

**BERRIEN COUNTY PUBLIC TRANSPORTATION**

**MDOT - SMALL BUS PROGRAM**

**FINANCIAL STATEMENTS**

**September 30, 2012**

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM**

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**BERRIEN COUNTY PUBLIC TRANSPORTATION**  
**Management Discussion & Analysis**

**Description of Basic Financial Statements**

Berrien County Public Transportation (the "BCPT") is a public transportation system located in Berrien County, Michigan. The County uses the accrual basis of accounting. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be a discussion and analysis of the financial results for the fiscal year ending September 30, 2012. BCPT's basic financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and statement of cash flows. The basic financial statements also include notes that explain the information recorded in the basic financial statements.

**Financial Highlights**

BCPT's total expenses were \$1,109,620 while total revenues and adjustments were \$1,062,444 (\$507,618 operating revenue; \$543,633 non-operating revenue; \$11,193 adjustments). BCPT's total revenues and adjustments were insufficient to cover expenses for the year. The shortfall will be covered using BCPT's fund balance from prior years.

BCPT's total net assets at September 30, 2012 were \$493,189 of which \$9,228 was invested in fixed assets (land improvements and office equipment).

BCPT received \$375,080 in state operating assistance. This was more than the 37.12% of eligible expenses by \$18,195. This has been recorded as a current year payable. The Authority received \$138,001 in Section 5311 federal operating assistance. This was below the 18.50% of eligible expenses by \$42,704. This has been recorded as a current year receivable.

**Condensed Financial Information**

The following condensed financial information provides an overview of BCPT's financial position for the fiscal years ending September 30, 2012 and 2011:

	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Assets:		
Fixed assets	\$ 9,228	\$ 10,310
Other assets	850,685	820,487
<b>Total assets</b>	<b><u>\$ 859,913</u></b>	<b><u>\$ 830,797</u></b>
Liabilities:		
Current liabilities	\$ 366,724	\$ 290,432
<b>Total liabilities</b>	<b><u>\$ 366,724</u></b>	<b><u>\$ 290,432</u></b>
Net Assets:		
Invested in net assets, net of related debt	\$ 9,228	\$ 10,310
Unrestricted net assets	483,961	530,055
<b>Total net assets</b>	<b><u>\$ 493,189</u></b>	<b><u>\$ 540,365</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 859,913</u></b>	<b><u>\$ 830,797</u></b>

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
Management Discussion & Analysis**

**Condensed Financial Information - Continued**

- (a) *Net Assets* - Net assets, the difference between assets and liabilities.
- (b) *Fixed Assets* - Fixed assets are made up of property, buildings, equipment and buses.
- (c) *Other Assets* - Other assets consist of cash, investments, receivables and prepaid expenses.
- (d) *Liabilities* - Liabilities consist of accounts payable or bills that the Authority owes payment on. Also included are payments due to the State of Michigan for overpayments of state operating assistance.

**Changes in Net Assets**

The 2012 fiscal year represents BCPT's twenty-sixth year in running the County transit program. The table below summarizes BCPT's operations for the current and prior fiscal years.

	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Revenues:		
Operating revenues		
Fares	\$ 389,764	\$ 373,018
Local contracts	117,854	-
Total revenues	<u>\$ 507,618</u>	<u>\$ 373,018</u>
Nonoperating revenues		
State grants	\$ 356,885	\$ 350,416
Federal grants	180,705	173,161
Interest earned	3,278	139
RTAP training expenses	2,765	2,625
Total nonoperating revenues	<u>\$ 543,633</u>	<u>\$ 526,341</u>
<b>Total Revenues</b>	<b><u>\$ 1,051,251</u></b>	<b><u>\$ 899,359</u></b>
Expenses:		
Labor	\$ 483,032	\$ 476,984
Fringe benefits	105,606	90,888
Services	121,071	119,652
Materials and supplies	223,750	197,962
Utilities	17,278	22,064
Insurance	47,057	42,504
Purchased services	100,792	-
Miscellaneous	4,002	5,147
Operating leases	5,950	5,436
Depreciation	1,082	978
<b>Total Expenses</b>	<b><u>\$ 1,109,620</u></b>	<b><u>\$ 961,615</u></b>
Net loss before adjustments	\$ (58,369)	\$ (62,256)
Total adjustments	11,193	22,710
<b>Net Income (Loss) for the year</b>	<b><u>\$ (47,176)</u></b>	<b><u>\$ (39,546)</u></b>
Net Assets - Beginning of the Year	\$ 540,365	\$ 526,371
Prior Period Adjustment	-	53,540
<b>Adjusted Net Assets - Beginning of the year</b>	<b><u>\$ 540,365</u></b>	<b><u>\$ 579,911</u></b>
<b>Total Net Assets - End of the Year</b>	<b><u>\$ 493,189</u></b>	<b><u>\$ 540,365</u></b>

