DELTA AREA TRANSIT AUTHORITY

FINANCIAL STATEMENTS

Year Ended 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	Delta Area Transit Authority	Delta

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
September 30, 2007	November 30, 2007	January 15, 2007

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		
Anderson, Tackman & Company, PLC	906-786-3111		
Street Address	**City**	**State**	**Zip**
901 Ludington Street	Escanaba	MI	49829
Authorizing CPA Signature	**Printed Name**	**License Number**	
CPA	Alan M. Stotz, CPA	1996839	

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS
OFFICES IN MICHIGAN AND WISCONSIN

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Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Delta Area Transit Authority

We have audited the accompanying statement of financial position of the Delta Area Transit Authority (a nonprofit organization) as of September 30, 2007, and the related statement of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the 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 Delta Area Transit Authority as of September 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2007 on our consideration of the Delta Area Transit Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 considered in assessing the results of our audit.

901 LUDINGTON STREET ESCANABA, MICHIGAN 49829 (906) 786-3111 FAX (906) 786-8940

To the Board of Directors of the
Delta Area Transit Authority

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Delta Area Transit Authority taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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.

Anderson, Tackman & Company P.L.C.

Certified Public Accountants

November 30, 2007

DELTA AREA TRANSIT AUTHORITY

STATEMENT OF FINANCIAL POSITION

September 30, 2007

ASSETS

CURRENT ASSETS:	
Cash and equivalents	$ 219,295
Accounts receivable	32,143
State grants receivable	3,768
Federal grants receivable	12,884
Prepaid expenses	8,408
Inventory	12,022
TOTAL CURRENT ASSETS	288,520
PROPERTY AND EQUIPMENT, less accumulated depreciation of $1,639,731	665,294
	$ 953,814

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:	
Accounts payable	$ 20,471
Accrued payroll, taxes and fringes	12,735
Due to federal government	5,533
Deferred revenue - Unused T2R tickets	4,519
TOTAL CURRENT LIABILITIES	43,258
NONCURRENT LIABILITIES:	
Accrued fringe benefits:	
Vacation and personal time	16,642
TOTAL NONCURRENT LIABILITIES	16,642
TOTAL LIABILITIES	59,900
NET ASSETS:	
Unrestricted contributed capital:	
State & Federal	662,353
Unrestricted	231,561
TOTAL NET ASSETS	893,914
	$ 953,814

See accompanying notes to financial statements.

DELTA AREA TRANSIT AUTHORITY

STATEMENTS OF ACTIVITIES,
AND CHANGES IN NET ASSETS

For the Year Ended September 30, 2007

Operating revenues	$ 416,390
Operating expenses	(1,065,600)
OPERATING LOSS	(649,210)
Nonoperating revenues	661,048
INCREASE IN NET ASSETS	11,838
Net assets, beginning of year	882,076
NET ASSETS, END OF YEAR	$ 893 914

See accompanying notes to financial statements.

DELTA AREA TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from operating activities	$ 414,536
Cash payments for operating activities	(933,002)
NET CASH USED BY OPERATING ACTIVITIES	(518,466)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating grants received	691,254
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	5,267
NET INCREASE IN CASH AND EQUIVALENTS	178,055
CASH AND EQUIVALENTS, beginning of year	41,240
CASH AND EQUIVALENTS, END OF YEAR	$ 219,295
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	$ (649,210)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	149,874
Changes in assets and liabilities:	
(Increase) decrease in receivables	(1,854)
(Increase) decrease in prepaid expenses	(61)
Increase (decrease) in payables	(11,007)
Increase (decrease) in accrued payroll & fringes	1,938
Increase (decrease) in accrued fringe benefits	(8,146)
NET CASH USED BY OPERATING ACTIVITIES	$ (518,466)

See accompanying notes to financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Delta Area Transit Authority conform to accounting principles generally accepted in the United States of America as applicable to nonprofit entities. The Delta Area Transit Authority was formed in September of 1989 as a nonprofit corporation to provide public transportation throughout the Delta County area. It is governed by a separately appointed board of directors and is not a component unit of Delta County. Other significant policies are as follows:

(1) Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The Transit maintains its accounting records on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred.

