



Financial Statements

For the Year Ended September 30, 2020



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

Midland Area Transportation Study

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SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

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A VETERAN OWNED BUSINESS

Independent Auditor's Report

To the Policy Committee
Midland Area Transportation Study
Midland, Michigan

We have audited the accompanying financial statements of the business-type activities of the *Midland Area Transportation Study*, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the *Midland Area Transportation Study'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the *Midland Area Transportation Study*, as of September 30, 2020, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 5) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Smith + Klaugheirig PC

Saginaw, Michigan

February 12, 2021

Midland Area Transportation Study

Management's Discussion and Analysis

The Management's Discussion and Analysis ("MD&A") presents a narrative overview and analysis of the financial activities of the Midland Area Transportation Study (the "MPO") for the year ended September 30, 2020. The MD&A is designed to assist readers of financial statements in focusing on significant financial activities and issues and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements as a whole.

Financial Highlights

- The MPO's total net position was \$16,809 and was comprised of a net investment in capital assets of \$9,920 and unrestricted net position of \$6,889.
- The MPO's program revenues were \$227,706 and expenses were \$259,762.
- The MPO's major funding sources were operating grants received from the Federal Highway Administration and Federal Transit Administration, which together accounted for 83% of total revenue.

Overview of the Financial Statements

This annual report consists of two parts; (1) the management's discussion and analysis (this section) and (2) a series of financial statements and related footnotes. The Statement of Net Position presents the MPO's assets, liabilities, deferred inflows and net position at the end of the year. The Statement of Activities presents the MPO's revenues, expenses and change in net position for the year. The Statement of Cash Flows presents sources, uses and change in the cash balance for the year.

Proprietary Fund Statements

The MPO uses a single proprietary fund to account for and report its financial activity. The proprietary fund statements report information about the MPO using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the MPO's assets and liabilities. The Statement of Activities accounts for all of the current year's revenues and expenses, regardless of when cash is received or paid.

Net position – the difference between the MPO's assets, liabilities and deferred inflows – is one way to measure the MPO's financial health or position. Over time, increases or decreases in the MPO's net position are one indicator of whether its financial position is improving or deteriorating. To assess the overall health of the MPO, additional factors such as future changes in Federal, State and / or local financial assistance should be considered.

Midland Area Transportation Study Management's Discussion and Analysis

Financial Analysis

At the end of the fiscal year, the MPO's total net position was \$16,809. The following provides a summary of the MPO's net position at year-end.

Current assets	\$ 105,750
Capital assets	63,362
Accumulated depreciation	<u>(53,442)</u>
Total assets	<u>115,670</u>
Current liabilities	53,843
Deferred inflows of resources	<u>45,018</u>
Total liabilities and deferred inflows of resources	<u>98,861</u>
Net position:	
Net investment in capital assets	9,920
Unrestricted	<u>6,889</u>
Total net position	<u><u>\$ 16,809</u></u>

This analysis focuses on net position. The MPO's net position was \$16,809 at year-end. The net investment in capital assets totaling \$9,920 is calculated as the original cost to acquire the assets, less accumulated depreciation; the MPO had no debt related to capital assets.

The results of the MPO's fiscal year are reported in the Statement of Activities. Following is a summary of the change in net position for the fiscal year ended:

Revenues:	
Grants and contributions:	
Federal	\$ 189,050
State of Michigan	15,027
Local	<u>23,629</u>
Total revenues	227,706
Expenses	<u>259,762</u>
Increase (decrease) in net position	(32,056)
Net position at beginning of the fiscal year	<u>48,865</u>
Net position at end of the fiscal year	<u><u>\$ 16,809</u></u>

Midland Area Transportation Study

Management's Discussion and Analysis

Capital Assets and Debt Administration

At year-end, the MPO had a net investment of \$9,920 in capital assets, including traffic study equipment and office equipment. The balance of the investment includes the original cost of the assets of \$63,362, less accumulated depreciation of \$53,442. During the year, the MPO disposed of office equipment with an original cost and accumulated depreciation of \$10,299. The MPO has no long-term debt.

Factors Expected to Have an Effect on Future Operations

The decisions made by the Administration and Congress at the Federal level in regard to the continuing extension of the current transportation legislation or the development of a new multi-year transportation bill will impact the future operations of the MPO. Since the MPO is primarily funded with money set aside for metropolitan area planning at the Federal level, the disposition of transportation at the Federal level is a vital concern. The MPO also relies on local units of government to provide the required cash match for Federal funds. The financial health and continued financial support of these units of government could serve to impact future financial outcomes of the MPO. The MPO does not levy any funds directly for its operations.

