

BERRIEN COUNTY PUBLIC TRANSPORTATION

MDOT - SMALL BUS PROGRAM

FINANCIAL STATEMENTS

September 30, 2013

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

CONTENTS

	<u>Page</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS	I-III
INDEPENDENT AUDITOR'S REPORT	1-2
STATEMENT OF NET POSITION	3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	4
STATEMENT OF CASH FLOWS.....	5
NOTES TO FINANCIAL STATEMENTS.....	6-10
SUPPLEMENTARY INFORMATION:	
Michigan Bureau of Transportation Schedules	
Schedule 1 - Statement of Local Revenues.....	11
Schedule 2 - Expenditures of Federal and State Awards	12
Schedule 3 - Operating and Contract Expenses	13
OAR Schedule 4R - Nonurban Regular Service Revenue Report.....	14
OAR Schedule 4E - Nonurban Regular Service Expense Report	15
OAR Schedule 4N - Nonurban Regular Service Nonfinancial Report	16
OAR Schedule 5 - Operating Assistance Calculation	17
Schedule 6 - Comments and Recommendations	18
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-20

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, 2013. BCPT's basic financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, 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 \$1,191,160 while total revenues and adjustments were \$1,096,332 (\$515,862 operating revenue; \$543,520 non-operating revenue; \$36,950 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 position at September 30, 2013 were \$675,121 of which \$8,250 was invested in capital assets (land improvements).

BCPT received \$420,695 in state operating assistance. This was more than the 38.49% of eligible expenses by \$38,257. This has been recorded as a current year payable. BCPT received \$83,564 in Section 5311 federal operating assistance. This was below the 16.00% of eligible expenses by \$74,132. 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, 2013 and 2012:

	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Assets:		
Fixed assets	\$ 8,250	\$ 9,228
Other assets	813,558	850,685
Total assets	<u>\$ 821,808</u>	<u>\$ 859,913</u>
Liabilities:		
Current liabilities	\$ 146,687	\$ 366,724
Total liabilities	<u>\$ 146,687</u>	<u>\$ 366,724</u>
Net Position:		
Net investment in capital assets	\$ 8,250	\$ 9,228
Unrestricted net position	666,871	483,961
Total net position	<u>\$ 675,121</u>	<u>\$ 493,189</u>
Total Liabilities and Net Position	<u>\$ 821,808</u>	<u>\$ 859,913</u>

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

Condensed Financial Information - Continued

- (a) *Net Position* - Net Position, the difference between assets and liabilities.
- (b) *Fixed Assets* - Fixed assets are made up of land improvements.
- (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 Position

The 2013 fiscal year represents BCPT's twenty-seventh year in running the County transit program. The table below summarizes BCPT's operations for the current and prior fiscal years.

	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Revenues:		
Operating revenues		
Fares	\$ 344,956	\$ 389,764
Local contracts	170,906	117,854
Total revenues	<u>\$ 515,862</u>	<u>\$ 507,618</u>
Nonoperating revenues		
State grants	\$ 382,438	\$ 356,885
Federal grants	157,696	180,705
Interest earned	53	3,278
RTAP training expenses	3,333	2,765
Total nonoperating revenues	<u>\$ 543,520</u>	<u>\$ 543,633</u>
Total Revenues	<u>\$ 1,059,382</u>	<u>\$ 1,051,251</u>
Expenses:		
Labor	\$ 506,845	\$ 483,032
Fringe benefits	116,145	105,606
Services	124,382	121,071
Materials and supplies	225,403	223,750
Utilities	19,130	17,278
Insurance	45,480	47,057
Purchased services	142,087	100,792
Miscellaneous	4,831	4,002
Operating leases	5,879	5,950
Depreciation	978	1,082
Total Expenses	<u>\$ 1,191,160</u>	<u>\$ 1,109,620</u>
Net loss before adjustments	\$ (131,778)	\$ (58,369)
Total adjustments	36,950	11,193
Net Income (Loss) for the year	<u>\$ (94,828)</u>	<u>\$ (47,176)</u>
Net Position - Beginning of the Year	\$ 493,189	\$ 540,365
Prior Period Adjustment	276,760	-
Adjusted Net Position - Beginning of the year	<u>\$ 769,949</u>	<u>\$ 540,365</u>
Total Net Position - End of the Year	<u>\$ 675,121</u>	<u>\$ 493,189</u>

