

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

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**Financial Report  
with Supplemental Information  
September 30, 2012**

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

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the Dial-A-Ride Fund of the City of Buchanan, Michigan (the "Fund") as of and for the year ended September 30, 2012. 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.

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, 2012 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.

In our opinion, the 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, 2012 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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.

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the Dial-A-Ride Fund of the City of Buchanan, Michigan. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 accompanying other information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. We have applied certain limited procedures to the other 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.

*Plante & Moran, PLLC*

December 14, 2012

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

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## **Management's Discussion and Analysis**

Our discussion and analysis of the Dial-A-Ride Fund of the City of Buchanan, Michigan's (the "Fund" or "DAR") financial performance provides an overview of the Fund's financial activities for the fiscal year ended September 30, 2012. 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, 2012:

- The Fund's fund balance increased \$9,161 in the current year.
- The Fund had an increase in revenue over prior year for property taxes and federal and state revenue.

### **Overview of the Financial Statements**

The Fund is a special revenue fund of the City of Buchanan, Michigan and as such reports on the modified accrual basis of accounting. The governmental fund balance sheet tells us how much is available for future spending. The statement of governmental fund revenue, expenditures, and changes in fund balance tells us how the Fund's money was spent during the 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.

### **Condensed Financial Information**

The following table shows, in a comparative, condensed format, the balance sheet as of September 30, 2012 as compared to the prior two years:

	September 30		
	2012	2011	2010
<b>Assets</b>	\$ 170,206	\$ 169,081	\$ 160,832
<b>Liabilities</b>	94,288	102,324	98,180
<b>Fund Balance - Restricted for DAR operations</b>	<u>\$ 75,918</u>	<u>\$ 66,757</u>	<u>\$ 62,652</u>

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

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## **Management's Discussion and Analysis (Continued)**

The Fund's fund balance increased by \$9,161 during the fiscal year ended September 30, 2012. 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.

The following table shows, in a comparative, condensed format, the revenue, expenditures, and changes in fund balance for the year ended September 30, 2012 as compared to the prior two years:

	Year Ended September 30		
	2012	2011	2010
<b>Revenue</b>			
Federal sources	\$ 34,974	\$ 28,300	\$ 30,392
State sources	69,976	69,498	60,953
Farebox revenue	12,637	14,729	11,007
General revenue:			
Property taxes	85,907	85,383	84,922
Investment income	3,522	589	1,214
Miscellaneous - Insurance refunds	1,094	957	598
<b>Total revenue</b>	<b>208,110</b>	<b>199,456</b>	<b>189,086</b>
<b>Expenditures - Program operating costs</b>	<b>198,949</b>	<b>195,351</b>	<b>179,042</b>
<b>Change in Fund Balance</b>	<b>\$ 9,161</b>	<b>\$ 4,105</b>	<b>\$ 10,044</b>

As noted in FY 2011's management's discussion and analysis, the City of Buchanan and the County of Berrien were in the process of finalizing an Inter-Governmental Agreement (the "Agreement") regarding Dial-A-Ride, formalizing the sharing of management and facilities with Berrien County Public Transportation (Berrien Bus) which had been in place since mid-2006. The Agreement became effective for the period from January 1 to September 30, 2012 and has since been renewed for an additional 12 months. It allows the County to assume additional administrative duties on behalf of DAR, such as the preparation and submission of MDOT and FTA-required reports and applications, should both parties deem this beneficial. The two systems are presently managed and operated by the same third-party contractor; the Agreement permits the continued joint operation of these systems in the event of a change in management/operation arrangements.

The Agreement preserves the separate dedicated transit millage of the City of Buchanan and the individual "branding" of DAR's buses, as well as DAR's own service area, hours, and fare structure. The joint operation of the two systems, while serving as an effective cost-sharing arrangement, also facilitates the movement of passengers between systems so that the greater part of the County may be accessed.

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

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## **Management's Discussion and Analysis (Continued)**

### **Budgetary Highlights**

Farebox revenue decreased due to a decrease in ridership. The number of trips totaled 8,632 and 9,551 in 2012 and 2011, respectively. The increase in state revenue resulted from a slight increase in the state operating assistance percentage of eligible operating expenses. Expenditures remained consistent.

### **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 fiscal year 2015. The Fund has no outstanding debt at September 30, 2012.

### **Economic Factors and Next Year's Budgets and Rates**

The Fund's FY 2013 budget projects an increase of approximately 3 percent over that of the prior year, due largely to the contractor's rising employee wage and insurance costs and to anticipated growth in vehicle maintenance expenses (parts, tires, and other supplies) due to the increasing age of the buses. Exposure to frequent market fluctuations in the cost of fuel will continue, as will the potential for retrospective adjustments assessed by the Michigan Transit Pool, which insures the DAR vehicles. On a more positive note, however, DAR has been advised that the level of State operating assistance in FY 2013 will increase to 38.4887 percent of eligible operating expenses, up from the 36.24 percent figure used in the original budget. At the 3800 vehicle hour maximum, this would translate to \$4,550 in additional funding.

