BERRIEN COUNTY PUBLIC TRANSPORTATION

MDOT - SMALL BUS PROGRAM

FINANCIAL STATEMENTS

September 30, 2007

Michigan Department of Treasury
496 (02/06)

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	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	BERRIEN CO. PUBLIC TRANSPORTATION	BERRIEN

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
SEPTEMBER 30, 2007	DECEMBER 19, 2007	January 25, 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	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number
GERBEL & COMPANY, P.C.	269-983-0534

Street Address	City	State	Zip
830 PLEASANT STREET, PO BOX 44	ST JOSEPH	MI	49085

Authorizing CPA Signature	Printed Name	License Number
Robert L. Gerbel	ROBERT L. GERBEL	3953

BERRIEN COUNTY PUBLIC TRANSPORTATION

MDOT - SMALL BUS PROGRAM

CONTENTS

	Page
MANAGEMENT'S DISCUSSION AND ANALYSIS	I-III
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF NET ASSETS	2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	3
STATEMENT OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5-9
SUPPLEMENTARY INFORMATION:	
Schedule of Operating Expenses	10
Net Eligible Costs Computations of General Operations	11
ADDITIONAL INFORMATION (Unaudited)	
Statement of Local Revenues	12
Expenditures of Federal and State Awards	13
Operating and Contract Expenses	14
Nonurban Regular Service Revenue Report	15
Nonurban Regular Service Expense Report	16
Schedule of Mileage Data	17
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**	18-19

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, 2007. BCPT's basic financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and statement of cash flows. The basic financial statements also include notes that explain the information recorded in the basic financial statements.

Financial Highlights

BCPT's total expenses were $1,122,068 while total revenues and adjustments were $1,154,481 ($491,196 operating revenue; $639,873 non-operating revenue; $23,412 adjustments). BCPT's total revenues and adjustments were sufficient to cover expenses for the year. Any additional revenue will go into BCPT's fund balance from prior years.

BCPT's total net assets at September 30, 2007 were $611,662 of which $27,195 was invested in fixed assets (land improvements and office equipment).

BCPT received $500,719 in state operating assistance. This was more than the 38.6208% of eligible expenses by $73,119. This has been recorded as a current year payable. The Authority received $130,587 in Section 5311 federal operating assistance. This was below the below the 17.00% of eligible expenses by $56,698. 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 year ending September 30, 2007 and 2006.

	September 30, 2007	September 30, 2006
Assets:		
Fixed assets	$ 27,195	$ 37,004
Other assets	833,381	705,696
Total assets	$860,576	$742,700
Liabilities:		
Current liabilities	$248,914	$ 163,451
Total liabilities	$248,914	$ 163,451
Net Assets:		
Invested in fixed assets, net of related debt	$ 27,195	$ 37,004
Unrestricted net assets	584,467	542,245
Total net assets	$611,662	$579,249
Total liabilities & net assets	$860,576	$742,700

(a) *Net Assets* - Net assets, the difference between assets and liabilities.
(b) *Fixed Assets* – Fixed assets are made up of property, buildings, equipment and buses.

(c) Other Assets – Other assets consist of cash, investments, receivables and prepaid expenses.
(d) Liabilities – Liabilities consist of accounts payable or bills that the Authority owes payment on. Also included are payments due to the State of Michigan for overpayments of state operating assistance.

Changes in Net Assets

The 2007 fiscal year represents BCPT's twenty-fourth year in running the County transit program. The table below summarizes BCPT's operations for the current and prior fiscal years.

	September 30, 2007	September 30, 2006
Revenues:		
Operating revenue:		
Fares	$491,196	$491,877
Total operating revenues	$491,196	$491,877
Nonoperating revenues:		
State grants	$427,600	$425,025
Prior year(s) Formula Operating Assistance	2,601	10,706
Federal grants	187,285	183,191
Prior year 5311 Federal grant	5,703	-
Interest earned	15,030	3,981
RTAP Training Expenses	1,654	2,002
Total nonoperating revenues	$639,873	$624,905
Total Revenues	**$1,131,069**	**$1,116,792**
Expenses:		
Purchased transportation	$840,598	$909,104
Fuel, Gas and Oil	131,808	-
Administration	74,541	48,750
Travel	867	807
Training	783	175
Vehicle repairs and maintenance	315	2,719
Lot repairs and maintenance	500	-
Building repairs and maintenance	5,560	870
Equipment and software	4,256	-
Professional services	7,018	6,220
Insurance	46,497	116,449
Advertising	508	269
Dues and Fees	1,379	1,401
Other	89	130
Depreciation	7,349	8,088
Total Expenses	**$1,122,068**	**$1,094,982**
Net loss before adjustments	$ 9,001	$ 21,810
Total Adjustments	23,412	22,973
Net Income(Loss) for the year	**$ 32,413**	**$ 44,783**
Net assets – Beginning of the year	579,249	534,466
Total net assets – End of the year	**$ 611,662**	**$ 579,249**