Contacting the MPO's Management

This financial report is designed to provide a general overview of the MPO's finances for all those with an interest in the Midland Area Transportation Study. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Midland Area Transportation Study
Executive Director
220 West Ellsworth Street, Suite 326
Midland, MI 48640

Phone: (989) 832-6333

Email: info@midlandmpo.com

Midland Area Transportation Study

Statement of Net Position

September 30, 2020

Assets

Current assets:

Cash and cash equivalents	\$ 40,429
Grants receivable	65,321
Total current assets	<u>105,750</u>

Noncurrent assets:

Capital assets being depreciated	63,362
Accumulated depreciation	(53,442)
Total noncurrent assets	<u>9,920</u>
Total assets	<u>115,670</u>

Liabilities

Current liabilities:

Accounts payable	40,894
Accrued expenses	10,527
Unearned revenue	2,422
Total current liabilities	<u>53,843</u>

Deferred Inflows of Resources

Unavailable revenue - operating grant local match	<u>45,018</u>
Total liabilities and deferred inflows of resources	<u>98,861</u>

Net Position

Net investment in capital assets	9,920
Unrestricted	6,889
Total net position	<u>\$ 16,809</u>

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

Midland Area Transportation Study

Statement of Activities

For the Year Ended September 30, 2020

Program revenues:

Operating grants and contributions

Federal:

Consolidated funding grant (*comprised of funding from both
FHWA PL 112 and FTA Section 5303*)

\$ 188,566

Federal Transit Administration (FTA) - Section 5303

484

State of Michigan

MDOT - Michigan Transportation Fund

15,027

Local

23,629

Total program revenues

227,706

Expenses

Salaries and wages

138,726

Fringe benefits

11,711

Payroll taxes

10,558

Education and training

125

Supplies

1,199

Advertising

2,233

Meals and travel

2,959

Dues and subscriptions

882

Accounting services

4,800

Outside services

66,521

Office rent

10,963

Liability insurance

2,494

Utilities

1,445

Telephone

960

Other expenses

47

Depreciation

4,139

Total expenses

259,762

Change in net position

(32,056)

Net position

Beginning of the year

48,865

End of the year

\$ 16,809

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

Midland Area Transportation Study

Statement of Cash Flows

For the Year Ended September 30, 2020

Cash flows from operating activities

Cash received from customers / grantors	\$ 296,323
Cash paid for employees (<i>wages, taxes, fringe benefits, etc.</i>)	(160,166)
Cash paid to suppliers for goods and services	(107,745)
Net cash provided by (used in) operating activities	<u>28,412</u>
Cash and cash equivalents - beginning of the year	<u>12,017</u>
Cash and cash equivalents - end of the year	<u><u>\$ 40,429</u></u>

Reconciliation of change of net position to net cash provided by (used in) operating activities

Change in net position	\$ (32,056)
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:	
Depreciation	4,139
Decrease (increase) in assets:	
Grants receivable	23,599
Increase (decrease) in liabilities:	
Accounts payable	(13,117)
Accrued expenses	829
Increase (decrease) in deferred inflows of resources	45,018
Net cash provided by (used in) operating activities	<u><u>\$ 28,412</u></u>

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

Midland Area Transportation Study

Notes to Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Midland Area Transportation Study [a Metropolitan Planning Organization] (the “MPO”) is an inter-municipality committee organized under Michigan Public Act 200 of 1957. Other “Member-governments” of the MPO include Midland County, MI and the City of Midland, MI. The MPO’s purpose is to assist in the development and preservation of a safe, effective, well-maintained, efficient and economical transportation system for the Midland metropolitan area which minimizes its negative impacts on the physical and social environments and related land use. The MPO’s metropolitan planning region is defined as the entire geographic County of Midland, the geographic area of City of Auburn and Williams Township within Bay County and Tittabawassee Township in Saginaw County, as identified as part of the 2010 Midland Federal Adjusted Urban Boundary.

The basic criteria for including a governmental department, agency, institution, commission, public authority or other governmental organization in another governmental unit’s financial report is the exercise of financial responsibility over such agencies by the governmental unit’s elected officials, the selection of the governing authority, the designation of management or the ability to exert significant influence on operations. The MPO does not meet the criteria to be included in the financial statements of the participating governments because they do not have the requisite degree of oversight responsibility. In addition, there are no other governmental units’ financial statements, for which the MPO has oversight responsibility, which should be included in the accompanying financial.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The MPO uses a single enterprise fund (a proprietary fund) to account for and report its financial activities. The financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Assets, Liabilities and Net Position

Cash and Cash Equivalents

Cash and cash equivalents are considered to be demand deposits (checking accounts).

Grants Receivable

All receivable balances are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. No portion of the year-end balance in grants receivable is expected to be uncollectible.

Midland Area Transportation Study

Notes to Financial Statements

Capital Assets

Capital assets include traffic study equipment and office equipment. Capital assets are defined by the MPO as assets with an initial, individual cost of more than \$200 and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets are recorded at estimated fair market value as of the date of the donation.

