



**Regional Transportation Authority of Pima County**  
**Single Audit Reporting Package**  
Year Ended June 30, 2017

# Regional Transportation Authority of Pima County

Single Audit Reporting Package  
Year Ended June 30, 2017

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY  
SINGLE AUDIT REPORTING PACKAGE  
FOR THE YEAR ENDED JUNE 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board  
Regional Transportation Authority of Pima County

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and General Fund of the Regional Transportation Authority of Pima County (Authority), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of the Regional Transportation Authority of Pima County, as of June 30, 2017, and the respective changes in financial position the respective budgetary comparison for the General Fund for thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of Regional Transportation Authority of Pima County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Regional Transportation Authority of Pima County's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.  
Tucson, Arizona  
December 14, 2017

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

As management of the Regional Transportation Authority of Pima County, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority as of and for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the financial statements and the notes thereto. The discussion that follows emphasizes the Authority's financial activity from the current fiscal year.

**Financial Highlights**

The financial statements which follow the Management's Discussion and Analysis provide these significant key financial highlights for 2016-17 as follows:

- The Authority's net position decrease of \$38.5 million to a deficit position of \$146.5 million at year end was due to expected project distributions exceeding revenue collected.
- General revenues accounted for \$83.7 million in revenue and primarily consisted of excise taxes. Program specific revenue in the form of capital grants and contributions accounted for \$1.3 million of total current fiscal year revenues.
- The General Fund had \$113.7 million in project distributions and \$1.4 million in administrative expenses during the year.

**Overview of Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) General Fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Authority's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

**Overview of Financial Statements**

The statement of activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the time of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the Authority that are principally supported by excise taxes. The governmental activities of the Authority include project distributions and administrative expenses.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The General Fund of the Authority is a governmental fund.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities; however, as there were no adjustments required for the current year's audit, these reconciliations are not included in the basic financial statements.



**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Overview of Financial Statements**

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Financial Analysis of the Authority**

Net position may serve over time as a useful indicator of financial position. In the case of the Authority, assets totaled \$74.5 million and liabilities totaled \$221.0 million as of June 30, 2017. At year end, the Authority reported a deficit net position of \$146.5 million due to current project distributions exceeding revenues collected.

	As of <u>June 30, 2017</u>	As of <u>June 30, 2016</u>
Current and other assets	\$ 73,426,145	\$ 132,110,753
Capital assets, net	<u>1,054,092</u>	<u>1,376,177</u>
<b>Total assets</b>	<u>74,480,237</u>	<u>133,486,930</u>
Current and other liabilities	815,695	1,610,569
Long-term liabilities	<u>220,154,437</u>	<u>239,865,485</u>
<b>Total liabilities</b>	<u>220,970,132</u>	<u>241,476,054</u>
<b>Net position:</b>		
Unrestricted	<u>(146,489,895)</u>	<u>(107,989,124)</u>
<b>Total net position</b>	<u>\$(146,489,895)</u>	<u>\$(107,989,124)</u>

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Financial Analysis of the Authority**

**Changes in Net Position** – The Authority’s total revenues for the current fiscal year were \$85.0 million. The total cost of all programs and services was \$123.5 million.

The following table presents a summary of the changes in net position for the current fiscal year.

	Fiscal Year Ended <u>June 30, 2017</u>	Fiscal Year Ended <u>June 30, 2016</u>
Revenues:		
Program revenues:		
Capital grants and contributions	\$ 1,295,080	\$ 1,282,292
General revenues:		
Excise taxes	77,139,294	75,287,405
Other local	6,131,499	6,070,491
Investment income	399,251	1,399,996
Total revenues	<u>84,965,124</u>	<u>84,040,184</u>
Expenses:		
Project distributions	113,729,752	116,750,582
Administrative	1,367,689	1,113,786
Depreciation expense	556,202	429,695
Interest on long-term debt	7,812,252	8,542,855
Total expenses	<u>123,465,895</u>	<u>126,836,918</u>
Decrease in net position	(38,500,771)	(42,796,734)
Beginning net position	<u>(107,989,124)</u>	<u>(65,192,390)</u>
Ending net position	<u><u>\$(146,489,895)</u></u>	<u><u>\$(107,989,124)</u></u>

The following are significant current year transactions that have had an impact on the change in net position.

