

**YUMA METROPOLITAN  
PLANNING ORGANIZATION**

**FINANCIAL STATEMENTS, AUDITOR'S REPORT,  
AND SINGLE AUDIT REPORTS**

**FISCAL YEAR ENDED JUNE 30, 2010**

**February 10, 2012**

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Commerce

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## Independent Auditor's Report

To the Board of Directors of the  
Yuma Metropolitan Planning Organization

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Yuma Metropolitan Planning Organization (YMPO), Arizona, as of and for the year ended June 30, 2010, which collectively comprise YMPO's basic financial statements as listed in the table of contents. These financial statements are the responsibility of YMPO's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

We were unable to obtain, to our satisfaction, documentation to support the prior period adjustment.

In our opinion, except for the effects of the prior period adjustment, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Yuma Metropolitan Planning Organization, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2012, on our consideration of YMPO'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* and should be considered in assessing the results of our audit.

To the Board of Directors of the  
Yuma Metropolitan Planning Organization

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 37 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise YMPO's financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material aspects in relation to the financial statements as a whole.

*Lumbarde & Associates, PLLC*

Phoenix, Arizona  
February 10, 2012

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

**YUMA METROPOLITAN PLANNING ORGANIZATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

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, 2010.

**FINANCIAL HIGHLIGHTS**

- The assets of the YMPO exceeded its liabilities at the close of the most recent fiscal year by \$3,499,745. Of this amount, \$1,044,112 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The YMPO's total net assets increased by \$1,174,671. Much of this increase can be attributed to the purchase of capital assets for the Yuma County Area Transit (YCAT) program.
- As of the close of the current fiscal year, the YMPO's governmental funds reported combined ending fund balances of \$847,428 a decrease of \$865,457 from the prior year, as restated.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$847,428, or 60 percent of total General Fund expenditures.
- The YMPO had no long-term debt financing agreements for the fiscal year.

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

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

**YUMA METROPOLITAN PLANNING ORGANIZATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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, federal fund programming for transit, 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 15-16 of this report.

**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 can be divided into two categories: governmental funds and fiduciary 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 General Fund and the Program Fund, a special revenue fund, both of which are considered to be major funds.

**YUMA METROPOLITAN PLANNING ORGANIZATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

The YMPO adopts an annual appropriated budget for its General Fund and Program Fund. Budgetary comparison statements have been provided for each fund to demonstrate compliance with this budget.

For the fiscal year 2010, the YMPO's original budgeted amounts for the General Fund were revised due to adjustments made to the required local match revenues and expenses.

The General Fund actual revenues were \$8,254 less than the final budgeted amounts. This was primarily due to a deferral of member contributions not received during the period of availability. There was an increase in charges for services generated from in-kind revenues in the amount of \$266,189 that were greater than anticipated at time of budget.

The General Fund actual expenditures were \$399,485 more than the final expenditure budget primarily due to in-kind expenditures in the amount of \$266,189 that were greater than anticipated at time of budget. In addition, there were other unanticipated increases related to an assumption that in-kind expenditures could be applied to the matching requirements for the Arizona Department of Transportation (ADOT) grants. The use of in-kind expenditures to meet matching requirements was not approved for fiscal year 2010.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the YMPO's own programs.

**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 assets may serve over time as a useful indicator of a government's financial position. In the case of the YMPO, assets exceeded liabilities by \$3,499,745 at the close of the fiscal year.

**YUMA METROPOLITAN PLANNING ORGANIZATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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

- Capital assets, net, increased by \$1,836,508 due to significant asset acquisitions funded by the American Recovery and Reinvestment Act (ARRA) grant. Additional discussion of the assets acquired during the year can be found on page 13.
- Current and other liabilities increased by \$962,910 due primarily to the increase in the overdraft of cash on deposit with the Yuma County Treasurer. This was related to the late filing of reimbursement requests for the Federal Transit Formula Grants. The Federal Transit Administration (FTA) required the YMPO to submit to an evaluation of several areas, including fiscal responsibility, prior to the release of additional funds. Reimbursements for a portion of the fiscal year 2009 and the fiscal year 2010 expenditures were received during fiscal year 2011.

The following table presents a condensed statement of the YMPO's net assets for the fiscal years ended June 30, 2010 and 2009.

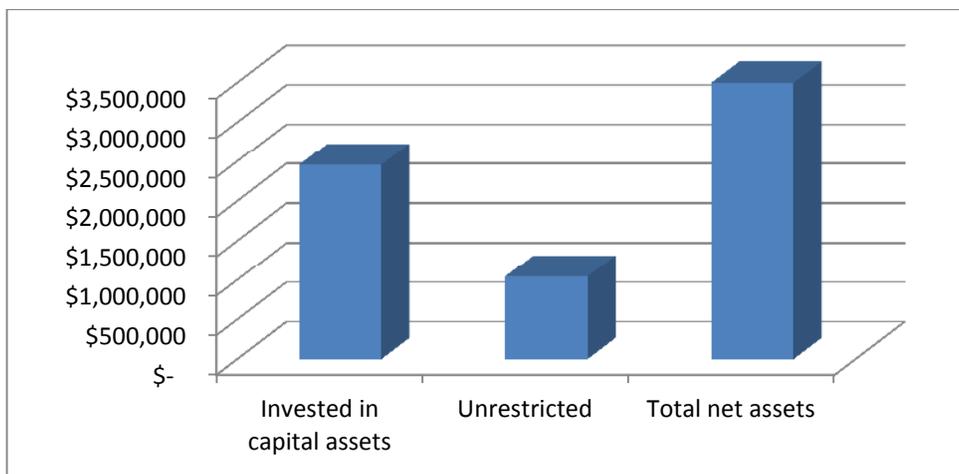
	Governmental Activities	
	2010	2009 (as restated)
<b>Assets:</b>		
Current assets	\$ 3,536,027	\$ 3,234,850
Capital assets, net	2,455,633	619,125
<b>Total assets</b>	<b>5,991,660</b>	<b>3,853,975</b>
<b>Liabilities:</b>		
Current and other liabilities	2,478,809	1,515,899
Long-term liabilities	13,106	13,002
<b>Total liabilities</b>	<b>2,491,915</b>	<b>1,528,901</b>
<b>Net assets:</b>		
Invested in capital assets	2,455,633	619,125
Unrestricted	1,044,112	1,705,949
<b>Total net assets</b>	<b>\$ 3,499,745</b>	<b>\$ 2,325,074</b>

**YUMA METROPOLITAN PLANNING ORGANIZATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

A significant portion of the YMPO's net assets (70 percent) reflects its investment in capital assets (e.g., vehicles, furniture and equipment, leasehold improvements, infrastructure, and construction in progress). The YMPO uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. The net assets are summarized below in Figure 1.

**Fig. 1  
YMPO Net Assets Summary**



The remaining balance of net assets, \$1,044,112, is unrestricted and may be used to meet the YMPO's ongoing obligations to citizens and creditors.

The YMPO's net assets increased by \$1,174,671 during the fiscal year ended June 30, 2010. This increase is mostly attributed to the ARRA grant used for the purchase of capital assets for the YCAT program during the year.

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

- Capital grants and contributions for governmental activities increased by \$2,429,787 as a result of receiving the ARRA grant.
- Transit operations expense increased by \$1,277,130 mostly as a result of the increase in spending due to the receipt of the ARRA grant and increases in the contracted service provider's rates.

**YUMA METROPOLITAN PLANNING ORGANIZATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and 2009.

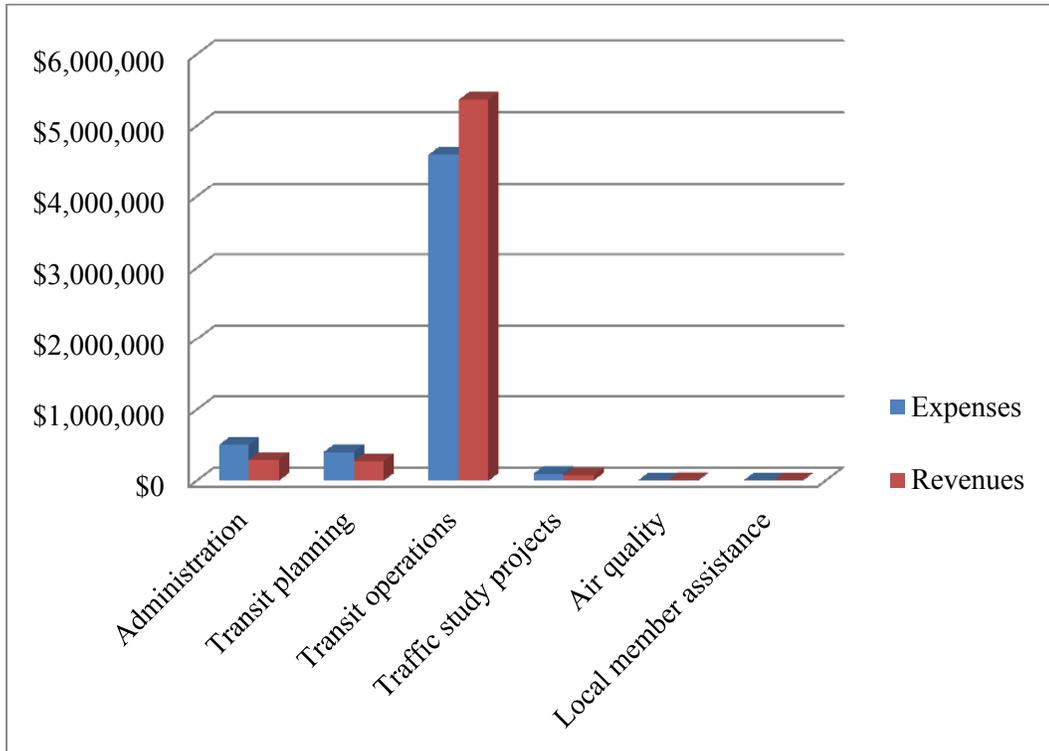
	Governmental Activities	
	2010	2009 (as restated)
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 277,337	\$ 229,841
Operating grants and contributions	3,314,079	3,003,579
Capital grants and contributions	2,429,787	-
General revenues:		
Member contributions	752,993	525,850
Interest revenue	878	10,306
Other revenue	19,536	19
<b>Total revenues</b>	<b>6,794,610</b>	<b>3,769,595</b>
<b>Expenses:</b>		
Administration	506,075	431,712
Transit planning	406,036	169,931
Transit operations	4,600,204	3,323,074
Traffic study projects	100,712	59,644
Air quality	6,892	10,061
Local member assistance	20	64
<b>Total expenses</b>	<b>5,619,939</b>	<b>3,994,486</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 1,174,671</b>	<b>\$ (224,891)</b>

