

Macatawa Area  
Express  
Transportation  
Authority



Year Ended  
September 30,  
2012

Financial  
Statements

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

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## INDEPENDENT AUDITORS' REPORT

March 14, 2013

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

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, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated March 14, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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* and should be considered in assessing the results of our audit.

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 any assurance.

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 schedules 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style.

## 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, 2012. 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 Authority has a capital investment project in process for a site for the new operations facility that will replace the facility located at 433 E. 24th Street. The land was purchase during the current fiscal year and construction is expected to take place next fiscal year. Federal and state grants, which have already been awarded, will be used to fund this project.
- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$5,917,680 (net assets). Of this amount, \$1,526,157 was unrestricted and may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The Authority's total net assets increased by \$192,678 from operations during fiscal 2012.
- As of the close of the current fiscal year, the Authority's General Fund reported an ending fund balance of \$1,498,133, an increase of \$118,522.
- Total fund balance was 34.7% 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 assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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.

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

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.

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 changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

As previously stated, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$5,917,680 at the close of the most recent fiscal year.

	Governmental Activities	
	2012	2011
Current and other assets	\$ 2,043,257	\$ 1,697,222
Capital assets, net	4,391,523	4,314,159
Total assets	<u>6,434,780</u>	<u>6,011,381</u>
Long-term liabilities	114,813	115,625
Other liabilities	402,287	170,754
Total liabilities	<u>517,100</u>	<u>286,379</u>
Net assets:		
Invested in capital assets, net of related debt	4,391,523	4,314,159
Unrestricted	1,526,157	1,410,843
Total net assets	<u>\$ 5,917,680</u>	<u>\$ 5,725,002</u>

A substantial portion of the Authority's net assets, \$4,391,523 (74.2 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 assets of \$1,526,157 (25.8 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 assets.

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

### Statement of Activities

	Governmental Activities	
	2012	2011
Program revenues:		
Charges for services	\$ 361,978	\$ 298,893
Operating grants	2,529,855	2,777,089
Capital grants	696,077	115,296
General revenues:		
Property taxes	830,421	764,339
Unrestricted investment earnings	4,392	4,391
Total revenues	<u>4,422,723</u>	<u>3,960,008</u>
Expenses:		
Public Transportation	<u>4,230,045</u>	<u>3,998,819</u>
Change in net assets	192,678	(38,811)
Net assets:		
Beginning of year	<u>5,725,002</u>	<u>5,763,813</u>
End of year	<u>\$ 5,917,680</u>	<u>\$ 5,725,002</u>

The Authority's net assets increased by \$192,678 during the current fiscal year. The primary reason for the increase is the result of an increase in the property tax millage rate levied July 1, 2012, from .35 mills to .4 mills. Also, a change in the fare structure along with increased ridership resulted in higher passenger fare revenue.

### 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 were an increase in fund balance of \$118,522. The increase was a result of an increase in the property tax millage rate, fare structure and increased ridership, as noted above.

### General Fund Budgetary Highlights

The original revenue budget was \$3,790,550 and as amended was \$9,092,850 which represents an increase of \$5,302,300. The original expenditure budget was \$3,663,650 and as amended was \$8,995,950 which represents an increase of \$5,332,300.

The most significant differences between the original budget and the amended budget are related to grants. The original budget was amended to include federal grants awarded during the fiscal year. One of the grants is a program that funds the construction of the new operating facility. All grant funds will be received as reimbursement for approved purchases.

Actual expenditures came in \$4,679,579 less than the amended budget. Actual legal, accounting, fuel and vehicle maintenance expenses was less than projected 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's invested \$711,015 in land, buildings, equipment and vehicles during the fiscal period to service Authority users.

	Governmental Activities	
	2012	2011
Construction in progress	\$ 444,906	\$ 174,641
Land	249,289	-
Land improvements, net	697,265	735,406
Buildings, equipment and vehicles, net	3,000,063	3,404,112
Total capital assets, net	<u>\$ 4,391,523</u>	<u>\$ 4,314,159</u>

Additional information on the Authority's capital assets can be found in Note 7 of this report.

The Authority plans on constructing a new 32,580 square foot operations facility with construction beginning in fiscal 2013, the completion of the project expected for September 2013. A total of \$3,887,686 has been approved by the Authority Board for this project to be financed with existing grants under contract.

Long-Term Debt. The Authority had no long-term debt at September 30, 2012 or 2011.

### Economic Factors and Next Year's Budget and Rates

Service levels remain at eight (8) fixed routes and paratransit service (demand response) to residents in City of Holland, City of Zeeland and Holland Charter Township. Limited demand response service is provided to Zeeland Charter Township. The Authority receives New Freedom funding for operation of the Night Owl service. New Freedom funds are Federal funds allocated to the State of Michigan. MAP-21, the new two-year Federal Transportation Bill has discontinued New Freedom funding. New Freedom funding provides for 50% of the operating funding for Night Owl Service.

The tax rate was renewed at 0.40 mills during a May 8, 2012 election. The millage rate expires on May 3, 2016. The Michigan State Legislature has passed a bill eliminating personal property tax without any provision to replace this funding loss to transit authorities. This phase out will result in less funding in upcoming years.

### 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 Ms. Michelle Price, Macatawa Area Express Transportation Authority, 270 River Ave., Holland, Michigan 49423.

## BASIC FINANCIAL STATEMENTS

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Statement of Net Assets September 30, 2012

	Governmental Activities
<b>Assets</b>	
Cash and pooled investments	\$ 1,640,894
Receivables, net	385,219
Prepaid items	17,144
Capital assets:	
Not being depreciated	694,195
Being depreciated, net	<u>3,697,328</u>
<b>Total assets</b>	<u>6,434,780</u>
<b>Liabilities</b>	
Payables	398,741
Unearned revenue	3,546
Due to City of Holland:	
Due in one year	102,223
Due in more than one year	<u>12,590</u>
<b>Total liabilities</b>	<u>517,100</u>
<b>Net assets</b>	
Invested in capital assets	4,391,523
Unrestricted	<u>1,526,157</u>
<b>Total net assets</b>	<u><u>\$ 5,917,680</u></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, 2012

