

**Yuma Metropolitan Planning Organization**  
**Financial Statements**

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**Year ended June 30, 2016**

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**Independent Auditor's Report**

[www.wa-cpas.com](http://www.wa-cpas.com)

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Yuma Metropolitan Planning Organization as of and for the year ended June 30, 2016, 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, 2016, 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 4 through 12 and budgetary comparison information on pages 29 and 30 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 the 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. Such 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 August 10, 2017, on our consideration of Yuma Metropolitan Planning Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Yuma Metropolitan Planning Organization's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "Walker & Armstrong, LLP".

Phoenix, Arizona  
August 10, 2017

## **Management's Discussion and Analysis**

**YUMA METROPOLITAN PLANNING ORGANIZATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

As management of the Yuma Metropolitan Planning Organization (YMPO), we offer readers of the YMPO's financial statements this narrative overview and analysis of the financial activities of the YMPO for the fiscal year ending June 30, 2016.

**FINANCIAL HIGHLIGHTS**

The assets of the YMPO exceeded its liabilities at the close of the fiscal year ended June 30, 2016 by \$1,560,842. Of this amount \$1,556,386 was unrestricted. The YMPO's total net position increased by \$58,100. The increase is attributed to a combination of grant revenue reimbursements and the timing of related accounts payable. As of the close of the fiscal year, the YMPO's governmental fund reported an ending fund balance of \$1,577,106.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

The government-wide financial statements can be found on pages 13-14 of this report.



## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

For the fiscal year 2016, the YMPO's original budgeted amounts were revised for highway and transit planning revenues and expenditures.

Actual revenues were \$387,674 less than the final budgeted amounts for the Metropolitan Planning Fund. This was primarily due to some projects with completion dates that will occur in Fiscal Year 2017. Remaining funds will be applied to the Long Range Transportation Plan.

The Metropolitan Planning Fund actual expenditures were \$459,894 less than the final expenditure budget, primarily due to the large amount of funds carried forward and a decline in administration expense.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

**Notes to the basic 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the YMPO, assets exceeded liabilities by \$1,560,842 at the close of the fiscal year.

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

- Current assets increased by \$92,778 due primarily to a grant revenue reimbursements and related receivables.
- Capital assets, net, decreased by \$4,457 due primarily to depreciation expense.
- Current and other liabilities increased by \$30,221 due primarily to the timing of expenses and related accounts payable.

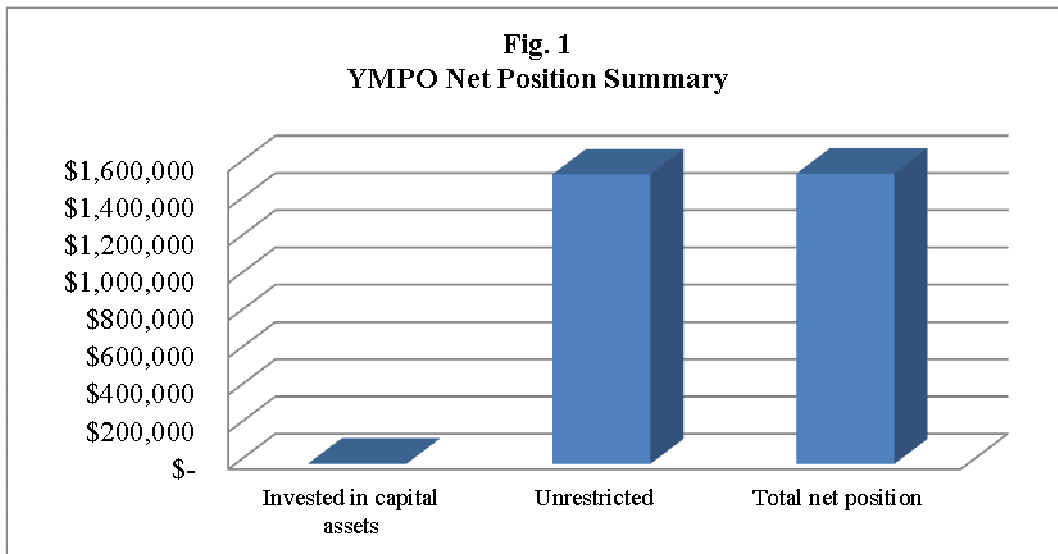
The following table presents a condensed statement of the YMPO's net position for the fiscal years ended June 30, 2016 and 2015.

