



CERTIFIED PUBLIC ACCOUNTANTS

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AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

PRIVATE COMPANIES  
PRACTICE SECTION

GOVERNMENTAL AUDIT  
QUALITY CENTER

EMPLOYEE BENEFIT PLAN  
AUDIT QUALITY CENTER

Board of Directors  
American Association of Motor Vehicle Administrators and Affiliates

**Audit and Agreed-Upon Procedures Overview**

**American Association of Motor Vehicle Administrators and Affiliates  
National Motor Vehicle Title Information System (NMVTIS) program**

For the year ended September 30, 2013, we have performed the following audit and attestation activities related to American Association of Motor Vehicle Administrators and Affiliates (AAMVA) and National Motor Vehicle Title Information System (NMVTIS) all of which are presented herein for review.

- A. NMVTIS Agreed-Upon Procedures and compilation of schedules for specified elements (for post grant activities for the period ended 9/30/13)
- B. NMVTIS A-133 Program Specific Audit (for the grant period ended 3/31/13)
- C. AAMVA Financial Statement Audit
- D. AAMVA A-133 Audit of Major Federal Programs

With regard to AAMVA's activities specific to the Financial Statement Audit (C) and the A-133 Audit of Major Federal programs (D), we have noted the following opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Association of Motor Vehicle Administrators and affiliates as of September 30, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

During the year ended September 30, 2013, the NMVTIS program funding sources shifted from one hundred percent grant funded to non-federal funding with AAMVA a system operator responsible for the fiscal sustainability of other program subsequent to the exhaustion of grant funding. As such, we conducted and A-133 audit (D) which encompasses the period of grant performance and also, at the request of AAMVA management, conducted an Agreed-Upon Procedures and compilation report (A) for the activity subsequent to the grant period of performance. Both the A-133 NMVTIS program specific Audit and Agreed-Upon Procedures and compilation are conducted in accordance with strict adherence to federal, state law and regulatory requirements.

It has been agreed and understood by AAMVA and Stokes and Company, P.C. that the audit opinion provided, testing of internal controls over financial reporting and compliance with other matters are based on testing conducted as part of the AAMVA Financial Statement Audit and/or AAMVA's Audit of Major Federal Programs conducted in accordance with OMB Circular A-133. As such, the aforementioned audits can be relied upon to satisfy the appropriateness of values presented by AAMVA's management in regard to all activities (federal and non-federal) under the NMVTIS program for the year.

*Stokes & Company, P.C.*  
STOKES & COMPANY, P.C.  
Washington, D.C.

July 3, 2014

AMERICAN ASSOCIATION OF MOTOR VEHICLE  
ADMINISTRATORS AND AFFILIATES

National Motor Vehicle Title Information System

Agreed Upon Procedures Report  
and  
Compilation Report

For the year ended September 30, 2013

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**Independent Accountants' Report  
on Agreed-Upon Procedures  
and  
Independent Accountants' Compilation Report**

To: Board of Directors  
American Association of Motor Vehicle Administrators and Affiliates

Independent Accountants' Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below, which were agreed to by the American Association of Motor Vehicle Administrators and Affiliates in its capacity as the system operator of the National Motor Vehicle Title Information System (NMVTIS), solely to assist you with respect to the performance of AAMVA regarding its presentation of balances in accounts for the year ended September 30, 2013 in relation to the administration of non-federal funds for the National Motor Vehicle Title Information System (NMVTIS).

AAMVA management is responsible for its performance under the NMVTIS program.

It was agreed upon by all parties that the previous testing of any account done during the audit of AAMVA's financial statements, testing of internal control over financial reporting and on compliance with other matters based on an audit of financial statements performed in accordance with government auditing standards, and testing on compliance for each major program and on internal control over compliance required by OMB circular A-133 can be relied upon to satisfy the appropriateness of values presented by AAMVA's management in regard to the non-federal related activities of the NMVTIS program.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Independent Accountants' Compilation Report

We have also compiled the accompanying schedules for specified elements for the National Motor Vehicle Title Information System (NMVTIS) program as of and for the year ended September 30, 2013. We have not audited or reviewed the accompanying schedules and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the schedules of specified elements in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the schedules of specified elements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of schedules of specified elements for the NMVTIS program without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the modified cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about NMVTIS's income and expenditures. Accordingly, the schedule of specified elements is not designed for those who are not informed about such matters.

*Stokes & Company, P.C.*  
Stokes & Company, P.C.

July 3, 2014

To: Board of Directors  
American Association of Motor Vehicle Administrators and Affiliates

Our procedures and findings with respect to AAMVA's performance under the program for the year ended September 30, 2013, are as follows:

**OBTAIN AN UNDERSTANDING OF NMVTIS EXPENDITURES AND IDENTIFY ALL FEES COLLECTED BY AAMVA IN RELATION TO NMVTIS (INCLUDING PROGRAM INCOME, AND HARD AND SOFT FEES ETC)**

AGREED UPON PROCEDURES

Obtain a client assertion that AAMVA records all expenditures and all fees collected by AAMVA in relation to NMVTIS.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditures, or the A-133 federal grant and expenditure testing.

If the testing had been done previously, provide a description of that testing.

Compare the assertion with any findings.

PROCEDURES PERFORMED

We obtained a client assertion that AAMVA has recorded all expenditures and all fees received by AAMVA in relation to NMVTIS. We determined that this assertion had been previously considered as part of the program specific NMVTIS testing of federal expenditures, fees collected, the A-133 federal grant and expenditure internal control testing.

As part of that testing we performed the following procedures: Viewed monthly billing for NMVTIS and compared them with project summaries. We reviewed contract labor detail reports, data center expenses, indirect expense, and electronic timesheets.

FINDINGS

We found the expenditures and fees collected matched the information reported.

**OBTAIN AN UNDERSTANDING OF INTERNAL CONTROL AND PERFORM TESTS OF INTERNAL CONTROL OVER NMVTIS**

AGREED UPON PROCEDURES

Obtain a client assertion that AAMVA has the necessary internal controls and performs tests of the internal control over NMVTIS.

Determine if prior testing for internal control done during either the financial statement audit testing, the program specific NMVTIS testing of internal controls or the A-133 audit of major federal programs.

If the testing had been done previously, provide a description of that testing.

Compare the assertion with any findings.

PROCEDURES PERFORMED

We obtain a client assertion that AAMVA has the necessary internal controls and tested the controls over NMVTIS.

We determined that the assertion had been previously considered as part of the program specific NMVTIS testing of internal control and the A-133 federal grant and expenditure internal control testing.

As part of that testing we performed the following procedures: made inquiry of AAMVA staff and observation of their processes over testing of internal controls, determined that AAMVA has properly designed internal controls over planning and reporting and has tested the internal controls over NMVTIS.

FINDINGS

As reported in the respective reports, the results of our test disclosed no deficiencies, material weaknesses or other matters that were required to be reported under government auditing standards.

**COMPLIANCE WITH LAWS, REGULATIONS, AND THE PROVISIONS OF CONTRACTS OR GRANT AGREEMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON NMVTIS**

AGREED UPON PROCEDURES

Obtain a client assertion that AAMVA has complied with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on NMVTIS.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

If the testing had been done previously, provide a description of that testing.

Compare the assertion with any findings.



**COMPLIANCE WITH LAWS, REGULATIONS, AND THE PROVISIONS OF CONTRACTS OR GRANT AGREEMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON (CONTINUED)**

PROCEDURES PERFORMED

We obtained a client assertion that AAMVA has complied with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on NMVTIS. We determined that this assertion had been previously considered as part of the program specific NMVTIS testing of federal expenditure and the A-133 federal grant and expenditure internal control testing. As part of that testing we performed the following procedures: We viewed monthly billings for NMVTIS to test for compliance with cash management and period of availability of Federal Funds requirements. We viewed electronic timesheets, contractor labor detail reports, and data center expenses by project. We compared indirect expense with government approved provisional rates, project cost designation for compliance with allowed or unallowed activities, and allowable costs/cost principles. We viewed NMVTIS project reports for reporting compliance requirements.

FINDINGS

As reported in the respective reports, the result of our tests disclosed no instances of noncompliance or other matters that were required to be reported under Government Auditing Standards.

**NMVTIS REVENUES AND EXPENSES ARE SEPARATELY IDENTIFIED AND TRACKED WITHIN AAMVA'S ACCOUNTING SYSTEM OR RECORDS**

AGREED UPON PROCEDURES

Obtain client prepared schedules by project for NMVTIS income and expenses.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

If the testing had been done previously, provide a description of that testing.

Compare selected schedules with information reported.

PROCEDURES PERFORMED

We obtained client prepared schedules by project for NMVTIS income and expenses. We determined that schedules had been previously considered as part of the program specific NMVTIS testing of federal expenditure and the A-133 federal grant and expenditure internal control testing. As part of that testing we performed the following procedures: We viewed monthly billings for NMVTIS and compared them with project summaries. We viewed electronic timesheets, contractor labor detail reports, data center expenses, and indirect expense by project cost designation for NMVTIS program expenses.

FINDINGS

We found that those schedules matched the information reported.

**AMOUNTS CHARGED TO NMVTIS ARE ALLOWABLE, BASED ON ACTUAL COSTS, FAIRLY ALLOCATED, AND REASONABLE IN ALL MATERIAL RESPECTS TO TOTAL NMVTIS EXPENDITURES IN THE NMVTIS FINANCIAL STATEMENTS**

**AGREED UPON PROCEDURES**

Obtain a client prepared listing of applicable expenditure pertaining to the NMVTIS program.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

If the testing had been done previously, provide a description of that testing.

Determine if findings occurred during the prior testing.

**PROCEDURES PERFORMED**

We obtained client prepared schedules of expenditures for the NMVTIS program. We determined that schedules had been previously considered as part of the program specific NMVTIS testing of federal expenditure and the A-133 federal grant and expenditure testing. As part of that testing we performed the following procedures: We viewed monthly billings for NMVTIS to test for compliance with cash management and period of availability of Federal Funds requirements. We viewed electronic timesheets, contractor labor detail reports, and data center expenses by project. We compared indirect expense with government approved provisional rates, project cost designation for compliance with allowed or unallowed activities, and allowable costs/cost principles.

**FINDINGS**

No financial statement findings were required to be reported.

**INDIVIDUAL ACCOUNTS OR COST CENTERS ARE ESTABLISHED TO CONTROL THE NMVTIS FUNDS**

**AGREED UPON PROCEDURES**

Obtain a client prepared listing of cash accounts and project designations for NMVTIS funds.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

If the testing had been done previous, provide a description of that testing.

Compare selected schedules with information provided.

**INDIVIDUAL ACCOUNTS OR COST CENTERS ARE ESTABLISHED TO CONTROL THE NMVTIS FUNDS (CONTINUED)**

**PROCEDURES PERFORMED**

We obtained client prepared listing of the balance in the applicable Cash account and performed the procedures outlined below as part of the ELEMENT section. We obtained client prepared schedules by project for NMVTIS expenses by cost center. We determined that schedules had been previously considered as part of the program specific NMVTIS testing of federal expenditure and the A-133 federal grant and expenditure testing. As part of that testing we performed the following procedures: Viewed monthly billings for NMVTIS and compared them with project summaries. Viewed electronic timesheets, contractor labor detail reports, data center expenses, and indirect expense by project cost designation for NMVTIS program expenses.

**FINDINGS**

We found that the cost centers captured expenses as described.

**ELEMENT**

**CASH ACCOUNT**

**AGREED UPON PROCEDURES**

Obtain a client prepared listing of the balance in the applicable Cash accounts.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

If the testing had been done previously, provide a description of that testing.

Compare the balance provided by the client to the balance previously tested.

**PROCEDURES PERFORMED**

We obtained a client prepared listing of the balances in the Cash accounts that are associated with the NMVTIS program. We determined that these accounts had been previously tested as part of the financial statement audit. As part of that audit we performed the following procedures: Obtained a copy of the year end bank statement and bank reconciliation. We compared the bank statement with the bank reconciliation.

We traced the reconciled book balance on the bank reconciliation to the general ledger. We scanned the bank reconciliation for any unusual or significant items. We scanned the cash receipts and disbursements near year end for any unusual or significant items. We tied the ending bank balance to beginning balance for the next month bank statement.

In addition, we compared the balances provided by the client to those balances previously tested.

**FINDINGS**

We found that the balances in these accounts agreed.

## **WORK IN PROCESS**

### AGREED UPON PROCEDURES

Obtain a client prepared listing of the balance in the applicable Work in Process account.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

Provide a description of the prior testing.

Compare the balance provided by the client to the balance previously tested.

### PROCEDURES PERFORMED

We obtained a client-prepared listing of the balance in the Work-In-Process fixed asset account that is associated with the NMVTIS program. We determined that this account had been previously tested as part of the financial statement audit. As part of that audit we performed the following procedures: Obtained a copy of the detailed general ledger and a client prepared spreadsheet for this account and compared balances. We traced capitalized work in process out of the account and into the appropriate fixed asset account.

In addition, we compared the balance provided by the client to the balance previously tested.

### FINDINGS

We found that the new balance was lower than that previously audited by \$2,000.

## **SOFTWARE AND ACCUMULATED DEPRECIATION**

### AGREED UPON PROCEDURES

Obtain a client prepared listing of the balance in the applicable Software and Accumulated Depreciation accounts.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

If the testing had not been previously done, perform the following procedures:

Obtain a detail listing of the entire fixed assets including the associated depreciation.

Create an NMVTIS specific schedule from that detail listing.

Compare the balance provided by the client to the balances derived from the NMVTIS specific schedule.

## **SOFTWARE AND ACCUMULATED DEPRECIATION (CONTINUED)**

### **PROCEDURES PERFORMED**

We obtained a client prepared listing of the balances in the Software and Accumulated Depreciation fixed assets accounts that are associated with the NMVTIS program. We determined that the general accounts had been previously tested but were not NMVTIS specific. Obtained a detail listing of all fixed assets and created an NMVTIS specific schedule listing the appropriate assets and the applicable accumulated depreciation.

In addition, we compared those balances with the balances provided by the client.

### **FINDINGS**

We found that the balances in these accounts agreed.

