

Yuma Metropolitan Planning Organization
Financial Statements
and Single Audit Reports

Year ended June 30, 2013

**Yuma Metropolitan Planning Organization
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Year ended June 30, 2013**

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Independent Auditor's Report

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The Board of Directors of
Yuma Metropolitan Planning Organization
Yuma, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Yuma Metropolitan Planning Organization as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Yuma Metropolitan Planning Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Yuma Metropolitan Planning Organization as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 13 and budgetary comparison information on pages 30 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Yuma Metropolitan Planning Organization's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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 basic 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 U.S. generally accepted auditing standards.

In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of Yuma Metropolitan Planning Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Yuma Metropolitan Planning Organization's internal control over financial reporting and compliance

Walker & Armstrong, LLP

Phoenix, Arizona
December 16, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

As management of the Yuma Metropolitan Planning Organization (YMPO), we offer readers of the YMPO's financial statements this narrative overview and analysis of the financial activities of the YMPO for the fiscal year ending June 30, 2013.

FINANCIAL HIGHLIGHTS

On July 1, 2012, the Yuma County Intergovernmental Public Transportation Authority (YCIPTA) assumed operational and managerial control of the transit system previously operated under YMPO. All transit related assets, liabilities and fund balance were transferred to YCIPTA on July 1, 2012. The assets of the YMPO exceeded its liabilities at the close of the fiscal year ended June 30, 2013 by \$1,366,125. Of this amount \$1,331,811 was unrestricted. The YMPO's total net position decreased by \$1,776,100. The decrease is attributed to the transfer out of all transit related assets, liabilities and fund balance to YCIPTA. As of the close of the fiscal year, the YMPO's governmental funds reported a combined ending fund balance of \$1,335,892.

OVERVIEW OF THE FINANCIAL STATEMENTS

These guidelines are intended to serve as an introduction to the YMPO's basic financial statements. The YMPO's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the government's net position changed during the 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.

Both of the government-wide financial statements present the activities of the YMPO that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of the YMPO include general government, pavement monitoring, short- and long-range planning assistance to local entities, economic development, and transportation planning.

The government-wide financial statements can be found on pages 14-15 of this report.

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The YMPO, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the YMPO consist of governmental funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The YMPO maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the Metropolitan Planning Fund and the Transit Fund, both of which are special revenue funds and are considered to be major funds.

Budgets. The YMPO adopts an annual appropriated budget for its Metropolitan Planning Fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with this budget.

For the fiscal year 2013, the YMPO's original budgeted amounts were revised for highway and transit planning revenues and expenditures.

Actual revenues were \$155,140 less than the final budgeted amounts for the Metropolitan Planning Fund. This was primarily due to Arizona Department of Transportation (ADOT) grant revenues budgeted based on anticipated award amounts not actually realized.

The Metropolitan Planning Fund actual expenditures were \$41,534 less than the final expenditure budget, primarily due to a decline in transit planning expenditures and budgetary constraints.

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The basic governmental fund financial statements can be found on pages 16-19 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the YMPO, assets exceeded liabilities by \$1,366,125 at the close of the fiscal year.

Governmental activities. Significant changes in governmental activities included the following:

- Current assets decreased by \$917,975 due primarily to the transfer of all transit related assets to YCIPTA.
- Capital assets, net, decreased by \$1,249,330 due primarily to the transfer of all transit related assets to YCIPTA.
- Current and other liabilities decreased by \$391,205 due primarily to the transfer of all transit related assets and related debt to YCIPTA.

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

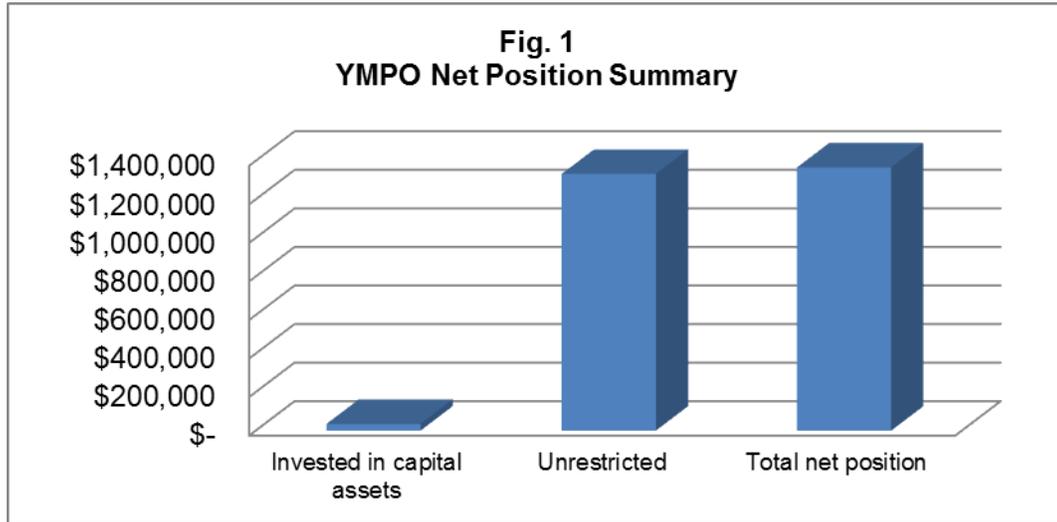
The following table presents a condensed statement of the YMPO's net position for the fiscal years ended June 30, 2013 and 2012.