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
Management Discussion & Analysis**

**Summary of Operations**

1. Budget

Expenditures	<b>MDOT <u>Operating</u></b>	<b>Audit</b>	<b>Difference <u>Audit v. Budget</u></b>
2011 - 2012	\$ 1,184,400	\$ 1,109,620	\$ 74,780
Revenues	<b>MDOT <u>Approved</u></b>	<b>Audit</b>	<b>Difference <u>Audit v. Budget</u></b>
2011 - 2012	\$ 1,121,514	\$ 1,062,444	\$ (59,070)

BCPT was below the budgeted amount on expenditures and below the budgeted amount on revenues. The MDOT approved operating budget was not amended during the year.

2. General Report on FY 2012 Operations:

Operation of the BCPT system remained unchanged throughout FY 2012. The Berrien County Board of Commissioners sets program policy and direction, approves all expenditures and monitors activities. The Board contracted with Transportation Management, Inc. (TMI) to provide day-to-day operational services. The Board uses a part-time employee to provide oversight services. The County Treasurer provides financial services.

Funding composition for the transit service consists of State, Federal and Local dollars. Federal funding remained constant with prior year at 18.50 % for FY 2012; the State formula operating assistance from MDOT decreased from 37.12% to 36.235%. State and Federal revenue is targeted at 54.48% (38.48% State & 16.00% Federal) for FY 2012. This is a significant decrease from FY 2011.

Total ridership was up by 1,535 passengers. Even though this is not a large increase it does start to reverse the decline in ridership that started in FY 2009. Ridership continued to increase in the general public and senior categories. Contract ridership continues to decrease as agencies face increasing budget demands. As the County continues to downsize the transit system a balance between general public riders and contract riders must be reached that will financially support the system.

Both revenues and expenses were up from FY 2012. Expenses can be attributed to the higher cost of fuel and increased costs for a private operator. Revenues were helped by an additional 2.5% of federal operating assistance.

The total number of days operated increased from 280 to 300. This was due to an increase in the number of days service was offered on weekends. Vehicle hours decreased slightly from 18,528 to 18,404. This primarily can be attributed to a reduction in contract service hours provided in Bridgman this summer. Vehicle miles increased from 379,525 to 392,134.

The BCPT system is currently fiscally sound. A continued increase in service hours will help contain fixed costs as long as the revenue generated justifies the additional service hours. The County continues to participate in a study being done by the KFH Group that is looking at possibilities for coordination/consolidation between the four transit systems in Berrien County. As State funding continues to decrease, it is obvious that some type of change in how the County's transit system as well as the other three systems are structured, funded and operated must occur if transit service is to continue throughout the County. Recommendations from the study should be forthcoming in FY 2013.

