



SMART

**SAN MIGUEL AUTHORITY for
REGIONAL TRANSPORTATION**

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2021

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors
San Miguel Authority for Regional Transportation
Telluride, CO 81435

Report on the Audit of the Financial Statements***Opinions***

We have audited the accompanying financial statements of the governmental activities, and each major fund of San Miguel Authority for Regional Transportation (SMART) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise SMART'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 governmental activities, and each major fund of San Miguel Authority for Regional Transportation, as of December 31, 2021, and the respective changes in financial position 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 SMART 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 SMART'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



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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 SMART'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 SMART'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 and budgetary comparison information on pages 4-6 and 18-19 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.



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Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SMART's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2022, on our consideration of SMART'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 SMART'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 SMART's internal control over financial reporting and compliance.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.

September 1, 2022

***Management's Discussion and Analysis
San Miguel Authority for Regional Transportation
December 31, 2021***

As Management of the San Miguel Authority for Regional Transportation (the "Authority"), we offer readers of the Authority's financial report this narrative summary for the fiscal year ended December 31, 2021.

Financial Highlights

- When looking at a short-term view, the General Fund had a change in net position of \$2,637,253. This improvement was attributable to a cautious approach to expanding the services it offers and receipt of grant funding in the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) government wide financial statements, 2) financial statements; and 3) notes to the financial statements. These components are discussed below.

The *government-wide financial statements* are designed to provide readers with a broad overview of our finances in a manner similar to a private sector business

The statement of net position information on all assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating.

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

The *Fund Financial Statements* are designed to provide readers with an overview of the Authority's finances, from a short-term perspective. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

The 2021 Authority financial statements reports on one individual fund described as the Governmental Fund.

This General Governmental Fund accounts for the Administration and Transit Program activities of the Authority. The general Governmental fund provides administrative support services (the Administrative and public commuter transit services).

The Authority's financial statements can be found on pages 7-11 of this report.

The *Notes to the Financial Statements* provide a background of the entity, certain required statutes, and accounting policies utilized by the Authority. They also provide additional information that will aid in the interpretation of the financial statements.

The Notes to the Financial Statements can be found on page 11 of this report.

Supplementary Information concerning the Authority is also presented in addition to the basic financial statements and notes. This information can be found at page 18 of this report.

Financial Analysis of the Authority

Details regarding the Authority's assets and liabilities can be found on lysis.

The Authority receives revenues from various sources to fund the Administration, Transit and Trails Programs.

- Regional transit services are primarily funded through Sales and Property Tax and revenues.
- Grant revenues are provided at the Federal or State level and fund capital and operating expenditures; the Authority received \$1,365,747.00 in operating and capital grants in FY21.;

Details regarding the Authority's revenue sources can be found on page 8.

Details regarding the Authority's expenditures can be found on page 19.

Major Capital Asset events

The Authority purchased 5 vehicles (4 buses and one van) in 2021 at a cost of \$703,518.

Major Debt events

The Authority experienced no major debt events in 2021.

Long term Financial Plan

The Authority's long-term goal is to be financially sustainable by maintaining operating and capital reserves in accordance with Management's policies and to maintain a long-range financial forecast to communicate and plan for future opportunities and issues.

The Authority uses fund accounting to ensure and demonstrate compliance with accounting and related legal requirements.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should

be addressed to: San Miguel Authority for Regional Transportation, Attention: Executive Director, PO Box 3140, Telluride Colorado, 81435.

San Miguel Authority for Regional Transportation

STATEMENT OF NET POSITION

December 31, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 3,986,043
Cash with County Treasurer	277,402
Receivables	
Property tax	705,330
Sales tax	205,558
Accounts receivable	9,304
Grants receivable	515,857
Prepaid fuel	500
Total current assets	<u>5,699,994</u>
Note receivable	40,000
Capital assets, net of accumulated depreciation	<u>3,154,389</u>
Total non-current assets	<u>3,194,389</u>
Total assets	<u>8,894,383</u>
LIABILITIES	
Accounts payable	126,153
Compensated absences	17,152
Total liabilities	<u>143,305</u>
DEFERRED INFLOWS	
Property taxes	<u>705,330</u>
Total deferred inflows	<u>705,330</u>
NET POSITION	
Restricted for emergency reserves - TABOR	134,434
Investment in capital assets	3,154,389
Unrestricted	4,756,924
Total net position	<u>\$ 8,045,748</u>

The accompanying notes are an integral part of this statement.

