

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Van Buren Public Transit	County Van Buren
Fiscal Year End 9/30/2007	Opinion Date February 28, 2008	Date Audit Report Submitted to State February 28, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

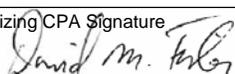
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number 517-787-6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name David M. Fisher, CPA		License Number 10337

**VAN BUREN COUNTY PUBLIC
TRANSIT**
(a Component Unit of Van Buren County)

Bangor, Michigan

FINANCIAL STATEMENTS

**For The Years Ended
September 30, 2007 and 2006**



REHMANN ROBSON

Certified Public Accountants

VAN BUREN COUNTY PUBLIC TRANSIT
(a Component Unit of Van Buren County)

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REHMANN ROBSON

Certified Public Accountants

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INTERNATIONAL

INDEPENDENT AUDITORS' REPORT

February 28, 2008

Members of the Board
Van Buren County Public Transit
Bangor, Michigan

We have audited the accompanying financial statements of the **VAN BUREN COUNTY PUBLIC TRANSIT**, a component unit of Van Buren County, Michigan, as of and for the years ended September 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Van Buren County Public Transit's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Van Buren County Public Transit as of September 30, 2007 and 2006, and the changes in financial position and cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2008, on our consideration of the Transit's internal controls over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Van Buren County Public Transit. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information on page 22 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ending September 30, 2007

The Management Discussion and Analysis ("MD&A") presents a narrative overview and analysis of the financial activities of Van Buren Public Transit for the year ended September 30, 2007. The MD&A is designed to assist readers of financial statements in focusing on significant financial activities and issues and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements as a whole.

FINANCIAL HIGHLIGHTS

The Transit experienced an increase in net assets of \$429,449 in 2007 as compared to a decrease of \$32,910 in 2006.

Overall revenues, including capital contributions, increased from \$790,993 in 2006 to \$1,387,543 in 2007, a 75% increase. The increase was primarily the result of a levy of a one-quarter mill levy of property tax revenue in 2007.

- Operating revenues increased \$549,548 or 182.4%.
- Non-operating revenues increased \$150,204 or 43.0%.
- Capital contributions decreased \$103,202 or 73.7%.
- Operating expenses increased \$134,191 or 16.3%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, and operating fund schedules and compliance information.

The basic financial statements include the following:

- The Statements of Net Assets, which presents assets less liabilities at each fiscal year end.
- The Statements of Revenues, Expenses and Changes in Net Assets, which shows revenues and expenditures for each of the fiscal years.
- The Statement of Cash Flows, which show sources and uses of cash for each of the fiscal years.
- The financial statements also include notes that explain some of the more significant information contained within the statements and provide more detailed data.

The notes are followed by a series of Operating Fund Schedules that further explains and supports information in the basic financial statements.

PROPRIETARY FUND STATEMENTS

The proprietary fund statement reports information about the Transit as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Transit's assets and liabilities. The Statements of Revenues, Expenses and Changes in Net Assets accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

Net assets – the difference between the Transit’s assets and liabilities – are one way to measure the Transit’s financial health or position. Over time, increases or decreases in the Transit’s net assets are one indicator of whether its financial position is improving or deteriorating. To assess the overall health of the Transit, a user must also consider additional factors such as future changes in state and federal financial assistance, the condition of its rolling stock and facilities and other factors.

NET ASSETS

The Transit’s total net assets at September 30, 2007 were \$1,052,739 an increase of \$429,449 from the prior year, or 68.9%. Total assets increased \$478,757 or 72.5% and total liabilities increased \$49,308 or 132.9%.