**YUMA METROPOLITAN PLANNING ORGANIZATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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

**Fig. 2  
Summary of Governmental Activities**



**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, unreserved 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, 2010**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)**

As of June 30, 2010, the YMPO's governmental funds reported combined ending fund balances of \$847,428, a decrease of \$865,457 from the prior year, as restated. This decrease was due to the increased FTA monies being utilized for the growing transit system without an increase in match revenues, and the fund balance being used to pay for the billings. Grants and reimbursements had not been filed in 2009 causing the 2010 fund balance to be in the negative. These funds were not received from FTA until 2011. Additionally, there was not enough match being collected for the spending levels of the grant funding, and in kind match for advertising was not allowable which had been recorded in previous years and the 2010 budget. The YMPO accounting system had never been set up to recover in kind match, and the cash fund balance was subsequently being drained to cover these costs. Lastly, there was an increase in the contractor costs and unexpected expenses for the transit operations and maintenance. The contractor was requested to submit a revised rate to sustain within the budget of the grant funding and raised the rate submitted. When the YMPO Executive Board considered shutting the system down due to the lack of funding, the contractor submitted a termination notice which was accepted by the YMPO Executive Director. The combined ending fund balance of \$847,428 constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion.

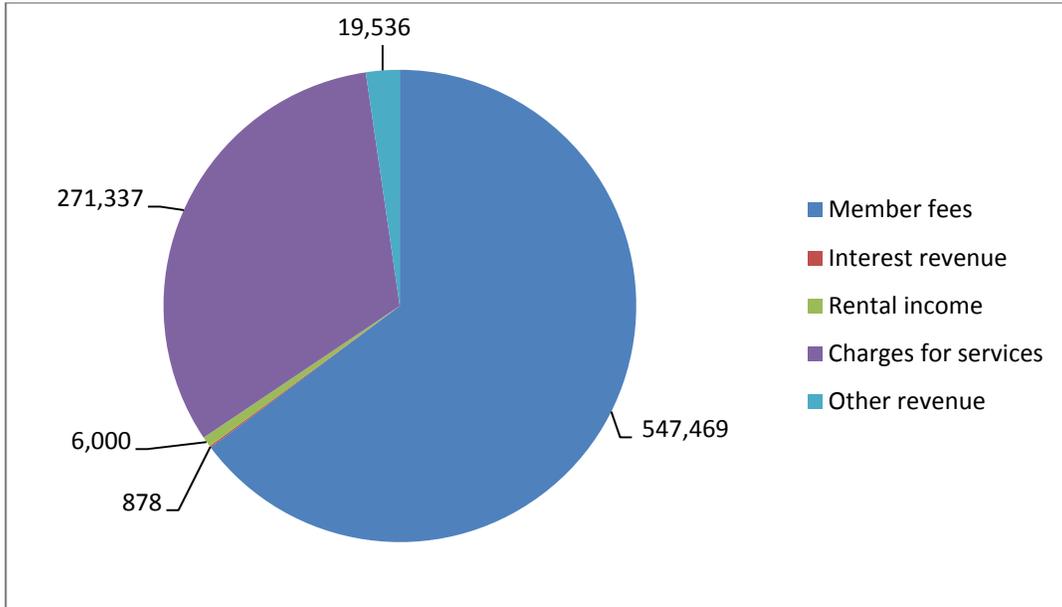
The General Fund is the chief operating fund of the YMPO. At June 30, 2010, unreserved, undesignated fund balance of the General Fund was \$847,428. There were no reserved or designated funds at year end. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved, undesignated fund balance represented 60 percent of total General Fund expenditures.

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

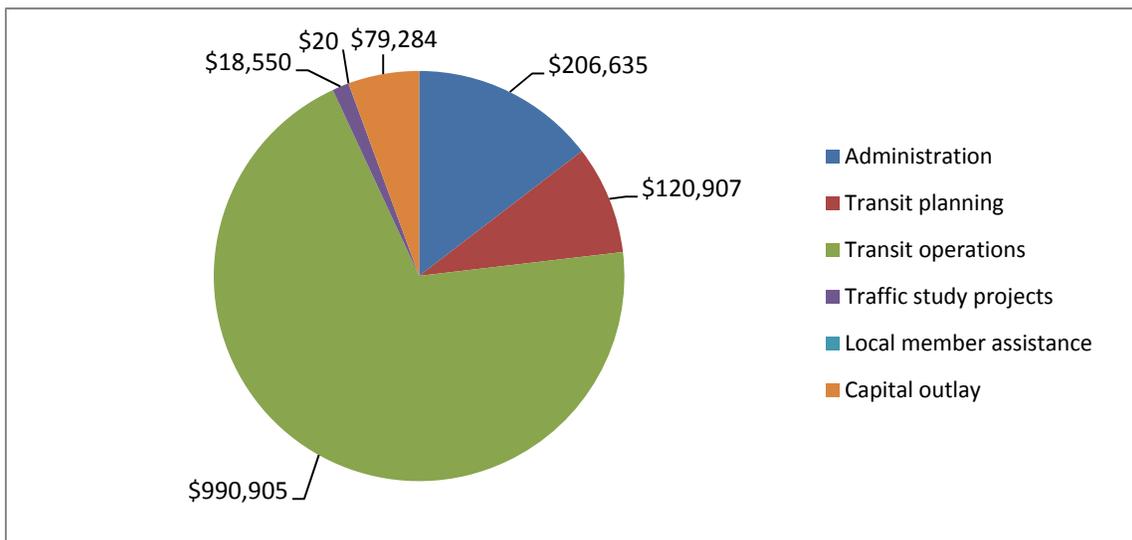
**YUMA METROPOLITAN PLANNING ORGANIZATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)**

**Fig. 3  
General Fund Revenues**



**Fig. 4  
General Fund Expenditures**



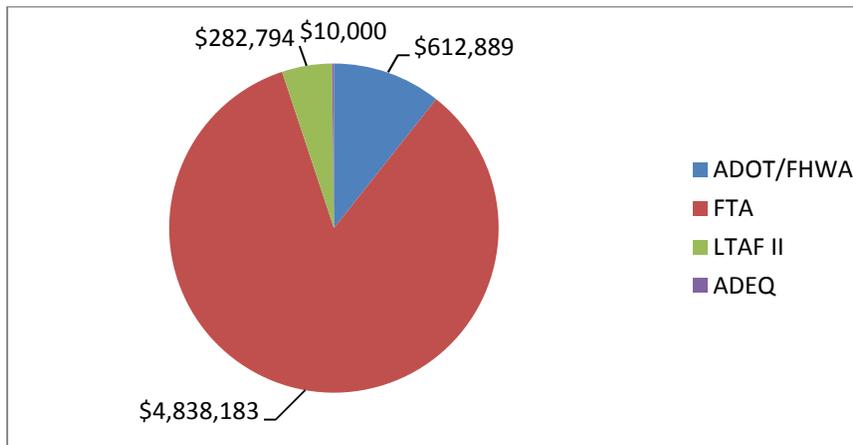
**YUMA METROPOLITAN PLANNING ORGANIZATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)**

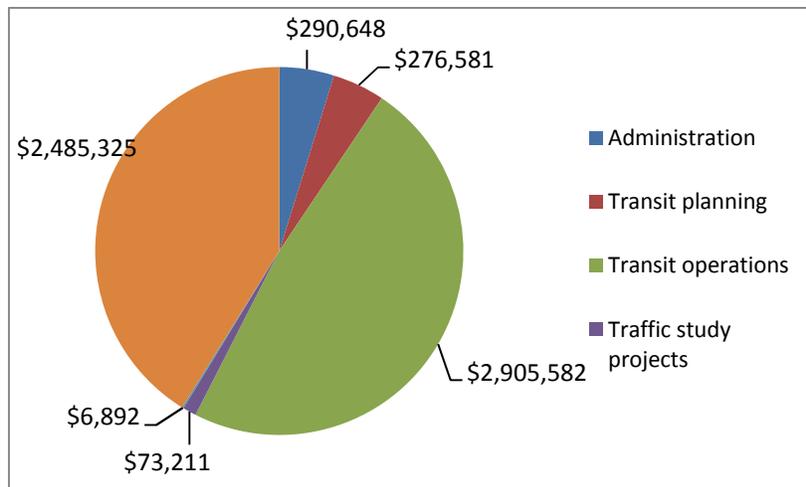
The Program Fund accounts for the grant monies that are legally restricted for purposes specified in the grant agreements and is the primary fund for the YMPO's transit services. At the end of the current fiscal year, the Program Fund had a fund balance of zero. This is a decrease of \$294,373 from the prior year. This decrease was due to reduced shared revenues collected in the LTAF II revenue balance from the State of Arizona.