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

December 10, 2012

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners of Berrien County  
Berrien County Public Transportation  
MDOT - Small Bus Program  
Berrien County, Michigan

Dear Commissioners:

We have audited the accompanying financial statements of the governmental activities of Berrien County Public Transportation, MDOT - Small Bus Program, as of and for the year ended September 30, 2012, which collectively comprise the entity's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Berrien County Public Transportation's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Berrien County Public Transportation as of September 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012, on our consideration of Berrien County Public Transportation'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages I through III be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

## INDEPENDENT AUDITOR'S REPORT - Continued

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Berrien County Public Transportation's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Beckel & Company, P.C.*

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM  
Statement of Net Assets  
September 30, 2012**

**Assets**

Current Assets

Cash - NOTE 2	\$	520,432
Certificates of deposit - NOTE 2		192,402
Accounts receivable		39,191
Due from federal government		92,252
Prepaid expenses		<u>6,408</u>

Total Current Assets \$ 850,685

Noncurrent Assets

Capital assets, net of depreciation - NOTE 4		<u>9,228</u>
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TOTAL ASSETS \$ 859,913

**Liabilities and Net Assets**

Current Liabilities

Accounts payable	\$	139,082
Due to State of Michigan		<u>227,642</u>

Total Current Liabilities \$ 366,724

Net Assets

Invested in capital assets, net of related debt	\$	9,228
Unrestricted net assets		<u>483,961</u>

Total Net Assets \$ 493,189

TOTAL LIABILITIES AND NET ASSETS \$ 859,913



**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Year Ended September 30, 2012**

Operating Revenues - Fares and local contracts	\$	507,618
Operating Expenses		<u>1,109,620</u>
Net Operating Loss	\$	<u>(602,002)</u>
Nonoperating Revenues		
Local:		
Interest earned	\$	<u>3,278</u>
State:		
State of Michigan Grants		
Operating grants	\$	<u>356,885</u>
Federal:		
State of Michigan Grants		
Operating grants	\$	180,705
RTAP reimbursements		<u>2,765</u>
Total Federal Revenue	\$	<u>183,470</u>
Total Nonoperating Revenues	\$	<u>543,633</u>
Net loss from operations	\$	(58,369)
Add (deduct):		
Gain on sale of capital assets		10,086
Other reimbursements		<u>1,107</u>
Net loss for the year	\$	(47,176)
Net Assets - Beginning of the Year		<u>540,365</u>
NET ASSETS - END OF THE YEAR	\$	<u>493,189</u>

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

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM  
Statement of Cash Flows  
For the Year Ended September 30, 2012**

<b>Cash Flows from Operating Activities:</b>	
Receipts from customers	\$ 512,443
Payments to suppliers of goods and services	(1,006,593)
Payments to contracted employees	<u>(81,672)</u>
Net cash used by operating activities	<u>\$ (575,822)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
State and Federal operating assistance	\$ 577,774
Reimbursements	<u>3,872</u>
Net cash provided by noncapital financing activities	<u>\$ 581,646</u>
<b>Cash Flows from Investing Activities:</b>	
Sale of fixed assets	\$ 10,086
Interest	<u>3,278</u>
Net cash provided by investing activities	<u>\$ 13,364</u>
Net change in cash and cash equivalents	\$ 19,188
Cash and cash equivalents at beginning of year	<u>693,646</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>\$ 712,834</b></u>
<b>Reconciliation of operating income to net cash used by operating activities:</b>	
Operating income (loss)	\$ (602,002)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,082
(Increase) decrease in:	
Accounts receivable	4,825
Prepaid expenses	(320)
Increase (decrease) in:	
Accounts payable	<u>20,593</u>
Net Cash Flows from Operations	<u><b>\$ (575,822)</b></u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM  
Notes to Financial Statements  
September 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Berrien County Public Transportation system is a department of the County of Berrien, Michigan. Berrien County is governed by a Board of Commissioners who contracted with the Michigan Department of Transportation to provide public transportation services in nonurbanized areas. The Board of Commissioners subcontract the operation of the transportation system to a third party and the financial statements include only the operations of that department of the County.

**Basis of Presentation**

The financial statements of the Berrien County Public Transportation system have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units in the United States. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments within the United States. The Department's reporting entity applies all relevant GASB pronouncements and applicable Financial Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

In accordance with GAAP, the Berrien County Public Transportation system operations are accounted for as a Business Type Activity. In this regard, the Berrien County Public Transportation system follows the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when they are earned and become measurable, and expenses are recorded when they are incurred, irrespective of when paid.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principle operating revenues are fares to passengers. Principle operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Accounting Pronouncements**

Berrien County Public Transportation follows the provisions of Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis (GASB 34). This statement established financial reporting standards for state and local governments including special purpose government such as Berrien County Public Transportation. The GASB has followed up on such issues with other related pronouncements designed to clarify the intent of GASB 34.