VAN BUREN PUBLIC TRANSIT NET ASSETS			
	As of September 30,		
	2007	2006	%Change
ASSETS			
Current assets	\$ 746,268	\$115,113	548.3%
Capital assets	<u>392,883</u>	<u>545,281</u>	<u>-27.9%</u>
TOTAL ASSETS	\$1,139,151	\$660,394	72.5%
LIABILITIES			
Current liabilities	74,476	24,708	201.4%
Long-term debt	<u>11,936</u>	<u>12,396</u>	<u>-3.7%</u>
TOTAL LIABILITIES	86,412	37,104	132.9%
NET ASSETS			
Invested in capital assets, net of related dept	392,883	545,281	-27.9%
Unrestricted net assets	<u>659,856</u>	<u>78,009</u>	<u>745.9%</u>
TOTAL NET ASSETS	<u>\$1,052,739</u>	<u>\$ 623,290</u>	<u>68.9%</u>

CHANGES IN NET ASSETS

The increase in net assets in 2007 was \$429,449, compared to a \$32,910 decrease in 2006. (See table below.)

VAN BUREN PUBLIC TRANSIT CHANGES IN NET ASSETS

	As of September 30,		% Change
	2007	2006	
OPERATING REVENUE			
Passenger Fares	\$ 267,019	\$ 296,857	-10.1%
Property Tax Revenue	578,573	-	
Other	5,280	4,467	18.2%
TOTAL OPERATING REVENUE	850,872	301,324	182.4%
OPERATING EXPENSES			
Operations	704,550	670,841	5.0%
Maintenance	128,729	67,433	90.9%
Administration	124,815	85,629	45.8%
TOTAL OPERATING EXPENSES	958,094	823,903	16.3%
OPERATING LOSS	(107,222)	(522,579)	-79.5%
NONOPERATING REVENUES			
Government operating grants	482,605	340,763	41.6%
Other	17,202	8,840	94.6%
TOTAL NONOPERATING REVENUES	499,807	349,603	43.0%
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	392,585	(172,976)	-327.0%
CAPITAL CONTRIBUTIONS	36,864	140,066	-73.7%
CHANGE IN NET ASSETS	429,449	\$ (32,910)	-1204.9%
Total net Assets, beginning	623,290	656,200	-5.0%
TOTAL NET ASSETS, ENDING	\$ 1,052,739	\$ 623,290	68.9%

Operating revenues increased primarily because of the property tax revenue received due to the passing of a millage in 2006, which was recognized as revenue in 2007. Also, total operating expenses were increased primarily as a result in hiring a full-time Director and a maintenance mechanic.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

During the 2006 and 2007 fiscal years, the Transit had capital assets (net of depreciation) as follows:

	<u>2007</u>	<u>2006</u>
Buildings	\$ 96,581	\$ 109,726
Land improvements	71,729	73,229
Buses	191,409	330,573
Vehicles	0	1,297
Equipment	<u>33,164</u>	<u>30,456</u>
Total	<u>\$ 392,883</u>	<u>\$ 545,281</u>

Included in capital asset additions were facility renovations purchased under a capital grant amounting to \$14,822, and a bus washing system and computer equipment purchased under a capital grant amounting to \$7,892. More detailed information about capital assets can be found in Note II.B. to the financial statements.

Long-term debt:

At year end, Transit had \$11,936 in long-term debt, which consisted entirely of accrued compensated absences. More detailed information about the Transit's long term liabilities can be found in Note II.C. to the financial statements.

FACTORS BEARING ON THE TRANSIT'S FUTURE

In 2007, residents in Van Buren County provided an operating millage of ¼ mill to fund Transit operations. This millage has provided over \$500,000 of additional funding for Transit operations starting in fiscal year 2007. State operating grant revenue is not expected to increase due to the continued stagnant Michigan economy.

As the national number of baby boomers begin to retire, coupled with the increased obesity-related health issues that require individuals to ride public transportation, Van Buren County is a direct correlation to these increased numbers. MDOT and FTA require each transit authority to provide service directed towards increased mobility of seniors, physically disabled and then the general public.

Van Buren Public Transit has responsibly taken on the local responsibility by increasing service by extending Dial A Ride (DAR) hours both in South Haven and Paw Paw, establishing a mid county floater bus that connects Bangor, Hartford and Bloomingdale areas with the DAR buses, and re-establishing the noontime operation of nutrition runs for seniors that had previously discontinued due to transits scale back. Transit continues to be in a state of change while adjusting, refining and repairing our operation. Ridership trends are greatly improved and convenience and availability of transportation is improving. Van Buren County residents must be able to recognize and be delighted about the value of VBPT's accomplishments and must remain agreeable with renewed support and understanding by continuing to provide resources in the form of tax revenue for the continued existence of Van Buren Public Transit's service.

