



**Northern Arizona Intergovernmental Public  
Transportation Authority  
Single Audit Reporting Package  
Year Ended June 30, 2025**

Northern Arizona Intergovernmental  
Public Transportation Authority

Single Audit Reporting Package  
Year Ended June 30, 2025

# Northern Arizona Intergovernmental Public Transportation Authority

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## Independent Auditor's Report

The Board of Directors  
Northern Arizona Intergovernmental Public Transportation Authority  
Flagstaff, Arizona

### **Report on Audit of Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business type activities of Northern Arizona Intergovernmental Public Transportation Authority (Authority), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the Northern Arizona Intergovernmental Public Transportation Authority, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Northern Arizona Intergovernmental Public Transportation Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Change in Accounting Principle***

As described in Note 1 to the financial statements, the Authority implemented the provisions of GASB Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and net pension liability information, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 March 26, 2026, on our consideration of Northern Arizona Intergovernmental Public Transportation Authority'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 solely 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 effectiveness of the Northern Arizona Intergovernmental Public Transportation Authority's 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 Northern Arizona Intergovernmental Public Transportation Authority's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.  
Flagstaff, Arizona  
March 26, 2026

**Management's Discussion and Analysis (MD&A)**  
**(Required Supplementary Information)**

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Management's Discussion and Analysis  
June 30, 2025**

The following discussion and analysis of the financial performance of the Northern Arizona Intergovernmental Public Transportation Authority (Authority) is intended to provide an overview of Northern Arizona Intergovernmental Public Transportation Authority's financial activities for the fiscal year ended June 30, 2025.

**Financial Highlights**

- Net position, as reported in the statement of net position, totaled \$60.4 million as of June 30, 2025. Total net position increased by \$22.3 million, which is attributable to capital asset and capital projects during the fiscal year.
- For the year ended June 30, 2025, the combined fare box recovery ratio (the measure of the ability to recover operating costs through fare revenue) for Northern Arizona Intergovernmental Public Transportation Authority was 13 percent. This calculation includes contributions from Northern Arizona University in lieu of fare revenues for students as the Federal Transit Authority defines this activity as fares.
- Fixed Route ridership increased by 11 percent, by approximately 175,012 riders, this year. Overall operating revenues decreased by \$2.3 million (22 percent) during the year. Operating expenses increased by \$3.0 million (19 percent) during the year. Non-operating revenues increased by \$15.7 million (89 percent) during the year.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Northern Arizona Intergovernmental Public Transportation Authority's financial statements. Northern Arizona Intergovernmental Public Transportation Authority's financial statements comprise two components: 1) financial statements and, 2) notes to the financial statements. This report also contains required supplementary information in addition to the financial statements themselves.

**Financial statements.** The financial statements are designed to provide readers with a broad view of Northern Arizona Intergovernmental Public Transportation Authority's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of Northern Arizona Intergovernmental Public Transportation Authority's assets, liabilities, and deferred outflows and inflows 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 Northern Arizona Intergovernmental Public Transportation Authority is improving or deteriorating.

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Management's Discussion and Analysis  
June 30, 2025**

**Overview of the Financial Statements**

The *statement of revenues, expenses and changes in net position* presents information showing how the 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 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 (e.g. earned but unused vacation leave).

The *statement of cash flows* presents information showing the sources and uses of cash related to operating activities, noncapital financing activities, capital and related financing activities and investing activities. In addition, the statement provides information about significant non-cash investing, capital and financing activities.

Since Northern Arizona Intergovernmental Public Transportation Authority's primary function is to provide transportation services to Northern Arizona citizens and recover costs through Federal Transit Administration (FTA) grants and passenger fares, the financial statements include only business-type activities.

**Notes to Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of Northern Arizona Intergovernmental Public Transportation Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$60.4 million at the close of the most recent fiscal year.

The largest portion of Northern Arizona Intergovernmental Public Transportation Authority's net position reflect the investment in capital assets; there is no related debt. Most of the investment in capital assets is comprised of construction in progress totaling, \$44.5 million. Other investment in capital assets includes land, buildings and improvements, vehicles, machinery, and equipment totaling \$21.4 million, net of accumulated depreciation.

The balance in unrestricted net position for the fiscal year ended June 30, 2025 was a deficit of \$5.6 million, an increase of \$3.4 million which was attributable to operations for the year ended June 30, 2025. Investments in capital assets increased by \$18.9 million which is attributable to ongoing construction projects and capital asset purchases during the year ending June 30, 2025.

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Management's Discussion and Analysis  
June 30, 2025**

**Financial Analysis**

Capital and operating grants were a major portion of the revenue used to fund transit operations for the fiscal year.

	As of 6/30/2025	As of 6/30/2024, as restated
Current assets	\$ 9,028,341	\$ 6,274,300
Capital assets, net	<u>65,932,536</u>	<u>47,024,386</u>
Total assets	<u>74,960,877</u>	<u>53,298,686</u>
Deferred outflows	<u>1,329,601</u>	<u>1,047,013</u>
Current liabilities	7,800,913	10,079,850
Noncurrent liabilities	<u>7,514,307</u>	<u>8,843,083</u>
Total liabilities	<u>15,315,220</u>	<u>18,922,933</u>
Deferred inflows	<u>612,318</u>	<u>369,329</u>
Net position:		
Investment in capital assets	65,932,536	47,024,386
Unrestricted	<u>(5,569,596)</u>	<u>(8,996,452)</u>
Total net position	<u>\$ 60,362,940</u>	<u>\$ 38,027,934</u>

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Management's Discussion and Analysis  
June 30, 2025**

**Financial Analysis**

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

- Operating revenues decreased \$2.3 million due to reclassification of grant revenues.
- Non-operating grant revenues increased \$15.7 million primarily as a result of funding provided for capital projects.