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Current assets	\$1,529,917	\$2,447,892
Capital assets, net	34,314	1,283,644
Total assets	<u>1,564,231</u>	<u>3,731,536</u>
Current and other liabilities	194,025	575,377
Long-term liabilities	4,081	13,934
Total liabilities	<u>198,106</u>	<u>589,311</u>
Net position:		
Invested in capital assets	34,314	1,283,644
Unrestricted	<u>1,331,811</u>	<u>1,858,581</u>
Total net position	<u>\$1,366,125</u>	<u>\$3,142,225</u>

A significant portion of the YMPO's net position (41 percent) at June 30, 2012, reflects its investment in capital assets (e.g., vehicles, furniture and equipment, leasehold improvements, and infrastructure). The YMPO transferred a significant portion of these capital assets to YCIPTA on July 1, 2012. The majority (98 percent) of the YMPO's net position at June 30, 2013 is unrestricted. The net position is summarized in Figure 1.

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)



The YMPO did not have any restricted net position balances. The balance of net position not invested in capital assets, \$1,331,811, is unrestricted and may be used to meet the YMPO's ongoing obligations to citizens and creditors.

The YMPO's net position decreased by \$1,776,100 during the year ended June 30, 2013. This decrease is attributed to the transfer of assets and liabilities to YCIPTA on July 1, 2012.

Governmental activities. Significant changes in governmental activities included the following:

- Charges for services decreased by \$1,242,741 as a result of YMPO no longer being involved in the transit system and no longer collecting related revenues.
- Overall, the MPO expenses, including highway and transit planning and administration, decreased by \$2,538,093 primarily due to the YMPO no longer being involved in the transit system. All operations expenses for the transit system were assumed by YCIPTA.
- Operating grants and contributions decreased by \$1,097,954 as a result of the transfer of the transit system to YCIPTA.

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

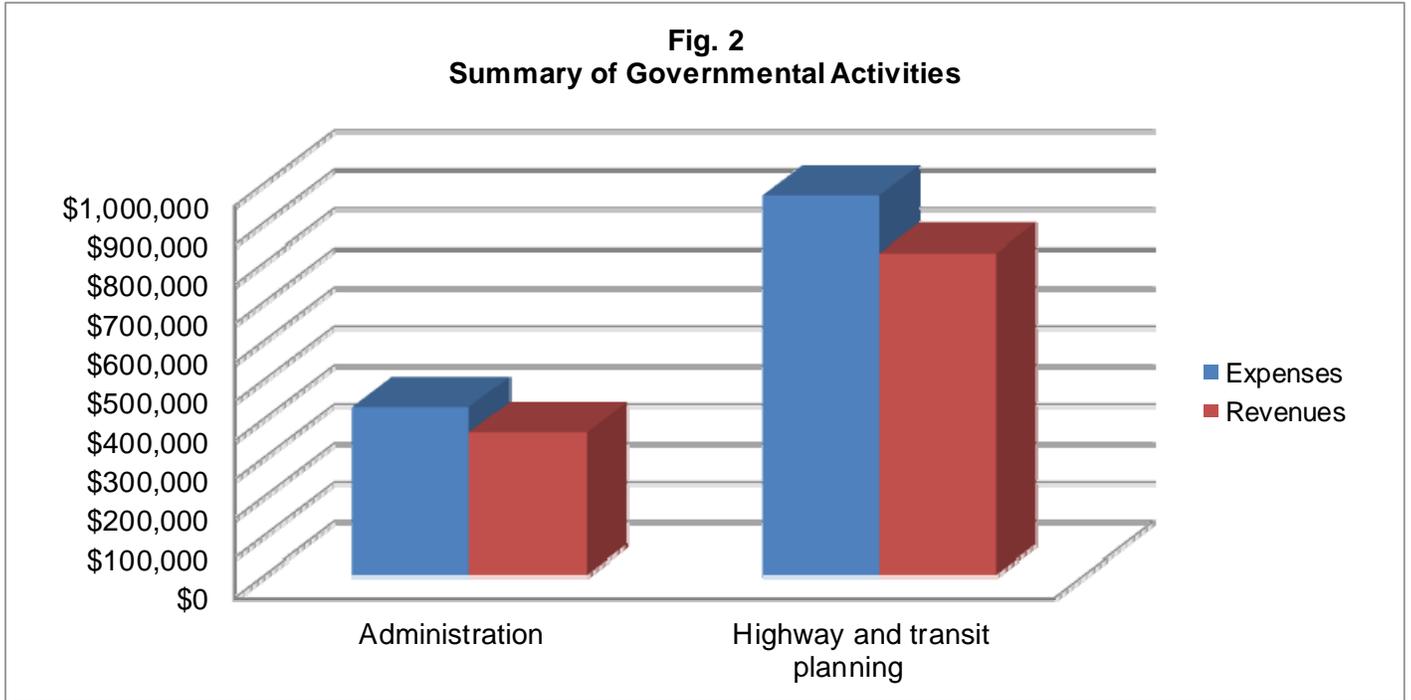
The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and 2012.

	Governmental Activities	
	2013	2012
Revenues		
Program revenues:		
Charges for services	\$ 11,814	\$ 1,254,555
Operating grants and contributions	1,288,734	2,386,688
General revenues:		
Member fees	166,087	164,125
Interest revenue	5,897	7,806
Other revenue	44,806	3,273
Total revenues	<u>1,517,338</u>	<u>3,816,447</u>
Expenses		
Administration	428,640	720,464
Highway and transit planning	968,382	3,214,651
Total expenses	<u>1,397,022</u>	<u>3,935,115</u>
Excess/(deficiency) of revenues over expenses	120,316	(118,668)
Transfers out	<u>(1,896,416)</u>	<u>-</u>
Decrease in net position	<u>\$ (1,776,100)</u>	<u>\$ (118,668)</u>

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The distribution of revenues and expenses within the governmental activities are summarized in Figure 2.