## **OPEN CREDITS – CONSUMER ACCESS**

### **AGREED UPON PROCEDURES**

Obtain a client prepared listing of the balance in the applicable Open Credits – Consumer Access account.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

Provide a description of the prior testing.

Compare the balance provided by the client to the balance previously tested.

### **PERFORMED PROCEDURES**

We obtained a client-prepared listing of the balance in the Open Credits – Consumer Access account that is associated with the NMVTIS program. We determined that this account had been previously tested as part of the financial statement audit. As part of the audit we performed the following procedures: Obtained an understanding of the reason behind adding this new account to the trial balance. Obtained the detailed general ledger and client prepared schedule for the account and compared the balances. We scanned the general ledger for any transactions that appeared to be significant or unusual. We tested the reasonableness of the credit amount by recreating and comparing the expected balance from the related income account balance and the credit percentage allowed for the program.

In addition, we compared the balance provided by the client to the balance previously tested.

### **FINDINGS**

We found that the balances in this account agreed.

## **DEFERRED PROGRAM INCOME AND DEFERRED CONTRACT REVENUE**

### **AGREED UPON PROCEDURES**

Obtain a client prepared listing of the balance in the applicable Deferred Program Income and the Deferred Contract Revenue accounts.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

Provide a description of the prior testing. Compare the balances provided by the client to the balances previously tested.

### **PROCEDURES PERFORMED**

We obtained a client prepared listing of the balances in the Deferred Program Income and Deferred Contract Revenue accounts that are associated with the NMVTIS program. We determined that these accounts had been previously tested as part of the financial statement audit. As part of the audit we performed the following procedures: Obtained the detailed general ledger and client prepared schedule for the account and compared the balances. Scanned the general ledger for any transactions that appeared to be significant or unusual. Recreated the schedule and tied opening balances to prior year ending balances and examined support for changes during the year.

In addition, we compared the balances provided by the client to those balances previously tested.

### **FINDINGS**

We found that the balances in these accounts agreed.

## **STATEMENT OF ACTIVITIES FOR NON-FEDERAL NMVTIS INCOME AND EXPENSE RELATED ACCOUNTS**

### **AGREED UPON PROCEDURES**

Obtain a client prepared listing of the balance in the each program applicable to the Statement of Activities accounts for non-federal NMVTIS income and expense related accounts.

Compile an NMVTIS specific Statement of Activities from that detail listing.

Compare the balance provided by the client to the balance derived from the compiled non-federal income and expenditure NMVTIS specific Statement of Activities.

### **PROCEDURES PERFORMED**

We obtained a client prepared listing of all non-federal NMVTIS related income accounts and all of the associated expense accounts. We compiled the listing and compared the totals of each program and each revenue and expense type to the client prepared schedule.

Certain income and expense accounts of the non-federal NMVTIS related program were chosen by AAMVA for further testing based upon the nature or value of the individual income or expense balance.

**STATEMENT OF ACTIVITIES FOR NON-FEDERAL NMVTIS INCOME AND EXPENSE  
RELATED ACCOUNTS (CONTINUED)**

FINDINGS

We found that all balances agreed.

**STATE USER FEE INCOME**

AGREED UPON PROCEDURES

Obtain a client prepared listing of the balance in the applicable State User Fee Income account.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

If the testing had not been previously done, perform the following procedures:

Obtain an understanding of the purpose of this account.

Obtain a detailed general ledger and any client prepared schedule associated with that balance.

Scan the general ledger for unusual or significant transactions.

Foot any client prepared schedule.

Compare the balance provided by the client to the balance derived from the compiled non-federal income and expenditure NMVTIS specific Statement of Activities.

PROCEDURES PERFORMED

We obtained the client prepared listing of the balance in the State User Fee income account and performed the following procedures: Obtained an understanding of the reason behind adding this new account to the trial balance. Obtained the detailed general ledger and client prepared schedule for the account and compared the balances. We scanned the general ledger for any transactions that appeared to be significant or unusual. Footed the client prepared schedule. Compared the balance of the client prepared listing to the balance shown on the compiled information.

FINDINGS

We found that all balances agreed.

## **NON- STATE CONSUMER ACCESS PROVIDERS USER FEE INCOME**

### **AGREED UPON PROCEDURES**

Obtain a client prepared listing of the balance in the applicable Non-State Consumer Access Providers User Fee Income account.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

If the testing had not been previously done, perform the following procedures:

Obtain an understanding of the purpose of this account.

Obtain a detailed general ledger associated with that balance.

Scan the general ledger for unusual or significant transactions.

Obtain support for selected entries on the general ledger.

Compare balance shown on the supporting documentation to that shown on the general ledger.

Compare the balance provided by the client to the balance derived from the compiled non-federal income and expenditure NMVTIS specific Statement of Activities.

### **PROCEDURES PERFORMED**

We obtained the client's prepared listing of the balance in the Non-State Consumer Access Providers User Fee income account and performed the following procedures: Obtained an understanding of the reason behind adding this account. Obtained the detailed general ledger and support for two months of deposits listed on the general ledger and compared the balances. Scanned the general ledger for any transactions that appeared to be significant or unusual.

Compared the balance of the client prepared listing to the balance shown on the compiled information.

### **FINDINGS**

We found that all balances agreed.

## **PROGRAM OFFSET INCOME**

### **AGREED UPON PROCEDURES**

Obtain a client prepared listing of the balance in the applicable Program Offset Income accounts.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

Provide a description of the prior testing.

Compare the balance provided by the client to the balance derived from the compiled non-federal income and expenditure NMVTIS specific Statement of Activities.



## **PROGRAM OFFSET INCOME (CONTINUED)**

### **PROCEDURES PERFORMED**

We obtained a client prepared listing of the balances in the Program Offset Income accounts which reduced income and increased deferred income. We determined that these accounts had been previously tested as part of the financial statement audit. As part of the audit we performed the following procedures: Obtained the detailed general ledger and client prepared schedule for the account and compared the balances. Scanned the general ledger for any transactions that appeared to be significant or unusual. Compiled the schedule and examined support for changes during the year.

In addition, we compared the balances provided by the client to the balance shown on the compiled information.

### **FINDINGS**

We found that all balances agreed.

## **DIRECT LABOR EXPENSE**

### **AGREED UPON PROCEDURES**

Obtain a client prepared listing of the balance in the applicable Direct Labor Expense accounts.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

Provide a description of the prior testing.

Compare the balance provided by the client to the balance derived from the compiled non-federal income and expenditure NMVTIS specific Statement of Activities.

### **PROCEDURES PERFORMED**

We obtained a client-prepared listing of the balances in the Direct Labor expense accounts. We determined that the overall account had been previously tested as part of the financial statement audit and that further testing of Direct Labor had been done as part of the A-133 audit and the program specific NMVTIS audit of federal expenditures. As part of that testing we performed the following procedures: Obtained the detailed general ledger and payroll tax returns and compared the balances. Scanned the general ledger for any transactions that appeared to be significant or unusual. Obtained project costing labor detail reports for the year. Compared the monthly direct labor total per contract to the general ledger posting. Tested the details by obtaining employee time sheets and traced them to the general ledger detail.

In addition, we compared the balances provided by the client to the balance shown on the compiled information.

### **FINDINGS**

We found that all balances agreed.

## **JURISDICTIONAL REVENUE SHARING EXPENSE**

### AGREED UPON PROCEDURES

Obtain a client prepared listing of the balance in the applicable Jurisdictional Revenue Sharing Expense accounts.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

Provide a description of the prior testing.

Compare the balance provided by the client to the balance derived from the compiled non-federal income and expenditure NMVTIS specific Statement of Activities.

### PROCEDURES PERFORMED

We obtained a client-prepared listing of the balance in the Jurisdictional Revenue Sharing expense account that is associated with the NMVTIS program. We determined that this account had been previously tested as part of the financial statement audit. As part of the audit we performed the following procedures: Obtained an understanding of the reason behind adding this new account to the trial balance. Obtained the detailed general ledger and client prepared schedule for the account and compared the balances. Scanned the general ledger for any transactions that appeared to be significant or unusual. Tested the reasonableness of the expense amount by recreating and comparing the expected balance from the related income account balance and the credit percentage allowed for the program.

In addition, we compared the balance provided by the client to the balance shown on the compiled information.

### FINDINGS

We found that all balances agreed.

## **CONTRACTOR LABOR EXPENSE**

### AGREED UPON PROCEDURES

Obtain a client prepared listing of the balance in the applicable Contractor Labor Expense accounts.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

Provide a description of the prior testing.

Compare the balance provided by the client to the balance derived from the compiled non-federal income and expenditure NMVTIS specific Statement of Activities.

## **CONTRACTOR LABOR EXPENSE (CONTINUED)**

### **PROCEDURES PERFORMED**

We obtained a client prepared listing of the balances in the Contractor Labor expense accounts. We determined that the overall account had been previously tested as part of the financial statement audit and that further testing of Contractor Labor had been done as part of the A-133 audit and the program specific NMVTIS audit of federal expenditures. As part of the financial statement audit testing we performed the following procedures: Obtained the detailed general ledger and scanned for subaccounts over \$40,000. From those a selection was made and support was viewed for all expense over \$10,000 in those selected subaccounts. Verified that the invoices were approved, charged to the correct period, and coded to the correct accounts and projects.

In addition, we compared the balances provided by the client to the balance shown on the compiled information.

### **FINDINGS**

We found that all balances agreed.

## **DATA CENTER EXPENSE**

### **AGREED UPON PROCEDURES**

Obtain a client prepared listing of the balance in the applicable Data Center Expense accounts.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

Provide a description of the prior testing.

Compare the balance provided by the client to the balance derived from the compiled non-federal income and expenditure NMVTIS specific Statement of Activities.

### **PROCEDURES PERFORMED**

We obtained a client prepared listing of the balances in the Data Center expense accounts. We determined that the overall account had been previously tested as part of the financial statement audit and that further testing of Data Center expenses had been done as part of the A-133 audit and the program specific NMVTIS audit of federal expenditures. As part of the financial statement testing we performed the following procedures: Obtained the detailed general ledger and scanned for subaccounts over \$40,000. From those a selection was made and support was viewed for all expense over \$10,000 in those selected subaccounts. Verified that the invoices were approved, coded to the correct accounts and projects and charge to the correct period.

In addition, we compared the balances provided by the client to the balance shown on the compiled information.

### **FINDINGS**

We found that all balances agreed.

## **DEPRECIATION EXPENSE**

### AGREED UPON PROCEDURES

Obtain a client prepared listing of the balance in the applicable Depreciation Expense account.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

If the testing had not been previously done, perform the following procedures:

Obtain a detail listing of the entire fixed assets including the associated depreciation expense.

Create an NMVTIS specific schedule from that detail listing.

Compare the balance provided by the client to the balance derived from the NMVTIS specific schedule.

### PROCEDURES PERFORMED

We obtained a client-prepared listing of the balances in the Depreciation expense accounts. We determined that the general accounts had been previously tested however, it was not NMVTIS specific. Obtained a detail listing of all fixed assets and created an NMVTIS specific schedule listing the appropriate assets, the applicable accumulated depreciation as well as the 2013 depreciation expense.

In addition, we compared that balance with the balance provided by the client.

### FINDINGS

We found that all balances agreed.

## **INDIRECT EXPENSES**

### AGREED UPON PROCEDURES

Obtain a client prepared listing of the balance in the applicable Indirect Expenses accounts.

Determine if prior testing had been done during either the financial statement audit testing, the program specific NMVTIS testing of federal expenditure, or the A-133 federal grant and expenditure testing.

Provide a description of the prior testing.

Recompute the provisional and final rates applicable to the programs associated with the non-federal income and expenditure NMVTIS specific Statement of Activities.

Compare the recomputed rates to the provisional rates allowed and the final rates previously tested.

## **INDIRECT EXPENSES (CONTINUED)**

### PROCEDURES PERFORMED


We obtained a client prepared listing of the balances in the Indirect Expense accounts. We determined that these accounts had been previously tested as part of the A-133 audit and the program specific NMVTIS audit of federal expenditures. As part of that testing we performed the following procedures: Selected indirect expenses tested, reviewed for appropriateness, recomputed applicable indirect rates, and then compared the recomputed rates to the government approved provisional rates.

Final rates were also recomputed and compared with client determined final rates. In addition, we recomputed the provisional and final rates for the indirect expenses provided by the client as part of non-federal income related activities and compared those rates to the provisional rates allowed and the final rates calculated.

### FINDINGS

We found that the rates did not vary from those previously tested.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the performance of AAMVA regarding its presentation of balances in accounts for the year ended September 30, 2013 in relation to the administration of non-federal funds for the National Motor Vehicle Title Information System (NMVTIS). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matter might have come to our attention that would have been reported to you.

  
STOKES & COMPANY, P.C.  
Washington, D.C.

