

**CASS COUNTY TRANSPORTATION AUTHORITY
CASS COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cass County Transportation Authority
Cassopolis, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Cass County Transportation Authority (the "Authority") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain 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 supplemental information, except for the nonurban regular service nonfinancial information, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the nonurban regular service nonfinancial information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC
Grand Rapids, Michigan
March 1, 2024

Management's Discussion and Analysis

Cass County Transportation Authority Management's Discussion and Analysis September 30, 2023

As management of the Cass County 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, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of this fiscal year by \$444,896 (shown as *Net Position*), representing a decrease of \$10,880 over the previous fiscal year. Of this amount, \$72,526 (unrestricted net position), or about 16.30% of the total net position, may be used to meet the Authority's ongoing obligations to citizens and creditors.
- During the year, the Authority received \$892,931 in revenues and incurred \$903,811 in expenses, resulting in a decrease in net position of \$10,880.
- Federal reimbursement of eligible expenses was 36.00% for the fiscal year ended September 30, 2023, which includes Coronavirus Response and Relief Supplemental Appropriations Act and American Rescue Plan Act funding.
- State reimbursement of eligible expenses decreased to 34.5849% (from 34.9854%) for the fiscal year ended September 30, 2023.

Overview of the Financial Statements

The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a complete understanding of the information provided in the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Supplemental Information that explains the information presented in the financial statements.

Financial Analysis of the Authority

For the year ended September 30, 2023, assets exceeded liabilities by \$444,896. The Authority is a capital-intensive enterprise, and approximately 83.70% of net position is invested in capital assets. The remaining 16.30% of net position is unrestricted, meaning it can be used to meet the Authority's ongoing obligations to citizens and creditors. The following tables reflect a comparative analysis of the Authority's net position:

Cass County Transportation Authority's Net Position

ASSETS	2023	2022
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 24,879	\$ 123,467
Accounts Receivable, net	50,984	23,793
Due from Other Governmental Units	174,309	47,425
Prepaid Expenses	11,357	11,922
Total Current Assets	261,529	206,607
<i>Noncurrent Assets</i>		
Capital Assets, net	372,370	323,905
Total Assets	633,899	530,512
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	150,821	6,188
Accrued Payroll and Related Liabilities	14,413	11,535
Due to Other Governmental Units	23,769	57,013
Total Current Liabilities	189,003	74,736
NET POSITION		
Investment in Capital Assets	372,370	323,905
Unrestricted	72,526	131,871
Total Net Position	\$ 444,896	\$ 455,776

Cash and cash equivalents decreased by \$98,588 during the year, which was primarily the result of the purchase of capital assets of \$141,298 and operating loss of \$529,494. The statement of cash flows provides detailed information on the change of cash and cash equivalents. Accounts receivable, net, increased by \$27,191 due to the timing of rides near the year-end. Due from/to other governmental units increased by \$126,884 and decreased by \$33,244, respectively, due to the timing of federal and state reimbursements. Capital assets, net, increased by \$48,465 as capital asset additions outweighed depreciation expense for the current year. Accounts payable increased by \$144,633 due to the timing of year-end expenses.

The following table shows a comparative analysis of revenues, expenses, and changes in net position summarizing how the increase in net position occurred:

Cass County Transportation Authority's Changes in Net Position

	2023	2022
Operating Revenues		
Passenger Fares	\$ 17,446	\$ 16,460
Contract Fares	356,871	254,399
<i>Total Operating Revenues</i>	374,317	270,859
Nonoperating Revenues		
Federal Operating Assistance	170,211	164,285
State Operating Assistance	177,853	195,367
Federal RTAP Reimbursement	8,485	14,820
Sale of Maintenance Services	19,425	-
Other Revenue	151	3,260
<i>Total Nonoperating Revenues</i>	376,125	377,732
Capital Contributions		
Federal Capital Contributions	113,991	71,494
State Capital Contributions	28,498	17,873
<i>Total Capital Contributions</i>	142,489	89,367
<i>Total Revenues</i>	892,931	737,958
Operating Expenses		
Labor	540,950	416,315
Fringe Benefits	100,038	70,760
Services	28,265	58,576
Materials and Supplies	74,872	71,552
Utilities	12,558	12,087
Insurance	44,312	40,723
Taxes and Fees	281	-
Miscellaneous	9,701	15,815
Depreciation	92,834	99,050
<i>Total Operating Expenses</i>	903,811	784,878
<i>Change in Net Position</i>	(10,880)	(46,920)
<i>Net Position at Beginning of Period</i>	455,776	502,696
<i>Net Position at End of Period</i>	\$ 444,896	\$ 455,776

Total operating revenues increased by \$103,458 as there was a significant increase in drives to/from contracted areas. Total capital contributions increased by \$53,122 as there was an increase in federal and state capital contract reimbursements. Labor and fringe benefits increased by \$124,635 and \$29,278, respectively, due to the increase in operations (miles driven).

Operating Expenses

The Authority's expenses may be reviewed in two formats:

Operating Expense by Department - The department describes the major functional areas of the Authority and includes:

Operations - Responsible for all on-street services, including operators, dispatchers, and schedulers.

Maintenance - Responsible for providing vehicles (including fuel, parts, and cleaning) and facilities (upkeep, utilities, and rent).

Administration - Responsible for all other functions including executive direction, planning, marketing, information systems, purchasing and finance.

Depreciation - Estimated proration of the cost of capital assets over the useful life of the asset.

The following table shows the expenses for 2023 compared to 2022 by department:

Department	2023	2022
Operations	\$ 556,240	\$ 479,078
Maintenance	90,986	42,619
Administration	163,751	164,131
Depreciation	92,834	99,050
Total Expenses	\$ 903,811	\$ 784,878

Operating Expense by Object - The object is the classification of expenses by type of item. The following table shows expenses for 2023 compared to 2022 by object:

Object	2023	2022
Labor and Fringe Benefits	\$ 640,988	\$ 487,075
Services	28,265	58,576
Materials and Supplies	74,872	71,552
Utilities	12,558	12,087
Insurance	44,312	40,723
Taxes and Fees	281	-
Miscellaneous	9,701	15,815
Depreciation	92,834	99,050
Total Expenses	\$ 903,811	\$ 784,878

Capital Asset and Debt Administration

Capital Assets The Authority's investment in capital assets at year-end amounted to \$372,370 (net of accumulated depreciation). This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for implementation of GASB Statement 34. More information on the Authority's capital assets is available in the Notes to the Financial Statements section of this document.

Long-term Debt The Authority had no debt outstanding at the end of the current fiscal year.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the 2024 fiscal year:

- Federal operating assistance is anticipated to be 18.00% of eligible operating expenses for 2023.
- Operating expenses continue to grow, but the comprehensive transportation fund does not. This in turn reduces the percentage of reimbursement that the Authority receives from the Michigan Department of Transportation. The Authority is anticipating 40.2993% of eligible expenses to be reimbursed by the Michigan Department of Transportation for the fiscal year ending 2024.

Requests for Information

This financial report is designed to provide the wide variety of users of this document with a general overview of the Authority's finances and demonstrate the Authority's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to:

Cass County Transportation Authority
400 East State Street
Cassopolis, MI 49031

BASIC FINANCIAL STATEMENTS

Cass County Transportation Authority
Statement of Net Position
September 30, 2023

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 24,879
Accounts Receivable, net	50,984
Due from Other Governmental Units	174,309
Prepaid Expenses	11,357
Total Current Assets	261,529

Noncurrent Assets

Capital Assets not being Depreciated	87,524
Capital Assets being Depreciated, net	284,846
Total Assets	633,899

LIABILITIES

Current Liabilities

Accounts Payable	150,821
Accrued Payroll and Related Liabilities	14,413
Due to Other Governmental Units	23,769
Total Liabilities	189,003

NET POSITION

Investment in Capital Assets	372,370
<i>Unrestricted</i>	72,526
Total Net Position	\$ 444,896

The Notes to the Financial Statements are an integral part of these financial statements.

