

Macatawa Area
Express
Transportation
Authority



Year Ended
September 30,
2018

Financial
Statements

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

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INDEPENDENT AUDITORS' REPORT

January 30, 2019

Members of the Transportation Authority Board
Macatawa Area Express Transportation Authority
Holland, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the *Macatawa Area Express Transportation Authority* (the "Authority"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Authority as of September 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The agency fund combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Michigan Bureau of Passenger Transportation Schedules and Reconciliations of OAR Schedules to Statement of Revenues, Expenditures and Change in Fund Balance for Governmental Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated January 30, 2019 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style. The text is centered within a light gray rectangular box.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

As management of the Macatawa Area Express Transportation Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$11,317,257 (net position). Of this amount, \$3,061,456 was unrestricted and may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The Authority's total net position decreased by \$988,258 from operations during fiscal 2018.
- As of the close of the current fiscal year, the Authority's General Fund reported an ending fund balance of \$3,038,884, a decrease of \$251,379.
- Total fund balance was 63.7% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information required by the Michigan Bureau of Passenger Transportation (BPT) in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Authority are all classified as public transportation. The Authority has no business-type activities.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

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

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

The Authority maintains one individual governmental fund, the General Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and change in fund balance.

The Authority adopts an annual appropriated budget for its General Fund. The budgetary comparison statement has been provided herein to demonstrate compliance with this budget.

Proprietary Funds. The Authority maintains one type of proprietary fund. The *Internal Service Fund* is used to accumulate and allocate costs internally among the Authority's various functions. The Authority uses an internal service fund to account for compensated absences of the Authority. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Authority's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain information required by the Bureau of Passenger Transportation (BPT).

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

Government-wide Financial Analysis

Statement of Net Position

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$11,317,257 at the close of the most recent fiscal year.

	Governmental Activities	
	2018	2017
Current and other assets	\$ 3,487,845	\$ 3,655,140
Capital assets, net	8,255,801	8,995,882
Total assets	<u>11,743,646</u>	<u>12,651,022</u>
Total liabilities	<u>426,389</u>	<u>345,507</u>
Net position:		
Investment in capital assets	8,255,801	8,995,882
Unrestricted	3,061,456	3,309,633
Total net position	<u>\$11,317,257</u>	<u>\$12,305,515</u>

A substantial portion of the Authority's net position, \$8,255,801 (72.9 percent), reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure). The Authority uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

The Authority may use the remaining balance of unrestricted net position of \$3,061,456 (27.1 percent) to meet its ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Authority is able to report positive balances in both categories of net position.

Statement of Activities

	Governmental Activities	
	2018	2017
Program revenues:		
Charges for services	\$ 323,006	\$ 310,661
Operating grants and contributions	3,123,649	2,994,559
Capital grants and contributions	111,998	1,329,500
General revenues:		
Property taxes	904,313	1,077,321
Unrestricted investment earnings	24,403	12,505
Total revenues	<u>4,487,369</u>	<u>5,724,546</u>
Expenses:		
Public transportation	<u>5,475,627</u>	<u>4,858,757</u>
Change in net position	(988,258)	865,789
Net position, beginning of year	12,305,515	11,439,726
Net position, end of year	<u>\$11,317,257</u>	<u>\$12,305,515</u>

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

The Authority's net position decreased by \$988,258 during the current fiscal year. The Michigan Department of Transportation pays transit agencies, by formula, a percentage of their eligible expenses under Act 51 up to a maximum of 60% for Small Urban and Rural Transit agencies and a maximum of 40% for Large Urban agencies. The Authority is a Small Urban Agency and is eligible to receive up to 60% of its eligible expenses under Act 51. MDOT estimates the available revenue and determines the percentage paid to agencies. At the end of its fiscal year, MDOT then reconciles expenses and transit agencies are asked to either pay back overpayments or receive additional funding based on eligible expenses. A second time after all audits are received from transit agencies, MDOT performs the reconciliation process again and transit agencies are either asked to pay back overpayments or receive additional funding. Below is a five year history of the percentages paid by MDOT to transit agencies for operating assistance: 2014- 38.48%, 2015- 39.30%, 2016- 36.34%, 2017- 35.75%, 2018- 39.19%.

Capital grant revenue decreased by \$1,217,502 from prior fiscal year as a result of less grant activity in the current year. The largest factor in the change in net position was the depreciation of buildings, equipment and vehicles. Total expenses increased by \$616,870 from prior fiscal year. This is due to the fact that there were increases in legal services, payroll expenses, gasoline, commercial insurance, snow removal and computer software.

Financial Analysis of the Authority's Funds

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

The overall results of General Fund operations was a decrease in fund balance of \$251,379. The decrease was a result of three primary factors. First, after MDOT reconciliations of prior year eligible expenditures, it was determined the Authority had been overpaid in the prior year and therefore current year reimbursements were reduced by approximately \$117,000. Second, the September fiscal year 2018 State reimbursement amount was reduced by an additional \$120,000 in anticipation of over payments in the current fiscal year. Some of that was due to the fraudulent financial actions by the former Executive Director which are not eligible expenditures. As part of the court proceedings, restitution is to be made to the Authority, but that has not yet been received. Third, there were additional legal and recruitment costs incurred which contributed to the decrease in fund balance.

General Fund Budgetary Highlights

The original revenue and other financing sources budget was \$4,780,408 and as amended was \$5,239,265 which represents an increase of \$458,857. The original expenditure budget was \$4,780,150 and as amended was \$5,245,677 which represents an increase of \$465,527. The primary reason for the increase in final budget revenues and expenditures was due to additional federal and state grant funding received. The Authority budgets for the full amount of grant revenue and expenditures in the year the grant is received even though the projects can span multiple years, which resulted in grant revenue and capital outlay expenditures being less than the final amended budget.

Actual expenditures came in \$473,505 less than the amended budget. Actual dental, vision and life insurances, mechanical maintenance and lawn care expenses came in less than projected. Vacant positions and unexpended grant funds contributed to the favorable expenditure budget variance.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets. The Authority invested \$142,669 in land, buildings, equipment and vehicles during the fiscal period to service Authority users.

	Governmental Activities	
	2018	2017
Land	\$ 249,289	\$ 249,289
Land improvements, net	460,893	498,104
Buildings, equipment and vehicles, net	7,545,619	8,248,489
Total capital assets, net	<u>\$ 8,255,801</u>	<u>\$ 8,995,882</u>

Additional information on the Authority's capital assets can be found in Note 6 of this report.

Long-term Debt. The Authority had no long-term debt at September 30, 2018 or 2017.