(2) Inventories - Inventory consists of replacement parts and is valued at the lower of cost or market on a first-in, first-out (FIFO) basis. Office supplies and fuel are expensed when purchased.

(3) Accounts Receivable - The Transit follows the direct write-off method in recognizing uncollectible accounts. An allowance for bad debts has not been established because the amount is considered to be immaterial. Receivables are written off on a policy based on how recently payments have been received.

(4) Fixed Assets and Depreciation - Fixed assets are stated at cost when purchased. Costs relating to maintenance and repairs are charged to expenses, whereas those for renewals and betterment, when significant in amount, are capitalized. Assets purchased with Federal and/or State grants are capitalized regardless of amount. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives. Ranges of useful lives, by asset class, are as follows:

Vehicles	4 - 7 years
Equipment	3 - 10 years
Land Improvements	10 years
Buildings	20 years

(5) Taxable Status - The Transit has received a non-profit exemption ruling from the Internal Revenue Service under Code Section 501(c)(3).

(6) Estimates - The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

(7) Advertising - Advertising costs are expensed as incurred. Total advertising expense for the fiscal year was $15,101. Additionally, $12,800 of advertising revenue and expense was recorded during the year as a result of barter transactions with local radio stations. This amount is included in the $15,101 of advertising expense. The Delta Area Transit Authority incurs no ineligible expenses with respect to the advertising revenues. All advertising expenses were for marketing public transportation services.

(8) Property Taxes - Current property taxes are levied as of December 1 of each year and attach an enforceable lien on the property. Current property taxes levied are collected by other local units of government until the subsequent year when revenue is recognized for the current budget year. For the 2006 calendar year the Transit levied .6 mills in the City of Gladstone, .6 mills in the City of Escanaba and .49 mills in Maple Ridge Township.

NOTE B - CASH AND EQUIVALENTS

The composition of cash and equivalents as reported on the Balance Sheet are presented below:

Imprest cash	$ 100
Deposits:	
Checking account deposits	219,195
TOTAL CASH AND EQUIVALENTS	$219,295

State statutes authorize the Transit to deposit and invest in the following:

a. Bonds and other direct obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.

c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

d. Repurchase agreements consisting of instruments listed in subdivision (a).

e. Banker's acceptance of United States banks.

NOTE B - CASH AND EQUIVALENTS - (continued)

f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 sat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:

   i) The purchase of securities on a when-issued or delayed delivery basis.

   ii) The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.

   iii) The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.

h. Obligations described in subdivisions (a) through (g) if purchased through an inter-local agreement under the Urban Cooperation of Act 1967, MCL 124.501 to 124.512.

i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.

j. Investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

All deposits are carried at cost, which approximates market value, and are in accordance with statutory authority.

The Risk disclosures for the Transit's cash deposits are as follows:

Deposits	Bank Balance	Carrying Amount
Insured	$ 111,579	$102,921
Uninsured	129,272	116,274
Total	$ 240,851	$219,195

NOTE C - STATE GRANTS RECEIVABLE

The following is a summary of the state grants receivable as of September 30, 2007:

Act 51 operating assistance	- FY 2005	$ 1,884
	- FY 2006	1,884
		$ 3,768

NOTE D - FEDERAL GRANT RECEIVABLE

The following is a summary of the federal grants receivable as of September 30, 2007:

Section 5311 operating assistance	- FY 2006	$ 2,877
	- FY 2007	10,007
		$ 12,884

NOTE E - PROPERTY AND EQUIPMENT

Major classes of property and equipment consist of the following:

	Federal & State Funds	Local Funds	Total
Vehicles	$1,181,544	$ 2,931	$1,184,475
Equipment	204,920	28,836	233,756
Land & improvements	35,545	-	35,545
Building	846,929	4,320	851,249
	2,268,938	36,087	2,305,025
Accumulated depreciation	(1,606,585)	(33,146)	(1,639,731)
TOTAL	$ 662,353	$ 2,941	$ 665,294

Depreciation expense was $149,874 for the year ended September 30, 2007, of which $1,473 was on assets purchased with local funds. Depreciation expense included to be reimbursed with State Formula Funds only includes assets purchased with local funds, where the useful life of the asset has been approved by BPT.