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the YMPO uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the YMPO's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the YMPO's financing requirements. In particular, assigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

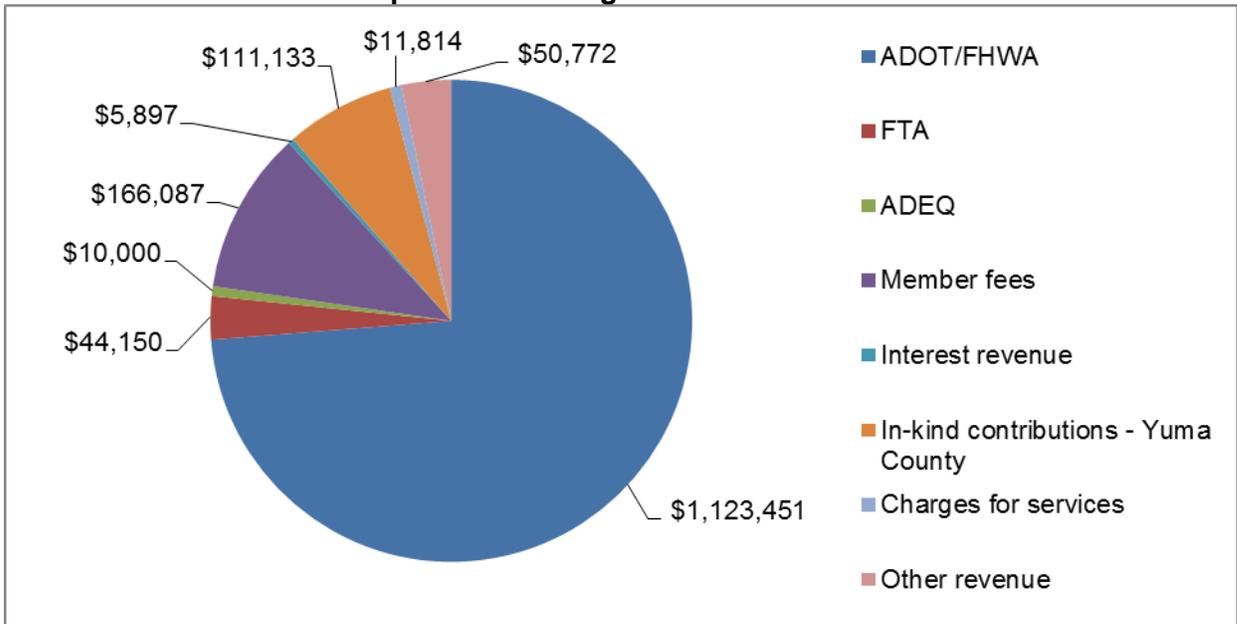
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

As of June 30, 2013, the YMPO's governmental funds reported combined ending fund balances of \$1,335,892, a decrease of \$536,623 from the prior year. The combined ending fund balance of \$1,335,892 consists of \$1,331,340 of assigned fund balance, which is available for spending at the government's discretion; and \$4,552 of non-spendable fund balance, which is a result of amounts prepaid during the year.

The Metropolitan Planning Fund is the only operating fund of the YMPO. As a measure of the Metropolitan Planning Fund's liquidity, it may be useful to compare assigned fund balance to total fund expenditures. Assigned fund balance represented 94 percent of total Metropolitan Planning Fund expenditures.

Figures 3 and 4 describe the funding sources and amounts of both revenues and expenditures for the Metropolitan Planning Fund.

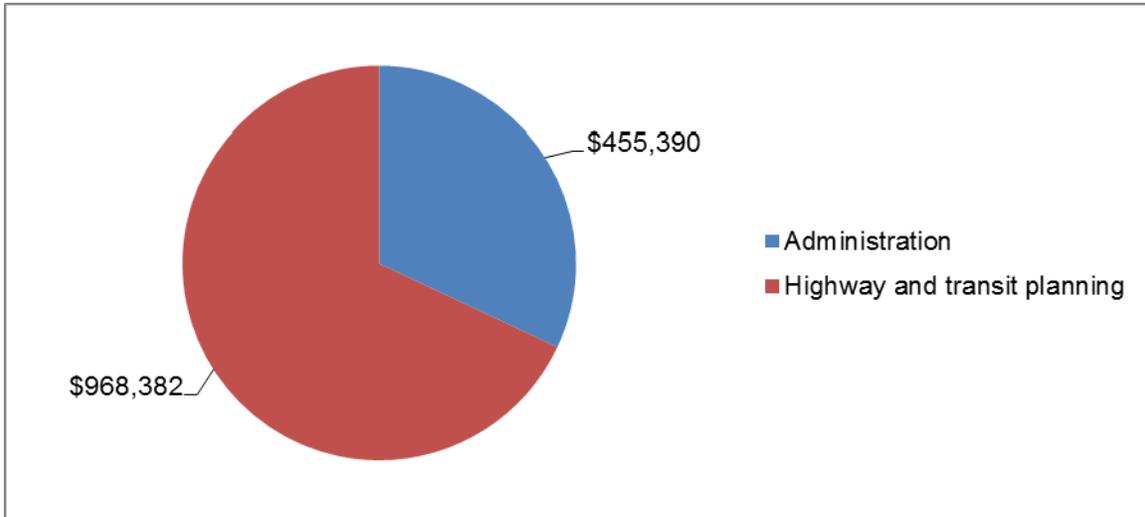
**Fig. 3
Metropolitan Planning Fund Revenues**



**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

**Fig. 4
Metropolitan Planning Fund Expenditures**



The Transit Fund was the primary fund for the YMPO's transit services and accounts for the revenues and expenditures related to the regional public transit system. At the beginning of the current fiscal year, all transit services were assumed by YCIPTA. On July 1, 2012, the remaining assets, liabilities, and fund balance in the transit fund were transferred out. There was no other activity in the transit fund for the year ending June 30, 2013.