July 3, 2014

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM  
SCHEDULE OF SPECIFIED ELEMENTS - ASSETS AND LIABILITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Assets

Cash	\$	2,503,073
Work in process	\$	203,107
Software	\$	2,431,583
Accumulated depreciation	\$	(254,158)

Liabilities

Open credits - consumer access	\$	704,132
Deferred program income	\$	1,936,002
Deferred contract revenue	\$	97,852

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM  
SCHEDULE OF SPECIFIED ELEMENTS - REVENUES AND EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	NON - FEDERAL RELATED ACCOUNTS		Total
	Operations	Implementation	
<b>Revenue</b>			
State user fees	\$ 2,501,756	\$ -	\$ 2,501,756
Non-state consumer access provider fees	1,059,432	-	1,059,432
Other user fees	216,280	-	216,280
Interest income	629	-	629
Program offsets and other	(190,371)	-	(190,371)
<b>Total revenue</b>	<b>3,587,726</b>	<b>-</b>	<b>3,587,726</b>
<b>Expenses</b>			
Direct labor	901,520	116,509	1,018,029
Fringe expenses	427,783	55,285	483,068
Contractor labor	192,432	127,442	319,874
Overhead expenses	633,632	124,598	758,230
Data center charges	593,469	-	593,469
Jurisdictional revenue sharing	527,844	-	527,844
Depreciation	252,720	-	252,720
State support	97,545	-	97,545
Travel	12,145	-	12,145
Other direct costs	270,037	-	270,037
General and administrative expenses	416,979	46,407	463,386
<b>Total expenses</b>	<b>4,326,106</b>	<b>470,241</b>	<b>4,796,347</b>
<b>Excess of revenues / (expenses)</b>	<b>\$ (738,380)</b>	<b>\$ (470,241)</b>	<b>\$ (1,208,621)</b>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
 NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM  
 SCHEDULE OF SPECIFIED ELEMENTS - REVENUE AND EXPENSES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

NON - FEDERAL RELATED ACCOUNTS

	Operations Consumer Access Operations	Operations Central Sites Operations	Operations Program Mgmt & Document Support	Operations Operations	Operations Consumer Access Operations	Operations Batch Inquiry Development	Operations Business Support	Operations Annual Report Preparation	Operations Advisory Board Support	Implementation State Implementation Support	Implementation Consumer Access Implementation	Total
<b>Revenue</b>												
State user fees	\$ -	\$ -	\$ -	\$ 2,501,756	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,501,756
Non-state consumer access provider fees	-	-	-	-	1,059,432	-	-	-	-	-	-	1,059,432
Other user fees	-	-	-	-	216,280	-	-	-	-	-	-	216,280
Interest income	-	-	-	-	307	322	-	-	-	-	-	629
Program offsets & other	(144,133)	-	-	-	(183,190)	-	108,597	-	28,355	-	-	(190,371)
<b>Total revenue</b>	<b>(144,133)</b>	<b>-</b>	<b>-</b>	<b>2,501,756</b>	<b>1,092,829</b>	<b>322</b>	<b>108,597</b>	<b>-</b>	<b>28,355</b>	<b>-</b>	<b>-</b>	<b>3,587,726</b>
<b>Expenses</b>												
Direct labor	-	300,588	112,374	334,255	19,227	-	111,088	14,710	9,278	113,701	2,808	1,018,029
Fringe expenses	-	142,633	53,323	158,609	9,123	-	52,713	6,980	4,402	53,953	1,332	483,068
Contractor labor	-	53,662	8,721	121,997	8,052	-	-	-	-	127,442	-	319,874
Overhead expenses	-	206,896	72,626	256,021	15,157	-	68,204	9,031	5,697	122,874	1,724	758,230
Data center charges	-	593,469	-	-	-	-	-	-	-	-	-	593,469
Jurisdictional revenue sharing	-	-	-	-	527,844	-	-	-	-	-	-	527,844
Depreciation	-	-	-	252,720	-	-	-	-	-	-	-	252,720
State support	-	-	-	-	-	-	97,545	-	-	-	-	97,545
Travel	-	-	-	-	-	-	6,821	-	5,324	-	-	12,145
Other direct costs	-	94,863	-	-	156,850	-	109	16,215	2,000	-	-	270,037
General and administrative expenses	-	152,428	27,050	123,027	69,569	-	36,842	5,139	2,924	45,765	642	463,386
<b>Total expenses</b>	<b>-</b>	<b>1,544,539</b>	<b>274,094</b>	<b>1,246,629</b>	<b>805,822</b>	<b>-</b>	<b>373,322</b>	<b>52,075</b>	<b>29,625</b>	<b>463,735</b>	<b>6,506</b>	<b>4,796,347</b>
<b>Excess of revenues / (expenses)</b>	<b>\$ (144,133)</b>	<b>\$ (1,544,539)</b>	<b>\$ (274,094)</b>	<b>\$ 1,255,127</b>	<b>\$ 287,007</b>	<b>\$ 322</b>	<b>\$ (264,725)</b>	<b>\$ (52,075)</b>	<b>\$ (1,270)</b>	<b>\$ (463,735)</b>	<b>\$ (6,506)</b>	<b>\$ (1,208,621)</b>



AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM  
SCHEDULE OF SPECIFIED ELEMENTS - REVENUES AND EXPENSES  
CONSOLIDATED FEDERAL AND NON-FEDERAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Operations	Implementation	Total
<b>Revenue</b>			
State User Fees	\$ 2,501,756	\$ -	\$ 2,501,756
Non-State consumer access provider ffes	1,379,787	-	1,379,787
Grant revenue	1,076,692	109,438	1,186,130
Other user fees	286,920	-	286,920
Interest income	4,301	-	4,301
Program offsets & other	(190,371)	-	(190,371)
	<b>5,059,085</b>	<b>109,438</b>	<b>5,168,523</b>
<b>Total Revenue</b>			
<b>Expenses</b>			
Direct labor	1,082,783	122,445	1,205,228
Fringe expenses	513,794	58,102	571,896
Contractor labor	392,828	190,462	583,290
Overhead expenses	828,363	154,483	982,846
Data center charges	919,322	-	919,322
Jurisdictional revenue sharing	527,844	-	527,844
Depreciation	252,720	-	252,720
State support	97,545	-	97,545
Travel	12,145	-	12,145
Other direct costs	512,022	-	512,022
General and administrative expenses	547,772	57,538	605,310
	<b>5,687,138</b>	<b>583,030</b>	<b>6,270,168</b>
<b>Total Expenses</b>			
Excess of revenues/ (expenses)	<b>\$ (628,053)</b>	<b>\$ (473,592)</b>	<b>\$ (1,101,645)</b>

**AMERICAN ASSOCIATION OF MOTOR VEHICLE  
ADMINISTRATORS AND AFFILIATES**

**National Motor Vehicle Title Information System  
Statement of Activity  
Schedule of Expenditures of Federal Awards  
and  
Independent Auditor's Reports**

**For the Year ended September 30, 2013**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
American Association of Motor Vehicle Administrators and Affiliates

**Report on the Financial Statements**

We have audited the accompanying statement of activity for the National Motor Vehicle Title Information System as operated by the American Association of Motor Vehicle Administrators and Affiliates (the Association) for the year ended September 30, 2013, and the related notes to the financial statements.

**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 an opinion 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 of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**


In our opinion, the financial statements referred to above present fairly, in all material respects, the activities of the National Motor Vehicle Title Information System as operated by the American Association of Motor Vehicle Administrators and Affiliates for the year ended September 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014, on our consideration of the Association'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 the 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 the Association's internal control over financial reporting and compliance.

  
STOKES & COMPANY, P.C.  
Washington, D.C.

March 28, 2014

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
STATEMENT OF ACTIVITY FOR THE NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Government Grants		Total
	2010-DG-BX-K039		
	Operations	Implementation	
<b>Revenue</b>			
Grant revenue	\$ 1,076,692	\$ 109,438	\$ 1,186,130
Interest income	3,672	-	3,672
User fees	390,994	-	390,994
<b>Total revenue</b>	<b>1,471,358</b>	<b>109,438</b>	<b>1,580,796</b>
<b>Expenses</b>			
Direct labor	181,263	5,936	187,199
Fringe expenses	83,772	2,817	86,589
Contractor labor	200,396	63,020	263,416
Overhead expenses	194,731	29,885	224,616
Data center charges	325,853	-	325,853
Other direct costs	241,985	-	241,985
General and administrative expenses	130,793	11,131	141,924
<b>Total expenses</b>	<b>1,358,793</b>	<b>112,789</b>	<b>1,471,582</b>
<b>Excess of revenue over expenses</b>	<b>\$ 112,565</b>	<b>\$ (3,351)</b>	<b>\$ 109,214</b>

The accompanying notes are an integral part of this financial statement.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
STATEMENT OF ACTIVITY FOR THE NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

2010-DG-BX-K039

	Operations Central Sites	Operations Management & Documentation Support	Operations Operations	Operations Consumer Access Operations	Operations 3rd Party Reporting	Operations Business Support	Operations Annual Report	Operations Advisory Board Support	Implementation State Implementation	Implementation Consumer Access Implementation	Total
<b>Revenue</b>											
Grant revenue	\$ 523,993	\$ 74,089	\$ 372,230	\$ 13,717	\$ 15,541	\$ 70,044	\$ 2,569	\$ 4,509	\$ 107,192	\$ 2,246	\$ 1,186,130
Interest income	-	-	-	3,672	-	-	-	-	-	-	3,672
User fees	-	-	-	390,994	-	-	-	-	-	-	390,994
<b>Total revenue</b>	<b>523,993</b>	<b>74,089</b>	<b>372,230</b>	<b>408,383</b>	<b>15,541</b>	<b>70,044</b>	<b>2,569</b>	<b>4,509</b>	<b>107,192</b>	<b>2,246</b>	<b>1,580,796</b>
<b>Expenses</b>											
Direct labor	25,631	32,477	81,885	4,507	2,763	32,168	1,039	793	5,196	740	187,199
Fringe expenses	12,162	15,410	38,855	(100)	1,311	15,265	493	376	2,466	351	86,589
Contractor labor	67,501	2,203	126,633	2,548	1,511	-	-	-	62,606	414	263,416
Overhead expenses	43,843	20,857	103,003	3,828	2,325	19,751	638	486	29,258	627	224,616
Data center charges	319,375	-	-	-	6,478	-	-	-	-	-	325,853
Other direct costs	8,308	-	-	230,560	-	342	275	2,500	-	-	241,985
General and administrative expenses	52,209	7,768	38,364	22,761	1,575	7,393	268	455	10,897	234	141,924
<b>Total expenses</b>	<b>529,029</b>	<b>78,715</b>	<b>388,740</b>	<b>264,104</b>	<b>15,963</b>	<b>74,919</b>	<b>2,713</b>	<b>4,610</b>	<b>110,423</b>	<b>2,366</b>	<b>1,471,582</b>
<b>Excess of revenues over expenses</b>	<b>\$ (5,036)</b>	<b>\$ (4,626)</b>	<b>\$ (16,510)</b>	<b>\$ 144,279</b>	<b>\$ (422)</b>	<b>\$ (4,875)</b>	<b>\$ (144)</b>	<b>\$ (101)</b>	<b>\$ (3,231)</b>	<b>\$ (120)</b>	<b>\$ 109,214</b>

The accompanying notes are an integral part of this financial statement.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation

Financial statement presentation follows accounting principles generally accepted in the United States of America. The financial statement is presented for the year ended September 30, 2013 which corresponds with the American Association of Motor Vehicle Administrator and Affiliates' (AAMVA).

2. Cash

Cash consists of cash held in an interest bearing demand deposit account. In December 2006, AAMVA and the Department of Justice entered into a Memorandum of Understanding whereby AAMVA received and deposited \$1,559,237 to ensure the viability of the NMVTIS program. As AAMVA incurs expenses for specific NMVTIS programs, funds are transferred to AAMVA's operating account to reimburse AAMVA for expenses incurred. As of September 30, 2013, the account balance was \$162,807, which included NMVTIS expenses that had not yet been transferred for expenses incurred prior to September 30, 2013. All of the cash was federally insured as of September 30, 2013. Management has never experienced a loss on any of its cash deposits and transfers money into investments that will not be used in current operations.

The account earned \$302 of interest for the year ended September 30, 2013.

3. Revenue recognition

Revenue from cost-type grants and contracts is recognized on the basis of reimbursable costs incurred during the period. Revenue from user fees and services is recognized as the services are performed. Revenues billed or collected for which the service or function has not been fulfilled are reflected as deferred revenue.

4. Indirect expenses

AAMVA maintains three indirect cost pools, fringes, overhead and general and administrative. The indirect rates are billed at actual or provisional rates on cost-reimbursable grants. Final indirect rates are subject to audit by the Department of Transportation (DOT), AAMVA's cognizant agency. Such an audit would result in final indirect rates that could result in a liability for indirect costs billed in excess of the actual rates or could result in additional billings for actual rates in excess of provisional rates billed. The Department of Transportation has yet to audit the indirect rates for the fiscal year ended September 30, 2013. Management believes that cost disallowances, if any, arising from a DOT audit would not have a material effect on the NMVTIS programs.

5. Use of estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE B - ORGANIZATION

AAMVA is an international not-for-profit corporation organized for the purpose of encouraging uniformity and reciprocity among states and developing educational and training programs related to motor vehicle laws and regulations. The Federal Highway Administration has recognized and designated AAMVA as the operator of the Commercial Drivers License Information System, an information system mandated by the Commercial Motor Vehicle Safety Act of 1986. The Department of Justice has recognized and designated AAMVA as the operator of National Motor Vehicle Title Information System since 1992.

AAMVA is comprised of five not-for-profit corporations, a national parent corporation and four regional subsidiary corporations. The parent corporation is the controlling entity, requiring the oversight and consolidation of all financial activities of itself and the four regional corporations.

AAMVA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization is, however, subject to income taxes on net profits generated by activities defined as unrelated business activities under applicable tax law. No such taxes are due for the year ended September 30, 2013.

The Regions (which are composed of four distinct geographical areas so designated by AAMVA) are incorporated as Virginia not-for-profit corporations. The Regions were organized to support and carry out the educational purposes of AAMVA within their respective regions (specifically in the form of annual conferences). As such, the regions qualify as "supporting organizations" as described in section 509(a)(3) of the Internal Revenue Code.

AAMVA and its affiliates adopted an accounting policy required under U.S. generally accepted accounting principles, *Accounting for Uncertainty in Income Taxes*, that requires that uncertain tax positions be evaluated and the potential impact of an unfavorable outcome of a tax authority's assessment of such uncertain tax position be reflected in the financial statements. From time to time, management must assess the need to accrue or disclose a possible loss contingency for proposed adjustments from various federal and state tax authorities who may audit the organization in the normal course of business. AAMVA and its affiliates have evaluated its tax reporting and have not reflected any contingent liability for any such potential assessment.

In the event there were any proposed adjustments, any associated penalties and interest would be separately reported. The organization is no longer subject to examinations by relevant tax authorities for years prior to fiscal year ended September 30, 2010.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE C – NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM PROGRAMS

NMVTIS activity for the fiscal year ended September 30, 2013 consists of Operations and Implementation.

Operations includes the core infrastructure, programs and applications completed and implemented and is funded by user fees and the Department of Justice Grant 2010-DG-BX-K039.

Central Site Operations provides for management, software and production support of the NMVTIS Central Site Application.

Management and Documentation Support provides for overall IT program management, general documentation updates and system analysis.

Operations provide the day-to-day help desk and operational support of NMVTIS.

Consumer Access Operations provides the day-to-day help desk and operational support of NMVTIS consumer access.

Third Party Reporting Operations provides the day-to-day help desk and operational support of NMVTIS to junk yard, salvage yards and insurers.