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

Summary of Operations

1. Budget

Expenditures	MDOT <u>Operating</u>	Audit	Difference <u>Audit v. Budget</u>
2012 - 2013	\$ 1,196,400	\$ 1,191,160	\$ 5,240
Revenues	MDOT <u>Approved</u>	Audit	Difference <u>Audit v. Budget</u>
2012 - 2013	\$ 475,000	\$ 1,096,332	\$ 621,332

BCPT was below the budgeted amount on expenditures and above the budgeted amount on revenues.

2. General Report on FY 2013 Operations:

Operation of the BCPT system remained unchanged throughout FY 2013. 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 decreased from the prior year to 16% for FY 2013. This was a 2.5% decrease. The State formula operating assistance from MDOT increased from 36.24% to 38.49%. State and Federal revenue is targeted at 54.49% (38.49% State & 16.00% Federal) for FY 2014. This is the same percentage as FY 2013.

Total ridership was down by 2,443 passengers. The decrease was primarily in general public and senior ridership. The system also operated for fewer days than it did in FY 2012. As the County continues adjusting to a downsized transit system the balance between general public riders and contract riders will remain a critical factor in financing the system.

Both revenues and expenses were up from FY 2012. Expenses can be attributed to the high cost of fuel, additional vehicle service hours and increased expense for the third party operator. Revenues were helped by the additional state operating assistance.

The total number of days operated decreased from 300 to 262. This was due to a decrease in the number of days service was offered on weekends. Vehicle hours increased slightly from 18,404 to 18,825. Vehicle miles increased from 392,134 to 408,520.

The BCPT system is currently fiscally sound. A slow increase in service hours will help contain fixed costs as long as the revenue generated justifies the additional service hours. The County is participating 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 and Federal funding continue 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. In particular, as the only transit system in the County without local funding support, BCPT cannot continue to experience current funding deficits for a sustained period of time without having to cease operations. The KFH Group study should be completed in FY 2014 and will hopefully offer some solutions to this problem.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

November 22, 2013

INDEPENDENT AUDITOR'S REPORT

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

Dear Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Berrien County Public Transportation, MDOT - Small Bus Program, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT - Continued

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Berrien County Public Transportation, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages I-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. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Berrien County Public Transportation's basic financial statements. The Schedules 1 through 6 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013, 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* in considering Berrien County Public Transportation's internal control over financial reporting and compliance.

Satchel & Company, P.C.

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Statement of Net Position
September 30, 2013**

Assets

Current Assets

Cash - NOTE 2	\$	449,103
Certificates of deposit - NOTE 2		191,053
Accounts receivable		37,375
Due from other funds		830
Due from federal government		128,460
Prepaid expenses		<u>6,737</u>

Total Current Assets \$ 813,558

Noncurrent Assets

Capital assets, net of depreciation - NOTE 4		<u>8,250</u>
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TOTAL ASSETS \$ 821,808

Liabilities and Net Position

Current Liabilities

Accounts payable	\$	108,430
Due to State of Michigan		<u>38,257</u>

Total Current Liabilities \$ 146,687

Net Position

Net Investment in capital assets	\$	8,250
Unrestricted net position		<u>666,871</u>

Total Net Position \$ 675,121

TOTAL LIABILITIES AND NET POSITION \$ 821,808

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Statement of Revenues, Expenses, and
Changes in Net Position
For the Year Ended September 30, 2013**

