

Yuma Metropolitan Planning Organization
Financial Statements

Year ended June 30, 2019

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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, 2019, 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, 2019, 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 49, and pension and related schedules on pages 50 through 55 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Yuma Metropolitan Planning Organization's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020, 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.

Walsh & Armstrong, LLP

Phoenix, Arizona
March 26, 2020

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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, 2019**

As management of the Yuma Metropolitan Planning Organization (YMPO), we offer readers of YMPO's financial statements this narrative overview and analysis of the financial activities of YMPO for the fiscal year ended June 30, 2019.

Financial Highlights

The assets and deferred outflows of resources of YMPO exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2019 by \$1,667,462. Of this amount \$1,632,791 was unrestricted. YMPO's total net position increased by \$6,951. The increase is primarily attributed to an increase in operating grant revenue. As of the close of the fiscal year, YMPO's governmental fund reported an ending fund balance of \$1,840,373.

Overview of the Financial Statements

These guidelines are intended to serve as an introduction to YMPO's basic financial statements. 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 YMPO's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of YMPO's assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 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 YMPO that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of 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. YMPO, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. YMPO consists of a single governmental fund.

**Yuma Metropolitan Planning Organization
Management's Discussion and Analysis (Continued)
Required Supplementary Information
For the Year Ended June 30, 2019**

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 fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

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

Budgets. 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 2019, YMPO's original budgeted amounts were revised for changes in highway and transit planning revenues and related expenditures as well as in-kind contributions.

Actual revenues were \$458,967 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 2020. 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 aforementioned studies.

The Metropolitan Planning Fund actual expenditures were \$550,297 less than the final expenditure budget, primarily due to the delay of the PL, SPR, and Federal Transit Administration (FTA) transportation studies until FY 2020.

The basic governmental fund financial statements can be found on pages 25-28 of this report and the budgetary comparison schedule can be found on page 49.

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, 2019**

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 YMPO, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,667,462 at the close of the fiscal year.

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

- Current assets increased by \$133,008 due primarily to a note receivable from Central Arizona Governments.
- Capital assets, net, increased by \$29,748 due to the purchase of a vehicle.
- Total liabilities increased by \$68,794 due primarily to an increase in accounts payable and net pension liability.

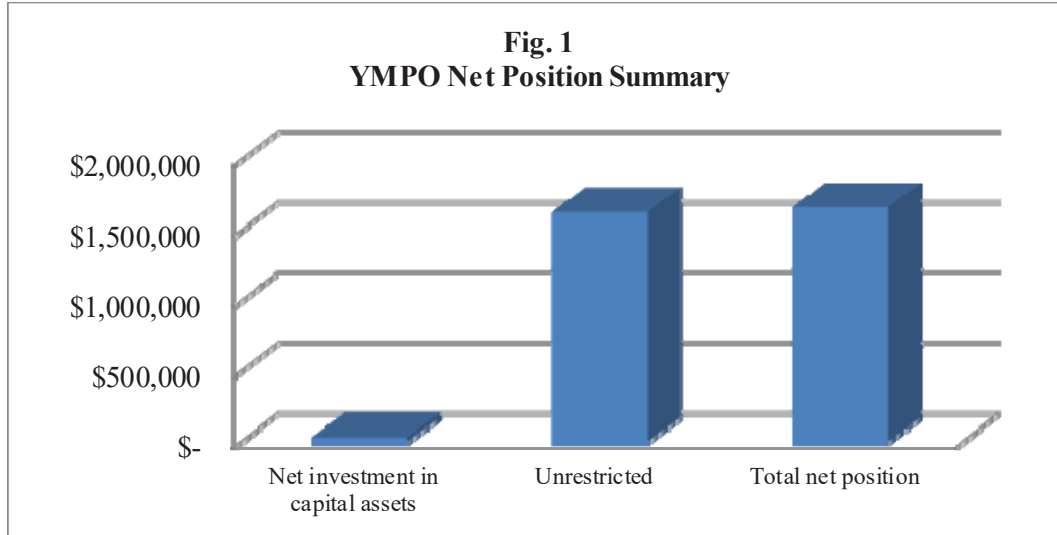
The following table presents a condensed statement of YMPO's net position for the fiscal years ended June 30, 2019 and 2018.

	Governmental Activities	
	2019	2018
Current Assets	\$ 1,928,441	\$ 1,795,433
Net OPEB asset	915	1,176
Capital Assets, net	34,671	4,923
Total Assets	1,964,027	1,801,532
Deferred Outflows of Resources	230,579	293,646
Current Liabilities	78,068	37,531
Long-Term Liabilities	403,239	374,982
Total Liabilities	481,307	412,513
Deferred Inflows of Resources	45,837	22,154
Net Position:		
Net Investment in Capital Assets	34,671	4,923
Unrestricted	1,632,791	1,655,588
Total Net Position	\$ 1,667,462	\$ 1,660,511

The majority of YMPO's net position at June 30, 2019 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, 2019**

Government-Wide Financial Analysis (Continued)



YMPO did not have any restricted net position balances. The balance of net position not invested in capital assets, \$1,632,791, is unrestricted and may be used to meet YMPO's ongoing obligations to citizens and creditors.

YMPO's net position increased by \$6,951 during the year ended June 30, 2019. This increase is attributed primarily to the increase in operating grant revenue.