CAPITAL ASSETS

The YMPO's investment in capital assets for its governmental activities as of June 30, 2013, amounted to \$34,134 (net of accumulated depreciation). The investment in capital assets includes vehicles and furniture & equipment.

Major capital asset events during the current fiscal year included the following as described below and summarized in Note 4 to the financial statements on page 27.

- Purchase of a truck and car for \$36,279.
- Depreciation expense of \$19,383.

STATEMENT OF OVERALL FINANCIAL POSITION

A) Metropolitan Planning Fund

The YMPO Metropolitan Planning Fund's fund balance increased by \$381,350 to \$1,335,892 for fiscal year 2013.

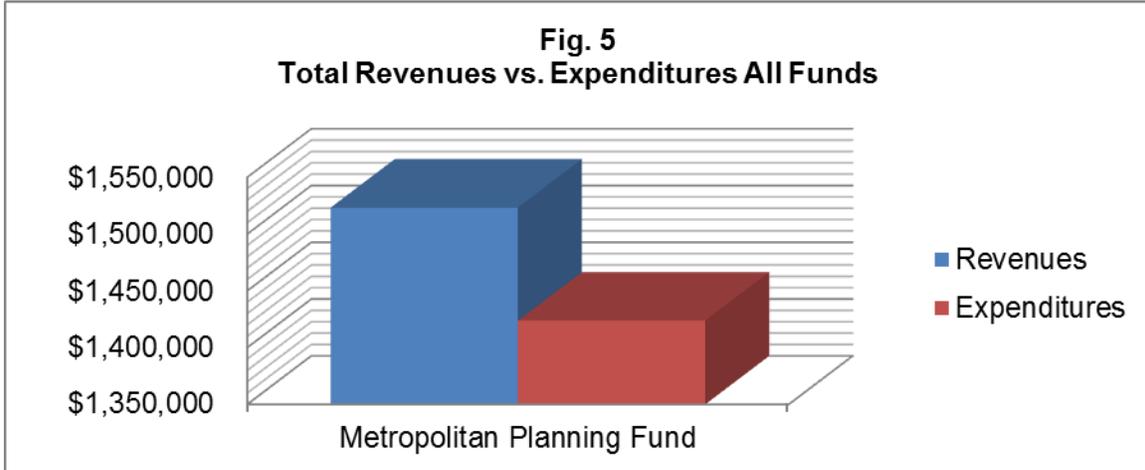
B) Transit Fund

The Transit Fund's fund balance decreased by \$917,973 to \$0 for fiscal year 2013.

**YUMA METROPOLITAN PLANNING ORGANIZATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

STATEMENT OF OVERALL FINANCIAL POSITION (CONTINUED)

Overall, the YMPO continues to meet both its highway and transportation planning obligations. Figure 5 shows that revenues exceeded expenditures in the current year for the Metropolitan Planning Fund.



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As a metropolitan planning organization, the YMPO's focus is on multimodal transportation planning. YMPO will focus on administering its work program in a manner that reduces transportation related fuel consumption, air pollution, and greenhouse gases while increasing clean energy, air quality and supporting sustainable communities, trade, and tourism.

The YMPO will work at coordinating and integrating sustainable solutions and maintaining a continuing 23-year multi agency comprehensive transportation plan, while sustaining a communicative atmosphere that incorporates public involvement.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview for all those with an interest in the YMPO finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Yuma Metropolitan Planning Organization, 502 S. Orange Avenue, Yuma, Arizona, 85364.

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

**YUMA METROPOLITAN PLANNING ORGANIZATION
STATEMENT OF NET POSITION
JUNE 30, 2013**

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 670,626
Receivables:	
Accounts	2,209
Intergovernmental	852,530
Prepaid items and other assets	<u>4,552</u>
Total Current Assets	<u>1,529,917</u>
Capital Assets (net of accumulated depreciation of \$71,825)	<u>34,314</u>
Total Assets	<u>1,564,231</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	153,984
Accrued payroll and related	5,412
Other liability	<u>34,629</u>
Total Current Liabilities	<u>194,025</u>
Due in More than one year:	
Compensated absences payable	<u>4,081</u>
Total Liabilities	<u>198,106</u>
NET POSITION	
Invested in capital assets	34,314
Unrestricted	<u>1,331,811</u>
Total Net Position	<u><u>\$ 1,366,125</u></u>

The notes to the financial statements are an integral part of this statement.

**YUMA METROPOLITAN PLANNING ORGANIZATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government activities:				
Administration	\$ 428,640	\$ -	\$ 464,413	\$ 35,773
Highway and transit planning	968,382	11,814	824,321	(132,247)
Total Governmental Activities	\$ 1,397,022	\$ 11,814	\$ 1,288,734	(96,474)
General Revenues:				
Member fees				166,087
Investment income				5,897
Other revenue				44,806
Transfers out				(1,896,416)
Total general revenues and transfers				(1,679,626)
Change in net position				(1,776,100)
Net position - beginning				3,142,225
Net position - ending				\$ 1,366,125

The notes to the financial statements are an integral part of this statement.

Fund Financial Statements

**YUMA METROPOLITAN PLANNING ORGANIZATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Metropolitan Planning Fund
ASSETS	
Cash and investments	\$ 670,626
Receivables:	
Accounts	2,209
Intergovernmental	852,530
Prepaid items and other assets	4,552
Total Assets	\$ 1,529,917
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 153,984
Accrued payroll and related	5,412
Other liabilities	34,629
Total Liabilities	194,025
Fund Balances:	
Nonspendable:	
Prepaid items and other assets	4,552
Assigned to:	
Highway and transit planning	1,331,340
Total Fund Balance	1,335,892
Total Liabilities and Fund Balance	\$ 1,529,917

The notes to the financial statements are an integral part of this statement.