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
Public transportation	\$ 4,230,045	\$ 361,978	\$ 2,529,855	\$ 696,077	\$ (642,135)
General revenues:					
Property taxes					830,421
Investment earnings - unrestricted					4,392
Total general revenues					834,813
Change in net assets					192,678
Net assets, beginning of period					5,725,002
Net assets, end of period					\$ 5,917,680

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

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Balance Sheet

Governmental Fund  
September 30, 2012

	General Fund
<b>Assets</b>	
Cash and pooled investments	\$ 1,526,081
Receivables:	
Accounts	25,100
Taxes and special assessments	52,849
Due from other governmental units	307,270
Prepaid items	<u>17,144</u>
<b>Total assets</b>	<u><u>\$ 1,928,444</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 254,148
Accrued payroll and benefits	36,586
Due to other governmental units	108,007
Deferred revenue	<u>31,570</u>
<b>Total liabilities</b>	<u>430,311</u>
<b>Fund balance (Note 9)</b>	
Nonspendable	17,144
Unassigned	<u>1,480,989</u>
<b>Total fund balance</b>	<u>1,498,133</u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 1,928,444</u></u>

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

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Reconciliation

Fund Balance for Governmental Funds  
to Net Assets of Governmental Activities  
September 30, 2012

Fund balance - governmental fund \$ 1,498,133

Amounts reported for *net assets of governmental activities* in the statement of net assets 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	694,195
Capital assets being depreciated, net	3,697,328

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 revenue in the governmental funds, and thus are not included in fund balance.

Deferred property taxes receivable	<u>28,024</u>
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Net assets of governmental activities	<u><u>\$ 5,917,680</u></u>
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The accompanying notes are an integral part of these basic financial statements.



# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Statement of Revenues, Expenditures and Change in Fund Balance

Governmental Fund

For the Year Ended September 30, 2012

	General Fund
Revenues	
Property taxes	\$ 833,629
Passenger fares	316,955
Intergovernmental:	
Federal	1,775,685
State	1,374,086
Local	76,161
Charges for services	45,023
Interest income	4,392
	<hr/>
Total revenues	4,425,931
	<hr/>
Expenditures	
Current:	
Public transportation:	
Management and administration	600,374
Personal services - customer service and marketing	165,304
Routine operations	2,406,866
Maintenance	421,048
Capital outlay	722,779
	<hr/>
Total expenditures	4,316,371
	<hr/>
Revenues over expenditures	109,560
	<hr/>
Other financing sources	
Insurance recoveries	8,962
	<hr/>
Net change in fund balance	118,522
	<hr/>
Fund balance, beginning of year	1,379,611
	<hr/>
Fund balance, end of year	<u>\$ 1,498,133</u>

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 Assets of Governmental Activities  
For the Year Ended September 30, 2012

Net change in fund balance - governmental fund	\$ 118,522
Amounts reported for <i>as change in net assets of governmental activities</i> 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	711,015
Depreciation expense	(633,651)
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 deferred property taxes receivable	<u>(3,208)</u>
Change in net assets of governmental activities	<u><u>\$ 192,678</u></u>

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

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Statement of Revenues, Expenditures and Change in Fund Balance

Budget (Modified Accrual Basis) and Actual - General Fund  
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 863,900	\$ 864,800	\$ 833,629	\$ (31,171)
Passenger fares	271,200	271,200	316,955	45,755
Intergovernmental:				
Federal	1,204,000	5,502,380	1,775,685	(3,726,695)
State	1,328,300	2,331,320	1,374,086	(957,234)
Local	77,700	77,700	76,161	(1,539)
Charges for services	45,450	45,450	45,023	(427)
Interest income	-	-	4,392	4,392
<b>Total revenues</b>	<u>3,790,550</u>	<u>9,092,850</u>	<u>4,425,931</u>	<u>(4,666,919)</u>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Public transportation:</b>				
Management and administration	626,800	641,895	600,374	(41,521)
Personal services - customer service and marketing	159,600	191,400	165,304	(26,096)
Routine operations	2,386,500	2,386,500	2,406,866	20,366
Maintenance	465,750	460,750	421,048	(39,702)
Other services and charges	25,000	25,000	-	(25,000)
Capital outlay	-	5,290,405	722,779	(4,567,626)
<b>Total expenditures</b>	<u>3,663,650</u>	<u>8,995,950</u>	<u>4,316,371</u>	<u>(4,679,579)</u>
Revenues over expenditures	126,900	96,900	109,560	12,660
<b>Other financing sources</b>				
Insurance recoveries	5,100	5,100	8,962	3,862
<b>Net change in fund balance</b>	132,000	102,000	118,522	16,522
Fund balance, beginning of year	1,379,611	1,379,611	1,379,611	-
<b>Fund balance, end of year</b>	<u>\$ 1,511,611</u>	<u>\$ 1,481,611</u>	<u>\$ 1,498,133</u>	<u>\$ 16,522</u>

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

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Statement of Net Assets

Proprietary Fund  
September 30, 2012

	Governmental Activities
	Internal Service Fund
<b>Assets</b>	
Current assets:	
Cash and pooled investments	\$ 114,813
	<u>114,813</u>
<b>Liabilities</b>	
Current liabilities:	
Compensated absences	\$ 102,223
Noncurrent liabilities, net of current portion:	
Compensated absences	12,590
	<u>12,590</u>
<b>Total liabilities</b>	<u>114,813</u>
<b>Net assets</b>	
Unrestricted	\$ -
	<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 Assets

Proprietary Fund

For the Year Ended September 30, 2012

	Governmental Activities
	Internal Service Fund
Operating revenues	
Charges for services	\$ 94,008
Operating expenses	
Personal services	<u>94,008</u>
Change in net assets	-
Net assets, beginning of year	<u>-</u>
Net assets, end of year	<u><u>\$ -</u></u>

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, 2012

	Governmental Activities
	Internal Service Fund
Cash flows from operating activities	
Cash used to provide interfund services	\$ (811)
Cash and cash equivalents, beginning of year	<u>115,624</u>
Cash and cash equivalents, end of year	<u><u>\$ 114,813</u></u>
Reconciliation of change in fund net assets to net cash used for operating activities:	
Change in net assets	\$ -
Adjustment to reconcile change in net assets to net cash used for operating activities:	
Change in:	
Compensated absences	<u>(811)</u>
Net cash used for operating activities	<u><u>\$ (811)</u></u>

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

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Statement of Fiduciary Net Assets

Fiduciary Funds

September 30, 2012

	Agency Funds
<b>Assets</b>	
Cash and pooled investments	\$ 40,297
<b>Liabilities</b>	
Accounts payable	\$ 3,285
Other liabilities and deposits	982
Due to other governmental units	36,030
<b>Total liabilities</b>	\$ 40,297

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 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. 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 assets 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 funds:

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 to other departments and funds 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 funds are charges to customers for technology, equipment and insurance services. 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 assets are 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 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. Uncollectible balances at year-end are considered by management to be immaterial.