	Fiscal Year Ended June 30, 2025	Fiscal Year Ended June 30, 2024, as restated
Revenues:		
Operating revenues		
Participant fees	\$ 7,353,940	\$ 9,525,764
Fares	796,258	808,871
Advertising	126,461	213,314
Total operating revenues	<u>8,276,659</u>	<u>10,547,949</u>
Nonoperating revenues:		
Grants	33,351,795	17,584,181
Interest income	54,225	80,188
Other income		24,953
Total nonoperating revenues	<u>33,406,020</u>	<u>17,689,322</u>
Total revenues	<u>41,682,679</u>	<u>28,237,271</u>
Expenses:		
Operating expense	<u>19,347,673</u>	<u>16,325,095</u>
Total expenses	<u>19,347,673</u>	<u>16,325,095</u>
Increase (decrease) in net position	<u>22,335,006</u>	<u>11,912,176</u>
Net position:		
Beginning of year, previously reported	<u>38,027,934</u>	<u>26,115,758</u>
End of year	<u>\$ 60,362,940</u>	<u>\$ 38,027,934</u>

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Management’s Discussion and Analysis  
June 30, 2025**

**Capital Asset and Debt Administration**

**Capital Assets.** Northern Arizona Intergovernmental Public Transportation Authority’s investment in capital assets, net of depreciation as of June 30, 2025 amount to \$65.9 million. This investment in capital assets includes land, construction in progress, infrastructure (bus stops), vehicles, and furniture and equipment.

	Capital Assets (Net of depreciation) June 30, 2025	Capital Assets (Net of depreciation) June 30, 2024
Capital assets not being depreciated	\$ 47,458,701	\$ 26,748,318
Capital assets being depreciated	18,473,835	20,276,068
Total	\$ 65,932,536	\$ 47,024,386

Additional information on Northern Arizona Intergovernmental Public Transportation Authority’s capital assets can be found in Note 4 to the financial statements.

**Long-term Debt** – As of June 30, 2025, long-term debt reported was for due to other governments and pension liabilities. Additional information on Northern Arizona Intergovernmental Public Transportation Authority’s long term debt can be found in Note 6 and 8 to the financial statements.

**Economic Factors and Next Year’s Budgets**

Northern Arizona Intergovernmental Public Transportation Authority receives 80 percent of its revenues from the Federal Transit Administration either directly or passed through the Arizona Department of Transportation, 18 percent of its revenues from member organizations, and two percent from other sources.

Bipartisan Infrastructure Law provides approximately \$5.0 million in Federal funding to the Flagstaff Unified Area and requires a local match in order to use this funding. Northern Arizona Intergovernmental Public Transportation Authority only has enough capacity to provide approximately \$1.5 million in local match funding at this time unless additional eligible local match is found.

The City of Flagstaff’s population as of the 2025 was 77,651. The seasonal population of full-time students at Northern Arizona University in Flagstaff as of 2025 was 25,748.

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Management's Discussion and Analysis  
June 30, 2025**

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

Tourism is Flagstaff's number one industry, bringing over 6.0 million visitors annually and supporting a hospitality sector with more than 8,000 employees. However, government, education, healthcare, and scientific research are also major employment sectors in the City, with Northern Arizona University being the largest single employer.

**Requests for Information**

This financial report is designed to provide a general overview of Northern Arizona Intergovernmental Public Transportation Authority's finances for all those with an interest in the government's finances. If you have questions concerning any of this information provided in this report or need additional financial information, visit our website at <https://mountainline.az.gov> or direct inquires to Heather Dalmolin, CEO and General Manager, 216 W. Phoenix Ave., Flagstaff, Arizona 86001.

**Northern Arizona Intergovernmental Public Transportation Authority**  
**Statement of Net Position**  
**June 30, 2025**

**Assets**

Current assets:

Cash	\$ 2,502,647
Contracts receivable	2,545,205
Grants receivable	3,370,207
Inventory	485,745
Prepaid expenses	<u>124,537</u>
Total current assets	<u>9,028,341</u>

Noncurrent assets:

Capital assets not being depreciated	47,458,701
Capital assets, net accumulated depreciation	<u>18,473,835</u>
Total noncurrent assets	<u>65,932,536</u>
<b>Total assets</b>	<u>74,960,877</u>

**Deferred outflows of resources**

Deferred outflows related to pensions	<u>1,329,601</u>
<b>Total deferred outflows of resources</b>	<u>1,329,601</u>

**Liabilities**

Current liabilities:

Accounts payable	2,594,347
Accrued payroll and related benefits	1,167,151
Unearned revenues	<u>4,039,415</u>
Total current liabilities	<u>7,800,913</u>

Noncurrent liabilities:

Net pension liability	<u>7,514,307</u>
Total noncurrent liabilities	<u>7,514,307</u>
<b>Total liabilities</b>	<u>15,315,220</u>

**Deferred inflows of resources**

Deferred inflows related to pensions	<u>612,318</u>
<b>Total deferred inflows of resources</b>	<u>612,318</u>

**Net position**

Net investment in capital assets	65,932,536
Unrestricted	<u>(5,569,596)</u>
<b>Total net position</b>	<u>\$ 60,362,940</u>

**The accompanying notes are an integral part of these financial statements.**

**Northern Arizona Intergovernmental Public Transportation Authority**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Year Ended June 30, 2025**

<b>Operating revenues:</b>	
Participant fees	\$ 7,353,940
Fares	796,258
Advertising	<u>126,461</u>
<b>Total operating revenues</b>	<u>8,276,659</u>
<b>Operating expenses:</b>	
Payroll	8,297,249
Payroll taxes and benefits	2,623,906
Professional fees	1,990,727
Insurance	440,082
Transit services planning	58,909
Fuel and oil	705,270
Tires	80,680
Vehicle parts and supplies	338,337
Uniforms	50,379
Memberships and subscriptions	35,810
Utilities	158,908
Administration supplies	45,461
Printing and postage	81,910
Information and technology	468,762
Travel and training	179,825
Depreciation	2,145,106
Repairs and maintenance	1,590,741
Miscellaneous	<u>55,611</u>
<b>Total operating expenses</b>	<u>19,347,673</u>
<b>Operating gain (loss)</b>	(11,071,014)
<b>Nonoperating revenues:</b>	
Grants	33,351,795
Interest income	<u>54,225</u>
<b>Total nonoperating revenues</b>	<u>33,406,020</u>
Increase in net position	22,335,006
<b>Net position, July 1, 2024, previously reported</b>	<u>36,540,698</u>
Adjustments to beginning net position	<u>1,487,236</u>
<b>Net position, July 1, 2024, as restated</b>	<u>38,027,934</u>
<b>Net position, June 30, 2025</b>	<u>\$ 60,362,940</u>