Operating Revenues - Fares and local contracts	\$ 515,862	
Operating Expenses	<u>1,191,160</u>	
Net Operating Loss	<u>\$ (675,298)</u>	
Nonoperating Revenues		
Local:		
Interest earned	<u>\$ 53</u>	
State:		
State of Michigan Grants		
Operating grants	<u>\$ 382,438</u>	
Federal:		
State of Michigan Grants		
Operating grants	\$ 157,696	
RTAP reimbursements	<u>3,333</u>	
Total Federal Revenue	<u>\$ 161,029</u>	
Total Nonoperating Revenues	<u>\$ 543,520</u>	
Net loss from operations	\$ (131,778)	
Add:		
Gain on sale of capital assets	11,451	
Other reimbursements	<u>25,499</u>	
Net loss for the year	<u>\$ (94,828)</u>	
Net Position - Beginning of the Year	493,189	
Prior Period Adjustment - NOTE 11	<u>276,760</u>	
NET Position - END OF THE YEAR	<u>\$ 675,121</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, 2013**

Cash Flows from Operating Activities:	
Receipts from customers	\$ 517,678
Payments to suppliers of goods and services	(1,139,746)
Payments to contracted employees	<u>(82,247)</u>
 Net cash used by operating activities	 <u>\$ (704,315)</u>
Cash Flows from Noncapital Financing Activities:	
State and Federal operating assistance	\$ 592,763
Reimbursements	<u>27,370</u>
 Net cash provided by noncapital financing activities	 <u>\$ 620,133</u>
Cash Flows from Investing Activities:	
Sale of fixed assets	\$ 11,451
Interest	<u>53</u>
 Net cash provided by investing activities	 <u>\$ 11,504</u>
 Net change in cash and cash equivalents	 <u>\$ (72,678)</u>
 Cash and cash equivalents at beginning of year	 <u>712,834</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 640,156</u>
 Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (675,298)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	978
(Increase) decrease in:	
Accounts receivable	1,816
Due from other funds	(830)
Prepaid expenses	(329)
Increase (decrease) in:	
Accounts payable	<u>(30,652)</u>
 Net Cash Flows from Operations	 <u>\$ (704,315)</u>

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

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Notes to Financial Statements
September 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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.

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.

C. Net Position

Net position is classified as follows:

Net Investment in Capital Assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources to those assets.

Restricted Net Position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Department's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to restricted assets.

Unrestricted Net Position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the Department.

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Notes to Financial Statements
September 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. 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.

E. 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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F. 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.

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, 2013, 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	\$ 191,053	\$ 191,053	\$ -	\$ -
Total Investments	<u>\$ 191,053</u>	<u>\$ 191,053</u>	<u>\$ -</u>	<u>\$ -</u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Notes to Financial Statements
September 30, 2013**

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, 2013, the carrying amount and bank balance of the department's deposits was \$449,103. Of the total bank balance, the Federal Deposit Insurance Corporation (FDIC) covered \$25,103.

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, 2013:

	Ending Balance as of <u>September 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance as of <u>September 30, 2013</u>
Land improvements	\$ 58,367	\$ -	\$ -	\$ 58,367
Accumulated depreciation	(49,139)	(978)	-	(50,117)
Net fixed assets	<u>\$ 9,228</u>	<u>\$ (978)</u>	<u>\$ -</u>	<u>\$ 8,250</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, 2013**

NOTE 6 - DUE TO/FROM OTHER GOVERNMENTAL UNITS

A. State of Michigan Operating Assistance

	<u>2013</u>	<u>2012</u>
Operating Expenses	\$ 1,191,160	\$ 1,109,620
Less:		
Ineligible prior year refund	(25,499)	(1,107)
Ineligible local contracts	(167,040)	(119,625)
Depreciation	(978)	(1,082)
Other ineligible expenses	(541)	(140)
Ineligible portion of MPTA dues	(166)	(118)
RTAP reimbursements	<u>(3,333)</u>	<u>(2,765)</u>
Eligible operating expenses subject to limitation	<u>\$ 993,603</u>	<u>\$ 984,783</u>
38.49% for 2013 of eligible operating expenses, 36.235% for 2012	\$ 382,438	\$ 356,885
State revenues received	<u>420,695</u>	<u>375,080</u>
Overpayment from State of Michigan	<u>\$ (38,257)</u>	<u>\$ (18,195)</u>