### **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 September 30, 2012

### Assets

Cash (Note 2)	\$ 27,473
Investments (Note 2)	129,434
Taxes receivable	8,356
Due from federal government	<u>4,943</u>
Total assets	170,206

### Liabilities

Accounts payable	12,740
Deferred revenue	<u>81,548</u>
Total liabilities	<u>94,288</u>

<b>Fund Balance - Restricted for DAR operations</b>	<b><u>\$ 75,918</u></b>
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# Dial-A-Ride Fund of the City of Buchanan, Michigan

## Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance Year Ended September 30, 2012

### Revenue - Program

#### Federal sources:

U.S. DOT Operating Grant (Section 5311) #07-0181/Z2 (Note 4) \$ 26,248

RTAP grant 3,585

Prior year reconciled amounts 5,141

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

#02-0022/Z7 (Note 4) 69,976

Farebox revenue 12,637

#### General:

Property taxes 85,907

Investment income 3,522

Miscellaneous - Insurance refunds 1,094

Total revenue 208,110

### Expenditures - Program operating costs - Purchased transportation service and miscellaneous

198,949

### Excess of Revenue Over Expenditures

9,161

### Fund Balance - Beginning of year

66,757

### Fund Balance - End of year

\$ 75,918

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

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## **Notes to Financial Statements September 30, 2012**

### **Note I - 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**

The Fund is a special revenue fund of the City of Buchanan, and as such, prepares its financial statements on 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 90 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.

#### **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

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## Notes to Financial Statements September 30, 2012

### **Note I - Nature of Organization and Summary of Significant Accounting Policies (Continued)**

**Receivables** - Property taxes receivable are shown net of an allowance for uncollectible amounts. However, there is no allowance for uncollectible amounts recorded at September 30, 2012 as management believes all taxes are collectible. 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 \$88.5 million, on which taxes levied consisted of 1.00 mills. This resulted in total tax revenue of approximately \$86,000 for the year ended September 30, 2012.

**Explanation of Ineligible Expenditures** - All ineligible expenditures, 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.

**Fund Equity** - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned.

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

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## Notes to Financial Statements September 30, 2012

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

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the City Commission for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Commission.
- **Assigned:** Intent to spend resources on specific purposes expressed by the City Commission or by the city treasurer, who is authorized by resolution, approved by the City Commission, to make assignments
- **Unassigned:** Amounts that can be used for any purpose

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available (for example, a project has both restricted and unrestricted funds available for it), the City's policy is to first apply restricted resources. When multiple components of unrestricted fund balance are available for the same expenditure, spending will occur in this order - committed, assigned, and unassigned.

**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**

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## **Notes to Financial Statements September 30, 2012**

### **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, 2012 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 approximately \$27,000 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, 2012

### 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:

Investment	Fair Value	How Held
Ginnie Mae Pooled Fund	\$ 536	Counterparty's trust dept.
Federal Farm Credit Banks Global	21,323	Counterparty's trust dept.
Federal Home Loan Mortgage	14,245	Counterparty's trust dept.
Federal National Mortgage Association	18,296	Counterparty's trust dept.
Federal Home Loan Bank	15,268	Counterparty's trust dept.
U.S. Treasury notes	5,442	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:

Investment	Fair Value	Weighted Average
Ginne Mae Pooled Fund	\$ 536	3.71 years
Federal Farm Credit Banks Global	21,323	4.05 years
Federal Home Loan Mortgage	14,245	3.58 years
Federal National Mortgage Association	18,296	3.83 years
Federal Home Loan Bank	15,268	4.34 years
U.S. Treasury notes	5,442	1.87 years

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

## Notes to Financial Statements September 30, 2012

### Note 2 - Deposits and Investments (Continued)

#### 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:

Investment	Fair Value	Rating	Organization
Federal Farm Credit Banks Global	\$ 21,323	AA+	S&P
Federal Home Loan Mortgage	14,245	AA+	S&P
Federal National Mortgage Association	18,296	AA+	S&P
Federal Home Loan Bank	15,268	AA+	S&P

#### 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:

Investment	Percent
Federal Farm Credit Banks Global	16%
Federal Home Loan Mortgage	11%
Federal National Mortgage Association	14%
Federal Home Loan Bank	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, 2012. Actual expenditures exceeded budgeted expenditures by \$2,774.