Figures 5 and 6 below describe the funding sources and amounts of both revenues and expenditures for the Program Fund.

**Fig. 5  
Program Fund Revenues**



**Fig. 6  
Program Fund Expenditures**



**YUMA METROPOLITAN PLANNING ORGANIZATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**CAPITAL ASSETS**

The YMPO's investment in capital assets for its governmental activities as of June 30, 2010, amounted to \$2,455,633 (net of accumulated depreciation). The investment in capital assets includes vehicles, leasehold improvements, furniture and equipment, infrastructure and construction in progress.

Major capital asset events during the fiscal year ended June 30, 2010 included the following as described below and summarized in Note 5 to the financial statements on page 30.

- Purchase of new bus shelters for the YCAT program.
- Purchase of new vehicles for the YCAT program.
- Completion of the YCAT facility relocation initiated during the year ended June 30, 2009 and completed in the fiscal year ended June 30, 2010.

**STATEMENT OF OVERALL FINANCIAL POSITION**

A) General Fund

The YMPO General Fund's fund balance decreased for fiscal year 2010; the decrease can be attributed to increases in expenditures for transit operations and repairs and maintenance to the buses.

B) Program Fund

The Program Fund's fund balance decreased for fiscal year 2010; the decrease can be attributed to increases in expenditures for transit operations and the purchase of new vehicles for the YCAT program.

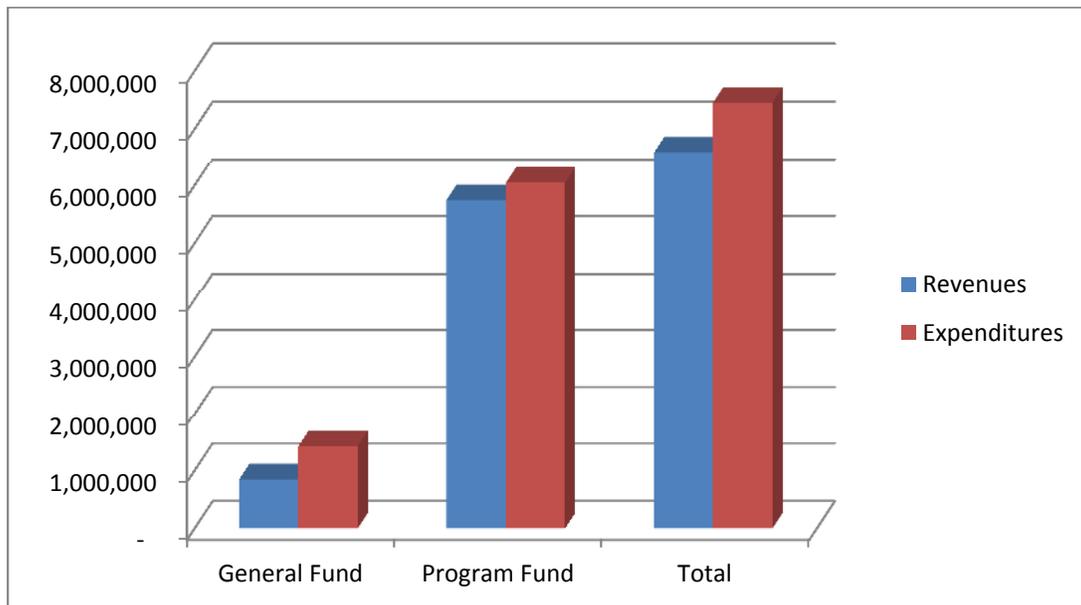
Overall, the YMPO continues to meet both its planning and transit-related obligations.

**YUMA METROPOLITAN PLANNING ORGANIZATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**STATEMENT OF OVERALL FINANCIAL POSITION (CONTINUED)**

Figure 7 below shows that expenditures exceeded revenues in the current year for both the General Fund and the Program Fund.

**Fig. 7  
Total Revenues vs. Expenditures All Funds**



**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Yuma Metropolitan Planning Organization revenue base is funded primarily by Federal Transit Administration Funds, Federal Highway Funds, and Shared Revenues from the State of Arizona, Cities, Towns, County, and local Tribal Nations. These revenue sources comprise approximately 100 percent of the YMPO's general purpose revenues. With the decline of the State's economy, as well as the performance of the local economy, the MPO has seen a continued decline in the revenues received to fund its transit service delivery system. In anticipation of continued economic struggle, the budget for the 2011-2012 fiscal year projects a combined decline in matching revenues due to the loss of the LTAF II funding, the City of Yuma's decision to not participate in transit match for service in the City of Yuma, and shared revenues from the State over actual amounts collected in the 2010-2011 fiscal year of approximately 5 percent.

**YUMA METROPOLITAN PLANNING ORGANIZATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)**

This continues into the 2011-2012 Budget where conservative spending of our reserves and conservative projection of revenues allow us to maintain an adequate reserve until the economy picks up locally as well as a future tax to support the transit system. During this time, a new contractor, First Transit, was hired to provide transit service under emergency contract to maintain the federal and local share budget, and match requirements due to the loss of LTAF II and the local matching revenue of the City of Yuma. The other local entities matching requirements were increased and assessed with the new 2010 census population data.

Management believes that the conservative approach taken in the past few years has led to the success of the YMPO in maintaining its transit service delivery system in a way that necessitates only the use of the federal amount of the financial resources of the MPO. This can continue only if the demand for service remains consistent. However, as time passes and the hope of a better economy continues, this approach may need changing to reflect demand for capital projects that were put off during the downturn as well as lower service levels expected during that same period.

As a metropolitan planning organization, the YMPO's focus is on multimodal transportation planning. The local agencies and the YMPO Executive Board voted and passed having an entity that would be responsible for transit only. The YMPO member entities decided it would be appropriate to form the Yuma County Intergovernmental Public Transportation Authority (YCIPTA) to exclusively manage the YCAT system. Accordingly, the entities requested the Yuma County Board of Supervisors to authorize formation of the YCIPTA, which it did by unanimous vote on December 13, 2010.

Obtaining FTA grantee status in order to become an entity independent of YMPO has been the primary, initial mission of the YCIPTA. Starting in Fiscal Year 2013, YCIPTA will assume the administration and operations of YCAT from YMPO given FTA authorizes the grantee status. YCIPTA is governed by eight Board of Directors appointed by the each of the member entities. Currently, information is presented to the YCIPTA board and then brought forward to the YMPO Executive Board for consideration and approval.

As a result of the thoughtful leadership of the YCIPTA Board and the managerial judgment of the YMPO's Executive Board, we believe we are poised to manage the financial affairs of the YCAT system and Dial-a-Ride with a high degree of vigilance and discipline. We are confident that we can address and manage the challenges we face and look forward to finding ways to expedite the return of healthier revenues that will allow for higher levels of community services and capital construction and investment.

**YUMA METROPOLITAN PLANNING ORGANIZATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)**

The YMPO adopted a fiscal year 2011 budget that shows an overall budget decrease of 29 percent. The decrease is attributable to the ARRA grant budgeted and received in fiscal year 2010 but will not be received again in fiscal year 2011.

**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 ASSETS  
JUNE 30, 2010**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 290,838
Receivables:	
Accounts	6,580
Interest	188
Intergovernmental	3,210,132
Prepaid items and other assets	<u>28,289</u>
Total Current Assets	<u>3,536,027</u>
Capital Assets (net of accumulated depreciation of \$1,509,346)	<u>2,455,633</u>
Total Assets	<u>5,991,660</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Overdraft of cash on deposit with the Yuma County Treasurer	1,989,771
Internal payable	107,327
Accounts payable	354,006
Accrued wages and expenditures	16,531
Unearned revenue	10,299
Other liability	<u>875</u>
Total Current Liabilities	<u>2,478,809</u>
Noncurrent Liabilities:	
Compensated absences payable	<u>13,106</u>
Total Liabilities	<u>2,491,915</u>
<b>NET ASSETS</b>	
Invested in capital assets	2,455,633
Unrestricted	<u>1,044,111</u>
Total Net Assets	<u><u>\$ 3,499,744</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, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Administration	\$ 506,075	\$ 6,000	\$ 290,648	\$ -	\$ (209,427)
Transit planning	406,036	-	276,581	-	(129,455)
Transit operations	4,600,204	271,337	2,663,639	2,429,787	764,559
Traffic study projects	100,712	-	73,211	-	(27,501)
Air quality	6,892	-	10,000	-	3,108
Local member assistance	20	-	-	-	(20)
<b>Total Governmental Activities</b>	<b>\$ 5,619,939</b>	<b>\$ 277,337</b>	<b>\$ 3,314,079</b>	<b>\$ 2,429,787</b>	<b>401,264</b>
General Revenues:					
Intergovernmental:					
Member fees					
					752,992
Interest revenue					
					878
Other revenue					
					19,536
Total General Revenues					
					773,406
Change in Net Assets					
					1,174,670
Net Assets - beginning, as restated					
					2,325,074
Net Assets - ending					
					\$ 3,499,744

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, 2010**

	General Fund	Program Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 290,838	\$ -	\$ 290,838
Receivables:			
Accounts	6,580	-	6,580
Interest	188	-	188
Intergovernmental	298,924	2,911,208	3,210,132
Due from other funds	522,726	-	522,726
Prepaid items and other assets	23,386	4,903	28,289
Total Assets	<b>\$ 1,142,642</b>	<b>\$ 2,916,111</b>	<b>\$ 4,058,753</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Overdraft of cash on deposit with the Yuma County Treasurer	\$ -	\$ 1,989,771	\$ 1,989,771
Accounts payable	68,680	285,326	354,006
Accrued wages and expenditures	5,570	10,961	16,531
Due to other funds	-	630,053	630,053
Deferred revenue	220,089	-	220,089
Other liabilities	875	-	875
Total Liabilities	295,214	2,916,111	3,211,325
Fund Balances:			
Unreserved, undesignated, reported in: General Fund	847,428	-	847,428
Total Fund Balance	847,428	-	847,428
Total Liabilities and Fund Balance	<b>\$ 1,142,642</b>	<b>\$ 2,916,111</b>	<b>\$ 4,058,753</b>