**The accompanying notes are an integral part of these financial statements.**

**Northern Arizona Intergovernmental Public Transportation Authority**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2025**

**Increase/Decrease in Cash and Cash Equivalents**

<b>Cash flows from operating activities</b>	
Cash received from participants and customers	\$ 7,635,307
Cash received from advertising	126,461
Cash payments to suppliers for goods and services	(7,004,763)
Cash payments to employees	(10,583,494)
<b>Net cash used for operating activities</b>	<u>(9,826,489)</u>
 <b>Cash flows from investing activities</b>	
Interest income	54,225
<b>Net cash provided by investing activities</b>	<u>54,225</u>
 <b>Cash flows from noncapital financing activities</b>	
Noncapital grants	4,369,537
<b>Net cash used for noncapital financing activities</b>	<u>4,369,537</u>
 <b>Cash flows from capital and related financing activities</b>	
Capital grants	26,584,273
Purchase of capital assets	(21,053,256)
<b>Net cash provided by capital and related financing activities</b>	<u>5,531,017</u>
 <b>Net increase/decrease in cash and cash equivalents</b>	 128,290
 <b>Cash and cash equivalents, beginning of year</b>	 <u>2,374,357</u>
 <b>Cash and cash equivalents, end of year</b>	 <u>\$ 2,502,647</u>

**Reconciliation of Operating Income/Loss to Net Cash Provided by/Used for Operating Activities**

<b>Operating income/loss</b>	\$ (11,071,014)
Adjustments to reconcile operating income/loss to net cash provided by/used for operating activities:	
Depreciation	2,145,106
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Increase/decrease in inventory	(82,308)
Increase/decrease in contracts receivable	(514,891)
Increase/decrease in prepaid expenses	114,172
Increase/decrease deferred outflows of resources related to pensions	(282,588)
Increase/decrease in accounts payable	354,755
Increase/decrease in accrued payroll and related benefits	596,066
Increase/decrease in due to other governments	(1,109,970)
Increase/decrease in net pension liability	(218,806)
Increase/decrease in deferred inflows of resources related to pensions	242,989
<b>Total adjustments</b>	<u>1,244,525</u>
 <b>Net cash provided by/used for operating activities</b>	 <u>\$ (9,826,489)</u>

The accompanying notes are an integral part of these financial statements.

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Notes to Financial Statements  
June 30, 2025**

**Note 1 – Summary of Significant Accounting Policies**

The financial statements of the Northern Arizona Intergovernmental Public Transportation Authority (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.

During the year ended June 30, 2025, the Authority implemented the provisions of GASB Statement No. 101, *Compensated Absences*. This Statement updates the recognition and measurement guidance for compensated absences. Liabilities are recognized for leave that has not been used, as well as leave that has been used but not yet paid in cash or settled through noncash means. The Authority's analysis of compensated absences in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

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

**A. Reporting Entity**

The Authority was formed under Arizona Revised Statutes (Statutes) 28-9102 on July 1, 2006, for the purposes of managing and operating the transit operations of participating governments. This activity comprises the Authority's major operations. Fees collected from participating governments (members) represented 89 percent of total operating revenues in fiscal year 2025; therefore, the Authority is highly dependent on those governments for its operations.

The Board of Directors is comprised of representatives from each of the Authority's members and has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls. The Board of Directors includes a member from Coconino County, Northern Arizona University, Coconino County Community College and two members from the City of Flagstaff.

A reporting entity consists of a primary government and its component units. The Authority is considered a primary government because it is a special-purpose government, is legally separate, and is fiscally independent of other state or local governments. There are no component units combined with the Authority, and the Authority is not included in any other governmental reporting entity. The Authority does not maintain any fiduciary activities.

**B. Basis of Accounting Basis**

Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied, and determines when revenues and expenses are recognized in the accounts and reported in the financial statements.

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Notes to Financial Statements  
June 30, 2025**

**Note 1 – Summary of Significant Accounting Policies**

The Authority is reported as a proprietary enterprise fund. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the Authority's Board is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through participant fees and user charges; or for which the Authority's Board has decided that periodic determination of revenues earned, expenses incurred, or change in net assets is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The financial statements of the proprietary fund are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Use of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**D. Operating and Nonoperating Revenues and Expenses**

The enterprise fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and in connection with principal ongoing operations. The Authority's principal operating revenues are fares charged to riders and fees charged to participating governments. Operating expenses include administrative expenses, production and distribution expenses, and depreciation on capital assets.

Nonoperating revenues include revenues from noncapital financing activities, capital and related financing activities and revenues from investing activities. Capital and related financing activities include proceeds from capital grants and are shown on the statements of cash flows as positive cash flows. Investing activities include interest from investments and other miscellaneous sources of income.

**E. Cash and Investments**

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at year end was cash in bank, CD's and cash with County.

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Notes to Financial Statements  
June 30, 2025**

**Note 1 – Summary of Significant Accounting Policies**

**F. Credit Risk**

Custodial Credit Risk – Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

Concentration of Credit Risk – Statutes do not include requirements for concentration of credit risk.

**G. Allowance for Doubtful Accounts**

The Authority's grants and contracts receivable consist of amounts due from federal and local governments, and from other governmental agencies. Based on historical collection experience and a review of the current status of grants and contracts receivable, the Authority has not provided an allowance for doubtful accounts, as management believes it is likely to collect the full receivable balance.