#### *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 deferred.

#### *Prepaid Items*

The Authority incurred expenses 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 governmental column 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 market value 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 \$34,663, 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 and where the useful life of the asset purchased has been approved by the BPT.

### *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 taxes and IFT's remains the responsibility of the Authority.

### *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.

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### *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.

## 2. BUDGETARY INFORMATION

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

1. The MAX Coordinator 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 MAX Coordinator. 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.

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Notes to Financial Statements

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, 2012, the Authority had expenditures of \$2,406,866 in the routine operations department of the General Fund that was in excess by \$20,366 of the final amended budget balance of \$2,386,500.

### 3. DEPOSITS AND INVESTMENTS

The Authority reported cash and pooled investments on the statement of net assets as of September 30, 2012 under the following classifications:

	Primary Government	Agency Funds	Totals
Cash and pooled investments	\$ 1,640,894	\$ 40,297	\$ 1,681,191

For note disclosure purposes, this amount is classified as follows:

Petty cash	\$ 300
Checking and savings accounts	879,440
Certificates of deposit (all due within one year)	801,451
<b>Total</b>	<b>\$ 1,681,191</b>

#### *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, \$450,539 of the Authority's bank balance of \$1,708,304 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**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 above. The Authority's investment policy does not have specific limits in excess of state law pertaining to investment credit risk. The Authority did not have any rated investments at year-end.

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Notes to Financial Statements

*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 did not have any investments at year-end.

*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.

### 4. RECEIVABLES AND DEFERRED REVENUE

Receivables are comprised of the following at year-end:

Accounts	\$	25,100
Taxes and special assessments *		52,849
Due from other governments		<u>307,270</u>
Total	\$	<u><u>385,219</u></u>

\* Net of allowance for uncollectible accounts of \$3,747.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. All governmental activities defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, deferred revenue reported in governmental activities for property taxes receivable was \$28,024.

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

Accounts	\$	254,148
Accrued payroll and benefits		36,586
Due to other governments		<u>108,007</u>
Total	\$	<u><u>398,741</u></u>

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 6. LINE OF CREDIT

The Authority has available a \$200,000 line of credit with interest at 1.50% in excess of the LIBOR one-month rate (effective rate of 1.72% at September 30, 2012). The line expires on May 1, 2013. There were no outstanding borrowings on the line as of September 30, 2012.

### 7. CAPITAL ASSETS

Capital asset activity for the Authority for the year ended September 30, 2012, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ -	\$ 249,289	\$ -	\$ -	\$ 249,289
Construction in progress	174,641	332,620	-	(62,355)	444,906
	<u>174,641</u>	<u>581,909</u>	<u>-</u>	<u>(62,355)</u>	<u>694,195</u>
Capital assets, being depreciated:					
Land improvements	792,709	755	-	-	793,464
Buildings	220,428	14,574	-	-	235,002
Machinery and equipment	819,658	73,621	-	62,355	955,634
Office furniture and equipment	41,846	34,261	-	-	76,107
Vehicles	4,577,597	5,895	-	-	4,583,492
	<u>6,452,238</u>	<u>129,106</u>	<u>-</u>	<u>62,355</u>	<u>6,643,699</u>
Less accumulated depreciation for:					
Land improvements	(57,303)	(38,896)	-	-	(96,199)
Buildings	(40,182)	(10,803)	-	-	(50,985)
Machinery and equipment	(322,752)	(208,428)	-	-	(531,180)
Office furniture and equipment	(26,905)	(4,995)	-	-	(31,900)
Vehicles	(1,865,578)	(370,529)	-	-	(2,236,107)
	<u>(2,312,720)</u>	<u>(633,651)</u>	<u>-</u>	<u>-</u>	<u>(2,946,371)</u>
Total capital assets being depreciated, net	<u>4,139,518</u>	<u>(504,545)</u>	<u>-</u>	<u>62,355</u>	<u>3,697,328</u>
Governmental activities capital assets, net	<u>\$ 4,314,159</u>	<u>\$ 77,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,391,523</u>

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

Governmental activities:	
Public transportation	<u>\$ 633,651</u>



# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 8. FUND BALANCES - GOVERNMENTAL FUNDS

Detailed information on fund balances of governmental funds is as follows:

	General Fund
Nonspendable:	
Prepays	\$ 17,144
Unassigned	<u>1,480,989</u>
Total	<u>\$ 1,498,133</u>

### 9. 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.

### 10. 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 8% of covered employee payroll. The participants direct their investments under defined contribution provisions. The Authority contributed \$45,679 and employees contributed \$11,578 to the defined contribution plan.

### 11. 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 New Freedom Services. These cost allocation plan were 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.

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 12. LEASE COMMITMENT

The Authority leases the Padnos Transportation Center and the Bus Garage from the City of Holland (the “City”) for \$1 per year. The current lease term expires at June 30, 2013. 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 these buildings 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 buildings are insured through the City’s self-insurance pool.



