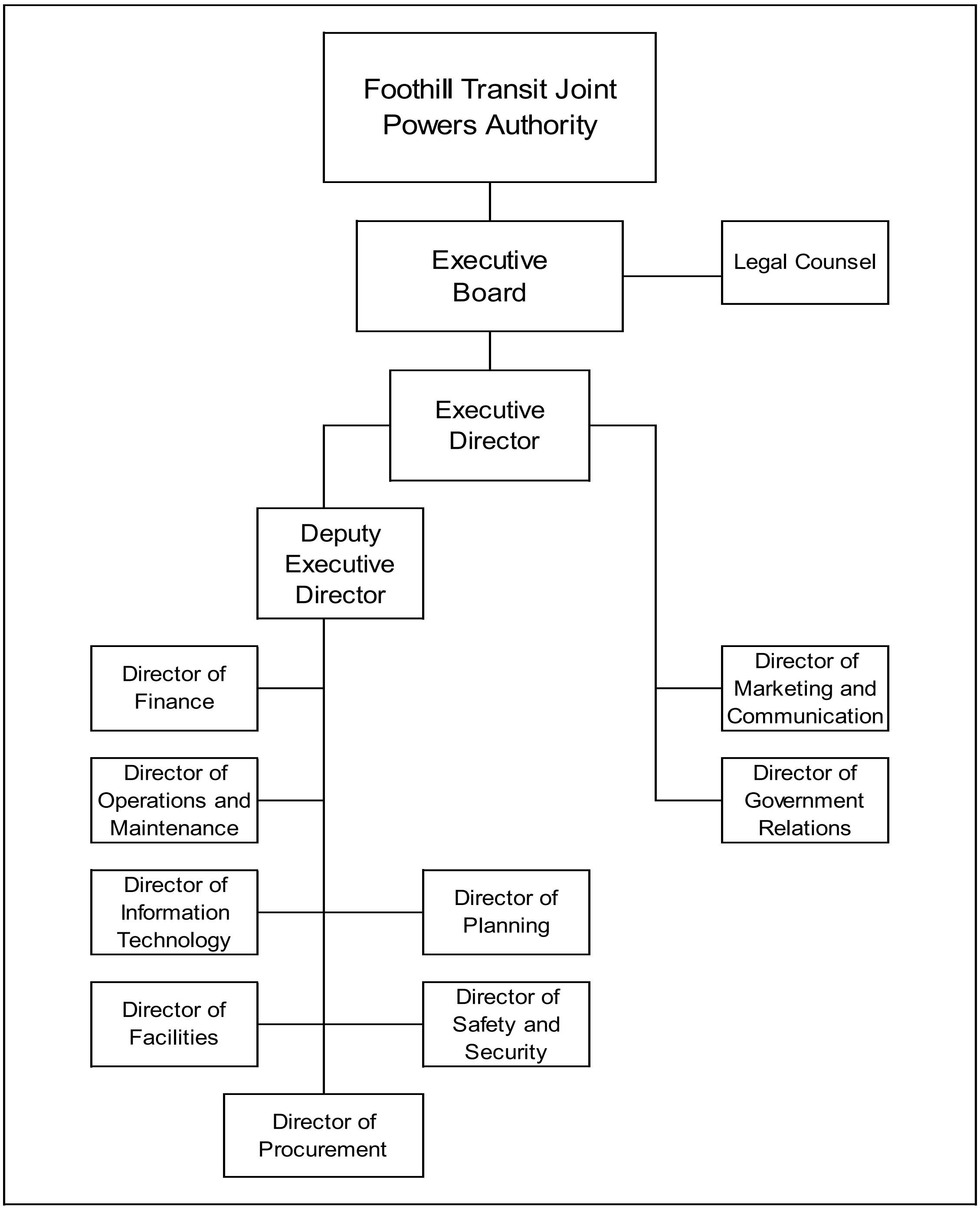
Executive Director

Foothill Transit

GOING GOOD PLACES

(A Joint Powers Authority)

Organizational Chart



Foothill Transit

GOING GOOD PLACES

(A Joint Powers Authority)

Executive Board

Carol Herrera
Chair

Patricia Wallach
Vice Chair

Paula Lantz
Treasurer/
Auditor Controller

Roger Chandler
Member

Doug Tessitor
Member

Member Agencies

Arcadia	Azusa	Baldwin Park
Bradbury	Claremont	Covina
Diamond Bar	Duarte	El Monte
Glendora	Industry	Irwindale
La Puente	La Verne	Los Angeles County
Monrovia	Pasadena	Pomona
San Dimas	South El Monte	Temple City
Walnut		West Covina

Senior Staff

Doran Barnes
Executive Director

Kevin McDonald
Deputy Executive Director

Linda Somilleda
Director of Marketing and Communications

George Karbowski
Director of Operations and Maintenance

Joseph Raquel
Director of Information Technology

Roland Cordero
Director of Facilities

LaShawn Gillespie
Director of Planning

Richard Hasenohrl
Director of Finance

Jaime Becerra
Director of Safety and Security

David Reyno
Director of Government Relations

(Vacant)
Director of Procurement

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FINANCIAL SECTION

LSL
CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
  A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA

INDEPENDENT AUDITOR'S REPORTS

To the Board of Directors
Foothill Transit (A Joint Powers Authority)

We have audited the accompanying financial statements of the Foothill Transit Authority, (the Authority) as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from Foothill Transit's 2010 financial statements and, in our report dated December 15, 2010; we expressed unqualified opinions on the respective financial statements

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The introductory section and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profits Organizations, and is also not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including

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To the Board of Directors
Foothill Transit (A Joint Powers Authority)

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Lance, Soll & Lunghard, LLP

Brea, California
__________, 2011

The following section of the annual financial report of Foothill Transit includes an overview and analysis of Foothill Transit's financial position and activities for the year ended June 30, 2011. This discussion and analysis should be considered in conjunction with the basic financial statements which it accompanies. These statements are the responsibility of the management of Foothill Transit.

Introduction to the Basic Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37. *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*. Foothill Transit presents its basic financial statements using the economic resources measurement focus and accrual basis of accounting. As a special purpose government engaged in business-type activity, Foothill Transit's basic financial statements include a Statement of Net Assets; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. Notes to the basic financial statements and required supplementary information, including this section, support these statements. All sections must be considered together to obtain a complete understanding of the financial position and results of operations of Foothill Transit.

Statement of Net Assets: The Statement of Net Assets includes all assets and liabilities of Foothill Transit, with the difference between the two reported as net assets. Assets and liabilities are reported at their book value, on an accrual basis, as of June 30, 2011 and 2010. This statement also identifies major categories of restrictions on the net assets of Foothill Transit.

Statement of Revenues, Expenses, and Changes in Net Assets: The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred by Foothill Transit during the years ended June 30, 2011 and 2010, on an accrual basis.

Statement of Cash Flows: The Statement of Cash Flows presents the changes in Foothill Transit's cash and cash equivalents for the years ended June 30, 2011 and 2010, summarized by operating, capital and noncapital financing, and investing activities. The statement is prepared using the direct method of reporting cash flows and, therefore, presents gross rather than net amounts for the years' activities.

Foothill Transit's basic financial statements can be found on pages 9 - 12 of this report.

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 13 - 25 of this report.

FINANCIAL HIGHLIGHTS

- During fiscal year 2010 – 2011, Foothill Transit's net assets decreased $821,569 (.46%) from the end of the previous year that included the disposal of $5.8 million and acquisition of $16.8 million of capital assets, exclusive of depreciation. The capital additions were funded by federal, state, and local grants.

- In fiscal year 2010 – 2011, operating expenses before depreciation decreased $4.7 million (7.3%) over the previous year. This decrease was attributed primarily to decreases for fuel, $930,000 (12.75%) experienced during the year. During the fiscal year ended June 30, 2011, transit operation costs decreased 7.06 percent or $3.2 million when compared to the previous fiscal year. The decrease in fuel and operating expenses are attributable to a 10 percent reduction in service.

FINANCIAL HIGHLIGHTS (Continued)

- Foothill Transit's assets exceeded its liabilities at June 30, 2011, by $177.3 million (net assets). Of this amount, $152.7 million represents Foothill Transit's investment in capital assets, net of related debt, and the remainder, $24.5 million is restricted for future capital acquisitions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Summary of Net Assets

	2011	2010	Change
Current assets	$ 64,615,121	$ 50,957,878	$ 13,657,243
Capital assets, net	153,570,751	154,269,160	(698,409)
Total assets	218,185,872	205,227,038	12,958,834
Current liabilities	8,679,896	6,814,569	1,865,327
Noncurrent liabilities	32,187,893	20,272,817	11,915,076
Total liabilities	40,867,789	27,087,386	13,780,403
Net assets:			
Invested in capital assets, net of related debt	152,768,075	153,466,484	(698,409)
Restricted	24,550,008	24,673,168	(123,160)
Total net assets	$ 177,318,083	$ 178,139,652	$ (821,569)

As mentioned earlier, net assets can serve as an indicator of financial health. Foothill Transit's net assets exceeded liabilities by $177,318,083 as of June 30, 2011. Most of this amount or $152,768,075 relates to Foothill Transit's investment in capital assets (property, plant, and equipment) net of related debt (capital assets). Foothill Transit uses these capital assets to provide transportation services to the San Gabriel Valley; consequently, these assets are not available for future spending. These capital assets were procured with federal, state, and local grant funds. The remaining restricted net assets totaled $24,550,008 and represent amounts that are restricted by law or contractual arrangement for specific purposes.