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Current assets	\$ 1,651,816	\$ 1,559,038
Capital assets, net	4,456	8,913
<b>Total assets</b>	<u>1,656,272</u>	<u>1,567,951</u>
Current and other liabilities	<u>95,430</u>	<u>65,209</u>
<b>Total liabilities</b>	<u>95,430</u>	<u>65,209</u>
Net position:		
Invested in capital assets	4,456	8,913
Unrestricted	<u>1,556,386</u>	<u>1,493,829</u>
Total net position	<u>\$ 1,560,842</u>	<u>\$ 1,502,742</u>

The majority (99 percent) of the YMPO's net position at June 30, 2016 is unrestricted. The net position is summarized in Figure 1.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)



The YMPO did not have any restricted net position balances. The balance of net position not invested in capital assets, \$1,556,386, is unrestricted and may be used to meet the YMPO's ongoing obligations to citizens and creditors.

The YMPO's net position increased by \$58,100 during the year ended June 30, 2016. This increase is attributed to a combination of grant revenue reimbursements and the timing of related accounts payable.

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

- Overall, the YMPO expenses, including highway and transit planning and administration, increased by \$77,525 primarily due to increases in grant revenue and corresponding costs for programs.
- Operating grants and contributions increased by \$50,282 as a result of an increase in Federal operating grants.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

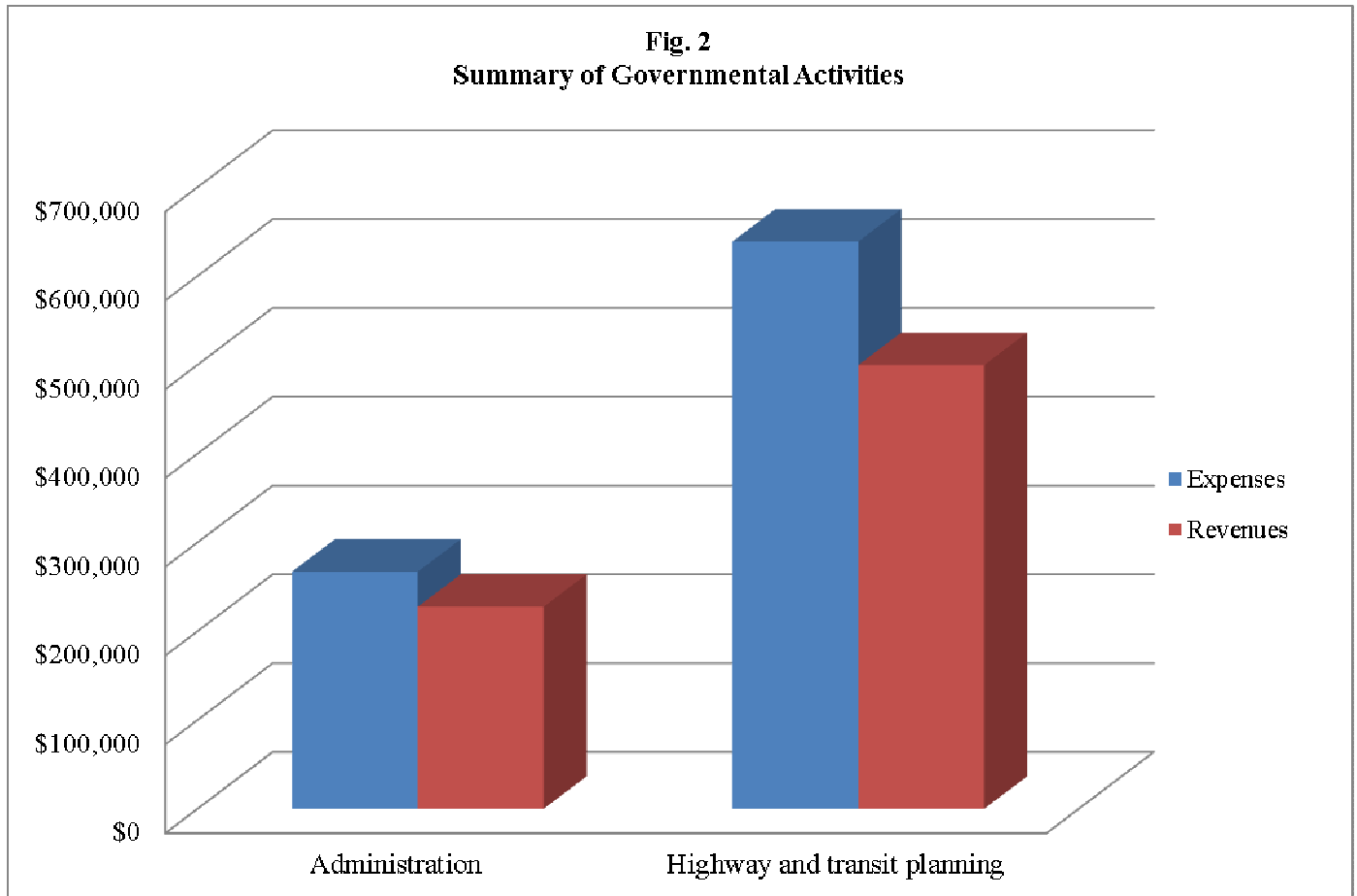
The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and 2015.

