

Valley Metro Regional Public Transportation Authority-Phoenix, AZ
2019 Single Audit
Reporting Package
FISCAL YEAR ENDED JUNE 30, 2019



**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 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, 2019, 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 12, 2019.

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 Authority'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 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.



CliftonLarsonAllen LLP

Phoenix, Arizona
December 12, 2019



**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
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 (the Authority)'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 the Authority's major federal programs for the year ended June 30, 2019. 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, the Authority's 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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, each major fund and the aggregate remaining fund information of Valley Metro Regional Public Transportation Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated December 12, 2019, which contained unmodified opinions on the 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 12, 2019

**VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ 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 auditors’ 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 Cluster
20.509	Formula Grants for Rural Areas
20.205	Highway Planning and Construction 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, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor Agency and Program Title	CFDA Number	Pass-Through Grantor	Pass-Through Grant Number	Awards Expended	Pass-Through to Subrecipients
U.S. Department of Transportation					
Federal Transit Administration					
Federal Transit Program Cluster:					
Federal Transit Capital Investment Grant (Section 5309)	20.500	City of Phoenix	AZ-04-0004	\$ 64,656	\$ -
Federal Transit Capital Investment Grant (Section 5309)	20.500	City of Phoenix	AZ-04-0011	500,000	-
Subtotal CFDA No. 20.500				564,656	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-90-X136	10,395	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-90-X137	986,885	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-2016-010	308,615	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-2016-016	253,410	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-2017-006	1,844,087	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-2018-009	7,683,331	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-2018-015	1,023,157	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-2019-014	4,399,607	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-2017-004	314,627	-
Federal Transit - Formula Grants (Section 5307)	20.507	City of Phoenix	AZ-2018-014	2,886,503	-
Subtotal CFDA No. 20.507				19,710,617	-
State of Good Repair Grant Program (Section 5337)	20.525	City of Phoenix	AZ-2018-010	237,052	-
Bus and Bus Facilities Formula Program (Section 5339)	20.526	City of Phoenix	AZ-2018-008	746,944	-
Total Federal Transit Cluster CFDA No. 20.500, 20.507, 20.525, 20.526				21,259,269	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	MAG	822	224,718	-
Formula Grants for Rural Areas (Section 5311) GB	20.509	ADOT	AZ-18-0060	25,519	-
Formula Grants for Rural Areas (Section 5311) GB	20.509	ADOT	AZ-18-X077	14,056	-
Formula Grants for Rural Areas (Section 5311) GB	20.509	ADOT	AZ-2016-019	582,299	-
Formula Grants for Rural Areas (Section 5311) GB	20.509	ADOT	AZ-2018-017	419,435	-
Subtotal CFDA No. 20.509				1,041,309	-
Transit Services Program Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	City of Phoenix	AZ-2018-001	184,484	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	City of Phoenix	AZ-2019-003	408,403	-
Total Transit Services Programs Cluster CFDA No. 20.513				592,887	-
Total Federal Transit Administration				23,118,183	-
Federal Highway Administration					
Highway Planning and Construction (Federal Aid Highway Program)	20.205	ADOT	AZ-85-X010	8,029	-
Highway Planning and Construction (Federal Aid Highway Program)	20.205	MAG	661	472,041	-
Highway Planning and Construction (Federal Aid Highway Program)	20.205	Maricopa County	TRP-TM 16	96,581	-
Highway Planning and Construction (Federal Aid Highway Program)	20.205	Maricopa County	TRP-TM 19	205,253	-
Highway Planning and Construction (Federal Aid Highway Program)	20.205	Maricopa County	C-85-11-004-6-00	134,304	-
Total Highway Planning and Construction Cluster CFDA No. 20.205				916,208	-
Total Federal Highway Administration				916,208	-
Total Expenditures of Federal Awards				\$ 24,034,391	\$ -

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

**VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal awards of Valley Metro Regional Public Transportation Authority (Authority). The Authority's reporting entity is defined in Note 1 to the Authority's basic financial statements for the year ended June 30, 2019. All federal awards received from federal agencies are included in the schedule. 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 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. 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 to use the 10% de minimis indirect cost rate.

NOTE 4 PASS-THROUGH GRANTORS REFERECE

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	\$ 553,347
Capital Reinvestment:	
Beginning Balance	\$ 1,499,072
Proceeds from the Sale of Federally Funded Assets	642,251
Federally Funded Proceeds Reinvested	<u>(757,850)</u>
Ending Balance	<u>\$ 1,383,473</u>

Capital reinvestment represents the proceeds from the sale of federally funded assets.