Economic Factors and Next Year's Budget and Rates

An eleventh (11) fixed route was added this year with paratransit service (demand response) to residents in the City of Holland, City of Zeeland, and Holland Charter Township. Limited demand response service is provided to Zeeland Charter Township. The Authority continues to receive Section 5310 funding for the operation of evening service from 7pm to 12 midnight. Section 5310 Federal funds are allocated to the State of Michigan. On July 31, 2017, MAX began providing demand response service to Park Township under a three year contract. This service expansion will provide an estimated 23,000 annual trips.

In 2016, the voters renewed the 0.40 millage tax rate that remains in effect until December 31, 2021. Overall property values are increasing significantly but taxable value increases are limited to the rate of inflation per State law. As properties are sold, the taxable values are uncapped. The net growth in taxable value has been in the three percent range. The unemployment rate within the City has dropped and all indications point to a very solid economic growth in the years ahead.

Requests for Information

This financial report is designed to provide a general overview of the Macatawa Area Express Transportation Authority finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mrs. Michelle Ferguson, Macatawa Area Express Transportation Authority, 270 River Ave., Holland, Michigan 49423.

BASIC FINANCIAL STATEMENTS

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Statement of Net Position

September 30, 2018

	Governmental Activities
Assets	
Cash and pooled investments	\$ 3,094,005
Receivables, net	301,598
Prepaid items	92,242
Capital assets:	
Not being depreciated	249,289
Being depreciated, net	8,006,512
Total assets	<u>11,743,646</u>
Liabilities	
Payables	312,527
Unearned revenue	3,575
Compensated absences, due within one year	110,287
Total liabilities	<u>426,389</u>
Net position	
Investment in capital assets	8,255,801
Unrestricted	3,061,456
Total net position	<u>\$ 11,317,257</u>

The accompanying notes are an integral part of these financial statements.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Statement of Activities

For the Year Ended September 30, 2018

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Public transportation	\$ 5,475,627	\$ 323,006	\$ 3,123,649	\$ 111,998	\$ (1,916,974)
General revenues					
Property taxes					904,313
Investment earnings - unrestricted					24,403
Total general revenues					928,716
Change in net position					(988,258)
Net position, beginning of year					12,305,515
Net position, end of year					\$ 11,317,257

The accompanying notes are an integral part of these financial statements.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Balance Sheet

Governmental Fund
September 30, 2018

	General Fund
Assets	
Cash and pooled investments	\$ 2,983,718
Receivables:	
Accounts	3,503
Taxes, net	44,956
Due from other governmental units	253,139
Prepaid items	92,242
Total assets	\$ 3,377,558
Liabilities	
Accounts payable	\$ 89,654
Accrued payroll and benefits	98,552
Due to other governmental units	124,321
Unearned revenue	3,575
Total liabilities	316,102
Deferred inflows of resources	
Unavailable revenue - property taxes	22,572
Fund balance	
Nonspendable - prepaids	92,242
Unassigned	2,946,642
Total fund balance	3,038,884
Total liabilities, deferred inflows of resources and fund balance	\$ 3,377,558

The accompanying notes are an integral part of these financial statements.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Reconciliation

Fund Balance for Governmental Fund
to Net Position of Governmental Activities
September 30, 2018

Fund balance - governmental fund	\$ 3,038,884
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Amounts reported for *governmental activities* in the statement of
net position are different because:

Capital assets used in governmental activities are not financial resources,
and therefore are not reported in the fund statement.

Capital assets not being depreciated	249,289
Capital assets being depreciated, net	8,006,512

The focus of governmental funds is on short-term financing. Accordingly, some
assets will not be available to pay for current-period expenditures. Those
assets (such as certain receivables) are offset by deferred inflows of resources in the
governmental funds, and thus are not included in fund balance.

Unavailable property taxes	<u>22,572</u>
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Net position of governmental activities	<u><u>\$ 11,317,257</u></u>
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The accompanying notes are an integral part of these financial statements.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Statement of Revenues, Expenditures and Change in Fund Balance

Governmental Fund

For the Year Ended September 30, 2018

	General Fund
Revenues	
Property taxes	\$ 901,111
Passenger fares	285,854
Intergovernmental:	
Federal	1,478,453
State	1,601,872
Local	148,623
Charges for services	37,152
Contributions	6,699
Interest income	24,403
	<hr/>
Total revenues	4,484,167
	<hr/>
Expenditures	
Current:	
Public transportation:	
Management and administration	641,160
Personal services - customer	
service and marketing	394,958
Routine operations	3,010,836
Maintenance	580,428
Capital outlay	144,790
	<hr/>
Total expenditures	4,772,172
	<hr/>
Revenues under expenditures	(288,005)
	<hr/>
Other financing sources	
Proceeds from sale of capital assets	1,750
Insurance recoveries	34,876
	<hr/>
Total other financing sources	36,626
	<hr/>
Net change in fund balance	(251,379)
	<hr/>
Fund balance, beginning of year	3,290,263
	<hr/>
Fund balance, end of year	\$ 3,038,884
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The accompanying notes are an integral part of these financial statements.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Reconciliation

Net Change in Fund Balance of Governmental Fund
to Change in Net Position of Governmental Activities
For the Year Ended September 30, 2018

Net change in fund balance - governmental fund	\$ (251,379)
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Amounts reported for *governmental activities* in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.

Purchase of capital assets	142,669
Depreciation expense	(877,544)
Proceeds from sale of capital assets	(1,750)
Loss from sale of capital assets	(3,456)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the funds, but rather are deferred
to the following fiscal year.

Net change in unavailable property taxes	<u>3,202</u>
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Change in net position of governmental activities	<u><u>\$ (988,258)</u></u>
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The accompanying notes are an integral part of these financial statements.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,025,000	\$ 1,025,000	\$ 901,111	\$ (123,889)
Passenger fares	268,000	272,305	285,854	13,549
Intergovernmental:				
Federal	1,392,000	1,727,880	1,478,453	(249,427)
State	1,880,308	1,964,280	1,601,872	(362,408)
Local	152,800	157,000	148,623	(8,377)
Charges for services	47,700	47,700	37,152	(10,548)
Contributions	-	-	6,699	6,699
Interest income	5,400	19,400	24,403	5,003
Total revenues	4,771,208	5,213,565	4,484,167	(729,398)
Expenditures				
Current:				
Public transportation:				
Management and administration	745,500	782,000	641,160	(140,840)
Personal services - customer service and marketing	334,450	371,250	394,958	23,708
Routine operations	3,023,700	2,995,600	3,010,836	15,236
Maintenance	637,500	642,975	580,428	(62,547)
Other services and charges	39,000	39,000	-	(39,000)
Capital outlay	-	414,852	144,790	(270,062)
Total expenditures	4,780,150	5,245,677	4,772,172	(473,505)
Revenues under expenditures	(8,942)	(32,112)	(288,005)	(255,893)
Other financing sources				
Proceeds from sale of capital assets	100	100	1,750	1,650
Insurance recoveries	9,100	25,600	34,876	9,276
Total other financing sources	9,200	25,700	36,626	10,926
Net change in fund balance	258	(6,412)	(251,379)	(244,967)
Fund balance, beginning of year	3,290,263	3,290,263	3,290,263	-
Fund balance, end of year	\$ 3,290,521	\$ 3,283,851	\$ 3,038,884	\$ (244,967)