Foothill Transit's net assets decreased approximately $821,569 during fiscal year 2010-2011. This decrease is primarily the depreciation of capital assets funded with capital grant revenues that exceeded capital purchases.

Condensed Summary of Revenues, Expenditures and Changes in Net Assets

	2011	2010	Change
Operating revenues:			
Farebox and bus pass	$ 17,238,311	$ 16,454,980	$ 783,331
Special services	386,031	744,039	(358,008)
Dial-A-Ride	667,633	594,913	72,720
Liquidated damages	124,200	251,950	(127,750)
Other revenue	90,923	140,774	(49,851)
Total operating revenues	18,507,098	18,186,656	320,442
Nonoperating revenues:			
Proposition A revenue	15,397,838	18,825,678	(3,427,840)
Proposition C revenue	3,385,586	3,440,687	(55,101)
FTA Section 5307	4,239,628	2,000,000	2,239,628
FTA ARRA	397,988	5,196,010	(4,798,022)
AQMD	7,886		7,886
STA operations	5,280,754	5,266,326	14,428
Measure R	7,410,667	5,880,205	1,530,462
Transportation Development Act	5,268,157	5,221,214	46,943
Total nonoperating revenues	41,388,504	45,830,120	(4,441,616)
Other revenues:			
Interest	36,145	7,558	28,587
Property Management	(209,902)	352,858	(562,760)
Gain (Loss) on disposal of assets	105,429	(746,515)	851,944
Total other revenues	(68,328)	(386,099)	317,771
Total revenues	$ 59,827,274	$ 63,630,677	$ (3,803,403)
Operating expenses:			
Transit operations	$ 42,546,290	$ 45,777,304	$ (3,231,014)
Fuel costs	6,369,946	7,300,610	(930,664)
Management service contract	6,450,062	6,870,100	(420,038)
Special services	224,755	440,220	(215,465)
Dial-A-Ride	656,265	583,545	72,720
Professional services	1,113,036	912,625	200,411
Advertising	216,422	259,169	(42,747)
General and administrative	2,250,497	2,455,503	(205,006)
Depreciation	17,509,060	20,541,996	(3,032,936)
Total operating expenses	77,336,333	85,141,072	(7,804,739)
Loss before capital contributions	$ (17,509,059)	$ (21,510,395)	$ 4,001,336

Continued on next page

Continued from previous page	2011	2010	Change
Loss before capital contributions	$ (17,509,059)	$ (21,510,395)	$ 4,001,336
Capital contributions:			
Proposition C	2,734,459	1,319,670	1,414,789
Federal grants	13,049,044	6,453,233	6,595,811
Proposition 1B	266,874	173,866	93,008
Transportation Development Act	637,113	337,734	299,379
Total capital contributions	16,687,490	8,284,503	8,402,987
Change in net assets	(821,569)	(13,225,892)	12,404,323
Net Assets at beginning of year	178,139,652	191,365,544	(13,225,892)
Net Assets at end of year	$ 177,318,083	$ 178,139,652	$ (821,569)

Revenues

Operating revenues increased $320,442 or 1.76%. This increase reflects a slight decline in ridership primarily because of the downturn in the economy, a reduction in special services and a 10% fare increase. Nonoperating grant revenues decreased $4.4 million and capital grant revenues increased $8.4 million. These grant revenues subsidized Foothill Transit's operating and capital expenses. Since Foothill Transit requires subsidies to fund operating and capital expenditures in excess of operating revenues, any increases or decreases in unfunded expenditures will also require an increase or decrease in related grant funding. The increase in capital contributions was directly related to the increase in the acquisition of capital assets. During the previous fiscal year Foothill Transit capital acquisitions were $8.1 million.

Expense

Total operating expenses before depreciation decreased $4.7 million (7.3%). Fuel cost decreased $930,664 and operating cost decreased $3.2 million. The cost for compress natural gas (CNG) fuel has remained stable while diesel fuel prices have fluctuated throughout the year. With a bus fleet that is 87.7% CNG Foothill Transit had the ability to alternate between the uses of CNG or diesel buses to minimize costs. The transit operations expense decrease of $3.2 million or 7.06% reflects the built-in CPI contractual increases (decreases) in both operating contracts previously awarded and a service reduction of 10%. Depreciation expense decreased $3.0 million (14.8%). This decrease in depreciation is attributed to the reduction in the bus fleet.

Capital Assets

At the end of the current fiscal year, Foothill Transit had $153,570,751 (net of accumulated depreciation) invested in capital assets. This was a .45 % decrease over the previous fiscal year. These assets include land, facilities, transit buses, other operating equipment, vehicles, and furniture and fixtures listed on the next page.

	2011	2010
Land	$ 10,132,713	$ 10,132,713
Construction in progress	3,315,766	5,776,698
Facilities	54,653,134	53,756,733
Transit buses	70,639,457	67,824,693
Other operating equipment	14,291,836	15,933,660
Vehicles	375,071	589,299
Furniture and fixtures	162,774	255,364
Total capital assets, net of accumulated depreciation	$ 153,570,751	$ 154,269,160

All assets have been purchased with federal, state, or local grants awarded to Foothill Transit. Significant capital projects during fiscal years 2011 and 2010 include the following:

Fiscal year 2011:
- Ecoliner bus project (three electric buses on line 291, $6.5 million)
- Elevator Rehabilitation – Administration Office ($1 million)
- Solar Power Projects - Arcadia & Pomona ($4 million)

Fiscal year 2010:
- Window Replacement - Administration Office ($1.3 million)
- Elevator Rehabilitation – Administration Office ($1 million)
- Solar Power Projects - Arcadia & Pomona ($4 million)
- Electric Bus Project ($6.5 million)

More detailed information about Foothill Transit's capital assets can be found in Note 6 in the accompanying notes to basic financial statements.

LONG TERM DEBT

At the end of the current fiscal year Foothill Transit had no long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget for fiscal year 2012 assumes economic conditions will remain unchanged, neither an improvement nor decline for the Los Angeles basin as discussed on page iii. With many sectors of the economy experiencing uncertainty, it is difficult to pin point when the economy will improve. Most experts agree improvements in the economy, (i.e. increases in employment, increasing sales) will begin to occur two years after the downturn in economy hits bottom, however with many world economies teetering on bankruptcy it is very difficult to pin point when the economy will hit bottom. Foothill Transit's single largest revenue source, sales tax, representing more than 70 percent of the fiscal year revenue is dependent on consumer demand which continues on a up/down path netting very little change. The main economic factors affecting Foothill Transits financial capacity to deliver transportation programs and projects include:

Economic conditions influencing local sales tax revenue
Capital grant revenue availability
Fuel and operation costs

These factors were considered when preparing the Foothill Transit fiscal year 2012 budget. A review of current fares and service levels were completed during fiscal year 2011 to determine if adjustments were needed to prepare a balanced budget for fiscal year 2012. While no adjustment were indicated, the adjustments implemented in FY 2011 (service levels adjustments and a fare increase) have served Foothill Transit well allowing for the preparation of a balance FY 2012 budget without utilizing available reserves.

FURTHER INFORMATION

This report has been designed to provide a general overview of Foothill Transit's financial condition and related issues for those with an interest in Foothill Transit's finances. Inquiries should be directed to the Finance Director, 100 South Vincent Avenue, Suite 200, West Covina, CA 91790.