CONTACTING THE TRANSIT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, taxpayers and other interested parties with a general overview of the finances of the Van Buren Public Transit and to demonstrate the Transit's accountability for the money it receives. If you have questions about this report or need additional information, contact the Van Buren Public Transit at 610 David Walton Drive, Bangor, Michigan 49013.

BASIC FINANCIAL STATEMENTS

Van Buren County Public Transit
Statements of Net Assets

	September 30,	
	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 641,278	\$ 43,540
Accounts receivable	26,118	33,053
Grants receivable	49,483	12,796
Inventory	11,568	8,987
Prepaid expenses	17,821	16,737
Total current assets	746,268	115,113
Noncurrent assets:		
Capital assets being depreciated, net	392,883	545,281
Total assets	1,139,151	660,394
Liabilities		
Current liabilities:		
Accounts payable	38,182	13,414
Accrued payroll	11,294	11,294
Deferred revenue -grant	25,000	-
Total current liabilities	74,476	24,708
Long-term liabilities:		
Accrued compensated absences	11,936	12,396
Total liabilities	86,412	37,104
Net assets		
Invested in capital assets	392,883	545,281
Unrestricted	659,856	78,009
Total net assets	\$ 1,052,739	\$ 623,290

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

Van Buren County Public Transit
Statements of Revenues, Expenses and Changes in Net Assets

	For the Year Ended September 30,	
	2007	2006
Operating revenues		
Passenger fares	\$ 267,019	\$ 296,857
Property taxes	578,573	-
Specialized services	5,280	4,467
	850,872	301,324
Operating expenses		
Operations	704,550	670,841
Maintenance	128,729	67,433
Administration	124,815	85,629
	958,094	823,903
Operating loss	(107,222)	(522,579)
Nonoperating revenues		
Government operating grants:		
State	329,986	239,864
Federal	140,046	90,682
Local	12,573	10,217
Investment income	13,619	1,153
Other non-operating revenue	3,583	7,687
	499,807	349,603
Net income (loss) before capital contributions	392,585	(172,976)
Capital contributions - grants	36,864	140,066
Change in net assets	429,449	(32,910)
Net assets, beginning of year	623,290	656,200
Net assets, end of year	\$ 1,052,739	\$ 623,290

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

Van Buren County Public Transit
Statements of Cash Flows

	For the Year Ended September 30,	
	2007	2006
Cash flows from operating activities:		
Receipts from operations	\$ 821,120	\$ 317,716
Payments to suppliers	(30,802)	(189,052)
Payments to employees	(704,550)	(437,989)
	85,768	(309,325)
 Cash flows from noncapital financing activities:		
Operating grants	482,605	340,763
 Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(24,701)	(139,963)
Capital contributed by governmental units	36,864	140,066
	12,163	103
 Cash flows from investing activities:		
Other	3,583	7,687
Investment income	13,619	1,153
	17,202	8,840
Net cash provided by investing activities	17,202	8,840
Net increase in cash and cash equivalents	597,738	40,381
Cash and cash equivalents, beginning of year	43,540	3,159
Cash and cash equivalents, end of year	\$ 641,278	\$ 43,540

Continued...