B. Section 5311 Operating Assistance

	<u>2013</u>	<u>2012</u>
Operating Expenses	\$ 1,191,160	\$ 1,109,620
Less:		
Audit expense	(8,000)	(8,000)
Ineligible prior year refund	(25,499)	(1,107)
Ineligible local contracts	(167,040)	(119,625)
Depreciation	(978)	(1,082)
Other ineligible expenses	(541)	(140)
Ineligible portion of MPTA dues	(166)	(118)
RTAP reimbursements	<u>(3,333)</u>	<u>(2,765)</u>
Net Expenses	<u>\$ 985,603</u>	<u>\$ 976,783</u>
Reimbursable rate 16% x Net Expenses, not to exceed \$190,784	\$ 157,696	\$ 180,705
Less progress payments	<u>83,564</u>	<u>138,001</u>
Federal Section 5311 underpayment	<u>\$ 74,132</u>	<u>\$ 42,704</u>

NOTE 7 - 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.

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Notes to Financial Statements
September 30, 2013**

NOTE 8 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Department carries commercial insurance to cover these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Department. Settled claims have not materially exceeded this coverage in any of the past four years.

The Department participates in a risk pool, the Michigan Transit Pool. The Pool provides auto liability and general liability coverage to its members for the first \$2,000,000 per occurrence, including the members' self-insured retentions. The Department has a \$25,000 self-insured retention. An excess insurance carrier beginning in fiscal 2005 provides coverage in excess of \$2,000,000 up a maximum of \$5,000,000 per occurrence, depending on the member.

NOTE 9 - 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 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 22, 2013, the date on which the financial statements were available to be issued. There were no material subsequent events.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded during the year in the amount of \$276,760 due to MDOT using the 1997 floor rather than the state formula for the years 2010, 2011, and 2012.

NOTE 12 - IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components; assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Accordingly, the Department implemented Statement No. 63 for the year ending September 30, 2013.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements with periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements, deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the Department as of September 30, 2014.

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT- SMALL BUS PROGRAM
Schedule 1
Statement of Local Revenues
For the Year Ended September 30, 2013**

Fares (nonurban)	\$ 344,956
Other local contracts and reimbursements (nonurban)	170,906
Interest income	<u>53</u>
Total local revenues	<u>\$ 515,915</u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT- SMALL BUS PROGRAM
Schedule 2
Expenditures of Federal and State Awards
For the Year Ended September 30, 2013**

<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>
<u>U.S. Department of Transportation</u>			
Passed through Michigan Department of Transportation			
Operating Assistance - Section 5311 FY 2013	20.509	2012-0046/P3	\$ 190,784
Rural Transit Assistance Program (RTAP)		N/A	<u>3,333</u>
			<u>\$ 194,117</u>
<u>Michigan Department of Transportation</u>			
Operating Assistance			
Operating Assistance - Act 51	N/A	FY 2013	<u>\$ 382,438</u>
TOTALS			<u>\$ 576,555</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>
\$ 157,696	\$ -	\$ 157,696	\$ 180,705	\$ 33,088
<u>3,333</u>	<u>-</u>	<u>3,333</u>	<u>2,765</u>	<u>-</u>
\$ 161,029	\$ -	\$ 161,029	\$ 183,470	\$ 33,088
<u>-</u>	<u>382,438</u>	<u>382,438</u>	<u>356,885</u>	<u>-</u>
<u>\$ 161,029</u>	<u>\$ 382,438</u>	<u>\$ 543,467</u>	<u>\$ 540,355</u>	<u>\$ 33,088</u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT- SMALL BUS PROGRAM
Schedule 3
Operating and Contract Expenses
For the Year Ended September 30, 2013**