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## SUPPLEMENTARY INFORMATION

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Combining Statement of Fiduciary Assets and Liabilities

Agency Funds  
September 30, 2012

	Employees' Flexible Spending Plan Fund	Imprest Payroll Fund	Total
<b>Assets</b>			
Cash and pooled investments	\$ 982	\$ 39,315	\$ 40,297
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 3,285	\$ 3,285
Other liabilities and deposits	982	-	982
Due to other governmental units	-	36,030	36,030
<b>Total liabilities</b>	<b>\$ 982</b>	<b>\$ 39,315</b>	<b>\$ 40,297</b>

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended September 30, 2012

	Balance October 1, 2011	Additions	Deletions	Balance September 30, 2012
<i>Employees' Flexible Spending Plan Fund</i>				
<b>Assets</b>				
Cash and pooled investments	\$ 1,863	\$ 3,005	\$ 3,886	\$ 982
<b>Liabilities</b>				
Other liabilities and deposits	\$ 1,863	\$ 3,005	\$ 3,886	\$ 982
<i>Imprest Payroll Fund</i>				
<b>Assets</b>				
Cash and pooled investments	\$ 65,941	\$ 893,364	\$ 919,990	\$ 39,315
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 125,712	\$ 122,427	\$ 3,285
Due to other governmental units	65,941	767,652	797,563	36,030
<b>Total liabilities</b>	<b>\$ 65,941</b>	<b>\$ 893,364</b>	<b>\$ 919,990</b>	<b>\$ 39,315</b>
<i>Total All Agency Funds</i>				
<b>Assets</b>				
Cash and pooled investments	\$ 67,804	\$ 896,369	\$ 923,876	\$ 40,297
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 125,712	\$ 122,427	\$ 3,285
Other liabilities and deposits	1,863	3,005	3,886	982
Due to other governmental units	65,941	767,652	797,563	36,030
<b>Total liabilities</b>	<b>\$ 67,804</b>	<b>\$ 896,369</b>	<b>\$ 923,876</b>	<b>\$ 40,297</b>

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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, 2012

Federal and State Agency / Pass-Through Grantor / Program Title	CFDA Number	Pass-through / Grantor Number	Program Award Amount
<b>U.S. Department of Transportation</b>			
Direct assistance:			
Federal Transit Operating Grant - Section 5307	20.507	90-X654	\$ 1,100,000
Federal Transit Operating Grant - Section 5307	20.507	90-X637	471
Federal Transit Operating Grant - Section 5307	20.507	90-X618	64,000
Capital Grant - Section 5309	20.500	90-X618	150,000
Capital Grant - Section 5309	20.500	90-X637	19,529
Capital Grant - Section 5309	20.500	90-X762	318,000
State grant match provided by the Michigan Department of Transportation:			
Capital Grant - Section 5309	20.500	MI-03-0236	1,942,879
Capital Grant - Section 5309	20.500	MI-04-0010	309,375
<b>Total U.S. Department of Transportation</b>			<u>3,904,254</u>
<b>Michigan Department of Transportation</b>			
Operating assistance - Act 51:			
Year ended September 30, 2012	n/a	n/a	1,294,552
Year ended September 30, 2011	n/a	n/a	(46,149)
New Freedom program:			
Operating assistance	20.521	2012-0121/P1	64,900
Operating - Mobility Management	20.521	2012-0121/P1	30,000
Capital Grant	20.521	2012-0121/P1	15,000
<b>Total Michigan Department of Transportation</b>			<u>1,358,303</u>
<b>Total Expenditures of Federal and State Awards</b>			<u>\$ 5,262,557</u>

Current Year Expenditures					
Total	Federal	State	Local	Prior Year's Expenditures	Award Amount Remaining
\$ 1,100,000	\$ 1,100,000	\$ -	\$ -	\$ -	\$ -
471	471	-	-	-	-
14,230	14,230	-	-	49,770	-
67,667	67,667	-	-	82,333	-
10,184	8,147	2,037	-	9,228	117
36,316	29,053	7,263	-	-	281,684
319,940	244,373	75,567	-	42,600	1,580,339
261,970	221,154	40,816	-	47,405	-
<u>1,810,778</u>	<u>1,685,095</u>	<u>125,683</u>	<u>-</u>	<u>231,336</u>	<u>1,862,140</u>
1,294,552	-	1,294,552	-	-	-
(46,149)	-	(46,149)	-	-	-
46,230	46,230	-	-	-	18,670
29,360	29,360	-	-	-	640
15,000	15,000	-	-	-	-
<u>1,338,993</u>	<u>90,590</u>	<u>1,248,403</u>	<u>-</u>	<u>-</u>	<u>19,310</u>
<u>\$ 3,149,771</u>	<u>\$ 1,775,685</u>	<u>\$ 1,374,086</u>	<u>\$ -</u>	<u>\$ 231,336</u>	<u>\$ 1,881,450</u>

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

**Schedule of Operating Revenues**

Urban Regular Service

For the Year Ended September 30, 2012

Code	Description	Total
401:	Farebox revenues	
40100	Passenger fares	\$ 297,742
40200	Contract fares	10,148
	<b>Total Farebox revenues</b>	<b>307,890</b>
405:	Charter	
40500	Charter service	6,327
406:	Auxiliary transit revenues	
40615	Advertising	27,375
40699	Other auxiliary transit revenues (cash short/over, nsf charges)	1,785
	<b>Total auxiliary transit revenues</b>	<b>29,160</b>
407:	Non-transit revenues	
40720	Rental of buildings and other property	16,918
40799	Other non-transit revenues (insurance recoveries)	8,962
	<b>Total non-transit revenues</b>	<b>25,880</b>
408/409:	Local revenues	
40800	Taxes levied directly for/by transit agency	789,080
40910	Local operating assistance - from surrounding local governments	76,161
	<b>Total Local revenues</b>	<b>865,241</b>
411:	State formulas and contracts	
41101	State operating assistance	1,294,552
413:	Federal contracts	
41302	Federal section 5307 (operating funds only)	1,100,000
41314	Other capital contract reimbursement for operating expenses	14,230
	<b>Federal contracts</b>	<b>1,114,230</b>
414:	Other revenues	
41400	Interest income	4,392
	<b>Total operating revenues</b>	<b>\$ 3,647,672</b>

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 OMB Circular A-87. 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. Amounts equal to the insurance recoveries (\$858) are subtracted out as ineligible expenses on OAR Schedule 4E.