Summary of Operations

1. Budget:

Expenditures

	MDOT Operating	Audit	Difference Audit vs. Budget
2006-2007	$ 1,300,000	$ 1,122,068	($ 177,932)

Revenues

	MDOT Approved	Audit	Difference Audit vs. Budget
2006-2007	$ 1,256,000	$ 1,154,481	($ 101,519)

BCPT was under the budgeted amounts on both expenditures and revenues. The MDOT approved operating budget was not amended during the year.

2. General Report on FY 2007 Operations:

Operation of the BCPT system remained unchanged throughout FY 2007. The Berrien County Board of Commissioners set program policy and direction, approves all expenditures and monitor activities. The Board contracted with Transportation Management, Inc. (TMI) to provide day-to-day operational services. The Board uses a part-time employee to provide oversight services. The County Treasurer provides financial services.

Funding composition for the transit service consists of State, Federal and local dollars. Federal funding remained at 17.00 % for FY 2007, the State formula operating assistance from MDOT decreased from 39.25% to 38.62%. It is anticipated that State funding will continue to decrease until Michigan's overall economy shows a substantial improvement. State and Federal revenue is targeted at 52.16% (36.16% State & 16% Federal) for FY 2008.

Total ridership was down by 14,558 passengers. This decrease in ridership is considered significant. The major portion of the decrease was in the general public category. Service provided to human service agencies decreased approximately 5% to 82,512.

Total operating expenses were up and revenues were down. Increased operating expenses were related to higher fuel costs and an increase in the hourly rate paid to the third party operator. The revenue decrease was primarily due to less State operating assistance and reduced passenger fares related to carrying fewer general public riders. The total number of days operated decreased from 324 to 315. Vehicle hours operated decreased by 794 hours and vehicle miles increased by 15,152 miles.

The BCPT system is currently in a financially solid position. Fuel costs and insurance are the main expenses that will need to be closely monitored. The new federal transportation bill could stabilize the federal operating assistance for the next four years. It also must be monitored on an annual basis along with the less stable state operating assistance. The fare structure should be reviewed and adjusted annually since it is the third primary source of revenue for the system. The level of service required by the human service agencies is another area of concern that must be watched. These contracts provide the major share of local funding.

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

December 19, 2007

INDEPENDENT AUDITOR'S REPORT

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

Dear Commissioners:

We have audited the financial statements of the Berrien County Public Transportation, MDOT - Small Bus Program, as of and for the year ended September 30, 2007, as listed in the Table of Contents. These financial statements are the responsibility of Berrien County Public Transportation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 Berrien County Public Transportation as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion of it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Berrien County Public Transportation's financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The additional information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Gerbel + Company, P.C.

BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Statement of Net Assets
September 30, 2007

Assets		
Current Assets		
Cash - NOTE 2	$	300,409
Certificates of deposit - NOTE 2		391,000
Accounts receivable		78,438
Due from Federal government		56,698
Prepaid expenses		6,836
Total Current Assets	$	833,381
Property, Plant, and Equipment - NOTE 4		
Transportation equipment	$	-
Land improvements		58,367
Office equipment		4,660
	$	63,027
Less: Accumulated depreciation		(35,832)
Total Property, Plant, and Equipment	$	27,195
TOTAL ASSETS	$	860,576
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$	118,469
Due to State of Michigan		130,445
Total Current Liabilities	$	248,914
Net Assets		
Invested in capital assets, net of related debt	$	27,195
Unrestricted net assets		584,467
Total Net Assets	$	611,662
TOTAL LIABILITIES AND NET ASSETS	$	860,576