- There was a \$1.9 million increase in excise taxes revenue.
- The \$3.0 million decrease in project distributions expenses resulted from delays in project implementation.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

**Budgetary Highlights**

The adopted budget for fiscal year 2016-17 forecasted excise tax collections in the amount of \$77.5 million. Actual collections were \$77.1 million, \$372,706 less than planned.

As of year-end, the RTA had committed over \$156.1 million to various projects approved for funding by the RTA Board. The expenditure budget adopted for the current fiscal year was \$184.7 million. This budget proved to be ambitious, resulting in a \$42.1 million favorable variance caused by delays in various projects due to delays in implementation.

Through the end of the fiscal year, 798 RTA projects have been implemented, another 57 projects are under construction, and 81 projects are in design.

**Roadway Elements** – The budget expected \$108.2 million in expenditures on the 6 Roadway Element projects underway. Actual expenditures were \$80.3 million, \$27.8 million less than budgeted. The variance is largely due to delays in implementation in 2017, including Broadway: Euclid to Country Club and Silverbell: Ina to Grant projects, as well as billing delays on Grant, Tangerine, and Wilmot projects.

**Safety Element** – Expenditures in the Safety Element were budgeted at \$5.6 million. Actual expenditures were \$3.6 million because of implementation delays of the Kolb/Valencia intersection and Colossal Cave Road projects. Some Safety Element projects are tied to Roadway Element projects that have a corresponding relationship.

**Environmental and Economic Vitality Element** – The budget anticipated the expenditure of \$15.2 million on projects. Actual expenditures were significantly less at \$3.2 million, primarily because of Arizona Department of Transportation's continued delayed payment schedules on the SR-77 Wildlife Bridge project.

**Transit Element** – Transit Element expenditures were budgeted to not exceed \$27.1 million. Transit expenditures amounted to \$26.8 million during the fiscal year.

**Administration** – By statute and pursuant to an executed Memorandum of Understanding, the Pima Association of Governments (PAG) provides professional and administrative staff and resources to the Authority in order for it to accomplish the responsibilities. In consideration, PAG receives an annual amount of \$300,000, adjusted annually for inflation. For the current year, the Authority remitted \$347,853 to PAG.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Capital Assets and Debt Administration**

**Capital Assets.** At year end, the Authority had invested \$2.5 million in capital assets, primarily comprised of vehicles and equipment. This amount represents a net increase prior to depreciation of \$118,565 from the prior fiscal year, due to the purchase of three SunShuttle buses. Total depreciation expense for the current fiscal year was \$556,202. The net capital asset balance was \$1,054,092 at June 30, 2017, and \$1,376,177 at June 30, 2016. Additional information on the Authority's capital assets can be found in Note 5.

**Debt Administration.** The Authority may issue special obligation revenue bonds payable from and secured by Transportation Excise Tax collections for the purposes authorized in §42-6106 of the Arizona Revised Statutes. At year end \$196.1 million of the bonds were outstanding, with \$17.8 million due within one year. Additional information on the Authority's long-term debt can be found in Notes 6 and 7.

**Economic Factors and Next Year's Budget**

The proposed budget for fiscal year 2017-18 was prepared using conservative revenue projections and expenditure assumptions based upon cash flow projections provided by the jurisdictions.

The following table represents the estimated revenue amounts for fiscal years 2016-17 and 2017-18 (the amounts are in the thousands).

<u>Industry Sector</u>	<u>FY17</u>	<u>%</u>	<u>FY18</u>	<u>%</u>
Communications & Utilities	\$ 9,500	12%	\$ 9,900	13%
Restaurants & Bars	8,200	11%	8,500	11%
Real & Personal Property Rentals	6,800	9%	7,000	8%
Contracting/Construction	8,100	11%	8,400	11%
Retail	40,000	53%	41,500	53%
Hotel/Motel	1,800	2%	1,900	2%
All Other	1,500	2%	1,600	2%
Total	<u>\$ 75,900</u>	<u>100%</u>	<u>\$ 78,800</u>	<u>100%</u>

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Economic Factors and Next Year's Budget**

RTA is projecting that \$78.8 million will be collected during the period July 1, 2017, through June 30, 2018. Retail trade is predicted to contribute \$41.5 million or 53 percent, while Communications and Utilities, and Restaurants and Bars are expected to generate \$9.9 million and \$8.5 million, respectively. Contracting/Construction is forecasted to increase, comprising 11 percent of total sales tax revenues, or \$8.4 million, partially driven by state legislative changes. The industry projections are consistent with current economic trends.