**YUMA METROPOLITAN PLANNING ORGANIZATION
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balance - total governmental funds - Balance Sheet	\$ 1,335,892
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	34,314
Long-term compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(4,081)</u>
Net position of governmental activities - Statement of Net Position	<u><u>\$ 1,366,125</u></u>

The notes to the financial statements are an integral part of this statement.

**YUMA METROPOLITAN PLANNING ORGANIZATION
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Metropolitan Planning Fund	Transit Fund	Total Governmental Funds
REVENUES			
Intergovernmental:			
Arizona Department of Transportation/Federal Highway Administration	\$ 1,123,451	\$ -	\$ 1,123,451
Federal Transit Administration	44,150	-	44,150
Arizona Department of Environmental Quality	10,000	-	10,000
Member fees	166,087	-	166,087
Investment income	5,897	-	5,897
Charges for services	11,814	-	11,814
In-kind contributions - Yuma County	111,133	-	111,133
Other revenue	50,772	-	50,772
	<u>1,523,304</u>	<u>-</u>	<u>1,523,304</u>
EXPENDITURES			
Current:			
Administration	455,390	-	455,390
Highway and transit planning	968,382	-	968,382
	<u>1,423,772</u>	<u>-</u>	<u>1,423,772</u>
Excess of Revenues Over Expenditures	99,532	-	99,532
OTHER FINANCING SOURCES (USES)			
Transfers in/(out)	<u>281,818</u>	<u>(917,973)</u>	<u>(636,155)</u>
Total other financing sources and uses	<u>281,818</u>	<u>(917,973)</u>	<u>(636,155)</u>
Net change in fund balances	381,350	(917,973)	(536,623)
Fund Balances - beginning	<u>954,542</u>	<u>917,973</u>	<u>1,872,515</u>
Fund Balances - ending	<u>\$ 1,335,892</u>	<u>\$ -</u>	<u>\$ 1,335,892</u>

The notes to the financial statements are an integral part of this statement.

**YUMA METROPOLITAN PLANNING ORGANIZATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds	\$	(536,623)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capitalized assets	36,279		
Less current year depreciation	(19,383)		
		16,896	

Gains on disposal of capital assets are not recognized in the governmental funds.		2,234
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Some revenues reported in the statement of revenues and expenditures do not require the use of current economic resources and, therefore, are not reported on the statement of activities.		(8,200)
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Some transfers out reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as transfers out in the governmental funds.		(1,260,261)
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Long-term compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.		9,854
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Change in net position of governmental activities - Statement of Activities	\$	<u>(1,776,100)</u>
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The notes to the financial statements are an integral part of this statement.

**YUMA METROPOLITAN PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Yuma Metropolitan Planning Organization (YMPO) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

For the year ended June 30, 2013, the YMPO implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

A. Reporting Entity

Yuma Metropolitan Planning Organization is a quasi-governmental entity which was established on December 7, 1982 as the Yuma Metropolitan area's designated Metropolitan Planning Organization under federal law.

The membership of the Executive Board consists of members from towns, cities, a Native American Tribal Community in Yuma County, and from the County itself. It also includes nonvoting members from Winterhaven, CA and various state and local agencies in California and Arizona. The Executive Board acts as a policy body coordinating transportation planning, traffic engineering, air quality conformity, and related implementation activities. It prepares reports to meet the requirements of several transportation and environmental oversight entities at the federal level.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The YMPO is a primary government because it has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units combined with the YMPO for financial statement presentation purposes and the YMPO are not included in any other governmental reporting entity. Consequently, the YMPO's financial statements include only the funds of those organizational entities for which its elected governing board is financially accountable.

Blended Component Unit – Blended component units, although legally separate entities, are in substance part of the YMPO's operations. The Yuma County Intergovernmental Public Transportation Authority (YCIPTA) was formed on December 13, 2010, to manage the operations of the regional public transit system and was reported as a special revenue fund. Effective July 1, 2012, YCIPTA is no longer reported in the financial statements of the YMPO since it no longer depends on the YMPO for its funding.

**YUMA METROPOLITAN PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the YMPO as a whole. The reported information includes all of the nonfiduciary activities of the YMPO. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the YMPO. Governmental activities normally are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The YMPO did not report any business-type activities.

Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

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

Member fees, rental income, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenues also arise when resources are received by the YMPO before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

**YUMA METROPOLITAN PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The YMPO reports the following major governmental funds:

Metropolitan Planning Fund – Accounts for all resources used to finance the YMPO highway and transportation planning activities.

Transit Fund – The Transit Fund accounts for revenues and expenditures related to the regional public transit system.

D. Cash and Investments

Cash – The YMPO's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments – Arizona Revised Statutes (A.R.S.) authorize the YMPO to invest public monies in the State Treasurer's local government investment pools, the County Treasurer's investment pool, interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of Arizona counties, cities, towns, school districts, and special districts as specified by statute. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

E. Investment Income

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

F. Due From and Due To Other Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**YUMA METROPOLITAN PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

Capital assets are defined by the YMPO as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Leasehold improvements	5 - 30 years
Vehicles, furniture and equipment	5 years
Infrastructure	10 - 30 years

The YMPO uses the "full-year" convention where a full year's depreciation is recorded in the year of acquisition, and no depreciation is recorded in the year of sale.

I. Compensated Absences

All regular full-time employees of the YMPO are entitled to paid time off for annual and sick leave. Annual leave begins to accrue immediately on employment according to the following schedule:

0 to 48 months	12 days per year
49 to 120 months	15 days per year
121 months or more	18 days per year
Appointed Agency Heads	18 days per year

The maximum accrual of annual leave is 240 hours. Exceptions may be granted with the approval of the Executive Director. Any unused annual leave will be paid at the time of termination up to the maximum allowable accrual.

