
Washington and Bruce Townships Senior
Transportation Thru Advanced Reservation

Financial Report
with Supplemental Information
March 31, 2019

Washington and Bruce Townships Senior Transportation Thru Advanced Reservation

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Independent Auditor's Report

To the Commissioners
Washington and Bruce Townships Senior
Transportation Thru Advanced Reservation

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Washington and Bruce Townships Senior Transportation Thru Advanced Reservation (the "System") as of and for the year ended March 31, 2019 and the related notes to the financial statements, which collectively comprise Washington and Bruce Townships Senior Transportation Thru Advanced Reservation's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Washington and Bruce Townships Senior Transportation Thru Advanced Reservation as of March 31, 2019 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Commissioners
Washington and Bruce Townships Senior
Transportation Thru Advanced Reservation

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the General Fund budgetary comparison schedule, as identified in the table of contents, 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, which 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 supplemental 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.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Washington and Bruce Townships Senior Transportation Thru Advanced Reservation's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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



July 24, 2019

Washington and Bruce Townships Senior Transportation Thru Advanced Reservation

Management's Discussion and Analysis

Our discussion and analysis of Washington and Bruce Townships Senior Transportation Thru Advanced Reservation's (STAR or the "System") financial performance provides an overview of its financial activities for the fiscal year ended March 31, 2019. Please read it in conjunction with STAR's financial statements.

STAR's financial statements are presented on both the modified accrual basis and the government-wide basis, in accordance with Governmental Accounting Standards Board Statement (GASB) No. 34. The modified accrual basis presents a short-term view; it tells us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. The government-wide statements present a longer-term view of the System's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing STAR's services.

To remain consistent with GASB Statement No. 34, the management's discussion and analysis report includes comparative data from the prior year within the financial sections below.

Washington and Bruce Townships Senior Transportation Thru Advanced Reservation as a Whole

The following tables show, in a condensed format, the net position as of March 31, 2019 and 2018 and the changes in net position for the years then ended:

	2019	2018
Assets		
Current and other assets	\$ 1,176,826	\$ 1,098,584
Capital assets	41,188	58,973
Total assets	1,218,014	1,157,557
Liabilities		
	69,116	17,784
Net Position		
Net investment in capital assets	41,188	58,973
Unrestricted	1,107,710	1,080,800
Total net position	\$ 1,148,898	\$ 1,139,773
	2019	2018
Revenue		
Taxes	\$ 457,347	\$ 433,849
Intergovernmental	143,961	131,865
Reimbursements	-	3,038
Investment earnings	2,295	1,866
Other revenue	2,494	2,075
Total revenue	606,097	572,693
Expenditures		
	600,923	573,548
Other Financing Sources - Sale of capital assets		
	3,951	-
Change in Net Position		
	\$ 9,125	\$ (855)

The System's increase in net position during the year was \$9,125. STAR's revenue consists of millages from Washington and Bruce townships, municipal and community credits, a specialized service grant from SMART, a regional transportation system, interest revenue, donations, and additional services. Total revenue increased by \$33,404 primarily due to an increase in the taxable value of the properties located in Washington and Bruce townships. Net capital assets decreased by approximately \$18,000 due to the disposal of two assets during the year.

Washington and Bruce Townships Senior Transportation Thru Advanced Reservation

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Revenue appeared favorable this fiscal year. The revenue came in approximately \$22,000 more than anticipated due to the Local Stabilization Authority related to lost personal property taxes and increases in property valuation in Washington and Bruce townships. Expenditures were greater than budgeted amounts by approximately \$6,000 mainly due to expenses related to dispatch needs from increased use, as well as the new dispatch program.

Economic Factors and Next Year's Budgets and Rates

Tax revenue is projected to increase modestly. Expenses will be managed to provide effective and efficient service. No funds were needed to balance the budget. If opportunity comes up that cars/buses become available, a budget amendment would need to be made to align with our vehicle replacement needs. The board has agreed for STAR to assign a total of \$800,000: \$650,000 for capital development and \$150,000 toward future use and development.

Requests for Further Information

This financial report is intended to provide our citizens, customers, and investors with a general overview of STAR's finances and show STAR's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the STAR transportation office.