With the adoption of the fiscal year 2017-18 budget and continued drawdown of bond proceeds for project reimbursements, the Authority has developed a reimbursement management reserve of approximately 10 percent of annual excise tax revenues in order to ensure the Authority has sufficient financial resources. These reserve funds will not be programmed for expenditure. In order to meet short term cash flow needs and to reap an additional \$4.0 million in Net Present Value savings, the Authority refinanced its 2011 bonds in fiscal year 2017-18.

**Contacting the Authority's Financial Management**

This financial report is designed to provide our citizens and benefactors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the Regional Transportation Authority; 1 East Broadway, Suite 401; Tucson, AZ 85701 (520.792.1093).

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**JUNE 30, 2017**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and investments	\$ 60,178,531	\$	\$ 60,178,531
Excise tax receivable	13,131,791		13,131,791
Due from federal government	90,823		90,823
Other assets	25,000		25,000
Total current assets	73,426,145		73,426,145
Noncurrent assets:			
Capital assets, depreciable, net		1,054,092	1,054,092
Total noncurrent assets		1,054,092	1,054,092
<b>Total assets</b>	73,426,145	1,054,092	74,480,237
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accrued interest expense		815,695	815,695
Revenue bonds payable		17,800,000	17,800,000
Total current liabilities		18,615,695	18,615,695
Noncurrent liabilities:			
Revenue bonds payable		202,354,437	202,354,437
Total noncurrent liabilities		202,354,437	202,354,437
<b>Total liabilities</b>		220,970,132	220,970,132
<b><u>DEFERRED INFLWS OF RESOURCES</u></b>			
Unavailable revenues - grants	90,823	(90,823)	
<b><u>FUND BALANCES/NET POSITION</u></b>			
Fund balances:			
Restricted	73,335,322	73,335,322	
<b>Total fund balances</b>	73,335,322	73,335,322	
<b>Total liabilities, deferred inflows of resources and fund balances</b>	\$ 73,426,145		
Net position:			
Unrestricted		(146,489,895)	(146,489,895)
<b>Total net position</b>		\$ (146,489,895)	\$ (146,489,895)

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Expenditures/expenses</b>			
Current -			
Regional transportation projects - project distributions	\$ 113,729,752	\$	\$ 113,729,752
Regional transportation projects - administrative	1,367,689		1,367,689
Depreciation expense		556,202	556,202
Capital expenditures	265,839	(265,839)	
Debt Service -			
Principal retirement	17,040,000	(17,040,000)	
Interest and fiscal charges	10,546,478	(2,734,226)	7,812,252
<b>Total expenditures/expenses</b>	<u>142,949,758</u>	<u>(19,483,863)</u>	<u>123,465,895</u>
<b>Program revenues</b>			
Capital grants and contributions	1,510,556	(215,476)	1,295,080
<b>Total program revenues</b>	<u>1,510,556</u>	<u>(215,476)</u>	<u>1,295,080</u>
<b>General revenues</b>			
Excise taxes	77,139,294		77,139,294
Other local	6,163,221	(31,722)	6,131,499
Investment income	399,251		399,251
<b>Total general revenues</b>	<u>83,701,766</u>	<u>(31,722)</u>	<u>83,670,044</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(57,737,436)	57,737,436	
<b>Change in net position</b>		(38,500,771)	(38,500,771)
<b>Fund balance/net position:</b>			
<b>Beginning of year</b>	131,072,758	(239,061,882)	(107,989,124)
<b>End of year</b>	<u>\$ 73,335,322</u>	<u>\$ (219,825,217)</u>	<u>\$ (146,489,895)</u>