Cass County Transportation Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2023

Operating Revenues	
Passenger Fares	\$ 17,446
Contract Fares	356,871
<i>Total Operating Revenues</i>	<u>374,317</u>
Operating Expenses	
Labor	540,950
Fringe Benefits	100,038
Services	28,265
Materials and Supplies	74,872
Utilities	12,558
Insurance	44,312
Taxes and Fees	281
Miscellaneous	9,701
Depreciation	92,834
<i>Total Operating Expenses</i>	<u>903,811</u>
<i>Operating Income (Loss)</i>	<u>(529,494)</u>
Non-Operating Revenues (Expenses)	
Federal Operating Assistance	170,211
State Operating Assistance	177,853
Federal RTAP Reimbursement	8,485
Sales of Maintenance Services	19,425
Other Revenue	151
<i>Net Non-Operating Revenues (Expenses)</i>	<u>376,125</u>
<i>Income Before Contributions</i>	(153,369)
Federal Capital Contributions	113,991
State Capital Contributions	28,498
<i>Change In Net Position</i>	<u>(10,880)</u>
<i>Net Position at Beginning of Period</i>	455,776
<i>Net Position at End of Period</i>	<u>\$ 444,896</u>

The Notes to the Financial Statements are an integral part of these financial statements.

Cass County Transportation Authority
Statement of Cash Flows
For the Year Ended September 30, 2023

Cash Flows Provided by (Used in) Operating Activities

Cash Received from Customers	\$ 370,758
Cash Payments to Suppliers for Goods and Services	(24,791)
Cash Payments to Employees	(638,110)
<i>Net Cash Used in Operating Activities</i>	<u>(292,143)</u>

Cash Flows Provided by Non-capital Financing Activities

Federal and State Operating Assistance	265,595
Federal RTAP Reimbursement	8,485
Other Revenue (Non-Operating)	151
<i>Net Cash Provided by Non-capital Financing Activities</i>	<u>274,231</u>

Cash Flows Provided by (Used in) Capital and Related Financing Activities

Purchase of Capital Assets	(141,298)
Sale of Maintenance Services	19,425
Federal and State Capital Contributions	41,197
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(80,676)</u>

<i>Net Decrease in Cash and Cash Equivalents</i>	(98,588)
<i>Cash and Cash Equivalents - Beginning of Year</i>	123,467
<i>Cash and Cash Equivalents - End of Year</i>	<u>\$ 24,879</u>

Reconciliation of Operating Loss to

Net Cash Provided Used in Operating Activities

Operating Loss	\$ (529,494)
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Adjustments to Reconcile Operating Loss to

Net Cash Provided Used in Operating Activities

Depreciation Expense	92,834
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Changes in Assets and Liabilities

Accounts Receivable, net	(3,559)
Prepaid Expenses	565
Accounts Payable	144,633
Accrued Payroll and Related Liabilities	2,878

<i>Net Cash Used in Operating Activities</i>	<u>\$ (292,143)</u>
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The Notes to the Financial Statements are an integral part of these financial statements.

Notes to the Financial Statements

Cass County Transportation Authority

Notes to the Financial Statements

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of the Cass County Transportation Authority (the “Authority”) have been prepared in conformity with the U.S. generally accepted accounting principles (GAAP) as applied to government 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 principles are described below.

Reporting Entity

The Authority is organized as a legal entity pursuant to the Mass Transportation Authorities Act, Public Act 196. The Authority was created to coordinate the transportation for human service agencies by Cass County. Services are provided for the County of Cass except for the area covered by Dowagiac Dial-A-Ride, which the Authority operates under an operating agreement with the City of Dowagiac. The Authority has the capability and authority to provide public transportation to the general public in the area serviced.