GASB 34 and its related pronouncements and interpretation require, among other things, that the difference between assets and liabilities be reported as net assets, not equity; that a Management's Discussion and Analysis (MD&A) section precede the financial statements; and that capital assets be capitalized and depreciated over their estimated useful lives.

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM  
Notes to Financial Statements  
September 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fixed Assets and Depreciation**

Fixed assets are purchases that cost or donations that have a fair market value at the date of the gift of more than \$5,000 with a useful life of more than one year. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as defined in the R&E Manual and/or approved by BPT as follows:

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Land improvements	10 years
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**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the department considers all short-term investments with an original maturity of three months or less to be cash equivalents. The carrying amounts approximate fair value.

**Operating Assistance Overpayments Payable**

	<u>2012</u>	<u>2011</u>
Operating Expenses	\$ 1,109,620	\$ 961,615
Less:		
Ineligible prior year refund	(1,107)	(13,781)
Ineligible local contracts	(119,625)	-
Depreciation	(1,082)	(978)
Other ineligible expenses	(140)	(126)
Ineligible portion of MPTA dues	(118)	(97)
RTAP reimbursements	(2,765)	(2,625)
Eligible operating expenses subject to limitation	\$ 984,783	\$ 944,008
36.235% for 2012 of eligible operating expenses, 37.12% for 2011	\$ 356,885	\$ 350,416
State revenues received	375,080	375,080
Overpayment from State of Michigan	\$ (18,195)	\$ (24,664)

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM  
Notes to Financial Statements  
September 30, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Section 5311 Operating Assistance Receivable (Formerly Section 18)**

	<u>2012</u>	<u>2011</u>
Operating Expenses	\$ 1,109,620	\$ 961,615
Less:		
Audit expense	(8,000)	(8,000)
Ineligible prior year refund	(1,107)	(13,781)
Ineligible local contracts	(119,625)	
Depreciation	(1,082)	(978)
Other ineligible expenses	(140)	(126)
Ineligible portion of MPTA dues	(118)	(97)
RTAP reimbursements	<u>(2,765)</u>	<u>(2,625)</u>
 Net Expenses	 <u>\$ 976,783</u>	 <u>\$ 936,008</u>
 Reimbursable rate 18.5% x Net Expenses, not to exceed \$218,374	 \$ 180,705	 \$ 173,161
Less progress payments	<u>138,001</u>	<u>117,556</u>
 Federal Section 5311 underpayment	 <u>\$ 42,704</u>	 <u>\$ 55,605</u>

**NOTE 2 - CASH AND INVESTMENTS**

**Cash and Short-Term Investments** - Investment policies for cash and short-term investments as set forth by the Michigan Compiled Laws section 129.91 authorizes the County to invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States, including securities issued or guaranteed by the Government National Mortgage Association, United States government, or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local government units in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund.

**Long-Term Investments** - The department's investment policy does not address investments other than the short-term investments listed above.

As of September 30, 2012, the department had the following investments and maturities:

	<u>Fair Market Value</u>	<u>Less Than One Year</u>	<u>One to Three Years</u>	<u>More Than Three Years</u>
Certificates of Deposit	\$ 192,402	\$ 192,402	\$ -	\$ -
 Total Investments	 <u>\$ 192,402</u>	 <u>\$ 192,402</u>	 <u>\$ -</u>	 <u>\$ -</u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM  
Notes to Financial Statements  
September 30, 2012**

**NOTE 2 - CASH AND INVESTMENTS - Continued**

**Credit Risk** - Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan. The department's funds were deposited in two financial institutions that meet these requirements. One financial institution holds a pooled account for Berrien County. The majority of the department's funds are included in this pooled account. As of September 30, 2012, the carrying amount of the department's deposits was \$712,834 and the respective bank balance totaled \$711,883. Of the total bank balance, the Federal Deposit Insurance Corporation (FDIC) covered \$26,333.