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

- Overall, YMPO's expenses, including highway and transit planning and administration, increased by \$235,299 primarily due to the start of PL, SPR, and FTA transportation studies in FY 2019.
- Operating grants and contributions increased by \$261,716 due to the increased award amounts PL, SPR, HSIP, and FTA in 2019.

**Yuma Metropolitan Planning Organization
Management's Discussion and Analysis (Continued)
Required Supplementary Information
For the Year Ended June 30, 2019**

Government-Wide Financial Analysis (Continued)

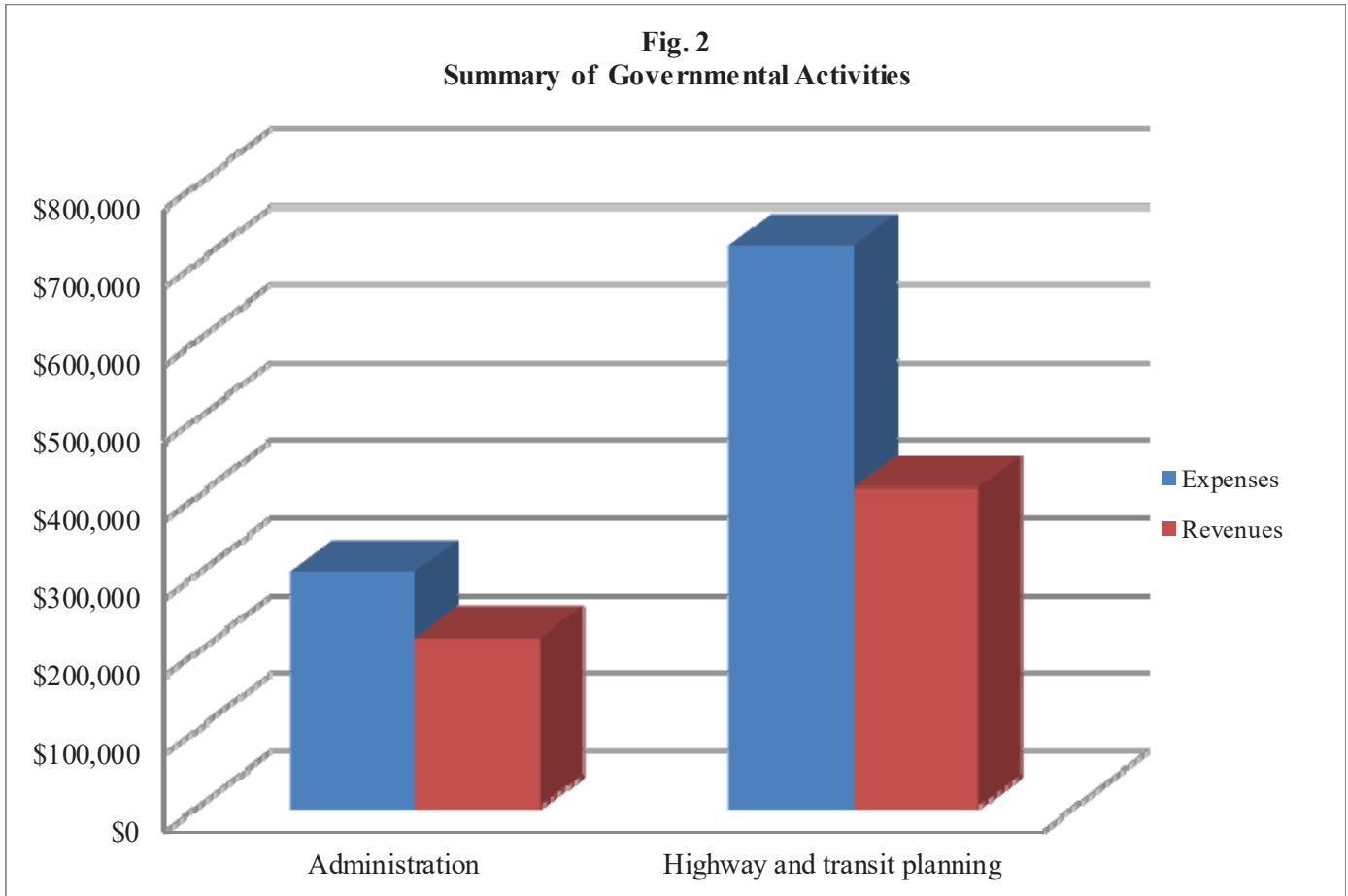
The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2019 and 2018.

	Governmental Activities	
	2019	2018
Revenues		
Program revenues:		
Charges for services	\$ 28,948	\$ 771
Operating grants and contributions	888,408	626,692
General revenues:		
Member fees	85,343	78,397
Investment income	23,471	16,252
Gain on sale of asset	2,300	-
Total revenues	<u>1,028,470</u>	<u>722,112</u>
Expenses		
Administration	301,303	271,967
Highway and transit planning	720,216	514,253
Total expenses	<u>1,021,519</u>	<u>786,220</u>
Increase (decrease) in net position	<u>\$ 6,951</u>	<u>\$ (64,108)</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, 2019**

Government-Wide Financial Analysis (Continued)



Financial Analysis of the Governmental Funds

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

Governmental funds. The focus of 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 YMPO's financing requirements. In particular, unrestricted 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, 2019**