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2017**

	<b>Budgeted Amounts</b>		<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original &amp; Final</b>	<b>Actual</b>	
<b>Revenues:</b>			
Excise taxes	\$ 77,512,000	\$ 77,139,294	\$ (372,706)
Federal grants and aid		1,510,556	1,510,556
Other local	7,975,047	6,163,221	(1,811,826)
Investment income	283,000	399,251	116,251
<b>Total Revenues</b>	<b>85,770,047</b>	<b>85,212,322</b>	<b>(557,725)</b>
<b>Expenditures:</b>			
<b>Roadway Elements</b>	108,212,000	80,366,890	27,845,110
<b>Safety Elements</b>			
Intersections	2,947,000	1,935,754	1,011,246
Elderly & Pedestrian	507,000	317,058	189,942
Transit Corridor Bus Pullouts	1,335,000	794,512	540,488
At-grade Railroad & Bridge Deficiencies	407,000	156,171	250,829
Signal Technology	394,000	347,077	46,923
<b>Total Safety Elements</b>	<b>5,590,000</b>	<b>3,550,572</b>	<b>2,039,428</b>
<b>Environmental &amp; Economic Vitality Elements</b>	15,180,000	3,228,300	11,951,700
<b>Transit Elements</b>			
Operating	26,820,982	26,583,990	236,992
Capital	265,839	265,839	
<b>Total Transit Elements</b>	<b>27,086,821</b>	<b>26,849,829</b>	<b>236,992</b>
<b>Subtotal</b>	<b>156,068,821</b>	<b>113,995,591</b>	<b>42,073,230</b>
<b>Debt Service Expenditures</b>	27,587,000	27,586,478	522
<b>Administration</b>	1,059,000	1,367,689	(308,689)
<b>Total expenditures</b>	<b>184,714,821</b>	<b>142,949,758</b>	<b>41,765,063</b>
<b>Changes in fund balance</b>	<b>(98,944,774)</b>	<b>(57,737,436)</b>	<b>(41,207,338)</b>
<b>Fund balance, beginning of year</b>		131,072,758	(131,072,758)
<b>Fund balance, end of year</b>	<b>\$ (98,944,774)</b>	<b>\$ 73,335,322</b>	<b>\$ (172,280,096)</b>



**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Regional Transportation Authority of Pima County (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Authority's accounting principles are described below.

**A. Reporting Entity**

The Authority was established on August 25, 2004, as a political subdivision of the State of Arizona, to develop a 20 year multi-modal plan with roadway improvements, safety improvements, environmental and economic vitality improvements, and transit improvements within Pima County, Arizona. The Authority formally commenced financial operations on May 16, 2006.

Under State law, the Authority is authorized to levy a ½-cent excise tax collected over the next 20 years for purposes of implementing the 20 year multi-modal plan as approved by voters on May 16, 2006. The Authority is not authorized to levy property taxes. The Authority may issue bonds backed by excise taxes. The Authority is not subject to federal income taxes.

The Authority is governed by a nine-member board consisting of representatives from the Town of Marana, City of South Tucson, City of Tucson, Pima County, Town of Oro Valley, Town of Sahuarita, Pascua Yaqui Tribe, Tohono O'odham Nation, and the Arizona State Transportation Board. Under existing statutes, the Board's duties and powers include, but are not limited to, the implementation of the 20 year multi-modal plan. The Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The Authority is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Consequently, the Authority's financial statements include the funds of those organizational entities for which its elected governing body is financially accountable. The Authority is not included as a part of another governmental reporting entity.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**B. Government-Wide and Fund Financial Statements**

The financial statements combine the presentation of the government-wide financial statements (i.e., the statement of net position and the statement of activities) and the fund financial statements. The fund financial statements currently only include the General Fund. Since the fund financial statements are presented on a different basis than the government-wide financial statements, the adjustments column is presented to demonstrate the conversion of the fund financial statements to the government wide financial statements. A description of the adjustments posted is provided in Note 3. The reported information includes all of the nonfiduciary activities of the Authority and its component units. These statements are to distinguish between the governmental and business-type activities of the Authority. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Authority does not operate any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Excise taxes, investment income and other items not included among program revenues are reported instead as general revenues.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Financial Statements** – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Excise taxes are recognized as revenues in the year for which they are collected by the fiscal agent. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule the effect of internal activity has been eliminated from the government-wide financial statements; however, the effect of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Financial Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Excise taxes and investment income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Unearned revenues also arise when resources are received by the Authority before it has claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

All receivables are shown net of an allowance for uncollectibles. Receivables that will not be collected within the available period are reported as unavailable revenue on the governmental fund financial statements.

The Authority reports the following major governmental fund:

General Fund – The General Fund accounts for all resources used to finance Authority operations.

**D. Investments**

Investments are reported at fair market value. Securities traded on national or international exchanges are valued at the last reported market price at current exchange rates. Investments that do not have an established market price are reported at estimated fair market value.

**E. Investment Income**

Investment income is composed of interest and net changes in the fair market value of applicable investments.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**F. Capital Assets**

Capital assets include vehicles, which are reported in the government-wide financial statements.