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 ASSETS  
JUNE 30, 2010**

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

Fund balance - total governmental funds - Balance Sheet	\$	847,428
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		2,455,633
Some revenues will not be available to pay for current-period expenditures and, therefore, are deferred in the funds		209,790
Long-term compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental		<u>(13,106)</u>
Net assets of governmental activities - Statement of Net Assets	\$	<u><u>3,499,745</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, 2010**

	<u>General Fund</u>	<u>Program Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Intergovernmental:			
Arizona Dept of Transport/Federal Highway Admin	\$ -	\$ 612,889	\$ 612,889
Federal Transit Administration	-	4,838,183	4,838,183
Local Transportation Assistance Fund II	-	282,794	282,794
Arizona Dept of Environmental Quality	-	10,000	10,000
Member fees	547,469	-	547,469
Interest revenue	878	-	878
Rental income	6,000	-	6,000
Charges for services	271,337	-	271,337
Other revenue	19,536	-	19,536
	<u>845,220</u>	<u>5,743,866</u>	<u>6,589,086</u>
<b>Total Revenues</b>			
<b>EXPENDITURES</b>			
Current:			
Administration	206,635	290,648	497,283
Transit planning	120,907	276,581	397,488
Transit operations	990,905	2,905,582	3,896,487
Traffic study projects	18,550	73,211	91,761
Air quality	-	6,892	6,892
Local member assistance	20	-	20
Capital outlay	79,284	2,485,325	2,564,609
	<u>1,416,301</u>	<u>6,038,239</u>	<u>7,454,540</u>
<b>Total Expenditures</b>			
Deficiency of Revenues Under Expenditures	(571,081)	(294,373)	(865,454)
Fund Balances - beginning, as restated	<u>1,418,509</u>	<u>294,373</u>	<u>1,712,882</u>
Fund Balances - ending	<u>\$ 847,428</u>	<u>\$ -</u>	<u>\$ 847,428</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, 2010**

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

Net changes in fund balances - total governmental funds	\$	(865,454)
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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	\$ 2,564,609	
Less current year depreciation	<u>(705,080)</u>	
		1,859,529

In the Statement of Activities, the gain/loss on the disposal of capital assets is reported, but does not affect resources of the current period; therefore, the gain/loss is not reported in the governmental funds.		(23,021)
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Earned revenues not available to finance expenditures of the current period are deferred in the governmental funds		205,523
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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		<u>(1,906)</u>
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Change in net assets of governmental activities - Statement of Activities	\$	<u><u>1,174,671</u></u>
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The notes to the financial statements are an integral part of this statement.

**YUMA METROPOLITAN PLANNING ORGANIZATION  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
JUNE 30, 2010**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Receivables:	
Intergovernmental	\$ 34,026
Due from other funds	<u>107,327</u>
 Total Assets	 <u><u>\$ 141,353</u></u>
 <b>LIABILITIES</b>	
Due to other governments	<u>\$ 141,353</u>
 Total Liabilities	 <u><u>\$ 141,353</u></u>

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

**YUMA METROPLITAN PLANNING ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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 the YMPO's accounting policies are described below.

**A. Reporting Entity**

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

The membership of the Executive Board consists of members from towns, cities, an Indian tribe 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, there are no component units combined with the YMPO for financial statement presentation purposes, and the YMPO is 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.

**YUMA METROPLITAN PLANNING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**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 Assets 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 does not have any business-type activities.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements.

**YUMA METROPLITAN PLANNING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

Member contributions, 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.

The YMPO reports the following major governmental funds:

**General Fund**– The General Fund accounts for all resources used to finance the YMPO maintenance and operation except those required to be accounted for in other funds.

**Program Fund**– The Program Fund accounts for grant monies that are legally restricted for purposes specified in the grant agreements.

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

Fiduciary fund financial statements include a Statement of Fiduciary Assets and Liabilities. The YMPO's fiduciary fund represents an agency fund, which is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. Fiduciary funds are reported using the accrual basis of accounting; however, they are not included in the government-wide financial statements since they are not assets of the YMPO available to support YMPO programs.

**YUMA METROPLITAN PLANNING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The YMPO reports the following fiduciary fund type:

Agency Fund – The Agency Fund accounts for assets the YMPO holds as an agent for other governments in a temporary custodial capacity. This fund accounts for 9-1-1 fees collected from each of the member entities and held in trust until distributed to the City of Yuma.

**D. Cash and Investments**

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. Arizona Revised Statutes authorize the County to invest public funds in the State Treasurer's investment pool, interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories bonds or obligations of the United States Government which are guaranteed as to principal and interest by the United States Government. It also authorizes investment in bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 100 percent of all deposits not covered by Federal Depository Insurance. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for YMPO's 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, and that pool's structure does not provide for shares. The fair value of a participant's position in the pool approximates the value of that participant's pool shares, and the participant's shares are not identified with specific investments.

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

At June 30, 2010, the average maturity for the County Treasurer's investment pool was 132 days.

*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.

**YUMA METROPLITAN PLANNING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Credit Risk.* The YMPO has no investment policy that would further limit its investment choices. As of June 30, 2010, 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.

**E. Receivables and Payables**

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). All other outstanding balances between funds are reported as "due to/from other funds."

**F. 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.

**G. 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. Major improvements are capitalized and depreciated over the remaining useful life of the asset.

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

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

**YUMA METROPLITAN PLANNING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**H. 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:

1 to 5 years	80 hours per year
6 to 10 years	120 hours per year
11 years	128 hours per year
12 years	136 hours per year
13 years	144 hours per year
14 years	152 hours per year
15 to 20 years	160 hours per year
After 20 years	200 hours per year

The maximum accrual of annual leave is 30 days. Exceptions may be granted with the written 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 one working day per completed month of service, 72 hours per calendar year (six hours per month). Probationary employees in their initial review period and part-time employees who average at least twenty hours per week are allowed sick leave at the standard rate of one working day for each completed working month according to the time actually worked. Upon retirement or death, an employee is reimbursed for accrued sick leave at 40 percent following five years of service. Twenty-five percent of an employee’s accrued sick leave shall be paid to an employee who terminates in good standing provided they have completed five or more years of continuous service.

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. Generally, resources from the General Fund are used to pay for compensated absences.

**YUMA METROPLITAN PLANNING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Estimates**

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

**NOTE 2 - CASH**

The captions and amounts of cash on the balance sheet consist of the following:

	Governmental Funds
Petty cash	\$ 16
Cash in bank	290,822
<b>Total cash</b>	<b>\$ 290,838</b>

At June 30, 2010, the carrying amount of the YMPO's deposits was \$290,822, and the bank balance was \$364,585. The YMPO's deposits were entirely covered by Federal depository insurance.

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 did not have a deposit policy for custodial credit risk for the fiscal year ended June 30, 2010.

**NOTE 3 – OVERDRAFT OF CASH ON DEPOSIT WITH THE YUMA COUNTY TREASURER**

The YMPO generally deposits its cash with the Yuma County Treasurer, except those amounts needed for short-term operations. However, at June 30, 2010, the YMPO had a negative balance of \$1,989,771, reported as overdraft of cash on deposit with the Yuma County Treasurer in the financial statements. This was due to the late filing of grant reimbursement requests.

**YUMA METROPLITAN PLANNING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 4 – 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. Intergovernmental receivables as of year end for the YMPO in the aggregate, were as follows:

	Governmental Funds	Fiduciary Funds	Total
<b>Intergovernmental receivables</b>			
Due from Federal government	\$ 2,911,208	\$ -	\$ 2,911,208
Due from Members	298,924	34,026	332,950
<b>Total intergovernmental receivables</b>	<b>\$ 3,210,132</b>	<b>\$ 34,026</b>	<b>\$ 3,244,158</b>

Management considers intergovernmental receivables at June 30, 2010 to be fully collectible; therefore, no allowance for doubtful accounts was included.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
<b>General Fund:</b>			
Measurable but unavailable revenues	\$ 209,790	\$ -	\$ 209,790
Revenues received but not yet earned	-	10,299	10,299
<b>Total deferred revenue for governmental funds</b>	<b>\$ 209,790</b>	<b>\$ 10,299</b>	<b>\$ 220,089</b>

**YUMA METROPLITAN PLANNING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 5 - CAPITAL ASSETS**

A summary of capital asset activity for the fiscal year ended June 30, 2010 follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
<b>Capital assets not being depreciated:</b>				
Construction in progress	\$ 3,113	\$ 63,481	\$ (66,594)	\$ -
<b>Capital assets being depreciated:</b>				
Vehicles	1,805,311	2,133,275	(469,355)	3,469,231
Furniture and equipment	175,835	54,242	(175,835)	54,242
Leasehold improvements	29,444	66,594	(10,027)	86,011
Infrastructure	41,884	313,611	-	355,495
<b>Total capital assets being depreciated</b>	<u>2,052,474</u>	<u>2,567,722</u>	<u>(655,217)</u>	<u>3,964,979</u>
<b>Less accumulated depreciation for:</b>				
Vehicles	(1,258,915)	(677,642)	469,113	(1,467,444)
Furniture and equipment	(156,275)	(10,848)	156,275	(10,848)
Leasehold improvements	(16,142)	(4,740)	6,808	(14,074)
Infrastructure	(5,130)	(11,850)	-	(16,980)
<b>Total accumulated depreciation</b>	<u>(1,436,462)</u>	<u>(705,080)</u>	<u>632,196</u>	<u>(1,509,346)</u>
<b>Total capital assets being depreciated, net</b>	<u>616,012</u>	<u>1,862,642</u>	<u>(23,021)</u>	<u>2,455,633</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 619,125</u>	<u>\$ 1,926,123</u>	<u>\$ (89,615)</u>	<u>\$ 2,455,633</u>

Depreciation expense was charged to governmental functions as follows:

	Governmental Activities
Administration	\$ 7,157
Transit planning	2,983
Transit operations	691,836
Traffic study projects	3,104
<b>Total depreciation expense</b>	<u>\$ 705,080</u>

The YMPO increased its capitalization threshold, effective July 1, 2009, from \$150 to \$5,000. The fiscal year 2008-09 capital assets included assets with an initial cost below the \$5,000 threshold. The effect of the change in the capitalization threshold has been included in the decreases presented above. Adjustments were made in order to remove \$627,478 of capital assets that fell below the \$5,000 threshold. Accumulated depreciation associated with these assets totaling \$604,457 was also removed.