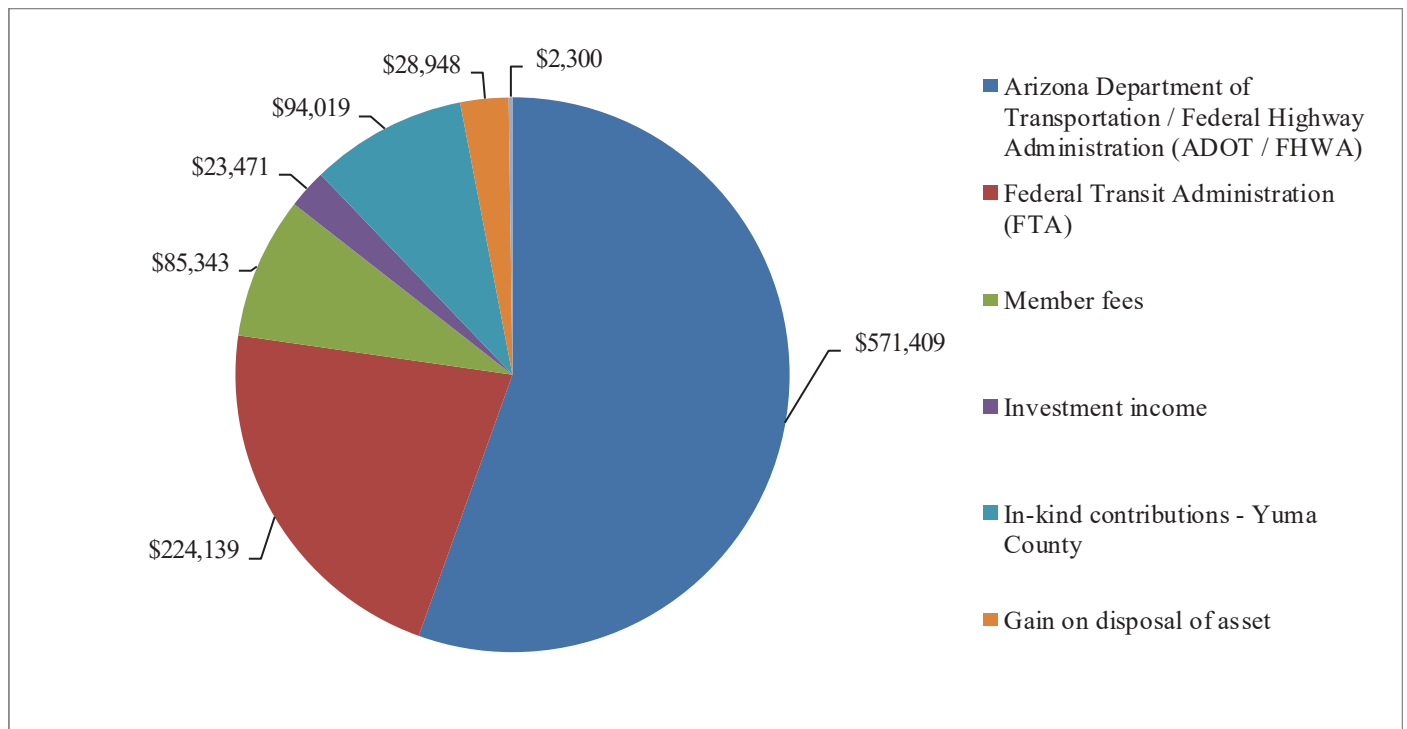
Financial Analysis of the Governmental Funds (Continued)

As of June 30, 2019, YMPO’s governmental fund reported an ending fund balance of \$1,840,373 an increase of \$93,630 from the prior year. The ending fund balance of \$1,840,373 consists of \$1,838,585 of assigned fund balance, which is available for spending at the government’s discretion.

The Metropolitan Planning Fund is the only operating fund of 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 1.96 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.

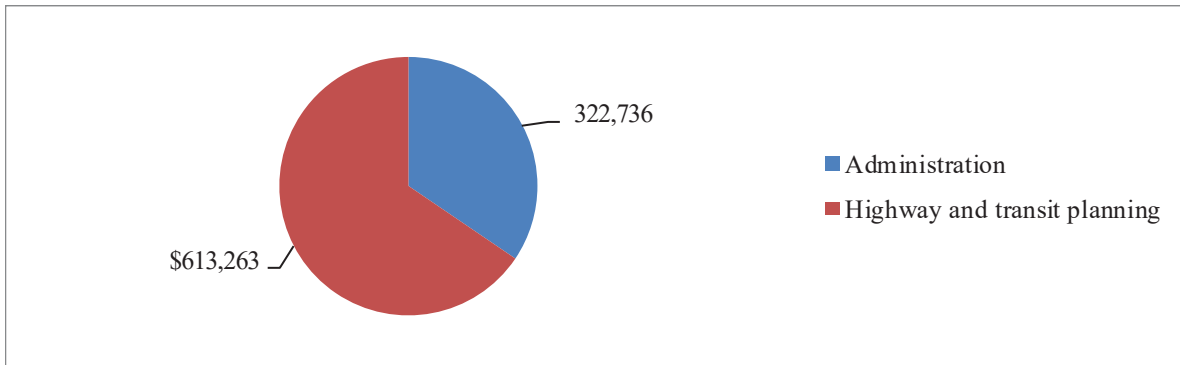
**Fig. 3
Metropolitan Planning Fund Revenues**



**Yuma Metropolitan Planning Organization
Management’s Discussion and Analysis (Continued)
Required Supplementary Information
For the Year Ended June 30, 2019**

Financial Analysis of the Governmental Funds (Continued)

**Fig. 4
Metropolitan Planning Fund Expenditures**



Capital Assets

YMPO’s investment in capital assets for its governmental activities as of June 30, 2019 amounted to \$34,671 (net of accumulated depreciation). The investment in capital assets includes vehicles and furniture & equipment.