**Custodial Credit** - All security transactions, including collateral for repurchase agreements and financial institution deposits, entered into by the Berrien County Treasurer are done on a cash basis. Securities may be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts as determined by the Treasurer.

**Concentration of Credit Risk** - Financial instruments that potentially subject Berrien County Public Transportation to concentrations of credit risks consist principally of temporary cash investments that may at times exceed the amount insured by the Federal Deposit Insurance Corporation.

**NOTE 3 - COST ALLOCATIONS**

The Transportation Authority has cost allocation plans for all allocated expenses. All allocation plans except for those described in the accompanying schedule of findings and questioned costs, if any, are approved by the Michigan Department of Transportation, Bureau of Urban and Public Transportation, Bus Transit Division. The plans have been adhered to in the preparation of the financial statements.

**NOTE 4 - CHANGES IN FIXED ASSETS**

The following schedule represents the changes in fixed assets of Berrien County Public Transportation for the year ended September 30, 2012:

	<b>Ending Balance as of <u>September 30, 2011</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Ending Balance as of <u>September 30, 2012</u></b>
Land improvements	\$ 58,367	\$ -	\$ -	\$ 58,367
Accumulated depreciation	(48,057)	(1,082)	-	(49,139)
Net fixed assets	<u>\$ 10,310</u>	<u>\$ (1,082)</u>	<u>\$ -</u>	<u>\$ 9,228</u>

**NOTE 5 - EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL**

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 on OAR Schedule 4E (Nonurban Regular Service Expense Report) and Net Eligible Costs Computations of General Operations. Accordingly, expenses associated with account 41398 have been subtracted out as ineligible. There is no 406xx Auxiliary Transportation Revenue.

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT - SMALL BUS PROGRAM  
Notes to Financial Statements  
September 30, 2012**

**NOTE 6 - NONFINANCIAL DATA**

The methodology used for compiling mileage on OAR Schedule 4N has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

**NOTE 7 - CONTINGENCIES**

Amounts received or receivable under grant programs are subject to audit and adjustment by the grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the transit agency. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the transit agency expects such amounts, if any, to be immaterial.

**NOTE 8 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 10, 2012, the date on which the financial statements were available to be issued. There were no material subsequent events.

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT- SMALL BUS PROGRAM  
Schedule 1  
Statement of Local Revenues  
For the Year Ended September 30, 2012**

Fares (nonurban)	\$ 389,764
Other local contracts and reimbursements (nonurban)	117,854
Interest income	<u>3,278</u>
Total local revenues	<u>\$ 510,896</u>



**BERRIEN COUNTY PUBLIC TRANSPORTATION**  
**MDOT- SMALL BUS PROGRAM**  
**Schedule 2**  
**Expenditures of Federal and State Awards**  
**For the Year Ended September 30, 2012**

<u>Federal and State Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor No./ Authorization Number</u>	<u>Program Award Amount</u>
 <b><u>U.S. Department of Transportation</u></b>			
Passed through Michigan Department of Transportation			
Operating Assistance - Section 5311			
FY 2012	20.509	2012-0046/P1	\$ 218,374
Rural Transit Assistance Program (RTAP)		N/A	<u>2,765</u>
			 \$ <u>221,139</u>
 <b><u>Michigan Department of Transportation</u></b>			
Operating Assistance			
Operating Assistance - Act 51	N/A	FY 2012	<u>\$ 356,885</u>
 TOTALS			 <u>\$ 578,024</u>

<u>Current Year's Expenditures</u>			<u>Prior</u>	<u>Award</u>
<u>Federal</u>	<u>State</u>	<u>Total</u>	<u>Year's</u>	<u>Amount</u>
			<u>Expenditures</u>	<u>Remaining</u>
\$ 180,705	\$ -	\$ 180,705	\$ 173,161	\$ 37,669
<u>2,765</u>	<u>-</u>	<u>2,765</u>	<u>2,625</u>	<u>-</u>
\$ 183,470	\$ -	\$ 183,470	\$ 175,786	\$ 37,669
<u>-</u>	<u>356,885</u>	<u>356,885</u>	<u>350,416</u>	<u>-</u>
<u>183,470</u>	<u>356,885</u>	<u>540,355</u>	<u>526,202</u>	<u>37,669</u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT- SMALL BUS PROGRAM  
Schedule 3  
Operating and Contract Expenses  
For the Year Ended September 30, 2012**