Washington and Bruce Townships Senior Transportation Thru Advanced Reservation

Governmental Fund Balance Sheet - Statement of Net Position

March 31, 2019

	Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Position - Full Accrual
Assets			
Cash and investments (Note 3)	\$ 1,055,338	\$ -	\$ 1,055,338
Receivables - Due from other governmental units	121,488	-	121,488
Capital assets - Subject to depreciation (Note 4)	-	41,188	41,188
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,176,826</u>	41,188	1,218,014
Liabilities			
Accounts payable	\$ 6,732	-	6,732
Due to other governmental units	62,245	-	62,245
Employee compensated absences - Due in more than one year	-	139	139
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	68,977	139	69,116
Deferred Inflows of Resources - Unavailable revenue	39,179	(39,179)	-
Equity			
Fund balance:			
Assigned:			
Future use and development	316,500	(316,500)	-
Capital projects	650,000	(650,000)	-
Unassigned	102,170	(102,170)	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	1,068,670	(1,068,670)	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,176,826</u>		
Net Position:			
Net investment in capital assets		41,188	41,188
Unrestricted		1,107,710	1,107,710
		<u> </u>	<u> </u>
Total net position		<u>\$ 1,148,898</u>	<u>\$ 1,148,898</u>

Washington and Bruce Townships Senior Transportation Thru Advanced Reservation

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance - Statement of Activities

Year Ended March 31, 2019

	Revenue and Expenditures - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue			
Taxes	\$ 457,347	\$ -	\$ 457,347
Intergovernmental:			
State revenue	23,786	18,252	42,038
Shared revenue	112,309	(10,386)	101,923
Investment earnings	2,295	-	2,295
Other revenue	2,494	-	2,494
	<hr/>	<hr/>	<hr/>
Total revenue	598,231	7,866	606,097
Expenditures			
Salaries	361,209	-	361,209
Vehicles	66,382	-	66,382
Administrative	71,860	17,785	89,645
Benefits	79,918	41	79,959
Capital outlay	3,728	-	3,728
	<hr/>	<hr/>	<hr/>
Total expenditures	583,097	17,826	600,923
Other Financing Sources - Sale of capital assets	3,951	-	3,951
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance/Net Position	19,085	(9,960)	9,125
Fund Balance/Net Position - Beginning of year	1,049,585	90,188	1,139,773
	<hr/>	<hr/>	<hr/>
Fund Balance/Net Position - End of year	\$ 1,068,670	\$ 80,228	\$ 1,148,898
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Washington and Bruce Townships Senior Transportation Thru Advanced Reservation

Notes to Financial Statements

March 31, 2019

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by Washington and Bruce Townships Senior Transportation Thru Advanced Reservation:

Reporting Entity

Washington and Bruce Townships Senior Transportation Thru Advanced Reservation (the "System") was organized on December 29, 1981 by a joint resolution between Washington and Bruce townships. The System was organized to provide transportation services to residents of the two townships who are 60 years of age or older. The System is governed by a two-member board with one representative each from Bruce and Washington townships and one alternative member from each township. The System is not considered to be a component unit of the townships of Bruce or Washington.

Accounting and Reporting Principles

The System follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB).

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives: the government-wide perspective and the fund-based perspective. The General Fund column reports activities on the modified accrual basis of accounting, as discussed below, which demonstrates accountability for how the current resources have been spent. The government-wide column is presented on the economic resources measurement focus and the full accrual basis of accounting in order to measure the cost of providing government services and the extent to which constituents have paid the full cost of government services.

On the full accrual basis of accounting, revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Accounting

The System accounts for its activities in one governmental fund. The General Fund is the primary operating fund and accounts for all financial resources used to provide services.

Basis of Accounting

The General Fund uses the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the System has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as sick and vacation pay) are not counted until they come due for payment.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the System considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: intergovernmental revenue and most property taxes. Conversely, some property tax revenue will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow."

**Washington and Bruce Townships Senior
Transportation Thru Advanced Reservation**

Notes to Financial Statements

March 31, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets

Capital assets, which include equipment and vehicles, are reported in the statement of net position. Capital assets are defined by the System as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Depreciable Life - Years</u>
Equipment	5
Vehicles	5
Land improvements	15

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The System has no deferred outflows of resources.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting. Unavailable revenue is reported only in the General Fund balance sheet. The General Fund reports unavailable revenue from property taxes and intergovernmental state revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

The System will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the System's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Washington and Bruce Townships Senior Transportation Thru Advanced Reservation

Notes to Financial Statements

March 31, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

The System will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the System's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The System itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the System's highest level of decision-making authority. The System's commissioners are the highest level of decision-making authority for the System that can, prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the System for specific purposes, but do not meet the criteria to be classified as committed. The commissioners may also assign fund balance as they do when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Property taxes are levied on each December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The System's 2018 property tax revenue was levied and collectible on December 1, 2018 and is recognized as revenue in the year ended March 31, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The System receives property taxes levied by the member townships of Washington and Bruce. The 2018 taxable valuation of all the property subject to the System's millage is \$1.385 million and \$475 million for Washington Township and Bruce Township, respectively, on which taxes levied consisted of total mills of 0.2412 for each township. This resulted in approximately \$470,000 for operations. This amount is recognized as tax revenue.

