

**Dial-A-Ride Fund of the City
Of Buchanan, Michigan
Berrien County, Michigan**

**Financial Report
with Supplemental Information
September 30, 2010**

Dial-A-Ride Fund of the City of Buchanan, Michigan

Contents

| | |
|---------------------------------------------------------------------------------------------------------|------|
| Report Letter | 1-2 |
| Management's Discussion and Analysis | 3-6 |
| Basic Financial Statements | |
| Governmental Fund Balance Sheet/Statement of Net Assets | 7 |
| Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities | 8 |
| Notes to Financial Statements | 9-15 |
| Required Supplemental Information | 16 |
| Budgetary Comparison Schedule - General Fund | 17 |
| Other Supplemental Information | 18 |
| Schedule of Operating Expenses | 19 |
| Schedule of Expenses by Contract and General Operations | 20 |
| Operating Assistance Calculation | 21 |
| Schedule of Mileage Data - Public Transportation | 22 |

Independent Auditor's Report

To the Dial-A-Ride Fund of the
City of Buchanan, Michigan
Buchanan, Michigan

We have audited the accompanying financial statements of the governmental activities and the major governmental fund of the Dial-A-Ride Fund of the City of Buchanan, Michigan as of and for the year ended September 30, 2010, which collectively comprise the Dial-A-Ride Fund of the City of Buchanan, Michigan's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Buchanan's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Dial-A-Ride Fund of the City of Buchanan, Michigan as of September 30, 2010 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule - General Fund is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements of the Dial-A-Ride Fund of the City of Buchanan, Michigan. The other supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. The information, other than the schedule of mileage data, has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the fund financial statements taken as a whole. The schedule of mileage data has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

To the Dial-A-Ride Fund of the
City of Buchanan, Michigan
Buchanan, Michigan

As discussed in Note 1, the financial statements present only the Dial-A-Ride Fund and do not purport to, and do not, present fairly the financial position of the City of Buchanan, Michigan as of September 30, 2010 or the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

February 7, 2011

Dial-A-Ride Fund of the City of Buchanan, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the Dial-A-Ride Fund of the City of Buchanan, Michigan's (the "Fund") financial performance provides an overview of the Fund's financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with the Fund's financial statements.

Financial Highlights

As discussed in further detail in the management's discussion and analysis, the following represents the most significant financial highlights for the year ended September 30, 2010:

- The Fund's net assets increased \$10,044 in the current year.
- Expenditures were consistent with the prior year as a result of management's monitoring of costs throughout the year.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The governmental fund balance sheet/statement of net assets presents all governmental activities of the Fund on both a modified and full accrual basis. The statement presents both a short-term and a long-term view of the Fund; it tells us how much is available for future spending, as well as whether the Fund has funded the full cost of providing services to date.

The statement of governmental fund revenue, expenditures, and changes in fund balance/statement of activities also presents all governmental activities of the Fund, presented on a modified and full accrual basis. The statement tells us how the Fund's money was spent during the year as well as the full cost of providing services this year.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with more detail regarding revenue, expenditures, and changes in fund balances.

Dial-A-Ride Fund of the City of Buchanan, Michigan

Management's Discussion and Analysis (Continued)

The Fund as a Whole

The following table shows, in a comparative, condensed format, the net assets as of September 30, 2010 as compared to the prior two years:

| | Governmental Activities | | |
|---------------------------------------------------|-------------------------|------------------|------------------|
| | September 30 | | |
| | 2010 | 2009 | 2008 |
| Assets | \$ 160,832 | \$ 181,046 | \$ 140,771 |
| Liabilities | <u>98,180</u> | <u>128,438</u> | <u>95,273</u> |
| Net Assets - Restricted for DAR operations | <u>\$ 62,652</u> | <u>\$ 52,608</u> | <u>\$ 45,498</u> |

Governmental net assets increased by \$10,044 during the fiscal year ended September 30, 2010. The Fund's overall financial health remains strong. The Fund has been able to operate as planned and budgeted, as well as set aside funds for future operations and purchases.