**H. Inventory**

Inventory consists of vehicle parts and supplies used to maintain and repair the Authority's fleet vehicles. The Authority records inventory as assets when purchased and expenses when consumed. Inventory is stated at cost using the first-in, first-out method.

**I. Prepaid**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in business type statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

**J. Capital Assets**

Purchased capital assets are stated at cost less accumulated depreciation. Depreciation of capital assets is charged as an expense against operations. The estimated useful lives in determining depreciation using the straight-line method are:

Buildings and improvements:	10-30 years
Machinery and equipment:	4-15 years

The Authority's policy is to capitalize assets with a cost in excess of \$5,000.

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Notes to Financial Statements  
June 30, 2025**

**Note 1 – Summary of Significant Accounting Policies**

**K. Deferred Outflows and Inflows of Resources**

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as a revenue in future periods.

**L. Postemployment Benefits**

For purposes of measuring the net pension liability, related deferred outflows of resources and deferred inflows of resources, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**M. Compensated Absences**

The Authority provides sick and vacation leave to its employees. The Authority provides full time employees with 12 days of sick leave annually, to a maximum of 130 days. After 20 years of service with the Authority, an employee is entitled to be paid 25 percent of the total unused sick hours accrued. Employees accrue vacation time to a maximum of 30 days. Upon termination, an employee is paid 100 percent of unused vacation time accrued, to the maximum allowable number of days.

**N. Leases**

As lessee, the Authority recognizes lease liabilities with an initial, individual value of \$10,000 or more. The Authority uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The Authority's estimated incremental borrowing rate is based on incremental borrowing rates published by the Arizona Department of Administration - General Accounting Office. These rates were developed specifically for GASB No. 87 use.

As lessor, the Authority recognizes lease receivables with an initial, individual value of \$10,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Authority charges the lessee) and the implicit rate cannot be determined, the Authority uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The Authority's estimated incremental borrowing rate is calculated as described above.

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Notes to Financial Statements  
June 30, 2025**

**Note 1 – Summary of Significant Accounting Policies**

**O. Net Position Flow Assumption**

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

**Note 2 – Bank Deposits**

**A. Bank Deposits**

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of bank failure, the Authority's deposits may not be returned. As of June 30, 2025, the bank balance of deposits was \$925,747, and the carrying amount was \$1,053,201. Balances may at times exceed insured amounts; however, the Authority has not experienced any losses in such accounts, and management believes it is not exposed to any significant risks on cash accounts. The Authority had \$160,305 of uninsured and uncollateralized deposits as of June 30, 2025.

**B. Deposits with the Coconino County Treasurer**

At June 30, 2025, the Authority had cash on deposit and carrying amount of \$1,449,446 with the Coconino County Treasurer. The average maturity is 2.24 years.

The County Treasurer's pool is an external investment pool with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The fair value of each participant's position in the County Treasurer investment pool approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

**Note 3 – Receivables**

Receivables: The Authority recognizes receivables when eligible costs are incurred or services are provided. Receivables are recorded when allowable expenses are incurred or contracted services have been provided, but reimbursement has not been received by the Authority.

Contracts Receivable: This receivable type consists of \$2.5 million of receivables for operating revenues due solely from the City of Flagstaff, Arizona.

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Notes to Financial Statements  
June 30, 2025**

**Note 3 – Receivables**

Grants Receivable: This receivable type consists of receivables that are associated with nonoperating revenues for a total of \$3,370,207 from the following sources:

	Deficit
Grants receivable:	
Federal Transit Administration	\$ 2,689,344
Others	680,863
Net grants receivable	\$ 3,370,207

**Note 4 – Capital Assets**

The following is a summary of capital asset activity for the year ended June 30, 2025:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,963,380	\$	\$	\$ 2,963,380
Construction in progress	23,784,938	20,710,383		44,495,321
Total capital assets, not being depreciated	26,748,318	20,710,383		47,458,701
Capital assets, being depreciated:				
Buildings and improvements	21,324,701	130,326	57,853	21,397,174
Machinery and equipment	26,647,818	212,547		26,860,365
Total capital assets being depreciated	47,972,519	342,873	57,853	48,257,539
Less accumulated depreciation for:				
Buildings and improvements	(8,269,617)	(582,958)	(57,853)	(8,794,722)
Machinery and equipment	(19,426,834)	(1,562,148)		(20,988,982)
Total accumulated depreciation	(27,696,451)	(2,145,106)	(57,853)	(29,783,704)
Total capital assets, being depreciated, net	20,276,068	(1,802,233)		18,473,835
Governmental activities capital assets, net	\$ 47,024,386	\$ 18,908,150	\$	\$ 65,932,536

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Notes to Financial Statements  
June 30, 2025**

**Note 5 – Construction and Other Significant Commitments**

The Authority had major contractual commitments at June 30, 2025 as follows:

<u>Commitment</u>	<u>Contract Value</u>	<u>Payments</u>	<u>Remaining Commitment</u>
BRT	\$ 1,707,505	\$ (1,707,505)	\$
Campus Storage	6,514,448	(6,373,846)	140,602
Charging Infrastructure	1,479,368	(1,460,643)	18,725
Downtown Connection Center	33,247,112	(31,737,436)	1,509,676
Kaspar Building	2,425,782	(2,185,229)	240,553
Pedestrian-Bicycle	1,262,192	(976,388)	285,804
Route 8	79,000	(40,840)	38,160
Total long-term liabilities	<u>\$ 46,715,407</u>	<u>\$ (44,481,887)</u>	<u>\$ 2,233,520</u>

**Note 6 – Contingent Liabilities**

**Compliance** – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses that may be disallowed by the grantor cannot be determined at this time.

**Lawsuits** – The Authority is a party to a number of various types of lawsuits, many of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable, however, Authority management believes that the outcome of these proceedings, either individually or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

**Note 7 – Restatements of Beginning Balances**

**Correction of an Error** – The Authority did not recognize grants revenues and receivables appropriately in the prior fiscal year for \$1,487,236.