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

## Notes to Financial Statements September 30, 2012

### 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:

	State	Federal
Operating assistance	\$ 71,084	\$ 27,220
Prior year (overpayment)	<u>(1,108)</u>	<u>(972)</u>
Total state and federal revenue	<u>\$ 69,976</u>	<u>\$ 26,248</u>

### 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 Transit 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 Transit 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**

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

## Required Supplemental Information Budgetary Comparison Schedule - Dial-A-Ride Fund Year Ended September 30, 2012

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>			
Property taxes	\$ 83,426	\$ 85,907	\$ 2,481
Federal sources	23,321	34,974	11,653
State sources	71,084	69,976	(1,108)
Farebox revenue	14,108	12,637	(1,471)
Investment income and miscellaneous	<u>2,500</u>	<u>4,616</u>	<u>2,116</u>
Total revenue	194,439	208,110	13,671
<b>Expenditures</b> - Operating costs - Purchased transportation service and miscellaneous	<u>196,175</u>	<u>198,949</u>	<u>(2,774)</u>
<b>Excess of Revenue (Under) Over Expenditures</b>	(1,736)	9,161	10,897
<b>Fund Balance</b> - Beginning of year	<u>66,757</u>	<u>66,757</u>	<u>-</u>
<b>Fund Balance</b> - End of year	<u><u>\$ 65,021</u></u>	<u><u>\$ 75,918</u></u>	<u><u>\$ 10,897</u></u>

## **Other Supplemental Information**

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

## Schedule of Operating Expenses Year Ended September 30, 2012

Code	Description	General			Total
		Operations	Maintenance	Administration	
501:	<b>Labor</b>				
50101	Operators' salaries and wages	\$ 67,536	\$ -	\$ -	\$ 67,536
50102	Other salaries and wages	1,918	11,060	4,316	17,294
50103	Dispatchers' salaries and wages	11,130	-	-	11,130
502 - 50200	<b>Fringe Benefits</b>	16,328	2,502	876	19,706
503:	<b>Services</b>				
50305	Audit cost	-	-	6,900	6,900
50399	Other services	30	522	23,754	24,306
504:	<b>Materials and Supplies</b>				
50401	Fuel and lubricants	25,391	-	-	25,391
50402	Tires and tubes	1,039	-	-	1,039
50499	Other materials and supplies	2,848	882	733	4,463
505 - 50500	<b>Utilities</b>	-	-	6,258	6,258
506:	<b>Insurance</b>				
50603	Liability insurance	9,734	-	-	9,734
50699	Other insurance	-	-	645	645
509:	<b>Miscellaneous Expenses</b>				
50902	Travel, meetings, and training	715	969	2,163	3,847
50903	Association dues and subscriptions	-	-	700	700
Total expenditures		<u>\$ 136,669</u>	<u>\$ 15,935</u>	<u>\$ 46,345</u>	<u>\$ 198,949</u>

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

## Schedule of Expenses by Contract and General Operations Year Ended September 30, 2012

Code	Description	Non-urban	Urban Small	Total
<b>501:</b>	<b>Labor</b>			
50101	Operators' salaries and wages	\$ 54,346	\$ 13,190	\$ 67,536
50102	Other salaries and wages	13,917	3,377	17,294
50103	Dispatchers' salaries and wages	8,956	2,174	11,130
502 - 50200	<b>Fringe Benefits</b>	15,857	3,849	19,706
<b>503:</b>	<b>Services</b>			
50305	Audit cost	5,552	1,348	6,900
50399	Other services	19,559	4,747	24,306
<b>504:</b>	<b>Materials and Supplies</b>			
50401	Fuel and lubricants	20,432	4,959	25,391
50402	Tires and tubes	836	203	1,039
50499	Other materials and supplies	3,592	871	4,463
505 - 50500	<b>Utilities</b>	5,036	1,222	6,258
<b>506:</b>	<b>Insurance</b>			
50603	Liability insurance	7,833	1,901	9,734
50699	Other insurance	519	126	645
<b>509:</b>	<b>Miscellaneous Expenses</b>			
50902	Travel, meetings, and training	3,096	751	3,847
50903	Association dues and subscriptions	563	137	700
	Total expenditures	<u>\$ 160,094</u>	<u>\$ 38,855</u>	<u>\$ 198,949</u>