Dial-A-Ride Fund of the City of Buchanan, Michigan

Management's Discussion and Analysis (Continued)

The following table shows, in a comparative, condensed format, the changes in net assets for the year ended September 30, 2010 as compared to the prior two years:

| | Governmental Activities | | |
|-----------------------------------|-------------------------|-----------------|------------------|
| | Year Ended September 30 | | |
| | 2010 | 2009 | 2008 |
| Revenue | | | |
| Federal sources | \$ 30,392 | \$ 22,552 | \$ 23,945 |
| State sources | 60,953 | 56,477 | 215,816 |
| Farebox revenue | 11,007 | 14,244 | 12,562 |
| Sale of capital assets | - | - | 3,000 |
| General revenue: | | | |
| Property taxes | 84,922 | 86,205 | 82,377 |
| Investment income | 1,214 | 4,235 | 4,302 |
| Miscellaneous - Insurance refunds | 598 | 3,118 | 6,157 |
| Total revenue | 189,086 | 186,831 | 348,159 |
| Expenditures | | | |
| Program operating costs | 179,042 | 179,721 | 156,505 |
| City of Buchanan - Capital assets | - | - | 159,036 |
| Total expenditures | 179,042 | 179,721 | 315,541 |
| Change in Net Assets | \$ 10,044 | \$ 7,110 | \$ 32,618 |

Governmental Activities

The operations of the Fund remained unchanged throughout FY 2010. The Buchanan City Commission has contracted with Transportation Management, Inc. (TMI) to provide day-to-day operational services.

General Fund Budgetary Highlights

Farebox revenue decreased primarily due to the relocation of a daycare system that used Dial-A-Ride twice daily to transport children to and from school. A significant drop in interest earned on investments as a result of the market and a slight decrease in property taxes also impacted revenue. With strict budget monitoring, expenditures remained almost unchanged from 2009, resulting in an increase in net assets in 2010 of \$10,044.

Dial-A-Ride Fund of the City of Buchanan, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

The capital assets used in operating the Dial-A-Ride program are owned by the City of Buchanan. The buses will be eligible for replacement in FY 2015. The Fund has no outstanding debt at September 30, 2010.

Economic Factors and Next Year's Budgets and Rates

The Fund FY 2011 budget incorporates a 2.65 percent increase in the hourly rate paid to the third-party contractor, along with an increase of 100 vehicle hours. The higher hourly rate includes a modest increase to employee wages and anticipated cost increases in employee health insurance and fuel. The last two factors represent the largest potential exposure for budget overruns, as both remain unpredictable in the present economic and legislative climate. State operating assistance is expected to increase slightly in FY 2011 to 37.12 percent of eligible operating expenses; federal operating assistance is budgeted to remain stable at 16 percent of eligible operating expenses.

Contacting the Fund's Management

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

Dial-A-Ride Fund of the City of Buchanan, Michigan

Governmental Fund Balance Sheet/Statement of Net Assets September 30, 2010

Assets

| | | |
|-----------------------------|----|--------------|
| Cash (Note 2) | \$ | 7,429 |
| Investments (Note 2) | | 136,367 |
| Taxes receivable | | 8,452 |
| Due from federal government | | <u>8,584</u> |

Total assets 160,832

Liabilities

| | | |
|------------------|--|---------------|
| Accounts payable | | 12,493 |
| Deferred revenue | | <u>85,687</u> |

Total liabilities 98,180

Fund Balance/Net Assets - Restricted for DAR operations \$ 62,652

Dial-A-Ride Fund of the City of Buchanan, Michigan

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended September 30, 2010

Revenue - Program

Federal sources:

U.S. DOT Operating Grant (Section 5311) #07-0181/Z2 (Note 4) \$ 26,415

RTAP grant 3,977

State sources - Local Bus Operating Assistance (Act 51) -

#02-0022/Z7 (Note 4) 60,953

Farebox revenue 11,007

General:

Property taxes 84,922

Investment income 1,214

Miscellaneous - Insurance refunds 598

Total revenue 189,086

Expenditures - Program operating costs - Purchased transportation service and miscellaneous

179,042

Excess of Revenue Over Expenditures/Change in Net Assets

10,044

Fund Balance/Net Assets - Beginning of year

52,608

Fund Balance/Net Assets - End of year

\$ 62,652

Dial-A-Ride Fund of the City of Buchanan, Michigan

Notes to Financial Statements September 30, 2010

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

The accounting policies of the Dial-A-Ride Fund of the City of Buchanan, Michigan (“Dial-A-Ride” or the “Fund”) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies.

Reporting Entity

The accompanying component unit financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The Dial-A-Ride Fund of the City of Buchanan, Michigan is a Special Revenue Fund of the City of Buchanan, Michigan which has a fiscal year ending June 30.

The City of Buchanan, Michigan enters into a contract on an annual basis with Transportation Management, Inc. to provide bus services.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Dial-A-Ride’s basic financial statements include both government-wide (reporting Dial-A-Ride as a whole) and fund financial statements (reporting Dial-A-Ride’s funds). These financial statements are shown on a combined (government-wide and fund) basis given that there are no differences between the two presentations for an entity of this nature.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Property taxes billed during the month of July will be used to finance the following year’s operations. As such, these taxes are recorded as deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. Dial-A-Ride’s net assets are entirely restricted for the program.