San Miguel Authority for Regional Transportation

STATEMENT OF ACTIVITIES

Year ended December 31, 2021

Function/Programs	Expenses	Program Revenues			Governmental Activities, Net
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 351,155	\$ 111,337	\$ -	\$ -	\$ (239,818)
Transportation	1,492,723	10,692	218,039	2,315,806	1,051,813.64
Total governmental activities	<u>\$ 1,843,878</u>	<u>\$ 122,029</u>	<u>\$ 218,039</u>	<u>\$ 2,315,806</u>	811,996
			General revenues:		
				Property taxes	655,035
				Sales taxes	1,170,086
				Unrestricted investment earnings	140
				Total general revenues	<u>1,825,261</u>
				Change in net position	2,637,257
				Net position at beginning of year	5,408,491
				Net position at end of year	<u>\$ 8,045,748</u>

The accompanying notes are an integral part of this statement.

San Miguel Authority for Regional Transportation

BALANCE SHEET - GOVERNMENTAL FUND

December 31, 2021

ASSETS		
Cash and investments		\$ 3,986,043
Cash held by County Treasurer		277,402
Receivables		
Property tax		705,330
Sales tax		205,558
Accounts receivable		9,304
Grants receivable		515,857
Notes		40,000
Prepaid fuel		500
	Total assets	<u>5,739,994</u>
LIABILITIES		
Accounts payable		126,153
	Total liabilities	<u>126,153</u>
DEFERRED INFLOWS		
Property taxes		705,330
Long-term receivables		40,000
	Total deferred inflows	<u>745,330</u>
FUND BALANCES		
Nonspendable		500
Restricted for emergencies - TABOR		134,434
Assigned for capital purchases		1,109,623
Unassigned		3,623,954
	Total fund balance	<u>\$ 4,868,511</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balance - governmental funds		\$ 4,868,511
In the funds, purchases of capital assets are recognized as capital outlay expenditures, but in the government-wide statements they are recognized as assets and depreciated over time.		3,154,389
In the funds, receivables are deferred until earned but in the government wide statements they are recognized as long term notes receivable and the associated activity was recognized at the time the note was established.		40,000
Accrued compensated absences payable are not due and payable in the current year and, therefore, are not reported in the fund		<u>(17,152)</u>
Net position of governmental activities		<u>\$ 8,045,748</u>

The accompanying notes are an integral part of this statement.

San Miguel Authority for Regional Transportation

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND

Year ended December 31, 2021

Revenues	
Property tax	\$ 655,035
Sales tax	1,170,086
Fees for service	10,692
Intergovernmental	901,239
Interest income	140
Rental income	111,331
Grants	1,632,606
Total revenue	<u>4,481,129</u>
Expenditures	
Administrative and personnel	356,004
Professional	132,371
Transportation	1,050,606
Lawson Hill	37,011
Facility	34,898
Capital	813,956
Total expenditures	<u>2,424,846</u>
Change in fund balance	<u>2,056,283</u>
Fund balance, beginning	<u>2,812,228</u>
Fund balance, ending	<u><u>\$ 4,868,511</u></u>

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balance - governmental fund	\$ 2,056,283
Capital assets are recognized as capital outlay expenditures in the funds but are capitalized and depreciated over their useful lives in the government-wide funds. This is the amount that capital outlay (\$706,926) exceeds depreciation expense (\$130,807) for the year.	576,119
Compensated absences are recognized as an expenditure in the fund when they are determined to be payable from current financial resources. This is the amounts by which compensated absences changed in the current year.	<u>4,849</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,637,251</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