The accompanying notes are an integral part of these financial statements.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Statement of Net Position

Proprietary Fund
September 30, 2018

	Governmental Activities	Internal Service Fund
Assets		
Current assets:		
Cash and pooled investments	\$	110,287
Liabilities		
Current liabilities:		
Compensated absences		<u>110,287</u>
Net position		
Unrestricted	\$	<u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Statement of Revenues, Expenses and Change in Fund Net Position

Proprietary Fund

For the Year Ended September 30, 2018

	Governmental Activities	Internal Service Fund
Operating revenues		
Charges for services	\$	98,223
Operating expenses		
Personal services		98,223
Change in net position		-
Net position, beginning of year		-
Net position, end of year	\$	-

The accompanying notes are an integral part of these financial statements.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Statement of Cash Flows

Proprietary Fund

For the Year Ended September 30, 2018

	Governmental Activities	Internal Service Fund
Cash flows from operating activities		
Cash receipts for interfund services	\$	2,266
Cash and pooled investments, beginning of year		<u>108,021</u>
Cash and pooled investments, end of year	\$	<u><u>110,287</u></u>
Reconciliation of change in fund net position to net cash provided by operating activities:		
Change in net position	\$	-
Adjustment to reconcile change in net position to net cash provided by operating activities:		
Change in:		
Compensated absences		<u>2,266</u>
Net cash provided by operating activities	\$	<u><u>2,266</u></u>

The accompanying notes are an integral part of these financial statements.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Statement of Fiduciary Assets and Liabilities

September 30, 2018

	Agency Funds
Assets	
Cash and pooled investments	<u>\$ 66,110</u>
Liabilities	
Accounts payable	\$ 5,681
Other liabilities and deposits	2,295
Due to other governmental units	<u>58,134</u>
Total liabilities	<u>\$ 66,110</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Macatawa Area Express Transportation Authority (the "Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Authority is a municipal corporation governed by an elected, nine-member Authority Board. As required by generally accepted accounting principles, these financial statements present the financial position and related activity for the Macatawa Area Express Transportation Authority. The Authority was formed on July 1, 2007 from the former Macatawa Area Transportation System enterprise fund of the City of Holland, Michigan (the "City"). The Authority has no component units and is not reported as a component unit of any other governmental unit.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the internal service fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1, any delinquent taxes on real property are paid by the County which is responsible for collecting any outstanding taxes on real property as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Notes to Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Intergovernmental revenue, charges for services and interest are all considered to be susceptible to accrual if collected within 180 days of fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

The Authority reports the following major governmental fund:

The *General Fund* is the Authority's primary operating fund. It accounts for all the financial resources of the Authority, except those accounted for and reported in another fund.

Additionally, the Authority reports the following fund types:

The *Internal Service Fund* is used to report the financing of services provided by the Authority on a cost reimbursement basis, specifically the accumulation of funds for future payments of compensated absences.

Agency Funds are used to account for assets held on behalf of outside parties, including other governments in a purely custodial capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's internal service fund are charges to the General Fund for payments of compensated absences. Operating expenses for the internal service fund include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted net position consists of assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Notes to Financial Statements

Assets, Liabilities, Deferred Inflows of Resources and Equity

Cash and Pooled Investments

The Authority considers cash and pooled investments to be cash and cash equivalents for statement of cash flow purposes. Investments within pooled cash and investments are not identifiable to specific funds and the assets can be withdrawn at anytime similar to a demand deposit account.

Investments displayed on the financial statement and included in the cash and pooled investment caption are recorded at fair value.

State statutes and Authority policy authorize the Authority to invest in:

Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

Bankers' acceptances of United States banks.

Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From Other Governmental Units

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program and capital grants are recorded as receivables and revenue at the time reimbursable costs are incurred. Revenues received in advance of costs being incurred are unearned.

Prepaid Items

The Authority made certain payments to vendors prior to year-end for services that will be performed in the next fiscal year. In these situations, the Authority records an asset to reflect the investment in future services.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Notes to Financial Statements

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets having a useful life in excess of two years and whose initial cost exceeds \$500. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are recorded at their estimated acquisition cost as of the donation date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on the capital assets (including infrastructure) of the primary government is computed using the straight-line method over the following estimated useful lives:

	Years
Land improvements	15-20
Buildings	15-45
Machinery and equipment	5-15
Office equipment and furniture	5-20
Vehicles	7-10

The eligible depreciation of \$25,779, reported in the supplementary expenditure schedules required by the State of Michigan Bureau of Passenger Transportation (BPT), includes only the depreciation of assets purchased with local funds where the useful life of the asset purchased has been approved by the BPT.

Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused paid time off and compensatory time benefits, subject to certain limitations. All vacation and compensatory time pay is accrued when incurred.

Property Taxes

Properties are assessed as of December 31 and become a lien at that time. The related property taxes are levied and billed on July 1 of the following year, and are due without penalty on or before August 15. Summer tax bills include the Authority's property taxes. Real property taxes that have not been collected as of March 1 are turned over to Ottawa and Allegan Counties for collection. The counties advance the Authority 100 percent for the delinquent real property taxes. Collection of delinquent personal property and industrial facilities taxes remains the responsibility of the Authority.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Notes to Financial Statements

Interfund Transactions

During the course of normal operations, the Authority has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect operating subsidies as transfers.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from property tax receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Authority Board (the government's highest level of decision-making authority). A formal resolution of the Authority Board is required to establish, modify, or rescind a fund balance commitment. The Authority reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Authority currently has no assigned fund balance, as the Authority Board has not yet given the authority for the making of such assignments. Unassigned fund balance is the residual classification for the General Fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The buildings occupied by the Authority are owned by the City of Holland and are insured by the City. Building contents, general liability and vehicles are insured by commercial policies owned by the Authority.