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 10,271	\$ 13,306
Operating grants and contributions	856,068	805,786
General revenues:		
Member fees	90,171	61,369
Interest revenue	7,488	6,439
Other revenue	10	302
Total revenues	<u>964,008</u>	<u>887,202</u>
<b>Expenses</b>		
Administration	267,016	258,138
Highway and transit planning	<u>638,892</u>	<u>570,245</u>
Total expenses	<u>905,908</u>	<u>828,383</u>
Increase in net position	<u>\$ 58,100</u>	<u>\$ 58,819</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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



### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

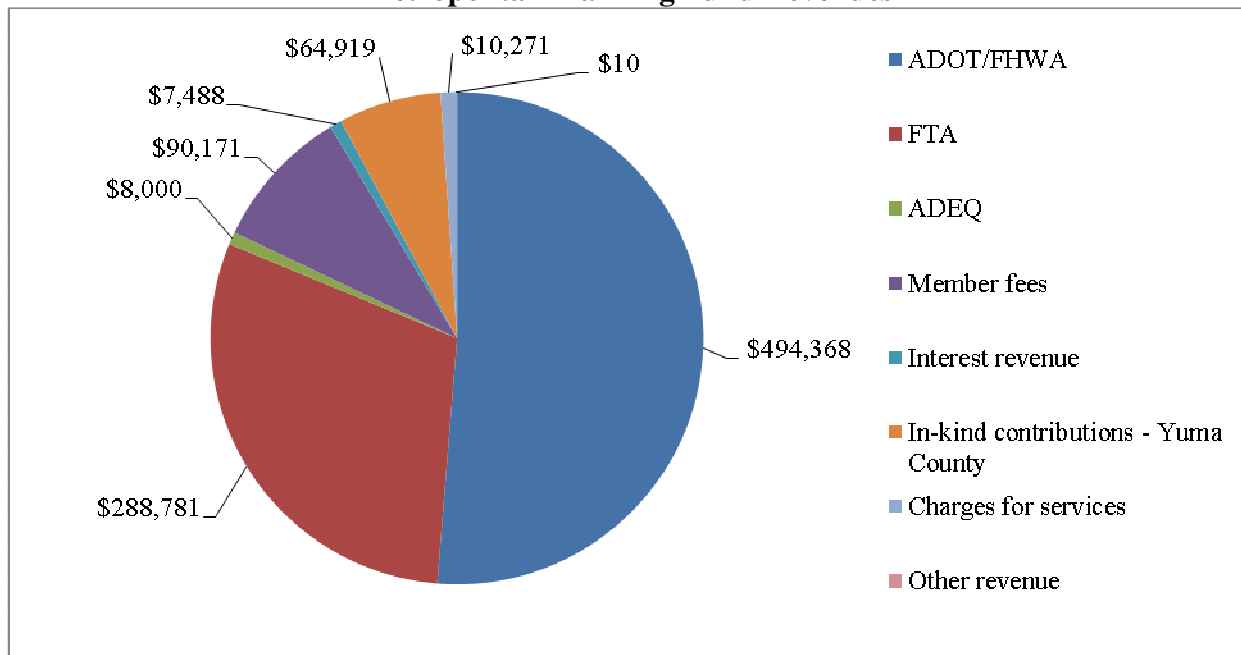
### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

As of June 30, 2016, the YMPO's governmental fund reported combined ending fund balances of \$1,577,106, an increase of \$72,221 from the prior year. The combined ending fund balance of \$1,577,106 consists of \$1,575,839 of assigned fund balance, which is available for spending at the government's discretion; and \$1,267 of non-spendable fund balance, which is a result of amounts prepaid during the year.

**The Metropolitan Planning Fund** is the only operating fund of the YMPO. As a measure of the Metropolitan Planning Fund's liquidity, it may be useful to compare assigned fund balance to total fund expenditures. Assigned fund balance represented 177 percent of total Metropolitan Planning Fund expenditures.