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion involved considering whether the activity benefits the Authority and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Authority and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion for the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no associated organizations included in the Authority’s reporting entity.

Enterprise Fund Accounting

The Authority is accounted for as an enterprise fund, a proprietary fund type as defined by Governmental Accounting Standards Board. The enterprise fund is used to account for operations: a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges, or b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Cass County Transportation Authority

Notes to the Financial Statements

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their statement of net position. Their reported net position is segregated into three components: a) investment in capital assets, b) restricted, and c) unrestricted. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Operating and Non-operating Revenues and Expenses

Enterprise funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenue of the enterprise fund relates to charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, depreciation, and administrative expenses. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Grants

The Authority receives two distinct types of grants from governmental agencies:

- Operating grants are used to fund the Authority's day-to-day operations and to meet normal expenses of those operations.
- Capital grants are used for capital expenses. All capital funds used to pay for operating expenses are subtracted out as ineligible expenses.

Assets, Liabilities, and Net Position

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities or three months or less from the date of acquisition. Certificates of deposit are considered to be investments.

Cass County Transportation Authority

Notes to the Financial Statements

In accordance with Michigan Compiled Laws, the Authority is authorized to invest any of its funds in one or more of the following:

- Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
- The United States government or federal agency obligations repurchase agreements.
- Bankers' acceptances of United States banks.
- Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Investments

Investments consist of certificates of deposit with original maturities of greater than 90 days from the date of purchase. Investments are reported at fair value.

Accounts Receivable

Receivables have been recognized for all significant amounts due to the fund. Management considers all accounts receivable as collectible; therefore, no allowance for bad debts has been recorded.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Cass County Transportation Authority

Notes to the Financial Statements

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an estimated useful life in excess of one year and an initial individual cost of more than \$5,000. Donated capital assets are recorded at acquisition value at the date of donation. 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.

Depreciation of all exhaustible fixed assets used by an enterprise fund is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation has been expensed over the estimated useful lives using the straight-line method. Depreciation expense that is to be reimbursed with state funds only includes assets purchased with local funds where the useful life of the asset has been approved by the Office of Passenger Transportation.

The estimated useful lives are as follows:

	<u>Years</u>
Buildings and Improvements	20
Buses	4 - 10
Shop Tools and Equipment	2 - 10

Disposition of assets acquired with federal and state money require prior approval from the Michigan Department of Transportation.

Use of Estimates

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

Subsequent Events

As of March 1, 2024, the date these financial statements were available to be issued, management is not aware of any subsequent events that would have a significant impact on the financial condition of the Authority.

Cass County Transportation Authority

Notes to the Financial Statements

Note 2 - Deposits and Investments

The following is a reconciliation of the Authority's cash accounts at year-end:

Cash and Cash Equivalents

Checking and Savings Accounts	\$	24,879
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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 does not have a policy for deposit custodial credit risk. As of year-end, none of the Authority's bank balance of \$41,186 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Due from/to Other Governments

The Authority receives funding from the U.S. Department of Transportation under Section 5311 Operating Grants and the State of Michigan for the Local Bus Operating Assistance Program. Payments are based on budgeted expenses; therefore, if actual expenses are more than budgeted expenses, the Authority receives more funding than budgeted. Conversely, if actual expenses are less than budgeted expenses, the Authority receives less funding than budgeted. These receivables and payables may also include items that are either due to or due from other local governmental units (primarily federal and state capital contributions). As of September 30, 2023, computation of all balances due to or from these entities and reconciliation to the financial statement balances are as follows:

Due from Other Governmental Units	Balance
FY 2017 - Federal/State Capital Assistance, Section 5311	\$ 101,292
FY 2023 - State Operating Assistance, Act 51	36,141
FY 2023 - Federal Operating Assistance, Section 5311 - ARPA	36,876
Total	\$ 174,309

Due to Other Governmental Units	Balance
FY 2022 - State Operating Assistance, Act 51	\$ 23,769
Total	\$ 23,769