San Miguel Authority for Regional Transportation (SMART) was established in November 2016 through an intergovernmental agreement between the Town of Mountain Village, Colorado, the Town of Telluride, Colorado, and San Miguel County, Colorado. SMART was created to provide bus service, shuttles, trails, roads, and related transit infrastructure. SMART's services are supported by dedicated sales tax collections by governments within the service area, a voter approved property tax mill levy, real estate transfer tax, grants, and contributions from the governments included in the intergovernmental agreement. SMART is governed by a Board of Directors comprised of six directors and three alternates appointed from each of its local government members.

The accompanying statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The financial statements include all activities and functions that comprise SMART. Component units are legally separate entities for which the governmental entity is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the government's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the governmental entity. Using these criteria, SMART has no component units.

2. Financial Statements

Measurement focus

SMART's financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting SMART's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental (normally supported by taxes and intergovernmental revenues) or business (relying to a significant extent on fees and charges for support) type activities.

The government-wide 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become available and measurable. Available means collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Intergovernmental revenues received as reimbursements for specific purposes or projects, are recognized based upon the expenditures recorded. Expenditures are recorded when the liability is incurred.

Government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of SMART.

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

Fund financial statements

The financial statements are reported in individual funds in the fund financial statements. Each fund is a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows and outflows, fund balance, revenues, and expenditures. At December 31, 2021, SMART only has a general fund that accounts for all of the activities of the government.

3. Capital assets

Property and equipment are reported as governmental activities in the government-wide financial statements. Capitalized assets are defined by SMART as assets that have a useful life of one or more years, and for which the initial value equals or exceeds \$5,000. All purchased assets are valued at cost. Donated assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend asset life is not capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

San Miguel Authority for Regional Transportation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

<u>Asset Class</u>	<u>Useful life</u>
Vehicles	5-12 years
Buildings	30 years

4. Receivables

Receivables are reported net of any allowance for doubtful accounts. No allowance for uncollectible accounts has been established, as SMART considers all accounts to be collectible at December 31, 2021. San Miguel Authority for Regional Transportation recognized \$515,857 in grants receivable for the current fiscal year in addition to rental income receivable, and taxes receivable.

5. Accrued liabilities for compensated absences

SMART allows employees to accumulate earned but unused vacation and sick pay benefits. A liability for accrued, unused vacation or sick leave is recorded in the government-wide statement of activities. In the governmental fund statements, vacation or sick leave is reported as an expenditure and liability to the fund when used.

6. Deferred inflows of resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue from property taxes are reported in the government balance sheet and statement of net position as a deferred inflow of resources. Property taxes levied in one year and collected the next, are deferred and recognized as an inflow of resources in the period that the property taxes become available.

7. Estimates

The preparation of financial statements in accordance 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 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.

8. Net position

Net position represents the difference between assets and liabilities. The net position category of net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements on those assets. Net position is reported as restricted when there are limitations imposed on their use

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

either through enabling legislation adopted by SMART or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

9. Fund Balance

Governmental fund balances are classified as follows:

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expense) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by SMART's highest level of decision making authority, the Board, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board or other individuals authorized to assign funds to be used for a specific purpose.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. SMART will only report a positive unassigned fund balance in the General Fund.

Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned.

10. Property Taxes

Property taxes are certified by the Board and collected by San Miguel County. Property taxes are remitted to SMART by the 10th day of the month following collection. Property taxes receivable represents 2021 taxes that will be collected in 2022.

Property taxes attach as an enforceable lien on property as of January 1 of the year in which they are payable. Taxes are payable either in full on or before April 30 or one half on or before February 28 and the remaining half on or before June 15.

