

Yuma Metropolitan Planning Organization
Financial Statements

Year ended June 30, 2018

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	7
Basic Financial Statements	
Government-wide Statements	
Statement of Net Position	21
Statement of Activities	22
Fund Financial Statements	
Balance Sheet - Governmental Fund	25
Reconciliation of the Balance Sheet - Governmental Fund to the Government-Wide Statement of Net Position	26
Statement of Revenues, Expenditures, and Change in Fund Balance - Governmental Fund	27
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance Governmental Fund to the Government-Wide Statement of Activities	28
Notes to the Financial Statements	29
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual - Metropolitan Planning Fund	51
Schedule of Organization's Proportionate Share of the Net Pension Liability and Related Ratios	52
Schedule of the Organization's Pension Contributions	53
Schedule of Organization's Proportionate Share of the Net OPEB (Asset) Liability and Related Ratios	54
Schedule of the Organization's OPEB Contributions	56
Notes to Required Supplementary Information	59
Other Supplementary Information	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61

Independent Auditor's Report

The Executive Board of
Yuma Metropolitan Planning Organization
Yuma, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Yuma Metropolitan Planning Organization as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Yuma Metropolitan Planning Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Yuma Metropolitan Planning Organization as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15, budgetary comparison information on page 51, and pension and related schedules on pages 52 through 59 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2019, on our consideration of Yuma Metropolitan Planning Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Yuma Metropolitan Planning Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Yuma Metropolitan Planning Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Walker & Armstrong, LLP". The signature is written in a cursive, flowing style.

Phoenix, Arizona
April 24, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

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**Yuma Metropolitan Planning Organization
Management's Discussion and Analysis
Required Supplementary Information
For the Year Ended June 30, 2018**

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 ended June 30, 2018.

Financial Highlights

The assets of the YMPO exceeded its liabilities at the close of the fiscal year ended June 30, 2018 by \$1,660,511. Of this amount \$1,655,588 was unrestricted. The YMPO's total net position decreased by \$64,108. The decrease is primarily attributed to the increase in net pension liability. As of the close of the fiscal year, the YMPO's governmental fund reported an ending fund balance of \$1,746,743.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 21-22 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 consist of governmental funds.

**Yuma Metropolitan Planning Organization
Management's Discussion and Analysis (Continued)
Required Supplementary Information
For the Year Ended June 30, 2018**

Overview of the Financial Statements (Continued)

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 one individual governmental fund, the Metropolitan Planning Fund, which is a special revenue fund and is the major fund.

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

For the fiscal year 2018, the YMPO's original budgeted amounts were revised for highway and transit planning revenues and expenditures as well as in-kind contributions.

Actual revenues were \$521,648 less than the final budgeted amounts for the Metropolitan Planning Fund. This was primarily due to Metropolitan Planning (PL) and Statewide Planning and Research (SPR) funds that are targeted for transportation studies that will commence in FY 2019. The remainder is comprised of Federal Transit Administration (FTA) funds that were either budgeted but not used or which are also targeted for some of the afore mentioned studies.

The Metropolitan Planning Fund actual expenditures were \$564,400 less than the final expenditure budget, primarily due to the delay of the PL, SPR, and FTA transportation studies until FY 2019.

The basic governmental fund financial statements can be found on pages 25-28 of this report.

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

**Yuma Metropolitan Planning Organization
Management's Discussion and Analysis (Continued)
Required Supplementary Information
For the Year Ended June 30, 2018**

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the YMPO, assets exceeded liabilities by \$1,660,511 at the close of the fiscal year.

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

- Current assets increased by \$1,943 due primarily to an increase in cash and investments.
- Capital assets, net, decreased by \$1,342 due to the current year depreciation of capital assets.
- Current and other liabilities increased by \$310,839 due primarily to the recognition of net pension liability in fiscal year 2018.

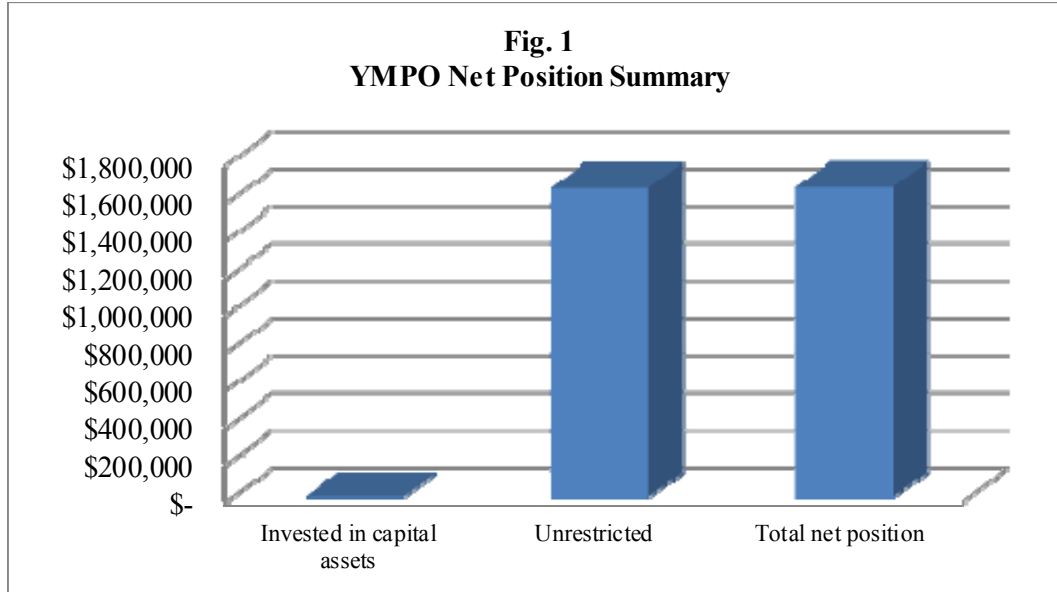
The following table presents a condensed statement of the YMPO's net position for the fiscal years ended June 30, 2018 and 2017.