NOTE F - ACCUMULATED UNPAID VACATION, PERSONAL AND BEREAVEMENT TIME

Vacation leave is earned in varying amounts depending on the number of years of service provided by the employee, along with the average number of hours worked each week. Vacation leave accumulates on the employees hire date anniversary and is not to exceed a total accumulation of 25 days annually. Vacation time may be carried over from year to year, but is not to exceed ten days or eighty hours. Accumulated vacation time is payable for all outstanding days at the employees current rate of pay upon retirement or termination.

Personal and bereavement time accumulates at a rate of four (4) hours per month for a 40 hour employee, three (3) hours per month for a 30 hour employee and two (2) hours per month for a 20 hour employee. The maximum for personal and bereavement leave shall not exceed one hundred and forty (140). Employees will be allowed to convert 25% of their excess personal and bereavement time to their retirement account. The combined total of accrued vacation, personal and bereavement time at September 30, 2007 is $16,642.

NOTE G - DUE TO FEDERAL GOVERNMENT

The following is a summary of the amount due to the federal government as of September 30, 2007:

Sec. 5311 - FY02	$ 2,930
- FY03	2,603
	$ 5,533

NOTE H - CONTRACT FARES

The Delta Area Transit Authority has entered into a contract with the Pathways Mental Health Center for the transportation of it's clients. Under the current agreement Pathways pays the Transit $4.55 per client trip for the fiscal year ended September 30, 2007. The total amount of revenue earned under this contract for the year ended September 30, 2007 was $151,479.

NOTE I - GRANT CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. As of September 30, 2007, management is unaware of any such unrecorded liability.

NOTE J - BUS SUB-LEASES

During the fiscal year the Transit sub-leased two buses from the State of Michigan. These buses are leased by the State from the lessor and the Transit does not hold title or liability for these buses. As such these financial statements show no asset or depreciation expense for these buses. The Transit is only liable for the operating expenses related to these buses.

NOTE K - NONFINANCIAL DATA

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

NOTE L - INELIGIBLE EXPENSES

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

SUPPLEMENTARY INFORMATION

DELTA AREA TRANSIT AUTHORITY

SCHEDULE OF OPERATING REVENUES

For the Year Ended September 30, 2007

OPERATING REVENUES:	
Demand response (farebox)	$ 131,621
Special contract fares	179,101
Advertising sales	12,800
Maintanance services	495
Intercity bus income	91,289
Miscellaneous	1,084
TOTAL OPERATING REVENUES	$ 416,390

See accompanying notes to financial statements.

DELTA AREA TRANSIT AUTHORITY

SCHEDULE OF OPERATING EXPENSES

For the Year Ended September 30, 2007

	Operations	Maintenance	General Administration	Total System
Labor:				
Operators' salaries and wages	$326,704	$ 35,064	$ 72,620	$ 434,388
Fringe benefits	52,626	5,648	11,698	69,972
Services:				
Advertising fees	2,644	-	12,457	15,101
Audit cost	-	-	5,100	5,100
Other services	10,069	5,211	6,721	22,001
Materials and supplies consumed:				
Fuel and lubricants	93,482	-	-	93,482
Tires and tubes	1,820	773	-	2,593
Other materials and supplies	1,388	53,115	3,881	58,384
Utilities	8,614	-	8,614	17,228
Insurance costs	24,431	-	2,203	26,634
Purchased transportation service	96,839	-	-	96,839
Miscellaneous:				
Travel and meetings	-	-	3,663	3,663
Other	66,081	-	1,860	67,941
Operating leases and rentals	2,400	-	-	2,400
Depreciation	149,874	-	-	149,874
TOTAL OPERATING EXPENSES	$836,972	$ 99,811	$128,817	$1,065,600

See accompanying notes to financial statements.