The effect of the matters noted above resulted in adjustments to and restatements of beginning net position as follows:

	June 30, 2024, as Previously Reported	Correction of an Error	June 30, 2024, as Restated
Business-type activities	\$ 36,540,698	\$ 1,487,236	\$ 38,027,934

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Notes to Financial Statements  
June 30, 2025**

**Note 8 – Pensions**

**Plan Description.** The Authority's employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost sharing -multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

The ASRS OPEB plans are not further disclosed because of their relative insignificance to the Authority's financial statements.

**Benefits Provided.** The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%
	*With actuarially reduced benefits	

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Notes to Financial Statements  
June 30, 2025**

**Note 8 – Pensions**

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month, depending on the age of the member and dependents. For members with five to nine years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years or service of the service on record as of the effective disability date if their service is greater than 30 years.

**Contributions.** In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, statute required active ASRS members to contribute at the actuarially determined rate of 12.27 percent (12.12 percent for retirement and 0.15 percent for long-term disability) of the members' annual covered payroll, and the Authority was required by statute to contribute at the actuarially determined rate of 12.27 percent (12.05 percent for retirement, 0.07 percent for health insurance premium benefit, and 0.15 percent for long-term disability) of the active members' annual covered payroll. The Authority's contributions to the pension plan for the year ended June 30, 2025, was \$910,159.

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. The District was required by statute to contribute at the actuarially determined rate of 10.19 percent (10.14 for retirement and 0.05 percent for long-term disability). ACR contributions are included in employer contributions presented above.

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Notes to Financial Statements  
June 30, 2025**

**Note 8 – Pensions**

**Pension Liability.** The net pension liability was measured as of June 30, 2024. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2023, to the measurement date of June 30, 2024. The Authority's proportion of the net liability was based on the Authority's actual contributions to the applicable plan relative to the total of all participating employers' contributions to the plan for the year ended June 30, 2024.

At June 30, 2024, the Authority reported the following amounts for its proportionate share of the pension plan net liability. In addition, at June 30, 2024, the Authority's percentage proportion for the plan and the related change from its proportion measured as of June 30, 2023 was:

Net Liability	Authority % Proportion	Increase (Decrease)
\$ 7,514,307	0.048	0.001

**Pension Expense and Deferred Outflows/Inflows of Resources.** The Authority has deferred outflows and inflows of resources related to the net pension liability. Certain changes in the net pension liability are recognized as pension expense over a period of time rather than the year of occurrence. The Authority's pension expense for the year ended June 30, 2025 was \$651,754. The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 419,442	\$
Net difference between projected and actual earnings on pension investments		479,871
Changes in proportion and differences between contributions and proportionate share of contributions		132,447
Contributions subsequent to the measurement date	910,159	
Total	\$ 1,329,601	\$ 612,318

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Notes to Financial Statements  
June 30, 2025**

**Note 8 – Pensions**

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2026	\$ (308,339)
2027	324,996
2028	(121,471)
2029	(88,062)

Actuarial Assumptions — The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Inflation	2.3%
Projected salary increases	2.9-8.4%
Permanent base increases	Included
Mortality rates	2017 SRA Scale U-MP

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020, actuarial valuation.

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, excluding any expected inflation.

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Notes to Financial Statements  
June 30, 2025**

**Note 8 – Pensions**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Public equity	44%	4.48%
Credit	23%	4.40
Interest rate sensitive	6%	(.45)
Private equity	10%	6.11
Real estate	17%	6.05
Total	<u>100%</u>	

**Discount Rate.** The discount rate used to measure the ASRS total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Authority’s proportionate share of the ASRS net pension liability to changes in the discount rate.** The following table presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:

	Current		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Rate	6.0%	7.0%	8.0%
Net liability	\$ 11,505,940	\$ 7,514,307	\$ 4,187,629

**Pension Plan Fiduciary Net Position.** Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at [www.azasrs.gov](http://www.azasrs.gov).

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Notes to Financial Statements  
June 30, 2025**

**Note 9 – Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. These risks of loss are accounted for and financed by the following described insurance coverage.

The Authority maintains workers' compensation insurance and general liability insurance as required by laws and grantors.

There have been no material settled claims that have exceeded commercial insurance coverage.

**Required Supplementary Information**

**Northern Arizona Intergovernmental Transportation Authority  
Schedule of the Proportionate Share of the Net Pension Liability  
Arizona State Retirement System  
Last Ten Fiscal Years**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Authority's proportion of the net pension (assets) liability	0.05%	0.05%	0.05%	0.05%	0.05%	0.45%	0.05%	0.04%	0.04%	0.03%
Authority's proportionate share of the net pension (assets) liability	\$ 7,514,307	\$ 7,733,113	\$ 7,686,572	\$ 5,944,117	\$ 7,867,973	\$ 6,502,915	\$ 6,301,020	\$ 6,441,524	\$ 6,235,270	\$ 5,376,812
Authority's covered payroll	\$ 6,522,685	\$ 6,035,419	\$ 5,113,106	\$ 4,877,777	\$ 4,601,773	\$ 4,557,979	\$ 4,404,261	\$ 3,989,610	\$ 3,382,829	\$ 2,997,618
Authority's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	115.20%	128.13%	150.33%	121.86%	170.98%	142.67%	143.07%	161.46%	184.32%	179.37%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%

See accompanying notes to this schedule.