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

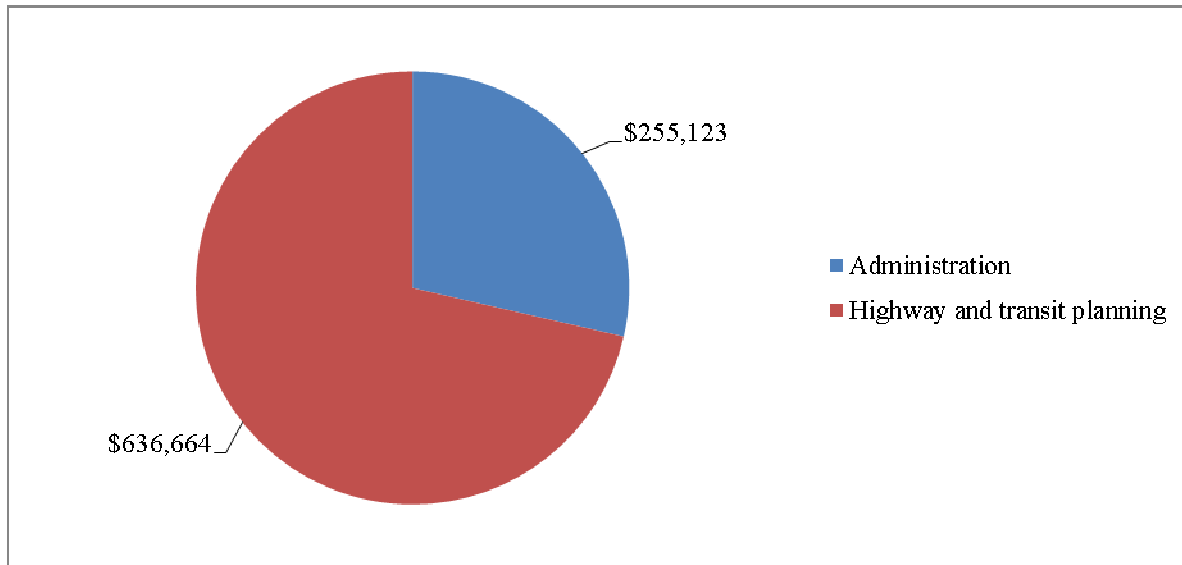
**Fig. 3**  
**Metropolitan Planning Fund Revenues**



## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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

**Fig. 4**  
**Metropolitan Planning Fund Expenditures**



### CAPITAL ASSETS

The YMPO's investment in capital assets for its governmental activities as of June 30, 2016, amounted to \$4,456 (net of accumulated depreciation). The investment in capital assets includes vehicles and furniture & equipment.

Major capital asset events during the current fiscal year included the following as described below and summarized in Note 4 to the financial statements on pages 25 and 26.

- Depreciation expense of \$4,457.

### STATEMENT OF OVERALL FINANCIAL POSITION

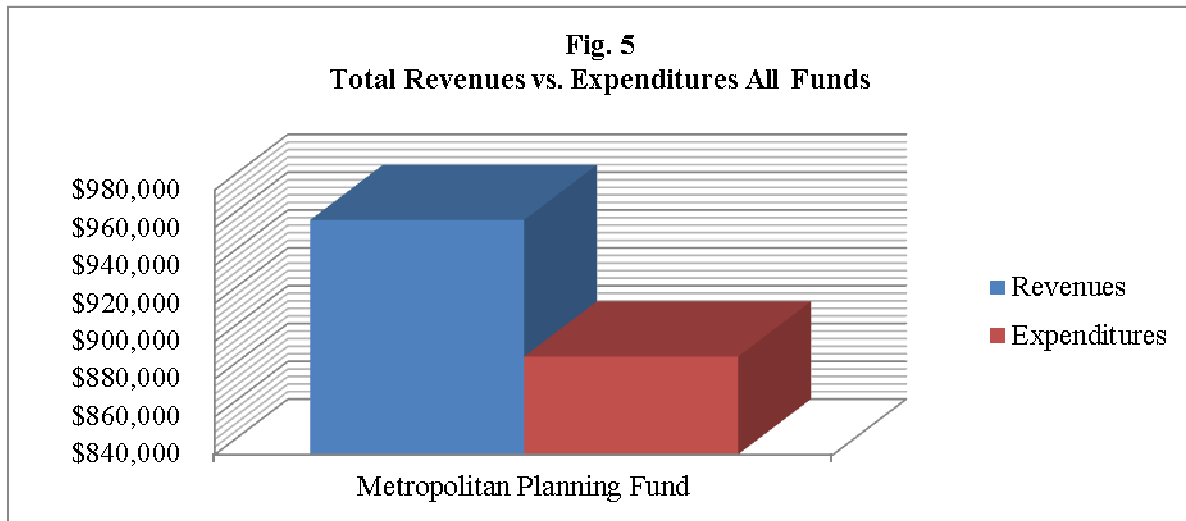
#### A) Metropolitan Planning Fund

The YMPO Metropolitan Planning Fund's fund balance increased by \$72,221 to \$1,577,106 for fiscal year 2016.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### STATEMENT OF OVERALL FINANCIAL POSITION (CONTINUED)