**YUMA METROPLITAN PLANNING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 - OBLIGATIONS UNDER LEASES**

The YMPO leases offices under the provisions of a long-term lease agreement classified as an operating lease for accounting purposes. Rental expenditures under the terms of the operating lease totaled \$22,577 for the year ended June 30, 2010. The operating lease has a remaining noncancelable lease term of 2.5 years.

The YMPO leases a bus facility under the provisions of a long-term lease agreement classified as an operating lease for accounting purposes. Rental expenditures under the terms of the operating lease totaled \$43,200 for the year ended June 30, 2010. At the end of June 30, 2010, the operating lease converted to a month to month lease for the fiscal year ending June 30, 2011.

The YMPO leases two buses under the provisions of a long-term lease agreement classified as an operating lease for accounting purposes. Rental expenditures under the terms of the operating lease totaled \$45,600 for the year ended June 30, 2010. The operating lease for the buses concluded as of June 30, 2010.

The future minimum rental payments required under the operating leases at June 30, 2010, were as follows:

Year ending June 30:		
	2011	\$ 21,600
	2012	21,600
	2013	<u>10,800</u>
	Total minimum payments required	<u>\$ 54,000</u>

**NOTE 7 - CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 13,002	\$ 15,951	\$ (15,847)	\$ 13,106	\$ -

**NOTE 8 - CONCENTRATIONS**

The YMPO receives 8 percent of its revenues from dues contributed by its member organizations, 73 percent of its revenues from the Federal Transit Administration either directly or passed through the Arizona Department of Transportation, and 9 percent of its revenues from the Federal Highway Administration passed through the Arizona Department of Transportation.

**YUMA METROPLITAN PLANNING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 9 - 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 continues to carry 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 10 - RETIREMENT PLAN**

**Plan Description** – The YMPO contributes 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. 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.

**Funding Policy** – The Arizona State Legislature establishes and may amend active plan members' and the YMPO's contribution rates. For the year ended June 30, 2010, active plan members were required by statute to contribute at the actuarially determined rate of 9.40 percent (9.00 percent for retirement and 0.40 percent for long-term disability) of the members' annual covered payroll and the YMPO was required by statute to contribute at the actuarially determined rate of 9.40 percent (8.34 percent for retirement, 0.66 percent for health insurance premium, and 0.40 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:

**YUMA METROPLITAN PLANNING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 10 - RETIREMENT PLAN (CONTINUED)**

	<u>Retirement</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Year ending June 30:			
2010	\$ 18,443	\$ 1,459	\$ 885
2009	15,504	1,863	970
2008	19,192	2,503	1,192

**NOTE 11 – INTERFUND RECEIVABLES AND PAYABLES**

At year end, interfund balances were as follows:

Due from/to other funds:

	<u>Due from other funds:</u>	<u>Due to other funds</u>
General Fund	\$ 522,726	\$ -
Program Fund	-	630,053
Agency Fund	<u>107,327</u>	<u>-</u>
Total	<u>\$ 630,053</u>	<u>\$ 630,053</u>

Because the agency fund is not part of the reporting entity for the government-wide statements, the amount due from the Program fund to the Agency fund is reported as an Internal payable on the government-wide statement of position. The amount due from the Program fund to the General fund is eliminated in the government-wide statement of position.

At year end, the Program Fund had a negative cash balance in the Treasurer's pooled cash accounts due to the late filing for grant reimbursements. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing with other funds. All interfund balances are expected to be paid within one year. However, negative cash remained after interfund borrowing, resulting in an overdraft with the County Treasurer in the Program Fund.

**YUMA METROPLITAN PLANNING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 12 – IN KIND REVENUES AND EXPENDITURES/EXPENSES**

The YMPO entered into an advertising trade agreement with Kay Transportation L.L.C. (Kay Transportation) during the fiscal year ended June 30, 2010. The YMPO contracts Kay Transportation to operate the Dial-a-Ride (DAR) and Yuma County Area Transit (YCAT) programs. As part of the contract, Kay Transportation is required to spend five percent of DAR contracted expenses and eight percent of YCAT contracted expenses on advertising for these programs. For the fiscal year ended June 30, 2010 total advertising expenses spent for DAR and YCAT were \$59,100 and \$121,489, respectively.

The YMPO entered into an advertising trade agreement with Fox9 ABC5 T35 (the Station) during the fiscal year ended June 30, 2010. This trade agreement requires the Station to provide air time equal to \$85,600 of advertising expenses to advertise the DAR program. The YMPO is required to display advertising for the Station on the rear window panels of fourteen YCAT buses to equal advertising expenses of \$85,600.

The amounts related to both of these advertising trade agreements are considered in-kind revenue and in-kind expenditures/expenses and are required to be included in the YMPO's financial statements. The in-kind revenue is included in charges for services and the in-kind expenditure/expense is included in transit operations, totaling \$266,189 for the fiscal year ended June 30, 2010.

**NOTE 13 – PRIOR PERIOD ADJUSTMENT**

The July 1, 2009 fund balances of the General Fund and Program Fund and government-wide net assets do not agree to the prior year financial statements due to corrections of errors. The errors were as follows: (1) errors in the recording of the prior year's accounts payable, (2) errors in the recording of the prior year's grant receivables, and (3) errors in the classification of prior year's expenditures. The corrections to the governmental funds and the governmental activities are as follows:

**YUMA METROPLITAN PLANNING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 13 – PRIOR PERIOD ADJUSTMENT (CONTINUED)**

	Governmental Funds		Government- Wide Statement of Activities
	General Fund	Program Fund	
<b>Fund Balance/Net Assets</b>			
<b>June 30, 2009, as previously reported</b>	\$ 916,358	\$ 429,118	\$ 1,957,668
Adjustments:			
Corrections to accounts payable	90,342	23,870	114,212
Corrections to accounts receivable	-	253,194	253,194
Expenditure reclassifications	411,809	(411,809)	-
Total adjustments	502,151	(134,745)	367,406
<b>Fund Balance/Net Assets</b>			
<b>June 30, 2009, as restated</b>	\$ 1,418,509	\$ 294,373	\$ 2,325,074

**NOTE 14 – SUBSEQUENT EVENT**

Yuma Transit, LLC and Kay Transportation submitted letters of resignation as of August 31, 2010. First Transit began emergency services effective September 1, 2010. Effective May 26, 2011, after evaluating proposals, YMPO awarded the transit operations contract to First Transit.

On May 26, 2011, the YMPO Executive Board approved designation and formation of Yuma County Intergovernmental Public Transportation Authority (YCIPTA) as an advisory board to the YMPO. A transit director for YCIPTA was hired July 5, 2011. The targeted date of transition into two separate entities is July 1, 2012.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# **Budgetary Comparison Schedule**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
(Required Supplementary Information)**

**YUMA METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental:				
Member contributions	\$ 762,179	\$ 580,383	\$ 547,469	\$ (32,914)
Interest revenue	48,996	48,996	878	(48,118)
Rental income	6,600	6,600	6,000	(600)
Charges for services	95,720	139,980	271,337	131,357
Other income	3,500	3,500	19,536	16,036
	<u>916,995</u>	<u>779,459</u>	<u>845,220</u>	<u>65,761</u>
<b>EXPENDITURES</b>				
Administration	37,053	160,816	241,292	(80,476)
Transit planning	96,800	47,479	120,907	(73,428)
Transit operations	387,475	491,478	1,035,532	(544,054)
Traffic study projects	11,497	17,777	18,550	(773)
Air quality	2,240	-	-	-
Local member assistance	65,626	61,879	20	61,859
	<u>600,691</u>	<u>779,429</u>	<u>1,416,301</u>	<u>(636,872)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 316,304</u>	<u>\$ 30</u>	<u>\$ (571,081)</u>	<u>\$ (571,111)</u>

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

**YUMA METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
PROGRAM FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental:				
ADOT/FHWA	\$ 930,858	\$ 1,519,114	\$ 612,889	\$ (906,225)
FTA	4,235,094	4,235,328	4,838,183	602,855
LTAF II	190,558	282,794	282,794	-
ADEQ	10,000	5,000	10,000	5,000
	<u>5,366,510</u>	<u>6,042,236</u>	<u>5,743,866</u>	<u>(298,370)</u>
Total Revenues				
<b>EXPENDITURES</b>				
Administration	221,520	543,017	290,648	252,369
Transit planning	415,505	485,057	276,581	208,476
Transit operations	1,505,288	4,630,517	5,390,907	(760,390)
Traffic study projects	81,973	133,195	73,211	59,984
Air quality	16,000	5,000	6,892	(1,892)
Local member assistance	-	308,600	-	308,600
	<u>2,240,286</u>	<u>6,105,386</u>	<u>6,038,239</u>	<u>67,147</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 3,126,224</u>	<u>\$ (63,150)</u>	<u>\$ (294,373)</u>	<u>\$ (231,223)</u>

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

**YUMA METROPLITAN PLANNING ORGANIZATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2010**

**NOTE 1 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The General Fund actual expenditures exceeded the final expenditure budget by \$636,872 partially due to in-kind expenses in the amount of \$266,189 that were greater than anticipated at time of budget. Also, the costs for the Purple Route of \$237,387 were left out of the budget as they were to be covered by the Cocopah Indian Tribe.

