

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 type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

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 type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name)		Telephone Number
Street Address	City	State Zip
Authorizing CPA Signature <i>Sharon L. Vargo</i>	Printed Name	License Number

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

**Financial Report
with Supplemental Information
September 30, 2007**

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

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities and the major governmental fund of Dial-A-Ride Fund of the City of Buchanan, Michigan as of and for the year ended September 30, 2007, which collectively comprise Dial-A-Ride Fund of the City of Buchanan, Michigan's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Buchanan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the Dial-A-Ride Fund and do not purport to, and do not, present fairly the financial position of the City of Buchanan, Michigan as of September 30, 2007 or the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Dial-A-Ride Fund of the City of Buchanan, Michigan as of September 30, 2007 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

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

Dial-A-Ride Fund of the City of Buchanan, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Plante & Moran, PLLC

January 9, 2008

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

Governmental Fund Balance Sheet/Statement of Net Assets September 30, 2007

Assets

Cash (Note 2)	\$	31,154
Investments (Note 2)		63,305
Taxes receivable		8,025
Due from other governmental units		<u>1,700</u>

Total assets 104,184

Liabilities

Accounts payable		9,288
Deferred revenue		<u>82,015</u>

Total liabilities 91,303

Fund Balance/Net Assets - Unrestricted \$ 12,881

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

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended September 30, 2007

Revenue

Program:		
Federal sources - U.S. DOT Operating Grant (Section 5311)	\$	16,401
State sources - Local Bus Operating Assistance (Act 51)		
(Note 4)		55,053
Farebox revenue		12,530
General:		
Property taxes		60,657
Investment income and miscellaneous		3,139
		<hr/>
Total revenue		147,780
Expenditures - Program - Operating costs - Purchased transportation		
service and insurance		<hr/>
		134,628
Excess of Revenue Over Expenditures/Change in Net Assets		13,152
Fund Balance/Net Assets (Deficit) - Beginning of year		<hr/>
		(271)
Fund Balance/Net Assets - End of year	\$	<hr/><hr/>
		12,881

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

Notes to Financial Statements September 30, 2007

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

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

Reporting Entity

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

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

Basis of Accounting

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Government-wide Financial Statements

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

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. Dial-A-Ride's net assets are entirely unrestricted.

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

Notes to Financial Statements September 30, 2007

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to Dial-A-Ride patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues and are reported instead as general revenue.

Fund Financial Statements

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

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

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

Financial Statement Amounts

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

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

Notes to Financial Statements September 30, 2007

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

Receivables - All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Property taxes are levied on July 1 based on the taxable valuation of the property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Property Tax Revenue - The 2006 taxable valuation of Dial-A-Ride Fund of the City of Buchanan, Michigan totaled \$81.0 million, on which taxes levied consisted of .75 mills. This resulted in total tax revenue of approximately \$60,700 for the year ended September 30, 2007.

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

Note 2 - Deposits and Investments

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

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

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

Notes to Financial Statements September 30, 2007

Note 2 - Deposits and Investments (Continued)

Dial-A-Ride's cash and investments at September 30, 2007 are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, Dial-A-Ride's deposits may not be returned to it. Dial-A-Ride does not have a deposit policy for custodial credit risk. At year end, Dial-A-Ride had \$31,154 of bank deposits (certificates of deposit, checking, and savings accounts). The federal depository insurance coverage pertains to all the deposits of the City of Buchanan; hence, the specific coverage pertaining to Dial-A-Ride's deposits, if any, is not determinable.