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



### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

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

### REQUESTS FOR INFORMATION

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



## **Government-Wide Financial Statements**

**YUMA METROPOLITAN PLANNING ORGANIZATION**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 1,428,363
Receivables:	
Accounts	510
Intergovernmental	221,676
Prepaid items and other assets	1,267
Total Current Assets	1,651,816
Capital Assets (net of accumulated depreciation of \$83,127)	4,456
Total Assets	1,656,272
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	18,114
Accrued payroll and related accruals	11,996
Retention payable	44,600
Compensated absences payable	20,720
Total Current Liabilities	95,430
Total Liabilities	95,430
<b>NET POSITION</b>	
Invested in capital assets	4,456
Unrestricted	1,556,386
Total Net Position	\$ 1,560,842

**See accompanying Notes to the Basic Financial Statements.**

**YUMA METROPOLITAN PLANNING ORGANIZATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Primary Governmental Activities:</b>				
Administration	\$ 267,016	\$ -	\$ 252,326	\$ (14,690)
Highway and transit planning	638,892	10,271	603,742	(24,879)
Total Governmental Activities	<u>\$ 905,908</u>	<u>\$ 10,271</u>	<u>\$ 856,068</u>	\$ (39,569)
General Revenues:				
Member fees				90,171
Investment income				7,488
Other revenue				10
Total General Revenues				<u>97,669</u>
Change in Net Position				58,100
Net Position - Beginning of Year				<u>1,502,742</u>
Net Position - End of Year				<u>\$ 1,560,842</u>

**See accompanying Notes to the Basic Financial Statements.**

## **Fund Financial Statements**

**YUMA METROPOLITAN PLANNING ORGANIZATION  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2016**

	<u><b>Metropolitan Planning Fund</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 1,428,363
Receivables:	
Accounts	510
Intergovernmental	221,676
Prepaid items and other assets	<u>1,267</u>
 Total Assets	 <u><u>\$ 1,651,816</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 18,114
Accrued payroll and related accruals	11,996
Retention payable	<u>44,600</u>
 Total Liabilities	 <u>74,710</u>
 Fund Balance:	
Nonspendable:	
Prepaid items and other assets	1,267
Assigned to:	
Highway and transit planning	<u>1,575,839</u>
 Total Fund Balance	 <u>1,577,106</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 1,651,816</u></u>

**See accompanying Notes to the Basic Financial Statements.**

**YUMA METROPOLITAN PLANNING ORGANIZATION  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2016**

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

Fund Balance - total governmental fund - Balance Sheet	\$ 1,577,106
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	4,456
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental fund.	<u>(20,720)</u>
Net position of governmental activities - Statement of Net Position	<u><u>\$ 1,560,842</u></u>

**See accompanying Notes to the Basic Financial Statements.**

**YUMA METROPOLITAN PLANNING ORGANIZATION  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCE -  
GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2016**

	<u>Metropolitan Planning Fund</u>
<b>REVENUES</b>	
Intergovernmental:	
Arizona Department of Transportation/Federal Highway Administration	\$ 494,368
Federal Transit Administration	288,781
Arizona Department of Environmental Quality	8,000
Member fees	90,171
Investment income	7,488
Charges for services	10,271
Donated services - Yuma County	64,919
Other revenue	<u>10</u>
Total Revenues	<u>964,008</u>
<b>EXPENDITURES</b>	
Current:	
Administration	255,123
Highway and transit planning	<u>636,664</u>
Total Expenditures	<u>891,787</u>
Change in fund balance	72,221
Fund Balance - Beginning of Year	<u>1,504,885</u>
Fund Balance - End of Year	<u>\$ 1,577,106</u>

**See accompanying Notes to the Basic Financial Statements.**

**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  
YEAR ENDED JUNE 30, 2016**

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

Net change in fund balance - total governmental fund	\$	72,221
<p>The governmental fund reports 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>		
Current depreciation expense		(4,457)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental fund.		(9,664)
Change in net position of governmental activities - Statement of Activities	\$	58,100

**See accompanying Notes to the Basic Financial Statements.**



**YUMA METROPOLITAN PLANNING ORGANIZATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic 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 December 7, 1982 as the Yuma Metropolitan area's designated Metropolitan Planning Organization under federal law.

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

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

**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.

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

## NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

### 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, accordingly, have been recognized as revenue of the current fiscal period. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

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

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

YMPO reports the following major governmental fund:

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

#### **C. Cash and Investments**

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

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

## NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

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

#### D. Investment Income

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

#### E. Prepaid Items

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

#### F. Capital Assets

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

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

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

YMPO uses the “full-year” convention where a full year’s depreciation is recorded in the year of acquisition, and no depreciation is recorded in the year of sale or disposal.

#### G. Compensated Absences

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

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

There is no maximum accrual of paid time off. Unused annual leave 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.

## NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

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

#### **G. Compensated Absences (Continued)**

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

#### **H. 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.

#### **I. 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.

## NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

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

#### **I. Net Position/Fund Balance Classifications (Continued)**

*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.

#### **J. 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.

#### **K. Program Revenues**

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

#### **L. Implementation of New GASB Pronouncements**

For the year ended June 30, 2016, YMPO implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application* which establishes standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements.

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 2 - CASH AND INVESTMENTS**

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

	<b>Governmental Funds</b>
Petty cash	\$ 445
Cash in bank	115,682
Cash on deposit with the County Treasurer	<u>1,312,236</u>
 Total cash and investments	 <u>\$ 1,428,363</u>

*Custodial Credit Risk.* For deposits, custodial credit risk is the risk that in the event of a bank failure, YMPO’s deposits may not be returned to YMPO. YMPO currently does not have a deposit policy for custodial credit risk. At June 30, 2016, the carrying amount of YMPO’s deposits was \$115,682, and the bank balance was \$125,208. At June 30, 2016, YMPO’s bank deposits were 100% covered by Federal Deposit Insurance Corporation (FDIC).

**Investments** – YMPO’s investments at June 30, 2016 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, 2016, in the amount of \$1,312,236, was invested in the Yuma County Treasurer’s investment pool.

Yuma County Treasurer’s investment pool is not registered with the Securities and Exchange Commission and there is no regulatory oversight of their operations. However, the Yuma County’s investment pool is invested in the State of Arizona’s local government investment pool which is regulated by the State Board of Investment and other U.S. government securities. The pools’ structure does not provide for shares, and the County has not provided or obtained any legally binding guarantees to support the value of the participants’ investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

Interest of the Yuma County investment pool is allocated based on average month-end cash balances of each entity’s fund. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares, and the participants shares are not identified with specific investments.

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

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

*Credit Risk.* YMPO has no investment policy that would further limit its investment choices. As of June 30, 2016, YMPO’s investment in the County Treasurer’s investment pool did not receive a credit quality rating from a national rating agency.

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

**NOTE 3 - RECEIVABLES**

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

Accounts receivable	<u>\$ 510</u>
Intergovernmental receivables	
Due from ADOT	\$ 46,387
Due from FTA	122,148
Due from other government	<u>53,141</u>
Total intergovernmental receivables	<u>\$ 221,676</u>

Management considers all receivables at June 30, 2016 to be fully collectible; therefore, no allowance for doubtful accounts was included.

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in capital asset activity for the year ended June 30, 2016, follows:

<u>Governmental Activities</u>	<u>Beginning Balance (as restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets being depreciated:</b>				
Vehicles	\$ 69,841	\$ -	\$ -	\$ 69,841
Furniture and equipment	<u>17,742</u>	<u>-</u>	<u>-</u>	<u>17,742</u>
Total capital assets being depreciated	87,583	-	-	87,583
<b>Less accumulated depreciation for:</b>				
Vehicles	( 60,928)	( 4,457)	-	( 65,385)
Furniture and equipment	<u>( 17,742)</u>	<u>-</u>	<u>-</u>	<u>( 17,742)</u>
Total accumulated depreciation	<u>( 78,670)</u>	<u>( 4,457)</u>	<u>-</u>	<u>( 83,127)</u>
Total capital assets being depreciated, net	<u>\$ 8,913</u>	<u>\$ ( 4,457)</u>	<u>\$ -</u>	<u>\$ 4,456</u>

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

**Restatement of Beginning Balances** - The beginning balances as reported in the above table have been restated to correctly report the costs and accumulated depreciation for fully depreciated fixed assets. The restatement had no effect on the change in net position.

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 2,229
Highway and transit planning	<u>2,228</u>
Total depreciation	<u>\$ 4,457</u>

**NOTE 5 - OBLIGATIONS UNDER LEASES**

YMPO leases offices under the provisions of a month to month lease agreement classified as an operating lease for accounting purposes. Rental expenditures under the terms of the operating lease totaled \$27,324 for the year ended June 30, 2016.

**NOTE 6 - LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 11,056	\$ 27,705	\$ (18,041)	\$ 20,720	\$ 20,720

**NOTE 7 - ECONOMIC DEPENDENCY**

YMPO received 9 percent of its revenues from dues paid by its member organizations, 30 percent of its revenues from the Federal Transit Administration and 51 percent of its revenues from the Federal Highway Administration passed through the Arizona Department of Transportation.