## **OTHER SUPPLEMENTARY SCHEDULE**

**YUMA METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Identifying Number</u>	<u>Federal Expenditures Recognized</u>
<b><u>U.S. Department of Transportation</u></b>			
Direct Programs:			
Federal Transit Formula Grants	20.507*	AZ-90-X075-00	\$ 30,496
Federal Transit Formula Grants	20.507*	AZ-90-X108-00	1,421,415
Federal Transit Formula Grants	20.507*	AZ-90-X110-00	882,076
Federal Transit Formula Grants	20.507*	AZ-95-X110-00	28,142
ARRA - Federal Transit Capital Investment Grants	20.500*	AZ-96-X004-00	<u>2,429,787</u>
			<u>4,791,916</u>
Passed through Arizona Department of Transportation:			
Highway Planning and Construction	20.205*	T06-49-E0001	612,889
Metropolitan Transportation Planning	20.505	T06-49-E0001	<u>46,267</u>
			<u>659,156</u>
Total U.S. Department of Transportation			<u>5,451,072</u>
<b><u>Environmental Protection Agency</u></b>			
Passed through Arizona Department of Environmental Quality:			
Air Pollution Control Program Support	66.001	EV09-0102	<u>10,000</u>
Total Expenditures of Federal Awards			<u>\$ 5,461,072</u>

\* Denotes a major program.

See following notes to the Schedule of Expenditures of Federal Awards.

**YUMA METROPOLITAN PLANNING ORGANIZATION  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 1- BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the 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.

# **SINGLE AUDIT SECTION**



Lisa B. Lumbard, C.P.A., C.G.F.M.

Janette Wallin, C.P.A., C.G.F.M.

Carlos E. Valdivia, C.P.A.

C. Cristine Swan, C.P.A.

Jared M. Hansen, C.P.A.

A. Jake Litwiller

Stephanie M. Canez

American Institute of  
Certified Public  
Accountants

Government Finance  
Officers Association

Arizona Society of  
Certified Public  
Accountants

Association of  
Government  
Accountants

Arizona Hispanic  
Chamber of  
Commerce

Rural Water  
Association of  
Arizona

**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**

To the Board of Directors of the  
Yuma Metropolitan Planning Organization

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Yuma Metropolitan Planning Organization (YMPO) as of and for the year ended June 30, 2010, which collectively comprise YMPO's basic financial statements and have issued our report thereon dated February 10, 2012. The report was qualified because the prior period adjustment could not be substantiated to our satisfaction. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered YMPO's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of YMPO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of YMPO's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questions costs, that we consider to be material weaknesses in internal control over financial reporting as Findings 10-1 through 10-6.

To the Board of Directors of the  
Yuma Metropolitan Planning Organization

**Internal Control Over Financial Reporting (Continued)**

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as described above.

**Compliance and other matters**

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

We noted certain matters that we reported to management of YMPO in a separate letter dated February 10, 2012.

YMPO's response to the findings identified in our audit is described following the accompanying schedule of findings and questioned costs. We did not audit YMPO's response and, accordingly, we express no opinion on it.

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

Phoenix, Arizona  
February 10, 2012



Lisa B. Lombard, C.P.A., C.G.F.M.

Janette Wallin, C.P.A., C.G.F.M.

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Arizona Hispanic  
Chamber of  
Commerce

Rural Water  
Association of  
Arizona

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

To the Board of Directors of the  
Yuma Metropolitan Planning Organization

**Compliance**

We have audited the compliance of Yuma Metropolitan Planning Organization (YMPO) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. YMPO's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of YMPO's management. Our responsibility is to express an opinion on YMPO's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *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 YMPO's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on YMPO's compliance with those requirements.

In our opinion, YMPO complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 10-4.

To the Board of Directors of the  
Yuma Metropolitan Planning Organization

### **Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 10-4 to be a material weakness.

*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 did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies.

YMPO's responses to the findings identified in our audit are described following the accompanying schedule of findings and questioned costs. We did not audit YMPO's responses and, accordingly, we express no opinion on the responses.

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

Phoenix, Arizona  
February 10, 2012

**YUMA METROPOLITAN PLANNING ORGANIZATION  
SUMMARY OF AUDITOR'S RESULTS  
JUNE 30, 2010**

**Financial Statements**

Type of auditor's report issued: Qualified opinion

**Internal control over financial reporting:**

Material weaknesses identified? Yes (Findings No. 10-1 through 10-6)

Significant deficiencies identified that are not considered to be material weaknesses? No

Material noncompliance to financial statements noted? No

**Federal Awards**

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

**Internal control over major programs:**

Material weakness identified? Yes (Finding No. 10-4)

Significant deficiencies identified that are not considered to be material weaknesses? No

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes (Finding No. 10-4)

Identification of major programs: Federal Transit Formula Grants, CFDA #20.507  
ARRA – Federal Transit Capital Investment Grants, CFDA #20.500  
Highway Planning and Construction CFDA #20.205

Dollar threshold distinguishing between Type A and Type B programs: \$300,000

Auditee qualified as a low risk auditee? No

**YUMA METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**Finding No. 10-1**

**Condition- Inadequate internal controls over accounting**

1. Prior period adjustment –
  - a. A prior period adjustment totaling \$502,151 for the General Fund, \$(134,745) for the Program Fund and \$367,406 for the Government-Wide statements was posted to the YMPO's books.
  - b. No documentation was provided to support this adjustment other than copies of the adjusting journal entries.
  
2. Adjusting journal entries –
  - a. The Organization had year-end adjusting journal entries prepared by an outside CPA firm.
  - b. However, none of the journal entries were on-site, and management indicated that they had not reviewed or approved the journal entries.
  
3. Natural expenditure classifications –
  - a. Not all payroll is listed as a separate line item in the Trial Balance. Rather, payroll is allocated to "program operations", "transit operations" and other similar accounts which are also used to post other expenditures.
  - b. It appears that all expenditures are recorded in this manner, by function rather than natural classifications (i.e. payroll, utilities, travel, supplies, etc.)

**Criteria**

Codification of Governmental Accounting and Financial Reporting Standards, Section 110.101, requires that, "A governmental accounting system must make it possible to ...present fairly and with full disclosure, the financial position and results of financial position and results of financial operation of the funds...of the governmental unit in conformity with generally accepted accounting principles."

**Effect**

The Independent Auditor's opinion was qualified because the Organization could not provide documentation for the audit to support the prior period adjustments.

**Cause**

During the audit period, the Organization lacked appropriate internal controls, qualified personnel to perform the controls, adequate management and governing board oversight. Also, there was a lack of procedures in place to monitor work performed by an outside contractor and to retain documents.

**YUMA METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**Finding No. 10-1 (Continued)**

**Recommendation**

During the fiscal year being audited, all key personnel were replaced and many of the board members terms expired and were replaced. Current management has implemented many new policies and procedures. It is recommended that the current governing board assure that policies instituted include the following:

1. Qualified accounting personnel should be employed. Until it becomes cost effective for YMPO to hire adequate qualified accounting staff for proper segregation of duties, an outside accountant could be utilized to perform certain month end procedures.
2. We recommend that the Organization obtain a copy of all journal entries prepared by the outside CPA firm, document the approval, and retain them in accordance with the requirements.
3. After adjusting entries are completed, QuickBooks should be locked down for the completed audit period.
4. Accounts should be set up using natural classifications (payroll, utilities, travel, etc.), utilizing the class function in Quickbooks to track the program and funding source.

**Questioned Costs**

None

**YUMA METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**Finding No. 10-2**

**Condition- Weakness in controls over disbursements**

A total of 25 disbursements were tested for the fiscal year ended June 30, 2010 with the following exceptions noted:

1. Four disbursements lacked approval by the Executive Director, totaling \$251,426, with \$142,888 related to federal grant expenditures.
2. Two disbursements lacked supporting documentation totaling \$3,702, with \$2,880 related to federal grant expenditures.
3. One disbursement was coded incorrectly. This was corrected by the outside accounting firm after the year then ended.
4. Thirteen were not stamped with the accounts payable stamp, or marked in some way to prevent duplicate payments.
5. There are inadequate reviewers to cover when the Executive Director is not available, resulting in one person being required to perform the tasks of entering the invoice into the accounting system, approving the invoice and signing the check.

**Criteria**

The objectives of a sound internal control structure relating to providing adequate safeguards over assets, including cash disbursements and reliable financial records and reporting.

**Effect**

Expenditures may have been made which have not been properly authorized leaving the Organization's assets vulnerable to misappropriation.

**Cause**

During the audit period, the YMPO lacked adequate qualified personnel and management oversight of compliance with existing policies and procedures.

**Recommendation**

1. Recommend appointing a board member as an alternate for authorization of payment and signing checks when the Executive Director is unavailable,
2. All new and current personnel authorized to make purchases should be trained on the Organization's policies and procedures.