Statement of Overall Financial Position

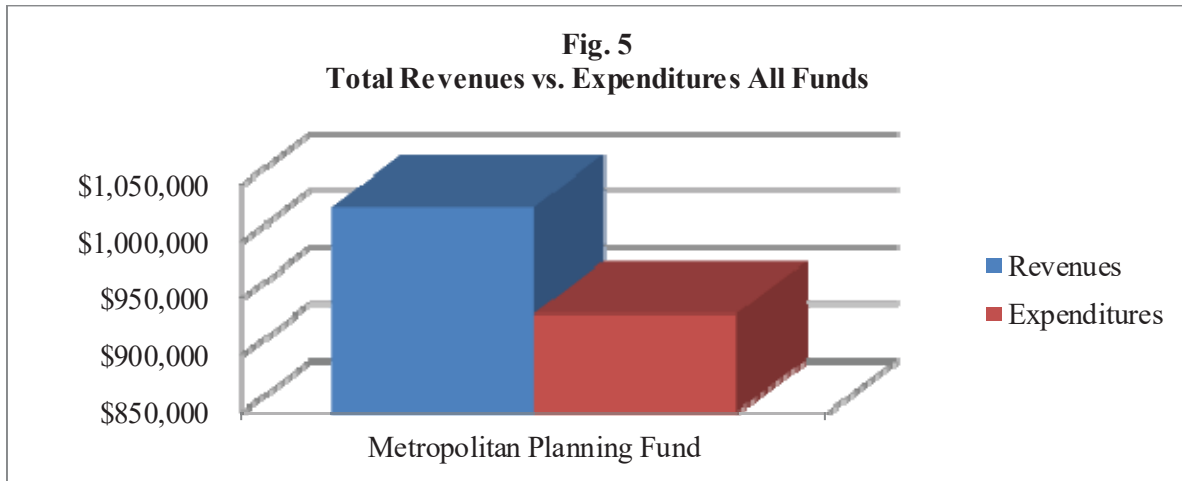
A) Metropolitan Planning Fund

YMPO Metropolitan Planning Fund’s fund balance increased by \$93,630 to \$1,840,373 for fiscal year 2019.

**Yuma Metropolitan Planning Organization
Management’s Discussion and Analysis (Continued)
Required Supplementary Information
For the Year Ended June 30, 2019**

Statement of Overall Financial Position (Continued)

Overall, 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, 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.

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 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, 2019

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,661,232
Receivables:	
Accounts	309
Note	150,000
Due from other governments	114,430
Interest	682
Prepaid items and other assets	1,788
Net OPEB asset	915
Capital assets (net of accumulated depreciation of \$60,043)	34,671
Total Assets	1,964,027
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	3,971
Deferred outflows related to pensions	226,608
Total Deferred Outflows of Resources	230,579
LIABILITIES	
Accounts payable	42,674
Accrued payroll and related liabilities	14,887
Accrued expenses	4,032
Retention payable	16,475
Net OPEB liability - due in more than one year	1,359
Aggregate net pension liability - due in more than one year	364,003
Compensated absences payable - due in more than one year	37,877
Total Liabilities	481,307
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	2,803
Deferred inflows related to pensions	43,034
Total Deferred Inflows of Resources	45,837
NET POSITION	
Net investment in capital assets	34,671
Unrestricted	1,632,791
Total Net Position	\$ 1,667,462

Yuma Metropolitan Planning Organization
Statement of Activities
For the Year Ended June 30, 2019

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	\$ 301,303	\$ -	\$ 262,041	\$ (39,262)
Highway and transit planning	720,216	28,948	626,367	(64,901)
Total Governmental Activities	<u>\$ 1,021,519</u>	<u>\$ 28,948</u>	<u>\$ 888,408</u>	(104,163)
General Revenues:				
Member fees				85,343
Investment income				23,471
Gain on disposal of asset				2,300
Total general revenues				<u>111,114</u>
Change in net position				6,951
Net position - beginning				<u>1,660,511</u>
Net position - ending				<u>\$ 1,667,462</u>

FUND FINANCIAL STATEMENTS

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Yuma Metropolitan Planning Organization
Balance Sheet
Governmental Fund
June 30, 2019

	Metropolitan Planning Fund
ASSETS	
Cash and investments	\$ 1,661,232
Receivables:	
Accounts	309
Note	150,000
Due from other governments	114,430
Interest	682
Prepaid items and other assets	1,788
Total Assets	\$ 1,928,441
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 42,674
Accrued payroll and related accruals	14,887
Accrued expenses	4,032
Retention payable	16,475
Total Liabilities	78,068
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	10,000
Total Deferred Inflows of Resources	10,000
FUND BALANCE:	
Nonspendable:	
Prepaid items and other assets	1,788
Assigned to:	
Highway and transit planning	1,838,585
Total Fund Balance	1,840,373
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,928,441