FOOTHILL TRANSIT
(A Joint Powers Authority)

Statements of Net Assets

June 30, 2011 and 2010

Assets		**2011**		**2010**
Current assets:				
Cash and investments	$	59,402,379	$	39,151,581
Due from other governmental agencies		4,295,705		10,831,614
Receivables		752,200		893,165
Interest receivable		5,929		6,890
Prepaid items		158,908		74,628
Total current assets		64,615,121		50,957,878
Noncurrent assets:				
Capital assets		265,433,705		253,539,009
Less accumulated depreciation and amortization		(111,862,954)		(99,269,849)
Total noncurrent assets		153,570,751		154,269,160
Total assets	$	218,185,872	$	205,227,038
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$	7,877,220	$	6,814,569
Lease payable, current		802,676		-
Total current liabilities		8,679,896		6,814,569
Noncurrent liabilities:				
Unearned revenue		32,187,893		19,470,141
Lease payable, long-term		-		802,676
Total noncurrent liabilities		32,187,893		20,272,817
Total liabilities		40,867,789		27,087,386
Net assets:				
Invested in capital assets, net of related debt		152,768,075		153,466,484
Restricted for:				
Capital projects		24,550,008		24,673,168
Net assets		177,318,083		178,139,652
Total liabilities and net assets	$	218,185,872	$	205,227,038

See accompanying notes to basic financial statements

FOOTHILL TRANSIT
(A Joint Powers Authority)

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2011 and 2010

	2011	2010
Operating revenues:		
Farebox and bus pass	$ 17,238,311	$ 16,454,980
Special services	386,031	744,039
Dial-A-Ride	667,633	594,913
Liquidated damages	124,200	251,950
Other revenue	90,923	140,774
Total operating revenues	18,507,098	18,186,656
Operating expenses:		
Operating expenses before depreciation and amortization:		
Transit operations	42,546,290	45,777,304
Fuel costs	6,369,946	7,300,610
Management service contract	6,450,062	6,870,100
Special services	224,755	440,220
Dial-A-Ride	656,265	583,545
Professional services	1,113,036	912,625
Advertising	216,422	259,169
General and administrative	2,250,497	2,455,503
Operating expenses before depreciation and amortization	59,827,273	64,599,076
Depreciation and amortization expense	17,509,060	20,541,996
Total operating expenses	77,336,333	85,141,072
Operating loss	(58,829,235)	(66,954,416)
Nonoperating revenues:		
Operating grants:		
Proposition A Formula Subsidy	12,740,785	12,044,241
Proposition A Bus Service Continuation Program	2,667,971	3,179,213
Proposition C Transit Service Expansion – Line 690	290,137	283,200
Proposition C Base Restructuring	1,741,088	1,699,452
Proposition C BSIP – Overcrowding Relief	810,601	791,218
Proposition C 5% Transit Security	543,760	666,817
Proposition A & C Interest	(10,918)	3,602,224
Measure R	7,410,667	5,880,205
AQMD	7,886	-
FTA Section 5307 Preventive Maintenance	4,239,628	2,000,000
FTA Section 5307 ARRA Preventive Maintenance	397,988	3,096,010
FTA Section 5307 ARRA 10% Operating	-	2,100,000
STA operations	5,280,754	5,266,326
Transportation Development Act – Operating Grant Portion	5,268,157	5,221,214
Total operating grants	41,388,504	45,830,120

See accompanying notes to basic financial statements

FOOTHILL TRANSIT
(A Joint Powers Authority)

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2011 and 2010

	2011	2010
Other income (expense):		
Interest income	$ 36,145	$ 54,695
Rental income	330,393	352,858
Security plan joint development grant	581,947	-
Interest expense	-	(47,137)
Security plan joint development expense	(581,947)	-
Property management expense	(540,295)	-
Gain (Loss) on disposal of assets	105,429	(746,515)
Total other income, net	(68,328)	(386,099)
Total nonoperating revenues, net	41,320,176	45,444,021
Loss before capital contributions	(17,509,059)	(21,510,395)
Capital contributions:		
Proposition C 5% Transit Security	-	3,480
Proposition C Call for Projects	228,338	291,330
Proposition C MOSIP	2,506,121	1,024,860
FTA Section 5307	6,770,164	300,878
FTA Section 5307 ARRA	6,091,298	6,009,056
FTA Section 5309	137,225	114,151
CMAQ	247	29,148
Homeland security	50,110	-
Proposition 1B	266,874	173,866
Transportation Development Act – Capital Grant Portion	637,113	337,734
Total capital contributions	16,687,490	8,284,503
Change in net assets	(821,569)	(13,225,892)
Net assets at beginning of year	178,139,652	191,365,544
Net assets at end of year	$ 177,318,083	$ 178,139,652

See accompanying notes to basic financial statements

FOOTHILL TRANSIT
(A Joint Powers Authority)

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash received from customers	$ 18,900,993	$ 17,014,039
Cash received from liquidated damages	110,418	212,532
Cash received from other revenue	90,923	140,774
Cash paid for transit operations	(42,782,657)	(47,269,848)
Cash paid for fuel costs	(6,316,745)	(7,012,938)
Cash paid for management service contract	(6,450,062)	(6,870,100)
Cash paid for special services	(293,280)	(440,895)
Cash paid for Dial-a-Ride	(586,939)	(548,123)
Cash paid for professional services	(1,114,357)	(959,009)
Cash paid for advertising	(208,693)	(298,301)
Cash paid for general and administrative services	(2,284,712)	(2,410,456)
Net cash used in operating activities	(40,935,111)	(48,442,325)
Cash flows from noncapital financing activities:		
Operating grants	45,926,044	65,378,141
Net cash provided by noncapital financing activities	45,926,044	65,378,141
Cash flows from capital and related financing activities:		
Cash received from capital grants	31,058,615	13,155,128
Purchase of capital assets	(15,767,226)	(28,077,386)
Principal paid on capital leases	-	(252,864)
Interest paid on capital leases	-	(47,137)
Proceeds from sale of capital assets	105,429	115,819
Rental property expense	(518,432)	-
Security Deposit Refund	(4,694)	-
Net cash used in capital and related financing activities	14,873,692	(15,106,440)
Cash flows from investing activities:		
Purchases of investments		
Sales of investments		
Proceeds from rental property	349,067	373,014
Interest received	37,106	55,926
Net cash provided by investing activities	386,173	428,940
Net increase in cash and cash equivalents	20,250,798	2,258,316
Cash and cash equivalents at beginning of year	39,151,581	36,893,265
Cash and cash equivalents at end of year	$ 59,402,379	$ 39,151,581
Reconciliation of net operating expenses to net cash used in operating activities:		
Operating loss	$ (58,829,235)	$ (66,954,419)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	17,509,060	20,541,996
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	(6,049,949)	(13,041,492)
Decrease (increase) in prepaid items	(84,280)	37,467
(Decrease) increase in accounts payable and accrued liabilities	6,519,293	10,974,123
Total adjustments	17,894,124	18,512,094
Net cash used in operating activities	$ (40,935,111)	$ (48,442,325)
Non-cash investing and financing activities:		
Gain (Loss) on disposal of assets	105,429	(746,515)

See accompanying notes to basic financial statements

Note 1: Organization

Foothill Transit was established in 1988 as a governmental entity under a joint exercise of powers agreement and currently includes 22 cities in the San Gabriel Valley and the County of Los Angeles. Foothill Transit's governing board membership includes one city council member and one alternate from each of the 22 cities in Foothill Transit's service area as well as three appointed representatives for the County of Los Angeles. A five member Executive Board governs Foothill Transit. Four elected officials representing four clusters of cities, and a fifth member elected by the appointed Los Angeles County representatives, comprise Foothill's Executive Board. Through its independent service contractors, Foothill Transit operates a fleet of 300 buses from its Arcadia and Pomona, California facilities. Foothill Transit has been authorized by the Los Angeles County Metropolitan Transportation Authority (LACMTA) to plan, operate, and contract for cost-effective public transit services.

Foothill Transit has no employees. All management and administrative staff are provided under contract by Veolia Transportation. Transit operations services are also provided by independent contractors. Substantially all insurable risks associated with Foothill Transit's operations are covered through these contracts.

Note 2: Summary of Significant Accounting Policies

a. Basis of Presentation

Foothill Transit accounts for its activities, which are maintained using the economic resources measurement focus on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they are earned, and expenses are recognized in the period incurred.

b. New Accounting Pronouncements

There were no new accounting pronouncements applicable to Foothill Transit for fiscal year 2010/2011.

c. Classification of Current and Noncurrent Assets and Liabilities

Foothill Transit considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net assets date. Liabilities that reasonably can be expected, as part of normal Foothill Transit business operations, to be liquidated within 12 months of the balance sheet date are considered to be current. All other assets and liabilities are considered to be noncurrent.

d. Grants and Subsidies

Grant and subsidy revenues are recorded when earned. Grant sources currently include Los Angeles County Propositions A, C and Measure R, which are local sales tax initiatives passed by the voters of Los Angeles County, Local Transportation Funds (LTF) described below and Federal Transit Administration (FTA) capital assistance.

Foothill Transit receives substantial grant funds from these various County, State, and Federal entities. Funds received from such entities are subject to certain required terms

Note 2: Summary of Significant Accounting Policies (Continued)

and conditions of the underlying grant agreements and are subject to audit by the grantor agencies. Amounts received under such grants and contractual agreements are subject to change based on the results of such audits.

Transportation Development Act (TDA) funds and State Transit Assistance (STA) are received for both operating and capital expenditures. These funds are derived from the State Local Transportation Funds (LTF) and are allocated to Foothill Transit using the Formula Allocation Procedures. These funds can be used for capital and operating purposes, however Foothill Transit's goal is to use them to the extent possible as a local match on federally funded projects (capital).