Northern Arizona Intergovernmental Transportation Authority  
Schedule of Pension Contributions  
Arizona State Retirement System  
Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 910,159	\$ 784,679	\$ 719,422	\$ 614,084	\$ 568,261	\$ 526,903	\$ 509,582	\$ 480,064	\$ 430,080	\$ 367,037
Contributions in relation to the actuarially determined contribution	<u>910,159</u>	<u>784,679</u>	<u>719,422</u>	<u>614,084</u>	<u>568,261</u>	<u>526,903</u>	<u>509,582</u>	<u>480,064</u>	<u>430,080</u>	<u>367,037</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Authority's covered payroll	\$ 7,888,188	\$ 6,522,685	\$ 6,035,419	\$ 5,113,106	\$ 4,877,777	\$ 4,601,773	\$ 4,557,979	\$ 4,404,261	\$ 3,989,610	\$ 3,382,829
Contributions as a percentage of covered payroll	11.54%	12.03%	11.92%	12.01%	11.65%	11.45%	11.18%	10.90%	10.78%	10.85%

See accompanying notes to this schedule.

**Northern Arizona Intergovernmental  
Public Transportation Authority  
Notes to Required Supplementary Information  
June 30, 2025**

**Note 1 – Pension Plan Schedules**

**Actuarial Assumptions for Valuations Performed.** The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

**Factors that Affect Trends.** The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020, actuarial valuation.

**Single Audit Section**

**Independent Auditor’s 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**

Board of Directors  
Northern Arizona Intergovernmental Public Transportation Authority

We have audited, 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, the financial statements of the business-type activities of Northern Arizona Intergovernmental Public Transportation Authority, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Northern Arizona Intergovernmental Public Transportation Authority’s basic financial statements, and have issued our report thereon dated March 26, 2026. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Northern Arizona Intergovernmental Public Transportation Authority’s internal control over financial reporting (internal control) as a basis for designing 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 Northern Arizona Intergovernmental Public Transportation Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of Northern Arizona Intergovernmental Public Transportation Authority’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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items FS-2025-001 and FS-2025-002 that we consider to be material weaknesses.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Northern Arizona Intergovernmental Public Transportation Authority'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 financial statements. 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*.

### **Northern Arizona Intergovernmental Public Transportation Authority's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Northern Arizona Intergovernmental Public Transportation Authority's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Northern Arizona Intergovernmental Public Transportation Authority's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **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. PC*

Heinfeld, Meech & Co., P.C.  
Flagstaff, Arizona  
March 26, 2026

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

Board of Directors  
Northern Arizona Intergovernmental Public Transportation Authority

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

***Qualified Opinion***

We have audited Northern Arizona Intergovernmental Public Transportation Authority’s compliance with the types of compliance requirements identified as subject to the audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Northern Arizona Intergovernmental Public Transportation Authority’s major federal programs for the year ended June 30, 2025. Northern Arizona Intergovernmental Public Transportation Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Qualified Opinion on Federal Transit Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Northern Arizona Intergovernmental Public Transportation Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Federal Transit Cluster for the year ended June 30, 2025.

***Basis for Qualified Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Northern Arizona Intergovernmental Public Transportation Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Northern Arizona Intergovernmental Public Transportation Authority’s compliance with the compliance requirements referred to above.

### ***Matter Giving Rise to Qualified Opinion on Federal Transit Cluster***

As described in the accompanying schedule of findings and questioned costs, Northern Arizona Intergovernmental Public Transportation Authority did not comply with requirements regarding Federal Transit Cluster as described in finding number 2025-001 for cash management. Compliance with such requirements is necessary, in our opinion, for Northern Arizona Intergovernmental Public Transportation Authority to comply with the requirements applicable to that program.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Northern Arizona Intergovernmental Public Transportation Authority's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on Northern Arizona Intergovernmental Public Transportation Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about Northern Arizona Intergovernmental Public Transportation Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Northern Arizona Intergovernmental Public Transportation Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Northern Arizona Intergovernmental Public Transportation Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Northern Arizona Intergovernmental Public Transportation Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

*Government Auditing Standards* requires the auditor to perform limited procedures on Northern Arizona Intergovernmental Public Transportation Authority's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Northern Arizona Intergovernmental Public Transportation Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Northern Arizona Intergovernmental Public Transportation Authority's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Northern Arizona Intergovernmental Public Transportation Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 business-type activities of Northern Arizona Intergovernmental Public Transportation Authority as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Northern Arizona Intergovernmental Public Transportation Authority's basic financial statements. We issued our report thereon dated March 26, 2026, which contained unmodified opinions on those basic financial statements. Our audit was performed 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. PC*

Heinfeld, Meech & Co., P.C.  
Flagstaff, Arizona  
March 26, 2026

Northern Arizona Intergovernmental Public Transportation Authority  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2025

<u>Federal/Pass-Through/Agency</u>	<u>AL Number</u>	<u>Federal Award Number</u>	<u>Expenditures and Transfers</u>	<u>Total Expenditures and Transfers</u>
<b><u>U.S. Department of Transportation</u></b>				
Federal Transit Cluster:				
Federal Transit - Formula Grants	20.507	N/A	\$ 9,107,011	\$
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	N/A	13,905,531	
Total Federal Transit Cluster				23,012,542
<b>Total U.S. Department of Transportation</b>				<b>23,012,542</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ 23,012,542</b>

See accompanying notes to the Schedule.

**Northern Arizona Intergovernmental Public Transportation Authority**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2025**

**Significant Accounting Policies Used in Preparing the SEFA**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Northern Arizona Intergovernmental Public Transportation Authority under programs of the federal government for the year ended June 30, 2025. The information in the Schedule is presented in accordance with the 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). 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. 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 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.

**De Minimis Indirect Cost Rate**

The auditee did not use the de minimis indirect cost rate.

**Assistance Listing Numbers**

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or through sam.gov. If the three-digit Assistance Listing extension is unknown, there is a U followed by a two-digit number in the Assistance Listing extension to identify one or more Federal award lines from that program. The first Federal program with an unknown three-digit extension is indicated with U01 for all award lines associated with that program, the second is U02, etc.

**Out of Period Amounts on Schedule**

Amounts from Assistance Listing Numbers 20.507 and 20.526 totaling \$1,487,236 were not appropriately recorded on the June 30, 2024 schedule. Expenditures were subsequently moved to the June 30, 2025 Schedule. The movement of these amounts did not affect major federal program determination in either fiscal year.