Program Support provides program and policy support for all NMVTIS program areas, grant management, relationship management with DOJ and vendors, outreach and awareness.

Advisory Board Support provides logistical, planning and secretarial support to the Board.

Annual Report coordinates the collection and preparation of the annual report on NMVTIS.

Implementation includes ongoing implementation initiatives such as adding new states or new consumer access provider or new JSI consolidators and is funded by the Department of Justice Grant 2010-DG-BX-K039.

State Implementation supports new states implementing NMVTIS and states reengineering their titling system.

Consumer Access Implementation supports testing and implementation of new consumer access providers.

NOTE D – SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 28, 2014, which is the date the financial statements were available to be issued.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
American Association of Motor Vehicle Administrators  
and Affiliates

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 Statement of Activity for the National Motor Vehicle Title Information System as operated by the American Association of Motor Vehicle Administrators and Affiliates (the Association) for the year ended September 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Association'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 the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 control 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Association's financial statements are free of 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 the 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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
STOKES & COMPANY, P.C.  
Washington, D.C.

March 28, 2014



CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors

American Association of Motor Vehicle Administrators and Affiliates

**Report on Compliance for the National Motor Vehicle Title Information System**

We have audited the American Association of Motor Vehicle Administrators and Affiliates' (the Association) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its National Motor Vehicle Title Information System (NMVTIS) program for the year ended September 30, 2013. The NMVTIS programs as operated by the Association are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to NMVTIS program.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Association's NMVTIS program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the NMVTIS program occurred. An audit includes examining, on a test basis, evidence about the Association'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 the Association's NMVTIS program. However, our audit does not provide a legal determination of the Association's compliance.

## Opinion

In our opinion, the Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its NMVTIS program for the year ended September 30, 2013.

## Report on Internal Control over Compliance

Management of the Association 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 Association's internal control over compliance with the types of requirements that could have a direct and material effect on its NMVTIS program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association'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 charges 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
STOKES & COMPANY, P.C.  
Washington, D.C.

March 28, 2014

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
 NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures*</u>
Department of Justice Office of Justice Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	2010-DG-BX-K039	16.580	\$ 1,473,821
Total expenditures of federal awards			<u>\$ 1,473,821</u>

\* Significant accounting policies

This schedule is prepared using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the statement of activity.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
 NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued		Unmodified
Internal control over financial reporting:		
Material weakness identified?	___ yes	<u>X</u> no
Significant deficiency identified not considered to be material weakness?	___ yes	<u>X</u> no
Noncompliance material to financial statements noted?	___ yes	<u>X</u> no

Federal Awards

Internal control over major programs:		
Material weakness identified?	___ yes	<u>X</u> no
Significant deficiency identified not considered to be material weakness?	___ yes	<u>X</u> no
Type of auditor's report issued on compliance for NMVTIS programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	___ yes	<u>X</u> no

NMVTIS programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.580	Department of Justice Office of Justice Enforcement Assistance Discretionary Grants Program

Auditee qualified as low-risk auditee?	___ yes	<u>X</u> no
--	---------	-------------



**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**Section II - Financial Statements Audit Findings**

**Control Deficiencies**

There were no financial statement findings required to be reported.

**Section III – Federal Award Findings**

NONE

AMERICAN ASSOCIATION OF MOTOR  
VEHICLE ADMINISTRATORS AND AFFILIATES

Consolidated Financial Statements  
and  
Independent Auditor's Report

September 30, 2013

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**INDEPENDENT AUDITOR'S REPORT**

**Board of Directors  
American Association of Motor Vehicle Administrators  
and Affiliates**

We have audited the accompanying consolidated financial statements of American Association of Motor Vehicle Administrators (the Association) and affiliates, which comprise the consolidated statement of financial position as of September 30, 2013, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Association of Motor Vehicle Administrators and affiliates as of September 30, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Stokes & Company, P.C.*  
STOKES & COMPANY, P.C.  
Washington, D.C.

January 17, 2014

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS  
AND AFFILIATES  
Consolidated Statement of Financial Position  
September 30, 2013  
*(With comparative totals for the year ended September 30, 2012)*

	<u>2013</u>	<u>2012</u>
<i>ASSETS</i>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,630,052	\$ 3,841,254
Receivables	6,201,725	7,703,597
Due from affiliates	-	-
Prepaid expenses	<u>447,833</u>	<u>512,945</u>
Total current assets	13,279,610	12,057,796
INVESTMENTS	45,230,189	39,163,921
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation and amortization of \$6,856,765 and \$8,713,821 respectively	3,487,374	3,490,866
OTHER ASSETS		
Deferred compensation investments	249,296	198,508
Deposits	<u>51,966</u>	<u>51,966</u>
Total assets	<u>\$ 62,298,435</u>	<u>\$ 54,963,057</u>
<i>LIABILITIES AND NET ASSETS</i>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 4,774,193	\$ 3,549,491
Deferred revenue	6,025,561	5,507,975
Due to IRP	-	4,003
Due to affiliates	-	-
Agency funds held	<u>367,890</u>	<u>399,276</u>
Total current liabilities	11,167,644	9,460,745
LONG TERM LIABILITIES		
Deferred compensation	249,296	198,508
Deferred rent	<u>154,666</u>	<u>273,811</u>
Total liabilities	<u>11,571,606</u>	<u>9,933,064</u>
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Unrestricted		
Undesignated	24,825,964	22,819,138
Board designated	<u>25,900,865</u>	<u>22,210,855</u>
Total unrestricted net assets	<u>50,726,829</u>	<u>45,029,993</u>
Total liabilities and net assets	<u>\$ 62,298,435</u>	<u>\$ 54,963,057</u>

The accompanying notes are an integral part of this financial statement.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS  
AND AFFILIATES  
Consolidated Statement of Activities and Changes in Net Assets  
Year Ended September 30, 2013  
*(With comparative totals for the year ended September 30, 2012)*

	2013	2012
	<u>Unrestricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>		
Dues, services and fees	\$ 25,226,058	\$ 22,448,687
Government grant and contract revenue	10,983,264	11,699,128
Conferences and workshops	1,635,557	1,400,213
Publication and product	551,455	450,615
Other income	2,264	65,616
	<hr/>	<hr/>
Total revenue and other support	38,398,598	36,064,259
	<hr/>	<hr/>
<b>EXPENSES</b>		
Contractual services	11,199,926	12,427,048
Labor and benefits	16,276,051	12,015,172
Travel and meetings	2,655,191	2,130,485
Other expenses	1,552,007	1,490,533
Communication and promotion	701,009	583,994
Office expenses	1,682,756	1,615,606
Office automation	849,395	680,467
Services and fees	825,728	606,819
	<hr/>	<hr/>
Total expenses	35,742,063	31,550,124
	<hr/>	<hr/>
Changes in net assets before investment income	2,656,535	4,514,135
	<hr/>	<hr/>
<b>INVESTMENT INCOME (LOSS)</b>	3,040,301	4,437,620
	<hr/>	<hr/>
Changes in net assets	5,696,836	8,951,755
	<hr/>	<hr/>
Net assets at beginning of year	45,029,993	36,078,238
	<hr/>	<hr/>
Net assets at end of year	<u>\$ 50,726,829</u>	<u>\$ 45,029,993</u>

The accompanying notes are an integral part of this financial statement.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS  
AND AFFILIATES

Consolidated Statement of Cash Flows

Year Ended September 30, 2013

(With comparative totals for the year ended September 30, 2012)

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Non-investment revenue and other support	\$ 40,477,078	\$ 38,855,166
Investment income	1,343,490	1,131,193
Payments to vendors, suppliers, and employees	<u>(33,581,225)</u>	<u>(30,404,381)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>8,239,343</u>	<u>9,581,978</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	4,055,834	11,573,884
Purchases of investments	(8,425,291)	(18,936,264)
Purchases of property and equipment	<u>(1,081,088)</u>	<u>(2,504,714)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(5,450,545)</u>	<u>(9,867,094)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	2,788,798	(285,116)
<b>CASH AND CASH EQUIVALENTS at beginning of year</b>	<u>3,841,254</u>	<u>4,126,370</u>
<b>CASH AND CASH EQUIVALENTS at end of year</b>	<u>\$ 6,630,052</u>	<u>\$ 3,841,254</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,696,836	\$ 8,951,755
Adjustments		
Depreciation and amortization	1,084,581	794,016
Net realized and unrealized (gain)/loss on investments	(1,696,811)	(3,306,427)
Net realized loss on disposal of property and equipment	-	487
(Increase) decrease in assets		
Receivables	1,501,872	3,148,002
Prepaid expenses	65,112	41,733
Deposits	-	1,000
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	1,220,699	214,001
Deferred revenue	517,586	(396,401)
Deferred rent	(119,145)	(84,574)
Agency funds held	<u>(31,386)</u>	<u>218,386</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 8,239,343</u>	<u>\$ 9,581,978</u>

The accompanying notes are an integral part of this financial statement.



AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
Notes to Consolidated Financial Statements  
September 30, 2013

NOTE A - ORGANIZATION AND TAX STATUS

AAMVA is an international not-for-profit corporation organized for the purpose of encouraging uniformity and reciprocity among states and developing educational and training programs related to motor vehicle laws and regulations. The Federal Highway Administration has recognized and designated AAMVA as the operator of Commercial Drivers License Information System, an information system mandated by the Commercial Motor Vehicle Safety Act of 1986.

AAMVA is comprised of five not-for-profit corporations; a national parent corporation and four regional subsidiary corporations. The parent corporation is the controlling entity, requiring the oversight and consolidation of all financial activities of itself and the four regional corporations.

AAMVA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization is, however, subject to income taxes on net profits generated by activities defined as unrelated business activities under applicable tax law. No such taxes are due for the year ended September 30, 2013.

The Regions (which are composed of four distinct geographical areas so designated by AAMVA) are incorporated as Virginia not-for-profit corporations. The Regions were organized to support and carry out the educational purposes of AAMVA within their respective regions (specifically in the form of annual conferences). As such, the regions qualify as "supporting organizations" as described in section 509(a)(3) of the Internal Revenue Code.

AAMVA and its affiliates adopted an accounting policy required under U.S. generally accepted accounting principles, *Accounting for Uncertainty in Income Taxes*, that requires that uncertain tax positions be evaluated and the potential impact of an unfavorable outcome of a tax authority's assessment of such uncertain tax position be reflected in the financial statements. From time to time, management must assess the need to accrue or disclose a possible loss contingency for proposed adjustments from various federal and state tax authorities who may audit the organization in the normal course of business. AAMVA and its affiliates have evaluated its tax reporting and have not reflected any contingent liability for any such potential assessment.

In the event there were any proposed adjustments, any associated penalties and interest would be separately reported. The organization is no longer subject to examinations by relevant tax authorities for years prior to fiscal year ended September 30, 2010.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation

Financial statement presentation follows accounting principles generally accepted in the United States of America in relation to net asset classification. The organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All net assets are unrestricted at September 30, 2013.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Cash and cash equivalents

Cash and cash equivalents consist of cash held in money market funds, non-interest bearing demand deposit accounts and short-term highly liquid investments with initial maturities of three months or less. At various times during the year, balances exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000. As of September 30, 2013, \$5,786,141 of cash and cash equivalents was not federally insured, of which \$2,000,253 is held in the AAMVA investment accounts. Management has never experienced a loss on any of its cash deposits and transfers money into investments that will not be used in current operations.

3. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reflected at fair market value. To adjust the carrying values of these securities, the difference between cost and fair market value is recorded as a component of investment income in the consolidated statement of activities and changes in net assets.

4. Receivables

Receivables consist principally of amounts due American Association of Motor Vehicle Administrators and Affiliates for network services, user fees, work performed on grants, sale of publications and products and participation in conferences and workshops. No interest is accrued on receivables. A provision for doubtful accounts has been established based on management's evaluation of the collectability of receivables.

5. Property and equipment

Property and equipment are recorded at cost. All expenditures for property and equipment of \$2,000 or more are capitalized. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets or, where applicable, the terms of the respective leases, whichever are shorter. When assets are retired or disposed of, the cost and related accumulated depreciation is removed from the accounting records, and any gain or loss is reflected in income.

6. Revenue recognition

Revenue from cost-type grants and contracts is recognized on the basis of reimbursable costs incurred during the year. Revenue from services is recognized as the services are performed. Revenues billed or collected for which the service or function has not been fulfilled are reflected as deferred revenue.

7. Functional allocation of expenses

The consolidated statement of activities and changes in net assets is presented by natural expense category. Functional expenses, as summarized in Note H, are comprised of direct program costs, plus allocated general operating expenses and fringe benefits based on direct salaries.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
Notes to Consolidated Financial Statements (continued)  
September 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Use of estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. Consolidated financial information for September 30, 2012

The consolidated financial information as of September 30, 2012 and for the year then ended is presented for comparative purposes and is not intended to be complete financial information. Certain accounts in the prior financial statements have been reclassified for comparative purposes to conform to the presentation in the current fiscal year.

10. Fair value measurement

Accounting principles generally accepted in the United States of America provide a common definition of fair value, establish a framework for measure of fair value and expand disclosures about fair value measurements, but do not require any new fair value measurements. All assets and liabilities required to be measured at fair value by these accounting principles have been assessed with the following three-tier hierarchy of inputs:

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

All investments are Level 1 investments. Current values of investments are estimated based on quoted market prices as provided by the custodians of the portfolios.

NOTE C – RECEIVABLES

Receivables at September 30, 2013 are comprised of the following:

Network billings	\$ 4,192,822
Government grants and contracts	1,444,813
Membership dues and assessments	438,494
Publications, products and events	121,646
Other	<u>4,200</u>
	6,201,975
Less: provision for doubtful accounts	<u>250</u>
	<u>\$ 6,201,725</u>

The provision for doubtful accounts is based on management's evaluation of the collectability of receivables.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
Notes to Consolidated Financial Statements (continued)  
September 30, 2013

NOTE D - INVESTMENTS

The fair value of investments as of September 30, 2013 is presented below, along with a summary of investment income (loss) on investments.