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

## Operating Assistance Calculation Year Ended September 30, 2012

	State Operating Assistance	Federal Section 5311
Nonurban operating expenditures	\$ 160,094	\$ 160,094
Small urban operating expenditures	<u>38,855</u>	<u>-</u>
Total operating expenditures	198,949	160,094
Less ineligible expenses:		
Audit services	-	(5,552)
RTAP grant	(3,585)	(3,585)
Michigan Transit Pool insurance refund	(1,094)	(1,094)
MPTA dues	<u>(83)</u>	<u>(83)</u>
Total ineligible expenditures	<u>(4,762)</u>	<u>(10,314)</u>
Total eligible expenditures	<u><b>\$ 194,187</b></u>	<u><b>\$ 149,780</b></u>
	Non-urban/Small Urban (State)	Section 5311 (Federal)
Grant limits:		
Non-urban - 36.24 percent of eligible expenses	\$ 70,373	\$ -
Non-urban - 18.5 percent of eligible expenses	<u>-</u>	<u>27,709</u>
Net eligible expenditures	70,373	27,709
Grant award	<u>71,084</u>	<u>27,220</u>
Project (over) under payment	<u><b>\$ (711)</b></u>	<u><b>\$ 489</b></u>

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

### Schedule of Expenditures of Grant Awards Year Ended September 30, 2012

Federal and State Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures			Award Amount Remaining
				Total	Federal	State	
<u>U.S. Department of Transportation</u>							
Passed Through Michigan Department of Transportation:							
Operating Assistance - Section 5311 FY 2012		07-0181/Z2	\$ 26,248	\$ 26,248	\$ 26,248	\$ -	\$ -
Operating Assistance - Section 5311 (Reconciled)		07-0181/Z2	5,141	5,141	5,141	-	-
Rural Transit Assistance Program (RTAP)		N/A	3,585	3,585	3,585	-	-
Total Federal Operating Assistance			34,974	34,974	34,974	-	-
<u>Michigan Department of Transportation</u>							
Operating Assistance - Act 51 (Rural)	N/A	02-0022/Z7	69,976	69,976	-	69,976	-
Total Operating Assistance			<u>\$ 104,950</u>	<u>\$ 104,950</u>	<u>\$ 34,974</u>	<u>\$ 69,976</u>	<u>\$ -</u>

## **Other Information**

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

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### **Schedule of Mileage Data Public Transportation Year Ended September 30, 2012 (Unaudited)**

Vehicle mileage:	
First quarter	12,081
Second quarter	11,770
Third quarter	10,159
Fourth quarter	<u>9,374</u>
Total vehicle mileage	<u><u>43,384</u></u>

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

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

### Schedule of Passenger Breakdown for Urban/Non-urban Cost Allocation Plan Year Ended September 30, 2012 (Unaudited)

Quarter	<u>Sm. Urban Passengers</u>	<u>Sm. Urban Percentage</u>	<u>Non-urban Passengers</u>	<u>Non-urban Percentage</u>	<u>Total Passengers</u>
Fourth	383	20.44%	1,491	79.56%	1,874
Third	390	18.29%	1,742	81.71%	2,132
Second	441	18.86%	1,897	81.14%	2,338
First	<u>472</u>	20.63%	<u>1,816</u>	79.37%	<u>2,288</u>
Total/Average	<u><b>1,686</b></u>	<u><b>19.56%</b></u>	<u><b>6,946</b></u>	<u><b>80.44%</b></u>	<u><b>8,632</b></u>

The methodology used for compiling passenger breakdown for urban and non-urban has been reviewed and found to be an adequate and reliable method for recording passenger breakdown.

December 14, 2012

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") as of and for the year ended September 30, 2012 and have issued our report thereon dated December 14, 2012. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Internal Control Communications Required Under SAS 115

Section II - Post-audit Communications Required Under SAS 114

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

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 government'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 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.

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**

A handwritten signature in black ink, appearing to read "Kenley G. Penner".

Kenley G. Penner, CPA

## **Section I - Internal Control 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, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the government'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 government's internal control. Accordingly, we do not express an opinion on the effectiveness of the government'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 and 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 Adjustments**

During the audit, adjustments were necessary in order to accurately report the general ledger balances. Journal entries were posted to correct property tax and grant revenue, including the related receivables and deferred revenue, to adjust fund balance to actual, and to correct accounts payable. We recommend a review process be put in place in order to identify incorrect general ledger balances.

## **Section II - Post-audit Communications Required Under SAS 114**

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated October 16, 2012, 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 Dial-A-Ride Fund of the City of Buchanan, Michigan (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 meeting about planning matters on August 22, 2012.

### **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 Fund 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 2012.

We noted no transactions entered into by the government 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.

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

The most sensitive estimate affecting the financial statements was the valuation of investments. Management's estimate of the valuation of investments is based on the most recent market valuation, as prepared by the financial institution holding the funds. We evaluated the key factors and assumptions used to develop the valuation of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

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.

Management has corrected all such misstatements.

The following material misstatements detected as a result of audit procedures were corrected by management. Journal entries were posted to correct property tax and grant revenue, including the related receivables and deferred revenue, to adjust fund balance to actual, and to correct accounts payable.

### ***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 December 14, 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 government’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.