Yuma Metropolitan Planning Organization
Reconciliation of the Balance Sheet - Governmental Fund
to the Government-Wide Statement of Net Position
June 30, 2019

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

Fund balance - total governmental fund - Balance Sheet	\$ 1,840,373
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	34,671
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(37,877)
Aggregate net OPEB asset in the governmental activities were not financial resources and, therefore, were not reported in the governmental fund.	915
Actuarially determined deferred outflows of resources are reported in the government-wide statements:	
OPEB-related deferred outflows	3,971
Pension-related deferred outflows	226,608
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.	(1,359)
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.	(364,003)
Actuarially determined deferred inflows of resources are reported in the government-wide statements:	
OPEB-related deferred inflows	(2,803)
Pension-related deferred inflows	(43,034)
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.	10,000
Net position of governmental activities - Statement of Net Position	\$ 1,667,462

Yuma Metropolitan Planning Organization
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund
For the Year Ended June 30, 2019

	<u>Metropolitan Planning Fund</u>
REVENUES	
Intergovernmental:	
Arizona Department of Transportation/Federal Highway Administration	\$ 571,409
Federal Transit Administration	224,139
Member fees	85,343
Investment income	23,471
Charges for services	28,948
Donated services - Yuma County	94,019
Total Revenues	<u>1,027,329</u>
EXPENDITURES	
Current:	
Administration	322,736
Highway and transit planning	581,101
Capital outlay	32,162
Total Expenditures	<u>935,999</u>
Change in fund balance	91,330
OTHER FINANCING SOURCES	
Gain on disposal of asset	2,300
Total other financing sources	<u>2,300</u>
Net change in fund balance	93,630
Fund Balance - beginning	<u>1,746,743</u>
Fund Balance - ending	<u><u>\$ 1,840,373</u></u>

Yuma Metropolitan Planning Organization
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, 2019

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

Net changes in fund balance - total governmental fund	\$	93,630
<p>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.</p>		
Outlay to acquire capital assets		32,162
Current year depreciation expense		(2,414)
<p>Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
		(9,522)
<p>The net effect of various 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, are not reported as expenditures in the governmental fund.</p>		
		(106,068)
<p>The net effect of various transactions involving OPEB plans (i.e. changes in the net OPEB liability, deferred inflow/outflow amortization, contributions after measurement date) does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.</p>		
		322
<p>Unavailable revenues were reported as unearned revenue in the Governmental Fund but were reported as revenues in the Government-Wide Financial Statements of Activities.</p>		
		(1,159)
Change in net position of governmental activities - Statement of Activities	\$	<u>6,951</u>

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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.

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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 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, such 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 unavailable 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.

D. Investment Income

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

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

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 and part-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:

Years of Credited Services	Days per Year
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
Emergency, Seasonal, Temporary, Part-time less than 25%	YMPO will allow accrual at the rate of .0333 hours for every hour worked.

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, 2019

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 11). 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:

<u>Arizona State Retirement System</u>	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

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 Postemployment 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 11). 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:

<u>Arizona State Retirement System</u>	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

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

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

J. Other Postemployment Benefits (OPEB) (Continued)

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.

K. 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.

L. 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, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

M. 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.

N. 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.

O. Donated Services

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 or actual hourly wage information if available. Mileage is used as an in-kind contribution from the Technical Advisory Committee Members which is calculated on a \$0.545 per mile.

P. Implementation of New GASB Pronouncements

During fiscal year ended June 30, 2019, YMPO has implemented the following new GASB Pronouncements:

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 did not have a material effect on YMPO's financial statements for the fiscal year ending June 30, 2019.

GASB Statement No. 88

In April 2018, GASB issued statement No 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of 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. This

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

P. Implementation of New GASB Pronouncements (Continued)

GASB Statement No. 88 (Continued)

Statement 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. See Note 7 for District's long-term debt disclosures. Application of this statement did not have a material effect on YMPO's financial statements for the fiscal year ending June 30, 2019.

Note 2 – Cash and Investments

Arizona Revised Statutes authorize YMPO to invest public monies in the State or County Treasurers' investment pools; interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; and bonds of the state of Arizona counties, cities, towns, school districts, and special districts as specified by statute.

YMPO utilizes Yuma County (County Treasurer) as its repository for cash and allows their pool to invest its funds; accordingly, YMPO does not have its own formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for investments.

Cash on Hand and Deposits – At June 30, 2019, the carrying amount of the total cash in bank was \$135,105 and the bank balance was \$136,291 of which all are insured or collateralized. In addition, total cash on hand was \$150.

Investments – YMPO's investments at June 30, 2019 are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

YMPO's investments at June 30, 2019 with the Yuma County Treasurer's investment pool (Pool) was \$1,525,977. The Pool is not categorized within the fair value hierarchy.

The Pool is not registered with the Securities and Exchange Commission and there is no regulatory oversight of their operations. A portion of the of the 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 counties have not provided or obtained any legally binding guarantees to support the value of the participants' investments. The Treasurer determines the fair value of the pooled investments annually at June 30 which approximates the fair value of the participant's position in the Pool.

Interest is allocated based on average month-end balance of each entity invested in the pool.