<u>Expenses</u>	<u>Urban</u>	<u>Nonurban</u>		<u>Specialized Services</u>	<u>Another Operating Contract</u>	<u>Total</u>
		<u>MI-18-X050 12-0046/P1 FY 2012 \$ 5311</u>	<u>Local Bus Operating Program</u>			
Labor	\$ -	\$ 89,361	\$ 393,671	\$ -	\$ -	\$ 483,032
Fringe benefits	-	19,537	86,069	-	-	105,606
Services	-	22,398	98,673	-	-	121,071
Materials and supplies	-	41,394	182,356	-	-	223,750
Utilities	-	3,196	14,082	-	-	17,278
Insurance	-	8,706	38,351	-	-	47,057
Purchased services	-	18,647	82,145	-	-	100,792
Miscellaneous	-	740	3,262	-	-	4,002
Operating leases	-	1,101	4,849	-	-	5,950
Depreciation	-	200	882	-	-	1,082
<b>Total</b>	<u>\$ -</u>	<u>\$ 205,280</u>	<u>\$ 904,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,109,620</u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION**  
**MDOT- SMALL BUS PROGRAM**  
**OAR Schedule 4R**  
**Nonurban Regular Service Revenue Report**  
**For the Year Ended September 30, 2012**

<u>Code</u>	<u>Description</u>	<u>Amount</u>
<b>401:</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 98,185
40200	Contract Fares	291,579
<b>407:</b>	<b>NonTrans Revenues</b>	
40760	Gains from the Sale of Capital Assets	10,086
<b>409:</b>	<b>Local Revenue</b>	
40999	Other Local Contracts and Reimbursements	117,854
<b>411:</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	356,885
<b>413:</b>	<b>Federal Contracts</b>	
41302	Federal Section 5311	180,705
41398	RTAP	2,765
<b>414:</b>	<b>Other Revenue</b>	
41400	Interest Income	3,278
<b>440:</b>	<b>Other Revenue</b>	
44000	Prior Year Refunds and Credits	1,107
	Total	<u>\$ 1,062,444</u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT- SMALL BUS PROGRAM  
OAR Schedule 4E  
Nonurban Regular Service Expense Report  
For the Year Ended September 30, 2012**

<u>Code</u>	<u>Description</u>	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Amount</u>
<b>501: Labor</b>					
50101	Operators' Salaries and Wages	\$ 340,063	\$ -	\$ -	\$ 340,063
50102	Other Salaries and Wages	9,658	55,537	21,742	86,937
50103	Dispatchers' Salaries and Wages	56,032	-	-	56,032
<b>502: Fringe Benefits</b>					
50200	Other Fringe Benefits	87,496	13,421	4,689	105,606
<b>503: Services</b>					
50302	Advertising	-	-	412	412
50305	Audit Costs	-	-	8,000	8,000
50399	Other Services	176	27,073	85,410	112,659
<b>504: Materials and Supplies</b>					
50401	Fuel and Lubricants	177,889	-	-	177,889
50402	Tires and Tubes	7,619	-	-	7,619
50499	Other Materials and Supplies	29,503	6,813	1,926	38,242
<b>505: Utilities</b>					
50500	Utilities	-	-	17,278	17,278
<b>506: Insurance</b>					
50603	Liability Insurance	41,958	-	-	41,958
50699	Other insurance	-	-	5,099	5,099
<b>508: Purchased Transportation Services</b>					
50800	Purchased Transportation Services	100,792	-	-	100,792
<b>509: Miscellaneous Expenses</b>					
50902	Travel, Meetings, and Training	330	331	2,349	3,010
50903	Association Dues and Subscriptions	-	-	992	992
<b>512: Operating Leases and Rentals</b>					
51200	Operating Leases and Rentals	5,950	-	-	5,950
<b>513: Depreciation</b>					
51300	Depreciation	1,082	-	-	<u>1,082</u>
	Total Expenses				<u>\$ 1,109,620</u>
<b>540: Ineligible Prior Year Refund and Credits</b>					
54000	Ineligible Prior Year Refund	1,107	-	-	\$ 1,107
<b>550: Ineligible Expenses</b>					
55007	Ineligible Depreciation	1,082	-	-	1,082
55005	Ineligible Local Contracts	117,065	-	2,560	119,625
55008	Other Ineligible Expenses	-	-	140	140
55009	Ineligible Percent of Association Dues	-	-	118	118
<b>574: Ineligible Expenses</b>					
57402	Ineligible RTAP	-	-	2,765	<u>2,765</u>
	Total Ineligible Expenses				<u>\$ 124,837</u>
	Total Eligible Expenses				<u>\$ 984,783</u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT- SMALL BUS PROGRAM  
OAR Schedule 4N  
Nonurban Regular Service Nonfinancial Report**