Van Buren County Public Transit
Statements of Cash Flows (Concluded)

	For the Year Ended September 30,	
	2007	2006
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	\$ (107,222)	\$ (522,579)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	177,099	197,797
Changes in assets and liabilities:		
Accounts receivable	6,935	4,511
Grants receivable	(36,687)	11,881
Inventory	(2,581)	175
Prepaid expenses	(1,084)	1,059
Accounts payable	24,768	(2,169)
Deferred revenue	25,000	-
Accrued compensated absences	(460)	-
	\$ 85,768	\$ (309,325)
Net cash provided by (used in) operating activities	\$ 85,768	\$ (309,325)

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

NOTES TO FINANCIAL STATEMENTS

VAN BUREN COUNTY PUBLIC TRANSIT

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Van Buren County Public Transit (“Transit”) is governed by an appointed five-member Council. The Transit is considered to be a component unit of Van Buren County, Michigan for financial accounting and reporting purposes. Federal and state financial assistance in the form of operating and capital grant funding to support operations, specialized services and capital equipment items are received by the Transit. The Transit provides demand response services within Van Buren County, as well as special services to several nonprofit and governmental agencies within the County.

B. Measurement focus, basis of accounting, and financial statement presentation

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the Transit gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and entitlements. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The government accounts for its operations in a single enterprise fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Transit has elected not to follow subsequent private-sector guidance.

VAN BUREN COUNTY PUBLIC TRANSIT

Notes to Financial Statements

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal revenues of the enterprise fund are charges to customers for sales and services. Federal and state operating grants received to subsidize operations are classified as nonoperating revenues.

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. Assets, liabilities and equity

1. Deposits

The Transit's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Transit to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments.

2. Inventories and Prepaid Items

Inventory consists of diesel fuel and is valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

VAN BUREN COUNTY PUBLIC TRANSIT

Notes to Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and land improvements	10-20
Buses	5
Other vehicles	4-5
Furniture and equipment	4-10

4. *Accrued vacation, incentive and sick pay*

Transit employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount has been recorded as a long-term liability.

II. DETAILED NOTES ON ALL FUNDS

A. Cash and cash equivalents

The following is a summary of cash and cash equivalents balances as of September 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Savings accounts	\$ 97,512	\$ 17,696
Deposits with Van Buren cash pool	<u>543,766</u>	<u>25,844</u>
Total	<u>\$ 641,278</u>	<u>\$ 43,540</u>

VAN BUREN COUNTY PUBLIC TRANSIT

Notes to Financial Statements

Deposit and investment risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Transit's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Transit's investment policy does not have specific limits in excess of state law on investment credit risk, nor does the Transit have any investments at September 30, 2007 and 2006.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Transit's deposits may not be returned. State law does not require and the Transit does not have a policy for deposit custodial credit risk. As of September 30, 2007 and 2006, the entire amount of the Transit's bank balance of \$74,391 and \$17,696, respectively, was insured. The bank balance for deposits in the Van Buren County cash pool may be partially covered by federal depository insurance. The amount of federal depository insurance is determined for the County as a whole, but cannot be separately identified for the Transit.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Transit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Transit does not have a policy for investment custodial credit risk. The Transit did not have any investments at September 30, 2007 and 2006.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Transit's investment policy does not have specific limits in excess of state law on concentration of credit risk. The Transit did not have any investments at September 30, 2007 and 2006.

VAN BUREN COUNTY PUBLIC TRANSIT

Notes to Financial Statements

B. Capital assets

Capital assets activity for the year ended September 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings	\$ 569,976	\$ 14,828	\$ -	\$ 584,804
Land improvements	82,229	-	-	82,229
Buses	969,911	-	-	969,911
Vehicles	43,656	-	-	43,656
Furniture and equipment	85,365	9,873	-	95,238
Total assets being depreciated	<u>1,751,137</u>	<u>24,701</u>	<u>-</u>	<u>1,775,838</u>
Less accumulated depreciation:				
Buildings	460,250	27,973	-	488,223
Land improvements	9,000	1,500	-	10,500
Buses	639,338	139,164	-	778,502
Vehicles	42,359	1,297	-	43,656
Furniture and equipment	54,909	7,165	-	62,074
Total accumulated depreciation	<u>1,205,856</u>	<u>177,099</u>	<u>-</u>	<u>1,382,955</u>
Total capital assets being depreciated, net	<u>\$ 545,281</u>	<u>\$ (152,398)</u>	<u>\$ -</u>	<u>\$ 392,883</u>