Federal Grants

As of June 30, 2011, Foothill Transit has several active grants with the FTA. The active grants are as follows:

	Grant number	CFDA number	Purpose	Award Amount	Status
1.	CA -90-Y184	20.507	Pay-off COP $10.3 M; Purchase 45 CNG buses $17.6M and acquisition George Goode property $1.6 M.	$29.5M	Awarded: July 2003
2.	CA -90-Y185	20.207	Purchase of 75 CNG buses $18.9M; Smart bus $2.2M; Bus stop enhancements $660,000	$21.77M	Awarded: November 2004
3.	CA -90-Y334	20.507	El Monte Station Rehab $1.3M; Universal Fare System $5.7M	$7.0M	Awarded: March 2005
4	CA-04-0093	20.500	San Gabriel Valley Park and Ride	$12.92M	Awarded: September 2008
5.	CA-90-Y729	20.507	Replacement Buses/FY 09 Preventive Maintenance	$25.68M	Awarded: September 2008
6.	CA-96-X010	20.507	Electric Bus Project/ Facility Improvements/ Preventative Maintenance	$21.36M	Awarded: August 2009
7.	CA-90-Y797	20.507	Purchase of 12 CNG buses $5.9M/ Preventive Maintenance $8.4M	$14.37M	Awarded: October 2009
8.	CA-90-Y513	20.507	Purchase of 5 CNG buses $2.0M; Rehabilitation of Admin. Bldg. $7.8M; Preventive Maintenance $5.0M; Smart Bus $5.7M	$20.5M	Awarded: June 2007

Note 2: Summary of Significant Accounting Policies (Continued)

	Grant number	CFDA number	Purpose	Award Amount	Status
9.	2008-RL-T8-K0018	20.507	Joint Development of Threat Assessment; Front Line-Upper Management Awareness	$1.25M	Awarded: May 2009
10.	2009-RA-T9-K019	20.507	Facility Security Hardening; SilverStreak Surveillance Camera	$2.1M	Awarded: July 2009

e. Operating and Nonoperating Revenues and Expenses

Foothill Transit distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with Foothill's principal ongoing operations. The principal operating revenues are passenger fares charged for transportation service to the San Gabriel Valley. Operating expenses include the cost of transportation services, maintenance of capital assets and facilities, administrative expenses, and depreciation reported on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Operating assistance grants are included as nonoperating revenues in the year in which a related reimbursable expenditure is incurred or in unearned revenue for use in a subsequent fiscal year.

Foothill's policy is to report revenue from capital grants separately after nonoperating revenues as the related expenditures are incurred. Assets acquired with capital grant funds are included in capital assets. Capital monies received prior to an expenditure being incurred are recorded as unearned revenue.

f. Election of Applicable FASB Statements

Foothill Transit applies all Governmental Accounting Standards Board (GASB) pronouncements and those Financial Accounting Standards Board (FASB) pronouncements, including applicable Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements or opinions conflict or contradict with GASB pronouncements, in which case GASB prevails. Foothill Transit has elected not to adopt the pronouncements issued by the FASB after November 30, 1989.

g. Investments

Foothill Transit reports investment securities and similar assets held for investment purposes at fair value. Except for cash and cash equivalents such as negotiable certificates of deposit (which are carried at face value), the fair value of substantially all such investments is based on the published market prices of publicly traded securities.

Note 2: Summary of Significant Accounting Policies (Continued)

h. Capital Assets

Capital assets which include property, plant, and equipment are defined by Foothill Transit as assets with an initial value exceeding $500 and having an estimated useful life of more than one year. Capital assets are valued at historical cost. Donated assets are valued at estimated fair market value at the date of donation. Foothill Transit did not receive any donated capital assets during fiscal years 2011 and 2010. Capital assets are depreciated over their estimated useful lives using the straight-line method.

The following estimated useful lives are used for Foothill's capital assets:

Facility	20 to 31.5 years
Other improvements	3 to 7 years
Transit buses and rehabilitation costs	5 to 12 years
Other operating equipment	3 to 9 years
Vehicles	5 years
Furniture and fixtures	7 years

i. Cash and Cash Equivalents

For the purpose of the statement of cash flows, Foothill Transit considers cash, demand deposits and investment pools to be cash and cash equivalents.

In addition all cash invested in the state investment pool, Local Agency Investment Fund (LAIF), are stated at their fair value (the value at which financial instruments could be exchanged in a current transaction between willing parties, other than a forced liquidation sale).

j. Unearned Revenue

Unearned revenue is composed entirely of grant funds which Foothill Transit has received in advance for operations, capital acquisition, or construction but which have not been expended and therefore not earned at June 30, 2011.

k. Net Assets

Foothill Transit's net assets are classified into the following net asset categories:

1. Invested in Capital Assets, Net of Related Debt

   Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

2. Restricted

   Net assets that have external constraints placed on them by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through contribution provision of enabling legislation.

Note 2: Summary of Significant Accounting Policies (Continued)

3. Unrestricted

Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." Unlike the restricted net assets, the board has discretion in determining the use and establishing minimum/maximum balance requirements for the unrestricted cash and investment portion of net assets. The board may at any time change or eliminate amounts established for these purposes.

There were no unrestricted net assets as of June 30, 2011 and 2010.

l. Nonexchange Transactions

Foothill Transit recognizes all capital grants as capital contributions in the statements of revenues, expenses, and changes in net assets.

m. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

n. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Note 3: Cash and Investments

As a public agency, Foothill Transit's investment practices are prescribed by various provisions of the California Government Code and the Act, as well as by administrative policies. Foothill Transit's statement of investment policy is approved by the Board and describes the Treasurer's investment authority, practices, and limitations. The basic investment policy objectives, in order of importance, are safety of principal, liquidity, and return on investment.

Cash and investments may or may not be restricted as to use, depending on the specific purposes for which such assets are held.

Cash and investments at June 30, 2011 and 2010 were reported in the accompanying financial statements as follows:

	2011	2010
Cash and investments	$ 59,402,379	$ 39,151,181

Deposits

At June 30, 2011, the carrying amount of Foothill Transit's deposits was $35,582,933 and the bank balance was $35,882,038. The difference of $299,105 represents outstanding checks and other reconciling items.

Note 3: Cash and Investments (Continued)

The California Government Code requires California banks and savings and loan associations to secure an Entity's deposits by pledging government securities with a value of 110% of an Entity's deposits. California law also allows financial institutions to secure the Entity's deposits by pledging first trust deed mortgage notes having a value of 150% of the Entity's total deposits. The Treasurer may waive the collateral requirement for deposits which are fully insured up to $200,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking.

The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Investments

Under provision of Foothill Transit's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- Checking Account Demand Deposits
- Passbook Savings Account Demand Deposits
- Money Market Mutual Funds
- Local Agency Investment Fund (LAIF) Demand Deposits
- Obligations of the U.S. Government, its agencies, and instrumentalities Federal Agency obligations
- Municipal Securities (California cities and local agencies) rated "A" or better by Moody's or S&P
- Certificates of deposit
- Negotiable Certificates of Deposits, federally insured with the issuer
- Banker's Acceptances, issued by domestic or foreign banks, which are eligible for purchases by the Federal Reserve System
- Repurchase Agreements used solely for short-term investments not to exceed 30 days
- Bonds issued by any city, county, or local agency in California or by the State of California

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or Foothill Transit's investment policy.

Note 3: Cash and Investments (Continued)

Investments in State Investment Pool

Foothill Transit is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares. The Fund is principally invested in obligations of federal government agencies, U.S. Treasury securities, certificates of deposit, and commercial paper. The Fund's manager considers the credit risk as minimal. The Fund is protected against fraudulent acts by the state's self-insurance program.

GASB Statement No. 31

Foothill Transit adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values.

Credit Risk

Foothill Transit's investment policy limits investments in municipal securities, negotiable certificates of deposits, and banker's acceptances to those rated "A" or better and repurchase agreements and bonds to those rated in the highest category by Moody's or S&P. As of June 30, 2011, Foothill Transit's investments did not include any of those listed above. As of June 30, 2011, Foothill Transit's investment in the State Investment Pool has not been rated by a nationally recognized statistical rating organization.

On August 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA. As a result, on August 8, 2011, Standard & Poor's Ratings Services lowered its issuer credit ratings and related issue ratings on various Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac to AA+ from AAA. The Authority invests in LAIF which invests in various underlying securities, including the federal agency securities listed above. While LAIF is not rated, the federal agency securities are, and these have been affected by this rating change.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2011, none of Foothill Transit's deposits or investments were exposed to custodial credit risk.