Compensated Absences (Vacation and Sick Leave)

It is the System's policy to permit employees to accumulate earned but unused sick, vacation, and personal day benefits. All compensated absence pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the General Fund only for employee terminations as of year end.

Washington and Bruce Townships Senior Transportation Thru Advanced Reservation

Notes to Financial Statements

March 31, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The System is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the System's financial statements for the year ending March 31, 2020.

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The System is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the System's financial statements for the year ending March 31, 2021.

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balance and the net change in fund balance of Washington and Bruce Townships Senior Transportation Thru Advanced Reservation's modified accrual reporting differs from net position and change in net position of the full accrual reporting in the statement of net position and the statement of activities. This difference results primarily from the long-term economic focus of the full accrual reporting versus the current economic focus of modified accrual reporting. The following are reconciliations of fund balance (modified accrual basis) to net position (full accrual basis) and the net change in fund balance to the net change in net position:

Fund Balance Reported in Governmental Funds	\$ 1,068,670
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the fund	41,188
Property tax and intergovernmental receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the fund	39,179
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(139)
Net Position of Governmental Activities	<u>\$ 1,148,898</u>

Washington and Bruce Townships Senior Transportation Thru Advanced Reservation

Notes to Financial Statements

March 31, 2019

Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

Net Change in Fund Balance - Total Governmental Funds	\$	19,085
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense		(17,785)
Property tax and intergovernmental revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until collected or collectible within 60 days of year end		
		7,866
The change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities		
		<u>(41)</u>
Change in Net Position of Governmental Activities	\$	<u>9,125</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The System has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of state statutory authority, as listed above. The System's deposits and investments are in accordance with statutory authority.

The System's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the System's deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk. At year end, the System had \$401,718 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The System believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Washington and Bruce Townships Senior Transportation Thru Advanced Reservation

Notes to Financial Statements

March 31, 2019

Note 4 - Capital Assets

Capital asset activity of the System's governmental activities was as follows:

	Balance April 1, 2018	Additions	Disposals	Balance March 31, 2019
Capital assets being depreciated:				
Equipment	\$ 25,719	\$ -	\$ -	\$ 25,719
Land improvements	42,732	-	-	42,732
Vehicles	584,456	-	(48,505)	535,951
Subtotal	652,907	-	(48,505)	604,402
Accumulated depreciation:				
Equipment	25,657	-	-	25,657
Land improvements	33,495	2,849	-	36,344
Vehicles	534,782	14,936	(48,505)	501,213
Subtotal	593,934	17,785	(48,505)	563,214
Net capital assets	<u>\$ 58,973</u>	<u>\$ (17,785)</u>	<u>\$ -</u>	<u>\$ 41,188</u>

Note 5 - Defined Contribution Pension Plan

The System provides pension benefits to all of its full-time employees through a defined contribution plan. The Romeo-Washington-Bruce Parks and Recreation Employees Defined Contribution Plan is administered by Principal Financial Group. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by board resolution, the System contributes 12 percent of employees' base salaries. In accordance with these requirements, the System contributed \$7,503 during the current year. The System does not require employee contributions.

Note 6 - Risk Management

The System is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The System has purchased commercial insurance for medical claims and workers' compensation. The System participates in the Michigan Municipal League Plan risk pool for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 7 - Related Party Transactions

The System conducts its operations in facilities owned by a local unit of government. The cost of the building space is donated to the System. The monetary value of this in-kind service has not been determined.

Required Supplemental Information

**Washington and Bruce Townships Senior
Transportation Thru Advanced Reservation**

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended March 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Taxes	\$ 462,284	\$ 462,284	\$ 457,347	\$ (4,937)
Intergovernmental:				
State revenue	-	-	23,786	23,786
Shared revenue	112,000	112,000	112,309	309
Investment earnings	2,000	2,000	2,295	295
Other revenue	-	-	2,494	2,494
Total revenue	<u>576,284</u>	<u>576,284</u>	<u>598,231</u>	<u>21,947</u>
Expenditures				
Salaries	343,022	343,022	361,209	(18,187)
Vehicles	56,550	72,550	66,382	6,168
Administrative	74,430	74,430	71,860	2,570
Benefits	83,336	83,336	79,918	3,418
Capital outlay	3,000	3,800	3,728	72
Total expenditures	<u>560,338</u>	<u>577,138</u>	<u>583,097</u>	<u>(5,959)</u>
Other Financing Sources - Sale of capital assets	-	-	3,951	3,951
Net Change in Fund Balance	15,946	(854)	19,085	19,939
Fund Balance - Beginning of year	<u>1,049,585</u>	<u>1,049,585</u>	<u>1,049,585</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 1,065,531</u>	<u>\$ 1,048,731</u>	<u>\$ 1,068,670</u>	<u>\$ 19,939</u>