<u>Expenses</u>	<u>Urban</u>	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Another Operating Contract</u>	<u>Total</u>
		MI-18-X050-06 12-0046/P3 FY 2013 <u>\$ 5311</u>	Local Bus Operating Program		
Labor	\$ -	\$ 81,095	\$ 425,750	\$ -	\$ 506,845
Fringe benefits	-	18,583	97,562	-	116,145
Services	-	19,901	104,481	-	124,382
Materials and supplies	-	36,064	189,339	-	225,403
Utilities	-	3,061	16,069	-	19,130
Insurance	-	7,277	38,203	-	45,480
Purchased services	-	22,734	119,353	-	142,087
Miscellaneous	-	773	4,058	-	4,831
Operating leases	-	941	4,938	-	5,879
Depreciation	-	156	822	-	978
Total	<u>\$ -</u>	<u>\$ 190,585</u>	<u>\$ 1,000,575</u>	<u>\$ -</u>	<u>\$ 1,191,160</u>

BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT- SMALL BUS PROGRAM
OAR Schedule 4R
Nonurban Regular Service Revenue Report
For the Year Ended September 30, 2013

<u>Code</u>	<u>Description</u>	<u>Amount</u>
401:	Farebox Revenue	
40100	Passenger Fares	\$ 85,799
40200	Contract Fares	259,157
407:	NonTrans Revenues	
40760	Gains from the Sale of Capital Assets	11,451
409:	Local Revenue	
40999	Other Local Contracts and Reimbursements	170,906
411:	State Formula and Contracts	
41101	State Operating Assistance	382,438
413:	Federal Contracts	
41302	Federal Section 5311	157,696
41398	RTAP	3,333
414:	Other Revenue	
41400	Interest Income	53
440:	Other Revenue	
44000	Prior Year Refunds and Credits	25,499
	Total	<u>\$ 1,096,332</u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT- SMALL BUS PROGRAM
OAR Schedule 4E
Nonurban Regular Service Expense Report
For the Year Ended September 30, 2013**

<u>Code</u>	<u>Description</u>	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Amount</u>
501: Labor					
50101	Operators' Salaries and Wages	\$ 344,900	\$ -	\$ -	\$ 344,900
50102	Other Salaries and Wages	12,739	60,344	24,897	97,980
50103	Dispatchers' Salaries and Wages	63,965	-	-	63,965
502: Fringe Benefits					
50200	Other Fringe Benefits	95,973	14,716	5,456	116,145
503: Services					
50302	Advertising	-	-	518	518
50305	Audit Costs	-	-	8,000	8,000
50399	Other Services	834	12,133	102,897	115,864
504: Materials and Supplies					
50401	Fuel and Lubricants	181,637	-	-	181,637
50402	Tires and Tubes	10,412	-	-	10,412
50499	Other Materials and Supplies	20,769	10,596	1,989	33,354
505: Utilities					
50500	Utilities	139	-	18,991	19,130
506: Insurance					
50603	Liability Insurance	40,169	-	-	40,169
50699	Other insurance	-	-	5,311	5,311
508: Purchased Transportation Services					
50800	Purchased Transportation Services	142,087	-	-	142,087
509: Miscellaneous Expenses					
50902	Travel, Meetings, and Training	1,699	35	1,905	3,639
50903	Association Dues and Subscriptions	-	-	1,192	1,192
512: Operating Leases and Rentals					
51200	Operating Leases and Rentals	5,879	-	-	5,879
513: Depreciation					
51300	Depreciation	978	-	-	<u>978</u>
	Total Expenses				<u>\$ 1,191,160</u>
540: Ineligible Prior Year Refund and Credits					
54000	Ineligible Prior Year Refund	25,499	-	-	\$ 25,499
550: Ineligible Expenses					
55007	Ineligible Depreciation	978	-	-	978
55005	Ineligible Local Contracts	163,428	-	3,612	167,040
55008	Other Ineligible Expenses	-	-	541	541
55009	Ineligible Percent of Association Dues	-	-	166	166
574: Ineligible Expenses					
57402	Ineligible RTAP	-	-	3,333	<u>3,333</u>
	Total Ineligible Expenses				<u>\$ 197,557</u>
	Total Eligible Expenses				<u>\$ 993,603</u>