Dial-A-Ride Fund of the City of Buchanan, Michigan

Notes to Financial Statements September 30, 2010

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to Dial-A-Ride patrons 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 meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenue and are reported instead as general revenue.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Dial-A-Ride considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Property taxes billed during the month of July will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue at September 30.

Dial-A-Ride reports one major governmental fund, the General Fund. The General Fund is Dial-A-Ride's primary operating fund. It accounts for all financial resources of Dial-A-Ride.

Financial Statement Amounts

Bank Deposits and Investments - Dial-A-Ride has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Dial-A-Ride Fund of the City of Buchanan, Michigan

Notes to Financial Statements September 30, 2010

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Receivables - All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. There is no allowance for uncollectible amounts recorded at September 30, 2010. Property taxes are levied on July 1 based on the taxable valuation of the property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Capital Assets - Transportation capital assets are owned by the City of Buchanan and reported in its financial statements.

Deferred Revenue - Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Deferred revenue reported at the end of the year was unearned.

Property Tax Revenue - The taxable valuation of the Dial-A-Ride Fund of the City of Buchanan, Michigan totaled \$89.7 million, on which taxes levied consisted of .99 mills. This resulted in total tax revenue of approximately \$87,000 for the year ended September 30, 2010.

Explanation of Ineligible Expenses - All ineligible expenses, as defined by the *Local Public Transit Revenue & Expense Manual*, are properly reported and properly subtracted out as ineligible. Any capital money used to pay for operating expenses has been subtracted out as ineligible.

Cost Allocation Plan - The Dial-A-Ride Fund has a cost allocation plan approved by the Bus Transit Division of the Michigan Department of Transportation for the urban/non-urban grants. This plan was adhered to in the preparation of the financial statements.

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

Dial-A-Ride Fund of the City of Buchanan, Michigan

Notes to Financial Statements September 30, 2010

Note 2 - Deposits and Investments

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

Dial-A-Ride, through the City of Buchanan, Michigan, has designated one bank for the deposit of its funds. The investment policy adopted by Dial-A-Ride, via the City Commission, in accordance with Public Act 196 of 1997, has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. Dial-A-Ride's deposits and investment policies are in accordance with statutory authority.

Dial-A-Ride's cash and investments at September 30, 2010 are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, Dial-A-Ride's deposits may not be returned to it. Dial-A-Ride does not have a deposit policy for custodial credit risk. At year end, Dial-A-Ride had \$7,429 of bank deposits (certificates of deposit, checking, and savings accounts). The federal depository insurance coverage pertains to all the deposits of the City of Buchanan; hence, the specific coverage pertaining to Dial-A-Ride's deposits, if any, is not determinable.

Dial-A-Ride Fund of the City of Buchanan, Michigan

Notes to Financial Statements September 30, 2010

Note 2 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of failure of the counterparty, Dial-A-Ride will not be able to recover the value of its investments or collateral securities that are not in possession of an outside party. Dial-A-Ride does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in Dial-A-Ride's name:

| <u>Investment</u> | <u>Fair Value</u> | <u>How Held</u> |
|---------------------------------------|-------------------|----------------------------|
| Ginnie Mae Pooled Fund | \$ 1,020 | Counterparty's trust dept. |
| Federal Home Loan Mortgage | 3,194 | Counterparty's trust dept. |
| Federal National Mortgage Association | 25,203 | Counterparty's trust dept. |
| Federal Home Loan Bank | 13,795 | Counterparty's trust dept. |
| U.S. Treasury notes | 5,878 | Counterparty's trust dept. |

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. Dial-A-Ride's investment policy does not restrict investment maturities. At year end, the average maturities of investments are as follows:

| <u>Investment</u> | <u>Fair Value</u> | <u>Weighted Average</u> |
|---------------------------------------|-------------------|-------------------------|
| Ginne Mae Pooled Fund | \$ 1,020 | 5.52 years |
| Federal Home Loan Mortgage | 3,194 | 3.73 years |
| Federal National Mortgage Association | 25,203 | 3.86 years |
| Federal Home Loan Bank | 13,795 | 1.84 years |
| U.S. Treasury notes | 5,878 | 3.88 years |