San Miguel Authority for Regional Transportation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE B – BUDGETARY INFORMATION

SMART conforms to the following procedures in compliance with Colorado Revised Statutes in establishing the budgetary data reflected in the financial statements:

In the fall of each year, the SMART Board of Directors prepares a proposed operating budget for the fiscal year commencing the following January 1. The operating budget for the funds includes proposed expenses and the means of financing them.

A public hearing is held at a Board of Directors meeting to obtain taxpayer input. Prior to December 15, the budget is legally enacted through passage of a budget resolution. The Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

NOTE C – CASH AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (“PDPA”) requires that all units of local government deposit cash in eligible public depositories with eligibility determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA, which allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. Deposits at December 31, 2021, consisted of the following:

Deposits	\$ 2,575,628
Money market funds	<u>1,410,415</u>
Cash and investments per statement of net position	<u>\$ 3,986,043</u>

Custodial credit risk

This is the risk that, in the event of failure of SMART’s depository financial institution, deposits will not be able to be recovered. At December 31, 2021, the bank balance of SMART’s deposits was \$3,983,843. Of this balance, \$250,000 was insured by FDIC and the remaining \$3,733,843 was covered by PDPA.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest:

San Miguel Authority for Regional Transportation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE C – CASH AND INVESTMENTS - CONTINUED

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

NOTE D – NOTES RECEIVABLE

The Authority has a long-term note receivable for \$40,000 dated February 1, 2018 with the executive director of SMART to assist in purchasing a home. The proceeds of the note were used to finance a portion of the down payment, closing costs and prepaid items directly related to the purchase. This is an interest free note which is not due and payable unless there is a default as described in the note, or the property is sold or transferred. If there is not a sale or transfer within 10 years of the note, the full amount of the principal and a share of the appreciation of the home will be due and payable to SMART. The share of appreciation is based on the amount of the assistance as a percentage of the original sales price of the home.

NOTE E – LONG-TERM LIABILITES

Changes in long-term liabilities for the year ended December 31, 2021, were as follows:

	December 31, 2020	Increases	Decreases	December 31, 2021
Compensated absences	\$ 22,004	\$ —	\$ 4,852	\$ 17,152

NOTE F – INTERGOVERNMENTAL AGREEMENT

SMART was formed by an intergovernmental agreement, dated November 9, 2016 after a ballot measure was approved by the voters in Town of Mountain Village, Town of Telluride, and San Miguel County. SMART was created pursuant to Colorado Revised Statutes, [Title 43, Article 4, Part 6] known as the Colorado Rural Transportation Authority Law. The voters approved a .25% sales tax and an additional .75 mills on all taxable property located within the territory of SMART. The new taxes commenced on January 1, 2017. The intergovernmental agreement also allows for contributions from each of its members to support operating and capital expenses of SMART.

San Miguel Authority for Regional Transportation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE F – INTERGOVERNMENTAL AGREEMENT – CONTINUES

A funding agreement between the Town of Mountain Village and the San Miguel Authority for Regional Transportation, was entered into, for the service term of April 1st, 2021 through November 20th, 2021. The agreement is in regard to the off-season scope of services, and includes language asserting the Town will continue to provide regional transit services along established routes and at the levels of services that are conventional and agreed on between the two entities. The agreement also decrees a contribution rate to be recognized and is based on operating hours, with a total contribution that will cap at \$139,890.

NOTE G – RISK MANAGEMENT

SMART 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.

SMART is a member of the Colorado Intergovernmental Risk Sharing Agency (“CIRSA”), CIRSA provides liability, worker’s compensation, and property insurance. The insurance is provided through joint self-insurance, insurance and reinsurance, or any combination of thereof. CIRSA’s rate setting policies are established by the Board of Directors in consultation with independent actuaries. SMART is subject to a supplemental assessment in the event of deficiencies and may receive credit on future contributions in the event of surplus.

NOTE H – TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20, commonly known as the Taxpayer’s Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to the State of Colorado and its local governments. In November 2016, the voters of San Miguel County, Town of Mountain Village, and Town of Telluride approved a ballot measure to allow SMART to retain all revenues in excess of TABOR revenue limits.