	Governmental Activities	
	2018	2017
Current Assets	\$ 1,795,433	\$ 1,793,490
Net OPEB asset	1,176	-
Capital Assets, net	4,923	6,265
Total Assets	\$ 1,801,532	\$ 1,799,755
Deferred Outflows of Resources	293,646	26,538
Current Liabilities	37,531	101,674
Long-Term Liabilities	374,982	-
Total Liabilities	412,513	101,674
Deferred Inflows of Resources	22,154	-
Net Position:		
Invested in Capital Assets, Net	4,923	6,265
Unrestricted	1,655,588	1,718,354
Total Net Position	\$ 1,660,511	\$ 1,724,619

The majority of the YMPO's net position at June 30, 2018 is unrestricted. The net position is summarized in Figure 1.

**Yuma Metropolitan Planning Organization
Management's Discussion and Analysis (Continued)
Required Supplementary Information
For the Year Ended June 30, 2018**

Government-Wide Financial Analysis (Continued)



The YMPO did not have any restricted net position balances. The balance of net position not invested in capital assets, \$1,655,588, is unrestricted and may be used to meet the YMPO's ongoing obligations to citizens and creditors.

The YMPO's net position decreased by \$64,108 during the year ended June 30, 2018. This decrease is attributed primarily to the increase in net pension liability.

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

- Overall, the YMPO expenses, including highway and transit planning and administration, decreased by \$49,374 primarily due to the delay of the PL, SPR, and FTA transportation studies until FY 2019.
- Operating grants and contributions decreased by \$274,173 due to the use of FY 2018 PL, SPR, and FTA funds that are targeted for transportation studies in FY 2019.

**Yuma Metropolitan Planning Organization
Management's Discussion and Analysis (Continued)
Required Supplementary Information
For the Year Ended June 30, 2018**

Government-Wide Financial Analysis (Continued)

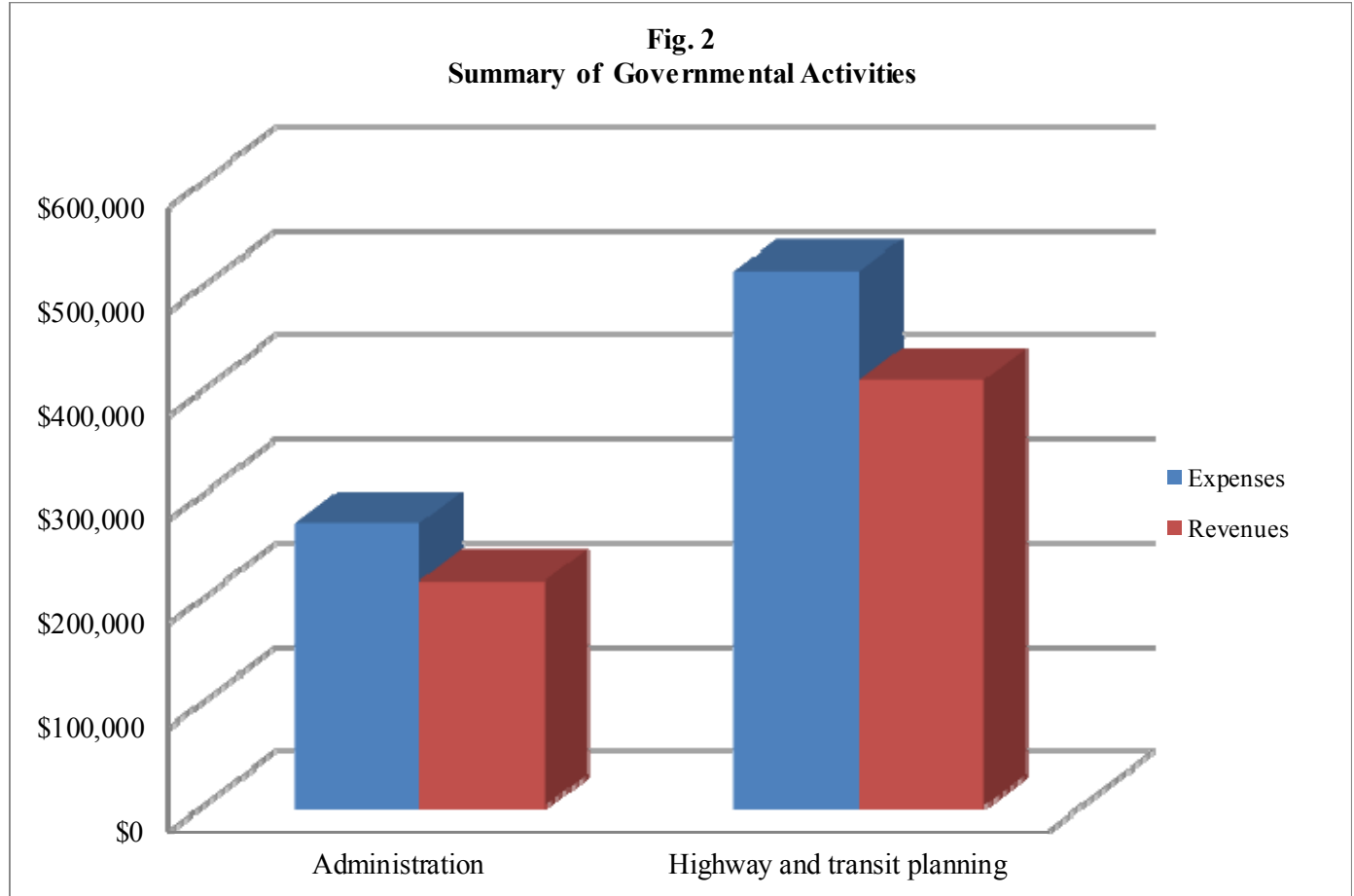
The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and 2017.

