

Valley Metro Regional Public Transportation Authority-Phoenix, AZ

2018 Single Audit Reporting Package

FISCAL YEAR ENDED JUNE 30, 2018



**VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Valley Metro Regional Public Transportation Authority
Phoenix, Arizona

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, the business-type activities, each major fund and the aggregate remaining fund information of Valley Metro Regional Public Transportation Authority (the Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 result of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CliftonLarsonAllen LLP

Phoenix, Arizona
December 19, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Valley Metro Regional Public Transportation Authority
Phoenix, Arizona

Report on Compliance for Each Major Federal Program

We have audited Valley Metro Regional Public Transportation Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2018. The Authority's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority'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 the Authority'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 the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Valley Metro Regional Public Transportation Authority 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, 2018.

Report on Internal Control Over Compliance

Management of the Authority 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 the Authority'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 the Authority'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 a 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated December 19, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Phoenix, Arizona
December 19, 2018

**VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.500, 20.507, 20.525 and 20.526	Federal Transit Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

**VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor Agency and Program Title	CFDA Number	Pass-Through Grantor	Pass-Through Identifying Number	Awards Expended
U. S. Department of Transportation				
Federal Transit Administration				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	MAG	AZ-2017-012	\$ 224,720
Federal Transit Program Cluster				
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	City of Phoenix	AZ-90-X133	586,616
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	City of Phoenix	AZ-90-X136	6,378,066
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	City of Phoenix	AZ-90-X137	1,125,737
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	City of Phoenix	AZ-95-X111	2,348,763
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	City of Phoenix	AZ-2016-010	9,446,908
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	City of Phoenix	AZ-2016-011	612,605
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	City of Phoenix	AZ-2017-004	2,280,136
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	City of Phoenix	AZ-2018-009	15,691,052
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	City of Phoenix	AZ-2018-014	928,263
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	City of Phoenix	AZ-2018-015A	1,204,513
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	Reinvestment	Program Cost	465,794
Subtotal CFDA No. 20.507				41,068,453
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.525	City of Phoenix	AZ-54-0005	694,873
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.525	City of Phoenix	AZ-54-0007	983,404
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.525	City of Phoenix	AZ-2016-006	1,467,452
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.525	City of Phoenix	AZ-2018-010	678
Subtotal CFDA No. 20.525				3,146,407
Bus and Bus Facilities Formula Program (Section 5339)	20.526	City of Phoenix	AZ-2018-008	4,061,640
Bus and Bus Facilities Formula Program (Section 5339)	20.526	City of Phoenix	AZ-2016-011	20,122
Subtotal CFDA No. 20.526				4,081,762
Total Federal Transit Program Cluster CFDA No. 20.500, 20.507, 20.525, 20.526)				48,296,622
State Rural Area Formula (Section 5311) GB	20.509	ADOT	AZ-18-0060	81,560
State Rural Area Formula (Section 5311) GB	20.509	ADOT	AZ-2016-019	432,694
Subtotal CFDA No. 20.509				514,254
Transit Services Program Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	City of Phoenix	AZ-2016-017	66,212
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	City of Phoenix	AZ-2018-001	572,308
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	City of Phoenix	AZ-16-X005	54,647
Subtotal CFDA No 20.513 Transit Service Program Cluster				693,167
Total Federal Transit Administration				49,728,763
Federal Highway Administration				
Highway Planning & Construction (Federal Aid Highway Program)	20.205	MAG	413	560,252
Highway Planning & Construction (Federal Aid Highway Program)	20.205	Maricopa County	C-85-10-021-3-01	345,895
Highway Planning & Construction (Federal Aid Highway Program)	20.205	Maricopa County	C85-11-004-6-00	260,000
Subtotal CFDA No. 20.205 Highway Planning and Construction Cluster				1,166,147
Total Federal Highway Administration				1,166,147
Total Expenditures of Federal Awards				\$ 50,894,910

See accompanying Notes to Schedules of Expenditures of Federal Awards.

VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Authority it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting as described in Note 1 of the Comprehensive Annual Financial Report. 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.

NOTE 3 INDIRECT COST

The Authority did not elect the ten percent de minimus indirect cost rate.

NOTE 4 PASS-THROUGH GRANTORS REFERENCE

The Authority receives all federal awards as pass-through from other governmental and nonprofit agencies. Abbreviations are as follows:

ADOT	Arizona Department of Transportation
MAG	Maricopa Association of Governments

NOTE 5 FEDERAL ASSISTANCE NOT INCLUDED

Expenditures related to assistance not considered federal awards in accordance with the Uniform Grant Guidance have not been presented in this schedule as follows:

Build America Bond Subsidies	\$ 550,988
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