TABOR requires local governments to establish an emergency reserve to be used for declared emergencies. These reserves are required to be 3% of fiscal year spending. As required by TABOR, SMART has restricted \$134,797 of its fund balance.

TABOR is complex and subject to interpretation, however, SMART believes it is in compliance with the financial provisions of TABOR.

San Miguel Authority for Regional Transportation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE I – CAPITAL ASSETS

At December 31, 2021, capital asset transactions and balances include the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non Depreciable assets				
Land	\$ 933,445	\$ —	\$ —	\$ 933,445
Depreciable assets				
Vehicles	203,011	706,926	—	909,937
Building	<u>1,567,776</u>	<u>—</u>	<u>—</u>	<u>1,567,776</u>
Total depreciable capital assets	1,770,787	706,926	—	2,477,713
Less accumulated depreciation for:				
Vehicles	(115,075)	(78,548)	—	(193,623)
Buildings	<u>(10,887)</u>	<u>(52,259)</u>	<u>—</u>	<u>(63,146)</u>
Total accumulated depreciation	<u>(125,962)</u>	<u>(130,807)</u>	<u>—</u>	<u>(256,769)</u>
Total net depreciable capital assets	<u>1,644,825</u>	<u>576,119</u>	<u>—</u>	<u>2,220,944</u>
Total capital assets, net	<u>\$ 2,578,270</u>	<u>\$ 576,119</u>	<u>\$ —</u>	<u>\$ 3,154,389</u>

NOTE I – CAPITAL ASSETS

The building and land purchased on October 12, 2020 for a total of \$2,501,221, was purchased with the assistance of a grant from the Colorado Department of Transportation (CDOT) in the amount of \$1,800,000. In compliance with the grant agreement, the funds were used to purchase a building and land for a transit operations facility to support the goals of the Statewide Transit Plan. SMART will use the property for maintenance and storage of its fleet of buses and vans, and the property may also be used by partner agencies under the direction of SMART. SMART is required to list CDOT on the deed to the property as a tenant-in-common within 90 days of the purchase of the property and to maintain the property primarily as a transit operations facility for the next thirty years and to comply with all reporting requirements included in its agreement with CDOT during that time. If SMART fails to comply with the terms of the grant agreement, CDOT will require a return of its interest in the property.

San Miguel Authority for Regional Transportation
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Tax revenues				
Property tax	\$ 626,884	\$ 626,884	\$ 655,035	\$ 28,151
Sales tax	548,990	548,990	1,170,086	621,096
Fees for service	34,500	7,500	10,692	3,192
Intergovernmental revenue	125,000	125,000	901,239	776,239
Interest income	-	-	140	140
Rental income	100,000	90,000	111,331	21,331
Grants	458,280	1,188,280	1,632,606	444,326
Total revenues	<u>1,893,654</u>	<u>2,586,654</u>	<u>4,481,129</u>	<u>1,894,475</u>
Expenditures				
Personnel expenses				
Salaries and wages	195,000	207,000	201,656	5,344
Retirement, benefits, and tax	78,000	78,000	46,442	31,558
Operating expenses				
Rent	-	-	621	(621)
Other	35,250	35,250	107,285	(72,035)
Professional services				
PR/Marketing	50,000	50,000	53,448	(3,448)
Attorney	15,000	15,000	1,974	13,026
Accounting	5,200	5,200	14,962	(9,762)
Consulting	41,800	41,800	41,374	426
Mileage reimbursement	2,600	2,600	2,019	581
Treasurer's fees	19,000	19,000	18,594	406
Transit & Transportation Services				
Down Valley/Norwood/Rico	543,000	543,000	560,228	(17,228)
Mountain Village shuttles	68,000	68,000	-	68,000
Offseason	256,000	256,000	286,534	(30,534)
San Miguel County shuttle	14,000	14,000	5,835	8,165
Medical Shuttles	15,000	15,000	16,760	(1,760)
Maintenance & insurance	17,000	35,000	12,706	22,294
Parts Allowance	115,000	130,000	91,369	38,631
Vehicle licences and fees	-	-	90	(90)
Covid 19 supplementary service	150,000	150,000	77,084	72,916
Lawson Hill intercept parking lot				
Maintenance	12,500	12,500	12,560	(60)
Utilities	2,500	2,500	6,240	(3,740)
Services	23,000	23,000	12,825	10,175
Supplies	3,200	3,200	2,423	777
Other	-	-	2,963	(2,963)
Facility Maintenance				
Landscape	3,580	3,500	4,634	(1,134)
Utilities	4,500	6,000	16,126	(10,126)
Services	13,880	13,880	14,138	(258)
Bike Share Program	25,000	-	-	-
Capital expenditures	-	-	813,956	(813,956)
Total expenditures	<u>1,708,010</u>	<u>1,729,430</u>	<u>2,424,846</u>	<u>(695,416)</u>
Change in fund balance	185,644	857,224	2,056,283	1,199,059
Fund balance - beginning	2,812,228	2,812,228	2,812,228	-
Fund balance - ending	<u>\$ 2,997,872</u>	<u>\$ 3,669,452</u>	<u>\$ 4,868,511</u>	<u>\$ 1,199,059</u>

