

**Auditing Procedures Report**

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

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Mass Transportation Authority	County Genesee
Fiscal Year End September 30, 2007	Opinion Date February 7, 2008	Date Audit Report Submitted to State February 12, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

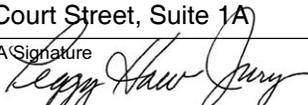
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe) Single Audit Report	<input checked="" type="checkbox"/>			
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number 810-767-5350		
Street Address 111 East Court Street, Suite 1A		City Flint	State MI	Zip 48502
Authorizing CPA Signature 		Printed Name Peggy Haw Jury		License Number 1101009025

**Mass Transportation Authority  
1401 South Dort Highway  
Flint, Michigan 48503**

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**Financial Report  
with Supplemental Information  
September 30, 2007 and 2006**

# **Mass Transportation Authority**

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## **Governing Committee and Administration September 30, 2007**

### **Governing Committee**

Chairman  
Vice Chairman  
Secretary/Treasurer

Michael Zelle  
John W. Northup  
Richard Abrams

Board Members

Robert Allen  
Joe Conroy  
Richard Hammel  
Paul Luthenbacher  
Carolyn Sims

### **Administration**

General Manager  
Assistant General Managers:  
Administration  
Operations  
Services

Robert Foy  
Jerry Ragsdale  
Terry Jurens  
Ed Benning

# Mass Transportation Authority

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**Financial Section**

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## Independent Auditors' Report

To the Board of Directors  
Mass Transportation Authority  
1401 South Dort Highway  
Flint, Michigan 48503

We have audited the accompanying financial statements of Mass Transportation Authority (MTA) enterprise fund and the aggregate pension fund information as of and for the years ended September 30, 2007 and 2006, which collectively comprise MTA's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Mass Transportation Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and governmental auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provided 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 Mass Transportation Authority at September 30, 2007 and 2006 and the changes in its financial position 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 a report dated February 7, 2008 on our consideration of Mass Transportation Authority's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic 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 on it.

Our audits were made for the purpose of forming an opinion on the financial statements that collectively comprise MTA's basic financial statements. The other accompanying financial information, listed as schedules in the table of contents, is also presented for the purposes of additional analysis and is not a required part of the basic financial statements of Mass Transportation Authority. The information in Schedules 1, 2, 3, 4R, 4E, 5, and 6 have been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The information in Schedules 4N and 7 have not been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, accordingly, we express no opinion on it.

*Plante & Moran, PLLC*

February 7, 2008

## **Management's Discussion and Analysis**

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# **Mass Transportation Authority**

## **Management's Discussion and Analysis**

As management of Mass Transportation Authority (the "Authority" or MTA), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2007. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

### **Overview of Financial Highlights**

- The Authority has net assets of \$45.3 million at fiscal year end 2007. These net assets result from the difference between total assets of \$51.6 million and total liabilities of \$6.3 million.
- Current assets of \$7.5 million primarily consist of non-restricted cash and investments of \$3.6 million, government receivables of \$2.7 million, and inventory of \$1.0 million.
- Current liabilities of \$5.5 million primarily consist of government payables of \$2.0 million, accounts and construction payables of \$1.6 million, accrued compensation of \$.8 million, line of credit of \$.9 million, and other payables of \$.1 million.

### **Basic Financial Statements and Presentation**

The basic financial statements presented by the Authority are the balance sheet, the statement of revenue, expenses, and changes in net assets, and the statement of cash flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority is structured as a single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated, except land, over their estimated useful lives.

The balance sheet presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases in assets without corresponding increases to liabilities result in increased net assets, which indicate improved financial position.

The statement of revenue, expenses, and changes in net assets presents information showing how the Authority's net assets changed during the year. This statement summarizes operating revenue and expenses along with nonoperating revenue and expenses. In addition, this statement lists capital grant revenue received from federal, state, and local governments.

The statement of cash flows allows financial statement users to assess the Authority's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories: (1) cash flows from operating activities, (2) cash flows from non-capital financing activities, (3) cash flows from capital and related financing activities, and (4) cash flows from investing activities.