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

BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended September 30, 2007

Operating Revenues - Fares	$	491,196
Operating Expenses		1,122,068
Net Operating Loss	$	(630,872)
Nonoperating Revenues		
Local:		
Interest earned	$	15,030
State:		
State of Michigan Grants		
Formula Operating Assistance - current year	$	427,600
Prior year(s) Formula Operating Assistance		2,601
State of Michigan Grants		
U.S. DOT Operating Grant - Section 5311- current year		187,285
Prior year(s) U. S. DOT Operating Grants		5,703
State of Michigan Grants		
RTAP Training Expenses		1,654
Total State Revenue	$	624,843
Total Nonoperating Revenues	$	639,873
Net loss from operations	$	9,001
Add (deduct):		
Rent		18,000
Sale of fixed assets		5,244
Miscellaneous		168
Net income for the year	$	32,413
Net Assets - Beginning of the Year		579,249
NET ASSETS - END OF THE YEAR	$	611,662

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, 2007

Cash Flows from Operating Activities:	
Receipts from customers	$ 465,547
Payments to suppliers of goods and services	(1,025,914)
Payments to contracted employees	(53,209)
Net cash used by operating activities	$ (613,576)
Cash Flows from Noncapital Financing Activities:	
State and Federal operating assistance	$ 670,205
Rental income	18,000
Reimbursements	1,574
Net cash provided by noncapital financing activities	$ 689,779
Cash Flows from Investing Activities:	
Gain from sale of fixed assets	$ 7,703
Interest	15,030
Net cash provided by investing activities	$ 22,733
Net change in cash and cash equivalents	$ 98,936
Cash and cash equivalents at beginning of year	592,473
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 691,409
Reconciliation of operating income to net cash used by operating activities:	
Operating income (loss)	$ (630,872)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	7,349
(Increase) decrease in:	
Accounts receivable	(25,649)
Prepaid expenses	1,640
Increase (decrease) in:	
Accounts payable	33,956
Net Cash Flows from Operations	$ (613,576)

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, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Presentation

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

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

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

Accounting Pronouncements

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* (GASB). This statement established financial reporting standards for state and local governments including special purpose government such as the Berrien County Public Transportation System. The GASB has followed up on such issues with other related pronouncements designed to clarify the intent of GASB 34.

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

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.

BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Notes to Financial Statements
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fixed Assets and Depreciation

Capital assets are defined as major assets with an estimated useful life in excess of three years.

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

Land improvements	10 years
Office equipment	3-10 years
Transportation equipment	5 years

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.

State Operating Assistance Overpayment Payable

Overpayment for the year ended September 30, 2007 was computed as follows:

Operating Expenses	$ 1,122,068
Less:	
Depreciation (except depreciation on locally funded assets of $435)	(6,914)
Ineligible expense - 7.05% of MPTA dues	(97)
Other reimbursements	(168)
RTAP reimbursements	(1,654)
Expenses associated with rental property	(6,060)
Eligible operating expenses subject to 38.6208% limitation	$ 1,107,175
38.6208% of eligible operating expenses	$ 427,600
State revenues - monthly operating assistance received	500,719
Difference - state revenue over 38.6208%	$ 73,119

BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Notes to Financial Statements
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Section 5311 Operating Assistance Receivable (Formerly Section 18)

Underpayment for the year ended September 30, 2007 was computed as follows:

Operating Expenses	$ 1,122,068
Less:	
Depreciation (except depreciation on locally funded assets of $435)	(6,914)
Audit expense	(5,500)
Ineligible expense - 7.05% of MPTA dues	(97)
Other reimbursements	(168)
RTAP reimbursements	(1,654)
Expenses associated with rental property	(6,060)
Net expenses	$ 1,101,675
17% of eligible net expenses	$ 187,285
Less progress payments	130,587
Difference - 17% exceeds Federal revenues	$ 56,698

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, 2007, the department had the following investments and maturities:

	Fair Market Value	Less Than One Year	One to Three Years	More Than Three Years
Certificates of Deposit	$ 391,000	$ 391,000	$ -	$ -
Money Market	-	-	-	-
Corporate Stocks	-	-	-	-
Total Investments	$ 391,000	$ 391,000	$ -	$ -

BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Notes to Financial Statements
September 30, 2007

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. As of September 30, 2007, the carrying amount of the department's deposits was $691,409 and the respective bank balance totaled $691,311. Of the total bank balance, the Federal Deposit Insurance Corporation (FDIC) covered $64,949.