Cass County Transportation Authority

Notes to the Financial Statements

Note 4 - Capital Assets

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

	Beginning Balance	Additions	Deductions	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 87,524	\$ -	\$ -	87,524
Capital Assets being Depreciated				
Buildings and Improvements	364,280	-	-	364,280
Buses	988,758	141,298	-	1,130,056
Shop Tools	42,125	-	-	42,125
Equipment	89,971	-	-	89,971
Subtotal	1,485,134	141,298	-	1,626,432
Accumulated Depreciation				
Buildings and Improvements	(362,663)	(99)	-	(362,762)
Buses	(782,563)	(85,559)	-	(868,122)
Shop Tools	(32,840)	(493)	-	(33,333)
Equipment	(70,687)	(6,682)	-	(77,369)
Subtotal	(1,248,753)	(92,833)	-	(1,341,586)
Capital Assets being Depreciated, net	236,381	48,465	-	284,846
Capital Assets, net	\$ 323,905	\$ 48,465	\$ -	\$ 372,370

Depreciation expense of \$92,834 for the year ended September 30, 2023 consisted of \$92,465 of ineligible depreciation and \$369 of eligible depreciation.

Note 5 - Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred, and the amount of loss can be reasonably estimated.

For its property and casualty insurance coverage, the Authority is a participant in a public entity risk pool operated by Michigan Transit Pool which benefits participating transportation authorities. The Authority pays an annual premium for this coverage which provides funds to the Pool to secure specific and excess reinsurance, maintain the Loss Fund, and cover administrative and loss prevention service costs. Should the losses of the Pool, in a given coverage period, exceed the Loss Fund and the aggregate excess reinsurance, the Authority would receive a pro rata assessment for their share of the loss. Premiums are expensed as incurred while excess of reserve distributions are recognized as a contra-expense in the year received in accordance with Michigan Department of Transportation guidelines. The Authority is responsible for the first \$5,000 per claim and the risk pool will cover up to \$4,000,000 per claim.

Cass County Transportation Authority

Notes to the Financial Statements

Note 6 - Commitments, Contingencies, and Compliance

The Authority participates in federal, and state assisted grant programs that are subject to compliance audits. The programs and the periodic compliance audits of many of the programs have not yet been conducted, completed, or resolved. Accordingly, the Authority's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Authority's management expects such amounts, if any, to be immaterial.

Note 7 - Concentration of Credit Risk

For the fiscal year ended September 30, 2023, the Authority was reimbursed by the State of Michigan for 34.5849% of their eligible operating expenses. The percentage is based on budgeted eligible operating expenses for all transit authorities in the state. This percentage will be recalculated after total eligible expenses for all transits are determined based on audited figures.

Additionally, the Authority was reimbursed 36.00% of its eligible expenses through the federal 5311 operating assistance.

Note 8 - Compliance Requirements

Cost Allocation Plan

The Authority had one approved cost allocation plan approved by OPT. However, the cost allocation plan was not needed or used in the preparation of these financial statements as all costs were direct.

Nonfinancial Methodology

The methodology used for compiling data on the Nonurban Regular Service Nonfinancial Report is an adequate and reliable methodology for recording vehicle mileage, hours, and passengers.

Capital Funds Used to Pay for Operating

\$1,193 of operating expenses are subtracted out as ineligible because capital contract funds were used for operating expenses.

Depreciation

Depreciation expense included as eligible only includes assets purchased with local funds where the useful life of the asset has been approved by OPT.

Cass County Transportation Authority

Notes to the Financial Statements

Expenses Associated with PTMS Code 407

All expenses associated with 407xx Non-transportation is subtracted out as ineligible under 56001 Ineligible Expenses Associated with Sale of Maintenance Services.

All ineligible expenses, as defined by the Local Public Transit Revenue and Expense Manual, are properly reported, and subtracted as ineligible.

Retirement Benefits

The Authority has no costs for pension or other post-employment benefits to report as no retirement benefits are provided.