# Mass Transportation Authority

## Management's Discussion and Analysis (Continued)

### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

### Financial Analysis of the Authority

#### Condensed Summary of Net Assets

The Authority issued comparative financial statements in 2007.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current assets	\$ 7,520,965	\$ 9,722,688	\$ 5,391,621
Capital assets (net of accumulated depreciation)	44,061,374	41,079,840	35,282,191
Total assets	<u>\$51,582,339</u>	<u>\$50,802,528</u>	<u>\$40,673,812</u>
Current liabilities	\$ 5,459,732	\$ 8,694,102	\$ 4,492,454
Noncurrent liabilities	842,412	804,990	643,137
Total liabilities	<u>\$ 6,302,144</u>	<u>\$ 9,499,092</u>	<u>\$ 5,135,591</u>
Net assets:			
Invested in capital assets	\$44,061,374	\$41,079,840	\$35,249,444
Restricted	111,355	60,000	118,687
Unrestricted	1,107,466	163,596	170,090
Total net assets	<u>\$45,280,195</u>	<u>\$41,303,436</u>	<u>\$35,538,221</u>

The largest portion of the Authority's net assets reflects investment in capital assets consisting of buses and operating facilities. The Authority uses these capital assets to provide public transportation services for the Genesee County area. During the 2007 and 2006 fiscal years, the Authority utilized tax revenues of \$0 and \$1,024,199, respectively, to purchase capital assets.

# Mass Transportation Authority

## Management's Discussion and Analysis (Continued)

### Condensed Summary of Revenue, Expenses, and Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Operating Revenue (Expenses)</b>			
Operating revenue	\$ 3,722,827	\$ 2,944,347	\$ 2,788,869
Operating expenses, excluding depreciation	(24,534,522)	(23,352,298)	(23,119,280)
Depreciation	(5,085,598)	(5,169,180)	(5,633,353)
<b>Operating Loss</b>	(25,897,293)	(25,577,131)	(25,963,764)
<b>Nonoperating Revenue (Expenses)</b>			
Property taxes	9,878,035	9,357,007	8,878,619
State grants and reimbursements	8,311,190	7,252,506	7,937,038
Federal grants and reimbursements	3,569,924	4,902,542	5,437,524
Loss on sale of capital asset	-	(3,756)	(4,011)
Investment income	47,771	35,997	18,958
Total nonoperating revenue	21,806,920	21,544,296	22,268,128
<b>Capital Grant Revenue</b>	8,067,132	9,798,050	1,430,053
<b>Change in Net Assets</b>	3,967,759	5,765,215	(2,265,583)
<b>Net Assets - Beginning of year</b>	41,303,436	35,538,221	37,803,804
<b>Net Assets - End of year</b>	\$ 45,280,195	\$ 41,303,436	\$ 35,538,221

### Capital Assets

#### Capital Assets

The Authority's investment in capital assets as of September 30, 2007 amounts to \$44.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, construction in progress, leasehold improvements, revenue equipment, maintenance and garage equipment, service cars, and furniture and fixtures. Additional information on the Authority's capital assets can be found in Note 4 on pages 24-26 of this report.

	<u>2007</u>	<u>2006</u>
Land	\$ 2,920,607	\$ 2,423,950
Construction in progress	7,343,979	5,361,613
Buildings	23,404,471	23,048,221
Leasehold improvements	24,266	26,820
Revenue equipment	8,397,051	8,432,460
Maintenance and garage equipment	98,916	78,166
Service cars	71,976	27,296
Furniture and fixtures	1,800,108	1,681,314
Total	\$44,061,374	\$41,079,840

# Mass Transportation Authority

## Management's Discussion and Analysis (Continued)

### Para Transit Centers

The Authority is making a significant investment for the construction of local Para Transit Centers over a three-year period. These centers are designed to improve customer service by offering our riders convenient local facilities. Comfortable waiting areas and time-coordinated service will make it more convenient for riders to secure transportation. These facilities will also serve as vehicle fueling and storage units, furthering the efficiency of operations.

### Capital Operating Expenses and Other Expenses

Capital operating expenses for fiscal 2007 were \$3.3 million compared to \$4.7 million for fiscal 2006.

These operating costs are budgeted and are reimbursable by the federal and state governments.

## Financial Operating Results

### Revenue

Operating revenue is summarized into the following categories:

**Passenger Fares** - Farebox receipts and special transit fares are included here.

**Advertising and Concessions** - Fees derived from the contractual agreement to have advertisements on the buses are included here. This category also summarizes various rental activities of MTA. This includes the rental of a radio tower and other facilities.

**Property Tax** - This dedicated .8 mill tax is levied in Genesee County, and an additional .6 mill is levied in the City of Flint. For 2007, approximately 25 percent of the Authority's revenues used for operations came from the county-wide tax and 8 percent from the City of Flint. For 2006, approximately 25 percent of the Authority's revenues used for operations came from the county-wide tax and 9 percent from the City of Flint.