DELTA AREA TRANSIT AUTHORITY

SCHEDULE OF NON-OPERATING REVENUES

For the Year Ended September 30, 2007

STATE OF MICHIGAN OPERATING GRANTS:	
Formula operating assistance (Act 51)	$326,200
FEDERAL OPERATING GRANTS:	
U.S. Department of Transportation Grant Section 5311	118,605
FY 2005 Section 5311 adjustment	5,392
OTHER:	
Property tax millage	205,584
Interest income	5,267
TOTAL NON-OPERATING REVENUES	$661,048

See accompanying notes to financial statements.

DELTA AREA TRANSIT AUTHORITY

SCHEDULE OF CONTRIBUTED EQUITY

For the Year Ended September 30, 2007

Balance, beginning of year	$ 810,754
Deduct:	
Depreciation of assets purchased from contributed equity	(148,401)
BALANCE, END OF YEAR	$ 662,353

See accompanying notes to financial statements.

DELTA AREA TRANSIT AUTHORITY

SCHEDULE OF CAPITAL CONTRACTS

For the Year Ended September 30, 2007

GRANTOR: Michigan Department of Transportation

Contract Number	Grant Amount	Previously Earned	State and Federal Currently Earned	Local Currently Earned	Amount Remaining
02-0031Z10	$ 35,000	$ -	$ -	$ -	$ 35,000
02-0031Z11	85,000	-	-	-	85,000
02-0031Z14	8,000	-	-	-	8,000
02-0031Z16	60,000	-	-	-	60,000
02-0031Z17	157,466	-	-	-	157,466
TOTAL	$ 345,466	$ -	$ -	$ -	$ 345,466

See accompanying notes to financial statements.

DELTA AREA TRANSIT AUTHORITY

SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS

For the Year Ended September 30, 2007

	Operating	Total
Labor	$ 434,388	$ 434,388
Fringe benefits	69,972	69,972
Services	42,202	42,202
Materials and supplies	154,459	154,459
Utilities	17,228	17,228
Insurance costs	26,634	26,634
Purchased transportation service	96,839	96,839
Miscellaneous	71,604	71,604
Operating leases and rentals	2,400	2,400
Depreciation	149,874	149,874
	1,065,600	1,065,600
Less ineligible expenses	(232,849)	(232,849)
TOTAL ELIGIBLE EXPENSES	$ 832,751	$ 832,751

See accompanying notes to financial statements.

DELTA AREA TRANSIT AUTHORITY

NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS

For the Year Ended September 30, 2007

	Federal Section 5311	State Operating Assistance
EXPENSES:		
Labor	$ 434,388	$ 434,388
Fringe benefits	69,972	69,972
Service	42,202	42,202
Materials and supplies	154,459	154,459
Utilities	17,228	17,228
Insurance costs	26,634	26,634
Purchased transportation service	96,839	96,839
Miscellaneous	71,604	71,604
Operating leases and rentals	2,400	2,400
Depreciation	149,874	149,874
TOTAL EXPENSES	1,065,600	1,065,600
LESS INELIGIBLE EXPENSES:		
Maintenance services	495	495
Intercity bus expenses	77,297	77,297
Depreciation	148,441	148,441
MPTA Dues	56	56
Audit cost	5,100	-
Entertainment and gifts	1,200	1,200
990 Tax Penalty	260	260
TOTAL INELIGIBLE EXPENSES	232,849	227,749
NET ELIGIBLE EXPENSES	$ 832,751	$ 837,851
SECTION 5311 CONTRACT PERCENTAGE - 17.0%	$ 141,568	
MAXIMUM SECTION 5311 REIMBURSEMENT	$ 118,605	
STATE OPERATING ASSISTANCE REIMBURSEMENT 38.6208%		$ 323,585
STATE OPERATING ASSISTANCE FY97 FLOOR		$ 328,084

See accompanying notes to financial statements.