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

## Schedule of Operating Revenues

New Freedom

For the Year Ended September 30, 2012

Code	Description	Total
401:	Farebox revenues	
40100	Passenger fares	\$ 2,541
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	44,549
40910	Local operating assistance	-
	Total local revenues	44,549
411:	State formulas and contracts	
41101	State operating assistance	-
413:	Federal contracts	
41302	Federal section 5317	46,230
414:	Other revenues	
41400	Interest income	-
	Total operating revenues	\$ 93,320

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Schedule of Operating Expenses Urban Regular Service For the Year Ended September 30, 2012

Code	Description	Operations	Maintenance	General Administration	Total
501:	Labor				
50101	Operators' salaries and wages	\$ 948,707	\$ -	\$ -	\$ 948,707
50102	Other salaries and wages	179,640	73,401	246,536	499,577
50103	Dispatcher salaries and wages	111,241	-	-	111,241
	<b>Total labor</b>	<b>1,239,588</b>	<b>73,401</b>	<b>246,536</b>	<b>1,559,525</b>
502:	Fringe benefits				
50200	Other	468,406	34,106	102,428	604,940
50201	Pensions	24,081	2,283	16,647	43,011
	<b>Total fringe benefits</b>	<b>492,487</b>	<b>36,389</b>	<b>119,075</b>	<b>647,951</b>
503:	Services				
50302	Advertising	-	-	54,909	54,909
50305	Audit cost	-	-	6,625	6,625
50399	Other	7,497	297,082	162,059	466,638
	<b>Total services</b>	<b>7,497</b>	<b>297,082</b>	<b>223,593</b>	<b>528,172</b>
504:	Materials				
50401	Fuel and lubricants	416,760	-	-	416,760
50402	Tires	42,314	-	-	42,314
50499	Other	7,227	3,757	29,137	40,121
	<b>Total materials</b>	<b>466,301</b>	<b>3,757</b>	<b>29,137</b>	<b>499,195</b>
50500	Utilities	-	-	61,234	61,234
506:	Insurance				
50603	Liability insurance	138,247	-	-	138,247
509:	Miscellaneous expenses				
50902	Travel, meetings and training	268	-	6,584	6,852
50903	Association dues and subscriptions	-	-	8,262	8,262
50999	Other	-	-	17,664	17,664
	<b>Total miscellaneous expenses</b>	<b>268</b>	<b>-</b>	<b>32,510</b>	<b>32,778</b>
51200	Operating leases and rentals	1,001	-	-	1,001
513:	Depreciation				
51300	Grant assets	-	-	598,989	598,989
51300	Other assets	-	-	34,662	34,662
	<b>Total depreciation</b>	<b>-</b>	<b>-</b>	<b>633,651</b>	<b>633,651</b>

continued...

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Schedule of Operating Expenses

Urban Regular Service

For the Year Ended September 30, 2012

Code	Description	Operations	Maintenance	General Administration	Total
550/576:	Ineligible expenses				
55007	Ineligible depreciation	\$ -	\$ -	\$ 598,989	\$ 598,989
55008	Other ineligible expenses	8,104	-	13	8,117
54000	Ineligible prior year refunds and credits	-	-	10,528	10,528
55015	Ineligible charter	182	1,215	-	1,397
57604	Other ineligible expenses paid by capital contract	-	-	15,661	15,661
	<b>Total ineligible expenses</b>	<u>8,286</u>	<u>1,215</u>	<u>625,191</u>	<u>634,692</u>
	<b>Total expenses</b>				4,101,754
	<b>Total ineligible expenses</b>				<u>634,692</u>
	<b>Total eligible expenses</b>				<u>\$ 3,467,062</u>

concluded

Note:

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

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Schedule of Operating Expenses

New Freedom

For the Year Ended September 30, 2012

Code	Description	Operations	Maintenance	General Administration	Total
501:	Labor				
50101	Operators' salaries and wages	\$ 23,418	\$ -	\$ -	\$ 23,418
50102	Other salaries and wages	4,534	1,851	8,292	14,677
50103	Dispatcher salaries and wages	2,820	-	-	2,820
	Total labor	30,772	1,851	8,292	40,915
502:	Fringe benefits				
50200	Other	15,035	845	2,995	18,875
50201	Pensions	610	58	418	1,086
	Total fringe benefits	15,645	903	3,413	19,961
503:	Services				
50302	Advertising	-	-	3,403	3,403
50305	Audit cost	-	-	174	174
50399	Other	184	8,781	4,725	13,690
	Total services	184	8,781	8,302	17,267
504:	Materials				
50401	Fuel and lubricants	8,877	-	-	8,877
50402	Tires	1,074	-	-	1,074
50499	Other	178	96	1,875	2,149
	Total materials	10,129	96	1,875	12,100
50500	Utilities	-	-	1,520	1,520
506:	Insurance				
50603	Liability insurance	3,528	-	-	3,528
509:	Miscellaneous expenses				
50902	Travel, meetings and training	6	-	163	169
50903	Association dues and subscriptions	-	-	216	216
50999	Other	-	-	453	453
	Total miscellaneous expenses	6	-	832	838
550/576:	Ineligible expenses				
55010	Other ineligible expenses associated with auxiliary and nontrans	-	-	268	268
57604	Other ineligible expenses paid by capital contract	-	-	2,541	2,541
	Total ineligible expenses	-	-	2,809	2,809
	Total expenses				96,129
	Total ineligible expenses				2,809
	Total eligible expenses				\$ 93,320

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Schedule of Operating and Contract Expenses

Urban Regular Services

For the Year Ended September 30, 2012

	Operations	Maintenance	General Administration	Total
Operating expenses				
Labor	\$ 1,239,588	\$ 73,401	\$ 246,536	\$ 1,559,525
Pensions	468,406	34,106	102,428	604,940
Other fringe benefits	24,081	2,283	16,647	43,011
Audit cost	-	-	6,625	6,625
Other services	7,497	297,082	216,968	521,547
Materials	466,301	3,757	29,137	499,195
Utilities	-	-	61,234	61,234
Insurance	138,247	-	-	138,247
Miscellaneous expenses	268	-	32,510	32,778
Lease and other rentals	1,001	-	-	1,001
Depreciation	-	-	633,651	633,651
<b>Total operating expenses</b>	<b>\$ 2,345,389</b>	<b>\$ 410,629</b>	<b>\$ 1,345,736</b>	<b>\$ 4,101,754</b>



# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Schedule of Operating and Contract Expenses

New Freedom

For the Year Ended September 30, 2012

	Operations	Maintenance	General Administration	Total
Operating expenses				
Labor	\$ 30,772	\$ 1,851	\$ 8,292	\$ 40,915
Pensions	15,035	845	2,995	18,875
Other fringe benefits	610	58	418	1,086
Audit cost	-	-	174	174
Other services	184	8,781	8,128	17,093
Materials	10,129	96	1,875	12,100
Utilities	-	-	1,520	1,520
Insurance	3,528	-	-	3,528
Miscellaneous expenses	6	-	832	838
Total operating expenses	<u>\$ 60,264</u>	<u>\$ 11,631</u>	<u>\$ 24,234</u>	<u>\$ 96,129</u>

