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YEAR ENDED JUNE 30, 2016

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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, and each major fund of Valley Metro Regional Public
Transportation Authority (the Authority), as of and for the year ended June 30, 2016, and the related
notes to the financial statements, which collectively comprise the Authority’s basic financial statements,
and have issued our report thereon dated January 26, 2017.

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
January 26, 2017
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, 2016. 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, 2016.

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 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, 2016, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements. We issued our report thereon dated January 26, 2017, 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.

CliftonLarsonAllen LLP
Phoenix, Arizona
January 26, 2017
SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued: \textit{Unmodified}

Internal control over financial reporting:

- Material weakness(es) identified? \hspace{0.5cm} yes \hspace{0.5cm} X \hspace{0.5cm} no
- Significant deficiency(ies) identified? \hspace{0.5cm} yes \hspace{0.5cm} X \hspace{0.5cm} none reported
- Noncompliance material to financial statements noted? \hspace{0.5cm} yes \hspace{0.5cm} X \hspace{0.5cm} no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \hspace{0.5cm} yes \hspace{0.5cm} X \hspace{0.5cm} no
- Significant deficiency(ies) identified? \hspace{0.5cm} yes \hspace{0.5cm} X \hspace{0.5cm} none reported

Type of auditor’s report issued on compliance for major programs: \textit{Unmodified}

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \hspace{0.5cm} yes \hspace{0.5cm} X \hspace{0.5cm} no

Identification of major programs:

\begin{tabular}{ll}
CFDA Numbers & Name of Federal Program or Cluster \\
20.507 & Federal Transit Formula Grants \\
20.205 & Highway Planning and Construction \\
\end{tabular}

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

Auditee qualified as low-risk auditee? \hspace{0.5cm} X \hspace{0.5cm} yes \hspace{0.5cm} no
SECTION II – FINANCIAL STATEMENT FINDINGS

None noted

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None noted
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**YEAR ENDED JUNE 30, 2016**

### U. S. Department of Transportation

#### Federal Transit Administration

<table>
<thead>
<tr>
<th>Federal Grantor Agency and Program Title</th>
<th>CFDA Number</th>
<th>Pass-Through Grantor</th>
<th>Pass-Through Identifying Number</th>
<th>Awards Expended</th>
<th>Amount provided to Subrecipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research</td>
<td>20.505 ADOT</td>
<td>AZ-14-0004</td>
<td>$ 18,383</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Transit: Formula Grants (Urbanized Area Formula Program)</td>
<td>20.507 City of Phoenix</td>
<td>AZ-90-X103</td>
<td>373,990</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Transit: Formula Grants (Urbanized Area Formula Program)</td>
<td>20.507 City of Phoenix</td>
<td>AZ-90-X136</td>
<td>738,425</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Transit: Formula Grants (Urbanized Area Formula Program)</td>
<td>20.507 City of Phoenix</td>
<td>AZ-90-X114</td>
<td>1,185,890</td>
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<tr>
<td>Federal Transit: Formula Grants (Urbanized Area Formula Program)</td>
<td>20.507 City of Phoenix</td>
<td>AZ-90-X124</td>
<td>3,019,091</td>
<td></td>
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</tr>
<tr>
<td>Federal Transit: Formula Grants (Urbanized Area Formula Program)</td>
<td>20.507 City of Phoenix</td>
<td>AZ-90-X128</td>
<td>452,502</td>
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</tr>
<tr>
<td>Federal Transit: Formula Grants (Urbanized Area Formula Program)</td>
<td>20.507 City of Phoenix</td>
<td>AZ-90-X131</td>
<td>1,358,425</td>
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</tr>
<tr>
<td>Federal Transit: Formula Grants (Urbanized Area Formula Program)</td>
<td>20.507 City of Phoenix</td>
<td>AZ-90-X133</td>
<td>521,293</td>
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</tr>
<tr>
<td>Federal Transit: Formula Grants (Urbanized Area Formula Program)</td>
<td>20.507 City of Phoenix</td>
<td>AZ-95-X023</td>
<td>1,368,425</td>
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<td></td>
</tr>
<tr>
<td>Federal Transit: Formula Grants (Urbanized Area Formula Program)</td>
<td>20.507 City of Phoenix</td>
<td>AZ-95-X027</td>
<td>708,508</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal CFDA No. 20.507</td>
<td></td>
<td></td>
<td>$12,118,336</td>
<td></td>
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</tr>
<tr>
<td>State Rural Area Formula (Section 5311) GB</td>
<td>20.509 ADOT</td>
<td>AZ-18-0066</td>
<td>97,224</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Rural Area Formula (Section 5311) GB</td>
<td>20.509 ADOT</td>
<td>AZ-18-0077</td>
<td>369,383</td>
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<tr>
<td>Subtotal CFDA No. 20.509</td>
<td></td>
<td></td>
<td>$466,607</td>
<td></td>
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</tr>
<tr>
<td><strong>Total Federal Transit Administration</strong></td>
<td></td>
<td></td>
<td>$13,585,942</td>
<td></td>
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<tr>
<td><strong>Total Federal Transit Administration</strong></td>
<td></td>
<td></td>
<td>$13,535,354</td>
<td></td>
<td>$60,000</td>
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</table>

<table>
<thead>
<tr>
<th>Federal Highway Administration</th>
<th>CFDA Number</th>
<th>Pass-Through Grantor</th>
<th>Pass-Through Identifying Number</th>
<th>Awards Expended</th>
<th>Amount provided to Subrecipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highway Research &amp; Development Program</td>
<td>20.200 ADOT</td>
<td>JPA 11-0051</td>
<td>224,244</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highway Planning &amp; Construction</td>
<td>20.205 MAG</td>
<td>413</td>
<td>576,173</td>
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</tr>
<tr>
<td>Highway Planning &amp; Construction</td>
<td>20.205 Maricopa County</td>
<td>C-85-16-011-3-00</td>
<td>281,121</td>
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<tr>
<td>Highway Planning &amp; Construction</td>
<td>20.205 Maricopa County</td>
<td>C-85-15-013-7-00</td>
<td>119,020</td>
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</tr>
<tr>
<td>Highway Planning &amp; Construction</td>
<td>20.205 Maricopa County</td>
<td>C85-16-010-3-00</td>
<td>260,000</td>
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</tr>
<tr>
<td>Subtotal CFDA No. 20.205</td>
<td></td>
<td></td>
<td>$1,236,314</td>
<td></td>
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</tr>
<tr>
<td><strong>Total Federal Highway Administration</strong></td>
<td></td>
<td></td>
<td>$1,460,558</td>
<td></td>
<td>$60,000</td>
</tr>
</tbody>
</table>

**Total Expenditures of Federal Awards**

$14,995,912

See accompanying notes to schedules of expenditures of federal awards.
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, 2016. 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. 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:

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADOT</td>
<td>Arizona Department of Transportation</td>
</tr>
<tr>
<td>MAG</td>
<td>Maricopa Association of Governmental</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build America Bond Subsidies</td>
<td>$549,808</td>
</tr>
<tr>
<td>Federal Grant Interest Subsidy</td>
<td>$737,051</td>
</tr>
</tbody>
</table>