**Northern Arizona Intergovernmental Public Transportation Authority  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2025**

**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: Yes

Noncompliance material to financial statements noted: No

Federal Awards

Type of auditor's report issued on compliance for major programs: Qualified – Federal Transit Cluster

Internal control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: Yes

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
20.507, 20.526	Federal Transit Cluster

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

Auditee qualified as low-risk auditee: No

**Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: Yes**

**Findings and Questioned Costs Related to Federal Awards: Yes**

**Summary Schedule of Prior Audit Findings required to be reported: Yes**

**Northern Arizona Intergovernmental Public Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2025**

**Findings Related to Financial Statements Reported in Accordance with  
Government Auditing Standards**

**Finding Number:** FS-2025-001

**Repeat Finding:** No

**Type of Finding:** Material Weakness

**Description:** Internal Controls Over Accounting Records and Segregation of Duties

Criteria

Authority's management is responsible for establishing and maintaining internal controls over accounting records, includes segregation of duties and approval processes.

Condition

Adequate controls and review procedures were not in place to ensure accounting records were properly recorded.

Cause

Lack of review procedures, lack of segregation of duties and not following the Authority's adopted policies.

Effect

A lack of review procedures resulted in misconduct by an employee and a break down in internal controls over accounting records.

Context

During our review we noted the following:

- Bank statement reconciliations were not always completed in a timely manner and were not reviewed and approved by a second, authorized person.
- The Authority did not sufficiently limit access to applications or software based on the needs of the individual's job function in order to prevent unauthorized access to critical systems.
- The same individual who authorizes access to the system was also the same individual physically assigning that access.
- Journal entries were not being reviewed by a second, authorized person.
- For one of 10 credit card transactions reviewed, an itemized receipt was not retained as required by Authority policy.
- For eight of 45 disbursements reviewed, the purchase order was created after the invoice date.
- For 25 of 45 disbursements reviewed, the purchase order was not approved prior to the purchase.
- For five of 45 disbursements and one of 10 credit card transactions reviewed, no purchase order was retained.
- For four of 45 disbursements reviewed, the expense was paid using a bank transfer compared to a check. The approval process for these transfers included just one individual approving and processing the transfer.

**Northern Arizona Intergovernmental Public Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2025**

**Findings Related to Financial Statements Reported in Accordance with  
*Government Auditing Standards***

**Finding Number:** FS-2025-001

Context

- For one of 40 employees reviewed, the employee was not paid in accordance with their approved contracts/addendums resulting in total overpayment for the 2025 fiscal year of \$43,724. This overpayment was due to unauthorized changes in the system by the employee to their own pay that were not detected due to a lack of review.

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation

The Authority should allocate necessary resources to implement controls and procedures to ensure accounting records are being appropriately recorded and reviewed in the Authority's financial system.

Views of Responsible Officials

See Corrective Action Plan.

**Northern Arizona Intergovernmental Public Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2025**

**Findings Related to Financial Statements Reported in Accordance with  
*Government Auditing Standards***

**Finding Number:** FS-2025-002

**Repeat Finding:** Yes, FS-2024-001

**Type of Finding:** Material Weakness

**Description:** Internal Controls Over Financial Reporting

Criteria

Authority management is responsible for establishing and maintaining internal controls over financial reporting to include controls over the Authority's accounting records and general ledger transactions.

Condition

Adequate internal controls were not in place to ensure financial activity was properly reported in the Authority's accounting records and that the reported amounts were accurate representations of financial activity.

Cause

The Authority changed financial reporting systems and there was a lack of training and understanding on how to review the new system's data for accuracy.

Effect

Amounts initially recorded within the financial system for financial presentation purposes were not accurate and required adjustment.

Context

During our review we noted the following:

- Accrued payroll in the amount of \$132,405 could not be substantiated.
- Accounts payable in the amount of \$8,000 were associated with transactions that were no longer liabilities at June 30, 2025.
- Federal revenues and receivables of \$1,487,236 should have been recorded in fiscal year 2024. As a result, beginning net position for July 1, 2024 was restated in the financial statements.
- The Authority did not retain documentation to support \$1,148,672 of expenses requested for reimbursement in fiscal year 2025 from Federal Grants.

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation

The Authority should allocate necessary resources to implement controls and procedures to ensure accounting records are being appropriately recorded and reviewed in the Authority's financial system.

Views of Responsible Officials

See Corrective Action Plan.

**Northern Arizona Intergovernmental Public Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2025**

**Findings and Questioned Costs Related to Federal Awards**

**Finding Number:** 2025-001

**Repeat Finding:** No

**Program Name/Assistance Listing Title:** Federal Transit Cluster

**Assistance Listing Number:** 20.507, 20.526

**Federal Agency:** U.S. Department of Transportation

**Pass-Through Agency:** N/A

**Questioned Costs:** \$1,148,672

**Type of Finding:** Material Weakness

**Compliance Requirement:** Cash Management

Criteria

In accordance with 2CFR Part 200.303, the Authority is responsible for the establishing and maintaining effective internal control over the Federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the term and conditions of the Federal award. In addition, the Authority must comply with 2 CFR Part 200.305 and ensure support is maintained for the reimbursement of expenditures.

Condition

The Authority did not have adequate internal controls in place to ensure eligible expenditures for the Federal Transit Cluster were reported on the Schedule of Expenditures of Federal Awards (SEFA).

Cause

The Authority was not requesting reimbursements in a timely manner resulting in expenditures from Federal sources not being recorded appropriately on the SEFA. Additionally, procedures were not followed to ensure reimbursement requests had appropriate documentation for associated expenditures.

Effect

The Authority did not ensure the grant expenditures were properly reported on the fiscal year 2024 SEFA, resulting in the need for the additional expenditures to be recognized on the SEFA. In addition, monies were drawn down for which there was not support for the reimbursement.