**Federal Grants and Reimbursements** - For 2007 and 2006, the Authority utilized \$1.5 million and \$3.2 million, respectively, in Section 5307 capital funds to reimburse the costs of preventive maintenance and certain inventory purchases. Other specific grants are awarded as incentives to expand and enhance services to select clients or to achieve other operational goals.

**State Operating Grants** - The Michigan Department of Transportation allocates grants for operating assistance based on expenses submitted by all Michigan transit agencies. This assistance cannot amount to less than what was allocated in 1997. MTA is currently at this 1997 funding amount, which is referred to as the "Floor." Other specific grants are awarded as incentives to expand and enhance services to select clients.

### Expenses

Operating expenses are summarized into the following categories:

**Labor and Fringe Benefits** - These personnel costs accounted for approximately 67 percent and 68 percent of all the Authority's operating expenses (excluding depreciation) in 2007 and 2006, respectively. This proportion is consistent with past years' experiences.

# Mass Transportation Authority

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## Management's Discussion and Analysis (Continued)

**Services** - This account consists of legal fees, auditor's fees, and office equipment maintenance services.

**Materials and Supplies** - Fuel and fluids for all vehicles, in addition to the parts to maintain and repair the fleet, account for the majority of this classification. Office and general maintenance supplies account for the remaining.

**Insurance** - MTA is partially self-insured; therefore this account represents both the direct payments to claimants as well as premiums due for excess coverage. In addition, MTA is required to accumulate a fund balance to support its self-insurance program. The cost of excess coverage has greatly increased in this area, causing MTA to restructure coverage and assume additional exposure.

### **Economic Factors**

The City of Flint is going through a period of transition. As manufacturing jobs are being lost in the City, the tax base finds it difficult to maintain the current level of services. At the same time, good paying job opportunities have developed in counties surrounding Genesee County, therefore, the need for regional transportation has become evident.

In the county, the property values are extremely reasonable when compared to the surrounding area. This has created an influx of home ownership in Genesee County where the resident works in one of the surrounding counties. The number of housing complexes that cater to the elderly is increasing significantly. Both of these factors have led to increased ridership in the out-county. The increase in gas prices to be paid by individuals in fiscal 2006 and 2007 also fostered an increase in ridership.

The expansion of the national economy has not generated adequate revenues to meet federal budget needs. Similarly at the state level, budget deficits are having an impact on the ability to fund transportation programs at previous levels. Both of these factors are the impetus for Mass Transportation Authority to expand its local financial commitment.

In addition to an expanded local financial participation, it is essential that public service organizations partner with each other to eliminate the duplication of transportation services. Mass Transportation Authority is in the process of partnering with other organizations in an effort to expand its customer base. An expanded customer base will be necessary to maintain the present level of services as state and federal subsidies are reduced.

The combination of these factors will lead to MTA efforts to expand its customer base in the City of Flint, provide additional services in the out-county areas, and increase the local financial participation of the local communities.

### **Request for Information**

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in its finances. Questions concerning any of the information in this report or requests for additional financial information should be addressed to Robert J. Foy, General Manager, Mass Transportation Authority, 1401 S. Dort Highway, Flint, Michigan 48503.

## **Basic Financial Statements**

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# Mass Transportation Authority

	2007	2006
<b>Assets</b>		
Current assets:		
Cash	\$ 2,543,339	\$ 545,107
Investments	1,019,820	972,050
Accounts receivable	239,130	106,439
Due from federal government	1,176,953	4,573,775
Due from state government	962,155	1,943,410
Due from local government	516,945	493,094
Inventories	961,994	848,411
Prepaid expenses	100,629	240,402
	<hr/>	<hr/>
Total current assets	7,520,965	9,722,688
Capital assets:		
Land	2,920,607	2,423,950
Construction in progress	7,343,979	5,361,613
Buildings	39,360,266	37,482,588
Leasehold improvements	50,518	50,518
Revenue equipment	48,500,608	45,443,935
Maintenance and garage equipment	1,110,975	1,054,842
Service vehicles	436,922	382,438
Furniture and fixtures	5,767,272	5,309,826
	<hr/>	<hr/>
Total capital assets	105,491,147	97,509,710
Less accumulated depreciation	(61,429,773)	(56,429,870)
	<hr/>	<hr/>
Capital assets - Net	44,061,374	41,079,840
	<hr/>	<hr/>
Total assets	<b>\$ 51,582,339</b>	<b>\$ 50,802,528</b>

See Notes to Financial Statements.