Washington and Bruce Townships Senior Transportation Thru Advanced Reservation

Notes to Required Supplemental Information

March 31, 2019

Budgetary Information

The annual budget is prepared by the System and adopted by Washington and Bruce townships; subsequent amendments are approved by the boards of the above entities. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2019 has not been determined. The budget is prepared in accordance with accounting principles generally accepted in the United States of America.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the System incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Salaries	\$ 343,022	\$ 361,209	\$ (18,187)

Other Supplemental Information

Washington and Bruce Townships Senior Transportation Thru Advanced Reservation

Other Supplemental Information Schedule of Detailed Expenditures

Year Ended March 31, 2019

Expenditures	Expenditures -		Statement of
	Modified Accrual	Adjustments	Activities - Full Accrual
Expenditures			
Salary:			
Drivers	\$ 217,807	\$ -	\$ 217,807
Coordinator	41,779	-	41,779
Director	10,866	-	10,866
Accounting service	6,991	-	6,991
Administrative support	83,766	-	83,766
Total salary	361,209	-	361,209
Benefits:			
FICA	28,058	-	28,058
Health insurance	27,342	-	27,342
Long-term disability insurance	880	-	880
Life insurance	352	-	352
Unemployment insurance	4,123	-	4,123
Retirement	7,503	41	7,544
Workers' compensation	11,660	-	11,660
Total benefits	79,918	41	79,959
Vehicles:			
Cleaning	526	-	526
Gasoline	53,135	-	53,135
Maintenance and repairs	12,612	-	12,612
Miscellaneous	109	-	109
Total vehicles	66,382	-	66,382
Administrative:			
Audit	8,250	-	8,250
Insurance	15,820	-	15,820
Service contracts	1,302	-	1,302
Training	6,487	-	6,487
Weekend and charter service	1,370	-	1,370
Uniforms	827	-	827
Miscellaneous	47	-	47
Office supplies	1,906	-	1,906
Telephone	15,851	-	15,851
Utilities	20,000	-	20,000
Depreciation	-	17,785	17,785
Total administrative	71,860	17,785	89,645
Capital outlay	3,728	-	3,728
Total expenditures	\$ 583,097	\$ 17,826	\$ 600,923

July 24, 2019

To the Commissioners
Washington and Bruce Townships Senior
Transportation Thru Advanced Reservation

We have audited the financial statements of Washington and Bruce Townships Senior Transportation Thru Advanced Reservation (the "System") as of and for the year ended March 31, 2019 and have issued our report thereon dated July 24, 2019. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Internal Control Related Matters Identified in an Audit

Section II - Required Communications with Those Charged with Governance

Section I includes any deficiencies we observed in the System's accounting principles or internal control that we believe are significant. Current auditing standards require us to formally communicate annually matters we note about the System's accounting policies and internal control.

Section II includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the commissioners of Washington and Bruce Townships Senior Transportation Thru Advanced Reservation.

We would like to take this opportunity to thank the System's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the commissioners and management of the System and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications, and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC



Pamela L. Hill, CPA
Partner



Keith Szymanski
Senior Manager



Ashley Frase
Manager

Section I - Internal Control Related Matters Identified in an Audit

In planning and performing our audit of the financial statements of the System as of and for the year ended March 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control 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 following deficiency in the System's internal control to be a material weakness:

Year-end Adjustments - During the audit, we identified and assisted the System in completing various journal entries that were needed to adjust year-end balances to be in conformity with generally accepted accounting principles. These journal entries were related to property taxes, intergovernmental receivables, deferred inflows, the fund balance, and items required for the full accrual presentation of the government-wide statements. Had these adjustments not been made, the financial statements may have been materially misstated. With the limited staff at the System, we understand that it is not always possible for a second review over all year-end adjustments. However, a second review, if possible, could help detect any misstatements in the adjustments made for year end.

Section II - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 6, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the System. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 10, 2019.

Significant Audit Findings

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 System 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 ended March 31, 2019.

We noted no transactions entered into by the System 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. There were no significant balances, amounts, or disclosures in the financial statements based on sensitive management estimates.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Section II - Required Communications with Those Charged with Governance (Continued)

Disagreements with Management

For the purpose 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.

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. Plante & Moran, PLLC proposed and the System recorded several year-end accrual adjustments, as identified in Section I of this letter.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the System, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the System's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 24, 2019.

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 System'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.