Full-time employees earn sick leave at the rate of 96 hours per year. Part-time employees accrue a proportional amount of sick leave, depending on whether they are one-quarter time, one-half time, or three-quarters time. Employees who terminate and have five or more years of service are reimbursed for accrued sick leave at \$3 per hour of sick leave up to 1,000 hours of any accumulated credits.

The current and long-term liabilities, including related benefits, for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations, and retirements.

**YUMA METROPOLITAN PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Estimates

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

K. Net Position/Fund Balance Classifications

Net Position – Government-wide financial statements classify net position as invested in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

Fund Balance – In the governmental fund financial statements, fund balance is composed of five classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The governmental fund types classify fund balances as follows:

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

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Executive Board. Those committed amounts cannot be used for any other purpose unless the Executive Board removes or changes the specified use by taking the same type of action it employed to previously commit those accounts.

Assigned. Amounts in the assigned fund balance classification are intended to be used by YMPO for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Executive Board or a management official delegated that authority by the formal Executive Board action.

Unassigned. The unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**YUMA METROPOLITAN PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Balance Policies

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

M. Program Revenues

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

NOTE 2 – CASH AND INVESTMENTS

Cash – The captions and amounts of cash and investments on the Statement of Net Position consist of the following:

	Governmental Funds
Petty cash	\$ 150
Cash in bank	161,900
Cash on deposit with the County Treasurer	508,576
Total cash and investments	\$ 670,626

Custodial Credit Risk. For deposits, custodial credit risk is the risk that in the event of a bank failure, the YMPO's deposits may not be returned to the YMPO. The YMPO currently does not have a deposit policy for custodial credit risk. At June 30, 2013, the carrying amount of the YMPO's deposits was \$161,900, and the bank balance was \$163,570. The YMPO's bank deposits were entirely covered by Federal depository insurance.

Investments – The YMPO's cash in the custody of the Yuma County Treasurer is part of a pooled investment that includes funds from Yuma County and also from other entities, including the YMPO. Interest is allocated based on average month-end cash balances of each entity's fund. The fair value of a participant's position in the pool approximates the value of that participant's pool shares, and the participants shares are not identified with specific investments.

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. No comparable oversight is provided for the County Treasurer's investment pool.

**YUMA METROPOLITAN PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk. The YMPO does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The YMPO has no investment policy that would further limit its investment choices. As of June 30, 2013, the YMPO's investment in the County Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

Custodial Credit Risk. The YMPO's investment in the County Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the YMPO's portion is not identified with specific investments and is not subject to custodial credit risk.

NOTE 3 - RECEIVABLES

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of intergovernmental receivables. Intergovernmental receivables as of year-end for the YMPO in the aggregate, were as follows:

	Metropolitan Planning Fund
Intergovernmental receivables	
Due from Federal government	\$ 832,530
Due from other governments	20,000
Total intergovernmental receivables	\$ 852,530

Management considers intergovernmental receivables at June 30, 2013 to be fully collectible; therefore, no allowance for doubtful accounts was included.

**YUMA METROPOLITAN PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2013, follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Transfers Out	Ending Balance
Capital assets, being depreciated:					
Vehicles	\$3,469,231	\$ 36,279	\$(14,914)	\$(3,402,199)	\$ 88,397
Furniture and equipment	54,242	-	-	(36,500)	17,742
Leasehold improvements	93,540	-	-	(93,540)	-
Infrastructure	362,452	-	-	(362,452)	-
Total capital assets being depreciated	<u>3,979,465</u>	<u>36,279</u>	<u>(14,914)</u>	<u>(3,894,691)</u>	<u>106,139</u>
Less accumulated depreciation for:					
Vehicles	2,596,144	15,835	(8,948)	2,545,399	57,632
Furniture and equipment	32,544	3,548	-	21,899	14,193
Leasehold improvements	25,061	-	-	25,061	-
Infrastructure	42,072	-	-	42,072	-
Total accumulated depreciation	<u>2,695,821</u>	<u>19,383</u>	<u>(8,948)</u>	<u>2,634,431</u>	<u>71,825</u>
Total capital assets being depreciated, net	<u>1,283,644</u>	<u>16,896</u>	<u>(5,966)</u>	<u>(1,260,260)</u>	<u>34,314</u>
Governmental activities capital assets, net	<u>\$1,283,644</u>	<u>\$ 16,896</u>	<u>\$ (5,966)</u>	<u>\$(1,260,260)</u>	<u>\$ 34,314</u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 9,691
Highway and transit planning	9,692
Total depreciation expense - governmental activities	<u>\$ 19,383</u>

NOTE 5 - OBLIGATIONS UNDER LEASES

The YMPO leases offices under the provisions of a month to month lease agreement classified as an operating lease for accounting purposes. Rental expenditures under the terms of the operating lease totaled \$21,967 for the year ended June 30, 2013.

NOTE 6 - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012 was as follows:

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$13,935	\$16,946	\$26,800	\$4,081	\$ -

NOTE 7 - ECONOMIC DEPENDENCY

The YMPO receives 11 percent of its revenues from dues paid by its member organizations and 74 percent of its revenues from the Federal Highway Administration passed through the Arizona Department of Transportation.

**YUMA METROPOLITAN PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 - RISK MANAGEMENT

The YMPO 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 natural disasters.

The YMPO carried commercial insurance for all risks of loss, including property and liability, workers' compensation, and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - TRANSFERS

The Yuma County Intergovernmental Public Transportation Authority (YCIPTA) was formed on December 13, 2010, to manage the operations of the regional public transit system. For the year ended June 30, 2012, the YMPO was the recipient of the transit system grants and still retained responsibility for the operations.