Investments

Mutual funds – U.S. Equities	\$ 14,215,978
Mutual funds – International Equities	7,087,278
Mutual funds – Fixed Income	15,528,274
Mutual funds – Mixed Assets	2,089,522
Mutual funds – Other Assets	6,309,137
Money market	<u>2,000,253</u>
	47,230,442
Less: amount classified as cash equivalent	<u>2,000,253</u>
	<u>\$45,230,189</u>

Investment income (loss)

Interest and dividends	\$ 1,468,250
Realized gains	(48,585)
Unrealized gains	1,745,396
Investment fees	<u>(124,760)</u>
	<u>\$ 3,040,301</u>

All investments are Level 1 investments. Current values of investments are estimated based on quoted market prices as provided by the custodians of the portfolios.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2013 consists of the following:

Furniture	\$ 616,997
Equipment	1,844,967
Software	4,729,712
Software in development	205,107
Leasehold improvements	<u>2,947,356</u>
	10,344,139
Less: accumulated depreciation and amortization	<u>(6,856,765)</u>
	<u>\$ 3,487,374</u>

Depreciation and amortization expense for the year ended September 30, 2013 was \$1,084,581.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
Notes to Consolidated Financial Statements (continued)  
September 30, 2013

NOTE F – AGENCY FUNDS HELD

AAMVA serves as administrator for the Non-Resident Violators Compact and the Social Security Administration, collecting and disbursing funds on their behalf. The balance represents funds collected and not disbursed as of September 30, 2013.

NOTE G – RETIREMENT PLAN

AAMVA has a defined contribution 401(k) plan which provides retirement benefits to its employees. AAMVA matches up to 4% of each participant’s annual salary based on the participant’s contribution. In accordance with the 401(k) plan, AAMVA also provides an additional discretionary contribution to all plan participants. For the year ended September 30, 2013, the discretionary contribution was 4% of each participant’s annual salary. During the year ended September 30, 2013, AAMVA contributed \$431,774 in matching contributions and made a discretionary contribution of \$506,988 to the plan.

NOTE H – FUNCTIONAL EXPENSES

Functional expenses for the year ended September 30, 2013 are as follows:

Human Resources and Org. Development	\$ 8,053,321
Vehicle Lifecycle Administration	4,838,417
Commercial Driver Licensing	4,635,022
Representation and Advocacy	4,094,585
Information Technology	3,276,780
Driver Licensing	2,430,175
ID Management	1,709,533
Accounting and Program Business Services	1,494,765
Commercial Services	1,282,998
Business Systems	921,781
AAMVA Infrastructure	878,087
Chief Executive Office	685,717
Member Services and Public Affairs	310,774
Fraud Management	281,457
Driver Administration	261,167
Corporate Operations	217,700
Business Solutions	172,988
Vehicle Services	138,716
Vehicle Administration	<u>58,080</u>
	<u>\$35,742,063</u>

Expenses include the following:

CDLIS	\$8,057,934
NMVTIS	\$7,636,031

NOTE H – FUNCTIONAL EXPENSES (continued)

The Association allocates indirect expenses based on provisional rates and reports its functional expenses accordingly. The administrative and overhead expenses represent the (over)/under allocation of cost as a result of the provisional rate allocation method. The actual indirect expense schedules and rate computations are located on pages 21, 22 and 23 of the financial statements.

NOTE I – DEFERRED COMPENSATION

The Association has established a nonqualified deferred compensation plan for certain employees. The plan provides for benefits payable in a lump sum or over a period of not to exceed ten years in the event of death, termination of employment or retirement. The plan is intended to be construed and administered in accordance with Section 457(b) of the Internal Revenue Code. The Association reserves the right to terminate the plan.

Plan investments include equities, bonds and money market and mutual funds.

All investments are Level 1 investments. Current values of investments are estimated based on quoted market prices as provided by the custodians of the portfolios.

NOTE J – NET ASSETS

Unrestricted net assets

Unrestricted net assets represent that portion of net assets not subject to donor-imposed restrictions.

The Board of Directors has designated unrestricted net assets as follows:

American Association of Motor Vehicle Administrators (AAMVA)

Operating reserve – The Board of Directors established an endowment reserve in 1992 with an original designation of \$10,000,000. During the year September 30, 2013, the AAMVA Board approved a name change from Endowment reserve to Operating reserve. The reserve is adjusted each year for inflation and was increased by \$319,666 for the year ended September 30, 2013. At September 30, 2013, the balance in the operating reserve was \$17,459,911.

Commercial driver's license information system (CDLIS) Program Reserve – The Board of Directors has established a CDLIS program reserve in accordance with the terms of the Cooperative agreement with FMCSA date July 1, 2009. This agreement requires that subsequent to the Modernization of CDLIS, AAMVA is responsible for the fiscal sustainability of the CDLIS program and that all net income derived from the program is to be reserved for use by the program. The Modernization date for CDLIS of February 1, 2011 was formally agreed to by AAMVA and FMCSA during FY 2012. At September 30, 2013, there was \$2,197,490 deferred for the activity prior to February 1, 2011. Subsequent to February 1, 2011, program income of \$8,440,954 has been earned and designated by AAMVA's board of Directors.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
Notes to Consolidated Financial Statements (continued)  
September 30, 2013

NOTE J – NET ASSETS (Continued)

Summary of Board designated net assets:

AAMVA	
Operating reserve	\$17,459,911
Commercial drivers license reserve	<u>8,440,954</u>
	<u>\$25,900,865</u>

NOTE K – COMMERCIAL DRIVERS LICENSE INFORMATION SYSTEM

The Federal Highway Administration has recognized and designated AAMVA as the operator of Commercial Drivers License Information System (CDLIS), an information system mandated by the Commercial Motor Vehicle Safety Act of 1986. FMCSA entered into a new cooperative agreement with AAMVA on June 9, 2008 for the operation, management, administration and modernization of the CDLIS System. The new agreement required a transition concerning AAMVA's use of income derived from the operation of CDLIS. Prior to July 1, 2009, AAMVA utilized surplus funds from CDLIS operations for other association activities and programs. A new cooperative agreement went into effect July 1, 2009 requiring the excess of revenue over expenses for the operation management, administration and modernization of the CDLIS System is deferred for future CDLIS use. AAMVA realized \$11,428,278 of CDLIS related revenue in the year ended September 30, 2013. AAMVA incurred \$8,057,934 of expenses for CDLIS in the year ended September 30, 2013 for a net income in the amount of \$3,370,344. As of September 30, 2013, \$2,197,490 was deferred for activity prior to February 1, 2011. All net income after February 1, 2011 has been designated for use by the CDLIS program in accordance with the cooperative agreement.

NOTE L – NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM

AAMVA incurred \$7,636,031 of expenses for NMVTIS in the year ended September 30, 2013 which included \$1,199,191 for NMVTIS Reengineering and \$166,674 for Executive Operations. As of September 30, 2013, program income of \$1,936,002 was deferred for NMVTIS.

NOTE M - COMMITMENTS AND CONTINGENCIES

1. Operating Leases

AAMVA leases office space under an operating lease that was to originally expire in December 2007. A new lease with extended terms and additional space was entered into in the year ended September 30, 2005 that extends the lease through September 2014. The total of all rental payments due under the lease is being recognized on a straight-line basis in the consolidated statement of activities and changes in net assets. Accordingly, there is a liability recorded for deferred rent equal to the difference between rent expense charged against income and actual cash payments required under the terms of the lease.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
Notes to Consolidated Financial Statements (continued)  
September 30, 2013

NOTE M - COMMITMENTS AND CONTINGENCIES (continued)

The following is a schedule of future minimum lease payments as of September 30, 2013:

	Payment Due Per Original <u>Lease</u>	Operating Expense <u>Escalation</u>	<u>Storage</u>	Future Minimum Lease <u>Payments</u>
2014	<u>\$1,327,223</u>	<u>\$154,824</u>	<u>\$11,465</u>	<u>\$1,493,512</u>
Rent expense, before amortization of deferred rent of (\$119,145), for the year ended September 30, 2013 consisted of the following:	<u>\$1,291,701</u>	<u>\$183,718</u>	<u>\$12,164</u>	<u>\$1,487,583</u>

AAMVA also leases office equipment under operating leases. The expense for the office equipment under these operating leases for the year ended September 30, 2013 was \$33,743, which includes usage fees and property taxes. The following is a schedule of future minimum lease payments under these equipment leases as of September 30, 2013:

2014	\$ 29,509
2015	27,982
2016	<u>15,262</u>
	<u>\$ 72,753</u>



NOTE M - COMMITMENTS AND CONTINGENCIES (continued)

2. Employment contracts

AAMVA entered into an employment agreement with one employee that provide for compensation and benefits through January 31, 2017. The employee may terminate the agreement with thirty day's notice. AAMVA may terminate the agreement with cause at any time with no obligation for compensation and benefits beyond the effective date of termination. The agreement allows AAMVA to terminate without cause. In the event of termination without cause, AAMVA is obligated to provide severance equal to the equivalent of continued full compensation and benefits for six months following the effective date of the termination.

AAMVA is obligated to pay medical benefits to a former officer and spouse for the remainder of their lives.

3. Other

AAMVA participates in Federal grant programs, which are subject to financial and compliance audits by Federal agencies or their representatives. Management does not anticipate any significant adjustments as a result of such an audit.

In November 2006, under the provisions of a Memorandum of Understanding, AAMVA received \$1,559,237 from the U.S. Department of Justice to be expended for the National Motor Vehicle Title Information System (NMVTIS). The funds, including interest earned, shall be held in a separate account, to be used only for expenditures relative to NMVTIS. As of September 30, 2013, \$54,210 remained in the separate account for future NMVTIS expenditures.

NOTE N – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 17, 2014 which is the date the financial statements were available to be issued.

**OTHER FINANCIAL INFORMATION**



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**INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION**

**Board of Directors  
American Association of Motor Vehicle Administrators and Affiliates**

We have audited the financial statements of the American Association of Motor Vehicle Administrators and Affiliates as of and for the year ended September 30, 2013, and have issued our report thereon dated January 17, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The other financial information on pages 19 - 23 is presented for the purposes of additional analysis and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Stokes & Company, P.C.*  
STOKES & COMPANY, P.C.  
Washington, D.C.

January 17, 2014

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS  
AND AFFILIATES  
Consolidated Schedule of Financial Position  
September 30, 2013

	<u>AAMVA</u>	<u>REGION I</u>	<u>REGION II</u>	<u>REGION III</u>	<u>REGION IV</u>	<u>SUBTOTAL</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
<i>ASSETS</i>								
<i>CURRENT ASSETS</i>								
Cash and cash equivalents	\$ 6,102,300	\$ 293,809	\$ 133,100	\$ 74,492	\$ 26,351	\$ 6,630,052	\$ -	\$ 6,630,052
Receivables	6,171,011	20,515	1,061	3,559	5,579	6,201,725	-	6,201,725
Due from affiliates	1,059	-	-	-	-	1,059	(1,059)	-
Prepaid expenses	410,421	1,195	25,489	-	10,728	447,833	-	447,833
Total current assets	12,684,791	315,519	159,650	78,051	42,658	13,280,669	(1,059)	13,279,610
INVESTMENTS	43,981,992	134,986	341,826	240,526	530,859	45,230,189	-	45,230,189
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation and amortization of \$6,856,765	3,487,374	-	-	-	-	3,487,374	-	3,487,374
<i>OTHER ASSETS</i>								
Deferred compensation investments	249,296	-	-	-	-	249,296	-	249,296
Deposits	51,966	-	-	-	-	51,966	-	51,966
Total assets	<u>\$ 60,455,419</u>	<u>\$ 450,505</u>	<u>\$ 501,476</u>	<u>\$ 318,577</u>	<u>\$ 573,517</u>	<u>\$ 62,299,494</u>	<u>\$ (1,059)</u>	<u>\$ 62,298,435</u>
<i>LIABILITIES AND NET ASSETS</i>								
<i>CURRENT LIABILITIES</i>								
Accounts payable and accrued expenses	\$ 4,755,450	\$ 4,327	\$ 672	\$ 13,622	\$ 122	\$ 4,774,193	\$ -	\$ 4,774,193
Deferred revenue	6,025,561	-	-	-	-	6,025,561	-	6,025,561
Due to affiliates	-	235	169	60	595	1,059	(1,059)	-
Agency funds held	367,890	-	-	-	-	367,890	-	367,890
Total current liabilities	11,148,901	4,562	841	13,682	717	11,168,703	(1,059)	11,167,644
<i>LONG TERM LIABILITIES</i>								
Deferred compensation	249,296	-	-	-	-	249,296	-	249,296
Deferred rent	154,666	-	-	-	-	154,666	-	154,666
Total liabilities	<u>11,552,863</u>	<u>4,562</u>	<u>841</u>	<u>13,682</u>	<u>717</u>	<u>11,572,665</u>	<u>(1,059)</u>	<u>11,571,606</u>
<i>NET ASSETS</i>								
<i>Unrestricted</i>								
Undesignated	23,001,691	445,943	500,635	304,895	572,800	24,825,964	-	24,825,964
Board designated	25,900,865	-	-	-	-	25,900,865	-	25,900,865
Total unrestricted net assets	48,902,556	445,943	500,635	304,895	572,800	50,726,829	-	50,726,829
Total liabilities and net assets	<u>\$ 60,455,419</u>	<u>\$ 450,505</u>	<u>\$ 501,476</u>	<u>\$ 318,577</u>	<u>\$ 573,517</u>	<u>\$ 62,299,494</u>	<u>\$ (1,059)</u>	<u>\$ 62,298,435</u>

The auditor's report on other financial information should be read with this schedule.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS  
AND AFFILIATES  
Schedule of Consolidated Activities and Changes in Net Assets  
Year Ended September 30, 2013