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

Demand Response <u>Code</u>		Public Service Vehicle Miles	
		Year Ended	
		<u>September 30,</u>	
		<u>2013</u>	<u>2012</u>
611	Weekday	405,728	384,979
611	Saturday	2,160	5,204
611	Sunday	<u>632</u>	<u>1,951</u>
		<u>408,520</u>	<u>392,134</u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT- SMALL BUS PROGRAM
OAR Schedule 5
Operating Assistance Calculation
For the Year Ended September 30, 2013**

	<u>Nonurban</u>
Total Expenses	<u>\$ 1,191,160</u>
Less Ineligible Expenses:	
Ineligible prior year refund	\$ (25,499)
Ineligible local contracts	(167,040)
Depreciation	(978)
Other ineligible expenses	(541)
Ineligible expense - 13.9% of MPTA dues	(166)
RTAP reimbursements	<u>(3,333)</u>
Total Ineligible Expenses Per R&E Manual	<u>\$ (197,557)</u>
Total State Eligible Expenses	<u>\$ 993,603</u>
Eligible Expenses for State Reimbursement	\$ 993,603
x Reimbursement Percentage	<u>38.49%</u>
State Operating Assistance	<u>\$ 382,438</u>
Total Federal Eligible Expenses	
Less Additional Federal Ineligible Expenses Per A-87 Audit Costs	<u>\$ (8,000)</u>
Eligible Expenses for Federal Reimbursement	\$ 985,603
x Reimbursement Percentage, not to exceed \$190,784	<u>16.00%</u>
Federal Section 5311 Operating Assistance	<u>\$ 157,696</u>

**BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT- SMALL BUS PROGRAM
Schedule 6
Comments and Recommendations
For the Year Ended September 30, 2013**

Annual Reconciled Report

Condition: Berrien County Public Transportation did not reconcile their general ledger with the reconciled report submitted to the Michigan Department of Transportation

Criteria: The reconciled report submitted to the Michigan Department of Transportation should agree with general ledger.

Effect: Failure to reconcile led to incorrect amounts reported to the Michigan Department of Transportation.

Recommendation: We recommend that Berrien County Public Transportation balance the reconciled report to the general ledger prior to submitting to the Michigan Department of Transportation. This would entail a method of tracking payables and receivables.

Ineligible Expenses

Condition: Berrien County Public Transportation did not include all ineligible expenses in the reconciled report submitted to the Michigan Department of Transportation.

Criteria: Noncompliance with the Local Public Transit Revenue and Expense Manual, Ineligible Expenses.

Effect: Berrien County Public Transportation submitted for reimbursement some ineligible expenses.

Recommendation: We recommend the Department establish a process to verify all ineligible expenses have been reported accurately.

Gerbel & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

November 22, 2013

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Berrien County Public Transportation, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Berrien County Public Transportation's basic financial statements, and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Berrien County Public Transportation's internal control over financial reporting (internal control) to determine the 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Beckel & Company, P.C.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

November 22, 2013

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, 2013, we offer the following comments and recommendations.

GENERAL

1. Currently, Berrien County Public Transportation does not have a process in place to reconcile the reports submitted to the Michigan Department of Transportation (MDOT) with the general ledger maintained by Berrien County. We recommend that the Department balance the reconciled report to the general ledger prior to submitting to MDOT. This would entail a method of tracking payables and receivables.
2. During our audit, we noted several ineligible expenses were either not included or used incorrect amounts. We recommend the Department establish a process to verify all ineligible expenses have been reported accurately.

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

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

November 22, 2013

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 business-type activities of Berrien County Public Transportation for the year ended September 30, 2013. 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 November 6, 2013. 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 2012-2013. 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, a disagreement with management is 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 November 22, 2013.

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.

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.
GERBEL & COMPANY, P.C.
Certified Public Accountants