YCIPTA was approved for grantee status on May 26, 2012, and, on July 1, 2012, the transit system transitioned to YCIPTA. The YCIPTA issued separate financial statements for the year ended June 30, 2013. Per the separation agreement, all transit related assets, liabilities and fund balances were transferred to YCIPTA on July 1, 2012. Therefore, the activities of YCIPTA are not reflected in the financial statements of the YMPO except to reflect the transfer of said assets, liabilities and fund balances which resulted in a transfer out of \$917,973 in the Transit Fund and a transfer in of \$281,818 in the Metropolitan Planning Fund for the close-out of the outstanding amount due to the Transit Fund.

NOTE 10 – IN-KIND CONTRIBUTIONS

For the period ending June 30, 2013, the YMPO received in-kind contributions from Yuma County and the YMPO's Technical Advisory Committee Members totaling \$111,133. The in-kind contributions from Yuma County consist of 8.3% of the total expenditures processed through the Yuma County's Finance Department. The YMPO's Technical Advisory Committee in-kind contribution consists of any time allocated to any YMPO related items that need comment and/or review. This time is also from attending any Technical Advisory Committee meeting. The hourly wage is based off of the current Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates for Civil Engineers. Mileage is used as an in-kind contribution from the Technical Advisory Committee Members which is calculated on a \$0.445 per mile.

**YUMA METROPOLITAN PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 11 - RETIREMENT PLAN

Plan Description – The YMPO, through Yuma County as an intermediary, has contributed to a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing multiple employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System (ASRS). The ASRS (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. The plans are component units of the State of Arizona and benefits are established by State statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

The ASRS has determined that the YMPO and its employees qualify to participate in the System. Discussions are in progress regarding separating active and retired employees from Yuma County to the YMPO.

Funding Policy – The Arizona State Legislature establishes and may amend active plan members' and employers' contribution rates. For the year ended June 30, 2013, active plan members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll and employers were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll. The YMPO's contribution for the current and two preceding years, all of which were equal to the required contributions, were as follows:

	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Year ending June 30:			
2013	\$31,862	\$2,008	\$744
2012	22,539	1,439	567
2011	20,778	1,361	577

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 16, 2013, the date the financial statements were available to be issued. No significant events that would be expected to materially impact the financial statements were identified.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules

**YUMA METROPOLITAN PLANNING ORGANIZATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
METROPOLITAN PLANNING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Arizona Department of Transportation/Federal Highway Administration	\$ 1,274,504	\$ 1,200,941	\$ 1,123,451	\$ (77,490)
Federal Transit Administration	48,749	75,509	44,150	(31,359)
Arizona Department of Environmental Quality Member fees	10,000	10,000	10,000	-
Interest revenue	166,087	206,087	166,087	(40,000)
Charges for services:	5,400	5,400	5,897	497
Traffic count revenues	9,605	9,605	11,814	2,209
In-kind contributions - Yuma County	160,676	150,902	111,133	(39,769)
Other income	5,000	20,000	50,772	30,772
 Total Revenues	 1,680,021	 1,678,444	 1,523,304	 (155,140)
EXPENDITURES				
Administration	351,594	407,593	455,390	(47,797)
Highway and transit planning	916,110	1,057,713	968,382	89,331
 Total Expenditures	 1,267,704	 1,465,306	 1,423,772	 41,534
 Excess Revenues Over Expenditures	 \$ 412,317	 \$ 213,138	 \$ 99,532	 \$ (113,606)

The notes to the financial statements are an integral part of this statement.

**YUMA METROPLITAN PLANNING ORGANIZATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2013**

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The YMPO's budget is prepared on a basis consistent with generally accepted accounting principles with the exception of expenditures which are budgeted by grant purpose rather than by functional expenditures and in-kind services revenue which includes advertising revenues and other income.

NOTE 2 – BUDGETARY CONTROL

YMPO bylaws require the executive director to provide a budget that is reviewed and approved by the board of directors. YMPO retains the right and authority to modify the proposed budget in its entirety or on a line-item basis. An annual appropriated budget is adopted for the special revenue funds on the modified accrual basis of accounting.

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

YMPO budgets expenditures based on program classifications. For the year ended June 30, 2013, expenditures exceeded the final adopted budget amounts for individual reporting line items as follows:

<u>Program</u>	<u>Amount</u>
Metropolitan Planning Fund Administration	\$ 47,797

Total expenditures for the year were below budget by \$41,534 which represents a favorable variance.

OTHER SUPPLEMENTARY INFORMATION

**YUMA METROPOLITAN PLANNING ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor's Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
Passed through Arizona Department of Transportation:			
Highway Planning and Construction	20.205	JPA 11-008	\$ 1,123,451
Metropolitan Transportation Planning	20.505	JPA 11-008	44,150
Total U.S. Department of Transportation			<u>1,167,601</u>
<u>Environmental Protection Agency</u>			
Passed through Arizona Department of Environmental Quality:			
Air Pollution Control Program Support	66.001	EV09-0102	10,000
Total Environmental Protection Agency			<u>10,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,177,601</u></u>

Read the accompanying notes to the Schedule of Expenditures of Federal Awards

YUMA METROPLITAN PLANNING ORGANIZATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the YMPO and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The CFDA program titles and numbers were obtained from the 2013 *Catalog of Federal Domestic Assistance*.