	<u>AAMVA</u>	<u>REGION I</u>	<u>REGION II</u>	<u>REGION III</u>	<u>REGION IV</u>	<u>SUBTOTAL</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
<b>REVENUE AND OTHER SUPPORT</b>								
Dues, services and fees	\$ 25,226,058	\$ -	\$ -	\$ -	\$ -	\$ 25,226,058	\$ -	\$ 25,226,058
Government grant and contract revenue	10,983,264	-	-	-	-	10,983,264	-	10,983,264
Conferences and workshops	812,352	286,530	252,225	64,550	219,900	1,635,557	-	1,635,557
Publication and product	551,455	-	-	-	-	551,455	-	551,455
Other income	2,920	(525)	-	5	(136)	2,264	-	2,264
<b>Total revenue and other support</b>	<b>37,576,049</b>	<b>286,005</b>	<b>252,225</b>	<b>64,555</b>	<b>219,764</b>	<b>38,398,598</b>	<b>-</b>	<b>38,398,598</b>
<b>EXPENSES</b>								
Contractual services	11,199,926	-	-	-	-	11,199,926	-	11,199,926
Labor and benefits	16,276,051	-	-	-	-	16,276,051	-	16,276,051
Travel and meetings	1,901,020	159,169	286,228	80,850	227,924	2,655,191	-	2,655,191
Other expenses	1,562,761	(550)	(8,359)	225	(2,070)	1,552,007	-	1,552,007
Communication and promotion	662,191	16,830	26,235	-	(4,247)	701,009	-	701,009
Office expenses	1,662,850	4,190	15,515	-	201	1,682,756	-	1,682,756
Office automation	849,395	-	-	-	-	849,395	-	849,395
Services and fees	803,628	8,035	5,688	2,196	6,181	825,728	-	825,728
<b>Total expenses</b>	<b>34,917,822</b>	<b>187,674</b>	<b>325,307</b>	<b>83,271</b>	<b>227,989</b>	<b>35,742,063</b>	<b>-</b>	<b>35,742,063</b>
Changes in net assets before investment income	2,658,227	98,331	(73,082)	(18,716)	(8,225)	2,656,535	-	2,656,535
<b>INVESTMENT INCOME</b>	<b>2,958,113</b>	<b>9,423</b>	<b>22,806</b>	<b>16,028</b>	<b>33,931</b>	<b>3,040,301</b>	<b>-</b>	<b>3,040,301</b>
Changes in net assets	5,616,340	107,754	(50,276)	(2,688)	25,706	5,696,836	-	5,696,836
Net assets at beginning of year	43,286,216	338,189	550,911	307,583	547,094	45,029,993	-	45,029,993
<b>Net assets at end of year</b>	<b>\$ 48,902,556</b>	<b>\$ 445,943</b>	<b>\$ 500,635</b>	<b>\$ 304,895</b>	<b>\$ 572,800</b>	<b>\$ 50,726,829</b>	<b>\$ -</b>	<b>\$ 50,726,829</b>

The auditor's report on other financial information should be read with this schedule.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS  
AND AFFILIATES  
Schedule of Fringe Benefits  
Year Ended September 30, 2013  
*(With comparative totals for the year ended September 30, 2012)*

	<u>2013</u>	<u>2012</u>
Annual, holiday, sick and administrative leave	\$ 1,809,925	\$ 1,309,344
Payroll taxes	898,870	662,012
Pension plan	938,762	676,353
Hospitalization, life, workers' compensation and disability insurance	1,057,740	810,340
Other expenses	<u>524,040</u>	<u>234,306</u>
Total fringe benefits	<u>\$ 5,229,337</u>	<u>\$ 3,692,355</u>
Total salaries except leave	<u>\$ 11,046,714</u>	<u>\$ 8,322,817</u>
Fringe benefit rate	<u>47.34%</u>	<u>44.36%</u>
Fringe benefit rate with payroll leave categories taken out of the fringe benefit pool and included in the base:		
Total fringe benefits	\$ 5,229,337	\$ 3,692,355
Less: annual, holiday, sick and administrative leave	<u>1,809,925</u>	<u>1,309,344</u>
Non-labor fringe benefits	<u>\$ 3,419,412</u>	<u>\$ 2,383,011</u>
Total salaries except leave	\$ 11,046,714	\$ 8,322,817
Total leave	<u>1,809,925</u>	<u>1,309,344</u>
Total salaries including leave	<u>\$ 12,856,639</u>	<u>\$ 9,632,161</u>
Non-labor fringe benefit rate	<u>26.60%</u>	<u>24.74%</u>

The auditor's report on other financial information should be read with this schedule.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS  
AND AFFILIATES

Schedule of Overhead Expenses

Year Ended September 30, 2013

(With comparative totals for the year ended September 30, 2012)

	<u>2013</u>	<u>2012</u>
Salaries	\$ 1,448,437	\$ 1,193,807
Rent	1,375,644	1,330,958
Depreciation	726,534	762,344
Contractual services	519,790	970,882
Computer supplies and software	720,684	630,883
Telephone	242,620	248,951
Professional fees	-	8,408
Fringe benefits	685,667	529,625
Office supplies and expenses	198,880	270,091
Equipment rental	33,743	28,686
Insurance	82,863	86,340
Security	12,728	12,383
Repairs and maintenance	17,996	18,584
Travel	28,908	10,860
Unallowables	(40,228)	168
Less subcontractor fees	<u>(1,200)</u>	<u>(43,024)</u>
 Total overhead expenses	 <u>\$ 6,053,066</u>	 <u>\$ 6,059,946</u>
 Direct salaries	 \$ 8,243,718	 \$ 5,774,451
Fringes allocated on direct salaries	3,902,444	2,561,792
Contractor labor	<u>2,596,900</u>	<u>5,296,827</u>
	 <u>\$ 14,743,062</u>	 <u>\$ 13,633,070</u>
 Overhead expenses as a percent of direct salaries, allocated fringes and contractor labor	 <u>41.06%</u>	 <u>44.45%</u>

The auditor's report on other financial information should be read with this schedule.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS  
AND AFFILIATES

Schedule of General and Administrative Expenses

Year Ended September 30, 2013

(With comparative totals for the year ended September 30, 2012)

	<u>2013</u>	<u>2012</u>
Salaries	\$ 1,503,211	\$ 1,354,559
Fringe benefits	711,595	597,730
Travel and meetings	136,449	169,387
Temporary help	264,817	140,964
Contractual services	380,332	1,034,777
Professional fees	110,438	93,581
Bank fees	62,453	46,492
Property taxes	29,674	33,841
Training	41,960	30,238
Books, dues and subscriptions	28,715	9,617
Office supplies	142,957	73,835
Depreciation	12,498	11,836
Unallowables	19,149	14,708
Less IRP services charge	-	-
	<u>\$ 3,444,248</u>	<u>\$ 3,611,565</u>
Total administrative and overhead expenses		
	<u>\$ 32,342,412</u>	<u>\$ 29,215,344</u>
Total program costs including allocated fringes and overhead		
General and administrative expenses as a percentage of program costs including allocated fringes and overhead	<u>10.65%</u>	<u>12.36%</u>

The auditor's report on other financial information should be read with this schedule.



**AMERICAN ASSOCIATION OF MOTOR VEHICLE  
ADMINISTRATORS AND AFFILIATES**

**Consolidated Financial Statements  
OMB Circular A-133 Reports  
and  
Independent Auditor's Reports**

**September 30, 2013**

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AMERICAN ASSOCIATION OF MOTOR  
VEHICLE ADMINISTRATORS AND AFFILIATES

Consolidated Financial Statements  
and  
Independent Auditor's Report

September 30, 2013

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
American Association of Motor Vehicle Administrators  
and Affiliates

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of American Association of Motor Vehicle Administrators (the Association) and affiliates, which comprise the consolidated statement of financial position as of September 30, 2013, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

**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 an opinion 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 of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
American Association of Motor Vehicle Administrators and Affiliates  
Page Two

### **Opinion**


In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Association of Motor Vehicle Administrators and affiliates as of September 30, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014, on our consideration of the Association'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 the 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 the Association's internal control over financial reporting and compliance.

  
STOKES & COMPANY, P.C.  
Washington, D.C.  
March 28, 2014

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS  
AND AFFILIATES  
Consolidated Statement of Financial Position  
September 30, 2013  
(With comparative totals for the year ended September 30, 2012)

	<u>2013</u>	<u>2012</u>
<i>ASSETS</i>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 6,630,052	\$ 3,841,254
Receivables	6,201,725	7,703,597
Due from affiliates	-	-
Prepaid expenses	<u>447,833</u>	<u>512,945</u>
Total current assets	13,279,610	12,057,796
<b>INVESTMENTS</b>	45,230,189	39,163,921
<b>PROPERTY AND EQUIPMENT</b> , at cost, net of accumulated depreciation and amortization of \$6,856,765 and \$8,713,821 respectively	3,487,374	3,490,866
<b>OTHER ASSETS</b>		
Deferred compensation investments	249,296	198,508
Deposits	<u>51,966</u>	<u>51,966</u>
Total assets	<u>\$ 62,298,435</u>	<u>\$ 54,963,057</u>
<i>LIABILITIES AND NET ASSETS</i>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 4,774,193	\$ 3,549,491
Deferred revenue	6,025,561	5,507,975
Due to IRP	-	4,003
Due to affiliates	-	-
Agency funds held	<u>367,890</u>	<u>399,276</u>
Total current liabilities	11,167,644	9,460,745
<b>LONG TERM LIABILITIES</b>		
Deferred compensation	249,296	198,508
Deferred rent	<u>154,666</u>	<u>273,811</u>
Total liabilities	<u>11,571,606</u>	<u>9,933,064</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	-	-
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	24,825,964	22,819,138
Board designated	<u>25,900,865</u>	<u>22,210,855</u>
Total unrestricted net assets	<u>50,726,829</u>	<u>45,029,993</u>
Total liabilities and net assets	<u>\$ 62,298,435</u>	<u>\$ 54,963,057</u>

The accompanying notes are an integral part of this financial statement.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS  
AND AFFILIATES  
Consolidated Statement of Activities and Changes in Net Assets  
Year Ended September 30, 2013  
*(With comparative totals for the year ended September 30, 2012)*

	<u>2013</u>	<u>2012</u>
	<u>Unrestricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>		
Dues, services and fees	\$ 25,226,058	\$ 22,448,687
Government grant and contract revenue	10,983,264	11,699,128
Conferences and workshops	1,635,557	1,400,213
Publication and product	551,455	450,615
Other income	2,264	65,616
	<u>38,398,598</u>	<u>36,064,259</u>
<b>EXPENSES</b>		
Contractual services	11,199,926	12,427,048
Labor and benefits	16,276,051	12,015,172
Travel and meetings	2,655,191	2,130,485
Other expenses	1,552,007	1,490,533
Communication and promotion	701,009	583,994
Office expenses	1,682,756	1,615,606
Office automation	849,395	680,467
Services and fees	825,728	606,819
	<u>35,742,063</u>	<u>31,550,124</u>
Changes in net assets before investment income	2,656,535	4,514,135
<b>INVESTMENT INCOME (LOSS)</b>	<u>3,040,301</u>	<u>4,437,620</u>
Changes in net assets	5,696,836	8,951,755
Net assets at beginning of year	<u>45,029,993</u>	<u>36,078,238</u>
Net assets at end of year	<u>\$ 50,726,829</u>	<u>\$ 45,029,993</u>

The accompanying notes are an integral part of this financial statement.



AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS  
AND AFFILIATES  
Consolidated Statement of Cash Flows  
Year Ended September 30, 2013  
*(With comparative totals for the year ended September 30, 2012)*

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Non-investment revenue and other support	\$ 40,477,078	\$ 38,855,166
Investment income	1,343,490	1,131,193
Payments to vendors, suppliers, and employees	<u>(33,581,225)</u>	<u>(30,404,381)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>8,239,343</u>	<u>9,581,978</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	4,055,834	11,573,884
Purchases of investments	(8,425,291)	(18,936,264)
Purchases of property and equipment	<u>(1,081,088)</u>	<u>(2,504,714)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(5,450,545)</u>	<u>(9,867,094)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	2,788,798	(285,116)
CASH AND CASH EQUIVALENTS at beginning of year	<u>3,841,254</u>	<u>4,126,370</u>
CASH AND CASH EQUIVALENTS at end of year	<u>\$ 6,630,052</u>	<u>\$ 3,841,254</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,696,836	\$ 8,951,755
Adjustments		
Depreciation and amortization	1,084,581	794,016
Net realized and unrealized (gain)/loss on investments	(1,696,811)	(3,306,427)
Net realized loss on disposal of property and equipment	-	487
(Increase) decrease in assets		
Receivables	1,501,872	3,148,002
Prepaid expenses	65,112	41,733
Deposits	-	1,000
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	1,220,699	214,001
Deferred revenue	517,586	(396,401)
Deferred rent	(119,145)	(84,574)
Agency funds held	<u>(31,386)</u>	<u>218,386</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 8,239,343</u>	<u>\$ 9,581,978</u>

The accompanying notes are an integral part of this financial statement.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
Notes to Consolidated Financial Statements  
September 30, 2013

NOTE A - ORGANIZATION AND TAX STATUS

AAMVA is an international not-for-profit corporation organized for the purpose of encouraging uniformity and reciprocity among states and developing educational and training programs related to motor vehicle laws and regulations. The Federal Highway Administration has recognized and designated AAMVA as the operator of Commercial Drivers License Information System, an information system mandated by the Commercial Motor Vehicle Safety Act of 1986.

AAMVA is comprised of five not-for-profit corporations; a national parent corporation and four regional subsidiary corporations. The parent corporation is the controlling entity, requiring the oversight and consolidation of all financial activities of itself and the four regional corporations.

AAMVA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization is, however, subject to income taxes on net profits generated by activities defined as unrelated business activities under applicable tax law. No such taxes are due for the year ended September 30, 2013.

The Regions (which are composed of four distinct geographical areas so designated by AAMVA) are incorporated as Virginia not-for-profit corporations. The Regions were organized to support and carry out the educational purposes of AAMVA within their respective regions (specifically in the form of annual conferences). As such, the regions qualify as "supporting organizations" as described in section 509(a)(3) of the Internal Revenue Code.

AAMVA and its affiliates adopted an accounting policy required under U.S. generally accepted accounting principles, *Accounting for Uncertainty in Income Taxes*, that requires that uncertain tax positions be evaluated and the potential impact of an unfavorable outcome of a tax authority's assessment of such uncertain tax position be reflected in the financial statements. From time to time, management must assess the need to accrue or disclose a possible loss contingency for proposed adjustments from various federal and state tax authorities who may audit the organization in the normal course of business. AAMVA and its affiliates have evaluated its tax reporting and have not reflected any contingent liability for any such potential assessment.