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. Dial-A-Ride has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

| <u>Investment</u> | <u>Fair Value</u> | <u>Rating</u> | <u>Organization</u> |
|---------------------------------------|-------------------|---------------|---------------------|
| Federal Home Loan Mortgage | \$ 3,194 | AAA | Moody's |
| Federal National Mortgage Association | 25,203 | AAA | Moody's |
| Federal Home Loan Bank | 13,795 | AAA | Moody's |

Dial-A-Ride Fund of the City of Buchanan, Michigan

Notes to Financial Statements September 30, 2010

Note 2 - Deposits and Investments (Continued)

Concentration of Credit Risk

Dial-A-Ride places no limit on the amount it may invest in any one issuer. More than 5 percent of Dial-A-Ride's investments are in the following investments:

| <u>Investment</u> | <u>Percent</u> |
|---------------------------------------|----------------|
| Federal Home Loan Mortgage | 7% |
| Federal National Mortgage Association | 51% |
| Federal Home Loan Bank | 28% |
| U.S. Treasury notes | 12% |

Note 3 - Stewardship, Compliance, and Accountability

Prior to the start of the new fiscal year, the annual budget is prepared by Transportation Management, Inc. and adopted by the City Commission with the approval of the contract.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

A comparison to the budget as adopted is shown in the required supplemental information for the year ended September 30, 2010. Actual expenditures exceeded budgeted expenditures by \$129.

Note 4 - State Revenue Sources

Dial-A-Ride's operating assistance is based on an estimated budget. Any unexpended budget amounts reduce funding in the subsequent year. Budget excesses may also be reimbursed in a subsequent year. Unexpended amounts were offset against payments as follows:

| | <u>State</u> | <u>Federal</u> |
|---------------------------------|------------------|------------------|
| Operating assistance | \$ 61,786 | \$ 28,433 |
| Prior year underpayment | 833 | 2,018 |
| Total state and federal revenue | <u>\$ 60,953</u> | <u>\$ 26,415</u> |

Dial-A-Ride Fund of the City of Buchanan, Michigan

Notes to Financial Statements September 30, 2010

Note 5 - Risk Management

The Dial-A-Ride Fund of the City of Buchanan, Michigan is exposed to various risks of loss related to property loss, torts, and errors and omissions. The City participates in the Michigan Municipal League risk pool for claims relating to property liability. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

Required Supplemental Information

Dial-A-Ride Fund of the City of Buchanan, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2010

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------------------------------------------------------------------|------------------------------|------------------|----------------------------------------|
| Revenue | | | |
| Property taxes | \$ 74,282 | \$ 84,922 | \$ 10,640 |
| Federal sources | 24,402 | 27,142 | 2,740 |
| State sources | 63,729 | 60,953 | (2,776) |
| Farebox revenue | 13,000 | 11,007 | (1,993) |
| Investment income and miscellaneous | 3,500 | 5,062 | 1,562 |
| Total revenue | 178,913 | 189,086 | 10,173 |
| Expenditures - Operating costs - Purchased transportation service and miscellaneous | 178,913 | 179,042 | (129) |
| Excess of Revenue Over Expenditures | - | 10,044 | 10,044 |
| Fund Balance - Beginning of year | 52,608 | 52,608 | - |
| Fund Balance - End of year | <u>\$ 52,608</u> | <u>\$ 62,652</u> | <u>\$ 10,044</u> |

Other Supplemental Information

Dial-A-Ride Fund of the City of Buchanan, Michigan

Schedule of Operating Expenses Year Ended September 30, 2010

| | <u>Operations</u> | <u>Maintenance</u> | <u>General Administration</u> | <u>Total</u> |
|-----------------------------------|-------------------|--------------------|-----------------------------------|-------------------|
| Other services | \$ 19 | \$ 635 | \$ 22,212 | \$ 22,866 |
| Materials and supplies | 24,061 | 669 | 947 | 25,677 |
| Utilities | - | - | 5,481 | 5,481 |
| Casualty and liability costs | 5,942 | - | 649 | 6,591 |
| Audit services | - | - | 6,500 | 6,500 |
| Salaries and fringe benefits | 88,261 | 12,386 | 4,712 | 105,359 |
| Miscellaneous expenses - Training | 35 | 399 | 4,007 | 4,441 |
| Miscellaneous expenses - Other | - | - | 2,127 | 2,127 |
| Total operating expenses | <u>\$ 118,318</u> | <u>\$ 14,089</u> | <u>\$ 46,635</u> | <u>\$ 179,042</u> |