DELTA AREA TRANSIT AUTHORITY

SCHEDULE OF MILEAGE DATA, VEHICLE HOURS, AND PASSENGERS

For the Year Ended September 30, 2007

	Public Transportation Mileage	Vehicle Hours	Passengers		
			Regular	Elderly	Disabled
DEMAND RESPONSE:					
First Quarter	76,980	4,400	4,983	1,498	7,960
Second Quarter	77,019	4,406	3,381	2,104	10,006
Third Quarter	80,598	4,440	3,097	2,215	8,752
Fourth Quarter	94,906	5,830	6,230	2,622	13,500
TOTAL OPERATIONS	329,503	19,076	17,691	8,439	40,218

See accompanying notes to financial statements.

COMPLIANCE SECTION

ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS
OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
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Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

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 Directors of the Delta
Area Transit Authority
Escanaba, Michigan 49829

We have audited the financial statements of the Delta Area Transit Authority (a nonprofit organization), as of and for the year ended September 30, 2007, and have issued our report thereon dated November 30, 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 the Transit's 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 the Transit's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Transit'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 combination of control deficiencies, that adversely affects the organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization'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 organization'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.

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Board of Directors of the Delta
Area Transit Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Transit'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 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 that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to management of the Transit in a separate letter dated November 30, 2007.

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

Anderson, Tackman & Company, P.L.C.

Certified Public Accountants

November 30, 2007

DELTA AREA TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF AWARDS - FEDERAL AND STATE

For the Year Ended September 30, 2007

Federal Grantor/Program Title	State Contract Number	CFDA Number	Award Amount
U.S. DEPARTMENT OF TRANSPORTATION:			
Passed through MDOT			
Operating Assistance -			
Section 5311 - FY07	07-0199Z2	20.509	$118,605
- FY05	02-0031Z13	20.509	5,392
MICHIGAN DEPARTMENT OF TRANSPORTATION:			
Operating Assistance -			
Act 51 - FY07	-	-	326,200
TOTAL OPERATING ASSISTANCE			

Unexpended Balance 09/30/06	Federal Revenue	State Revenue	Other Revenue	Expendi-tures	Unexpended Balance 09/30/07
$ -	$ 118,605	$ -	$ -	$ 118,605	$ -
-	5,392	-	-	5,392	-
-	-	326,200	-	326,200	-
$ -	$ 123,997	$ 326,200	$ -	$ 450,197	$ -

DELTA AREA TRANSIT AUTHORITY

DETAIL OF INELIGIBLE EXPENSES

For the Year Ended September 30, 2007

Ineligible Expense	Ineligible Costs Section 5311	Ineligible Costs Act 51
1. Maintenance Services - During the fiscal year the Transit provided maintenance services for an outside agency. Eligible expenses must be reduced for the costs incurred for revenue earned on outside maintenance services provided.	$ 495	$ 495
2. Intercity Bus Expense - These expenses are offset and created by a separate revenue service. Consequently these expenses are ineligible for state and federal operating assistance.	77,297	77,297
3. Depreciation - Depreciation accrued by public operators is ineligible according to UMTA C9050, 1A, Page V-4.	148,441	148,441
4. MPTA Dues - A portion of the Michigan Public Transit Association dues are ineligible. The percentage of ineligible expense for the MPTA dues for fiscal year 2007 is 7.05%.	56	56
5. Audit Cost - The cost of the annual audit is an ineligible expense per OMB Circular A-133 if the Transit expended less than $500,000 in federal funds. The audit cost remains eligible for Act 51 reimbursement.	5,100	-
6. Entertainment and Gifts - Entertainment expenses are ineligible expenses per the Local Public Transit Revenue and Expense Manual and are subtracted out as such.	1,200	1,200
7. 990 Penalty - Fines, penalties, damages, and other settlements resulting from violations of, or failure of the Transit to comply with federal, state or local laws or regulations are ineligible expenses per the Local Public Transit Revenue & Expense Manual.	260	260

ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS
OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

REPORT TO MANAGEMENT

Board of Directors
Delta Area Transit Authority
Escanaba, Michigan 49829

We have audited the financial statements of the Delta Area Transit Authority for the year ended September 30, 2007, and have issued our reports thereon dated November 30, 2007. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

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

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 of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

In planning and performing our audit, we considered the Transit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Transit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

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As part of our audit, we considered the internal control structure of the Delta Area Transit Authority. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Delta Area Transit Authority are described in Note A of the financial statements.

No new accounting policies were adopted and the application of existing policies were not changed during the fiscal year. We noted no transactions entered into by the Delta Area Transit Authority 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.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in 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. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most significant estimate would be the useful lives of equipment and fixed assets. These estimates are based on the Michigan Department of Transportation useful life guidelines.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do have a significant effect on the financial reporting process.

The audit adjustments that, in our judgement, indicate matters that could have a significant effect on the Transit's financial reporting process were to reconcile some of the balance sheet accounts to the actual detail. All adjustments made have been posted by the Transit. Our recommendations regarding this matter are addressed in the attached memorandum.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant 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.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Delta Area Transit Authority or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

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 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.

In planning and performing our audit of the financial statements of the Delta Area Transit Authority, for the year ended September 30, 2007, we considered the Transit's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 30, 2007, on the financial statements of the Delta Area Transit Authority.

We have already discussed these comments and suggestions with various Transit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Board of Directors
Delta Area Transit Authority

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

Anderson, Tackman & Company P.L.C.
Certified Public Accountants

November 30, 2007

DELTA AREA TRANSIT AUTHORITY

COMMENTS AND RECOMMENDATIONS

September 30, 2007

SEGREGATION OF DUTIES

Because the Transit's number of financial personnel is limited the ability to have a complete segregation of duties is impaired. We recommend that the signature stamp for the board member's signature continue to be held by someone other than the executive director. It would be preferable if the stamp were held by the actual board member, but the practicality of this can be an issue.

We also recommend that the Board continue to have close oversight on Transit financial activity. This would include the approval of Transit disbursements on a monthly basis as well as the review of a complete set of financial statements each month. This continued monitoring will help mitigate the inability to have complete segregation of duties within the management of the Transit.

BOARD MINUTES

1. Some board minutes were not available for our review and some of the minutes failed to list the amounts and check number ranges for the checks that were approved. We recommend that all minutes be kept in a fashion that they are complete and accessible.

   We also recommend that the check number range and dollar amounts of the checks being approved be listed in each month's board minutes so that it can be certain as to which items have been approved.

2. Some of the board minutes were unsigned. We recommend that all of the board minutes be signed by the Board Secretary to indicate their authenticity.

PAYROLL CHECK APPROVAL

Presently the Board approves a net payroll check register at it's monthly meeting. We recommend that the Board be given the gross payroll information for payroll disbursement approval. This will provide more complete information for the Board to review with respect to payroll.

TICKETS TO RIDE

Presently there is no method to track the amount of Tickets to Ride that are outstanding. The amount of tickets outstanding reflect a liability to the Transit, therefore we recommend that a system be developed to provide some reflection of the amounts of Tickets to Ride that are outstanding at, as a minimum, the fiscal year-end.

DELTA AREA TRANSIT AUTHORITY

COMMENTS AND RECOMMENDATIONS

September 30, 2007

INVENTORY LISTING

We noted during our audit that the parts inventory list was not completely updated. We recommend that this list be completely updated on a no less than annual basis.

BALANCE SHEET RECONCILIATION

During the year the Transit made substantial progress towards having all balance sheet accounts reconciled to the detailed information at year-end. We recommend that each balance sheet account be reconciled at month-end and that a copy of the balance sheet accompany the profit and loss statement given to the Board each month.