Note 3: Cash and Investments (Continued)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the authority's investment policy limits the authority's portfolio to maturities of less than five years. Foothill Transit has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, Foothill Transit had the following investments and remaining maturities:

2011

	Remaining Investment Maturities		
Investment Type:	Less Than 1 year	2 Years	Fair Value
Money Market	$ 10,337,812	$ -	$ 10,337,812
Certificates of Deposit	5,743,000	747,000	6,490,000
US Treasury Notes	1,996,158	-	1,996,158
Local Agency Investment Fund	4,995,476	-	4,995,476
Total	$ 23,072,446	$ 747,000	$ 23,819,446

2010

	Remaining Investment Maturities		
Investment Type:	Less Than 1 year	2 Years	Fair Value
Money Market	$ 3,566,476	$ -	$ 3,566,476
Certificates of Deposit	1,500,000	-	1,500,000
US Treasury Notes	4,498,989	-	4,498,989
Local Agency Investment Fund	4,970,192	-	4,970,192
Total	$ 14,535,657	$ -	$ 14,535,657

Note 4: Due from Other Governmental Agencies

At June 30, 2011 and 2010, amounts due from other governmental agencies consist of the following and are expected to be collected within one year:

	2011	2010
Section 5307 Capital Grant – FTA	$ 2,386,422	$ 5,412,080
Homeland Security	50,111	-
Transportation Development Act (TDA)	1,199,662	2,665,848
State Transit Assistance	-	46,525
Proposition A	-	196,766
Proposition C (BSIP, TSE & Restructuring)	-	2,322,500
Proposition C Call For Projects	153,141	28,617
Proposition C MOSIP	251,627	159,278
1B Bonds	94,615	-
AQMD	7,886	-
LA Metro	70,608	-
Retail Pass Sales	81,633	-
	$ 4,295,705	$ 10,831,614

Note 5: Other Receivables

At June 30, 2011 and 2010, other receivables consist of the following and are expected to be collected within one year:

	2011	2010
Trade Receivables (Pass Sales)	$ 373,833	$ 893,165
LA Metro	640	-
Other Trade Receivables	377,727	-
	$ 752,200	$ 893,165

Note 6: Capital Assets

Changes in the capital assets by category for the year ended June 30, 2011, are as follows:

	Balance July 1, 2010	Adjustments/ Transfers	Additions	Reductions	Balance June 30, 2011
Capital assets not being depreciated:					
Land	$ 10,132,713	$ -	$ -	$ -	$ 10,132,713
Construction in progress	5,776,698	(5,776,698)	3,315,766	-	3,315,766
Total capital assets not being depreciated	15,909,411	(5,776,698)	3,315,766	-	13,448,479
Other capital assets:					
Facility	74,836,967	3,559,782	1,037,344	-	79,434,093
Transit buses	127,501,852	3,138,179	10,696,078	(5,837,217)	135,498,892
Other operating equipment	29,938,000	-	1,675,561	-	31,613,561
Vehicles	4,650,095	-	82,163	-	4,732,258
Furniture and fixtures	702,684	-	3,738	-	706,422
Total other capital assets at historical cost	237,629,598	6,697,961	13,494,884	(5,837,217)	251,985,226
Accumulated depreciation:					
Facility	(21,080,234)	(921,263)	(2,779,462)	-	(24,780,959)
Transit buses	(59,677,159)	-	(11,019,493)	5,837,217	(64,859,435)
Other operating equipment	(14,004,340)	-	(3,317,385)	-	(17,321,725)
Vehicles	(4,060,796)	-	(296,391)	-	(4,357,187)
Furniture and fixtures	(447,320)	-	(96,328)	-	(543,648)
Total accumulated depreciation and amortization	(99,269,849)	(921,263)	(17,509,059)	5,837,217	(111,862,954)
Other capital assets, net	138,359,749	5,776,698	(4,014,175)	-	140,122,272
Total capital assets, net	$ 154,269,160	$ -	$ (698,409)	$ -	$ 153,570,751

Note 7: Management Contract and Transit Services Operating Agreements

a. Management Contract

Veolia Transportation provides all day-to-day administrative and operational management staff of Foothill Transit based on an amended and restated agreement between Foothill Transit and Veolia Transportation dated May 7, 2008. The agreement extends the current contract six years including the one year remaining on the original agreement with five renewal options exercisable at the sole discretion of the Executive Board.

Under the agreement, entered into May 7, 2008, Foothill Transit is obligated to pay monthly management fees to Veolia Transportation. This agreement may be canceled at Foothill Transit's sole discretion (without any liability, other than payment for services rendered) by providing 90 days written notice.

Management fee expenses for the years ended June 30, 2011 and 2010 were $6,450,062 and $6,870,100, respectively. Foothill Transit's Executive Director, who is also a Veolia Transportation Vice President, is precluded from either voting or making board recommendations relative to Foothill Transit's contract with Veolia Transportation.

b. Transit Services Operating Agreements

Effective February 4, 2007, First Transit Services, Inc. was awarded a two year contract with three one year options for operating services at the Pomona Facility. MV Transportation was awarded a similar contract, two years plus three one year options effective July 15, 2007, for operating services at the Arcadia facility, thus eliminating one service contractor for both the Arcadia and Pomona facilities which was the case prior to the execution of MV Transportation contract. Under the terms of the agreements, Foothill Transit is required to cover 100% of the fuel cost which is estimated to be approximately $6-$6.5 million per year.

Such agreements are cancelable at Foothill Transit's option if determined to be in its best interest. The agreements may also be terminated by Foothill Transit if (1) the contractor defaults or is guilty of misinterpretation or (2) the agreement is either obtained by unlawful means or conflicts with any California or federal law. On a combined basis, such entities have provided performance bonds totaling approximately $11,152,000 for the protection of Foothill Transit.

MV Transportation operating the Arcadia Facility is compensated based on operating bus time at certain base hourly rates for contractual revenue hours per year. Any excess revenue hours are compensated at reduced rates. Hourly rates for annual revenue hours exceeding 115% of the contractual amount are negotiable. Foothill Transit's related expense approximated $22,821,877 and $25,254,536 for the years ended June 30, 2011 and 2010, respectively.

The Pomona Facility operated by First Transit is compensated based on bus time at certain base hourly rates for contractual revenue hours. Any excess revenue hours are compensated at reduced rates. Hourly rates are subject to adjustment in February of each year. Hourly rates for annual hours exceeding 115% of the contractual amount are negotiable. Foothill Transit's related expense approximated $19,724,413 and $20,522,768 for the years ended June 30, 2011 and 2010, respectively.

Note 8: Commitments and Contingencies

a. Operating Lease Commitments

Foothill Transit leases certain facilities and equipment under long-term lease agreements.

Foothill Transit leases space for a Transit Store in the Puente Hills Mall. This lease is scheduled to expire October 31, 2015. Monthly rent includes a base amount of $1,173 plus additional charges for marketing, taxes and insurance. Currently the additional charges total $1,630 for a total monthly rent of $2,803. Rent expense for the years ended June 30, 2011 and 2010, approximated $33,636 and $31,646.

b. Capital Lease Commitments

In November 2001, Foothill Transit entered into a lease agreement for the purpose of constructing, operating, and maintaining a Compressed Natural Gas (CNG) fueling station to be located at the Foothill Transit Pomona Operations and Maintenance facility.

Foothill Transit agreed to pay monthly payments of $25,000 per month for 120 months plus $2,100,000 in capital payments.

In addition to the above payments, Foothill Transit agreed to purchase a minimum number of gallons per month (throughput). The original quantity of throughput was 175,000 gallons for the first 12 months and 225,000 gallons for the remaining 168 months. These terms were amended in March 2003 reducing the monthly throughput to 55,000 gallons until October 1, 2003, and then increasing to 105,000 gallons per month to the end of the agreement, May 2012. The Contract was amended effective July 1, 2008 eliminating the throughput requirement.

During the fiscal year 2004, Foothill Transit changed the estimated useful life of the fueling station from 20 years down to 10 years. As the lease term is greater than 75% of the estimated economic life of the leased property, the fueling station was classified as a capital lease resulting in the recognition of a facility asset and related liability of $3,667,850.

The outstanding balance at June 30, 2011 is $1,000,000 including interest of $197,324.

Changes in long term debt are as follows.

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Lease:				
Current	$ -	$ 802,676	$ -	$ 802,676
Long Term	802,676	-	802,676	-
	$ 802,676	$ 802,676	$ 802,676	$ 802,676

Note 8: Commitments and Contingencies (Continued)

The minimum lease commitments under noncancelable leases over the next five years and thereafter are as follows:

Year Ending June 30,	Capital Leases	Operating Leases	Total
2012	$ 1,000,000	$ -	$ 1,000,000
Less Interest Portion	197,324	-	197,324
Total	$ 802,676	$ -	$ 802,676

c. Legal Matters

In the ordinary course of business, Foothill Transit is subject to certain lawsuits and other potential legal actions. In the opinion of management, such matters will not have a material effect on the financial position of Foothill Transit.

Note 9: Operating Lease Income

Foothill Transit is the lessor in several non-cancellable operating leases for surplus office space in the newly acquired administrative offices building. Two of the administrative offices building's six floors are leased, the first floor is leased to Chase and the fourth floor is leased to three different entities. The cost of the two leased floors approximates $5,982,412 or one third of the building cost at June 30, 2011. The carrying value is $5,039,140 net of accumulated depreciation of $943,272.

The future minimum lease rentals in the aggregate for each of the five succeeding fiscal years are:

Year Ending June 30	Lease Revenue
2012	$ 355,296
2013	369,936
2014	369,250
2015	337,533
2016	348,265
Total	$ 1,780,280

Note 10: Risk Management

Foothill Transit carries commercial insurance to protect against potential losses, including coverage for the following: commercial general liability, excess liability, public officials and employee liability, computer equipment (including media and data protection), commercial property (including personal property and business income), and pollution liability (including loss remediation or legal expense coverage).

Foothill Transit also requires its contract transit operators to provide, as a contract requirement, insurance coverage naming Foothill Transit as an additional insured on their commercial general liability, automobile liability, excess liability, and workers' compensation policies.