SUPPLEMENTAL INFORMATION

Cass County Transit Authority
1 - Schedule of Local Revenues
For the Year Ended September 30, 2023

Local Revenues:

Passenger Fares	\$ 17,446
Contract Fares	356,871
Sales of Maintenance Services	19,425
Refunds and Credits	<u>151</u>

<i>Total Local Revenues</i>	<u>\$ 393,893</u>
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Cass County Transit Authority
2 - Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2023

Federal and State Grantor / Pass-Through Grantor / Program Title	Federal Assistance Listing Number	Grant No./ Authorization Number	Program Award Amount	Current Year Expenditures		
				Total	Federal	State
Michigan Department of Transportation						
Operating Assistance:						
Local Bus Operating Assistance - Act 51 - FY 2023	N/A	FY23	\$ 177,853	177,853	\$ -	\$ 177,853
Capital Assistance:						
Section 5311	N/A	2017-0029/P2	8,240	8,240	-	8,240
Section 5311	N/A	2017-0029/P7	7,640	7,640	-	7,640
Section 5311	N/A	2017-0029/P9	12,618	12,618	-	12,618
Total State Assistance				<u>206,351</u>	<u>-</u>	<u>206,351</u>
U.S. Department of Transportation						
Passed Through Michigan Department of Transportation						
Operating Assistance:						
Section 5311 FY22 - Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)	20.509	2022-0029/P1	22,701	22,701	22,701	-
Section 5311 FY23 - American Rescue Plan Act (ARPA)	20.509	2022-0029/P2	147,510	147,510	147,510	-
Capital Assistance:						
Section 5311	20.509	2017-0029/P2	32,957	32,957	32,957	-
Section 5311	20.509	2017-0029/P7	30,560	30,560	30,560	-
Section 5311	20.509	2017-0029/P9	50,474	50,474	50,474	-
Rural Transit Assistance Program (RTAP)	20.509	N/A	8,485	8,485	8,485	-
Total Federal Assistance				<u>292,687</u>	<u>292,687</u>	<u>-</u>
Total State and Federal Assistance				<u>\$ 499,038</u>	<u>\$ 292,687</u>	<u>\$ 206,351</u>

Cass County Transit Authority
2A - Schedule Operating and Capital Grant Revenues
For the Year Ended September 30, 2023

Michigan Department of Transportation	
Local Bus Operating Assistance - Act 51	\$ 177,853
Capital Grants	
Section 5311	28,498
Federal Transit Administration	
Section 5311 Operation/ARPA	147,510
Section 5311 Operation/CRRSAA	22,701
Capital Grants	
Section 5311	113,991
Rural Transit Assistance Program	8,485
Total	\$ 499,038

Cass County Transit Authority
3 - Operating Expenses by Program
For the Year Ended September 30, 2023

Expenses	
Labor	\$ 540,950
Fringe Benefits	100,038
Services	28,265
Materials and Supplies	74,872
Utilities	12,558
Insurance	44,312
Taxes and Fees	281
Miscellaneous	9,701
Depreciation	92,834
	<hr/>
<i>Total</i>	\$ 903,811
	<hr/>

**Cass County Transit Authority
4R - Nonurban Regular Service Revenue Report
For the Year Ended September 30, 2023**

Code	Description	Amount
401:	Farebox Revenue	
40100	Passenger Fares	\$ 17,446
407:	NonTrans Revenues	
40710	Sales of Maintenance Services	19,425
409:	Local Service Contract	
40950	Local Service Contract/Local Source	89,234
40999	Other Local Contracts and Reimbursements (Dowagiac DART Service Agreement)	267,637
411:	State Formula and Contracts	
41101	State Operating Assistance	177,853
413:	Federal Contracts	
41362	Federal Operating Assistance - CRRSAA	22,701
41363	Federal Operating Assistance - ARPA	147,510
41398	Rural Transit Assistance Program	8,485
440:	Other Revenue	
44000	Refunds and Credits	151
Total Revenues		\$ 750,442