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Operating Assistance Calculation

Urban Regular Services

For the Year Ended September 30, 2012

Total expenses	<u>\$ 4,101,754</u>
Less ineligible expenses	
Depreciation	598,989
Other expenses	8,117
Prior year refunds and credits	10,528
Charter	1,397
Other expenses paid by capital contract	<u>15,661</u>
Total ineligible expenses	<u>634,692</u>
Total State eligible expenses	<u><u>\$ 3,467,062</u></u>
Eligible expenses for State reimbursement	\$ 3,467,062
Reimbursement percentage	<u>36.24%</u>
State operating assistance	<u><u>\$ 1,256,290</u></u>

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

**Schedule of Vehicle Miles**

For the Year Ended September 30, 2012

	Public Service	New Freedom	Total
First quarter (October-December)	200,830	5,252	206,082
Second quarter (January-March)	203,591	5,662	209,253
Third quarter (April-June)	200,794	4,612	205,406
Fourth quarter (July-September)	194,809	5,252	200,061
<b>Total</b>	<b>800,024</b>	<b>20,778</b>	<b>820,802</b>

Note:

The methodology used for compiling mileage on OAR Schedules 4N is an adequate and reliable method for recording vehicle mileage. Because expenses associated with providing charter service are based on vehicle hours, the methodology used for compiling hours is an adequate and reliable method.

**Schedule of Vehicle Hours**

For the Year Ended September 30, 2012

	Public Service	New Freedom	Total
First quarter (October-December)	17,379	489	17,868
Second quarter (January-March)	17,837	493	18,330
Third quarter (April-June)	17,480	474	17,954
Fourth quarter (July-September)	17,010	489	17,499
<b>Total</b>	<b>69,706</b>	<b>1,945</b>	<b>71,651</b>

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

**Schedule of Line-Haul Passenger Data and Vehicle Hours**  
For the Year Ended September 30, 2012

	Vehicle Hours	Regular Passengers	Senior Passengers	Handicapped Passengers	Senior/Handicapped Passengers	Total Passenger
First quarter (October-December)	8,564	59,226	5,771	21,508	636	87,141
Second quarter (January-March)	8,470	65,108	13,541	17,662	405	96,716
Third quarter (April-June)	8,208	57,954	11,717	16,702	517	86,890
Fourth quarter (July-September)	8,470	58,547	5,447	16,477	589	81,060
<b>Total</b>	<b>33,712</b>	<b>240,835</b>	<b>36,476</b>	<b>72,349</b>	<b>2,147</b>	<b>351,807</b>

**Schedule of Demand Response Data and Vehicle Hours**  
 For the Year Ended September 30, 2012

	Vehicle Hours	Regular Passengers	Senior Passengers	Handicapped Passengers	Senior/Handicapped Passengers	Total Passenger
First quarter (October-December)	8,815	4,149	1,134	18,038	731	24,052
Second quarter (January-March)	9,367	4,040	1,048	19,484	651	25,223
Third quarter (April-June)	9,272	3,881	1,227	19,265	685	25,058
Fourth quarter (July-September)	8,540	2,968	1,165	18,657	649	23,439
<b>Total</b>	<b>35,994</b>	<b>15,038</b>	<b>4,574</b>	<b>75,444</b>	<b>2,716</b>	<b>97,772</b>

MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

(Unaudited)

**Schedule of New Freedom Passenger Data and Vehicle Hours**  
For the Year Ended September 30, 2012

	Vehicle Hours	Regular Passengers	Senior Passengers	Handicapped Passengers	Senior/Handicapped Passengers	Total Passenger
First quarter (October-December)	489	324	-	250	1	575
Second quarter (January-March)	493	387	2	273	2	664
Third quarter (April-June)	474	271	-	238	1	510
Fourth quarter (July-September)	489	313	23	258	-	594
<b>Total</b>	<b>1,945</b>	<b>1,295</b>	<b>25</b>	<b>1,019</b>	<b>4</b>	<b>2,343</b>

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



# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Reconciliation

OAR Operating Revenues to Statement of Revenues,  
Expenditures and Changes in Fund Balance for Governmental Funds  
For the Year Ended September 30, 2012

Code	Description	Urban Regular	New Freedom
401:	Farebox revenues		
40100	Passenger fares	\$ 297,742	\$ 2,541
40200	Contract fares	10,148	-
405:	Charter		
40500	Charter service	6,327	-
406:	Auxiliary transit revenues		
40615	Advertising	27,375	-
40699	Other auxiliary transit revenues (cash short/over, court recovery fees, nsf charges)	1,785	-
407:	Non-transit revenues		
40720	Rental of buildings and other property	16,918	-
40799	Other non-transit revenues (insurance recoveries)	8,962	-
408/409:	Local revenues		
40800	Taxes levied directly for/by transit agency	789,080	44,549
40910	Local operating assistance	76,161	-
411:	State formulas and contracts		
41101	State operating assistance	1,294,552	-
413:	Federal contracts		
41302	Federal section 5307 (operating funds only)	1,100,000	46,230
41314	Other capital contract reimbursement for operating expenses	14,230	-
414:	Other revenues		
41400	Interest income	4,392	-
	Total operating revenues	<u>\$ 3,647,672</u>	<u>\$ 93,320</u>

\* Cash over and short classified with passenger fares on the statement of revenues, expenditures and changes 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
\$ 197 *	\$ 300,480	
-	10,148	
-	<u>6,327</u>	
	<u>\$ 316,955</u>	Passenger fares
-	\$ 27,375	
(1,055) *	730	
-	<u>16,918</u>	
	<u>\$ 45,023</u>	Charges for services
-	<u>\$ 8,962</u>	Other financing sources
-	\$ 833,629	Property taxes
-	<u>\$ 76,161</u>	Intergovernmental - local
79,534 °	<u>\$ 1,374,086</u>	Intergovernmental - state
615,225 °	\$ 1,761,455	
-	14,230	
	<u>\$ 1,775,685</u>	Intergovernmental - federal
-	<u>\$ 4,392</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 Funds  
For the Year Ended September 30, 2012