There were no reductions in coverage or claims in excess of coverage during the fiscal years ended June 30, 2011, 2010, and 2009. The following schedule of claims and payments for the previous three fiscal years also indicates that settlements have not exceeded coverage for these periods:

Years Ending June 30,	Claims Payable July 1st	Claims & Changes in Estimates	Claims Payments	Claims Payable June 30
2009	$ -	$ -	$ -	$ -
2010	-	-	-	-
2011	-	-	-	-

Note 11: Subsequent Event

The Safe, Accountable, Flexible, Efficient Transportation Equity Act – a legacy for users (SAFETEA-LU) provides an incentive for Compressed Natural Gas (CNG) when used as "motor vehicle" fuel. The $.50 per gallon credit incentive is provided to the "Alternative Fueler" as detailed in the Internal Revenue Service Code. Foothill Transit negotiated with our natural gas suppliers to determine who qualifies as the "alternative fueler" and is eligible to receive the credit for CNG fuel used to propel Foothill Transit motor vehicles. The negotiations ended with both Foothill Transit and our natural gas supplier believing they were the "alternative fueler" and eligible to claim the $.50 per gallon credit.

Foothill Transit requested a Revenue Ruling Letter from the Internal Revenue Service (IRS) to determine that Foothill Transit is the "alternative fueler" and as such eligible to receive the $.50 per gallon credit. Subsequent to receiving the Revenue Ruling Letter indicating Foothill Transit was the "alternative fueler" eligible to receive the credit, the Internal Revenue Service began an audit reviewing compliance with the requirements to receive the credit. The results of the audit from the IRS determined Foothill Transit is not the "alternative fueler" for the period of October 1, 2006 through June 30, 2008. Foothill Transit refunded the tax credit plus interest and penalties for the period in question. A timely appeal has been filed with the Internal Revenue Service to reverse its audit determination and refund the tax credit, interest and penalties assessed and paid as a result of the audit. Unfortunately the appeal process has resulted with the IRS unwilling to make a determination as to Foothill Transit's status as the "alternative fueler". The final determination has therefore been put on hold indefinitely.

FOOTHILL TRANSIT
(A Joint Powers Authority)

Schedule of Expenditures of Federal Awards
June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Project ID #	Expenditures
U.S. Department of Transportation			
Direct Programs			
Federal Transit Administration:			
Federal Transit Formula Grants *:			
Section 5307 - Formula Fund Grant (ARRA)	20.507	CA-96-X010	$ 6,489,286
Section 5307 - Formula Fund Grant	20.507	CA-90-Y184	149,852
		CA-90-Y185	149,480
		CA-90-Y334	247
		CA-90-Y729	658,801
		CA-90-Y797	10,051,660
			11,010,040
Section 5309 - Discretionary Fund Grant	20.500	CA-04-0093	137,225
Total U.S. Department of Transportation			**17,636,551**
U.S. Department of Homeland Security			
Direct Programs:			
Rail and Transit Security Grant Program	97.075	2009-RAT-9K019	50,110
Total U.S. Department of Homeland Security			**50,110**
Total Federal Expenditures			**$ 17,686,661**

* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to sub recipients during the year was $0.

Schedule of Expenditures of Federal Awards
June 30, 2011

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by Foothill Transit that are reimbursable under federal programs of the federal financial assistance. For the purpose of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly for a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the full accrual basis of accounting. Under the full accrual basis of accounting, expenditures are recognized when incurred. Expenditures are incurred when Foothill Transit becomes obligated for payment as a result of the receipt of related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

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Statistical Section

Statistical Section

This part of Foothill Transit's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the agency's overall financial health.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The agency implemented GASB Statement 34 in 2002; schedules presenting agency wide information include information beginning in that year.

Foothill Transit

Net Assets

Last Ten Fiscal Years

Fiscal Year	Investments in Capital Assets (Net)	Restricted	Unrestricted	Total Net Assets
2002	$ 59,445,624	$ 20,359,426	$ -	$ 79,805,050
2003	84,653,766	24,417,897	-	109,071,663
2004	94,066,739	26,254,056	-	120,320,795
2005	118,295,964	24,512,449	-	142,808,413
2006	122,717,282	24,487,450	-	147,204,732
2007	166,066,308	23,361,221	-	189,427,529
2008	154,957,324	25,035,711	-	179,993,035
2009	166,570,890	24,794,654	-	191,365,544
2010	153,466,484	24,673,168	-	178,139,652
2011	152,768,075	24,550,008	-	177,318,083

Source: Foothill Transit Finance Department

Foothill Transit

Changes in Net Assets

Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expense	Operating Income (Loss)	Nonoperating Revenues/ Expenses	Income/(Loss) Before Contributions	Capital Contributions	Change in Net Assets
2002	$ 15,320,023	$ 49,741,287	$ (34,421,264)	$ 27,532,641	$ (6,888,623)	$ 15,333,496	$ 8,444,873
2003	16,333,721	59,643,011	(43,309,290)	34,400,240	(8,909,050)	38,175,663	29,266,613
2004	15,543,642	62,283,117	(46,739,475)	36,655,066	(10,084,409)	21,333,538	11,249,129
2005	15,185,794	65,312,779	(50,126,985)	38,953,918	(11,173,067)	33,660,688	22,487,621
2006	17,304,113	69,985,981	(52,681,868)	40,663,899	(12,017,969)	16,414,288	4,396,319
2007	17,383,615	74,196,948	(56,813,333)	43,089,186	(13,724,147)	55,946,944	42,222,797
2008	18,170,179	84,949,972	(66,779,793)	50,739,546	(16,040,247)	6,605,753	(9,434,494)
2009	18,291,655	84,782,327	(66,490,672)	49,642,554	(16,848,118)	28,220,627	11,372,509
2010	18,186,656	85,141,072	(66,954,416)	45,444,021	(21,510,395)	8,284,503	(13,225,892)
2011	18,507,098	77,336,333	(58,829,235)	41,320,176	(17,509,059)	16,687,490	(821,569)

Source: Foothill Transit Finance Department

Foothill Transit

Operating Revenues by Source

Last Ten Fiscal Years

Fiscal Year	Farebox and Bus Pass Revenue	Special Services	Dial-A-Ride	Liquidated Damages	Other Revenue	Total
2002	$14,008,818	$ 746,576	$ 469,643	$ -	$ 94,986	$15,320,023
2003	14,404,796	790,226	490,171	565,725	82,803	16,333,721
2004	14,233,259	661,581	519,060	93,700	36,042	15,543,642
2005	13,526,456	818,588	494,524	310,577	35,649	15,185,794
2006	15,816,183	863,317	458,507	144,900	21,206	17,304,113
2007	15,837,063	910,826	470,664	89,250	75,812	17,383,615
2008	16,503,879	862,745	542,873	235,350	25,332	18,170,179
2009	16,811,793	612,964	583,902	204,050	78,946	18,291,655
2010	16,454,980	744,039	594,913	251,950	140,774	18,186,656
2011	17,238,311	386,031	667,633	124,200	90,923	18,507,098

Source: Foothill Transit Finance Department

Foothill Transit

Nonoperating Revenues and Expenditures

Last Ten Fiscal Years

Fiscal Year	Operating Grants	Interest	Gain (Loss) on Disposal of Assets	Other Expenses	Property Management	Total Nonoperating Revenue
2002	$ 27,639,793	$ 330,601	$ -	$ (437,753)	$ -	$ 27,532,641
2003	34,964,293	209,507	(402,415)	(371,145)	-	34,400,240
2004	37,793,857	315,053	(1,421,388)	(32,456)	-	36,655,066
2005	39,109,821	424,471	(557,428)	(22,946)	-	38,953,918
2006	40,340,302	564,360	(291,667)	-	50,904	40,663,899
2007	42,462,266	670,583	(20,767)	12,480	(35,376)	43,089,186
2008	49,553,761	939,589	(20,191)	(35,491)	301,878	50,739,546
2009	48,801,545	454,230	70,373	(41,694)	358,100	49,642,554
2010	45,830,120	54,695	(746,515)	(47,137)	352,858	45,444,021
2011	41,388,504	36,145	105,429	-	(209,902)	41,320,176

Source: Foothill Transit Finance Department

Foothill Transit

Operating Expenses

Last Ten Fiscal Years

Fiscal Year	Transit Operations	Fuel Cost	Management Service Contract	Special Services	Dial-A-Ride Expenditures	Professional Services	Advertising	General & Administrative	Depreciation	Total Operating Expenses
2002	$ 33,786,188	$ 826,514	$4,307,465	$ 668,094	$ 460,611	$ 727,428	$ 432,666	$ 1,568,351	$ 6,963,970	$ 49,741,287
2003	37,629,405	4,832,490	4,555,459	568,851	517,479	450,208	319,237	1,582,291	9,187,591	59,643,011
2004	37,913,831	5,909,442	4,815,760	477,738	509,524	778,132	359,997	1,964,232	9,554,461	62,283,117
2005	37,638,709	7,771,424	5,083,432	561,473	484,702	829,635	431,584	2,032,320	10,479,500	65,312,779
2006	39,364,590	9,764,546	5,484,579	576,080	448,361	796,178	300,446	1,611,099	11,640,102	69,985,981
2007	40,536,232	9,336,406	6,148,767	650,391	460,015	990,646	355,110	2,160,881	13,558,500	74,196,948
2008	46,832,993	11,016,127	6,290,700	513,214	531,911	1,043,942	396,868	2,340,172	15,984,045	84,949,972
2009	47,926,526	9,042,246	6,617,100	412,170	572,315	1,098,836	337,098	1,969,613	16,806,423	84,782,327
2010	45,777,304	7,300,610	6,870,100	440,220	583,545	912,625	259,169	2,455,503	20,541,996	85,141,072
2011	42,546,290	6,369,946	6,450,062	224,755	656,265	1,113,036	216,422	2,250,497	17,509,060	77,336,333