Cass County Transit Authority
4E - Nonurban Regular Service Expense Report
For the Year Ended September 30, 2023

Code	Description	Operations	Maintenance	General Administration	Total
501:	Labor				
50101	Operators Salaries and Wages	\$ 229,881	\$ -	\$ -	\$ 229,881
50102	Other Salaries and Wages	-	90,986	142,812	233,798
50103	Dispatchers' Salaries and Wages	77,271	-	-	77,271
502:	Fringe Benefits				
50200	Other Fringe Benefits	100,038	-	-	100,038
503:	Services				
50302	Advertising Fees	-	-	167	167
50305	Audit Cost	-	-	8,855	8,855
50399	Other Services	16,473	-	2,770	19,243
504:	Materials and Supplies				
50401	Fuel and Lubricants	48,787	-	-	48,787
50402	Tires and Tubes	6,297	-	-	6,297
50499	Other Materials and Supplies (Bus Parts, Maintenance Supplies)	19,788	-	-	19,788
505:	Utilities				
50500	Utilities	12,558	-	-	12,558
506:	Insurance				
50603	Liability Insurance	44,312	-	-	44,312
507:	Taxes and Fees				
50700	Taxes and Fees	-	-	281	281
509:	Miscellaneous Expense				
50902	Travel, Meetings, and Training	-	-	8,614	8,614
50903	Association Dues and Subscriptions	835	-	-	835
50999	Other Miscellaneous Expenses	-	-	252	252
513:	Depreciation				
51300	Depreciation	92,834	-	-	92,834
540:	Ineligible Expenses				
50400	Ineligible Refunds and Credits	-	-	151	151
550:	Ineligible Expenses				
55005	Ineligible Local Contracts (Dowagiac DART Service Agreement)	267,637	-	-	267,637
55007	Ineligible Depreciation	92,465	-	-	92,465
55009	Ineligible Percent of Association Dues (MPTA)	96	-	-	96
560:	Ineligible Expenses				
56001	Ineligible Expenses Associated with Sale of Maintenance Services	19,534	-	-	19,534
574:	Ineligible Expenses				
57402	Ineligible RTAP	8,485	-	-	8,485
576:	Ineligible Expenses				
57603	Other Ineligible Operating Expense Paid by Capital Contract	1,193	-	-	1,193
Total Expenses		649,074	90,986	163,751	903,811
Total Ineligible Expenses		389,410	-	151	389,561
Total Eligible Expenses		<u>\$ 259,664</u>	<u>\$ 90,986</u>	<u>\$ 163,600</u>	<u>\$ 514,250</u>

Cass County Transit Authority
4N - Nonurban Regular Service Nonfinancial Report
For the Year Ended September 30, 2023

Public Service

Code	Description	Weekday DR	Saturday DR	Sunday DR	Total
610	Vehicle Hours	8,054	-	-	8,054
611	Vehicle Miles	161,167	-	-	161,167
615	Passengers - Regular	621	-	-	621
616	Passengers - Elderly	2,041	-	-	2,041
617	Passengers - Persons with Disabilities	2,171	-	-	2,171
618	Passengers - Elderly Persons with Disabilities	3,649	-	-	3,649
622	Total Demand Response Unlinked Passenger Trips	8,482	-	-	8,482
625	Days Operated	249	-	-	249

Total Passengers: 8,482

Vehicle Information

Code	Description	Quantity
655	Total Demand-Response Vehicles	11
656	Demand-Response Vehicles with Lifts	11
658	Total Transit Vehicles	11

Total Vehicles: 11

Miscellaneous Information

Code	Description	Quantity Dr
660	Diesel/Gasoline Gallons Consumed	17,721
661	Total Transit Agency Employees (Full-Time Equivalents)	11
662	Total Revenue Vehicle Operators (Full-Time Equivalents)	6

Cass County Transit Authority
5 - Operating Assistance Calculation
For the Year Ended September 30, 2023