Depreciation is recorded over the estimated useful lives of the assets, using the straight-line method as follows:

Traffic study equipment	5 years
Office equipment	5 years

Unearned Revenue

Unearned revenue represents unexpended proceeds that were received from the local community foundation that may only be used for specific intended purposes. The unexpended proceeds will be recognized as revenue as eligible expenditures are incurred.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The MPO has only one type of item that qualifies for reporting in this category. The unavailable revenue is from only one source: operating grant revenue that was received prior to the fiscal year for which it was to be recognized. This amount is deferred and will be recognized as an inflow of resources in the period that the amount becomes available.

Equity

Equity is classified as net position and reported as the following components:

Restricted – Amounts that are legally restricted by externally imposed constraints that are placed on the use of resources by grantors, contributors, or laws or regulations of other governments are reported as restricted net position. At year-end, the MPO had no restricted net position.

Net investment in capital assets – Consists of the historical cost of capital assets, net of accumulated depreciation.

Unrestricted – Consists of all other equity that does not meet the definition of “restricted” or “net investment in capital assets”.

When expenses are incurred for purposes for which both restricted and unrestricted equity is available, the MPO’s policy is to consider restricted funds spent first.

Midland Area Transportation Study

Notes to Financial Statements

Operating Lease

The MPO leases office space from the County of Midland, MI (a member government of the MPO) under an operating lease that is renewed on an annual basis. During the year, the MPO incurred rent expense of \$10,963 under the lease agreement.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 results could differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Auditing and Reporting

The MPO is organized under PA 200 of 1957 which requires an audit of the MPO's financial statements not less frequently than biennially. The audit was performed in accordance with auditing standards generally accepted in the United States of America and with the applicable standards set forth in the Uniform Budgeting and Accounting Act, 1968 PA 2, MCL 141.421 to 141.440a and other applicable standards prescribed by the State Treasurer.

The financial statements were prepared in accordance with U.S. GAAP, as described in the Independent Auditor's Report and also with applicable rules of the Michigan State Department of Transportation.

NOTE C – DETAILED NOTES ON SELECT ACCOUNTS

Deposits

At the end of the year, the carrying amount of the MPO's deposits were as follows:

Financial Statement Captions	Carrying Amount
Cash	<u>\$ 40,429</u>
Notes to Financial Statements	
Demand deposits (checking account)	<u>\$ 40,429</u>

This entire balance is considered to be deposits for disclosure purposes.

Midland Area Transportation Study

Notes to Financial Statements

Deposit and Investment risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments.

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The MPO did not hold any investments during, or at the end of the fiscal year.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the MPO's deposits may not be returned. State law does not require and the MPO does not have a policy for deposit custodial credit risk. At the end of the fiscal year, none of the MPO's bank balance of \$40,429 was exposed to custodial credit risk.

Capital Assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets being depreciated				
Traffic study and office equipment	\$ 73,661	\$ -	\$ (10,299)	\$ 63,362
Less accumulated depreciation				
Traffic study and office equipment	(59,602)	(4,139)	10,299	(53,442)
Total net capital assets	<u>\$ 14,059</u>	<u>\$ (4,139)</u>	<u>\$ -</u>	<u>\$ 9,920</u>

Midland Area Transportation Study

Notes to Financial Statements

NOTE D - OTHER INFORMATION

Contingencies and Commitments

Under the terms of various Federal and State grants, periodic compliance audits may be required, and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Such compliance audits could lead to reimbursement to the grantor agencies. However, MPO management does not believe such disallowances, if any, will be material to the financial position of the MPO.

Risk Management

The MPO is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The MPO maintains commercial insurance covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the MPO. There were no claims filed with the commercial coverage during the fiscal year.

Related Party Transactions

During the year, the MPO incurred expenses that were paid to its member governments; the MPO recorded expenses of \$31,478 to Midland County (including the Midland County Road Commission, a component unit of Midland CouPagency) for rent, utilities and professional services and \$35,043 to the City of Midland (including Dial-A-Ride, a fund of the City of Midland) for various professional services. These payments / purchases were made on the same terms and conditions as those entered into with other unrelated vendors and service providers.

Economic Dependency

The MPO is economically dependent on the revenue from Federal and State grantors and the participating member governments. During the year, the proportionate share of revenue provided by each grantor and member governments was as follows:

<u>Agency / Municipality</u>	<u>Amount</u>	<u>Percent</u>
Consolidated funding grant (FHWA and FTA)	\$ 188,566	82.81 %
Federal Transit Administration	484	0.21 %
Michigan Department of Transportation	15,027	6.6 %
Local member governments	<u>23,629</u>	10.38 %
Total	<u>\$ 227,706</u>	

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