

**REGIONAL TRANSPORTATION AUTHORITY
OF PIMA COUNTY
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY
FINANCIAL STATEMENTS FOR THE PERIOD
YEAR ENDED JUNE 30, 2009**

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INDEPENDENT AUDITORS' REPORT

Members of the Board
Regional Transportation Authority of Pima County

We have audited the accompanying financial statements of the governmental activities and General Fund of the Regional Transportation Authority (Authority) of Pima County as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of the Regional Transportation Authority of Pima County, as of June 30, 2009, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year ended June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2009, on our consideration of the 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* and should be considered in assessing the results of our audit.

Heinfeld, Meech & Co., P.C.

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

November 5, 2009

REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

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, 2009. 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 2008-09 as follows:

- The Authority's net assets of \$107.0 million at year-end was due to unexpended projects.
- The Authority had \$71.5 million of general revenues, which primarily consisted of sales tax distributions, \$75.4 million in project distributions and \$625,878 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 assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

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

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.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Financial Analysis of the Authority

Net assets may serve over time as a useful indicator of financial position. In the case of the Authority, assets totaled \$113.4 million and liabilities totaled \$6.4 million as of June 30, 2009. At June 30, 2009, the entire \$107.0 million of the Authority's net assets were unrestricted which will be utilized for future project distributions.

	As of June 30, 2009	As of June 30, 2008
Current and other assets	<u>\$ 113,356,996</u>	<u>\$ 113,582,575</u>
Total assets, net	<u>113,356,996</u>	<u>113,582,575</u>
Current and other liabilities	<u>6,410,585</u>	<u>2,148,125</u>
Total liabilities	<u>6,410,585</u>	<u>2,148,125</u>
Net assets:		
Unrestricted	<u>106,946,411</u>	<u>111,434,450</u>
Total net assets	<u>\$ 106,946,411</u>	<u>\$ 111,434,450</u>

Changes in Net Assets – The Authority's total revenues for the fiscal year ended June 30, 2009 were \$71.5 million. The total cost of all programs and services was \$76.0 million.

The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2009.

	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2008
Revenues:		
General revenues:		
Excise taxes	\$ 66,927,669	\$ 74,423,414
Investment income	4,574,785	3,380,711
Total revenues	<u>71,502,454</u>	<u>77,804,125</u>
Expenses:		
Project distributions	75,364,615	27,468,788
Administrative	625,878	675,502
Total expenses	<u>75,990,493</u>	<u>28,144,290</u>
Increase/(decrease) in net assets	(4,488,039)	49,659,835
Beginning net assets	<u>111,434,450</u>	<u>61,774,615</u>
Ending net assets	<u>\$106,946,411</u>	<u>\$ 111,434,450</u>

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Budgetary Highlights

The adopted budget for fiscal year 2008-09 forecasted excise tax collections in the amount of \$75.0 million. Actual collections were lower at \$66.9 million due primarily to lower sales tax receipts resulting from general economic conditions.

As of June 30, 2009 the RTA had committed nearly \$449.0 million to various projects approved for funding by the RTA Board, increasing the value of projects authorized by \$175.0 million during fiscal year 2008-09. The expenditure budget adopted for fiscal year 2008-09 was \$110.1 million. This budget proved to be extremely ambitious, for a variety of reasons including delays in project development, preferential use of federal funds rather than RTA funds, and project completion costs less than estimated. Expenditure rates are expected to climb in fiscal year 2009-10 as the first of the RTA Roadway Element projects break ground and more transit services commence operation.

Through the end of the fiscal year, 122 RTA projects have been implemented with another 36 projects underway.

Roadway Elements – The budget expected \$38.6 million in expenditures on the 22 Roadway Element projects underway. Actual expenditures were nearly \$24.8 million, \$13.9 million less than budgeted. The variance is largely due to delays in initiating construction of the Twin Peaks Interchange Project.

Safety Element – Expenditures in the Safety Element were budgeted at \$24.3 million. The vast majority of this funding was to be expended on intersection improvement projects at the intersections of Grant/Craycroft, Campbell/Ft. Lowell, Houghton/Sahuarita, Kolb/Valencia, Wilmot/Park Place, and Wilmot/Golf Links.

Environmental and Economic Vitality Element – The budget anticipated the expenditure of \$7.7 million on projects. Actual expenditures amounted to \$2.8 million, primarily for sidewalk and bike lane restriping projects.