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 - FUNDING

The total cost of operations for the year amounted to $1,122,068 which was below the estimated proposed budget of $1,300,000 by $177,932. The funding allocations have been made based on the budgeted operating expenses and have been made according to the specifications in the contracts in force during the year. The section 5311 funding was set at 17% of the eligible expenses and the County billing at $33.92 per hour for each hour of bus service, plus the cost of fuel.

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, 2007:

	Ending Balance as of September 30, 2006	Additions	Deletions	Ending Balance as of September 30, 2007
Land improvements	$ 58,367	$ -	$ -	$ 58,367
Office equipment	4,660	-	-	4,660
Transportation equipment	52,290	-	(52,290)	-
Subtotal	$ 115,317	$ -	$ (52,290)	$ 63,027
Accumulated depreciation	(78,313)	(7,349)	49,830	(35,832)
Net fixed assets	$ 37,004	$ (7,349)	$ (2,460)	$ 27,195

NOTE 5 - RISK MANAGEMENT

Berrien County Public Transportation participates in a risk pool. Berrien County Public Transportation is responsible for the first $5,000 per claim and the risk pool will cover up to $4,000,000 per claim. In the fiscal period ending November 30, 2002 and 2003, the pool incurred over $4.8 million, and $3.9 million respectively in losses due to lawsuits. As a result of these losses, each member is required to pay a share of the total liability over three to four years to help replenish depleted reserves. Berrien County Public Transportation made the last required payment during the year ended September 30, 2007.

NOTE 6 - EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). Audit costs are the only costs in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-87.

NOTE 7 - NONFINANCIAL DATA

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

BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Schedule of Operating Expenses

	Operations	General Administration	Year Ended September 30, 2007	2006
Purchased Transportation Services	$ 840,598	$ -	$ 840,598	$ 909,104
Fuel, Gas and Oil	131,808	-	131,808	-
Miscellaneous Expense				
Administration	-	74,541	74,541	48,750
Travel	-	867	867	807
Training	-	783	783	175
Vehicle repairs and maintenance	315	-	315	2,719
Lot repairs and maintenance	-	500	500	-
Building repairs and maintenance	-	5,560	5,560	870
Equipment and software	-	4,256	4,256	-
Professional services	-	7,018	7,018	6,220
Insurance	-	46,497	46,497	116,449
Advertising	-	508	508	269
Dues and fees	-	1,379	1,379	1,401
Other	-	89	89	130
Depreciation	7,116	233	7,349	8,088
TOTAL OPERATING EXPENSES	$ 979,837	$ 142,231	$ 1,122,068	$ 1,094,982

BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT - SMALL BUS PROGRAM
Net Eligible Costs Computations of General Operations
September 30, 2007

	Federal Section 5311		Local Operating Assistance	
	2007	2006	2007	2006
Operating Expenses				
Purchased transportation services	$ 840,598	$ 909,104	$ 840,598	$ 909,104
Fuel, Gas and Oil	131,808	-	131,808	-
Miscellaneous Expense:				
Administration	74,541	48,750	74,541	48,750
Travel	867	807	867	807
Training	783	175	783	175
Vehicle repairs and maintenance	315	2,719	315	2,719
Lot repairs and maintenance	500	-	500	-
Building repairs and maintenance	5,560	870	5,560	870
Equipment and software	4,256	-	4,256	-
Professional services	7,018	6,220	7,018	6,220
Insurance	46,497	116,449	46,497	116,449
Advertising	508	269	508	269
Dues and fees	1,379	1,401	1,379	1,401
Other	89	130	89	130
Depreciation	7,349	8,088	7,349	8,088
Total Operating Expenses	$ 1,122,068	$ 1,094,982	$ 1,122,068	$ 1,094,982
Less: Ineligible Expenses				
Depreciation - current fiscal year (except depreciation on locally funded assets of $435)	$ 6,914	$ 7,587	$ 6,914	$ 7,587
Audit expense	5,500	5,150	-	-
RTAP reimbursements	1,654	2,002	1,654	2,002
Rental property expense	6,060	-	6,060	-
Seminars and other reimbursement	168	2,555	168	2,555
Portion of association dues	97	95	97	95
Total Ineligible Expenses	$ 20,393	$ 17,389	$ 14,893	$ 12,239
Net Eligible Expenses	$ 1,101,675	$ 1,077,593	$ 1,107,175	$ 1,082,743
State Statutory Operating Assistance: 38.6208% of eligible operating expenses (39.2545% for 2006)			$ 427,600	$ 425,025
Federal Section 5311: 17% of eligible operating expenses	$ 187,285	$ 183,191		