Total operating expenses per OAR:	
Nonurban Regular	\$ 4,101,754
New Freedom	96,129
	<hr/>
	4,197,883
Reconciling items:	
Capital outlay expense is not included on the OAR as those costs are reimbursed by capital grants, if eligible	722,779
Depreciation expense is not reported in the governmental fund as it does not represent current available resources	(633,651)
Amounts funded by New Freedom Mobility Management grant and not reported as operating expenses on the OAR	<hr/>
	29,360
Total expenditures per governmental fund statement	<hr/> <hr/>
	\$ 4,316,371

Macatawa Area  
Express  
Transportation  
Authority



Year Ended  
September 30,  
2012

Single Audit Act  
Compliance

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

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INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

March 14, 2013

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, 2012, and have issued our report thereon dated March 14, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Rehmann Johnson".

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2012

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	90-X654	\$ 1,100,000
Section 5307 current year (operating)	20.507	Direct	90-X637	471
Section 5307 current year (operating)	20.507	Direct	90-X618	14,230
Section 5309 (capital grant)	20.500	Direct	90-X618	67,667
Section 5309 (capital grant)	20.500	Direct	90-X637	8,147
Section 5309 (capital grant)	20.500	Direct	90-X762	29,053
Capital Grant, Section 5309	20.500	COH	MI-03-0236	244,373
Capital Grant, Section 5309	20.500	COH	MI-04-0010	221,154
				<u>1,685,095</u>
 New Freedom Program	 20.521	 MDOT	 2012-0121/P1	 <u>90,590</u>
 Total Expenditures of Federal Awards				 <u>\$ 1,775,685</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, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 assets 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met. Pass-through entity identifying numbers are presented where available.

### 3. PASS-THROUGH AGENCIES

The Authority receives certain federal grant 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
COH	City of Holland





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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*

March 14, 2013

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, 2012, which collectively comprise the basic financial statements of the Authority, and have issued our report thereon dated March 14, 2013. 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.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2012-FS-1 to be a material weakness.

### Compliance and Other Matters

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

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Authority Board, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

March 14, 2013

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

Compliance

We have audited the compliance of Macatawa Area Express Transportation Authority (the "Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2012. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended September 30, 2012.

## Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Authority Board, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?  X  yes   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: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?   yes  X  no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.500 and 20.507	Federal Transit Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$300,000 </u>
Auditee qualified as low-risk auditee?	<u> X </u> yes <u> </u> no

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2012

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2012-FS-1 - Material Audit Adjustment and Preparation of Schedule of Expenditures of Federal Awards

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP). In addition, the Authority is required to “prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with OMB Circular A-133, §\_\_.310.”

Condition. During our audit, we identified and proposed a certain material adjustment (which was approved and posted by management) to adjust the Authority's general ledger to the appropriate balance for accounts payable, capital outlay, receivables and grant revenue. While management was able to provide us with a schedule of expenditures of Federal awards during our audit fieldwork, this material adjustment resulted in the schedule being materially misstated.

Cause. This condition was the result of an invoice received after year end for services incurred during the audit period that was originally charged to the incorrect fiscal year.

Effect. As a result of this condition, the Authority's accounting records were initially misstated by amounts material to the financial statements, including the schedule of expenditures of Federal awards.

Recommendation. Management has already taken appropriate corrective action by reviewing and approving the proposed audit adjustments. Accordingly, no further action is required at this time.

View of Responsible Officials. Management agrees with the adjustments proposed by its auditors, and they have been posted in the Authority's records.

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2012

### 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, 2012

None reported.

■ ■ ■ ■ ■

March 14, 2013

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") for the year ended September 30, 2012, and have issued our report thereon dated March 14, 2013. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated August 3, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements 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 responsibilities.

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Authority's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the Authority's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Authority's compliance with those requirements.

### 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.

### 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 and our meeting about planning matters on November 26, 2012.

### Significant Results of the Audit

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive 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 in determining that they are reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The material misstatement detected as a result of audit procedures and corrected by management is described in detail in our report on Single Audit Act Compliance.

*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 A 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.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the attached management representation letter dated March 14, 2013.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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,

A handwritten signature in black ink, appearing to read "Lehmann Johnson". The signature is written in a cursive, flowing style.

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Attachment A - Upcoming Changes in Accounting Standards

For the September 30, 2012 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](http://www.gasb.org) and click on the “pronouncements” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

### **GASB 63 ■ Deferred Inflows, Outflows, and Net Position**

*Effective 12/15/2012 (your FY 2013)*

This standard will introduce new terminology to the balance sheet by creating a category of quasi-assets called “deferred outflows”, and a category of quasi-liabilities called “deferred inflows”. As a result, the term “net assets” will no longer be used, and is replaced by the more generic term “net position”. Essentially, deferred inflows and outflows will be used to report transactions that occurred prior to year end that relate to revenues and expenses (inflows and outflows) of future periods. The format of the new “statement of net position” will be presented as *assets + deferred outflows - liabilities - deferred inflows = net position*. Net position will be further categorized into *net investment in capital assets, restricted, and unrestricted* amounts. Fund balance of governmental funds will be unaffected, and governmental funds will continue to report a traditional balance sheet (*assets = liabilities + fund balance*).

### **GASB 64 ■ Derivative Instruments (an Amendment of GASB 53)**

*Effective 06/15/2011 (your FY 2011)*

Under certain circumstances, a government is permitted to enter into swap agreements to “hedge” or protect against the risk of loss. The government is required to recognize the income statement impact of a hedge upon its termination. This standard addresses whether amending an existing swap agreement or entering into a new swap agreement qualifies as a termination for accounting purposes.

Statement No. 64 is already in effect. However, since the Authority does not hold any derivative instruments, this standard had no impact on its financial reporting.

### **GASB 65 ■ Items Previously Reported as Assets and Liabilities**

*Effective 12/15/2013 (your FY 2014)*

This standard builds on the new terminology introduced in GASB 63. Certain items previously reported as assets and liabilities will now be classified as deferred inflows and outflows, while other items will no longer be carried on the balance sheet. As such, a restatement of beginning equity may be required to write off balances from previous years that no longer meet the definition for presentation on the balance sheet. The term “deferred revenue” will no longer be used by governments for any purpose. While GASB 65 is not required to be implemented until one year after GASB 63, we recommend that they be adopted together, as the standards complement one another.