In the event there were any proposed adjustments, any associated penalties and interest would be separately reported. The organization is no longer subject to examinations by relevant tax authorities for years prior to fiscal year ended September 30, 2010.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation

Financial statement presentation follows accounting principles generally accepted in the United States of America in relation to net asset classification. The organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All net assets are unrestricted at September 30, 2013.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Cash and cash equivalents

Cash and cash equivalents consist of cash held in money market funds, non-interest bearing demand deposit accounts and short-term highly liquid investments with initial maturities of three months or less. At various times during the year, balances exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000. As of September 30, 2013, \$5,786,141 of cash and cash equivalents was not federally insured, of which \$2,000,253 is held in the AAMVA investment accounts. Management has never experienced a loss on any of its cash deposits and transfers money into investments that will not be used in current operations.

3. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reflected at fair market value. To adjust the carrying values of these securities, the difference between cost and fair market value is recorded as a component of investment income in the consolidated statement of activities and changes in net assets.

4. Receivables

Receivables consist principally of amounts due American Association of Motor Vehicle Administrators and Affiliates for network services, user fees, work performed on grants, sale of publications and products and participation in conferences and workshops. No interest is accrued on receivables. A provision for doubtful accounts has been established based on management's evaluation of the collectability of receivables.

5. Property and equipment

Property and equipment are recorded at cost. All expenditures for property and equipment of \$2,000 or more are capitalized. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets or, where applicable, the terms of the respective leases, whichever are shorter. When assets are retired or disposed of, the cost and related accumulated depreciation is removed from the accounting records, and any gain or loss is reflected in income.

6. Revenue recognition

Revenue from cost-type grants and contracts is recognized on the basis of reimbursable costs incurred during the year. Revenue from services is recognized as the services are performed. Revenues billed or collected for which the service or function has not been fulfilled are reflected as deferred revenue.

7. Functional allocation of expenses

The consolidated statement of activities and changes in net assets is presented by natural expense category. Functional expenses, as summarized in Note H, are comprised of direct program costs, plus allocated general operating expenses and fringe benefits based on direct salaries.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Use of estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. Consolidated financial information for September 30, 2012

The consolidated financial information as of September 30, 2012 and for the year then ended is presented for comparative purposes and is not intended to be complete financial information. Certain accounts in the prior financial statements have been reclassified for comparative purposes to conform to the presentation in the current fiscal year.

10. Fair value measurement

Accounting principles generally accepted in the United States of America provide a common definition of fair value, establish a framework for measure of fair value and expand disclosures about fair value measurements, but do not require any new fair value measurements. All assets and liabilities required to be measured at fair value by these accounting principles have been assessed with the following three-tier hierarchy of inputs:

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

All investments are Level 1 investments. Current values of investments are estimated based on quoted market prices as provided by the custodians of the portfolios.

NOTE C – RECEIVABLES

Receivables at September 30, 2013 are comprised of the following:

Network billings	\$ 4,192,822
Government grants and contracts	1,444,813
Membership dues and assessments	438,494
Publications, products and events	121,646
Other	<u>4,200</u>
	6,201,975
Less: provision for doubtful accounts	<u>250</u>
	<u>\$ 6,201,725</u>

The provision for doubtful accounts is based on management's evaluation of the collectability of receivables.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
Notes to Consolidated Financial Statements (continued)  
September 30, 2013

NOTE D - INVESTMENTS

The fair value of investments as of September 30, 2013 is presented below, along with a summary of investment income (loss) on investments.

Investments

Mutual funds – U.S. Equities	\$ 14,215,978
Mutual funds – International Equities	7,087,278
Mutual funds – Fixed Income	15,528,274
Mutual funds – Mixed Assets	2,089,522
Mutual funds – Other Assets	6,309,137
Money market	<u>2,000,253</u>
	47,230,442
Less: amount classified as cash equivalent	<u>2,000,253</u>
	<u>\$45,230,189</u>

Investment income (loss)

Interest and dividends	\$ 1,468,250
Realized gains	(48,585)
Unrealized gains	1,745,396
Investment fees	<u>(124,760)</u>
	<u>\$ 3,040,301</u>

All investments are Level 1 investments. Current values of investments are estimated based on quoted market prices as provided by the custodians of the portfolios.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2013 consists of the following:

Furniture	\$ 616,997
Equipment	1,844,967
Software	4,729,712
Software in development	205,107
Leasehold improvements	<u>2,947,356</u>
	10,344,139
Less: accumulated depreciation and amortization	<u>(6,856,765)</u>
	<u>\$ 3,487,374</u>

Depreciation and amortization expense for the year ended September 30, 2013 was \$1,084,581.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
Notes to Consolidated Financial Statements (continued)  
September 30, 2013

NOTE F – AGENCY FUNDS HELD

AAMVA serves as administrator for the Non-Resident Violators Compact and the Social Security Administration, collecting and disbursing funds on their behalf. The balance represents funds collected and not disbursed as of September 30, 2013.

NOTE G – RETIREMENT PLAN

AAMVA has a defined contribution 401(k) plan which provides retirement benefits to its employees. AAMVA matches up to 4% of each participant’s annual salary based on the participant’s contribution. In accordance with the 401(k) plan, AAMVA also provides an additional discretionary contribution to all plan participants. For the year ended September 30, 2013, the discretionary contribution was 4% of each participant’s annual salary. During the year ended September 30, 2013, AAMVA contributed \$431,774 in matching contributions and made a discretionary contribution of \$506,988 to the plan.

NOTE H – FUNCTIONAL EXPENSES

Functional expenses for the year ended September 30, 2013 are as follows:

Human Resources and Org. Development	\$ 8,053,321
Vehicle Lifecycle Administration	4,838,417
Commercial Driver Licensing	4,635,022
Representation and Advocacy	4,094,585
Information Technology	3,276,780
Driver Licensing	2,430,175
ID Management	1,709,533
Accounting and Program Business Services	1,494,765
Commercial Services	1,282,998
Business Systems	921,781
AAMVA Infrastructure	878,087
Chief Executive Office	685,717
Member Services and Public Affairs	310,774
Fraud Management	281,457
Driver Administration	261,167
Corporate Operations	217,700
Business Solutions	172,988
Vehicle Services	138,716
Vehicle Administration	<u>58,080</u>
	<u>\$35,742,063</u>

Expenses include the following:

CDLIS	\$8,057,934
NMVTIS	\$7,636,031

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
Notes to Consolidated Financial Statements (continued)  
September 30, 2013

NOTE H – FUNCTIONAL EXPENSES (continued)

The Association allocates indirect expenses based on provisional rates and reports its functional expenses accordingly. The administrative and overhead expenses represent the (over)/under allocation of cost as a result of the provisional rate allocation method. The actual indirect expense schedules and rate computations are located on pages 21, 22 and 23 of the financial statements.

NOTE I – DEFERRED COMPENSATION

The Association has established a nonqualified deferred compensation plan for certain employees. The plan provides for benefits payable in a lump sum or over a period of not to exceed ten years in the event of death, termination of employment or retirement. The plan is intended to be construed and administered in accordance with Section 457(b) of the Internal Revenue Code. The Association reserves the right to terminate the plan.

Plan investments include equities, bonds and money market and mutual funds.

All investments are Level 1 investments. Current values of investments are estimated based on quoted market prices as provided by the custodians of the portfolios.

NOTE J – NET ASSETS

Unrestricted net assets

Unrestricted net assets represent that portion of net assets not subject to donor-imposed restrictions.

The Board of Directors has designated unrestricted net assets as follows:

American Association of Motor Vehicle Administrators (AAMVA)

Operating reserve – The Board of Directors established an endowment reserve in 1992 with an original designation of \$10,000,000. During the year September 30, 2013, the AAMVA Board approved a name change from Endowment reserve to Operating reserve. The reserve is adjusted each year for inflation and was increased by \$319,666 for the year ended September 30, 2013. At September 30, 2013, the balance in the operating reserve was \$17,459,911.

Commercial driver's license information system (CDLIS) Program Reserve – The Board of Directors has established a CDLIS program reserve in accordance with the terms of the Cooperative agreement with FMCSA date July 1, 2009. This agreement requires that subsequent to the Modernization of CDLIS, AAMVA is responsible for the fiscal sustainability of the CDLIS program and that all net income derived from the program is to be reserved for use by the program. The Modernization date for CDLIS of February 1, 2011 was formally agreed to by AAMVA and FMCSA during FY 2012. At September 30, 2013, there was \$2,197,490 deferred for the activity prior to February 1, 2011. Subsequent to February 1, 2011, program income of \$8,440,954 has been earned and designated by AAMVA's board of Directors.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
Notes to Consolidated Financial Statements (continued)  
September 30, 2013

NOTE J – NET ASSETS (Continued)

Summary of Board designated net assets:

AAMVA

Operating reserve	\$17,459,911
Commercial drivers license reserve	<u>8,440,954</u>
	<u>\$25,900,865</u>

NOTE K – COMMERCIAL DRIVERS LICENSE INFORMATION SYSTEM

The Federal Highway Administration has recognized and designated AAMVA as the operator of Commercial Drivers License Information System (CDLIS), an information system mandated by the Commercial Motor Vehicle Safety Act of 1986. FMCSA entered into a new cooperative agreement with AAMVA on June 9, 2008 for the operation, management, administration and modernization of the CDLIS System. The new agreement required a transition concerning AAMVA's use of income derived from the operation of CDLIS. Prior to July 1, 2009, AAMVA utilized surplus funds from CDLIS operations for other association activities and programs. A new cooperative agreement went into effect July 1, 2009 requiring the excess of revenue over expenses for the operation management, administration and modernization of the CDLIS System is deferred for future CDLIS use. AAMVA realized \$11,428,278 of CDLIS related revenue in the year ended September 30, 2013. AAMVA incurred \$8,057,934 of expenses for CDLIS in the year ended September 30, 2013 for a net income in the amount of \$3,370,344. As of September 30, 2013, \$2,197,490 was deferred for activity prior to February 1, 2011. All net income after February 1, 2011 has been designated for use by the CDLIS program in accordance with the cooperative agreement.

NOTE L – NATIONAL MOTOR VEHICLE TITLE INFORMATION SYSTEM

AAMVA incurred \$7,636,031 of expenses for NMVTIS in the year ended September 30, 2013 which included \$1,199,191 for NMVTIS Reengineering and \$166,674 for Executive Operations. As of September 30, 2013, program income of \$1,936,002 was deferred for NMVTIS.

NOTE M - COMMITMENTS AND CONTINGENCIES

1. Operating Leases

AAMVA leases office space under an operating lease that was to originally expire in December 2007. A new lease with extended terms and additional space was entered into in the year ended September 30, 2005 that extends the lease through September 2014. The total of all rental payments due under the lease is being recognized on a straight-line basis in the consolidated statement of activities and changes in net assets. Accordingly, there is a liability recorded for deferred rent equal to the difference between rent expense charged against income and actual cash payments required under the terms of the lease.



AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
Notes to Consolidated Financial Statements (continued)  
September 30, 2013

NOTE M - COMMITMENTS AND CONTINGENCIES (continued)

The following is a schedule of future minimum lease payments as of September 30, 2013:

	<u>Payment Due Per Original Lease</u>	<u>Operating Expense Escalation</u>	<u>Storage</u>	<u>Future Minimum Lease Payments</u>
2014	<u>\$1,327,223</u>	<u>\$154,824</u>	<u>\$11,465</u>	<u>\$1,493,512</u>
Rent expense, before amortization of deferred rent of (\$119,145), for the year ended September 30, 2013 consisted of the following:	<u>\$1,291,701</u>	<u>\$183,718</u>	<u>\$12,164</u>	<u>\$1,487,583</u>

AAMVA also leases office equipment under operating leases. The expense for the office equipment under these operating leases for the year ended September 30, 2013 was \$33,743, which includes usage fees and property taxes. The following is a schedule of future minimum lease payments under these equipment leases as of September 30, 2013:

2014	\$ 29,509
2015	27,982
2016	<u>15,262</u>
	<u>\$ 72,753</u>

NOTE M - COMMITMENTS AND CONTINGENCIES (continued)

2. Employment contracts

AAMVA entered into an employment agreement with one employee that provide for compensation and benefits through January 31, 2017. The employee may terminate the agreement with thirty day's notice. AAMVA may terminate the agreement with cause at any time with no obligation for compensation and benefits beyond the effective date of termination. The agreement allows AAMVA to terminate without cause. In the event of termination without cause, AAMVA is obligated to provide severance equal to the equivalent of continued full compensation and benefits for six months following the effective date of the termination.

AAMVA is obligated to pay medical benefits to a former officer and spouse for the remainder of their lives.

3. Other

AAMVA participates in Federal grant programs, which are subject to financial and compliance audits by Federal agencies or their representatives. Management does not anticipate any significant adjustments as a result of such an audit.

In November 2006, under the provisions of a Memorandum of Understanding, AAMVA received \$1,559,237 from the U.S. Department of Justice to be expended for the National Motor Vehicle Title Information System (NMVTIS). The funds, including interest earned, shall be held in a separate account, to be used only for expenditures relative to NMVTIS. As of September 30, 2013, \$54,210 remained in the separate account for future NMVTIS expenditures.

NOTE N – SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 28, 2014 which is the date the financial statements were available to be issued.

**OTHER FINANCIAL INFORMATION**



CERTIFIED PUBLIC ACCOUNTANTS

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**MEMBERS**

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PRIVATE COMPANIES  
PRACTICE SECTION

GOVERNMENTAL AUDIT  
QUALITY CENTER

EMPLOYEE BENEFIT PLAN  
AUDIT QUALITY CENTER

**INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION**

Board of Directors

American Association of Motor Vehicle Administrators and Affiliates

We have audited the financial statements of the American Association of Motor Vehicle Administrators and Affiliates as of and for the year ended September 30, 2013, and have issued our report thereon dated March 28, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The other financial information on pages 19 - 23 is presented for the purposes of additional analysis and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Stokes & Company, P.C.*  
STOKES & COMPANY, P.C.  
Washington, D.C.