Context

For five of eleven reimbursement requests reviewed the Authority did not ensure that the grant expenditures were properly reported in the correct fiscal year on the Schedule of Expenditures of Federal Awards. Moreover, this resulted in fiscal year 2024 expenditures that were not appropriately recognized as federal expenses in the prior year totaling \$1,487,236 that are now included in the current fiscal year SEFA. Additionally, For five of eleven reimbursement requests reviewed for the Federal Transit Cluster the requests were not reviewed and approved by a second, authorized person. Finally, the Authority did not retain documentation to support \$1,148,672 of expenses requested for reimbursement in fiscal year 2025 from Federal Grants.

The sample was not intended to be, and was not, a statistically valid sample.

**Northern Arizona Intergovernmental Public Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2025**

**Findings and Questioned Costs Related to Federal Awards**

**Finding Number:** 2025-001

Recommendation

The Authority should provide training for those with grant management responsibilities. The Authority should also have more consistent and timely oversight of grants by higher level management to confirm all Federal reimbursement requests have been submitted timely for matching Federal expenditures. Additionally, the Authority should review and retain documentation showing that reimbursement requests match to Federal expenditures being claimed on the requests.

Views of Responsible Officials

See Corrective Action Plan.



## Mountain Line

3773 N. Kaspar Drive · Flagstaff, AZ 86004 · 928-679-8900 · FAX 928-779-6868 · [www.mountainline.az.gov](http://www.mountainline.az.gov)

March 26, 2026

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Uniform Guidance. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

Megan Coons  
Finance Director



**Northern Arizona Intergovernmental Public Transportation Authority**  
**Corrective Action Plan**  
**Year Ended June 30, 2025**

**Findings Related to Financial Statements Reported in Accordance with  
*Government Auditing Standards***

Finding Number: FS-2025-001

Contact Person: Megan Coons, Finance Director

Anticipated Completion Date: March 31, 2026

Planned Corrective Action: The Authority has implemented procedures requiring all bank reconciliations to be completed within 10 days of the end of the month. Each reconciliation will be reviewed and approved by a second authorized individual independent of the preparation process. Documentation of preparation and review will be retained.

The Authority will develop a long-term plan to centralize User Management and Security Roles within the IT Department. Access permissions will be reviewed and updated to align with each employee's job duties and follow the principle of least privilege.

The Authority has implemented procedures requiring that all manual journal entries be reviewed and approved by a second qualified employee prior to posting.

Ongoing training will be provided to staff emphasizing that itemized receipts are required for all purchases made with Authority funds. Transactions without appropriate documentation may be denied or require repayment.

Enhanced workflow has been implemented in the Authority's accounts payable system to ensure at least two steps of approval for all payments. The ability to make payments via bank transfer has been removed.

Ongoing training will be provided to staff emphasizing procurement procedures requiring approved purchase orders for certain transactions before committing Authority funds. Periodic reviews of procurement activity will be conducted to monitor for compliance.

The Authority has strengthened payroll controls by implementing segregation of duties between payroll processing and payroll record maintenance. Employees will be restricted from modifying their own payroll records. A report detailing manual payroll edits will be run and reviewed by

**Northern Arizona Intergovernmental Public Transportation Authority  
Corrective Action Plan  
Year Ended June 30, 2025**

**Findings Related to Financial Statements Reported in Accordance with  
*Government Auditing Standards***

Finding Number: FS-2025-002

Contact Person: Megan Coons, Finance Director

Anticipated Completion Date: March 31, 2026

Planned Corrective Action: The Authority will develop formal written procedures and standardized templates to support real-time monitoring and reconciliation of accounting transactions and account balances. All finance staff will also attend formal training sessions sponsored by the Authority's accounting system vendor to ensure that all transactions are properly recorded in the system in accordance with GAAP.

This finding is considered a repeat due to the timing of the current and prior fiscal year audits. The prior audit report was finalized in January 2026 and as a result, the Authority had limited time to fully implement and demonstrate the effectiveness of enhanced internal control procedures. The procedures above have been integrated into the Authority's financial management practices and are expected to prevent recurrence of the issue in future audits.

**Findings and Questioned Costs Related to Federal Awards**

Finding Number: 2025-001

Program Name/Assistance Listing Title: Federal Transit Cluster

Assistance Listing Numbers: 20.507, 20.526

Contact Person: Megan Coons, Finance Director

Anticipated Completion Date: March 31, 2026

Planned Corrective Action: The Authority has implemented a dual-review process requiring preparation of reimbursement requests by staff and independent review and approval by a second authorized individual in a higher level management role. Reconciliations of reimbursement requests are to be completely monthly and will include detailed expenditure reports and grant agreement references to ensure requests match appropriately to Federal expenditures. Additionally, The Authority will implement mandatory training for all staff involved in grant management on Federal compliance requirements, documentation standards, and internal control procedures.

**Northern Arizona Intergovernmental Public Transportation Authority  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2025**

**Status of Findings Related to Financial Statements Reported in Accordance with  
Government Auditing Standards**

Finding Number: FS-2024-001

Status: Not corrected. See current year finding FS-2025-002.

Planned Corrective Action: The Authority will develop formal written procedures and standardized templates to support real-time monitoring and reconciliation of accounting transactions and account balances. All finance staff will also attend formal training sessions sponsored by the Authority's accounting system vendor to ensure that all transactions are properly recorded in the system in accordance with GAAP.

This finding is considered a repeat due to the timing of the current and prior fiscal year audits. The prior audit report was finalized in January 2026 and as a result, the Authority had limited time to fully implement and demonstrate the effectiveness of enhanced internal control procedures. The procedures above have been integrated into the Authority's financial management practices and are expected to prevent recurrence of the issue in future audits.

**Status of Findings and Questioned Costs Related to Federal Awards**

Finding Number: 2024-001

<u>Program Names/Assistance Listing Titles:</u>	<u>Assistance Listing Numbers:</u>
Community Project Funding Congressionally Directed Spending	20.534
Federal Transit Cluster	20.507, 20.526

Status: Fully corrected.