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	\$ 771	\$ 112
Operating grants and contributions	626,692	900,865
General revenues:		
Member fees	78,397	90,171
Investment income	16,252	7,597
Other revenue	-	626
Total revenues	<u>\$ 722,112</u>	<u>\$ 999,371</u>
Expenses		
Administration	271,967	235,250
Highway and transit planning	<u>514,253</u>	<u>600,344</u>
Total expenses	<u>786,220</u>	<u>835,594</u>
Increase (decrease) in net position	<u><u>\$ (64,108)</u></u>	<u><u>\$ 163,777</u></u>

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

**Yuma Metropolitan Planning Organization
Management's Discussion and Analysis (Continued)
Required Supplementary Information
For the Year Ended June 30, 2018**

Government-Wide Financial Analysis (Continued)



Financial Analysis of the Governmental Funds

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

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

**Yuma Metropolitan Planning Organization
Management's Discussion and Analysis (Continued)
Required Supplementary Information
For the Year Ended June 30, 2018**

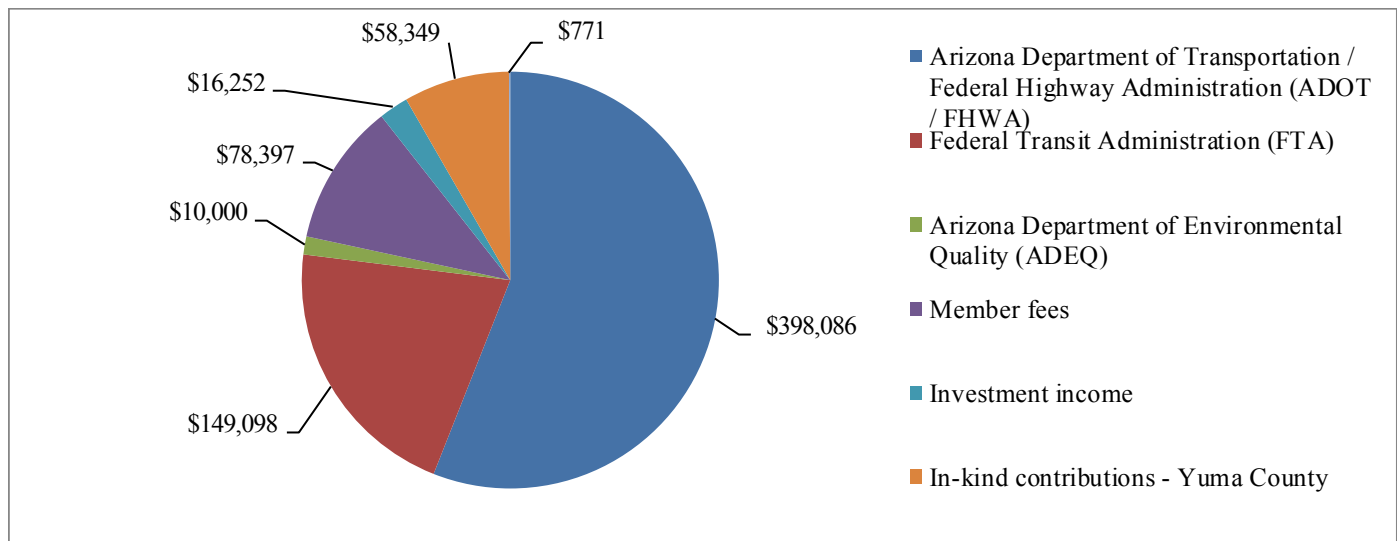
Financial Analysis of the Governmental Funds (Continued)

As of June 30, 2018, the YMPO's governmental fund reported an ending fund balance of \$1,746,743 an increase of \$42,752 from the prior year. The ending fund balance of \$1,746,743 consists of \$1,744,912 of assigned fund balance, which is available for spending at the government's discretion.

The Metropolitan Planning Fund is the only operating fund of the YMPO. As a measure of the Metropolitan Planning Fund's liquidity, it may be useful to compare assigned fund balance to total fund expenditures. Assigned fund balance represented 2.5 times the total Metropolitan Planning Fund expenditures.

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

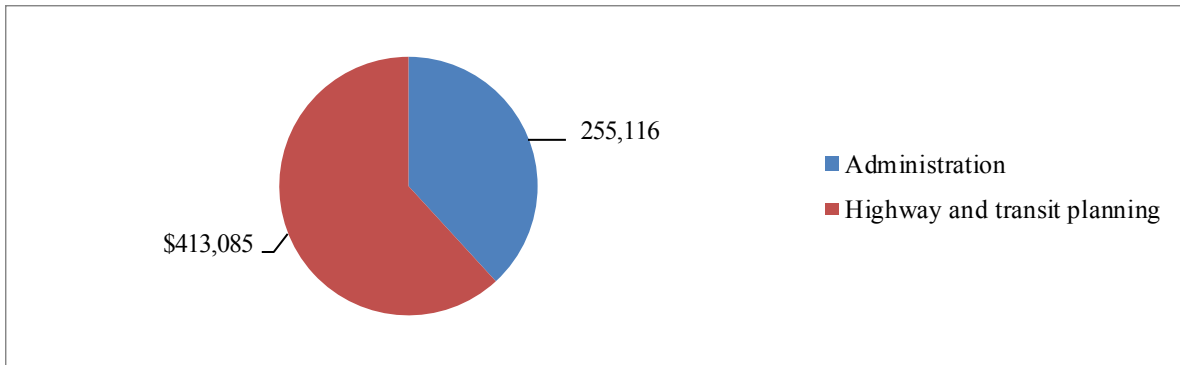
**Fig. 3
Metropolitan Planning Fund Revenues**



**Yuma Metropolitan Planning Organization
Management's Discussion and Analysis (Continued)
Required Supplementary Information
For the Year Ended June 30, 2018**

Financial Analysis of the Governmental Funds (Continued)

**Fig. 4
Metropolitan Planning Fund Expenditures**



Capital Assets

The YMPO's investment in capital assets for its governmental activities as of June 30, 2018 amounted to \$4,923 (net of accumulated depreciation). The investment in capital assets includes vehicles and furniture & equipment.