Capital assets are defined by the Authority as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. Capital assets are recorded at historical cost if purchased. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital assets are depreciated using the straight-line method over the estimated useful life from four to eight years.

**G. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**H. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**I. Net Position Flow Assumption**

In the government-wide financial statements the Authority applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

**J. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 – FUND BALANCE CLASSIFICATIONS**

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications. Although the Authority does not use all of the fund balance classifications, a description of each classification follows.

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

***Restricted.*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. In accordance with A.R.S. §48-5302, all fund balance of the Authority is restricted for roadway, safety, environmental and economic vitality, and transit improvement purposes.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2 – FUND BALANCE CLASSIFICATIONS**

*Committed.* The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Authority does not have a formal policy or procedures for the utilization of committed fund balance, accordingly, no committed fund balance amounts are reported.

*Assigned.* Amounts in the assigned fund balance classification are intended to be used by the Authority for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board or a management official delegated that authority by the formal Board action. The Authority does not have a formal policy or procedures for the utilization of assigned fund balance, accordingly, no assigned fund balance amounts are reported.

*Unassigned.* Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had be restricted, committed, or assigned.

The Authority applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3 – GOVERNMENT-WIDE ADJUSTMENTS**

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual accounting basis while the government-wide financial statements are prepared on a long-term economic resources measurement focus and accrual accounting basis. The government-wide adjustments column is necessary to convert the fund financial statements to the government-wide financial statements. Additional detail for the adjustments to the governmental funds follows:

Capital outlays are recorded as expenditures rather than capitalized as assets	\$ (265,839)
Depreciation expense is not recorded in governmental funds	556,202
Repayment of debt is an expenditure when paid rather than reducing liabilities	(17,040,000)
Current year amortization of bond issuance premium is a reduction of expense in the government-wide statements	(2,671,048)
Interest and fiscal charges on debt is an expenditure when paid rather than accrued as due	815,695

**NOTE 4 – CASH AND INVESTMENTS**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of bank failure the Authority’s deposits may not be returned to the Authority. The Authority is required by Arizona statute to participate in the pooled collateral program for public deposits under a Statewide Collateral Pool Administrator in the State Treasurer’s Office. The pooled collateral program ensures that the Authority’s deposits are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. At year end, the carrying amount of the Authority’s deposits was \$637,088 and the bank balance was \$4,157,916. At year end, all of the Authority’s deposits were covered by collateral held by the pledging financial institution in the Authority’s name.

*Fair Value Measurements.* The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

*Valuation Techniques.* Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the of the fair value hierarchy are valued using a matrix pricing techniques. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4 – CASH AND INVESTMENTS**

Arizona Revised Statutes (A.R.S.) authorize the Authority to invest and reinvest public monies in securities and deposits with a maximum maturity of five years. All public monies shall be invested in eligible investments. Eligible investments are the State Treasurer’s local government investment pools, interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of Arizona counties, cities, towns, school districts and special districts as specified by statute.

At year end the Authority’s investments included the following:

<u>Investment Type</u>	<u>Category</u>	<u>Fair Market Value</u>	<u>Investment Maturities (in Years)</u> Less than 1	<u>Concentration of Credit Risk</u>
Money market – U.S. Treasuries	Level 1	\$ 28,643,591	\$ 28,643,591	48%
Money market - U.S. Treasuries	Level 2	1,258,638	1,258,638	2%
U.S. Agencies:				
Federal Farm Credit Banks	Level 2			
Federal Home Loan Mortgage Corporation	Level 2	9,961,101	9,961,101	17%
Federal Home Loan Bank	Level 2			17%
Federal National Mortgage Association	Level 2	9,978,263	9,978,263	
			<u>\$ 49,841,593</u>	
State Treasurer’s investment pool 7	Not Applicable	9,699,850	80 days average maturities	16%
Total		<u>\$ 59,541,443</u>		

*Interest Rate Risk.* The Authority’s investment policy limits investment maturities to 5 years as a means of managing its exposure to fair market value losses arising from increasing interest rates.

*Credit Risk.* The Authority’s investments in U.S. Agencies were rated Aaa by Moody’s Investors Service and AA+ by Standard & Poor’s. The State Treasurer’s investment pool 7 had a weighted average rating of AA+ at year end as it was invested in obligations of the U.S. Government or obligations guaranteed by the U.S. Government.