**NOTE 8 - RISK MANAGEMENT**

YMPO is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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



## NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

### NOTE 9 – CONTRIBUTIONS – DONATED SERVICES

For the period ending June 30, 2016, YMPO received donated services from Yuma County and YMPO's Technical Advisory Committee Members totaling \$64,919 and reported as highway and transit planning expenditures. The donated services from Yuma County consist of 7.06% 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 on the current Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates for Civil Engineers. Mileage is used as an in-kind contribution from the Technical Advisory Committee Members which is calculated on a \$0.445 per mile.

### NOTE 10 - RETIREMENT PLANS

#### *ARIZONA STATE RETIREMENT*

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

In the 2013 fiscal year, YMPO and ASRS were in discussion regarding YMPO's active and retired employees' qualifications to continue participation in the State plan after Yuma County ceased acting as an intermediary between YMPO and ASRS. Upon discontinuing the practice of Yuma County acting as an intermediary, effective July 1, 2013, YMPO has completed an application with the State to continue its participation in the ASRS.

**Subsequent Event** - On August 1, 2016, YMPO entered into an agreement with the Arizona State Retirement System whereby YMPO qualified employees would become plan participants effective July 1, 2016.

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

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

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

**Funding Policy** – The Arizona State Legislature establishes and may amend active plan members’ and employers’ contribution rates. For the year ended June 30, 2016, active plan members were required by statute to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members’ annual covered payroll and employers were required by statute to contribute at the actuarially determined rate of 11.60 percent (10.85 percent for retirement, 0.50 for health insurance premium benefit and 0.12 percent for long-term disability) of the members’ annual covered payroll. Contributions after October 26, 2013 were solely the responsibility of member employees. Prior to October 26, 2013 contributions by the employer were equal to the required contributions. Total contributions were as follows:

	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Year ending June 30:			
2014	\$ 11,303	\$ 634	\$ 254
2013	\$ 31,862	\$ 2,008	\$ 744

**401K PLAN** – Pending approval by the State for re-admittance to the Arizona State Retirement Plan, YMPO has offered to its employees a 401K plan which allowed the employees an option to continue participation at equal rates. Only one employee elected to participate in the 401K plan. YMPO matches employee contributions at rates equal to the rates of the ASRS plan.

For the year-ended June 30, 2016, YMPO made contributions to one employee’s 401(k) plan totaling \$10,542.

**NOTE 11 – AGENCY TRANSACTIONS**

During 2016, YMPO hosted the Rural Transportation Summit. YMPO collected dues for those attending the Summit and managed all expenditures. The total collected in dues on behalf of the Summit was \$88,811 and YMPO paid expenditures in the amount of \$68,811, with the remaining \$20,000 paid to NACOG. These revenues and expenditures are not reported in YMPO’s financial statements.

## **Required Supplementary Information**

**YUMA METROPOLITAN PLANNING ORGANIZATION  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
METROPOLITAN PLANNING FUND  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive/ (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental:				
Arizona Department of Transportation/Federal Highway Administration	\$ 650,947	\$ 715,279	\$ 494,368	\$ (220,911)
Federal Transit Administration	388,233	444,626	288,781	(155,845)
Arizona Department of Environmental Quality Member fees	10,000	10,000	8,000	(2,000)
Member fees	18,269	11,744	90,171	78,427
Interest revenue	-	-	7,488	7,488
Charges for services:				
Traffic count revenues	-	-	10,271	10,271
Donated services - Yuma County	131,531	170,033	64,919	(105,114)
Other revenue	-	-	10	10
	<u>1,198,980</u>	<u>1,351,682</u>	<u>964,008</u>	<u>(387,674)</u>
<b>EXPENDITURES</b>				
Administration	342,391	333,945	255,123	78,822
Highway and transit planning	856,589	1,017,737	636,664	381,073
	<u>1,198,980</u>	<u>1,351,682</u>	<u>891,787</u>	<u>459,895</u>
Excess of Revenues over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,221</u>	<u>\$ 72,221</u>

See accompanying Notes to the Budgetary Comparison Schedule.

**YUMA METROPOLITAN PLANNING ORGANIZATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016**

**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 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.

## **Other Supplementary Information**

**YUMA METROPOLITAN PLANNING ORGANIZATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
<b><u>U.S. Department of Transportation</u></b>				
<i>Passed through Arizona Department of Transportation:</i>				
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction	20.205	JPA11-088	\$ 571,751	\$ -
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	JPA11-088	129,924	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	GRT-15-0005642	71,307	11,846
<i>Passed through Yuma County Intergovernmental Public Transit Authority:</i>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	GRT-14-0004754	10,167	-
<i>Total 20.513</i>			<u>81,474</u>	<u>11,846</u>
Total U.S. Department of Transportation			<u>783,149</u>	<u>11,846</u>
<b><u>Environmental Protection Agency</u></b>				
<i>Passed through Arizona Department of Environmental Quality:</i>				
Air Pollution Control Program Support	66.001	EV09-0102	8,000	-
Total Environmental Protection Agency			<u>8,000</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 791,149</u>	<u>\$ 11,846</u>

See the accompanying Notes to the Schedule of Expenditures of Federal Awards.