Credit risk - At June 30, 2019, all of the YMPO's investments were invested in the Yuma County investment pool which is not rated by rating agencies.

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Cash and Investments (Continued)

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, YMPO will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. External investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Interest rate risk – At June 30, 2019, YMPO’s investments can be withdrawn from the pools at will and therefore, are not subject to a significant amount of interest rate risk.

Foreign currency risk – YMPO does not have a formal investment policy with respect to foreign currency risk because state statutes do not allow for foreign investments.

A reconciliation of cash, deposits and investments to the amounts reported on the statement of net position follows:

	Governmental Funds
Petty cash	\$ 150
Cash in bank	135,105
Investment in the County Treasurer	1,525,977
Total cash and investments	\$ 1,661,232

Note 3 – Note Receivable

On March 28, 2019, YMPO agreed to loan \$150,000 to Central Arizona Governments for operations. The note has an interest rate of two percent (2%) per annum, payable in one (1) lump sum payment on the April 10, 2020.

Note 4 – Due from Other Governments

Due from other governments as of June 30, 2019 are as follows:

<u>Agency</u>		
Federal Transit Administration (FTA)	\$	27,797
Arizona Department of Transportation (ADOT)		50,717
Other governments		35,916
Total due from other governments	\$	114,430

Management considers all receivables at June 30, 2019 to be fully collectible; therefore, no allowance for doubtful accounts was included.

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 5 – Capital Assets

A summary of changes in capital asset activity for the year ended June 30, 2019, follows:

<u>Governmental Activities</u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, being depreciated:				
Vehicles	\$ 69,841	\$ 32,162	\$ (14,000)	\$ 88,003
Furniture and equipment	6,711	-	-	6,711
Total capital assets being depreciated	<u>76,552</u>	<u>32,162</u>	<u>(14,000)</u>	<u>94,714</u>
Less accumulated depreciation for:				
Vehicles	(69,841)	(1,072)	14,000	(56,913)
Furniture and equipment	(1,788)	(1,342)	-	(3,130)
Total accumulated depreciation	<u>(71,629)</u>	<u>(2,414)</u>	<u>14,000</u>	<u>(60,043)</u>
Total capital assets being depreciated, net	<u>\$ 4,923</u>	<u>\$ 29,748</u>	<u>\$ -</u>	<u>\$ 34,671</u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 1,207
Highway and transit and planning	<u>1,207</u>
	<u>\$ 2,414</u>

Note 6 - 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, 2019.

Note 7 – Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due in More Than One Year
Compensated absences	<u>\$ 28,355</u>	<u>\$ 37,877</u>	<u>\$ (28,355)</u>	<u>\$ 37,877</u>	<u>\$ 37,877</u>

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 8 - Economic Dependency

YMPO received 8 percent of its revenues from dues paid by its member organizations, 22 percent of its revenues from the Federal Transit Administration and 55 percent of its revenues from the Federal Highway Administration passed through the Arizona Department of Transportation for the year ended June 30, 2019.

Note 9 - 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 10 – Donated Services – Yuma County

For the period ended June 30, 2019, YMPO received donated services from Yuma County and YMPO's Technical Advisory Committee Members totaling \$94,019. The donated services from Yuma County consist of 7.54% 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. In April 2019 YMPO updated the method to determine the hourly wage by using actual hourly wages of the donated services. If the actual hourly wage information is unavailable then the current Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates for Civil Engineers is used. Mileage is used as an in-kind contribution from the Technical Advisory Committee Members which is calculated on a \$0.545 per mile.

Note 11 - 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.

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 - Retirement Plans and Other Postemployment Benefits (Continued)

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 based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%
	*With actuarially reduced benefits	

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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 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.

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 - Retirement Plans and Other Postemployment Benefits (Continued)

Employees Covered

At June 30, 2019 YMPO had 5 active and contributing employees that were covered by the benefit terms the Plan. There were 2 return to work retirees with the Alternative Contribution rate (ACR) contribution by the employer only. As of the date of the audit report. There were no transferred/separated or retired employees receiving benefits.

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, 2019, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.80 percent (11.64 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 11.80 percent (11.18 percent for retirement, 0.46 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 10.53 percent (10.41 for retirement and 0.06 percent for health insurance premium benefit, and 0.06 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, 2019 were as follows:

	Contributions - employer
Pension plan	\$ 30,801
Health benefit supplement plan	1,267
Long-term disability plan	441
	\$ 32,509

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

At June 30, 2019, YMPO reported pension and OPEB (asset) / liabilities for the following:

	Net pension / OPEB (asset) liability
Pension plan	\$ 364,003
Health benefit supplement plan	(915)
Long-term disability plan	1,359
Total	\$ 364,447

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 - Retirement Plans and Other Postemployment Benefits (Continued)

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

The net pension and OPEB asset / liability were measured as of June 30, 2018. 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, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3–6.75 percent to 2.7–7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates. YMPO’s proportion of the net pension and OPEB asset / liability was based on a projection of YMPO’s long-term share of contributions to the pension and OPEB plans relative to all participating employers’ contributions for the year ending June 30, 2018. YMPO’s proportionate share of the net pension and OPEB asset /liability for the Arizona State Retirement System Plan measured as of June 30, 2018 was 0.00261% and 0.00222%, respectively.