<b>Demand Response</b>	<b>Public Transportation Mileage Year Ended September 30,</b>	
	<u><b>2012</b></u>	<u><b>2011</b></u>
First quarter ended December 31	109,387	84,906
Second quarter ended March 31	107,716	109,659
Third quarter ended June 30	95,767	98,223
Fourth quarter ended September 30	<u>79,264</u>	<u>86,737</u>
	<u>392,134</u>	<u>379,525</u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT- SMALL BUS PROGRAM  
OAR Schedule 5  
Operating Assistance Calculation  
For the Year Ended September 30, 2012**

	<u>Nonurban</u>
Total Expenses	<u>\$ 1,109,620</u>
Less Ineligible Expenses:	
Ineligible prior year refund	\$ (1,107)
Ineligible local contracts	(119,625)
Depreciation	(1,082)
Other ineligible expenses	(140)
Ineligible expense - 7.8% of MPTA dues	(118)
RTAP reimbursements	<u>(2,765)</u>
Total Ineligible Expenses Per R&E Manual	<u>\$ (124,837)</u>
<b>Total State Eligible Expenses</b>	<u>\$ 984,783</u>
Eligible Expenses for State Reimbursement	\$ 984,783
x Reimbursement Percentage	<u>36.24%</u>
State Operating Assistance	<u>\$ 356,885</u>
<b>Total Federal Eligible Expenses</b>	
Less Additional Federal Ineligible Expenses Per A-87 Audit Costs	<u>\$ (8,000)</u>
Eligible Expenses for Federal Reimbursement	\$ 976,783
x Reimbursement Percentage, not to exceed \$218,374	<u>18.5%</u>
Federal Section 5311 Operating Assistance	<u>\$ 180,705</u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
MDOT- SMALL BUS PROGRAM  
Schedule 6  
Comments and Recommendations  
For the Year Ended September 30, 2012**

**Uniform Chart of Accounts**

Currently Berrien County Public Transportation is not in compliance with the uniform chart of accounts for the grant audit. Berrien County Public Transportation should be following the Local Public Transit Revenue and Expense Manual that can be found on the State of Michigan's website.

**Farebox Bank Account**

We recommend that Berrien County Public Transportation explore the option of moving the TMI farebox bank account to the same bank as Berrien County's general account for potential cost savings in sweeping the farebox account balance rather than writing a monthly check.

**Summary of Deposits**

We recommend including a summary sheet for each month of farebox, state, and federal deposits. Each monthly total should then be reconciled to the general ledger.

**Subsequent Receipts**

During a scan of subsequent receipts for the month of October, there were a couple receipts that were not listed in the accounts receivable balances provided to us at the start of the audit. We recommend adopting procedures to establish proper cutoff for a September 30 year end.

**Annual Reconciled Report**

During our audit, we noticed that the annual reconciled report to the Michigan Department of Transportation did not agree with actual amounts reported on the general ledger. We recommend that Berrien County Public Transportation balance the report to the general ledger prior to submitting to the Michigan Department of Transportation.