Source: Foothill Transit Finance Department

Foothill Transit

Capital Assets Grant Contributions

Last Ten Fiscal Years

Fiscal Year	Proposition "C"	Federal Transit Administration	State Transit Assistance	Transportation Development Act	Prop 1B/ Homeland Sec/ AQMD	Total
2002	$ 891,230	$ 11,592,973	$ 563,209	$ 2,286,084	$ -	$ 15,333,496
2003	725,203	27,254,788	636,855	9,558,817	-	38,175,663
2004	1,460,243	14,811,792	61,925	4,999,578	-	21,333,538
2005	11,412,603	20,515,600	672,822	1,059,663	-	33,660,688
2006	2,866,959	9,127,554	43,048	3,035,718	1,341,009	16,414,288
2007	10,488,287	32,512,710	1,095,851	11,850,096	-	55,946,944
2008	626,354	2,082,899	44,645	3,136,855	715,000	6,605,753
2009	5,666,928	18,957,172	-	3,440,035	156,492	28,220,627
2010	1,319,670	6,453,233	-	337,734	173,866	8,284,503
2011	2,734,459	12,998,934	-	637,113	316,984	16,687,490

Source: Foothill Transit Finance Department

Foothill Transit

Tax Revenues
Last Ten Fiscal Years
(in Thousands)

Fiscal Year	Foothill Transit TDA [1]	Foothill Transit STA [2]	Foothill Transit Prop "A" [3]	Foothill Transit Total	Foothill Transit % of LA County	Los Angeles County[4] TDA [1]	Los Angeles County[4] STA [2]	Los Angeles County[4] Prop "A" [3]	Los Angeles County[4] Total
2002	$16,154	$ 2,053	$10,585	$ 28,792	3.33%	$ 277,804	$ 59,278	$ 528,443	$ 865,525
2003	17,701	855	10,820	29,376	3.27%	305,753	28,189	565,397	899,339
2004	17,885	1,002	11,919	30,806	3.51%	287,350	28,122	563,127	878,599
2005	20,555	1,160	13,325	35,040	3.77%	304,661	29,485	594,955	929,101
2006	18,486	1,861	11,836	32,183	3.24%	317,824	54,792	619,348	991,964
2007	20,629	2,486	12,347	35,462	3.18%	350,835	73,293	692,044	1,116,172
2008	24,482	3,247	13,951	41,680	3.47%	377,268	80,204	743,829	1,201,301
2009	23,059	8,667	13,800	45,526	3.47%	366,790	225,465	719,109	1,311,364
2010	14,962	-	12,043	27,005	3.05%	280,300	-	605,884	886,184
2011	14,254	3,825	12,741	30,820	3.24%	297,280	62,806	589,803	949,889

Source: LA Metro funding allocations

1) 1/4% of the Sales Tax revenue
2) 50% of Sales Tax revenue from the sale of diesel and gasoline fuel
3) Additional 1/2% Sales Tax approved by Los Angeles voters (Proposition "A")
4) Total funding received by LA County for allocation to Transit Operators.

Foothill Transits operating revenues are only sufficient to cover 24% to 27% of the operating expenditures and is therefore reliant on the above Sales Tax revenues.

Foothill Transit

Annual Farebox and Bus Pass Revenue

Last Ten Fiscal Years

Fiscal Year	Cash	Passes	MetroCards[1]	EZ Transit Passes	Other Revenue	Total
2002	$ 8,202,846	$ 4,947,348	$ 841,827	$ -	$ 16,797	$14,008,818
2003	8,551,069	4,847,630	863,654	125,994	16,449	14,404,796
2004	8,620,340	3,743,044	938,317	902,672	28,886	14,233,259
2005	8,688,233	2,700,705	1,247,621	870,492	19,405	13,526,456
2006	9,896,655	3,478,192	1,148,722	1,263,697	28,917	15,816,183
2007	9,886,576	2,901,507	1,253,953	1,766,158	28,869	15,837,063
2008	10,643,410	3,232,105	1,306,149	1,296,241	25,974	16,503,879
2009	10,831,738	3,085,010	1,404,858	1,462,852	27,335	16,811,793
2010	10,179,166	2,777,711	1,951,048	1,518,315	28,740	16,454,980
2011	10,965,031	3,230,792	1,836,503	1,172,952	33,033	17,238,311

Source: Foothill Transit Finance Department

1) Magnetic cash card (similar to cash gift card) prior to FY 08-09, thereafter smartcard technology

Foothill Transit

Cash Fares

Last Ten Fiscal Years

Fiscal Year	Local Adult	Local Senior/ Disabled[1]	Local Student[2]	Local Plus Adult	Local Plus Senior/ Disabled[1]	Local Plus Student[2]	Commuter Express Adult	Commuter Express Senior/ Disabled[1]	Commuter Express Student[2]
2002	$ 0.90	$ 0.45	$ 0.90	$ 2.25	$ -	$ -	$ 2.75	$ -	$ -
2003	1.10	0.55	1.10	2.75	-	-	3.35	-	-
2004	1.10	0.55	1.10	2.75	-	-	3.35	-	-
2005	1.10	0.55	1.10	2.75	-	-	3.35	-	-
2006	1.00	0.50	1.00	3.00	1.50	1.50	3.50	1.75	1.75
2007	1.00	0.50	1.00	2.00 [3]	1.00 [3,4]	2.00 [3]	3.65	1.80	3.35
2008	1.00	0.50	1.00	2.50 [3]	1.25 [3,4]	2.50 [3]	4.40	4.40 [5]	4.40 [5]
2009	1.00	0.50	1.00	2.50 [3]	1.25 [3,4]	2.50 [3]	4.40	4.40 [5]	4.40 [5]
2010 [6]	1.25	0.50	1.25	2.75 [3]	1.35 [3,4]	2.75 [3]	4.90	4.90 [5]	4.90 [5]
2011	1.25	0.50	1.25	2.75 [3]	1.35 [3,4]	2.75 [3]	4.90	4.90 [5]	4.90 [5]

Source: Foothill Transit Finance Department

1) Includes Medicare eligible customers
2) Includes K-12 and college eligible customers
3) New Service (Silver Streak) replace Local Plus
4) Discount fare only applies to non-peak service hours of operation, (Mon-Fri 10AM - 2PM and 8PM - 4AM), full fare or $2.75 for peak service hours.
5) Commuter Express Service is ONLY operated during peak service periods
6) Fare increase effective June 27, 2010

Foothill Transit

Outstanding Debt

Last Ten Fiscal Years

Fiscal Year	Capital Lease	Total Debt	Per Capita[1]
2002	$ -	$ -	$ -
2003	5,100,000	5,100,000	0.51
2004	3,800,000	3,800,000	0.38
2005	3,500,000	3,500,000	0.34
2006	3,200,000	3,200,000	0.31
2007	1,900,000	1,900,000	0.18
2008	1,600,000	1,600,000	0.15
2009	1,300,000	1,300,000	0.13
2010	1,000,000	1,000,000	0.10
2011	1,000,000	1,000,000	0.10

Source: Foothill Transit Finance Department

[1] See the Schedule of Demographic and Economic Statistics on page 40 for population data

Foothill Transit

Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	Unemployment Rate	Population[1] (000)	School Enrollment[2] (000)	Personal Income Total (000)	Personal Income Per Capita	Consumer Price Index[3] Value	Consumer Price Index[3] % Change
2002	5.7%	9,825	1,711	$ 427,366	$ 33,824	181.9	1.68%
2003	6.8%	9,978	1,736	444,695	34,967	186.3	2.42%
2004	6.4%	10,107	1,743	468,524	36,705	193.7	3.97%
2005	5.2%	10,226	1,734	496,595	38,915	200.5	3.51%
2006	4.8%	10,245	1,708	536,323	42,185	212.4	5.93%
2007	4.7%	10,332	1,673	553,813	43,633	218.6	2.82%
2008	6.8%	10,364	1,649	567,707	44,462	229.0	5.40%
2009	10.8%	10,393	1,632	550,831	42,784	223.9	-2.60%
2010	11.6%	10,441	1,574	565,365	43,160 [4]	225.9	0.88%
2011	13.3%	9,858	1,590	581,761 [4]	44,412 [4]	132.3	2.90%

Source: Foothill Transit Finance Department

1) State of California Department of Finance
2) California Department of Education
3) US Department of Labor Statistics
4) Data not available, amounts increased by CPI.