*Concentration of Credit Risk.* The Authority places no limit on the amount the Authority may invest in any one issuer.



**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4 – CASH AND INVESTMENTS**

*Custodial Credit Risk – Investments.* To control custodial credit risk, A.R.S. and the Authority’s investment policy requires all securities and collateral to be held by an independent third party custodian in the Authority’s name. The custodian provides the Authority with monthly market values along with original safekeeping receipts. The Authority’s investment in the State Treasurer’s investment pool represents a proportionate interest in the pool’s portfolio; however, the Authority’s portion is not identified with specific investments and is not subject to custodial risk.

The State Treasurer's investment pool 7 is an external investment pools with no regulatory oversight. The pool as an investment company is not registered with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant’s position in the State Treasurer investment pool approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments.

**NOTE 5 – CAPITAL ASSETS**

A summary of capital asset activity for the current fiscal year follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets				
Vehicles, furniture and equipment	\$ 2,415,743	\$ 265,839	\$ 147,274	\$ 2,534,308
Total capital assets being depreciated	<u>2,415,743</u>	<u>265,839</u>	<u>147,274</u>	<u>2,534,308</u>
Less accumulated depreciation for:				
Vehicles, furniture and equipment	<u>(1,039,566)</u>	<u>(556,202)</u>	<u>(115,552)</u>	<u>(1,480,216)</u>
Total accumulated depreciation	<u>(1,039,566)</u>	<u>(556,202)</u>	<u>(115,552)</u>	<u>(1,480,216)</u>
Total capital assets, being depreciated, net	<u>1,376,177</u>	<u>(290,363)</u>	<u>31,722</u>	<u>1,054,092</u>
Governmental activities capital assets, net	<u>\$ 1,376,177</u>	<u>\$(290,363)</u>	<u>\$ 31,722</u>	<u>\$ 1,054,092</u>

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 6 – REVENUE BONDS PAYABLE**

Transportation Excise Tax Revenue Bonds provide the Authority with funds for design, right-of-way purchase, construction, operation, maintenance and contiguous open space preservation purchase compatible with local environmental ordinance of, and within the expenditure limits for, each element of the regional transportation plan, all as provided in §42-6106 of Arizona Revised Statutes. The bonds are payable from excise tax collections.

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2017</u>	<u>Due Within One Year</u>
<b>Excise tax revenue bonds</b>					
Series 2011	\$136,480,000	3.00-5.00%	6/1/18-26	\$ 92,590,000	\$ 8,410,000
Series 2014	130,095,000	5.00%	6/1/18-26	<u>103,525,000</u>	<u>9,390,000</u>
Total				<u>\$ 196,115,000</u>	<u>\$17,800,000</u>

The Authority has pledged future excise taxes to repay outstanding Transportation Excise Tax Revenue Bonds of \$196.1 million as of June 30, 2017. The bonds are payable solely from excise taxes and are payable through 2026. Total annual principal and interest payment for all excise tax revenue bonds are expected to require less than 35 percent of gross revenues. The total principal and interest to be paid on the bonds is \$248.3 million. Total excise taxes pledged in fiscal year 2017 amounted to \$27.6 million.

Annual debt service requirements to maturity on the revenue bonds and deferred premium are summarized as follows:

<u>Year ending June 30:</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 17,800,000	\$ 9,788,340	\$ 27,588,340
2019	18,685,000	8,901,840	27,586,840
2020	19,615,000	7,968,590	27,583,590
2021	20,585,000	7,000,665	27,585,665
2022	21,615,000	5,971,415	27,586,415
2023-26	<u>97,815,000</u>	<u>12,524,410</u>	<u>110,339,410</u>
Total	<u>\$196,115,000</u>	<u>\$52,155,260</u>	<u>\$ 248,270,260</u>

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 – LONG-TERM LIABILITIES**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds payable	\$ 213,155,000	\$	\$ 17,040,000	\$ 196,115,000	\$ 17,800,000
Deferred bond premium	26,710,485		2,671,048	24,039,437	
Governmental activity long-term liabilities	<u>\$ 239,865,485</u>	<u>\$</u>	<u>\$ 19,711,048</u>	<u>\$ 220,154,437</u>	<u>\$ 17,800,000</u>

**NOTE 8 – RELATED PARTY TRANSACTIONS**

The members of the Authority’s board consist of the members of the Pima Association of Government’s (PAG) Regional Council. As board members, these individuals influence the financial activities of the Authority through voting authority. In addition, pursuant to an executed Memorandum of Understanding, PAG provides professional and administrative staff and resources to the Authority in order for it to accomplish the responsibilities. In consideration, PAG receives an annual amount of \$300,000, adjusted annually for inflation. For the current year, the Authority remitted \$347,853 to PAG.