Capital asset activity for the year ended September 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings	\$ 539,671	\$ 30,305	\$ -	\$ 569,976
Land improvements	82,229	-	-	82,229
Buses	860,253	109,658	-	969,911
Vehicles	43,656	-	-	43,656
Furniture and equipment	85,365	-	-	85,365
Subtotal	<u>1,611,174</u>	<u>139,963</u>	<u>-</u>	<u>1,751,137</u>
Less accumulated depreciation for:				
Buildings	431,226	29,024	-	460,250
Land improvements	7,500	1,500	-	9,000
Buses	481,158	158,180	-	639,338
Vehicles	38,469	3,890	-	42,359
Furniture and equipment	49,706	5,203	-	54,909
Total accumulated depreciation	<u>1,008,059</u>	<u>197,797</u>	<u>-</u>	<u>1,205,856</u>
Total capital assets being depreciated, net	<u>\$ 603,115</u>	<u>\$ (57,834)</u>	<u>\$ -</u>	<u>\$ 545,281</u>

VAN BUREN COUNTY PUBLIC TRANSIT

Notes to Financial Statements

Depreciation expense for the years ended September 30, 2007 and 2006 was \$177,099 and \$197,797, respectively.

C. Long-term debt

Changes in Long-Term Debt

Following is a summary of long-term debt activity for the year ended September 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued vacation, incentive and sick pay	<u>\$ 12,396</u>	<u>\$ 26,813</u>	<u>\$ (27,273)</u>	<u>\$ 11,936</u>	<u>\$ -</u>

There was no change in the compensated absences liability for the year ended September 30, 2006.

III. OTHER INFORMATION

A. Risk management

The Transit is exposed to various risks of loss related to assets; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, medical benefits provided to employees, and natural disasters.

The Transit has purchased commercial insurance for employee medical claims, and participates in the Michigan Municipal Liability and Property Pool and Michigan Municipal Workers' Compensation Fund for all other claims.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

VAN BUREN COUNTY PUBLIC TRANSIT

Notes to Financial Statements

B. Property taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the following year. A property tax of one-quarter mill was levied on December 1, 2006 by Van Buren County to fund Transit operations and was due on February 14. Delinquent real taxes are advanced to the Transit by the Revolving Tax Fund of the Van Buren County.

C. Retirement Plan

Union Employees' Pension Plan

Transit employees participate in the Van Buren County Employee Pension Plan. All County employees are eligible to participate in the Plan. The Transit is required to pay contributions to the Plan that match the participant's contribution up to a maximum of 5% of employee compensation.

The Transit contributed \$5,136 and \$4,315 to the Plan for the years ended September 30, 2007 and 2006, respectively.

D. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Transit expects such amounts, if any, to be immaterial.

* * * * *

OPERATING FUND SCHEDULES

**Van Buren County Public Transit
Schedule of Operating Revenues**

	For the Year Ended September 30,	
	2007	2006
Passenger fares:		
General public	\$ 34,780	\$ 37,805
Contract rides:		
Mental Health - MTI	159,433	173,563
Mental Health - Hope Center	46,778	59,085
Other	26,028	26,404
Property tax revenue	578,573	-
Specialized services	5,280	4,467
	\$ 850,872	\$ 301,324