**Yuma Metropolitan Planning Organization**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2016**

**Note 1 - Basis of Accounting**

The accompanying schedule of expenditures of federal awards (schedule) Yuma Metropolitan Planning Organization's federal grant activity for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 basic financial statements.

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

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2016 *Catalog of Federal Domestic Assistance*.



## **Single Audit Reports**

**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 Board of Directors 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, 2016, 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 August 10, 2017.

**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.

*Walker & Armstrong, LLP*

Phoenix, Arizona  
August 10, 2017



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

The Board of Directors of  
Yuma Metropolitan Planning Organization

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

We have audited Yuma Metropolitan Planning Organization's (YMPO) 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, 2016. 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, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-101. Our opinion on each major federal program is not modified with respect to these matters.

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

### **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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-101 that we consider to be a significant deficiency.

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

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

*Walker & Armstrong, LLP*

Phoenix, Arizona  
August 10, 2017

**Yuma Metropolitan Planning Organization  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2016**

**A. Summary of Audit Results**

*Financial Statements*

Type of auditors' report issued:

<b>Unmodified</b>	
<b>Yes</b>	<b>No</b>

**Internal control over financial reporting:**

Material weaknesses identified

	<b>X</b>
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Significant deficiencies identified

	<b>None reported</b>
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Noncompliance material to the financial statements noted?

	<b>X</b>
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*Federal Awards*

**Internal control over major programs:**

Material weaknesses identified

	<b>X</b>
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Significant deficiencies

<b>X</b>	
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Type of auditor's report issued on compliance for major programs:

	<b>Unmodified</b>
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

<b>X</b>	
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**Identification of major programs:**

<b>CFDA No.</b>	<b>Name of Federal Program</b>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and B programs:

	<b>\$ 750,000</b>
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Auditee qualified as a low risk auditee?

<b>X</b>	
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*Other Matters:*

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR 200.511(b)?

	<b>X</b>
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**B. Financial Statement Findings**    None

**Yuma Metropolitan Planning Organization  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2016**

**C. Federal Award Findings**

**Finding 2016-101      **Late Filing of Audit and Data Collection Form****

**CFDA Number:** 20.205

**Program Title:** Highway Planning and Construction (Federal-Aid Highway Program)

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

**Award Year:** 2016

**Award Number:** JPA11-088

**Compliance**

**Requirement:** Reporting

**Questioned Costs:** Not applicable

**Criteria:** 2 CFR Part 200, §200.512 Report submission - The audit must be completed and the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

**Condition:** The audit report and data collection form were not submitted within nine months of the year end; specifically, no later than March 31, 2017.

**Cause:** Due to changes in various personnel and critical open employment positions, YMPO did not have sufficient resources to update the accounting records to meet the report filing deadline. Also, the preliminary schedule of expenditures of federal awards improperly excluded expenditures of a federal award that constituted the difference in determining whether YMPO met the single audit reporting requirements.

**Effect:** Untimely issuance of financial statements and the results of compliance with federal award terms and conditions.

**Recommendation:** We recommend that Yuma Metropolitan Planning Organization complete its recordkeeping and accounting in sufficient time to meet the report submission requirement including a proper identification and evaluation of funding that constitutes expenditures of federal awards.

**Yuma Metropolitan Planning Organization's Response:**

See the attached corrective action plan.



**Yuma Metropolitan Planning Organization  
Corrective Action Plan  
Year ended June 30, 2016**

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by 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). Specifically, for each finding we are providing you with the name of the contact individual responsible for corrective action, the corrective action planned, and the anticipated completion date. The finding below is consistently numbered with the finding number assigned in the schedule of findings and questioned costs.

**Federal Award Finding:**

**Finding 2016-101    **Late Filing of Audit and Data Collection Form****

**CFDA Number:** 20.205

**Program Title:** Highway Planning and Construction (Federal-Aid Highway Program)

**Condition:** The audit report and data collection form were not submitted within nine months of the year end; specifically, no later than March 31, 2017.

**Recommendation:** The auditors recommended that Yuma Metropolitan Planning Organization complete its recordkeeping and accounting in sufficient time to meet the report submission requirement including a proper identification and evaluation of funding that constitutes expenditures of federal awards.

**Contact Name:** Paul D. Ward, Executive Director

**Corrective Action Planned -** YMPO has hired two employees for the open employee positions which include the executive director and an accountant. Accordingly, YMPO will provide more timely processing, reconciliation and review of the accounting including identification of all federal awards.

**Anticipated Completion Date -** March 31, 2018