BERRIEN COUNTY PUBLIC TRANSPORTATION
MDOT- SMALL BUS PROGRAM
Statement of Local Revenues (Unaudited)
For the Year Ended September 30, 2007

Fares (nonurban)	$ 491,196
Rent	18,000
Gain on sale of fixed assets	5,244
Interest income	15,030
Miscellaneous (Insurance refund, customer restitution)	168
Total local revenues	529,638

BERRIEN COUNTY PUBLIC TRANSPORTATION
Expenditures of Federal and State Awards (Unaudited)
For the Year Ended September 30, 2007

Federal and State Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grantor No/ Authorization Number	Program Award Amount
U.S. Department of Transportation			
Passed through Michigan Department of Transportation			
Operating Assistance - Section 5311			
FY 2007	20.509	2007-0176/Z2	$ 220,405
FY 2006	20.509		876
FY 2004	20.509		4,827
Rural Transit Assistance Program (RTAP)		N/A	1,654
			$ 227,762
Michigan Department of Transportation			
Operating Assistance			
Nonurban	N/A	N/A	$ 549,149
TOTALS			$ 776,911

Total	Current Year's Expenditures Federal	State	Local	Prior Year's Expenditures	Award Amount Remaining
$ 187,285	$ 187,285	$ -	$ -	$ -	$ 33,120
876	876	-	-	-	-
4,827	4,827	-	-	-	-
1,654	1,654	-	-	-	-
$ 194,642	$ 194,642	$ -	$ -	$ -	$ 33,120
$ 430,201	$ -	$ 430,201	$ -	$ -	$ 118,948
$ 624,843	$ 194,642	$ 430,201	$ -	$ -	$ 152,068

BERRIEN COUNTY PUBLIC TRANSPORTATION
Operating and Contract Expenses (Unaudited)
For the Year Ended September 30, 2007

Expenses	Urban	Nonurban	Specialized Services	Another Operating Contract	Total
Labor	$ -	$ 549,292	$ -	$ -	$ 549,292
Fringe Benefits	-	104,093	-	-	104,093
Services	-	121,506	-	-	121,506
Materials and supplies	-	232,335	-	-	232,335
Utilities	-	30,159	-	-	30,159
Insurance	-	51,776	-	-	51,776
Taxes and fees	-	576	-	-	576
Miscellaneous	-	5,211	-	-	5,211
Operating leases	-	19,771	-	-	19,771
Depreciation	-	7,349	-	-	7,349
Total	$ -	$ 1,122,068	$ -	$ -	$ 1,122,068

BERRIEN COUNTY PUBLIC TRANSPORTATION
Nonurban Regular Service Revenue Report (Unaudited)
For the Year Ended September 30, 2007

Code	Description	Amount
401:	**Farebox Revenue**	
40100	Passenger Fares	$ 63,156
40200	Contract Fares	428,040
407:	**Nontrans Revenue**	
40720	Rental of Buildings or Other Property	18,000
40760	Gains from the Sale of Capital Assets	5,244
411:	**State Formula and Contracts**	
41101	State Operating Assistance	430,201
413:	**Federal Contracts**	
41302	Federal Section 5311	192,988
41398	RTAP	1,654
414:	**Other Revenue**	
41400	Interest Income	15,030
Total		$ 1,154,313

BERRIEN COUNTY PUBLIC TRANSPORTATION
Nonurban Regular Service Expense Report (Unaudited)
For the Year Ended September 30, 2007