Van Buren County Public Transit
Schedule of Operating Expenses

	For the Year Ended September 30, 2007				2006
	Operations	Maintenance	Administration	Total	Total
Labor:					
Operator salaries and wages	\$ 218,117	\$ -	\$ -	\$ 218,117	\$ 186,271
Dispatcher salaries and wages	28,706	-	-	28,706	19,829
Other salaries and wages	-	41,532	46,326	87,858	52,663
Total labor	<u>246,823</u>	<u>41,532</u>	<u>46,326</u>	<u>334,681</u>	<u>258,763</u>
Fringe benefits	162,518	27,233	29,869	219,620	179,226
Purchased services:					
Professional and technical	-	-	7,840	7,840	7,610
Maintenance	-	1,100	-	1,100	1,100
Other	17,009	33,755	12,191	62,955	44,427
Total purchased services	<u>17,009</u>	<u>34,855</u>	<u>20,031</u>	<u>71,895</u>	<u>53,137</u>
Materials and supplies:					
Fuel and lubricants	80,096	-	-	80,096	83,348
Tires and tubes	7,208	-	-	7,208	2,429
Other materials and supplies	8,048	13,681	5,096	26,825	17,433
Total materials and supplies	<u>95,352</u>	<u>13,681</u>	<u>5,096</u>	<u>114,129</u>	<u>103,210</u>
Utilities	-	9,648	9,647	19,295	17,139
Insurance	4,768	799	876	6,443	11,831
Miscellaneous expenses:					
Advertising	-	-	8,268	8,268	290
Other	981	981	4,702	6,664	2,510
Total miscellaneous expenses	<u>981</u>	<u>981</u>	<u>12,970</u>	<u>14,932</u>	<u>2,800</u>
Depreciation	<u>177,099</u>	<u>-</u>	<u>-</u>	<u>177,099</u>	<u>197,797</u>
Total operating expenses	<u><u>\$ 704,550</u></u>	<u><u>\$ 128,729</u></u>	<u><u>\$ 124,815</u></u>	<u><u>\$ 958,094</u></u>	<u><u>\$ 823,903</u></u>

Van Buren County Public Transit
Schedule of Non-Operating Revenues
State and Federal

	For the Year Ended September 30,	
	2007	2006
State of Michigan operating grants:		
Formula Operating assistance	\$ 319,923	\$ 246,169
Prior year adjustments	10,063	(6,305)
Total State of Michigan operating grants	329,986	239,864
Federal operating grants:		
U.S. Department of Transportation, operating grant - Section 5311	132,198	82,435
Prior year adjustment- Section 5311	7,848	7,848
RTAP	-	399
Total federal operating grants	140,046	90,682
 Total nonoperating revenues	 \$ 470,032	 \$ 330,546

Van Buren County Public Transit
Schedule of Computations of Net Eligible Costs for General Operations

	For the Year Ended September 30,	
	2007	2006
Expenses		
Labor	\$ 334,681	\$ 258,763
Fringe benefits	219,620	179,226
Purchased services:	71,895	53,137
Materials and supplies	114,129	103,210
Utilities	19,295	17,139
Insurance	6,443	11,831
Miscellaneous expenses:	14,932	2,800
Depreciation	177,099	197,797
Total expenses	958,094	823,903
Less ineligible expenses:		
Depreciation	177,099	197,797
Dues	58	52
In-kind services	9,498	-
Grant costs:		
RTAP	-	399
Total ineligible expenses per R & E Manual	186,655	198,248
Net eligible expenses	\$ 771,439	\$ 625,655
State:		
Maximum State Operating Assistance 38.6208% of \$ 771,439 for 2007	\$ 297,936	\$ 245,569
Federal:		
17.0% of \$ 771,439 for 2007	\$ 131,145	\$ 106,361

Van Buren County Public Transit
Nonurban Regular Service Nonfinancial Report
For the Year Ended September 30, 2007
(Unaudited)

**Public Service
Transportation**

<u>Code</u>	<u>Description</u>	<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
611	Vehicle miles	344,003	520	113	344,636



**INDEPENDENT AUDITORS' 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**

February 28, 2008

Members of the Board
Van Buren County Public Transit
Bangor, Michigan

We have audited the basic financial statements of *VAN BUREN COUNTY PUBLIC TRANSIT* as of and for the year ended September 30, 2007, and have issued our report thereon dated February 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Van Buren County Public Transit' internal control over financial reporting 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 Van Buren County Public Transit' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Van Buren County Public Transit' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Van Buren County Public Transit' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Van Buren County Public Transit' financial statements that is more than inconsequential will not be prevented or detected by Van Buren County Public Transit' internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Finding 2007-1 Preparation of Financial Statements in Accordance with GAAP

Criteria: All governmental entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Transit's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting)

Condition: As is the case with many smaller and medium-sized entities, the Transit has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Transit's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the finance department, management has made the decision that it is in their best interest to outsource the preparation of its annual financial statements to the auditors rather than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the Transit lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible

Officials: The Transit has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Transit to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Finding 2007-2 Audit Adjustments

Criteria: The Transit is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

Condition: Several significant adjustments were necessary to agree key accounts to their proper underlying balances. These corrected balances are reflected in the underlying financial statements.