	<u>Nonurban</u>
Total Expenses	\$ 903,811
Less Ineligible Expenses:	
Ineligible Refunds and Credits	151
Ineligible Local Contracts (Dowagiac DART Service Agreement)	267,637
Ineligible Depreciation	92,465
Ineligible Percent of Association Dues (MPTA)	96
Ineligible Expenses Associated with Sale of Maintenance Services	19,534
Ineligible RTAP	8,485
Other Ineligible Operating Expense Paid by Capital Contract	1,193
Total Ineligible Expenses	\$ 389,561
Total State Eligible Expenses	\$ 514,250

Eligible Expenses for State Reimbursement	\$ 514,250
x Reimbursement Percentage	34.5849%
State Operating Assistance	<u>\$ 177,853</u>

Total Federal Eligible Expenses

Less Additional Federal Ineligible Expense - Audit Cost	<u>\$ 8,855</u>
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Eligible Expenses for Federal Reimbursement	\$ 505,395
x Section 5311 Reimbursement Percentage	36.00%
Federal Operating Assistance	<u>\$ 181,942</u>
Federal Operating Assistance (Capped at the Authorization Amount)	<u>\$ 147,510</u>

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

To the Board of Directors
Cass County Transportation Authority
Cassopolis, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Cass County Transportation Authority (the "Authority"), as of and for the years ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 1, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we did identify a certain deficiency in internal control that we consider to be a material weakness, listed as finding 2023-001.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

A handwritten signature in dark ink that reads "Gabridge & Company". The signature is written in a cursive, flowing style.

Gabridge & Company, PLC
Grand Rapids, MI
March 1, 2024

Cass County Transportation Authority

Schedule of Findings and Responses

MATERIAL WEAKNESSES

2023-001 – Preparation of Governmental Financial Statements and Material Audit Adjustments (Repeat Finding)

Finding Type: Material weakness over financial reporting.

Current Status: No improvement from the prior period. This condition is still present.

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (e.g., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (e.g., external financial reporting.)

Condition/Finding: We identified and proposed material audit adjustments that management reviewed and approved. We also assisted management with preparing the basic financial statements and the related footnotes.

As is the case with many small and medium-sized governmental units, the Authority has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Authority's internal controls. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Authority's financial statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to GAAP, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses.

Cause: This condition was caused by the Authority's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Authority to perform this task internally.

Cass County Transportation Authority

Schedule of Findings and Responses

Effect: As a result of this condition, the Authority lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, at least in part, on its external auditors for assistance with this task. In addition, the Authority's records were initially misstated by an amount material to the financial statements.

Recommendation: The Authority should evaluate the process currently used to identify and record adjustments to the general ledger at year-end. Additional controls or modification to the existing controls may be necessary. Correctly identifying year-end receivables will lead to management having to spend less time making modifications to the general ledger and the financial statements and will provide the Authority Board with more accurate financial information in a timelier manner.

View of Responsible Officials:

The Authority Board has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interest of the Authority to outsource this task to its external auditors and to carefully review, approve, and accept responsibility for all nonattest work performed by the external auditors.

March 1, 2024

To the Board of Directors
Cass County Transportation Authority
Cassopolis, Michigan

We have audited the financial statements of the Cass County Transportation Authority (the “Authority”) for the year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 25, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. 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. All significant transactions have been recognized in the financial statements in the proper period.

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 estimate affecting the Authority’s financial statements was:

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. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures 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.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 management representation letter dated March 1, 2024.

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 Authority'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 Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

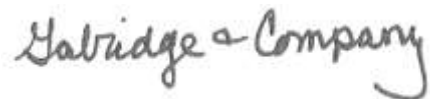
We were engaged to report on the supplementary information (except for the schedules of mileage data and vehicle hours and passengers), as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries 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.

We were not engaged to report on certain supplementary information (the schedules of mileage data and vehicle hours and passengers), which accompany the financial statements but are not RSI. 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.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the 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 dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI