

**REGIONAL TRANSPORTATION AUTHORITY  
OF PIMA COUNTY  
SINGLE AUDIT REPORTING PACKAGE  
FISCAL YEAR ENDED JUNE 30, 2010**

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY  
SINGLE AUDIT REPORTING PACKAGE  
FOR THE YEAR ENDED JUNE 30, 2010**

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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, 2010, 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, 2010, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year ended June 30, 2010 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 17, 2010, 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 17, 2010

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

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, 2010. 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 2009-10 as follows:

- The Authority's net assets of \$61.5 million at year end was higher than planned due to unexpended projects.
- General revenues accounted for \$64.1 million in revenue and primarily consisted of excise taxes. Program specific revenue in the form of capital grants and contributions accounted for \$963,880 of total current fiscal year revenues.
- The Authority had \$109.8 million in project distributions and \$780,582 in administrative expenses during the year.
- The Authority's total net assets of governmental activities decreased \$45.5 million which represents a 43 percent decrease from the prior fiscal year as a result of an increase in expenses made to fund projects implemented during the fiscal 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, 2010**

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 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.

**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, 2010**

**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 \$74.4 million and liabilities totaled \$12.9 million as of June 30, 2010. At year end, the entire \$61.5 million of the Authority's net assets were unrestricted which will be utilized for future project distributions.

	As of June 30, 2010	As of June 30, 2009
Current and other assets	\$ 74,169,574	\$ 113,356,996
Capital assets	246,686	
<b>Total assets, net</b>	<u>74,416,260</u>	<u>113,356,996</u>
Current and other liabilities	12,930,160	6,410,585
<b>Total liabilities</b>	<u>12,930,160</u>	<u>6,410,585</u>
<b>Net assets:</b>		
Unrestricted	61,486,100	106,946,411
<b>Total net assets</b>	<u>\$ 61,486,100</u>	<u>\$ 106,946,411</u>

**Changes in Net Assets** – The Authority's total revenues for the current fiscal year were \$65.1 million. The total cost of all programs and services was \$110.5 million.

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

	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009
Revenues:		
Program revenues:		
Capital grants and contributions	\$ 963,880	\$
General revenues:		
Excise taxes	62,657,513	66,927,669
Other local	91,456	
Investment income	1,371,896	4,574,785
Total revenues	<u>65,084,745</u>	<u>71,502,454</u>
Expenses:		
Project distributions	109,751,491	75,364,615
Administrative	780,582	625,878
Depreciation expense	12,983	
Total expenses	<u>110,545,056</u>	<u>75,990,493</u>
Decrease in net assets	(45,460,311)	(4,488,039)
Beginning net assets	106,946,411	111,434,450
Ending net assets	<u>\$ 61,486,100</u>	<u>\$ 106,946,411</u>

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**Budgetary Highlights**

The adopted budget for fiscal year 2009-10 forecasted excise tax collections in the amount of \$63.0 million. Actual collections were \$2.3 million less than budgeted.

As of year end the RTA had committed over \$530.0 million to various projects approved for funding by the RTA Board. The expenditure budget adopted for the current fiscal year was \$168.5 million. This budget proved to be extremely ambitious, resulting in a \$58.0 million favorable variance caused by delays in the Modern Streetcar program and other projects due to restricted matching funds from the jurisdictions. Expenditure rates are expected to be similar in the next fiscal year as the other RTA Roadway Element projects break ground and the Modern Streetcar moves forward.

Through the end of the fiscal year, 154 RTA projects have been implemented with another 24 projects underway.

**Roadway Elements** – The budget expected \$81.7 million in expenditures on the 19 Roadway Element projects underway. Actual expenditures were nearly \$62.1 million, \$19.6 million less than budgeted. The variance is largely due to favorable bid outcomes and project construction start delays.

**Safety Element** – Expenditures in the Safety Element were budgeted at \$25.1 million. The vast majority of this funding was to be expended on intersection improvement projects at the intersections of Campbell/Ft. Lowell, Wilmot/Park Place, Starr Pass/Mission, Pima Mine/Rancho Sahuarita, Camino Verde/Valencia, Alvernon/Los Reales, and Wilmot/Golf Links. Actual expenditures were \$16.8 million.

**Environmental and Economic Vitality Element** – The budget anticipated the expenditure of \$9.1 million on projects. Actual expenditures amounted to \$6.0 million, primarily for bike paths/lanes and sidewalks.

**Transit Element** – Transit Element expenditures were budgeted to exceed \$51.8 million. Operations related expenses were in line with budget expectations; however, capital improvement project expenditures lagged. RTA reimbursements on the Modern Streetcar didn't materialize until the end of the fiscal year 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 \$25.1 million during the fiscal year.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**Capital Assets and Debt Administration**

**Capital Assets.** During the year ended June 30, 2010, the Authority purchased capital assets including four SunShuttle circulator buses.

**Debt Administration.** The Authority has no long-term debt outstanding as of June 30, 2010.

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

The proposed budget for fiscal year 2010-11 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 2009-10 and 2010-11 (the amounts are in the thousands).

<u>Industry Sector</u>	<u>FY10</u>	<u>%</u>	<u>FY11</u>	<u>%</u>
Communications & Utilities	\$ 7,950	12%	\$ 9,100	15%
Restaurants & Bars	6,500	10%	7,000	11%
Real & Personal Property Rentals	5,500	8%	5,800	9%
Contracting/Construction	9,000	14%	6,300	10%
Retail	33,500	52%	32,300	51%
Hotel/Motel	1,675	3%	1,500	3%
All Other	875	1%	1,000	1%
Total	<u>\$ 65,000</u>	<u>100%</u>	<u>\$ 63,000</u>	<u>100%</u>

RTA is projecting that \$63.0 million will be collected during the period July 1, 2010, through June 30, 2011. Retail trade is predicted to contribute \$32.3 million or 51%, while Communications and Utilities, and Restaurants and Bars are expected to generate \$9.1 million and \$7.0 million, respectively. Contracting/Construction is forecasted to decline, comprising 10% of total sales tax revenues, or \$6.3 million. The industry projections are consistent with current economic trends.

Approximately \$1.8 million 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 \$8.4 million. The budget anticipates bonding to finance the RTA's expenditure levels for 2010-11. The interest rate on cash balances was conservatively estimated to be 2%.

**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, 2010**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 63,445,669		\$ 63,445,669
Sales tax receivable	10,482,063		10,482,063
Due from federal government	223,992		223,992
Other assets	17,850		17,850
Capital assets, depreciable, net		246,686	246,686
<b>Total assets</b>	74,169,574	246,686	74,416,260
 <b><u>LIABILITIES</u></b>			
Project distributions payable	12,930,160		12,930,160
<b>Total liabilities</b>	12,930,160		12,930,160
 <b><u>FUND BALANCES/NET ASSETS</u></b>			
Fund balances:			
Unreserved	61,239,414	(61,239,414)	
<b>Total fund balances</b>	61,239,414	(61,239,414)	
<b>Total liabilities and fund balances</b>	\$ 74,169,574		
Net assets:			
Unrestricted		61,486,100	61,486,100
<b>Total net assets</b>		\$ 61,486,100	\$ 61,486,100

**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, 2010**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Expenditures/expenses</b>			
Regional transportation projects - project distributions	\$ 109,751,491	\$	\$ 109,751,491
Regional transportation projects - administrative	780,582		780,582
Capital expenditures	259,669	(259,669)	
Depreciation expense		12,983	12,983
<b>Total expenditures/expenses</b>	<u>110,791,742</u>	<u>(246,686)</u>	<u>110,545,056</u>
<b>Program revenues</b>			
Capital grants and contributions	963,880		963,880
<b>Total program revenues</b>	<u>963,880</u>	<u>-</u>	<u>963,880</u>
<b>General revenues</b>			
Excise taxes	62,657,513		62,657,513
Other local	91,456		91,456
Investment income	1,371,896		1,371,896
<b>Total general revenues</b>	<u>64,120,865</u>	<u>-</u>	<u>64,120,865</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(45,706,997)	45,706,997	
<b>Change in net assets</b>		(45,460,311)	(45,460,311)
<b>Fund balance/net assets:</b>			
<b>Beginning of year</b>	106,946,411		106,946,411
<b>End of year</b>	<u>\$ 61,239,414</u>	<u>\$ 246,686</u>	<u>\$ 61,486,100</u>

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original &amp; Final</u>		<u>Actual</u>
<b>Revenues:</b>			
Excise tax deposits	\$ 65,000,000	\$ 62,657,513	\$ (2,342,487)
Federal grants and aid		963,880	963,880
Other local		91,456	91,456
Interest earnings	895,000	1,371,896	476,896
<b>Total Revenues</b>	<u>65,895,000</u>	<u>65,084,745</u>	<u>(810,255)</u>
<b>Expenditures:</b>			
<b>Roadway Elements</b>	81,674,000	62,101,194	19,572,806
<b>Safety Elements</b>			
Intersections	15,192,000	11,960,121	3,231,879
Elderly & Pedestrian	2,868,000	1,741,803	1,126,197
Transit Corridor Bus Pullouts	2,280,000	2,184,071	95,929
At-grade Railroad & Bridge Deficiencies	3,876,000	165,717	3,710,283
Signal Technology	876,000	786,439	89,561
<b>Total Safety Elements</b>	<u>25,092,000</u>	<u>16,838,151</u>	<u>8,253,849</u>
<b>Environmental &amp; Economic Vitality Elements</b>	9,149,000	5,990,321	3,158,679
<b>Transit Elements</b>	<u>51,859,000</u>	<u>25,081,493</u>	<u>26,777,507</u>
<b>Subtotal</b>	167,774,000	110,011,159	57,762,841
<b>Investment/Trustee Fees</b>		135,235	(135,235)
<b>Statutory Distributions</b>	<u>705,000</u>	<u>645,348</u>	<u>59,652</u>
<b>Total expenditures</b>	168,479,000	110,791,742	57,687,258
<b>Changes in fund balance</b>	(102,584,000)	(45,706,997)	(56,877,003)
<b>Fund balance, beginning of year</b>	99,359,000	106,946,411	(7,587,411)
<b>Fund balance, end of year</b>	<u>\$ (3,225,000)</u>	<u>\$ 61,239,414</u>	<u>\$ (64,464,414)</u>

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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, 2010**

**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. 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, 2010**

**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, 2010**

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

**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. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market 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 of five years.