YMPO recognized pension / OPEB expenses for the pension, health insurance premium benefit, and the long-term disability plans for the year ended June 30, 2019:

	Pension / OPEB expenses
Pension plan	\$ 106,068
Health benefit supplement plan	(239)
Long-term disability plan	(83)
	\$ 105,746

At June 30, 2019, 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	\$ 30,801	\$ 1,267	\$ 441
Changes in assumptions	9,632	1,764	294
Difference between expected and actual experience	10,028	-	35
Changes in proportion and differences between employer contributions and proportionate share of contributions	176,147	20	150
Total Pension and OPEB - Related Deferred Outflows	\$ 226,608	\$ 3,051	\$ 920
	Deferred Inflows of Resources		
	Pension Plan	Health Benefit Supplement Plan	Long-Term Disability Plan
Governmental Activities:			
Difference between expected and actual experience	\$ (2,007)	\$ (844)	\$ -
Changes in assumptions	(32,274)	-	-
Difference between projected and actual investments earnings	(8,753)	(1,827)	(132)
Total Pension and OPBEB -Related Deferred Intflows	\$ (43,034)	\$ (2,671)	\$ (132)

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 - Retirement Plans and Other Postemployment Benefits (Continued)

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

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from 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, 2020. 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
2020	\$ 136,067	\$ (349)	\$ 24
2021	33,910	(349)	25
2022	(13,278)	(349)	25
2023	(3,926)	40	60
2024	-	120	67
Thereafter	-	-	146
Total	\$ 152,773	\$ (887)	\$ 347

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

For the measurement period ended June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability.

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.3%
Projected Salary Increases	2.7 - 7.2% For pensions / not applicable for OPEB
Investment Rate of Return	7.5% Net of Pension and OPEB Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	2017 SRA Scale U-MP
Recovery Rates	2012 GLDT For Long-Term Disability
Healthcare Cost Trend Rate	Not applicable

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 - Retirement Plans and Other Postemployment Benefits (Continued)

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

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-term Expected Nominal Return</u>
Equity	50%	5.50%	2.75%
Fixed income	30%	3.83%	1.15%
Real estate	20%	5.85%	1.17%
Total	<u>100%</u>		<u>5.07%</u>

Discount Rate

At June 30, 2018, the discount rate used to measure the total pension and OPEB asset / liability was 7.5%, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. 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 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 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:

	<u>Plan's Aggregate Net Position (Asset) Liability</u>		
	<u>Discount Rate - 1% (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>Discount Rate + 1% (8.50%)</u>
Pension plan	\$ 518,895	\$ 364,003	\$ 234,594
Health benefit supplement plan	\$ 3,241	\$ (915)	\$ (4,454)
Long-term disability plan	\$ 1,540	\$ 1,359	\$ 1,183

Yuma Metropolitan Planning Organization
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 - Retirement Plans and Other Postemployment Benefits (Continued)

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, 2019, YMPO reported a payable of \$1,359 for the outstanding amount of contributions to the pension and OPEB plan required for the year ended June 30, 2019.

Note 12 – 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 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 YMPO.

Note 13 – Subsequent Events

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of business. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on YMPO and its member agencies and the duration cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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BUDGETARY COMPARISON SCHEDULES

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Yuma Metropolitan Planning Organization
Schedule of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual
Metropolitan Planning Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Arizona Department of Transportation /				
Federal Highway Administration	\$ 805,924	\$ 873,182	\$ 571,409	\$ (301,773)
Federal Transit Administration	465,458	396,162	224,139	(172,023)
Arizona Department of				
Environmental Quality	10,000	10,000	-	(10,000)
Member fees	-	-	85,343	85,343
Investment income	-	-	23,471	23,471
Charges for services:				
Traffic count revenues	-	-	28,948	28,948
Donated services - Yuma County	221,666	200,899	94,019	(106,880)
Other income	7,327	6,053	-	(6,053)
Total Revenues	<u>1,510,375</u>	<u>1,486,296</u>	<u>1,027,329</u>	<u>(458,967)</u>
EXPENDITURES				
Administration	346,371	403,666	322,736	80,930
Highway and transit planning	1,164,004	1,082,630	581,101	501,529
Capital outlay	-	-	32,162	(32,162)
Total Expenditures	<u>1,510,375</u>	<u>1,486,296</u>	<u>935,999</u>	<u>550,297</u>
OTHER FINANCING SOURCES				
Gain on disposal of asset	-	-	2,300	2,300
Total other financing sources	-	-	2,300	2,300
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,630</u>	<u>\$ 93,630</u>

Yuma Metropolitan Planning Organization
Required Supplementary Information
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	June 30, 2018 ¹	June 30, 2017 ¹
Organization's Proportion of the Net Pension Liability	0.00261%	0.07980%
Organization's Proportionate Share of the Net Pension Liability	\$ 364,003	\$ 345,833
Organization's Covered-Employee Payroll	\$ 243,859	\$ 215,897
Organization's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	149.27%	160.18%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	73.40%	69.92%

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

	2018-19	2017-18	2016-17
Statutorily required contribution	\$ 30,801	\$ 26,581	\$ 23,322
Contributions in relation to the statutorily required contribution	(30,801)	(26,581)	(23,322)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 275,501	\$ 243,859	\$ 215,897
Contributions as a percentage of covered-employee payroll	11.18%	10.90%	10.80%

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

Notes to Schedule

Valuation date:

6/30/2017

**Yuma Metropolitan Planning Organization
Required Supplementary Information
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	June 30, 2018 ¹	June 30, 2017 ¹
Organization's Proportion of the Net OPEB (Asset) Liability	0.00254%	0.00216%
Organization's Proportionate Share of the Net OPEB (Asset) Liability	\$ (915)	\$ (1,176)
Organization's Covered-Employee Payroll	\$ 243,859	\$ 215,897
Organization's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of Its Covered-Employee Payroll	(0.38%)	(0.54%)
Plan's Proportionate Share of the Health Insurance Premium Benefit Program Assets as a Percentage of the Total OPEB Liability	102.20%	103.57%

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 Proportionate Share
of the Net OPEB (Asset) Liability and Related Ratios (Continued)
Last Ten Fiscal Years**

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

Measurement Period	June 30, 2018 ¹	June 30, 2017 ¹
Organization's Proportion of the Net OPEB (Asset) Liability	0.00260%	0.00219%
Organization's Proportionate Share of the Net OPEB (Asset) Liability	\$ 1,359	\$ 794
Organization's Covered-Employee Payroll	\$ 243,859	\$ 215,897
Organization's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of Its Covered-Employee Payroll	0.56%	0.37%
Plan's Proportionate Share of the Long-Term Disability Program Assets as a Percentage of the Total OPEB Liability	77.83%	84.44%

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>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
Statutorily required contribution	\$ 1,267	\$ 1,073	\$ 1,165
Contributions in relation to the statutorily required contribution	<u>(1,267)</u>	<u>(1,073)</u>	<u>(1,165)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 275,501	\$ 243,859	\$ 215,897
Contributions as a percentage of covered-employee payroll	0.46%	0.44%	0.54%

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

Notes to Schedule

Valuation date:

6/30/2017

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

	2018-19	2017-18	2016-17
Statutorily required contribution	\$ 441	\$ 390	\$ 298
Contributions in relation to the statutorily required contribution	(441)	(390)	(298)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 275,501	\$ 243,859	\$ 215,897
Contributions as a percentage of covered-employee payroll	0.16%	0.16%	0.14%

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

Notes to Schedule

Valuation date:

6/30/2017

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Yuma Metropolitan Planning Organization
Notes to Required Supplementary Information
June 30, 2019

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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Supplemental Information

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Yuma Metropolitan Planning Organization
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-through or Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<u>U.S. Department of Transportation</u>				
<i>Passed through Arizona Department of Transportation:</i>				
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction	20.205	GRT-17-0006573-T	\$ 571,409	\$ -
<i>Total Highway Planning and Construction Cluster</i>			571,409	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and research	20.505	GRT-17-0006573-T	123,424	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	GRT-18-0007159-T	85,715	20,000
Total U.S. Department of Transportation			780,548	20,000
<u>Environmental Protection Agency</u>				
<i>Passed through Arizona Department of Environmental Quality:</i>				
Air Pollution Control Program Support	66.001	ADEQ18-198213	10,000	-
Total Environmental Protection Agency			10,000	-
Total Expenditures of Federal Awards			\$ 790,548	\$ 20,000

Yuma Metropolitan Planning Organization
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards (schedule) includes Yuma Metropolitan Planning Organization's federal grant activity for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The CFDA numbers and program titles were obtained from the federal or pass-through grantor or the 2019 *Catalog of Federal Domestic Assistance*.

Note 4 – Indirect Cost Rate

Grantor funding under Yuma Metropolitan Planning Organization's federal awards does not allow for indirect costs and, accordingly, Yuma Metropolitan Planning Organization did not use the 10 percent de minimis indirect cost rate covered in 2 CFR §200.414.

Single Audit Reports

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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, 2019, 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 March 26, 2020.

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.

Walsh & Armstrong, LLP

Phoenix, Arizona
March 26, 2020

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

The Executive Board of
Yuma Metropolitan Planning Organization

Report on Compliance for Each Major Federal Program

We have audited Yuma Metropolitan Planning Organization’s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Yuma Metropolitan Planning Organization’s major federal programs for the year ended June 30, 2019. Yuma Metropolitan Planning Organization’s major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Yuma Metropolitan Planning Organization’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Yuma Metropolitan Planning Organization’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Yuma Metropolitan Planning Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Walker & Armstrong, LLP

Phoenix, Arizona
March 26, 2020

**Yuma Metropolitan Planning Organization
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

A. Summary of Audit Results:

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>	
	<u>Yes</u>	<u>No</u>
Material weakness(es) identified in internal control over financial reporting?		<u>X</u>
Significant deficiency identified not considered to be a material weakness?	<u>None Reported</u>	
Noncompliance material to the financial statements noted?		<u>X</u>

Federal Awards

Material weaknesses identified in internal control over major programs?		<u>X</u>
Significant deficiency identified not considered to be a material weakness?	<u>None Reported</u>	
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		<u>X</u>

Identification of major programs:

CFDA No.	Name of Federal Program
20.205	<i>Highway Planning and Construction Cluster:</i> Highway Planning and Construction

Dollar threshold used to distinguish between Type A and B programs:	<u>\$ 750,000</u>	
Auditee qualified as a low risk auditee?		<u>X</u>

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR 200.511(b)?		<u>X</u>
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B. Financial Statement Findings: None

C. Federal Award Findings: None