Independent Auditors' 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

The Board of Directors of
Yuma Metropolitan Planning Organization

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Yuma Metropolitan Planning Organization, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Yuma Metropolitan Planning Organization's basic financial statements, and have issued our report thereon dated December 16, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yuma Metropolitan Planning Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Yuma Metropolitan Planning Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Yuma Metropolitan Planning Organization'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 a 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described as item 2013-001 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

Compliance and Other Matters

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

Management's Response to Findings

Yuma Metropolitan Planning Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Yuma Metropolitan Planning Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Phoenix, Arizona
December 16, 2013

**Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control over Compliance Required by OMB Circular A-133**

The Board of Directors of
Yuma Metropolitan Planning Organization

Report on Compliance for Each Major Federal Program

We have audited Yuma Metropolitan Planning Organization's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Yuma Metropolitan Planning Organization's major federal programs for the year ended June 30, 2013. Yuma Metropolitan Planning Organization's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Yuma Metropolitan Planning Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Yuma Metropolitan Planning Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Yuma Metropolitan Planning Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, Yuma Metropolitan Planning Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Yuma Metropolitan Planning Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Yuma Metropolitan Planning Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Yuma Metropolitan Planning Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Walker & Armstrong, LLP

Phoenix, Arizona
December 16, 2013

**Yuma Metropolitan Planning Organization
Schedule of Findings and Questioned Costs
Year ended June 30, 2013**

A. Summary of Audit Results

Financial Statements

Type of auditors' report issued:	Unqualified	
	Yes	No
Internal control over financial reporting:		
Material weaknesses identified		X
Significant deficiencies identified	X	
Noncompliance material to the financial statements noted?		X

Federal Awards

Internal control over major programs:		
Material weaknesses identified		X
Significant deficiencies	None reported	
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?		X
Identification of major programs:		

CFDA No.	Name of Federal Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and B programs:	\$300,000
Auditee qualified as a low risk auditee?	X

Other Matters:

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	X
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Schedule of Findings and Questioned Costs - Continued

B. Financial Statement Findings

2013-001 – Improve Internal Controls over Cash Receipts and Bank Reconciliations

Condition: Prior to January 1, 2013 cash receipts logs were not prepared by YMPO. In addition, prior to January 1, 2013, there were no reconciliations of cash receipts with the validated deposit slips.

Recommendation: We recommend YMPO implement the preparation of a cash receipts log. In addition, we recommend that the office manager reconcile the cash receipts logs with the validated deposit slips and that the preparation and review of the cash receipts logs be so signified by the preparer and reviewer initialing and dating the cash receipts logs. Effective January 1, 2013, YMPO implemented our recommendations.

Management Views and Corrective Action: See corrective action plan.

C. Federal Award Findings None

Summary Schedule of Prior Audit Findings

**Yuma Metropolitan Planning Organization
Summary Schedule of Prior Audit Findings
Year ended June 30, 2013**

2012-001 – Improve Internal Controls over Cash Receipts and Bank Reconciliations

Condition: The bank reconciliations were not prepared timely each month. We observed that the bank reconciliations for all twelve months for the year ended June 30, 2012 were prepared several months after the year-end. The preparation of a cash receipts log was implemented after the year-end but there was no reconciliation of the cash receipts log with the validated deposit slips. Bank reconciliations were not reviewed by an employee after preparation by the accountant. In addition, the accountant as the preparer and the executive director as reviewer were not initialing and dating the bank statements and bank reconciliations.

Recommendation: We recommended timely preparation each month of the bank reconciliations. In addition, we recommended that the executive director review the bank reconciliation. Also, we recommended that the office manager reconcile the cash receipts log with the validated deposit slips and for accountability over preparation and review of the bank reconciliation, we recommended that the employees initial and date the preparation and review of the cash receipts log, bank statement and bank reconciliation so signifying the procedures.

Status: Effective January 1, 2013, management began reconciling the bank accounts on a monthly basis at which time the Organization implemented preparation of a cash log by the office manager upon receipt of the mail. In addition, the cash receipt log is reconciled to the validated deposit slip and the bank statement during the reconciliation process.

2012-101 - Improve Timeliness of Submittal of the Single Audit Reporting Package

CFDA Numbers:	20.507 and 20.205
Program Titles:	Federal Transit Formula Grants; Highway Planning and Construction
Federal Agencies:	U.S. Department of Transportation
Questioned Costs:	None

Condition: Completion of the audit was significantly delayed and the single audit reporting package was not submitted within nine months following the year-end as required by *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*.

Recommendation: We recommended that YMPO perform timely reconciliations of its accounting records to better enable the timely completion and filing of the data collection form and single audit and financial reporting package.

Status: The audit for the year ended June 30, 2013 will be filed timely.

Corrective Action Plan

**Yuma Metropolitan Planning Organization
Corrective Action Plan
Year ended June 30, 2013**

A. Financial Statement Findings

2012-001 – Improve Internal Controls over Cash Receipts and Bank Reconciliations

Condition: During a portion of the year cash receipts logs were not prepared of which preparation was implemented effective January 1, 2013. In addition, prior to January 1, 2013, there were no reconciliations of cash receipts with the validated deposit slips.

Recommendation: The auditors recommend preparation of cash receipts logs including reconciliation by the office manager of the cash receipts logs with the validated deposit slips. In addition, the auditors recommend the employees responsible for preparation and review of the cash receipts logs initial and date the cash receipts logs signifying accountability for the preparation and review procedures.

Corrective Action Plan: Mail is being received by the Senior Transportation Planner or the Transportation Planner II. The mail is stamped as per accounting Manual. If a check is received, they are logging the checks in their check log. Bank Reconciliations are being completed by the 15th of the following month beginning this fiscal year with the Accountant II completing reconciliations. Executive Assistant/Bookkeeper retains check stock, prints and enters checking information when checks are written. Bank Statements are reviewed and initialed by the Executive Director prior to the bank statement being given to the Accountant II. The Accountant II reconciles the bank statement and gives the reconciliation to the Executive Director for review. The YMPO staff initial's and date's the bank reconciliations. The Executive Director opens the credit card statements and initials.

Effective Date: January 1, 2013

Responsible Party: Senior Transportation Planner, Transportation Planner II, Accountant II, Executive Assistant/Bookkeeper, and Executive Director