**Gerbel & Company, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

December 10, 2012

**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**

Board of Commissioners of Berrien County  
Berrien County Public Transportation  
MDOT - Small Bus Program  
Berrien County, Michigan

We have audited the financial statements of the governmental activities of Berrien County Public Transportation as of and for the year ended September 30, 2012, which collectively comprise Berrien County Public Transportation's basic financial statements and have issued our report thereon dated December 10, 2012. 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.

**Internal Control Over Financial Reporting**

Management of Berrien County Public Transportation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Berrien County Public Transportation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Berrien County Public Transportation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Berrien County Public Transportation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Berrien County Public Transportation's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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 - Continued**

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of Berrien County Public Transportation in a separate letter dated December 10, 2012.

This report is intended solely for the information and use of management, Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Prebel & Company, P.C.*

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

December 10, 2012

## Communication of No Material Weaknesses in a Separate Report

Members of the Berrien County Board of Commissioners  
Berrien County Public Transportation  
MDOT - Small Bus Program  
Berrien County, Michigan

In planning and performing our audit of the financial statements of the governmental activities of Berrien County Public Transportation as of and for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Berrien County Public Transportation'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 Berrien County Public Transportation's internal control. Accordingly, we do not express an opinion on the effectiveness of Berrien County Public Transportation'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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. In addition, we noted other matters involving internal control and its operation that we have reported to management of Berrien County Public Transportation in a separate letter dated December 10, 2012.

This communication is intended solely for the information and use of management and Board of Commissioners, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Gerbel & Company, P.C.  
Certified Public Accountants

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

December 10, 2012

Members of the Berrien County Board of Commissioners  
Berrien County Public Transportation  
MDOT - Small Bus Program  
Berrien County, Michigan

In connection with our examination of the books and records of Berrien County Public Transportation for the year ended September 30, 2012, we offer the following comments and recommendations.

## GENERAL

1. Currently Berrien County Public Transportation is not in compliance with the uniform chart of accounts for the grant audit. Berrien County Public Transportation should be following the Local Public Transit Revenue and Expense Manual that can be found on the State of Michigan's website.
2. We recommend that Berrien County Public Transportation explore the option of moving the TMI farebox bank account to the same bank as Berrien County's general account for potential cost savings in sweeping the farebox account balance rather than writing a monthly check.
3. We recommend including a summary sheet for each month of farebox, state, and federal deposits. Each monthly total should then be reconciled to the general ledger.
4. During a scan of subsequent receipts for the month of October, there were a couple receipts that were not listed in the accounts receivable balances provided to us at the start of the audit. We recommend adopting procedures to establish proper cutoff for a September 30 year end.
5. During our audit, we noticed that the annual reconciled report to the Michigan Department of Transportation did not agree with actual amounts reported on the general ledger. We recommend that Berrien County Public Transportation balance the report to the general ledger prior to submitting to the Michigan Department of Transportation.

We appreciate the courtesy and cooperation extended to us by Berrien County Public Transportation and trust that these comments and suggestions will be received in the spirit of cooperation in which they are offered.

If we can be of any assistance in implementing any of these suggestions, or if you have any questions regarding these or any other matters, please feel free to contact us.

Sincerely,

  
GERBEL & COMPANY, P.C.  
Certified Public Accountants

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

December 10, 2012

## Communication with Those Charged with Governance at or Near the Conclusion of the Audit

Members of the Berrien County Board of Commissioners  
Berrien County Public Transportation  
MDOT - Small Bus Program  
Berrien County, Michigan

We have audited the financial statements of the governmental activities of Berrien County Public Transportation for the year ended September 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 6, 2012. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Berrien County Public Transportation 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 2011-2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We did not note any estimates that we felt were particularly sensitive.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not note any disclosures that we felt were particularly sensitive.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

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

*Disagreements with Management*

For purposes of this letter, 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 December 10, 2012.

*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 governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the management and Board of Commissioners of Berrien County Public Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

  
GERBEL & COMPANY, P.C.  
Certified Public Accountants