Custodial Credit Risk of Investments

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

Investment	Fair Value	How held
Ginnie Mae Pooled Fund	\$ 1,134	Counterparty's trust dept
Federal Home Loan Mortgage	7,288	Counterparty's trust dept
Federal National Mortgage Association	8,287	Counterparty's trust dept
Federal Farm Credit Bank	4,494	Counterparty's trust dept
Federal Home Loan Bank	9,443	Counterparty's trust dept
U.S. Treasury notes	10,723	Counterparty's trust dept

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

Notes to Financial Statements September 30, 2007

Note 2 - Deposits and Investments (Continued)

Interest Rate Risk

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

Investment	Fair Value	Weighted Average
Ginnie Mae Pooled Fund	\$ 1,134	7.89 years
Federal Home Loan Mortgage	7,288	3.53 years
Federal National Mortgage Association	8,287	1.16 years
Federal Farm Credit Bank	4,494	2.53 years
Federal Home Loan Bank	9,443	2.34 years
U.S. Treasury notes	10,723	7.08 years

Credit Risk

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

Investment	Fair Value	Rating	Organization
Federal Home Loan Mortgage	\$ 7,288	AAA	Moody's
Federal National Mortgage Association	8,287	AAA	Moody's
Federal Farm Credit Bank	4,494	AAA	Moody's
Federal Home Loan Bank	9,443	AAA	Moody's

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

Notes to Financial Statements September 30, 2007

Note 2 - Deposits and Investments (Continued)

Concentration of Credit Risk

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

<u>Investment</u>	<u>Percent</u>
Federal Home Loan Mortgage	12
Federal National Mortgage Association	14
Federal Farm Credit Bank	7
Federal Home Loan Bank	15
U.S. Treasury notes	18

Note 3 - Stewardship, Compliance, and Accountability

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

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

A comparison to the budget as adopted is shown in the required supplemental information for the year ended September 30, 2007.

Note 4 - State Revenue Sources

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

State operating assistance	\$ 56,966
Prior year overpayment	<u>(1,913)</u>
Total state revenue	<u>\$ 55,053</u>

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

**Notes to Financial Statements
September 30, 2007**

Note 5 - Risk Management

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

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

Required Supplemental Information

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

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2007

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Property taxes	\$ 61,906	\$ 60,657	\$ (1,249)
Federal sources	17,700	16,401	(1,299)
State sources	57,894	55,053	(2,841)
Farebox revenue	10,000	12,530	2,530
Investment income and miscellaneous	-	3,139	3,139
Total revenue	147,500	147,780	280
Expenditures - Operating costs - Purchased transportation service	<u>147,500</u>	<u>134,628</u>	<u>12,872</u>
Excess of Revenue Over Expenditures	-	13,152	13,152
Fund Balance (Deficit) - Beginning of year	<u>(271)</u>	<u>(271)</u>	<u>-</u>
Fund Balance (Deficit) - End of year	<u><u>\$ (271)</u></u>	<u><u>\$ 12,881</u></u>	<u><u>\$ 13,152</u></u>

Other Supplemental Information

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

Schedule of Net Eligible Cost Computations of General Operations Year Ended September 30, 2007

	Nonurban City	Small Urban City	Total
Expenditures:			
Purchased transportation service	\$ 109,046	\$ 27,263	\$ 136,309
Less ineligible expenditures	<u>2,270</u>	<u>568</u>	<u>2,838</u>
Net eligible expenditures	<u>\$ 106,776</u>	<u>\$ 26,695</u>	<u>\$ 133,471</u>
Maximum Section 5311 reimbursement	<u>\$ 18,152</u>		
State operating assistance - Based on 38.62 percent of budgeted expenditures			<u>\$ 56,965</u>

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

Schedule of Mileage Data Public Transportation Year Ended September 30, 2007 (Unaudited)

Vehicle mileage:	
First quarter	8,507
Second quarter	9,125
Third quarter	9,906
Fourth quarter	<u>9,671</u>
 Total vehicle miles	 <u><u>37,209</u></u>

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

January 9, 2008

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

Dear Commissioners:

In planning and performing our audit of the financial statements of Dial-A-Ride Fund of the City of Buchanan, Michigan (the "Fund") 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 Fund's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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

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 the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

- The Dial-A-Ride Fund of the City of Buchanan did not record audit adjusting entries pertaining to the year ended September 30, 2006. Additional audit adjustment entries were deemed necessary for account balances to be reported at actual for the year ended September 30, 2007.
- The Dial-A-Ride Fund of the City of Buchanan has chosen not to prepare a management's discussion and analysis (MD&A) as required by GASB 34.

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

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January 9, 2008

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

Very truly yours,

Plante & Moran, PLLC