San Miguel Authority for Regional Transportation

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2021

RSI NOTE A – BUDGETARY INFORMATION

The budget for the general fund is adopted on the modified accrual basis of accounting. The operating budget includes proposed expenditures and the means of financing them. The Board of Directors must approve increases to a fund's budget.

RSI NOTE B – EXPENDITURES/EXPENSES IN EXCESS OF APPROPRIATION

State Statute requires that expenditures and transfers for a fund cannot exceed the appropriations for that fund. Appropriations for a fund may be increased provided unanticipated resources offset them.

The legal level of appropriation is within the fund. In 2021, the District did not have any budget violations

San Miguel Authority for Regional Transportation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2021

Program Title	Federal Assistance Listing	Pass-through Number	Award Expenditures
US Department of Transportation			
Passed-through Colorado Department of Transportation			
Statewide and Non-Metropolitan Planning and Research Program (FTA-5304 Section)			
5304 Fleet Electrification Feasibility Study & Roadmap	20.505	20-HTR-ZL-03195	\$ 33,106
Formula Grants for Rural Areas Program			
5311 Admin and Operating	20.509	21-HTR-ZL-00264	182,160
Formula Grants for Rural Areas Program			
5311 ADA Gas Van Replacement	20.509	21-HTR-ZL-03271	60,532
Formula Grants for Rural Areas Program			
5311 30' ADA Diesel Bus Replacement	20.509	21-HTR-ZL-03264	241,261
Formula Grants for Rural Areas Program			
2020 CARES Act 5311 A/O Award	20.509	21-HTR-ZL-03212	137,718
Formula Grants for Rural Areas Program			
Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) & Winter Surge Admin & Operating	20.509	21-HTR-ZL-00309	<u>710,970</u>
Total 20.509			<u>1,332,641</u>
Total US Department of Transportation of Federal Expenditures			<u><u>\$ 1,365,747</u></u>

San Miguel Authority for Regional Transportation

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of San Miguel Authority for Regional Transportation (SMART) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of SMART, it is not intended to and does not present the financial position, or changes in net assets of SMART.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

SMART has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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
San Miguel Authority for Regional Transportation
Telluride, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of San Miguel Authority for Regional Transportation (SMART), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise SMART's basic financial statements, and have issued our report thereon dated September 1, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SMART'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 SMART's internal control. Accordingly, we do not express an opinion on the effectiveness of SMART'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 and 2021-002, which we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SMART'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*.

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.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.
September 1, 2022



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

To the Board of Directors
San Miguel Authority for Regional Transportation
Telluride, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited San Miguel Authority for Regional Transportation's (SMART) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of SMART's major federal programs for the year ended December 31, 2021. SMART's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, SMART complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SMART and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of SMART's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to SMART's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SMART's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SMART's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 SMART's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SMART's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of SMART's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on SMART's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. SMART's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal



program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.