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Notes to Financial Statements

2. BUDGETARY INFORMATION

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Authority's Executive Director is responsible for submitting the proposed operating budget for the following fiscal year to the Authority Board. The Authority Board, during its review, holds a public hearing to obtain taxpayer comments. The budget is legally enacted by resolution of the Board.
2. The Authority Financial Officer is authorized to transfer budget amounts between accounts within the same department of any fund upon written request by a department or division head and approval by the Authority's Executive Director. Any revisions that alter total appropriations of any fund must be approved by the Authority Board. Budgeted appropriations lapse each year; however, appropriations for continuing projects and programs which the Authority intends to complete are included in the budget of the ensuing year.
3. Budgeted amounts are as originally adopted or as amended by the Authority Board during the year. The budgets have been prepared in accordance with generally accepted accounting principles. Supplemental appropriations were necessary during the year.
4. The budget has been adopted on a department level basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.
5. Annual budgets are legally adopted for the General Fund as required by the Uniform Budgeting Act (P.A. 621 of 1978) of the State of Michigan.
6. Informal annual budgets are also adopted for the internal service fund.

P.A 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. During the year ended September 30, 2018, the Authority was over budget in personal services and routine operations expenditures by \$23,708 and \$15,236, respectively.

3. DEPOSITS AND INVESTMENTS

The Authority reported cash and pooled investments as of September 30, 2018 under the following classifications:

	Governmental Activities	Agency Funds	Totals
Cash and pooled investments	\$ 3,094,005	\$ 66,110	\$ 3,160,115

For note disclosure purposes, these amount are classified as follows:

Petty cash	\$ 900
Checking and savings accounts	835,493
Certificates of deposit (due within one year)	1,821,263
Investments	502,459
Total	\$ 3,160,115

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Notes to Financial Statements

Investment and Deposit Risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be returned. State law does not require and the Authority's investment policy does not have specific limits in excess of state law pertaining to custodial credit risk. As of year-end, \$1,265,011 of the Authority's bank balance of \$2,660,745 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Authority does not have a policy for investment custodial credit risk which is more restrictive than state law.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law pertaining to investment credit risk. The Authority's investments consist of deposits in MI CLASS and are rated AAAM by S&P Global Ratings Services.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority's investments consist of deposits in MI CLASS that do not mature.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. All of the Authority's investments are in MI CLASS as noted above.

Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The Authority's investments in the amount of \$502,459 are considered to be level 2 inputs, as the investments are traded only in secondary markets.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Notes to Financial Statements

4. RECEIVABLES AND DEFERRED INFLOW OF RESOURCES

Receivables are comprised of the following at year-end:

Accounts	\$	3,503
Taxes *		44,956
Due from other governmental unit:		<u>253,139</u>
Total	\$	<u>301,598</u>

* Net of allowance for uncollectible accounts of \$1,817.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, deferred inflows of resources reported in the General Fund for property taxes receivable was \$22,572.

5. PAYABLES

Payables are comprised of the following at year-end:

Accounts payable	\$	89,654
Accrued payroll and benefits		98,552
Due to other governmental units		<u>124,321</u>
Total	\$	<u>312,527</u>

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Notes to Financial Statements

6. CAPITAL ASSETS

Capital asset activity for the Authority for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 249,289	\$ -	\$ -	\$ -	\$ 249,289
Capital assets, being depreciated:					
Land improvements	756,481	-	-	-	756,481
Buildings	5,145,621	22,815	-	-	5,168,436
Machinery and equipment	844,256	60,846	(145,937)	-	759,165
Office furniture and equipment	98,322	-	(4,990)	-	93,332
Vehicles	5,921,204	59,008	(8,100)	-	5,972,112
	<u>12,765,884</u>	<u>142,669</u>	<u>(159,027)</u>	<u>-</u>	<u>12,749,526</u>
Less accumulated depreciation for:					
Land improvements	(258,377)	(37,211)	-	-	(295,588)
Buildings	(530,256)	(118,608)	-	-	(648,864)
Machinery and equipment	(601,072)	(57,818)	144,644	-	(514,246)
Office furniture and equipment	(54,193)	(8,367)	4,548	-	(58,012)
Vehicles	(2,575,393)	(655,540)	4,629	-	(3,226,304)
	<u>(4,019,291)</u>	<u>(877,544)</u>	<u>153,821</u>	<u>-</u>	<u>(4,743,014)</u>
Total capital assets being depreciated, net	<u>8,746,593</u>	<u>(734,875)</u>	<u>(5,206)</u>	<u>-</u>	<u>8,006,512</u>
Governmental activities capital assets, net	<u>\$ 8,995,882</u>	<u>\$ (734,875)</u>	<u>\$ (5,206)</u>	<u>\$ -</u>	<u>\$ 8,255,801</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Public transportation \$ 877,544

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Notes to Financial Statements

7. CONTINGENT LIABILITIES

In the normal course of its activities, the Authority has become a party in various legal actions, including property tax assessment appeals. Management of the Authority is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Authority and, therefore, has not reflected loss reserves in the financial statements.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor programs, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the transit agency. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

8. DEFINED CONTRIBUTION PLAN

The Authority participates in a defined contribution retirement plan which is administered by the Michigan Employees' Retirement System of Michigan (MERS) for nonbargaining employees. The defined contribution provisions of the plan require the Authority to contribute up to 8% of covered employee payroll. The participants direct their investments under defined contribution provisions. The Authority contributed \$133,135 and employees contributed \$34,113 to the defined contribution plan.

9. COST ALLOCATION PLAN

The Authority maintains a cost allocation plan for which the methodology has been approved by the Michigan Bureau of Passenger Transportation (BPT). The allocation plan is for the Section 5310 Services. This cost allocation plan was adhered to in the preparation of the financial statements. There is no cost allocation plan in place for the charter services due to the fact that; 1) the trolley was purchased with all local funds; 2) the Authority maintains a separate operating and revenue budget for the charter services; and 3) the expenses for the charter services are subtracted out as ineligible for the purpose of calculating State operating assistance.

10. LEASE COMMITMENT

The Authority leases the Padnos Transportation Center from the City for \$1 per year. The current lease term expires at June 30, 2019. The lease automatically renews each June 30 for an indefinite term, unless either party gives notice of termination to the other party at least 30 days prior to the expiration of the current lease term in effect at the time of the notice. The City has title to this building and all improvements, fixtures or other types of fixed property appurtenant to the buildings and property located thereon. The Authority is responsible for insurance on building content, but is not required to pay real estate taxes. The building is insured through the City's self-insurance pool.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Notes to Financial Statements

11. TAX ABATEMENTS

The City of Holland and Holland Charter Township have offered tax incentives and abatements to create jobs, stimulate investment, provide affordable housing, rehabilitate existing residential, commercial and industrial properties, clean up environmentally contaminated properties, redevelop functionally obsolete properties, encourage high tech innovation, and enhance economic growth in the region.

Several incentive programs provided by the City of Holland and Holland Charter Township as of December 31, 2017, and the amount of taxes abated for each of the programs for the year ended September 30, 2018, were as follows:

Industrial Facility Tax Exemption (IFT)	\$	19,238
Payment in Lieu of Taxes (PILOT)		8,401
New Personal Property Exemption		5,465
Michigan Renaissance Zone		21,490
Brownfield Redevelopment Financing Act		14,675
		<hr/>
	\$	69,269
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SUPPLEMENTARY INFORMATION

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
September 30, 2018

	Employees' Flexible Spending Plan Fund	Imprest Payroll Fund	Total
Assets			
Cash and pooled investments	\$ 2,295	\$ 63,815	\$ 66,110
Liabilities			
Accounts payable	\$ -	\$ 5,681	\$ 5,681
Other liabilities and deposits	2,295	-	2,295
Due to other governmental units	-	58,134	58,134
Total liabilities	\$ 2,295	\$ 63,815	\$ 66,110

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended September 30, 2018

	Balance October 1, 2017	Additions	Deletions	Balance September 30, 2018
<i>Employees' Flexible Spending Plan Fund</i>				
Assets				
Cash and pooled investments	\$ 1,216	\$ 4,306	\$ 3,227	\$ 2,295
Liabilities				
Other liabilities and deposits	\$ 1,216	\$ 4,306	\$ 3,227	\$ 2,295
<i>Imprest Payroll Fund</i>				
Assets				
Cash and pooled investments	\$ 56,068	\$ 1,392,828	\$ 1,385,081	\$ 63,815
Liabilities				
Accounts payable	\$ 6,525	\$ 849,272	\$ 850,116	\$ 5,681
Due to other governmental units	49,543	543,556	534,965	58,134
Total liabilities	\$ 56,068	\$ 1,392,828	\$ 1,385,081	\$ 63,815
<i>Total All Agency Funds</i>				
Assets				
Cash and pooled investments	\$ 57,284	\$ 1,397,134	\$ 1,388,308	\$ 66,110
Liabilities				
Accounts payable	\$ 6,525	\$ 849,272	\$ 850,116	\$ 5,681
Other liabilities and deposits	1,216	4,306	3,227	2,295
Due to other governmental units	49,543	543,556	534,965	58,134
Total liabilities	\$ 57,284	\$ 1,397,134	\$ 1,388,308	\$ 66,110

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**MICHIGAN BUREAU OF PASSENGER
TRANSPORTATION SCHEDULES**

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Schedule of Expenditures of Federal and State Awards For the Year Ended September 30, 2018

Federal and State Agency / Pass-Through Grantor / Program Title	CFDA Number	Pass-through / Grantor Number	Program Award Amount
U.S. Department of Transportation			
Direct assistance:			
Federal Transit Operating Grant - Section 5307	20.507	MI-2018-026	\$ 1,200,000
Capital Grant - Section 5307	20.507	MI-90-X680	280,283
Capital Grant - Section 5339	20.526	MI-2016-014	149,555
Capital Grant - Section 5307	20.507	MI-2017-021	223,380
Capital Grant - Section 5339	20.526	MI-2017-021	156,975
Passed through the Michigan Department of Transportation:			
New Freedom program:			
Operating assistance	20.513	2017-0084/P3	140,000
Operating - Mobility Management	20.513	2017-0084/P3	70,000
Total U.S. Department of Transportation			<u>2,220,193</u>
Michigan Department of Transportation			
Operating assistance - Act 51:			
Year ended September 30, 2018	n/a	n/a	1,600,052
Year ended September 30, 2016	n/a	n/a	(111,600)
Year ended September 30, 2015	n/a	n/a	(5,883)
Total Michigan Department of Transportation			<u>1,482,569</u>
Total Expenditures of Federal and State Awards			<u>\$ 3,702,762</u>

(Unaudited)



Current Year Expenditures				Prior Year's Expenditures	Award Amount Remaining
Total	Federal	State	Local		
\$ 1,200,000	\$ 1,200,000	\$ -	\$ -	\$ -	\$ -
25,224	20,179	5,045	-	253,230	1,829
7,444	5,955	1,489	-	142,111	-
13,621	10,897	2,724	-	-	209,759
59,009	47,208	11,801	-	-	97,966
138,276	138,276	-	-	-	1,724
69,923	55,938	13,985	-	-	77
<u>1,513,497</u>	<u>1,478,453</u>	<u>35,044</u>	<u>-</u>	<u>395,341</u>	<u>311,355</u>
1,600,052	-	1,600,052	-	-	-
(111,600)	-	(111,600)	-	-	-
(5,883)	-	(5,883)	-	-	-
<u>1,482,569</u>	<u>-</u>	<u>1,482,569</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,996,066</u>	<u>\$ 1,478,453</u>	<u>\$ 1,517,613</u>	<u>\$ -</u>	<u>\$ 395,341</u>	<u>\$ 311,355</u>

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

Schedule of Operating Revenues

Urban Regular Service

For the Year Ended September 30, 2018

Code	Description	Total
401/402:	Farebox revenues	
40100	Passenger fares	\$ 269,644
40200	Contract fares	-
	Total farebox revenues	269,644
405:	Charter	
40500	Charter service	-
406:	Auxiliary transit revenues	
40615	Advertising	4,595
40620	Intercity ticket sales	18,314
40699	Other auxiliary transit revenues (cash short/over, nsf charges)	9,028
	Total auxiliary transit revenues	31,937
407:	Non-transit revenues	
40720	Rental of buildings and other property	14,213
40760	Gains from sale of capital assets	1,750
40799	Other non-transit revenues (insurance recoveries)	33,508
	Total non-transit revenues	49,471
408/409:	Local revenues	
40800	Taxes levied directly for/by transit agency	766,545
40910	Local operating assistance - from surrounding local governments	148,623
	Total local revenues	915,168
411:	State formulas and contracts	
41101	State operating assistance	1,482,569
413:	Federal contracts	
41302	Federal section 5307 (operating funds only)	1,200,000
414:	Other revenues	
41400	Interest income	24,403
	Total operating revenues	\$ 3,973,192

Note:

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). Audit costs are the only costs in which eligibility differs from the State R&E Manual and Federal Cost Principals. The Macatawa Area Express Transportation Authority did not incur expenses associated with 40720 Rental of buildings and other property or 40615 Advertising and, therefore, no expenses are subtracted out as ineligible on OAR Schedule 4E on page 45. Amounts equal to the insurance recoveries (\$33,508) are subtracted out as ineligible expenses on OAR Schedule 4E on page 45.

The advertising revenue is generated by a third-party service organization which is responsible for maintaining the advertising posted on the Authority's busses. The third-party service organization pays all costs and collects the gross advertising fees associated with this advertising and remits to the Authority a portion of the net income from advertising. Thus, no expenses are incurred by the Authority in relation to this revenue.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

Schedule of Operating Revenues

New Freedom

For the Year Ended September 30, 2018

Code	Description	Total
401: Farebox revenues		
40100	Passenger fares	\$ 15,278
405: Charter		
40500	Charter service	-
406: Auxiliary transit revenues		
40615	Advertising	-
40699	Other auxiliary transit revenues (cash short/over, court recovery fees, nsf charges)	-
	Total auxiliary transit revenues	-
407: Non-transit revenues		
40720	Rental of buildings and other property	-
40799	Other non-transit revenues (insurance recoveries)	-
	Total non-transit revenues	-
408/409: Local revenues		
40800	Taxes levied directly for/by transit agency	134,566
40910	Local operating assistance	-
	Total local revenues	134,566
411: State formulas and contracts		
41101	State operating assistance	-
413: Federal contracts		
41302	Federal section 5317	138,276
414: Other revenues		
41400	Interest income	-
	Total operating revenues	\$ 288,120

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

Schedule of Operating Expenses

Urban Regular Service

For the Year Ended September 30, 2018

Code	Description	Operations	Maintenance	General Administration	Total
501:	Labor				
50101	Operators' salaries and wages	\$ 1,073,065	\$ -	\$ -	\$ 1,073,065
50102	Other salaries and wages	313,155	88,625	296,894	698,674
50103	Dispatcher salaries and wages	89,634	-	-	89,634
	Total labor	1,475,854	88,625	296,894	1,861,373
502:	Fringe benefits				
50200	Other	632,364	43,451	149,938	825,753
50201	Pensions	93,040	5,201	22,751	120,992
	Total fringe benefits	725,404	48,652	172,689	946,745
503:	Services				
50302	Advertising	-	-	67,133	67,133
50305	Audit cost	-	-	9,897	9,897
50399	Other	7,607	392,971	209,794	610,372
	Total services	7,607	392,971	286,824	687,402
504:	Materials				
50401	Fuel and lubricants	309,947	-	-	309,947
50402	Tires	22,989	-	-	22,989
50499	Other	20,938	12,691	26,453	60,082
	Total materials	353,874	12,691	26,453	393,018
50500	Utilities	-	-	83,549	83,549
506:	Insurance				
50603	Liability insurance	228,844	-	-	228,844
509:	Miscellaneous expenses				
50902	Travel, meetings and training	3,627	-	19,301	22,928
50903	Association dues and subscriptions	-	-	11,237	11,237
50999	Other	-	-	6,621	6,621
	Total miscellaneous expenses	3,627	-	37,159	40,786
51200	Operating leases and rentals	251	-	-	251
513:	Depreciation				
51300	Grant assets	-	-	851,765	851,765
51300	Other assets	-	-	25,779	25,779
	Total depreciation	-	-	877,544	877,544

continued...

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

Schedule of Operating Expenses

Urban Regular Service

For the Year Ended September 30, 2018

Code	Description	Operations	Maintenance	General Administration	Total
550/540:	Ineligible expenses				
55007	Ineligible depreciation	\$ -	\$ -	\$ 851,765	\$ 851,765
55008	Other ineligible expenses	-	-	61,721	61,721
54000	Ineligible prior year refunds and credits	33,508	-	-	33,508
	Total ineligible expenses	33,508	-	913,486	946,994
	Total expenses				5,119,512
	Total ineligible expenses				946,994
	Total eligible expenses				\$ 4,172,518

concluded

Notes:

Any capital money used to pay for operating expense has been subtracted out as ineligible expense.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

Schedule of Operating Expenses

New Freedom

For the Year Ended September 30, 2018

Code	Description	Operations	Maintenance	General Administration	Total
501:	Labor				
50101	Operators' salaries and wages	\$ 86,085	\$ -	\$ -	\$ 86,085
50102	Other salaries and wages	21,499	6,082	20,428	48,009
50103	Dispatcher salaries and wages	6,146	-	-	6,146
	Total labor	113,730	6,082	20,428	140,240
502:	Fringe benefits				
50200	Other	55,150	3,048	10,687	68,885
50201	Pensions	6,062	334	1,495	7,891
	Total fringe benefits	61,212	3,382	12,182	76,776
503:	Services				
50302	Advertising	-	-	4,571	4,571
50305	Audit cost	-	-	703	703
50399	Other	524	27,153	14,433	42,110
	Total services	524	27,153	19,707	47,384
504:	Materials				
50401	Fuel and lubricants	20,913	-	-	20,913
50402	Tires	1,606	-	-	1,606
50499	Other	1,417	872	1,744	4,033
	Total materials	23,936	872	1,744	26,552
50500	Utilities	-	-	5,746	5,746
506:	Insurance				
50603	Liability insurance	15,736	-	-	15,736
509:	Miscellaneous expenses				
50902	Travel, meetings and training	245	-	1,343	1,588
50903	Association dues and subscriptions	-	-	794	794
50999	Other	-	-	675	675
	Total miscellaneous expenses	245	-	2,812	3,057
540/550:	Ineligible expenses				
54000	Ineligible prior year refunds and credits	-	-	525	525
55000	Ineligible JARC & NF fares	-	-	15,278	15,278
	Total ineligible expenses	-	-	15,803	15,803
	Total expenses				315,491
	Total ineligible expenses				15,803
	Total eligible expenses				<u>\$ 299,688</u>

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

Schedule of Operating and Contract Expenses

Urban Regular Services

For the Year Ended September 30, 2018

	Operations	Maintenance	General Administration	Total
Operating expenses				
Labor	\$ 1,475,854	\$ 88,625	\$ 296,894	\$ 1,861,373
Other fringe benefits	632,364	43,451	149,938	825,753
Pensions	93,040	5,201	22,751	120,992
Audit cost	-	-	9,897	9,897
Other services	7,607	392,971	276,927	677,505
Materials	353,874	12,691	26,453	393,018
Utilities	-	-	83,549	83,549
Insurance	228,844	-	-	228,844
Miscellaneous expenses	3,627	-	37,159	40,786
Lease and other rentals	251	-	-	251
Depreciation	-	-	877,544	877,544
Total operating expenses	<u>\$ 2,795,461</u>	<u>\$ 542,939</u>	<u>\$ 1,781,112</u>	<u>\$ 5,119,512</u>

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

Schedule of Operating and Contract Expenses

New Freedom

For the Year Ended September 30, 2018

	Operations	Maintenance	General Administration	Total
Operating expenses				
Labor	\$ 113,730	\$ 6,082	\$ 20,428	\$ 140,240
Other fringe benefits	55,150	3,048	10,687	68,885
Pensions	6,062	334	1,495	7,891
Audit cost	-	-	703	703
Other services	524	27,153	19,004	46,681
Materials	23,936	872	1,744	26,552
Utilities	-	-	5,746	5,746
Insurance	15,736	-	-	15,736
Miscellaneous expenses	245	-	2,812	3,057
Total operating expenses	<u>\$ 215,383</u>	<u>\$ 37,489</u>	<u>\$ 62,619</u>	<u>\$ 315,491</u>

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

Operating Assistance Calculation

Urban Regular Services

For the Year Ended September 30, 2018

Total expenses	<u>\$ 5,119,512</u>
Less ineligible expenses:	
Depreciation	851,765
Other expenses	61,721
Prior year refunds and credits	<u>33,508</u>
Total ineligible expenses	<u>946,994</u>
Total State eligible expenses	<u><u>\$ 4,172,518</u></u>
Eligible expenses for State reimbursement	\$ 4,172,518
Reimbursement percentage	<u>38.0667%</u>
State operating assistance	<u><u>\$ 1,588,340</u></u>

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

Schedule of Vehicle Miles

For the Year Ended September 30, 2018

	Public Service	New Freedom	Total
First quarter (October-December)	218,063	15,487	233,550
Second quarter (January-March)	228,674	16,181	244,855
Third quarter (April-June)	225,048	15,479	240,527
Fourth quarter (July-September)	228,061	14,796	242,857
Total	899,846	61,943	961,789

Note:

The methodology used for compiling mileage on OAR Schedules 4N is an adequate and reliable method for recording vehicle mileage.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

Schedule of Vehicle Hours

For the Year Ended September 30, 2018

	Public Service	New Freedom	Total
First quarter (October-December)	18,167	1,237	19,404
Second quarter (January-March)	17,973	1,285	19,258
Third quarter (April-June)	17,322	1,165	18,487
Fourth quarter (July-September)	18,084	1,244	19,328
Total	71,546	4,931	76,477

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

Schedule of Line-Haul Passenger Data and Vehicle Hours

For the Year Ended September 30, 2018

	Vehicle Hours	Regular Passengers	Senior Passengers	Handicapped Passengers	Senior/ Handicapped Passengers	Total Passenger
First quarter (October-December)	8,305	55,458	4,882	18,701	-	79,041
Second quarter (January-March)	8,171	64,117	4,729	18,380	-	87,226
Third quarter (April-June)	7,646	62,574	5,883	19,111	-	87,568
Fourth quarter (July-September)	8,349	53,971	6,291	19,354	-	79,616
Total	32,471	236,120	21,785	75,546	-	333,451

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

Schedule of Demand Response Passenger Data and Vehicle Hours For the Year Ended September 30, 2018

	Vehicle Hours	Regular Passengers	Senior Passengers	Handicapped Passengers	Senior/ Handicapped Passengers	Total Passenger
First quarter (October-December)	9,862	3,303	940	17,179	-	21,422
Second quarter (January-March)	9,802	3,139	1,049	18,946	-	23,134
Third quarter (April-June)	9,676	2,772	950	17,377	-	21,099
Fourth quarter (July-September)	9,735	1,994	964	16,328	-	19,286
Total	39,075	11,208	3,903	69,830	-	84,941

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

Schedule of New Freedom Passenger Data and Vehicle Hours For the Year Ended September 30, 2018

	Vehicle Hours	Regular Passengers	Senior Passengers	Handicapped Passengers	Senior/ Handicapped Passengers	Total Passenger
First quarter (October-December)	1,237	2,013	47	849	-	2,909
Second quarter (January-March)	1,285	2,288	36	869	-	3,193
Third quarter (April-June)	1,165	2,222	45	865	-	3,132
Fourth quarter (July-September)	1,244	1,635	83	895	-	2,613
Total	4,931	8,158	211	3,478	-	11,847

**RECONCILIATIONS OF OAR SCHEDULES TO STATEMENT OF
REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE FOR GOVERNMENTAL FUND**

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Reconciliation

OAR Operating Revenues to Statement of Revenues,
Expenditures and Change in Fund Balance for Governmental Fund
For the Year Ended September 30, 2018

Code	Description	Urban Regular	New Freedom
401/402:	Farebox revenues		
40100	Passenger fares	\$ 269,644	\$ 15,278
40200	Contract fares	-	-
405:	Charter		
40500	Charter service	-	-
406:	Auxiliary transit revenues		
40615	Advertising	4,595	-
40620	Intercity ticket sales	18,314	-
40699	Other auxiliary transit revenues (cash short/over, court recovery fees, nsf charges)	9,028	-
407:	Non-transit revenues		
40720	Rental of buildings and other property	14,213	-
40760	Gains on sales of capital assets	1,750	-
40799	Other non-transit revenues (insurance recoveries)	33,508	-
408/409:	Local revenues		
40800	Taxes levied directly for/by transit agency	766,545	134,566
40910	Local operating assistance	148,623	-
411:	State formulas and contracts		
41101	State operating assistance	1,482,569	-
413:	Federal contracts		
41302	Federal section 5307 (operating funds only)	1,200,000	138,276
414:	Other revenues		
41400	Interest income	24,403	-
	Total operating revenues	<u>\$ 3,973,192</u>	<u>\$ 288,120</u>

* Cash over and short classified with passenger fares and court fee recoveries with insurance recoveries on the statement of revenues, expenditures and change in fund balance.

^ Capital and other grants not included on the OAR. OAR only contains current year operating grants.

(Unaudited)



Reconciling Items	Statement Total	Statement Classification
\$ 932 *	\$ 285,854	
-	-	
-	-	
	<u>\$ 285,854</u>	Passenger fares
30 *	4,625	
-	18,314	
(2,329) *	6,699	
-	14,213	
	<u>\$ 43,851</u>	Charges for services and contributions
-	\$ 1,750	
1,368 *	34,876	
	<u>\$ 36,626</u>	Other financing sources
-	\$ 901,111	Property taxes
-	<u>\$ 148,623</u>	Intergovernmental - local
119,303 ^	<u>\$ 1,601,872</u>	Intergovernmental - state
140,177 ^	<u>\$ 1,478,453</u>	Intergovernmental - federal
-	<u>\$ 24,403</u>	Interest income

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

Reconciliation

OAR Operating Expenses to Statement of Revenues,
Expenditures and Change in Fund Balance for Governmental Fund
For the Year Ended September 30, 2018

Total operating expenses per OAR:

Urban Regular	\$ 5,119,512
New Freedom	315,491
	<u>5,435,003</u>

Reconciling items:

Capital outlay expense is not included on the OAR as those costs are reimbursed by capital grants, if eligible	144,790
--	---------

Depreciation expense is not reported in the governmental fund as it does not represent expenditures of current available resources	(877,544)
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Amounts funded by New Freedom Mobility Management grant and not reported as operating expenditures on the OAR	<u>69,923</u>
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Total expenditures per governmental fund statement	<u><u>\$ 4,772,172</u></u>
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Macatawa Area
Express
Transportation
Authority



Year Ended
September 30,
2018

Single Audit Act
Compliance

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

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Schedule of Expenditures of Federal Awards	2
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INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