Major capital asset events during the current fiscal year included the following as described below and summarized in Note 4 to the financial statements on page 37.

- Depreciation expense of \$1,342

Statement of Overall Financial Position

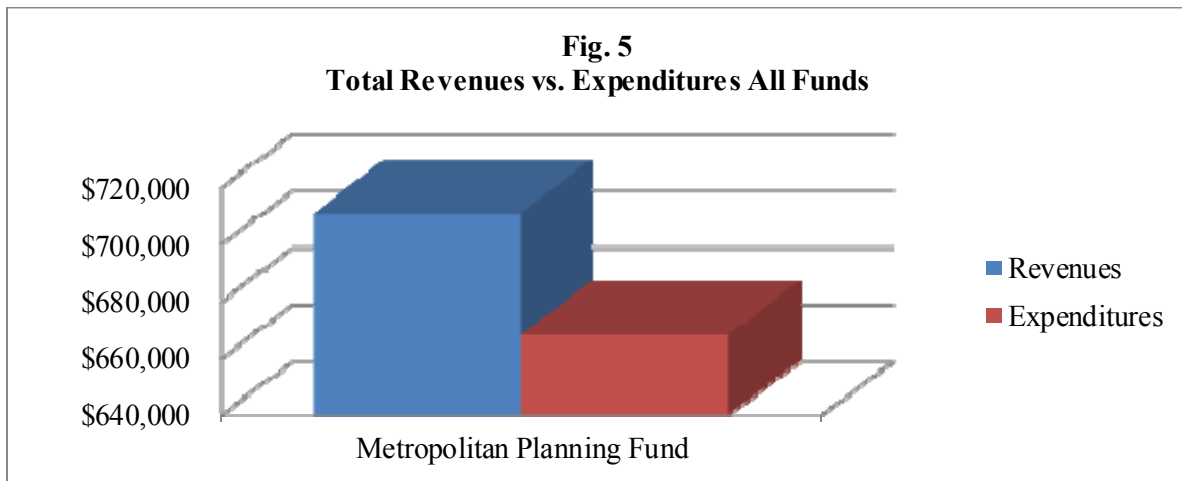
A) Metropolitan Planning Fund

The YMPO Metropolitan Planning Fund's fund balance increased by \$42,752 to \$1,746,743 for fiscal year 2018.

**Yuma Metropolitan Planning Organization
Management's Discussion and Analysis (Continued)
Required Supplementary Information
For the Year Ended June 30, 2018**

Statement of Overall Financial Position (Continued)

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



Economic Factors and Next Year's Budget

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

The YMPO will work at coordinating and integrating sustainable solutions and maintaining a continuing 24-year multi-agency comprehensive transportation plan, while sustaining a communicative atmosphere that incorporates public involvement.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Yuma Metropolitan Planning Organization
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments	\$ 1,633,141
Receivables:	
Accounts	309
Intergovernmental	160,152
Prepaid items and other assets	1,831
Total Current Assets	1,795,433
Noncurrent Assets:	
Net OPEB asset	1,176
Capital Assets (net of accumulated depreciation of \$71,629)	4,923
Total Noncurrent Assets	6,099
Total Assets	\$ 1,801,532
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	1,463
Deferred outflows related to pensions	292,183
Total Deferred Outflows of Resources	293,646
LIABILITIES	
Current Liabilities:	
Accounts payable	17,970
Accrued payroll and related accruals	13,720
Accrued expenses	3,422
Retention payable	2,419
Total Current Liabilities	37,531
Long-Term Liabilities:	
Net OPEB liability - due in more than one year	794
Aggregate net pension liability - due in more than one year	345,833
Compensated absences payable	28,355
Total Long-Term Liabilities	374,982
Total Liabilities	412,513
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	1,443
Deferred inflows related to pensions	20,711
Total Deferred Inflows of Resources	22,154
NET POSITION	
Invested in capital assets, net	4,923
Unrestricted	1,655,588
Total Net Position	\$ 1,660,511

See accompanying Notes to the Basic Financial Statements.

Yuma Metropolitan Planning Organization
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government activities:				
Administration	\$ 271,967	\$ -	\$ 216,784	\$ (55,183)
Highway and transit planning	514,253	771	409,908	(103,574)
Total Governmental Activities	<u>\$ 786,220</u>	<u>\$ 771</u>	<u>\$ 626,692</u>	<u>\$ (158,757)</u>
General Revenues:				
Member fees				78,397
Investment income				<u>16,252</u>
Total general revenues				<u>94,649</u>
Change in net position				(64,108)
Net position - beginning				<u>1,724,619</u>
Net position - ending				<u><u>\$ 1,660,511</u></u>

FUND FINANCIAL STATEMENTS

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Yuma Metropolitan Planning Organization
Balance Sheet
Governmental Fund
June 30, 2018

	Metropolitan Planning Fund
ASSETS	
Cash and investments	\$ 1,633,141
Receivables:	
Accounts	309
Intergovernmental	160,152
Prepaid items and other assets	1,831
Total Assets	<u>\$ 1,795,433</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 17,970
Accrued payroll and related accruals	13,720
Accrued expenses	3,422
Unearned revenue	11,159
Retention payable	2,419
Total Liabilities	<u>48,690</u>
Fund Balance:	
Nonspendable:	
Prepaid items and other assets	1,831
Assigned to:	
Highway and transit planning	1,744,912
Total Fund Balance	<u>1,746,743</u>
Total Liabilities and Fund Balance	<u>\$ 1,795,433</u>