March 28, 2014

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS  
AND AFFILIATES  
Consolidated Schedule of Financial Position  
September 30, 2013

	<u>AAMVA</u>	<u>REGION I</u>	<u>REGION II</u>	<u>REGION III</u>	<u>REGION IV</u>	<u>SUBTOTAL</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
<i>ASSETS</i>								
<b>CURRENT ASSETS</b>								
Cash and cash equivalents	\$ 6,102,300	\$ 293,809	\$ 133,100	\$ 74,492	\$ 26,351	\$ 6,630,052	\$ -	\$ 6,630,052
Receivables	6,171,011	20,515	1,061	3,559	5,579	6,201,725	-	6,201,725
Due from affiliates	1,059	-	-	-	-	1,059	(1,059)	-
Prepaid expenses	410,421	1,195	25,489	-	10,728	447,833	-	447,833
Total current assets	12,684,791	315,519	159,650	78,051	42,658	13,280,669	(1,059)	13,279,610
INVESTMENTS	43,981,992	134,986	341,826	240,526	530,859	45,230,189	-	45,230,189
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation and amortization of \$6,856,765	3,487,374	-	-	-	-	3,487,374	-	3,487,374
<b>OTHER ASSETS</b>								
Deferred compensation investments	249,296	-	-	-	-	249,296	-	249,296
Deposits	51,966	-	-	-	-	51,966	-	51,966
Total assets	<u>\$ 60,455,419</u>	<u>\$ 450,505</u>	<u>\$ 501,476</u>	<u>\$ 318,577</u>	<u>\$ 573,517</u>	<u>\$ 62,299,494</u>	<u>\$ (1,059)</u>	<u>\$ 62,298,435</u>
<i>LIABILITIES AND NET ASSETS</i>								
<b>CURRENT LIABILITIES</b>								
Accounts payable and accrued expenses	\$ 4,755,450	\$ 4,327	\$ 672	\$ 13,622	\$ 122	\$ 4,774,193	\$ -	\$ 4,774,193
Deferred revenue	6,025,561	-	-	-	-	6,025,561	-	6,025,561
Due to affiliates	-	235	169	60	595	1,059	(1,059)	-
Agency funds held	367,890	-	-	-	-	367,890	-	367,890
Total current liabilities	11,148,901	4,562	841	13,682	717	11,168,703	(1,059)	11,167,644
<b>LONG TERM LIABILITIES</b>								
Deferred compensation	249,296	-	-	-	-	249,296	-	249,296
Deferred rent	154,666	-	-	-	-	154,666	-	154,666
Total liabilities	<u>11,552,863</u>	<u>4,562</u>	<u>841</u>	<u>13,682</u>	<u>717</u>	<u>11,572,665</u>	<u>(1,059)</u>	<u>11,571,606</u>
<b>NET ASSETS</b>								
<b>Unrestricted</b>								
Undesignated	23,001,691	445,943	500,635	304,895	572,800	24,825,964	-	24,825,964
Board designated	25,900,865	-	-	-	-	25,900,865	-	25,900,865
Total unrestricted net assets	48,902,556	445,943	500,635	304,895	572,800	50,726,829	-	50,726,829
Total liabilities and net assets	<u>\$ 60,455,419</u>	<u>\$ 450,505</u>	<u>\$ 501,476</u>	<u>\$ 318,577</u>	<u>\$ 573,517</u>	<u>\$ 62,299,494</u>	<u>\$ (1,059)</u>	<u>\$ 62,298,435</u>

The auditor's report on other financial information should be read with this schedule.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS  
AND AFFILIATES  
Schedule of Consolidated Activities and Changes in Net Assets  
Year Ended September 30, 2013

	<u>AAMVA</u>	<u>REGION I</u>	<u>REGION II</u>	<u>REGION III</u>	<u>REGION IV</u>	<u>SUBTOTAL</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
<b>REVENUE AND OTHER SUPPORT</b>								
Dues, services and fees	\$ 25,226,058	\$ -	\$ -	\$ -	\$ -	\$ 25,226,058	\$ -	\$ 25,226,058
Government grant and contract revenue	10,983,264	-	-	-	-	10,983,264	-	10,983,264
Conferences and workshops	812,352	286,530	252,225	64,550	219,900	1,635,557	-	1,635,557
Publication and product	551,455	-	-	-	-	551,455	-	551,455
Other income	2,920	(525)	-	5	(136)	2,264	-	2,264
<b>Total revenue and other support</b>	<b>37,576,049</b>	<b>286,005</b>	<b>252,225</b>	<b>64,555</b>	<b>219,764</b>	<b>38,398,598</b>	<b>-</b>	<b>38,398,598</b>
<b>EXPENSES</b>								
Contractual services	11,199,926	-	-	-	-	11,199,926	-	11,199,926
Labor and benefits	16,276,051	-	-	-	-	16,276,051	-	16,276,051
Travel and meetings	1,901,020	159,169	286,228	80,850	227,924	2,655,191	-	2,655,191
Other expenses	1,562,761	(550)	(8,359)	225	(2,070)	1,552,007	-	1,552,007
Communication and promotion	662,191	16,830	26,235	-	(4,247)	701,009	-	701,009
Office expenses	1,662,850	4,190	15,515	-	201	1,682,756	-	1,682,756
Office automation	849,395	-	-	-	-	849,395	-	849,395
Services and fees	803,628	8,035	5,688	2,196	6,181	825,728	-	825,728
<b>Total expenses</b>	<b>34,917,822</b>	<b>187,674</b>	<b>325,307</b>	<b>83,271</b>	<b>227,989</b>	<b>35,742,063</b>	<b>-</b>	<b>35,742,063</b>
Changes in net assets before investment income	2,658,227	98,331	(73,082)	(18,716)	(8,225)	2,656,535	-	2,656,535
<b>INVESTMENT INCOME</b>	<b>2,958,113</b>	<b>9,423</b>	<b>22,806</b>	<b>16,028</b>	<b>33,931</b>	<b>3,040,301</b>	<b>-</b>	<b>3,040,301</b>
Changes in net assets	5,616,340	107,754	(50,276)	(2,688)	25,706	5,696,836	-	5,696,836
Net assets at beginning of year	43,286,216	338,189	550,911	307,583	547,094	45,029,993	-	45,029,993
<b>Net assets at end of year</b>	<b>\$ 48,902,556</b>	<b>\$ 445,943</b>	<b>\$ 500,635</b>	<b>\$ 304,895</b>	<b>\$ 572,800</b>	<b>\$ 50,726,829</b>	<b>\$ -</b>	<b>\$ 50,726,829</b>

The auditor's report on other financial information should be read with this schedule.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS  
AND AFFILIATES  
Schedule of Fringe Benefits  
Year Ended September 30, 2013  
*(With comparative totals for the year ended September 30, 2012)*

	<u>2013</u>	<u>2012</u>
Annual, holiday, sick and administrative leave	\$ 1,809,925	\$ 1,309,344
Payroll taxes	898,870	662,012
Pension plan	938,762	676,353
Hospitalization, life, workers' compensation and disability insurance	1,057,740	810,340
Other expenses	<u>524,040</u>	<u>234,306</u>
Total fringe benefits	<u>\$ 5,229,337</u>	<u>\$ 3,692,355</u>
Total salaries except leave	<u>\$ 11,046,714</u>	<u>\$ 8,322,817</u>
Fringe benefit rate	<u>47.34%</u>	<u>44.36%</u>
Fringe benefit rate with payroll leave categories taken out of the fringe benefit pool and included in the base:		
Total fringe benefits	\$ 5,229,337	\$ 3,692,355
Less: annual, holiday, sick and administrative leave	<u>1,809,925</u>	<u>1,309,344</u>
Non-labor fringe benefits	<u>\$ 3,419,412</u>	<u>\$ 2,383,011</u>
Total salaries except leave	\$ 11,046,714	\$ 8,322,817
Total leave	<u>1,809,925</u>	<u>1,309,344</u>
Total salaries including leave	<u>\$ 12,856,639</u>	<u>\$ 9,632,161</u>
Non-labor fringe benefit rate	<u>26.60%</u>	<u>24.74%</u>

The auditor's report on other financial information should be read with this schedule.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS  
AND AFFILIATES

Schedule of Overhead Expenses

Year Ended September 30, 2013

*(With comparative totals for the year ended September 30, 2012)*

	<u>2013</u>	<u>2012</u>
Salaries	\$ 1,448,437	\$ 1,193,807
Rent	1,375,644	1,330,958
Depreciation	726,534	762,344
Contractual services	519,790	970,882
Computer supplies and software	720,684	630,883
Telephone	242,620	248,951
Professional fees	-	8,408
Fringe benefits	685,667	529,625
Office supplies and expenses	198,880	270,091
Equipment rental	33,743	28,686
Insurance	82,863	86,340
Security	12,728	12,383
Repairs and maintenance	17,996	18,584
Travel	28,908	10,860
Unallowables	(40,228)	168
Less subcontractor fees	<u>(1,200)</u>	<u>(43,024)</u>
Total overhead expenses	<u>\$ 6,053,066</u>	<u>\$ 6,059,946</u>
Direct salaries	\$ 8,243,718	\$ 5,774,451
Fringes allocated on direct salaries	3,902,444	2,561,792
Contractor labor	<u>2,596,900</u>	<u>5,296,827</u>
	<u>\$ 14,743,062</u>	<u>\$ 13,633,070</u>
Overhead expenses as a percent of direct salaries, allocated fringes and contractor labor	<u>41.06%</u>	<u>44.45%</u>

The auditor's report on other financial information should be read with this schedule.



AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS  
AND AFFILIATES

Schedule of General and Administrative Expenses

Year Ended September 30, 2013

(With comparative totals for the year ended September 30, 2012)

	<u>2013</u>	<u>2012</u>
Salaries	\$ 1,503,211	\$ 1,354,559
Fringe benefits	711,595	597,730
Travel and meetings	136,449	169,387
Temporary help	264,817	140,964
Contractual services	380,332	1,034,777
Professional fees	110,438	93,581
Bank fees	62,453	46,492
Property taxes	29,674	33,841
Training	41,960	30,238
Books, dues and subscriptions	28,715	9,617
Office supplies	142,957	73,835
Depreciation	12,498	11,836
Unallowables	19,149	14,708
Less IRP services charge	-	-
	<u>\$ 3,444,248</u>	<u>\$ 3,611,565</u>
Total administrative and overhead expenses	<u>\$ 3,444,248</u>	<u>\$ 3,611,565</u>
Total program costs including allocated fringes and overhead	<u>\$ 32,342,412</u>	<u>\$ 29,215,344</u>
General and administrative expenses as a percentage of program costs including allocated fringes and overhead	<u>10.65%</u>	<u>12.36%</u>

The auditor's report on other financial information should be read with this schedule.



CERTIFIED PUBLIC ACCOUNTANTS

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PRIVATE COMPANIES  
PRACTICE SECTION

GOVERNMENTAL AUDIT  
QUALITY CENTER

EMPLOYEE BENEFIT PLAN  
AUDIT QUALITY CENTER

**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**

Board of Directors  
American Association of Motor Vehicle Administrators and Affiliates

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 consolidated financial statements of the American Association of Motor Vehicle Administrators and Affiliates (the Association), which comprise the consolidated statement of financial position as of September 30, 2013, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Association'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 the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 control 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.


Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Association's financial statements are free of 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 the 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 Association'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
STOKES & COMPANY, P.C.  
Washington, D.C.

March 28, 2014



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors

American Association of Motor Vehicle Administrators and Affiliates

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

We have audited the American Association of Motor Vehicle Administrators and Affiliates' (the Association) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended September 30, 2013. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Association'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Association'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 Association's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2013


### **Report on Internal Control Over Compliance**

Management of the Association 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 Association's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association'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 OMB A-133. Accordingly, this report is not suitable for any other purpose.

  
STOKES & COMPANY, P.C.  
Washington, D.C.

March 28, 2014

AMERICAN ASSOCIATION OF MOTOR  
VEHICLE ADMINISTRATORS AND AFFILIATES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2013

ENTITY/FEDERAL GRANTOR/ PROGRAM TITLE	CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER	CONTRACT NUMBER	FEDERAL EXPENDITURES*
<u>Audited as Major Program</u>			
Department of Commerce National Institute of Standards and Technology Measurement and Engineering Research and Standards	11.609	70NAN12D97	\$ 725,176
Department of Justice Office of Justice Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2010-DG-BX-K039	1,471,582
Department of Transportation Federal Motor Carrier Safety Administration Commercial Driver's License Program Improvement Grant	20.232	CD11997SKLSTST FMCDL0087120100 CD11995JURTRNG FMCDL0080120100 CD-09-9908CDLMTG CD11996CDLMTGS FMCDL0144130100 CD11991LEOAICN FMCDL01221300100 CD11994CSTMSOP FMCDL0084120100 CD-09-9905IREBRJ CD119921REBRDJ CD-08-MV-2 CD-09-9910TCASST FMCDL0083120100 CD11993LEOCDLS	1,994,015
<b>MAJOR PROGRAM TOTAL</b>			<b>4,190,773</b>
<u>Other Programs</u>			
Department of Transportation Federal Motor Carrier Safety Administration Commercial Driver's License Information System Modernization Grant	20.238	CM-09-9901CDLIS3 CM-07-MV-1	862,559
Department of Transportation National Highway Traffic Safety Administration National Highway Traffic Safety Administration Discretionary Safety Grants	20.614	DTNH22-08-H-00189 DTNH2209H00255/2 DTNH2209H00255/5 DTNH2209H00255/1 DTNH2209H00255/11 DTNH2209H00255/9 DTNH2209H00255/10 DTNH2209H00255/4	337,530
<b>Total expenditures of federal awards</b>			<b>\$ 5,390,862</b>

\* Significant Accounting Policies:

This schedule is prepared using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2013**

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued		Unmodified
Internal control over financial reporting:		
Material weakness identified?	___ yes	___ <u>X</u> no
Significant deficiency identified not considered to be material weakness?	___ yes	___ <u>X</u> no
Noncompliance material to financial statements noted?	___ yes	___ <u>X</u> no

Federal Awards

Internal control over major programs:		
Material weakness identified?	___ yes	___ <u>X</u> no
Significant deficiency identified not considered to be material weakness?	___ yes	___ <u>X</u> no
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 Section 510(a) of Circular A-133?	___ yes	___ <u>X</u> no

Major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
11.609	Department of Commerce Measurement and Engineering Research and Technology
16.580	Department of Justice Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program
20.232	Department of Transportation Commercial Drivers License Program Improvement