Certain member governments received reimbursement distributions for eligible project costs.

Member Governments	Services billed for during the fiscal year
City of Tucson	\$ 52,371,585
Pima County	11,425,871
Town of Marana	17,339,299
Town of Sahuarita	79,981
Tohono O’odham Nation	34,301
Town of Oro Valley	2,932,307
Totals	<u>\$ 84,183,344</u>

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees and natural disasters. The Authority carries commercial insurance maintained by PAG for all risks of loss, including property and liability, workers' compensation and employee health and accident insurance. There were no anticipated claims losses resulting from these risks during the fiscal year.

**NOTE 10 – BUDGETARY BASIS OF ACCOUNTING**

The adopted budget of the Authority is prepared on the modified accrual basis of accounting.

**NOTE 11 – SUBSEQUENT EVENT**

On November 8, 2017, the Authority issued \$68.9 million in refunding bonds with an effective interest rate of 5 percent, to advance refund \$73.6 million of revenue bonds, with an average interest rate of 4.5 percent.

**SINGLE AUDIT SECTION**

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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***

Independent Auditor's Report

Members of the Board  
Regional Transportation Authority of Pima County

We have audited, in accordance with the 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, the financial statements of the governmental activities and General Fund of Regional Transportation Authority of Pima County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Regional Transportation Authority of Pima County's basic financial statements, and have issued our report thereon dated December 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Regional Transportation Authority of Pima County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Regional Transportation Authority of Pima County's internal control. Accordingly, we do not express an opinion on the effectiveness of Regional Transportation Authority of Pima County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Regional Transportation Authority of Pima County's financial statements are free from 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*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld, Meech & Co., P.C.  
Tucson, Arizona  
December 14, 2017



**Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and  
Report on Schedule of Expenditures of Federal Awards  
Required by the Uniform Guidance**

Independent Auditor's Report

Members of the Board  
Regional Transportation Authority of Pima County

**Report on Compliance for Each Major Federal Program**

We have audited Regional Transportation Authority of Pima County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Regional Transportation Authority of Pima County's major federal programs for the year ended June 30, 2017. Regional Transportation Authority of Pima County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Regional Transportation Authority of Pima County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Regional Transportation Authority of Pima County'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Regional Transportation Authority of Pima County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Regional Transportation Authority of Pima County complied, in all material respects, with the types of 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, 2017.

### **Report on Internal Control Over Compliance**

Management of Regional Transportation Authority of Pima County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Regional Transportation Authority of Pima County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 Regional Transportation Authority of Pima County'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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities and General Fund of Regional Transportation Authority of Pima County as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Regional Transportation Authority of Pima County's basic financial statements. We issued our report thereon dated December 14, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Heinfeld, Meech & Co., P.C.  
Tucson, Arizona  
December 14, 2017

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Total Expenditures and Transfers</u>
<b><u>U.S. Department of Transportation</u></b>			
Passed through Arizona Department of Transportation:			
Formula Grants for Rural Areas	20.509	GRT-15-0005551-T	\$ 228,870
Formula Grants for Rural Areas	20.509	GRT-16-0006145-T	694,400
Total Formula Grants for Rural Areas - CFDA No. 20.509			<u>923,270</u>
Passed through City of Tucson:			
Job Access and Reverse Commute Program	20.516	AZ-37-X023	139,039
<b>Total U.S. Department of Transportation</b>			<u>1,062,309</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$ <u><u>1,062,309</u></u></b>

See accompanying notes to schedule.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Regional Transportation Authority of Pima County under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the applicable Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2017 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word “unknown” were used.

**NOTE 4 – INDIRECT COST RATE**

The Authority has not elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

**Summary of Auditor's Results:**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

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

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: No

Identification of major programs:

CFDA Numbers  
20.509

Name of Federal Program or Cluster  
Formula Grants for Rural Areas

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee: Yes

**Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: No**

**Findings and Questioned Costs Related to Federal Awards: No**

**Summary Schedule of Prior Audit Findings required to be reported: No**