Transit Element – Transit Element expenditures were budgeted to exceed \$38.9 million. Operations related expenses were in line with budget expectations; however, capital improvement project expenditures flagged. RTA reimbursements on the modern streetcar, and the bus storage and maintenance facility were low, as the City of Tucson elected to utilize federal funds as a major source of funding for work performed on those projects. Transit expenditures amounted to \$32.0 million during the fiscal year.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Capital Assets and Debt Administration

Capital Assets. During the year ended June 30, 2009, the Authority did not purchase any capital assets.

Debt Administration. The Authority has no long-term debt outstanding as of June 30, 2009.

Economic Factors and Next Year's Budget

The proposed budget for fiscal year 2009-10 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 2008-09 and 2009-10 (the amounts are in the thousands).

<u>Industry Sector</u>	<u>FY09</u>	<u>%</u>	<u>FY10</u>	<u>%</u>
Communications & Utilities	\$ 9,000	12%	\$ 7,950	12%
Restaurants & Bars	7,500	10%	6,500	10%
Real & Personal Property Rentals	6,000	8%	5,500	8%
Contracting/Construction	9,750	13%	9,000	14%
Retail	39,375	52%	33,500	52%
Hotel/Motel	2,250	3%	1,675	3%
All Other	1,125	2%	875	1%
Total	<u>75,000</u>	<u>100%</u>	<u>\$ 65,000</u>	<u>100%</u>

RTA is projecting that \$65.0 million will be collected during the period July 1, 2009, through June 30, 2010. Retail trade is predicted to contribute \$33.5 million or 52%, while communications and utilities, and restaurants and bars are expected to generate \$8.0 million and \$6.5 million, respectively. Contracting/Construction is forecasted to taper off slightly, comprising 14% of total sales tax revenues, or \$9.0 million. The industry projections are consistent with current trends.

Approximately \$895,000 in interest earnings is expected to be generated from the RTA's idle cash investments. This assumes a declining cash balance ending the year with a negative \$3.0 million. The budget anticipates bonding to finance the RTA's expenditure levels for 2010-11. The interest rate on cash balances was estimated to be 2.25%.

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, 177 N. Church Ave., Suite 405, Tucson, AZ 85701.

REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2009

	General Fund	Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash and investments	\$ 102,514,005	\$	\$ 102,514,005
Sales tax receivable	10,842,991		10,842,991
Total assets	113,356,996		113,356,996
<u>LIABILITIES</u>			
Project distributions payable	6,410,585		6,410,585
Total liabilities	6,410,585		6,410,585
<u>FUND BALANCES/NET ASSETS</u>			
Fund balances:			
Unreserved	106,946,411	(106,946,411)	
Total fund balances	106,946,411	(106,946,411)	
Total liabilities and fund balances	\$ 113,356,996		
Net assets:			
Unrestricted		106,946,411	106,946,411
Total net assets		\$ 106,946,411	\$ 106,946,411

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, 2009

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Regional transportation projects - project distributions	\$ 75,364,615	\$	\$ 75,364,615
Regional transportation projects - administrative	625,878		625,878
Total expenditures/expenses	<u>75,990,493</u>		<u>75,990,493</u>
General revenues			
Excise taxes	66,927,669		66,927,669
Investment income	4,574,785		4,574,785
Total general revenues	<u>71,502,454</u>		<u>71,502,454</u>
Excess (deficiency) of revenues over expenditures	(4,488,039)	4,488,039	
Change in net assets		(4,488,039)	(4,488,039)
Fund balance/net assets:			
Beginning of year	111,434,450		111,434,450
End of year	<u>\$ 106,946,411</u>	<u>\$</u>	<u>\$ 106,946,411</u>

REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Excise Tax Deposits	\$ 75,000,000	\$ 66,927,669	\$ (8,072,331)
Interest Earnings	3,410,000	4,574,785	1,164,785
Total Revenues	<u>78,410,000</u>	<u>71,502,454</u>	<u>(6,907,546)</u>
Expenditures:			
Roadway Elements	38,649,000	24,795,766	13,853,234
Safety Elements			
Intersections	14,746,000	13,160,405	1,585,595
Elderly & Pedestrian	3,018,000		3,018,000
Transit Corridor Bus Pullouts	1,505,000	1,412,710	92,290
At-grade Railroad & Bridge Deficiencies	2,250,000	1,212,811	1,037,189
Signal Technology	2,800,000		2,800,000
Total Safety Elements	<u>24,319,000</u>	<u>15,785,926</u>	<u>8,533,074</u>
Environmental & Economic Vitality Elements	7,666,000	2,792,420	4,873,580
Transit Elements	<u>38,926,000</u>	<u>31,990,503</u>	<u>6,935,497</u>
Subtotal	109,560,000	75,364,615	34,195,385
Investment/Trustee Fees		108,706	(108,706)
Statutory Distributions	<u>550,000</u>	<u>517,172</u>	<u>32,828</u>
Total Expenditures	110,110,000	75,990,493	34,119,507
Changes in fund balance	(31,700,000)	(4,488,039)	(27,211,961)
Fund balance, beginning of year	110,699,000	111,434,450	(735,450)
Fund balance, end of year	<u>\$ 78,999,000</u>	<u>\$ 106,946,411</u>	<u>\$ (27,947,411)</u>

REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, and environmental and economic vitality 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. To date, this option has not been exercised. 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, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 assets 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 2. The reported information includes all of the nonfiduciary activities of the Authority and its component units. For the most part, the effect of internal activity has been removed from these statements. 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. The Authority does not currently have any program revenues. 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, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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. Deferred revenues also arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Receivables that will not be collected within the available period have also been reported as deferred 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.

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

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, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

F. Use of 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 – 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; however, no such adjustments were required for the current year's audit. The adjustment presented was made to convert the fund balance of the fund financial statements to net assets for consistency with the government-wide basis of accounting.

NOTE 3 – 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 does not have a deposit policy for custodial credit risk; however, the Authority's cash management practices eliminate the need for said policy. At year end, the carrying amount of the Authority's deposits was \$749,785 and the bank balance was \$1,431,785. At year end, \$250,000 of the Authority's deposits were covered by Federal depository insurance and \$1,818,785 were covered by collateral held by the pledging financial institution in the Authority's name.

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.

REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 – CASH AND INVESTMENTS (Concl'd)

At June 30, 2009 the Authority's investments included the following:

Investment Type	Fair Market Value	Investment Maturities (in Years)		Concentration of Credit Risk
		Less than 1	1-5	
Money market – U.S. Treasuries	\$ 19,378,538	\$ 19,378,538	\$	
U.S. Agencies:				
Federal Home Loan Mortgage Corporation	33,680,627		33,680,627	33%
Federal Home Loan Bank	13,083,225		13,083,225	13%
Federal National Mortgage Association	9,065,000		9,065,000	9%
Corporate Securities:				
New York Community Bancorp, Inc.	8,453,091		8,453,091	8%
Citigroup Inc.	8,099,024		8,099,024	8%
GE	5,004,715		5,004,715	5%
		<u>\$ 19,378,538</u>	<u>\$ 77,385,682</u>	
State Treasurer's investment pool 7	<u>5,000,000</u>	11 days average maturities		
Total	<u>\$ 101,764,220</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 and Corporate Securities were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's.

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

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.

REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 – 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 year ended June 30, 2009, the Authority remitted \$315,241 to PAG.

Certain member governments received reimbursement distributions for eligible project costs.

<u>Member Governments</u>	<u>Services billed for during the fiscal year</u>	<u>Amount included in distributions payable at year end</u>
City of Tucson	\$ 45,217,787	\$ 4,014,262
Pima County	20,068,887	1,799,324
Town of Marana	6,456,342	71,030
Town of Oro Valley	2,073,593	86,978
Town of Sahuarita	768,147	
City of South Tucson	728,270	
Pascua Yaqui Tribe	179,784	179,784
Tohono O'odham Nation	121,732	
Totals	<u>\$ 75,614,542</u>	<u>\$ 6,151,378</u>

NOTE 5 – 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 claims resulting from these risks during the fiscal year.

NOTE 6 – BUDGETARY BASIS OF ACCOUNTING

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

**REPORT ON INTERNAL CONTROL
AND ON COMPLIANCE**



**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**

Members of the Board
Regional Transportation Authority of Pima County

Members of the Board:

We have audited the financial statements of the Regional Transportation Authority of Pima County as of and for the year ended June 30, 2009, and have issued our report thereon dated November 5, 2009. 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 Regional Transportation Authority of Pima County'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 Regional Transportation Authority of Pima County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Regional Transportation Authority of Pima County's internal control over financial reporting.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Regional Transportation Authority of Pima County'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*.

This report is intended solely for the information and use of the Members of the Board of the Regional Transportation Authority, management and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co. P.C.

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

November 5, 2009