**Questioned Costs**

None

**YUMA METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**Finding No. 10-3**

**Condition- Weakness in controls over cash management**

1. The cash investments held by the Yuma County investment pool were overdrawn by \$1,989,771.
2. The bank reconciliations were not prepared timely. The outside accountant performed the bank reconciliation for the entire fiscal year after the year then ended.
3. The Yuma County investment pool did not provide monthly statements so that reconciliations could be performed.
4. One of the YMPO's bank accounts did not close at month end, closing instead on the 20<sup>th</sup> of each month, which did not agree with YMPO's year-end cutoff.
5. The bank reconciliation for June 30, 2010 showed seven checks outstanding more than one year old, with four of those seven checks more than two years old.
6. Accounts receivable due from members increased by \$262,000 for the year ended June 30, 2010. The Organization expects all dues to be paid and did not provide an allowance for doubtful accounts. However, it was also noted that no invoices were sent to the members, nor was any tracking or follow-up performed on late/missing payments.

**Criteria**

Codification of Governmental Accounting and Financial Reporting Standards, Section 110.101, requires that, "A governmental accounting system must make it possible to ...present fairly and with full disclosure, the financial position and results of financial position and results of financial operation of the funds...of the governmental unit in conformity with generally accepted accounting principles."

Property is considered unclaimed when there has been no owner contact for a specified period of time, usually between one and three years. Unclaimed property law requires that any person or entity in possession of property which belongs to another and is considered unclaimed property must report that property to the state. Uncleared checks are considered unclaimed property.

**Effect**

Management and the governing board were not provided with reliable or timely information.

**Cause**

The paperwork necessary for YMPO to receive funding was not submitted timely. During the audit period the Organization lacked appropriate cash management controls, qualified personnel to perform the controls and management oversight.

**YUMA METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**Finding No. 10-3 (Continued)**

**Recommendation**

During the year being audited, all key personnel were changed, and improvements have been noted. The current staff and management have worked to bring all required paperwork for funding up-to-date and are continuing to work with funding agencies to recover as much of the lost funding as possible.

The Board should assure that the following policies and procedures are in place and followed:

1. Cash management procedures of the investment pool should be defined to monitor activities and balances on a timely basis, including procedures to avoid overdrafts.
2. All bank accounts and funds held by the County should be reconciled timely in order to report the proper account balances to the Board at its monthly meetings. The bank reconciliations could be performed by an outside accounting firm at month end and then be reviewed by a qualified authorized employee or board member.
3. Billings to members should be performed on a quarterly basis with follow-up performed by staff when payments are not received timely.
4. Timeliness of reporting should be monitored by management and confirmed by the Board.
5. Staff should be trained on the procedures for unclaimed property in the state of Arizona. Policies and procedures should then be implemented, culminating either in new payment being issued or turning over unclaimed property to the state as prescribed by Arizona Revised Statutes.

**Questioned Costs**

None

**YUMA METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**Finding No. 10-4**

**Condition – Noncompliance with Federal Programs CFDA #20.205, #20.500 (ARRA) and 20.507**

Applies to all three Major Programs listed above:

1. Single Audit reports were not filed timely with the Federal Clearing House. OMB Circular A-133 requires audited financial statements be submitted within nine months after the fiscal year end.
2. The cost allocation plan for indirect costs was not reviewed by or approved by the FTA or state transportation agency until 2011.

Applies to the two FTA grants, CFDA #20.500 (ARRA) and 20.507:

3. The National Transit Data Base (NTD) reporting was inaccurate. The inaccuracy was due to:
  - a. The chart of accounts not adequately segregating revenues and expenditures by program/funding source and lack of natural classifications.
  - b. Accounting records not being reconciled timely.
  - c. Accruals not being recorded timely.
  - d. Significant adjustments were made to the financial statements by the outside accounting firm after the filing of the report.
4. The annual Federal Financial Reports were not filed for FY2010.

Applies to the FTA Formula Grant, CFDA #20.507:

5. The FTA Triennial review of the YMPO performed during FY2010 revealed findings in 8 of 23 areas of compliance testing, including several of the items listed above:
6. Prior YMPO personnel did not submit funding requests during the FY2009 funding period, which resulted in \$1.6 million in drawdowns for FY2009 activity completed in July 2010, after the end of FY2010.

Applies to the FTA Capital Grant, CFDA #20.500 (ARRA) :

7. During FY2010, a construction contract for \$31,454 was awarded for construction of bus shelters. However, no clause was included in the contract concerning prevailing wage rates, nor was the contractor required to provide a weekly certified payroll report.

**Criteria**

Federal compliance requirements as documented in OMB Circular A-133 and Federal Transit Administration Program requirements. The Davis-Bacon Act requires that all construction contracts with a value of \$2,000 or greater to have a prevailing wage rate clause included and weekly certified payroll reports from the subcontractor.

**YUMA METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**Finding No. 10-4 (Continued)**

**Effect**

The Organization was not in compliance with Federal requirements. The lack of submission of grant reimbursement requests in a timely manner severely impaired the Organization's ability to continue to provide essential services in subsequent periods.

**Cause**

Inadequate controls over Federal program reporting, inadequate qualified personnel and lack of monitoring by management and the governing board.

**Recommendation**

All key personnel were changed during the audit period, and improvements were noted. The current staff and management have been working with the FTA, and the FTA is aware of the issues listed above. It is also recommended that:

1. The Organization set up an appropriate chart of accounts to improve its reporting by program and funding source and utilizing natural classifications.
2. Management ensures accounting records are kept up to date and ready for audit on a timely basis.
3. Those charged with governance of the Organization should follow up with management regarding timely resolution of issues preventing completion of complete and accurate reports.
4. Drawdowns be prepared and filed on a timely basis (within 45 days of reporting period).
5. Grant reimbursement requests and the NTD Report should be prepared on the accrual basis, not the cash basis.
6. Staff should be provided training on federal grant compliance. As the Organization seldom performs construction, they were unaware of the Davis-Bacon Act requirements.
7. The cost allocation plan should be submitted annually to the state transportation agency for review and approval.
8. Recommend continued coordination with the FTA to maintain continued support.

**Questioned Costs**

None

**YUMA METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**Finding No. 10-5**

**Condition – Weakness in controls over the budget**

1. The appropriated budget for the audit period year was not followed in the general fund. Expenditures for the fiscal year ended June 30, 2010 exceeded appropriations by \$636,872.
2. The Purple Route (transit) was not budgeted for FY2010. Because YMPO acted as a pass-through facilitator for the Cocopah Indian Tribe, these revenues and expenditures were properly included as operations of the YMPO in the Statement of Revenues, Expenditures and Changes in Fund Balances. However, when preparing the Budget-to-Actual schedule for the General Fund, the Purple Route revenues and expenditures were improperly removed, citing it as a reconciling item as it was not budgeted. The revenues were understated by \$74,015, and the expenditures were understated by \$237,387. This error was corrected in the Budget-to-Actual Schedule for the General Fund.

**Criteria**

GASB Statement No. 38, paragraph 9, requires disclosure of all “material violations of finance-related legal and contractual provisions.” Also, the Governmental Accounting, Auditing and Financial Reporting Guide (GAAFR) states that a reconciliation should be presented for differences between the Budget-to-Actual Schedules and the Statement of Revenues, Expenditures and Changes in Fund Balances only if there is a “difference between the basis of budgeting and GAAP.”

**Effect**

The YMPO expenditures exceeded the budget and available funding resulting in a major overdraft of the account held by the Yuma County Treasurer.

**Cause**

During the audit period the Organization lacked appropriate internal controls, qualified personnel to perform the controls and management and board oversight. Accounts were not reconciled and reliable financial reports were not provided to management or the board.

**Recommendation**

Qualified accounting services should be retained either by hiring a qualified accountant or contracting with an outside accounting firm to perform monthly reconciliations. Training should also be provided to staff regarding preparation of the annual budget. Management and the board should be provided with accurate and timely information so the budget to actual activity can be monitored.

**Questioned Costs**

None

**YUMA METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**Finding No. 10-6**

**Condition- Weakness in controls over financial monitoring**

1. The reports from the computerized accounting system were not usable for the fiscal year.
2. The governing board was not provided with complete monthly financial statements.
3. The governing board was not provided with monthly budget/actual comparisons.
4. The governing board was not provided with timely, complete financial information.

**Criteria**

*Codification of Governmental Accounting and Financial Reporting Standards, Section 1100-010, requires that "A government accounting system must make it possible to ... present fairly and with full disclosure, the financial position and results of financial operation of the funds of the governmental unit in conformity with generally accepted accounting principles."*

**Effect**

Management, the governing board, and the Federal Transit Authority were not provided with reliable or timely information.

**Cause**

The Organization was understaffed to meet growing activity and reporting demands.

**Recommendation**

The governing board cannot meet its fiduciary responsibility without reliable, complete and timely financial reporting. Timely and accurate financial reporting should be provided to management and the governing board. Delays in reporting should be investigated and corrected.

**Questioned Costs**

None

**YUMA METROPOLITAN PLANNING ORGANIZATION  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT  
FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**Finding 09-1**

**Condition – Inadequate internal controls over accounting**

Repeat Finding

**Finding 09-2**

**Condition – Weakness in controls over disbursements**

Repeat Finding

**Finding 09-3**

**Condition – Weakness in controls over cash management**

Repeat Finding

**Finding 09-4**

**Condition – Weakness in financial reporting to key funding agency**

Repeat Finding

**Finding 09-5**

**Condition – Noncompliance with Federal Programs CFDA #20.507 and 20.205**

Repeat Finding

**Finding 09-6**

**Condition – Weakness in controls over record retention**

Repeat Finding

**Finding 09-7**

**Condition – Weakness in controls over capital assets**

Cleared

**Finding 09-8**

**Condition – Weakness in control over the budget**

Repeat Finding

**YUMA METROPOLITAN PLANNING ORGANIZATION  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT  
FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2010**

**Finding 09-9**

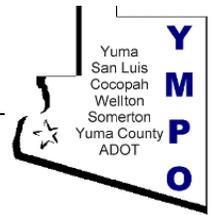
**Condition – Weakness in controls over financial monitoring**

Repeat Finding

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Citizens Working Together*

February 10, 2012

Yuma Metropolitan Planning Organization  
502 S. Orange Ave  
Yuma, Arizona 85364

## **RE: Response to Findings for the fiscal year ended June 30, 2010**

We have reviewed the audit findings for the above referenced audit period. In accordance with *Government Auditing Standards* and OMB Circular A-133, our response to the findings follows.