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## Attachment A - Upcoming Changes in Accounting Standards

For the September 30, 2012 Audit

The following table provides examples of balances affected by this standard:

Item	Pre-GASB 65	Post-GASB 65
Loss/gain on refunding of bonds payable	Liability/asset ("deferred loss/gain on refunding")	Deferred outflow/inflow
Property taxes levied prior to the year they are intended to finance	Liability ("deferred revenue")	Deferred inflow
Grant funds received but all grant requirements not met	Provider: asset ("advance to...") Recipient: liability ("advance from...")	No change
Grant funds received and all grant requirements met, but advance is for the following program year	Provider: asset ("advance to...") Recipient: liability ("advance from...")	Provider: deferred outflow Recipient: deferred inflow
Bond issuance costs	Asset ("deferred bond issuance costs" or "deferred bond charges")	Expense in year incurred
Initial direct costs of operating leases	Asset ("prepaid")	Expense in year incurred
Unexpended proceeds of expenditure-driven grants; charges for services collected in advance	Liability ("deferred revenue")	Liability ("unearned revenue")
Revenues not "available" in governmental funds because they are not collected soon enough after year-end	Liability ("deferred revenue")	Deferred inflow

### GASB 66 ■ 2012 Technical Corrections (an Amendment to GASB 10 and GASB 62) Effective 12/15/2013 (your FY 2014)

This standard was issued to eliminate conflicting guidance that resulted from the issuance of GASB 54 and GASB 62, which are both already effective. GASB 10 was amended to allow for risk financing activities to be accounted for in whichever fund type is most applicable (no longer limited to the general fund or an internal service fund). GASB 62 was amended to modify specific guidance related to (1) operating leases with scheduled rent increases, (2) purchase of loans at an amount other than the principal amount, and (3) service fees related to mortgages that are sold when the service rate varies significantly from the current (normal) service fees.

We do not expect GASB 66 to have any significant impact on the Authority at this time.

### GASB 67 ■ Financial Reporting for Pension Plans Effective 06/15/2014 (your FY 2014)

This standard establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information. The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government's fiscal year, or be rolled forward to that date by the actuary.

Because the Authority does not maintain its own pension trust fund, we do not expect GASB 67 to have any significant impact on the Authority at this time.

# MACATAWA AREA EXPRESS TRANSPORTATION AUTHORITY

## ■ Attachment A - Upcoming Changes in Accounting Standards

For the September 30, 2012 Audit

### GASB 68 ■ Accounting and Financial Reporting for Pensions

*Effective 06/15/2015 (your FY 2015)*

This standard establishes new requirements for governments to report a “net pension liability” for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated in accordance with GASB 67 and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their “proportionate share” of the net pension liability of the entire system.

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government’s proportionate share of plan.

GASB 67 and 68 are only applicable to pension plans. However, the GASB has announced its intent to issue similar standards for other postemployment benefits (e.g., retiree healthcare) on a two year delay from these standards.

### GASB 69 ■ Government Combinations and Disposals of Government Operations

*Effective 12/15/2014 (your FY 2014)*

This standard provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity.

Given the infrequent nature of these types of events, we do not expect this standard to have any impact on the Authority at this time.





March 14, 2013

Rehmann Robson  
2330 East Paris Avenue  
Grand Rapids, MI 49546

We are providing this letter in connection with your audit of the financial statements of the *Macatawa Area Express Transportation Authority* (the "Authority") as of September 30, 2012 and for the year then ended for the purpose of expressing opinions as to whether the financial statements 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 Macatawa Area Express Transportation Authority and the respective changes in financial position and, where applicable, cash flows thereof in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of March 14, 2013, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all—
  - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Minutes of the meetings of Transportation Authority Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
5. We are in agreement with the adjusting journal entries you have proposed, and they have been posted.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.



7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - 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.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
11. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
12. The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
13. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.


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.
  - b. Guarantees, whether written or oral, under which the Authority is contingently liable.
  - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
14. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

15. There are no—
  - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
  - b. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with generally accepted accounting principles or which would affect federal award programs, and we have not consulted a lawyer concerning litigation, claims, or assessments.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.
16. As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
17. The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
18. The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
19. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
20. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
21. The financial statements properly classify all funds and activities.
22. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
23. Components of net assets (invested in capital assets, net of related debt; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
24. Provisions for uncollectible receivables have been properly identified and recorded.
25. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
26. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.


27. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
28. Deposits and investment are properly classified as to risk and are properly disclosed.
29. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
30. We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
31. We acknowledge our responsibility for the required supplementary information (RSI). The required supplementary information is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
32. With respect to the agency fund combining schedules, we acknowledge our responsibility for presenting these schedules in accordance with accounting principles generally accepted in the United States of America, and we believe these schedules, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of these schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
33. We have evaluated the Authority's ability to continue as a going concern and have included appropriate disclosures, as necessary, in the financial statements.
34. With respect to federal award programs:
  - a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
  - b. We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133, and have identified and disclosed in the schedule 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, insurance, food commodities, direct appropriations, and other assistance.
  - c. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b and we believe the SEFA, including its form and content, is fairly presented in accordance with the Circular. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.

- d. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- e. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133.
- f. We are responsible for understanding and complying with, and have complied 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 program.
- g. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides 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. We believe the internal control system is adequate and is functioning as intended.
- h. 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 relevant to federal programs and related activities.
- i. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- j. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards.
- k. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. 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.
- m. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- n. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

- o. We have made available to you all documentation related to compliance with the direct and material requirements, including information related to federal program financial reports and claims for advances and reimbursements.
  - p. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
  - q. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
  - r. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
  - s. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
  - t. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
  - u. We have charged costs to federal awards in accordance with applicable cost principles.
  - v. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 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.
  - w. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
  - x. We are responsible for preparing and implementing a corrective action plan for each audit finding.
35. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

  
\_\_\_\_\_  
Signature

\_\_\_\_\_  
Director of Finance  
Title

  
\_\_\_\_\_  
Signature

\_\_\_\_\_  
Director  
Title