Cause: Internal controls did not detect all adjustment necessary to properly record year-end adjustments in the current year.

Effect: As a result of this condition, the Transit has general ledger accounts that do not agree to details at the beginning of the audit process.

View of Responsible

Officials: The Transit will make every attempt to prepare a reasonably adjusted trial balance in the future.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Van Buren County Public Transit' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we do not consider items 2007-1 and 2007-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Van Buren County Public Transit' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a 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*.

We noted certain matters that we reported to management of Van Buren County Public Transit, in a separate letter dated February 28, 2008.

Van Buren County Public Transit' responses to the findings identified in our audit are described above. We did not audit Van Buren County Public Transit' responses and, accordingly, we express no opinion on them.

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

A handwritten signature in cursive script, reading "Lehmann Johnson".



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**



February 28, 2008

To the Members of the
Board of Van Buren Public Transit
Bangor, Michigan

We have audited the financial statements of the Van Buren Public Transit for the year ended September 30, 2007, and have issued our report thereon dated February 28, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated November 15, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Van Buren Public Transit. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Van Buren Public Transit's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Van Buren Public Transit 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 the year. We noted no transactions entered into by the Van Buren Public Transit during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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

- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Van Buren Public Transit's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Van Buren Public Transit, either individually or in the aggregate, indicate matters that could have a significant effect on the Van Buren Public Transit's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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.

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.

Issues Discussed Prior to Retention of Independent Auditors

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 Van Buren Public Transit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

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

This letter and the accompanying memorandum are intended for the use of the Van Buren Public Transit, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

Van Buren Public Transit

Comments and Recommendations

For the Year Ended September 30, 2007

In planning and performing our audit of the financial statements of the Van Buren Public Transit as of and for the year ended September 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Transit'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 Transit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transit's internal control.

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in our 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*.

Other Matters

Internal Controls – Segregation of Duties

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Transit's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the entities unique circumstances.

As is the case with many organizations of similar size, the Transit lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Van Buren Public Transit

Comments and Recommendations (Concluded)

For the Year Ended September 30, 2007

Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a government's internal controls carries with it a greater risk of fraud and abuse.

As stated previously, the establishing and maintaining of internal controls is the responsibility of management. As the Transit's independent external auditors, we are specifically banned by professional standards from performing any management functions. In other words, the annual audit is not a part of the Transit's internal control structure, and cannot not be relied upon as part of *management's* systems to deter or detect fraud and abuse.

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

Specific matters coming to our attention of which we believe the Transit should be particularly aware include the following:

Bank reconciliations – The Transit does not currently have separate employees who initiate ACH wire transfers, prepare bank reconciliations and have access to the general ledger.

Disbursements – The appropriate Manager should initial each invoice to be paid as a final verification that the item or service received was in good order, agrees to the voucher, etc. All purchases should be supported by a purchase order or check request and signed by an authorized individual not responsible for preparing checks.

Capital Assets - The Transit still does not have a formal program for inventorying its capital assets. We recommend that the Transit adopt a policy which provides for a periodic verification (annually, every three years, etc.) of the detail assets carried on the inventory against the presence of the actual assets.

Formal Financial Policies and Procedures

With the passage of the millage, the scope of the Transit's operations has grown. Accordingly, sound financial policies are of utmost importance in order to keep up with ever changing requirements and in order to maintain sound controls. Presently, the Transit does not have a formal financial policy and procedures manual. We recommend that the Transit prepare, maintain and follow a formal financial policy that includes internal control policies and procedures, forms to be used, and timelines for all applicable areas. Our firm can provide guidance in this process at your request.

* * * * *