Dial-A-Ride Fund of the City of Buchanan, Michigan

Schedule of Expenses by Contract and General Operations Year Ended September 30, 2010

| | Non-urban | Urban Small | Total |
|----------------------------------|-------------------|------------------|-------------------|
| Other services | \$ 17,149 | \$ 5,717 | \$ 22,866 |
| Materials and supplies | 19,258 | 6,419 | 25,677 |
| Utilities | 4,111 | 1,370 | 5,481 |
| Casualty and liability costs | 4,944 | 1,647 | 6,591 |
| Audit services | 4,875 | 1,625 | 6,500 |
| Salaries and fringe benefits | 79,021 | 26,338 | 105,359 |
| Miscellaneous expense - Training | 3,330 | 1,111 | 4,441 |
| Miscellaneous expense - Other | 1,595 | 532 | 2,127 |
| Total expenses | <u>\$ 134,283</u> | <u>\$ 44,759</u> | <u>\$ 179,042</u> |

Dial-A-Ride Fund of the City of Buchanan, Michigan

Operating Assistance Calculation Year Ended September 30, 2010

| | State Operating Assistance | Federal Section 5311 |
|-------------------------------------------|----------------------------------|---------------------------|
| Non-urban operating expenditures | \$ 134,283 | \$ 134,283 |
| Small urban operating expenditures | <u>44,759</u> | <u>-</u> |
| Total operating expenditures | 179,042 | 134,283 |
| Less ineligible expenses: | | |
| Audit services | - | (4,875) |
| RTAP grant | (3,977) | (3,977) |
| Michigan Transit Pool insurance refund | <u>(598)</u> | <u>(598)</u> |
| Total ineligible expenses | <u>(4,575)</u> | <u>(9,450)</u> |
| Total eligible expenses | <u>\$ 174,467</u> | <u>\$ 124,833</u> |
| | | |
| | Non-urban/Small Urban (State) | Section 5311 (Federal) |
| Grant limits: | | |
| Non-urban - 35.0931% of eligible expenses | \$ 61,226 | \$ - |
| Non-urban - 16.0% of eligible expenses | <u>-</u> | <u>19,973</u> |
| Net eligible expenses | 61,226 | 19,973 |
| Grant award | <u>61,786</u> | <u>28,433</u> |
| Project overpayment | <u>\$ (560)</u> | <u>\$ (8,460)</u> |

Dial-A-Ride Fund of the City of Buchanan, Michigan

Schedule of Mileage Data Public Transportation Year Ended September 30, 2010 (Unaudited)

| | |
|-----------------------|----------------------|
| Vehicle mileage: | |
| First quarter | 10,343 |
| Second quarter | 10,313 |
| Third quarter | 10,472 |
| Fourth quarter | <u>10,452</u> |
| Total vehicle mileage | <u><u>41,580</u></u> |

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

February 7, 2011

To the City Commission
Dial-A-Ride Fund
of the City of Buchanan, Michigan

We have audited the financial statements of the Dial-A-Ride Fund of the City of Buchanan, Michigan (the "Fund") for the year ended September 30, 2010 and have issued our report thereon dated February 7, 2011. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Communications Required Under SAS 115

Section II - Communications Required Under SAS 114

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

Section II includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the City Commission.

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

This report is intended solely for the use of management, the City Commission, and those inside the Fund and is not intended to be and should not be used by anyone other than these specified parties.

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

Very truly yours,

Plante & Moran, PLLC



Kenley G. Penner, CPA
Partner

Section I - Communications Required Under SAS 115

In planning and performing our audit of the financial statements of the Dial-A-Ride Fund of the City of Buchanan, Michigan as of and for the year ended September 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

We consider the following deficiency in the Fund's internal control to be a material weakness:

- Audit adjusting entries were necessary for account balances to be reported accurately on the accrual basis and to adjust beginning fund balance to actual.

Section II - Communications Required Under SAS 114

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 14, 2010, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Fund. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated August 20, 2010.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Dial-A-Ride Fund of the City of Buchanan, Michigan 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 2010.

We noted no transactions entered into by the Fund during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

To the City Commission
Dial-A-Ride Fund of
the City of Buchanan, Michigan

February 7, 2011

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the collectibility of receivables and the valuation of investments.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Journal entries were posted to correct property tax and grant revenue, including the related receivables and deferred revenue, and to post accounts payable and related expenditures. The misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 7, 2011.

To the City Commission
Dial-A-Ride Fund of
the City of Buchanan, Michigan

February 7, 2011

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 Fund’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

In the normal course of our professional association with the Fund, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Fund, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Fund’s auditors.

This information is intended solely for the use of the City Commission and management of the Dial-A-Ride Fund of the City of Buchanan, Michigan and is not intended to be and should not be used by anyone other than these specified parties.