Foothill Transit

Ten Principal Employers Los Angeles County

2009[1] and 2006

Employer	2009 Number of Employees	2009 Percentage of Total	2009 Rank	2006 Number of Employees	2006 Percentage of Total	2006 Rank
Kroger Co. (Ralph's Grocery Co.)	140,000	3.30%	1	14,000	0.39%	10
County of Los Angeles	109,500	2.57%	2	93,200	2.65%	1
Los Angeles Unified School District	104,900	2.47%	3	74,632	2.12%	2
City of Los Angeles	56,200	1.32%	4	53,171	1.51%	3
Federal Government	48,100	1.13%	5	53,200	1.51%	4
Kaiser Permanente	34,100	0.80%	6	32,180	0.91%	6
State of California	30,500	0.72%	7	30,200	0.86%	7
University of California, Los Angeles	28,400	0.67%	8	35,543	1.01%	5
Northrop Grumman Corp.	19,100	0.45%	9	21,000	0.60%	8
Boeing	14,400	0.34%	10	15,825	0.45%	9
All Other Employers	3,666,000	86.23%		3,100,484	87.99%	
Total	4,251,200	100.00%		3,523,435	100.00%	

Source: Los Angeles Almanac; California Employment Development Department

1) Most current information available

Foothill Transit

Operating and Capital Indicators

Last Ten Fiscal Years

Fiscal Year	Buses	Maintenance Facilities[1]	Routes	Veh Service Hours (000)	Cost/Vehicle Service Hr.	Boarding/ Vehicle Service Hr	Passengers (000)	Farebox Recovery Ratio
2002	299	1	26	646	$64.45	25.9	16,761	33.8%
2003	299	2	32	745	66.06	21.8	16,235	29.3%
2004	306	2	34	761	67.93	19.9	15,123	27.2%
2005	306	2	37	743	66.06	19.9	14,803	25.2%
2006	306	2	37	736	77.88	20.8	14,889	28.3%
2007	314	2	36	741	85.93	20.3	14,560	25.0%
2008	314	2	36	768	87.53	19.5	14,974	24.6%
2009	314	2	36	767	87.20	19.4	14,848	25.1%
2010	316	2	35	746	85.19	19.4	14,437	26.0%
2011	300	2	35	671	88.63	20.8	13,985	29.0%

Source: Foothill Transit Finance Department

1) The numbers indicate maintenance facilities owned by Foothill Transit. During Fiscal Year 2002, an additional maintenance facility was leased.

Foothill Transit
Miscellaneous Statistics

Date Formed	December 1988
Type of Organization	Joint Powers Authority
Membership	22 Los Angeles County Cities and County of Los Angeles
Number of Executive Board Members	5
Number of Employees	Administration and Operations contracted to private enterprises
Type of Tax Support	Proposition A 1/2% Sales tax Proposition C 1/2% Sales tax Measure R 1/2% Sales Tax
Service area	San Gabriel & Pomona Valleys, Los Angeles County, CA
Contract services provided by:	
Administration	Veolia Transportation
Bus Operations	First Transit, USA and MV Transportation
Number of Buses in Fleet:	
Diesel Powered	23
Compressed Natural Gas Powered	274
Electric Powered	3
Operational and Maintenance Facilities	2
Sales Outlets (Transit Stores)	5
Bus Routes/Lines:	
Express	8
Local	27
Bus Stops	3,200
Annual Service Hours[1]	671,178
Annual Passengers[1]	13,985,056
Average Weekday Boardings[1]	46,641

Source: Foothill Transit Finance Department
1) Fiscal Year 2010-11

Compliance Report

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

To the Board of Directors
Foothill Transit (A Joint Powers Authority)
West Covina, California

We have audited the financial statements of the, the business-type activities information of the Foothill Transit Authority, West Covina, California, (the Authority) as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated _______________. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
Foothill Transit (A Joint Powers Authority)
West Covina, California

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

Lance, Soll & Lunghard, LLP

Brea, California
________, 2011

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Foothill Transit (A Joint Powers Authority)
West Covina, California

Compliance

We have audited the Foothill Transit Authority, California's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2011. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Foothill Transit Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

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

To the Board of Directors
Foothill Transit (A Joint Powers Authority)
West Covina, California

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Foothill Transit Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated [__________], which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Foothill Transit Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on the responses.

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

Lance, Soll & Lunghard, LLP

Brea, California
[______________]

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified Opinion

Internal control over financial reporting:

- Significant deficiencies identified? ____yes __X__no
- Significant deficiencies identified that are considered to be material weaknesses? ____yes __X__none reported

Noncompliance material to financial statements noted? ____yes ___X_no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? ____yes __X__no
- Significant deficiencies identified that are considered to be material weaknesses? ____yes __X__none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? __X__yes ____no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.500	Federal Transit Discretionary Grant
20.507	Federal Transit Formula Grant

Dollar threshold used to distinguish between type A and type B program $530,600

Auditee qualified as low-risk auditee? _X___yes _____no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

LSL
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INDEPENDENT AUDITORS' REPORT ON FOOTHILL TRANSIT'S COMPLIANCE WITH THE STATE OF CALIFORNIA TRANSPORTATION DEVELOPMENT ACT

The Board of Directors
Foothill Transit (A Joint Powers Authority)
West Covina, California

We have audited the basic financial statements of Foothill Transit (a Joint Powers Authority) as of and for the year ended June 30, 2011, and have issued our report thereon, dated September __, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

We have audited, in accordance with compliance of the Transportation Development Act (TDA) Conformance Auditing Guide (Guide) published by the Los Angeles County Metropolitan Transportation Authority (LACMTA) and the Memorandum of Understanding for Proposition 1B Transit Security Bridge Funding, Public Transportation Modernization, Improvement, and Service Enhancement Account Guidelines (PTMISEA), and Proposition 1B Transit Modernization Bridge Funding by and between LACMTA for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on TDA and Proposition 1B program has occurred. An audit includes examining, on a test basis, evidence about the compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the compliance with those requirements.

In our opinion, Foothill Transit Authority complied, in all material respects, with the compliance requirements referred to above that are applicable to the TDA and Proposition 1B program for the year ended June 30, 2011. The accompanying schedule of PTMISEA Funds is presented for purposes of additional analysis as required by the TDA, per PUC 99245 and is not a required part of the basic financial statements.

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The Board of Directors
Foothill Transit (A Joint Powers Authority)
West Covina, California

This report is intended solely for the information and use of Foothill Transit and Los Angeles County Metropolitan Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

Lance, Soll & Lunghard, LLP

September __, 2011

FOOTHILL TRANSIT
(A Joint Powers Authority)

SCHEDULE OF PTMISEA FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

UNEARNED REVENUE JULY 1, 2010	RECEIPTS	PROGRAM INCOME	EXPENSES	UNEARNED REVENUE JUNE 30, 2011
$ 3,286,835	$ -	$ 18,099	$ -	$ 3,304,934

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INDEPENDENT AUDITORS' REPORT ON FOOTHILL TRANSIT'S COMPLIANCE WITH PROPOSITION A AND PROPOSITION C DISCRETIONARY PROGRAMS

The Board of Directors
Foothill Transit (A Joint Powers Authority)

We have audited the basic financial statements of Foothill Transit (a Joint Powers Authority) as of and for the year ended June 30, 2011, and have issued our report thereon, dated September __, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

We have audited, in accordance with compliance of the Proposition A and Proposition C Local Return Guidelines and the Memorandums of Understanding for Proposition A 40% Discretionary Grant Funds and Proposition C 5% Transit Security Funds approved by Los Angeles County Metropolitan Transportation Authority (LACMTA) for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Proposition A and Proposition C program has occurred. An audit includes examining, on a test basis, evidence about the compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the compliance with those requirements.

In our opinion, Foothill Transit Authority complied, in all material respects, with the compliance requirements referred to above that are applicable to the Proposition A and Proposition C program for the year ended June 30, 2011

This report is intended solely for the information and use of Foothill Transit and Los Angeles County Metropolitan Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

Lance, Soll & Lunghard, LLP

September __, 2011

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INDEPENDENT AUDITORS' REPORT ON FOOTHILL TRANSIT'S COMPLIANCE WITH MEASURE R FUNDING

The Board of Directors
Foothill Transit (A Joint Powers Authority)

We have audited the basic financial statements of Foothill Transit (a Joint Powers Authority) as of and for the year ended June 30, 2011, and have issued our report thereon, dated September __, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

We have audited, in accordance with compliance of the Measure R Local Return Guidelines issued by Los Angeles County Metropolitan Transportation Authority (LACMTA) and the Memorandum of Understanding Article 4 – Audit and Reporting Requirements by and between LACMTA for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Measure R program has occurred. An audit includes examining, on a test basis, evidence about the compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the compliance with those requirements.

In our opinion, Foothill Transit Authority complied, in all material respects, with the compliance requirements referred to above that are applicable to the Measure R program for the year ended June 30, 2011.

This report is intended solely for the information and use of Foothill Transit and Los Angeles County Metropolitan Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

Lance, Soll & Lunghard, LLP

September __, 2011