**G. 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. The adjustments presented were made to include consideration for capital asset activity and convert the fund balance of the fund financial statements to net assets for consistency with the government-wide basis of accounting.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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 \$1,557,007 and the bank balance was \$10,819,606. At year end, \$250,000 of the Authority’s deposits was covered by Federal depository insurance and \$10,569,606 was 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.

At year end 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	\$ 1,846,451	\$ 1,846,451	\$	
U.S. Agencies:				
Federal Home Loan Mortgage Corporation	4,615,571		4,615,571	7%
Federal Home Loan Bank	27,754,875	22,754,875	5,000,000	45%
Federal National Mortgage Association	8,305,375	4,000,000	4,305,375	13%
Corporate Securities:				
New York Community Bancorp, Inc.	8,613,197		8,613,197	14%
Citigroup Inc.	3,023,814		3,023,814	5%
		<u>\$ 28,601,326</u>	<u>\$ 25,557,957</u>	
State Treasurer’s investment pool 7	<u>7,729,379</u>	29 days average maturities		
Total	<u>\$ 61,888,662</u>			

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 3 – CASH AND INVESTMENTS (Concl'd)**

*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. The Authority's investment in the State Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

*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. 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.

**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 current year, the Authority remitted \$326,919 to PAG.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 4 – RELATED PARTY TRANSACTIONS (Concl'd)**

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	\$ 46,473,756	\$ 7,890,684
Pima County	20,386,541	4,686,995
Town of Marana	2,743,912	
City of South Tucson	515,701	
Town of Sahuarita	489,303	
Tohono O'odham Nation	339,268	
Town of Oro Valley	222,805	544
Pascua Yaqui Tribe	199,467	
Totals	<u>\$ 71,370,753</u>	<u>\$ 12,578,223</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.

**SINGLE AUDIT SECTION**



**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

We have audited the financial statements of the governmental activities of the Regional Transportation Authority of Pima County as of and for the year ended June 30, 2010, and have issued our report thereon dated November 17, 2010. 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 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 17, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**INDEPENDENT AUDITORS' REPORT**

Members of the Board  
Regional Transportation Authority of Pima County

Compliance

We have audited the Regional Transportation Authority of Pima County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Regional Transportation Authority of Pima County's major federal programs for the year ended June 30, 2010. Regional Transportation Authority of Pima County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Regional Transportation Authority of Pima County's management. Our responsibility is to express an opinion on Regional Transportation Authority of Pima County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of Regional Transportation Authority of Pima County's compliance with those requirements.

In our opinion, Regional Transportation Authority of Pima County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

### 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 requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Regional Transportation Authority of Pima County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

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

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities and General Fund of the Regional Transportation Authority of Pima County as of and for the year ended June 30, 2010, and have issued our report thereon dated November 17, 2010. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounts and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

*Heinfeld, Meech & Co., P.C.*

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

November 17, 2010

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010**

<b><u>Federal Grantor/Pass-Through Grantor/Program Title</u></b>	<b><u>CFDA Number</u></b>	<b><u>Grantor's Number</u></b>	<b><u>Expenditures</u></b>
<b><u>U.S. Department of Transportation</u></b>			
Passed through Arizona Department of Transportation:			
Formula Grants for Other than Urbanized Areas	20.509	AZ-86-X001-01	\$ 704,212
Formula Grants for Other than Urbanized Areas, Recovery Act	20.509 - ARRA	AZ-86-X001-01	<u>259,669</u>
<b>Total U.S. Department of Transportation</b>			<u>963,881</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 963,881</u></u>

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010**

**NOTE 1 - BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Regional Transportation Authority of Pima County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2010 *Catalog of Federal Domestic Assistance*.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?       yes   X  no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?       yes   X  none reported

Noncompliance material to financial statements noted?       yes   X  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?       yes   X  no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?       yes   X  none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?       yes   X  no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Other than Urbanized Areas
20.509 – ARRA	Formula Grants for Other than Urbanized Areas, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs:       \$300,000      

Auditee qualified as low-risk auditee?       yes   X  no

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

None reported.

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL  
AWARDS**

None reported.

**REGIONAL TRANSPORTATION AUTHORITY OF PIMA COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2010**

**Status of Federal Award Findings and Questioned Costs**

The Authority had no findings or questioned costs related to federal awards noted in prior audits that require a status.