Code	Description	Amount	Maintenance	General Administration	Amount
501:	**Labor**				
50101	Operators' Salaries and Wages	$ 386,727	$ -	$ -	$ 386,727
50102	Other Salaries and Wages	10,983	63,167	24,693	98,843
50103	Dispatchers' Salaries and Wages	63,722	-	-	63,722
502:	**Fringe Benefits**				
50200	Other Fringe Benefits	84,724	14,865	4,504	104,093
503:	**Services**				
50302	Advertising Costs	-	-	828	828
50305	Audit Costs	-	-	5,500	5,500
50399	Other Services	-	24,937	90,241	115,178
504:	**Materials and Supplies**				
50401	Fuel and Lubricants	167,636	-	-	167,636
50402	Tires and Tubes	12,991	-	-	12,991
50499	Other Materials and Supplies	39,682	4,388	7,638	51,708
505:	**Utilities**				
50500	Utilities	-	-	30,159	30,159
506:	**Insurance**				
50603	Liability Insurance	46,497	-	-	46,497
50699	Other Insurance	-	-	5,279	5,279
507:	**Taxes and Fees**				
50700	Taxes and Fees	576	-	-	576
509:	**Miscellaneous Expenses**				
50902	Travel, Meetings, and Training	1,349	292	2,102	3,743
50903	Association Dues and Subscriptions	-	-	1,379	1,379
50999	Other Miscellaneous Expenses	-	-	89	89
512:	**Operating Leases and Rentals**				
51200	Operating Leases and Rentals	19,771	-	-	19,771
513:	**Depreciation**				
51300	Depreciation	7,116	-	233	7,349
	Total Expenses				$ 1,122,068
550:	**Ineligible Expenses**				
55007	Ineligible Depreciation	6,914	-	-	$ 6,914
55008	Other Ineligible Expenses	60	-	108	168
55009	Ineligible Percent of Association Dues	-	-	97	97
560:	**Ineligible Expenses**				
56004	Ineligible Expenses Associated w/Rental	-	6,060	-	6,060
574:	**Ineligible Expenses**				
57402	Ineligible RTAP	-	-	1,654	1,654
	Total Ineligible Expenses				$ 14,893
	Total Eligible Expenses				$ 1,107,175

BERRIEN COUNTY PUBLIC TRANSPORTATION
MODT- SMALL BUS PROGRAM
Schedule of Mileage Data (Unaudited)

Demand Response	Public Transportation Mileage Year Ended September 30, 2007	2006
First quarter ended December 31	139,500	131,784
Second quarter ended March 31	130,603	136,391
Third quarter ended June 30	143,207	132,951
Fourth quarter ended September 30	132,771	129,803
	546,081	530,929

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

December 19, 2007

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
St. Joseph, Michigan 49085

We have audited the financial statements of Berrien County Public Transportation as of and for the year ended September 30, 2007, which collectively comprise Berrien County Public Transportation's basic financial statements and have issued our report thereon dated December 19, 2007. 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 Berrien County Public Transportation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Berrien County Public Transportation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Berrien County Public Transportation's internal control over financial reporting.

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 a combination of control deficiencies, that adversely affects Berrien County Public Transportation'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 Berrien County Public Transportation's financial statements that is more than inconsequential will not be prevented or detected by Berrien County Public Transportation'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 Berrien County Public Transportation's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Berrien County Public Transportation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**.

We noted certain matters that we reported to management of Berrien County Public Transportation, in separate letter dated December 19, 2007.

This report is intended solely for the information and use of management, Board Communications 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.

Seibel & 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

December 19, 2007

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, 2007, we offer the following comments and recommendations.

GENERAL

1. The bank reconciliation for the Fifth Third Bank account prepared by TMI should be reviewed each month by County personnel to verify accuracy of transactions. Due to staffing changes, none of the reconciliations from July through September were reviewed in detail.

2. Quarterly billing for administrative services should be prepared in a timely basis and verified against the most recent department cost report. The 4th quarter billing was not prepared until November and the bills for the 2nd and 3rd quarters were prepared using the wrong department cost report.

3. The Organization's administration and accounting personnel displayed a high level of dedication and cooperation in performing their duties and assisting us in completing our work.

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.

Very truly yours,

Gerbel & Company, P.C.

GERBEL & COMPANY, P.C.
Certified Public Accountants