During the fiscal year being audited, all key personnel were replaced and many of the board members terms expired and were replaced. Current management has implemented many new policies and procedures.

Until it becomes cost effective for YMPO to hire adequate qualified accounting staff for proper segregation of duties, an outside accounting firm is used to perform certain month end procedures, and annual financial statements.

YMPO is obtaining a copy of all journal entries prepared by the outside CPA firm, and will begin to document the approval, and retain them in accordance with the requirements suggested in this audit.

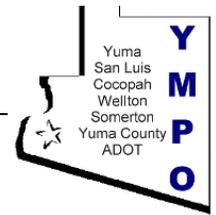
After adjusting entries are completed, QuickBooks is to be locked down for the completed audit period.

Accounts will be set up using natural classifications (payroll, utilities, travel, etc.), utilizing the class function in QuickBooks to track the program and funding source. Payroll will be outsourced by the end of FY 2012 with a payroll provider.

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## **Finding 10-1 Inadequate internal controls over accounting**

In January of 2008, YMPO contracted with an outside CPA to come in on a monthly basis and perform the following functions:

1. Prepare all bank reconciliations
2. Reconcile payroll reports from Yuma County Payroll Service to our internal records
3. Record month end accrual and adjustments per the above reconciliations

Adjusted financial statements, including Statement of Financial Position, Statement of Activities are generated by the outside Accounting firm. The Accountant II prepares with management overview the Expenditure to Actual finance report as required by FHWA.

The Executive Director has hired additional staff, and has hired a new outside accountant to conduct several of the current duties in order to provide reliable, complete, and timely monthly financial statements.

YMPO requested bank reconciliations for month ending to help reconciliations, and requested the current contracted accounting firm to bring all statements current. YMPO has hired additional staff that can reconcile statements, open mail, and separate duties.

Responsible parties: Accountant II, Shelly Kreger, Executive Assistant, Maria Noriega, Mobility Manager, Vacant, Senior Transportation Planner, Vacant, and Executive Director, Charlene FitzGerald

## **Finding 10-2 Weakness in controls over disbursements**

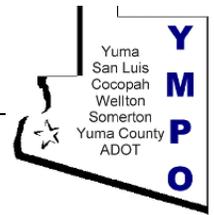
In response to past administration and employee having inadequate staff to cover when the Executive Director is not available, resulting in one person being required to perform the tasks of entering the invoice into the accounting system, approving the invoice, and signing the check. This was a dilemma of one person performing all the previously listed items. The invoicing, billings, and check printing and signing was being done by one or two people. This was the result of the documents lacking Executive Director approval, date stamps, or incorrect coding, with too many duties assigned, and lack of qualified staff.

Beginning FY 2010 the Senior Planner whom retired had been handling most of the above duties The Clerical Assistant since had been hired changing to Executive Assistant, Transportation Planner I, and finally duties were assigned and title now has been changed to Accountant II. The Accountant II, Executive Assistant, Mobility Manager, and the Director have separation of duties for control over disbursements, along with reviewers for the Transit expenditures.

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The current Executive Assistant and Accountant II are performing duties as per the Accounting Manual. Currently, the Executive Assistant is entering the invoice and printing the checks. The Accountant II and the Executive Director are signators.

The Accountant II has full access to QuickBooks and will be removed from signatory and a board member or the new Senior Planner position will be made signator in the absence of the Executive Director.

The Executive Director and Senior Transportation Planner, along with staff, had been responsible for following YMPO's procurement policy. A training and discussion with staff has occurred and a class is being conducted in March 2012 for FHWA grants.

Further training and policy improvements will be conducted with new staff and there is a separation occurring with transit responsibilities with the formation of the Yuma County Intergovernmental Transportation Authority. In the future, the YCIPTA will be responsible for following procurement as a "third party contractor" with the MOU between it and the YMPO until YCIPTA receives grantee status, FY 2013.

YMPO staff is still handling financial duties and oversight for transit operations and funding for internal controls.

Responsible parties: Accountant II, Shelly Kreger, Executive Assistant, Maria Noriega, Mobility Manager, Vacant, Senior Transportation Planner, Vacant, and Executive Director, Charlene FitzGerald

## **Finding 10-3 Weakness in controls over cash management**

YMPO has requested bank statements from the County on a monthly basis and has hired an outside accounting firm to reconcile both payroll and bank statements. There has been a change in staff and YMPO has changed their responsibilities to focus on the organizations financial position.

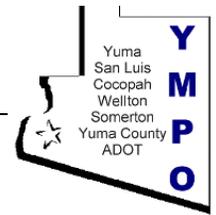
Training is occurring in Governmental Accounting practices, revenues are now entered into QuickBooks, and it is anticipated staff will begin reconciling statements in the future. The accounting firm has also changed beginning Fiscal Year 2012. It should be noted that the organization was still in the phase of catching up the past 4 years of audits and bank reconciliations along with accruals.

Due to the financial statements, audits, accruals, adjustments, and reconciliations not being current, the Organization could not properly report into the National Transit Data base or report proper Actuals to the Executive Board. The billings and grants had not been filed from 2009 and

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the current management was asked to provide budget and financial control over the federal transit grants before Federal Transit Administration (FTA) approved releasing the apportionments due and reimbursements could be filed.

The current staff reconciled grants, corrected the grant numbers, and closed out old grants to create new, and created accurate grant awards to receive the reimbursements. These reimbursements and approvals did not occur until FY 2011, in which another large improvement should be recognized in that year's financial statements.

Responsible parties: Accountant II, Shelly Kreger, Executive Assistant, Maria Noriega, Executive Director, Charlene FitzGerald

## **Finding 10-4 Noncompliance with Federal Programs**

YMPO has been under audit since the Executive Director came to YMPO in August of 2009. The prior audits of 2006, 2007, 2008, and 2009 were completed since this time. YMPO is working concurrently on the 2010 audit and 2011 Financial Statements to complete the 2011 audit, bringing all audits current.

The YMPO Executive Director submitted the Indirect Cost Plan to ADOT for approval in November of 2009. The plan was not approved by ADOT due to priorities of larger entities requests and needs, and was not approved until 2011 which then was submitted to FHWA.

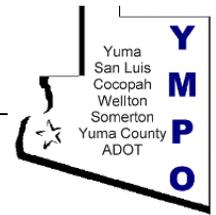
The Executive Director sent a copy to the FTA and has not yet received approval to date from FTA. It is understood by the Director that ADOT forwards for approvals and that the DOT has the approval and a Memorandum of Understanding with FTA and FHWA for agency agreement.

Since the dates of the 2009/2010 bookkeeping, the staff has changed, the chart of accounts have been set up, the accruals have been made at month end, and it was requested the third party accounting firm keep the bank reconciliations current and prepare for YMPO staff. YMPO has also changed accounting firms.

All key personnel were hired during the audit period, and improvements were noted. The current staff and management have been working with the FTA, and the FTA is aware of the issues listed above.

The Organization has set up an appropriate chart of accounts to improve its reporting by program and funding source and utilizing natural classifications.

Responsible parties: Accountant II, Shelly Kreger, Executive Assistant, Maria Noriega, Mobility Manager, Vacant, and Executive Director, Charlene FitzGerald



## **Finding 10-5 Weakness in Controls over the budget**

YMPO has changed dramatically in staff and management. The awareness of budget, revenues, and expenditures has been being monitored by the board and the Director, to include regular staff meetings and updates. **Due to the prior administration of YMPO the audits were not current and the records were not completed along with accruals and adjustments.**

Revenues are being entered into the accounting software, QuickBooks and bank statements are being reconciled by an outside accounting firm, and the audits are completed for all of the outstanding years. The 2011 audit is being done concurrently with this audit to make us current. Training is continuing and will be an on-going effort.

YMPO has worked with FTA to assure them of their competence and qualifications to manage federal funds. Prior management and staff lacked the knowledge and qualifications to prepare and manage fund balances. Grants are now being filed in a timely manner and contracts are managed to the federal, state, and local budget.

Responsible parties: Accountant II, Shelly Kreger, Executive Assistant, Maria Noriega, Mobility Manager, Vacant, and Executive Director, Charlene FitzGerald

## **Finding 10-6 Weakness in Controls over financial monitoring**

YMPO has been making the necessary changes and has been completing the audits to bring YMPO current. The YMPO has also made available and assisted in establishing accounts to better monitor the tracking of the Federal Transit Administration (FTA) grants and separated the accounts by creating a new chart of accounts account at Yuma County and creating its own unique account for YMPO.

YMPO Executive Director has discussed these recommendations with the auditor. The organization has been under new management since and has made staff changes, signatory updates, policy updates, and has developed an audit committee.

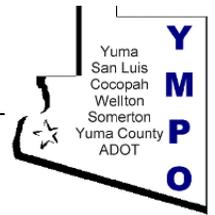
We are confident that these steps will improve the integrity of our accounting system as well as the quality of our internal controls. We are continuously making improvements and working toward more accurate, timely, and financial control. One new change occurring in 2012 is the new accounting firm, Lumbard and Associates.

YMPO will be issuing the 2012 audit RFP prior to year end so that audit will be completed within the 9 month period required. YMPO will be conducting the 2012 Triennial Review this year in conjunction with FTA and YCIPTA staff.

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Respectfully,

*Charlene FitzGerald*

Charlene FitzGerald, Executive Director  
Yuma Metropolitan Planning Organization