January 30, 2019

Members of the Transportation Authority Board
Macatawa Area Express Transportation Authority
Holland, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the *Macatawa Area Express Transportation Authority* (the "Authority"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated January 30, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Robson LLC

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Transportation				
Federal Transit Cluster:				
Section 5307 current year (operating)	20.507	Direct	MI-2018-026	\$ 1,200,000
Section 5307 (capital grant)	20.507	Direct	MI-90-X680	20,179
Section 5307 (capital grant)	20.507	Direct	MI-2017-021	10,897
				<u>1,231,076</u>
Section 5339 (capital grant)	20.526	Direct	MI-2016-014	5,955
Section 5339 (capital grant)	20.526	Direct	MI-2017-021	47,208
				<u>53,163</u>
Total Federal Transit Cluster				1,284,239
Transit Services Programs Cluster:				
New Freedom Program	20.513	MDOT	2017-0084/P3	<u>194,214</u>
Total Expenditures of Federal Awards				<u><u>\$ 1,478,453</u></u>

See notes to schedule of expenditures of federal awards.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the Authority's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the Authority has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. PASS-THROUGH AGENCIES

The Authority receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDOT	Michigan Department of Transportation

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

January 30, 2019

Members of the Transportation Authority Board
Macatawa Area Express Transportation Authority
Holland, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the *Macatawa Area Express Transportation Authority* (the "Authority"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rehmann Lohman LLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

January 30, 2019

Members of the Transportation Authority Board
Macatawa Area Express Transportation Authority
Holland, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *Macatawa Area Express Transportation Authority* (the "Authority") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2018. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal 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 the requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority 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 program for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Rehmann Lobson LLC".

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
--------------------	---

20.507 and 20.526	Federal Transit Cluster
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

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MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2018

None reported

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INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

January 30, 2019

Members of the Transportation Authority Board
Macatawa Area Express Transportation Authority
Holland, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the *Macatawa Area Express Transportation Authority* (the "Authority") as of and for the year ended September 30, 2018, and have issued our report thereon dated January 30, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated November 26, 2018, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated January 30, 2019. In addition, we noted a certain other matter which is included in Attachment A to this letter.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Authority's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment C to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the Macatawa Area Express Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Rehmann Lohman LLC

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Attachment A - Comments and Recommendations

For the September 30, 2018 Audit

During our audit, we became aware of a certain other matter that is an opportunity for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comment and recommendation regarding this matter. Our consideration of the Authority's internal control over financial reporting is described in our report, dated January 30, 2019, issued in accordance with *Government Auditing Standards*. This memorandum does not affect that report or our report dated January 30, 2019, on the financial statements of the Macatawa Area Express Transportation Authority.

Misappropriation of Assets

During the year, we became aware of fraud perpetrated by the former Executive Director. The Executive Director pleaded guilty to embezzlement that involved using the corporate credit card to make non-work related purchases and overpaying herself through compensated absences. Through testing performed and our discussions with management of the Authority, we noted the Authority has put new policies and procedures in place to ensure more supervision and review over payroll and credit card transactions. We commend the Authority for implementing these new procedures and encourage them to continue to be vigilant in the review of accounting transactions in order to mitigate the risk in future years.

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MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

■ Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the September 30, 2018 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Authority in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Authority. For the complete text of these and other GASB standards, visit www.gasb.org and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 83 ■ Certain Asset Retirement Obligations

Effective 06/15/2019 (your FY 2019)

This standard addresses accounting and financial reporting for certain asset retirement obligations--legally enforceable liabilities associated with the retirement of a tangible capital asset. We do not expect this standard to have any significant effect on the Authority.

GASB 84 ■ Fiduciary Activities

Effective 12/15/2019 (your FY 2020)

This standard establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods. Due to the number of specific factors to consider, we will continue to assess the degree to which this standard may impact the Authority.

GASB 87 ■ Leases

Effective 12/15/2020 (your FY 2021)

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

GASB 88 ■ Certain Disclosures Related to Debt

Effective 06/15/2019 (your FY 2019)

This standard provides guidance on note disclosures related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. We do not expect this standard to have any significant effect on the Authority.

GASB 89 ■ Accounting for Interest Cost Incurred before the End of a Construction Period

Effective 12/15/2020 (your FY 2021)

This standard eliminates the requirement for governments to capitalize interest during the construction period for business-type activities. As this simplifies the accounting for interest, early implementation is encouraged. We do not expect this standard to have any significant effect on the Authority.

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

■ Attachment B - Upcoming Changes in Accounting Standards / Regulations For the September 30, 2018 Audit

GASB 90 ■ Majority Equity Interests *Effective 12/15/2019 (your FY 2020)*

This standard addresses situations in which a government acquires a majority of the equity interest in a legally separate organization, and whether such holdings should be reported as an investment or a component unit. We do not expect this standard to have any significant effect on the Authority.

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MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

Attachment C - Management Representations

For the September 30, 2018 Audit

The following pages contain the written representations that we requested from management.



**Macatawa Area Express
Transportation Authority**

January 30, 2019

Rehmann Robson
2330 East Paris Ave. SE
Grand Rapids, MI 49546

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the **Macatawa Area Express Transportation Authority** (the "Authority"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the budgetary comparison for the General Fund of the Authority in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of January 30, 2019:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 26, 2018, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
9. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
10. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
11. All funds and activities are properly classified.
12. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
13. All components of net position and fund balance classifications have been properly reported.
14. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
15. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
16. All interfund and intra-entity transactions and balances have been properly classified and reported.
17. Deposit and investment risks have been properly and fully disclosed.
18. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
19. All required supplementary information is measured and presented within the prescribed guidelines.

Information Provided

20. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
21. All transactions have been recorded in the accounting records and are reflected in the financial statements.
22. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
23. We have disclosed to you all information that we are aware of regarding fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.

24. We have disclosed to you all information that we are aware of regarding allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
25. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
26. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
27. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
28. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
29. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
30. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
31. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
32. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
33. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
34. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

35. With respect to the supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

36. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Uniform Guidance (2 CFR 200)

37. With respect to federal awards, we represent the following to you:
- a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance.
 - b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
 - c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
 - d. The methods of measurement or presentation have not changed from those used in the prior period.
 - e. We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
 - f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
 - g. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
 - h. We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
 - i. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.
 - j. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
 - k. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of

contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.

- l. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
- m. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- n. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- o. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the Uniform Guidance.
- p. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- q. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- r. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- s. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- t. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- u. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by the Uniform Guidance, and we are responsible for preparing and implementing a correction action plan for each audit finding.
- v. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- w. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- x. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.



Tim Vagle, Director of Finance



Michelle Ferguson, Senior Municipal Accountant