September 1, 2022

San Miguel Authority for Regional Transportation
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended December 31, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unmodified Opinion</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>✓</u>	yes	_____ no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	_____ <u>✓</u> none reported
Noncompliance material to financial statements noted?	_____	yes	_____ <u>✓</u> no

Federal Awards

Internal Control over major programs:			
Material weakness(es) identified?	_____	yes	_____ <u>✓</u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	_____ <u>✓</u> none reported

Type of auditor's report issued on compliance for major programs:	<u>Unmodified Opinion</u>		
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Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	_____	yes	_____ <u>✓</u> no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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20.509	Formula Grants for Rural Areas
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Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
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Auditee qualified as low-risk auditee?	_____	yes	_____ <u>✓</u> no
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San Miguel Authority for Regional Transportation
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2021

SECTION II - FINDINGS UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING
STANDARDS

Material Weakness in Internal Controls.

2021-001

Type of Finding: Material Weakness in Internal Control

Criteria: The Uniform Guidance states that an entity is responsible for establishing and maintaining a system of internal control that will prevent, detect and correct errors in the financial statements in a timely manner to safeguard assets and allow for timely, accurate and properly classified information over financial reporting. It requires that charges to Federal awards are adequately documented. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated and classified.

Condition: For the year ended December 31, 2021, SMART had several material adjustments to properly classify and accurately reflect federal revenue and accounts receivable balances.

Effect: Balances and disclosures in the financial statements could be misstated due to errors not being detected and corrected on a timely basis.

Cause: SMART has a very limited number of employees working in the administration office which creates a lack of segregation of duties in the review process. To mitigate this, they utilize a third party accounting company. For fiscal year 2021, there was miscommunication between the executive director and the third party, with regard to classifications and accounts that were being journaled to recognize federal revenues.

Recommendations: We recommend that SMART creates a processes where there is clear communication and documentation of expectations from the executive director, to the third party accountant, with regard of the fund source i.e. federal program receipts and requests for funds; the Executive Director and third party accountant should be regularly updating each other on the chart of accounts and classifications, as well as the funding sources and awards, to properly track and report the activity of federal grants.

View of responsible officials: Management is in agreement

2021-002

Type of Finding: Material Weakness in Internal Control

Criteria: The Uniform Guidance states that the auditee must prepare a schedule of expenditures of federal awards (SEFA) for the periods covered by the financial statements, and one that includes accurate assistance listing numbers, balances of expended awards, pass through entity identifying numbers, sub recipients, and the federal grantor or cluster title.

San Miguel Authority for Regional Transportation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2021

Condition: For the year ended December 31, 2021, SMART did not have a system in place to successfully compile an accurate and complete SEFA as described above.

Effect: Balances and disclosures in the financial statements could be misstated due to errors not being detected and corrected on a timely basis. Major program determination and coverage of testing could be inaccurate due to an incomplete SEFA.

Cause: SMART has a very limited number of employees working in the administration office which creates a lack of segregation of duties in the review process. To mitigate this, they utilize a third party accounting company. For fiscal year 2021, there was miscommunication between the executive director and the third party, with regard to classifications and accounts that were being journaled to recognize federal revenues. This is also SMART's first fiscal year receiving federal revenues over scope permitting the requirement of a yellow book audit.

Recommendations: We recommend that SMART creates a process that is designed and implemented in a manner that can be documented appropriately, and provide for an adequate maintenance of records in the accounting software. This system should enable SMART to compile a complete set of information with regard to federal expenditures, which will aid in the completion of an accurate SEFA given the requirement of a single audit for future fiscal years.

View of responsible officials: Management is in agreement

SECTION III - FINDINGS AND QUESTIONED COSTS UNDER THE UNIFORM GUIDANCE

There were no findings or questions costs noted under the Uniform Guidance.