Yuma Metropolitan Planning Organization
Reconciliation of the Balance Sheet - Governmental Fund
To the Government-Wide Statement of Net Position
June 30, 2018

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

Fund balance - total governmental fund - Balance Sheet	\$ 1,746,743
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	4,923
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(28,355)
Aggregate net OPEB asset in the governmental activities were not financial resources and, therefore, were not reported in the governmental fund.	1,176
Actuarially determined deferred outflows of resources are reported in the government-wide statements:	
OPEB-related deferred outflows	1,463
Pension-related deferred outflows	292,183
Aggregate net OPEB liability is not due and payable in the current period and, therefore, is not required to be reported in the governmental fund.	(794)
Aggregate net pension liability is not due and payable in the current period and, therefore, is not required to be reported in the governmental fund.	(345,833)
Actuarially determined deferred inflows of resources are reported in the government-wide statements:	
OPEB-related deferred inflows	(1,443)
Pension-related deferred inflows	(20,711)
Unavailable revenues recorded in the governmental fund financial statements resulting in activities in which revenues were earned but funds were not available were recorded as revenues in the Government-Wide Financial Statements.	11,159
Net position of governmental activities - Statement of Net Position	\$ 1,660,511

Yuma Metropolitan Planning Organization
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018

	Metropolitan Planning Fund
REVENUES	
Intergovernmental:	
Arizona Department of Transportation/Federal	
Highway Administration	\$ 398,086
Federal Transit Administration	149,098
Arizona Department of Environmental Quality	10,000
Member fees	78,397
Investment income	16,252
Charges for services	771
Donated services - Yuma County	58,349
Total Revenues	<u>710,953</u>
EXPENDITURES	
Current:	
Administration	255,116
Highway and transit planning	413,085
Total Expenditures	<u>668,201</u>
Change in fund balance	42,752
Fund Balance - beginning	<u>1,703,991</u>
Fund Balance - ending	<u><u>\$ 1,746,743</u></u>

Yuma Metropolitan Planning Organiza^{tion}
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund to the Government-Wide Statement of Activities
For the Year Ended June 30, 2018

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

Net changes in fund balance - total governmental fund	\$ 42,752
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.	
Current year depreciation expense	(1,342)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(16,180)
The net effect of various miscellaneous transactions involving pension plans (i.e. changes in the net pension liability, deferred inflow/outflow amortization, contributions after measurement date) does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental fund.	(100,497)
Unavailable revenues were reported as unearned revenue in the Governmental Fund but were reported as revenues in the Government-Wide Financial Statements of Activities.	11,159
Change in net position of governmental activities - Statement of Activities	<u>\$ (64,108)</u>

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

Note 1 - Summary of Significant Accounting Policies

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

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

A. Reporting Entity

YMPO is a quasi-governmental entity which was established on February 3, 1983 as the Yuma Metropolitan area's designated Metropolitan Planning Organization under federal law.

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

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

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about YMPO as a whole. The reported information includes all of the nonfiduciary activities of YMPO. These statements are to distinguish between the governmental and business-type activities of 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. YMPO did not report any business-type activities.

The Statement of Net Position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

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.

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (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, YMPO considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental fund.

Member fees, 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. Unearned revenues also arise when resources are received by 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 availability period have also been reported as unearned revenue on the governmental fund financial statements.

YMPO reports the following major governmental fund:

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

C. Cash and Investments

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

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

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Investment Income

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

E. 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.

F. Capital Assets

Capital assets are defined by 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.

Vehicles, furniture and equipment are depreciated using the straight-line method over estimated useful lives of 5 years.

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 or disposal.

G. Compensated Absences

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

<u>Years of Credited Services</u>	<u>Days per Year</u>
0 to 1 year	24
1 to 4 years	25
4 to 10 years	28
10 to 15 years	31
15 to 20 years	32
20 years or more	33
Appointed Executive Director	33

There is no maximum accrual of PTO. Unused PTO will be paid at the time of termination up to 400 hours for benefit eligible employees and 200 hours for employees who are not benefit eligible at their current rate of pay at the time of termination.

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

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 10). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

The following timeframes are used for pension reporting:

<u>ASRS</u>	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

I. Other Post Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 10). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for OPEB reporting:

The following timeframes are used for OPEB reporting:

<u>ASRS</u>	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

J. Estimates

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

Donated services from Yuma County are recorded based on the following estimates. The hourly wage is based off of the current Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates for Civil Engineers. Mileage is used as an in-kind contribution from the Technical Advisory Committee Members which is calculated on a \$0.445 per mile.

K. Net Position/Fund Balance Classifications

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

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

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

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

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

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

Unassigned. The unassigned classification is the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

L. Fund Balance Policies

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

M. Program Revenues

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

N. Implementation of New GASB Pronouncements

During fiscal year ended June 30, 2018, the YMPO has implemented the following new GASB Pronouncement:

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. Application of this statement is effective for the YMPO's fiscal year ending June 30, 2018.

O. Upcoming Governmental Accounting Standards Implementation

GASB Statement No. 83

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. Application of this statement is effective for the YMPO's fiscal year ending June 30, 2019.

GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

O. Upcoming Governmental Accounting Standards Implementation (Continued)

arrangements that are fiduciary activities. Application of this statement is effective for the YMPO's fiscal year ending June 30, 2020.

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the YMPO's fiscal year ending June 30, 2020.

GASB Statement No. 88

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement also defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

In addition, the statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Application of this statement is effective for the YMPO's fiscal year ending June 30, 2020.

GASB Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement is effective for the YMPO's fiscal year ending June 30, 2021.

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

O. Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Application of this statement is effective for the YMPO's fiscal year ending June 30, 2020.

Note 2 – Cash and Investments

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

	Governmental Funds
Petty cash	\$ 150
Cash in bank	112,283
Cash on deposit with the County Treasurer	1,520,708
Total cash and investments	<u>\$ 1,633,141</u>

Custodial Credit Risk. For deposits, custodial credit risk is the risk that in the event of a bank failure, YMPO's deposits may not be returned to YMPO. YMPO currently does not have a deposit policy for custodial credit risk. At June 30, 2018, the carrying amount of YMPO's deposits was \$112,283, and the bank balance was \$114,827. At June 30, 2018, YMPO's bank deposits were 100% covered by Federal Deposit Insurance Corporation (FDIC).

Investments – YMPO investments at June 30, 2018 were invested in the Yuma County Treasurer's investment pool. Interest is allocated based on average month-end cash balances of each entity's fund.

The Yuma County Treasurer's investment pool is not registered with the Securities and Exchange Commission and there is no regulatory oversight of their operations. However, the majority of the County's investment pool is invested in the State of Arizona's Local Government Investment Pool which is regulated by the State Board of Investment. The pool's structure does not provide for shares, and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investment.

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

Credit Risk. YMPO has no investment policy that would further limit its investment choices. As of June 30, 2018, YMPO's investment in the County Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

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

Note 3 – Intergovernmental Receivables

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of intergovernmental receivables. Intergovernmental receivables as of year-end June 30, 2018 for YMPO in the aggregate, were as follows:

Intergovernmental Receivables	
Due from FTA	\$ 84,156
Due from ADOT	53,514
Due from other governments	22,482
Total intergovernmental receivables	<u>\$ 160,152</u>

Management considers all receivables at June 30, 2018 to be fully collectible; therefore, no allowance for doubtful accounts was included.

Note 4 – Capital Assets

A summary of changes in capital asset activity for the year ended June 30, 2018, follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Vehicles	\$ 69,841	\$ -	\$ -	\$ 69,841
Furniture and equipment	24,453	-	(17,742)	6,711
Total capital assets being depreciated	<u>94,294</u>	<u>-</u>	<u>(17,742)</u>	<u>76,552</u>
Less accumulated depreciation for:				
Vehicles	(69,841)	-	-	(69,841)
Furniture and equipment	(18,188)	(1,342)	17,742	(1,788)
Total accumulated depreciation	<u>(88,029)</u>	<u>(1,342)</u>	<u>17,742</u>	<u>(71,629)</u>
Total capital assets being depreciated, net	<u>\$ 6,265</u>	<u>\$ (1,342)</u>	<u>\$ -</u>	<u>\$ 4,923</u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 671
Highway and transit and planning	671
	<u>\$ 1,342</u>

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 - Obligations Under Leases

YMPO leases offices under the provisions of a month to month lease agreement classified as an operating lease for accounting purposes. Rental expenditures under the terms of the operating lease totaled \$21,967 for the year ended June 30, 2018.

Note 6 – Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year Balance</u>
Compensated absences	\$ 12,175	\$ 30,419	\$ (14,239)	\$ 28,355	\$ 28,355

Note 7 - Economic Dependency

YMPO received 11 percent of its revenues from dues paid by its member organizations, 21 percent of its revenues from the Federal Transit Administration and 56 percent of its revenues from the Federal Highway Administration passed through the Arizona Department of Transportation for the year ended June 30, 2018.

Note 8 - Risk Management

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.

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

Note 9 – Contributions – Donated Services

For the period ending June 30, 2018, YMPO received donated services from Yuma County and YMPO's Technical Advisory Committee Members totaling \$58,349. The donated services from Yuma County consist of 8.73% of the total expenditures processed through the Yuma County's Finance Department. YMPO's Technical Advisory Committee donated services consists of any time allocated to any YMPO related items that need comment and/or review. This time is also from attending any Technical Advisory Committee meeting. The hourly wage is based off of the current Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates for Civil Engineers. Mileage is used as an in-kind contribution from the Technical Advisory Committee Members which is calculated on a \$0.445 per mile.

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 - Retirement Plans and Other Postemployment Benefits

YMPO and employees contribute to the Arizona State Retirement System (ASRS). Benefits are established based on contributions to the plan.

Plan Description

The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

Arizona State Retirement

Benefits Provided

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

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

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

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 - Retirement Plans and Other Postemployment Benefits (Continued)

Arizona State Retirement (Continued)

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

Contributions

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.50 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and YMPO was required by statute to contribute at the actuarially determined rate of 11.50 percent (10.90 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the members' annual covered payroll. In addition, YMPO, was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 for retirement and 0.1 percent for health insurance premium benefit, and 0.13 percent for long-term disability) of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to ASRS.

YMPO's contributions to the pension, health insurance premium benefit, and the long-term disability plans for the year ended June 30, 2018 were as follows:

	<u>Contributions - employer</u>
Pension plan	\$ 26,581
Health benefit supplement plan	1,073
Long-term disability plan	<u>309</u>
	<u><u>\$ 27,963</u></u>

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 - Retirement Plans and Other Postemployment Benefits (Continued)

Arizona State Retirement (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions/OPEB Plans

At June 30, 2018, the YMPO reported pension and OPEB (asset) / liabilities for the follow:

	Net pension / OPEB (asset) liability
Pension plan	\$ 345,833
Health benefit supplement plan	(1,176)
Long-term disability plan	794
Total	<u>\$ 345,451</u>

The net pension and OPEB asset / liability were measured as of June 30, 2017. The total pension and OPEB asset / liability used to calculate the net pension and OPEB asset / liability was determined using update procedures to roll forward the total pension and OPEB asset / liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases. YMPO's proportion of the net pension and OPEB asset / liability was based on a projection of the YMPO's long-term share of contributions to the pension and OPEB plans relative to the projected contributions of all participating employers, actuarially determined. The YMPO's proportionate share of the net pension and OPEB asset /liability for the Arizona State Retirement System Plan as of June 30, 2017 was 0.00222% and 0.00216%, respectively.

The net assets and net liabilities measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the YMPO's net assets and net liabilities as a result of these changes is not known.

The YMPO recognized pension / OPEB expenses for the pension, health insurance premium benefit, and the long-term disability plans for the year ended June 30, 2018:

	Pension / OPEB expenses
Pension plan	\$ 127,480
Health benefit supplement plan	778
Long-term disability plan	283
	<u>\$ 128,541</u>

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 - Retirement Plans and Other Postemployment Benefits (Continued)

Arizona State Retirement (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions/OPEB Plans (Continued)

At June 30, 2018, YMPO reported deferred outflows / inflows of resources related to pension, health insurance premium benefit, and the long-term disability plans from the following sources:

	Deferred Outflows of Resources		
	Pension Plan	Health Benefit Supplement Plan	Long-Term Disability Plan
Governmental Activities:			
Pension contributions made after the measurement date	\$ 26,581	\$ 1,073	\$ 390
Difference between projected and actual investments earnings	2,483	-	-
Changes in assumptions	15,020	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	248,099	-	-
Total Pension-Related Deferred Outflows	<u>\$ 292,183</u>	<u>\$ 1,073</u>	<u>\$ 390</u>
	Deferred Inflows of Resources		
	Pension Plan	Health Benefit Supplement Plan	Long-Term Disability Plan
Governmental Activities:			
Difference between expected and actual experience	\$ (10,370)	\$ -	\$ -
Changes in assumptions	(10,341)	-	-
Difference between projected and actual earning on plan investments	-	(1,324)	(119)
Total Pension-Related Deferred Intflows	<u>\$ (20,711)</u>	<u>\$ (1,324)</u>	<u>\$ (119)</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from the YMPO contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension, health insurance premium benefit, and the long-term disability plans will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows / (Inflows) of Resources		
	Pension Plan	Health Benefit Supplement Plan	Long-Term Disability Plan
2019	\$ 98,892	\$ (331)	\$ (30)
2020	127,164	(331)	(30)
2021	26,791	(331)	(30)
2022	(7,956)	(331)	(29)
2023	-	-	-
Thereafter	-	-	-
	<u>\$ 244,891</u>	<u>\$ (1,324)</u>	<u>\$ (119)</u>

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 - Retirement Plans and Other Postemployment Benefits (Continued)

Arizona State Retirement (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension and OPEB (Asset) / Liability

For the measurement period ended June 30, 2017 (the measurement date), the total pension and OPEB asset / liability was determined by rolling forward the June 30, 2016 total pension and OPEB asset / liability. The June 30, 2017 total pension and OPEB asset / liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	8%
Inflation	3%
Salary Increases	3 - 6.75% For pensions / not applicable for OPEB
Investment Rate of Return	8.00% Net of Pension and OPEB Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	1994 GAM Scale BB
Healthcare Cost Trend Rate	Not applicable

The actuarial assumptions related to the funding were selected on the basis of an experience study which was performed for the five-year period ending June 30, 2012.

The long-term expected rate of return on ASRS pension and OPEB plan investments was determined to be 8.70 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-term Expected Nominal Return
Equity	58%	6.73%	3.87%
Fixed income	25%	3.70%	0.91%
Commodities	2%	3.84%	0.08%
Real estate	10%	4.25%	0.42%
Multi-asset	5%	3.41%	0.17%
Total	<u>100%</u>		5.45%
Inflation			3.25%
Expected arithmetic nominal return			<u>8.70%</u>

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 - Retirement Plans and Other Postemployment Benefits (Continued)

Arizona State Retirement (Continued)

Discount Rate

The discount rate used to measure the total pension and OPEB asset / liability was 8%, which is less than the long-term expected rate of return of 8.7%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the funding policy of the ASRS Board, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the Retirement Fund's fiduciary net position was projected to be available to make all the projected future benefit payments of current members. Therefore, the long term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension / OPEB liability.

Sensitivity of the Proportionate Share of the Net Pension and OPEB (Asset) Liability to Changes in the Discount Rate

The following presents the YMPO's proportionate share of the net pension and OPEB (asset) / liability for the Arizona State Retirement System Plan, calculated using the discount rate for the Arizona State Retirement System Plan, as well as what the YMPO's proportionate share of the net pension and OPEB (asset) / liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Plan's Aggregate Net Position (Asset) Liability		
	Discount Rate - 1% (7.00%)	Current Discount Rate (8.00%)	Discount Rate + 1% (9.00%)
Pension plan	\$ 443,882	\$ 345,833	\$ 263,904
Health benefit supplement plan	\$ 1,953	\$ (1,176)	\$ (3,835)
Long-term disability plan	\$ 1,679	\$ 794	\$ 662

Pension Plan Fiduciary Net Position

Detailed information about each pension and OPEB plan's fiduciary net position is available in the separately issued report at www.azasrs.gov.

Payable to the Pension and OPEB Plan

At June 30, 2018, YMPO reported a payable of \$1,274 for the outstanding amount of contributions to the pension and OPEB plan required for the year ended June 30, 2018.

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Commitments and Contingencies

A. Litigation

Legal claims and lawsuits arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the YMPO's financial position.

B. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the YMPO.

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REQUIRED SUPPLEMENTARY INFORMATION

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BUDGETARY COMPARISON SCHEDULES

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Yuma Metropolitan Planning Organization
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Metropolitan Planning Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive/ (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental:				
Arizona Department of Transportation /				
Federal Highway Administration	\$ 969,975	\$ 783,183	\$ 398,086	\$ (385,097)
Federal Transit Administration	340,886	274,520	149,098	(125,422)
Arizona Department of				
Environmental Quality	10,000	10,000	10,000	-
Member fees	-	-	78,397	78,397
Investment income	-	-	16,252	16,252
Charges for services:				
Traffic count revenues	-	-	771	771
Donated services - Yuma County	210,990	158,845	58,349	(100,496)
Other income	1,053	6,053	-	(6,053)
Total Revenues	1,532,904	1,232,601	710,953	(521,648)
EXPENDITURES				
Administration	320,053	323,042	255,116	67,926
Highway and transit planning	1,212,851	909,559	413,085	496,474
Total Expenditures	1,532,904	1,232,601	668,201	564,400
Excess Revenues Over				
Expenditures	\$ -	\$ -	\$ 42,752	\$ 42,752

Yuma Metropolitan Planning Organization
Required Supplementary Information
For the Year Ended June 30, 2018

Schedule of the Organization's Proportionate Share of the Net Pension Liability and Related Ratios
Last Ten Fiscal Years

Arizona State Retirement System ("ASRS") Pension Plan

Measurement Period	<u>June 30, 2017¹</u>
Organization's Proportion of the Net Pension Liability	0.07980%
Organization's Proportionate Share of the Net Pension Liability	\$ 345,833
Organization's Covered-Employee Payroll	<u>\$ 215,897</u>
Organization's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	<u>160.18%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>69.92%</u>

Notes to Schedule:

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable.

Yuma Metropolitan Planning Organization
Required Supplementary Information
Schedule of the Organization's Pension Contributions
Last Ten Fiscal Years¹

Arizona State Retirement System ("ASRS") Pension Plan

	<u>2017-18</u>	<u>2016-17</u>
Statutorily required contribution	\$ 26,581	\$ 23,322
Contributions in relation to the statutorily required contribution	<u>(26,581)</u>	<u>(23,322)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 243,859	\$ 215,897
Contributions as a percentage of covered-employee payroll	10.90%	10.80%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable.

Notes to Schedule

Valuation date: 6/30/2016

Yuma Metropolitan Planning Organization
Required Supplementary Information
For the Year Ended June 30, 2018

Schedule of the Organization's Proportionate Share of the Net OPEB (Asset) Liability and Related Ratios
Last Ten Fiscal Years

Arizona State Retirement System ("ASRS") Health Insurance Premium Benefit

Measurement Period	<u>June 30, 2017¹</u>
Organization's Proportion of the Net OPEB (Asset) Liability	0.00216%
Organization's Proportionate Share of the Net OPEB (Asset) Liability	\$ (1,176)
Organization's Covered-Employee Payroll	<u>\$ 215,897</u>
Organization's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of Its Covered-Employee Payroll	<u>0.54%</u>
Plan's Proportionate Share of the Health Insurance Premium Benefit Program Assets as a Percentage of the Total OPEB Liability	<u>103.57%</u>

Notes to Schedule:

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable.

Yuma Metropolitan Planning Organization
Required Supplementary Information
For the Year Ended June 30, 2018

Schedule of the Organization's Proportionate Share of the Net OPEB (Asset) Liability and Related Ratios
Last Ten Fiscal Years

Arizona State Retirement System ("ASRS") Long-Term Disability

Measurement Period	June 30, 2017 ¹
Organization's Proportion of the Net OPEB (Asset) Liability	0.00219%
Organization's Proportionate Share of the Net OPEB (Asset) Liability	\$ 794
Organization's Covered-Employee Payroll	<u>\$ 215,897</u>
Organization's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of Its Covered-Employee Payroll	<u>0.37%</u>
Plan's Proportionate Share of the Long-Term Disability Program Assets as a Percentage of the Total OPEB Liability	<u>84.44%</u>

Notes to Schedule:

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable.

Yuma Metropolitan Planning Organization
Required Supplementary Information
Schedule of the Organization's OPEB Contributions
Last Ten Fiscal Years¹

Arizona State Retirement System ("ASRS") Health Insurance Premium Benefit Plan

	<u>2017-18</u>	<u>2016-17</u>
Statutorily required contribution	\$ 1,073	\$ 1,165
Contributions in relation to the statutorily required contribution	<u>(1,073)</u>	<u>(1,165)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 243,859	\$ 215,897
Contributions as a percentage of covered-employee payroll	0.44%	0.54%

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable.

Notes to Schedule

Valuation date: 6/30/2016

Yuma Metropolitan Planning Organization
Required Supplementary Information
Schedule of the Organization's OPEB Contributions (Continued)
Last Ten Fiscal Years¹

Arizona State Retirement System ("ASRS") Long-Term Disability Plan

	<u>2017-18</u>	<u>2016-17</u>
Statutorily required contribution	\$ 390	\$ 298
Contributions in relation to the statutorily required contribution	<u>(390)</u>	<u>(298)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 243,859	\$ 215,897
Contributions as a percentage of covered-employee payroll	0.16%	0.14%

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable.

Notes to Schedule

Valuation date: 6/30/2016

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Yuma Metropolitan Planning Organization
Notes to Required Supplementary Information
June 30, 2018

Note 1 – Budgetary Basis of Accounting

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

Note 2 – Budgetary Control

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

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**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Executive Board of
Yuma Metropolitan Planning Organization

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Yuma Metropolitan Planning Organization, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Yuma Metropolitan Planning Organization's basic financial statements, and have issued our report thereon dated April 24, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yuma Metropolitan Planning Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Yuma Metropolitan Planning Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Yuma Metropolitan Planning Organization's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Waike & Armstrong, LLP". The signature is written in a cursive, flowing style.

Phoenix, Arizona
April 24, 2019