**Balance Sheet**  
**September 30, 2007 and 2006**

	2007	2006
<b>Liabilities</b>		
Current liabilities:		
Due to other funds	\$ 86,978	\$ 92,606
Due to state government	2,033,765	2,619,019
Accounts payable	745,397	904,793
Construction payables	826,079	2,238,968
Current portion of self-insurance liabilities	149,917	121,272
Accrued salaries and wages	376,767	334,793
Compensated absences	390,829	382,651
Line of credit	850,000	2,000,000
Total current liabilities	5,459,732	8,694,102
Noncurrent liabilities - Self-insurance liabilities	842,412	804,990
Total noncurrent liabilities	842,412	804,990
Total liabilities	6,302,144	9,499,092
<b>Net Assets</b>		
Invested in capital assets	44,061,374	41,079,840
Restricted for self insurance	111,355	60,000
Unrestricted	1,107,466	163,596
Total net assets	45,280,195	41,303,436
Total liabilities and net assets	\$ 51,582,339	\$ 50,802,528

# Mass Transportation Authority

## Statement of Revenue, Expenses, and Changes in Net Assets For the Years Ended September 30, 2007 and 2006

	2007	2006
<b>Operating Revenue</b>		
Passenger fares	\$ 3,420,097	\$ 2,679,729
Advertising, rent, and miscellaneous	302,730	264,618
Total operating revenue	3,722,827	2,944,347
<b>Operating Expenses</b>		
Labor	10,650,080	10,359,960
Fringe benefits	5,671,664	5,508,701
Services	1,326,802	1,224,923
Materials and supplies	4,710,324	4,208,464
Utilities	780,778	707,100
Insurance	895,699	692,505
Taxes and fees	16,855	1,627
Miscellaneous	233,461	257,748
Interest expense	135,518	101,338
Leases and rentals	113,341	104,070
Bad debt expense	-	185,862
Total operating expenses excluding depreciation	24,534,522	23,352,298
<b>Operating Loss Before Depreciation Expense</b>	(20,811,695)	(20,407,951)
<b>Depreciation Expense</b>	5,085,598	5,169,180
<b>Operating Loss</b>	(25,897,293)	(25,577,131)
<b>Nonoperating Revenue</b>		
Property tax revenue	9,878,035	9,357,007
State of Michigan operating grants:		
Urban operating assistance	5,883,496	5,109,089
Non-urban operating assistance	507,869	375,289
Job access	1,318,395	1,190,946
Preventative maintenance grants	97,980	360,000
Capital grants used for operations	196,678	116,890
Amtrack marketing	-	106
Specialized services	306,772	269,362
Prior year operating assistance settlement (2000-2004)	-	(169,176)
Federal operating grants:		
Job access/Reverse commute	218,395	662,826
Section 5311 operating assistance	223,200	162,527
Preventative maintenance grants	1,474,719	3,211,170
Capital grants used for operations	1,545,094	1,008,837
FTA Section 8 - Ridership study	-	20,400
Federal security/Emergency management	-	76,782
Bus stop auditing grant	19,999	-
Prior year capital grant (repayment)	88,517	(240,000)
Loss on sale of capital asset	-	(3,756)
Interest income	47,771	35,997
Total nonoperating revenue	21,806,920	21,544,296
<b>Net Loss Before Capital Grant Revenue</b>	(4,090,373)	(4,032,835)
<b>Capital Grant Revenue</b>		
Federal	6,455,522	7,838,440
State	1,611,610	1,959,610
Total capital grant revenue	8,067,132	9,798,050
<b>Change in Net Assets</b>	3,976,759	5,765,215
<b>Net Assets - Beginning of year</b>	41,303,436	35,538,221
<b>Net Assets - End of year</b>	<b>\$ 45,280,195</b>	<b>\$ 41,303,436</b>

See Notes to Financial Statements.

# Mass Transportation Authority

## Statement of Cash Flows For the Years Ended September 30, 2007 and 2006

	2007	2006
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 3,590,136	\$ 2,931,278
Payments to suppliers for goods and services	(8,279,917)	(7,635,981)
Payments to employees for services	(16,271,592)	(15,736,316)
Net cash used in operating activities	(20,961,373)	(20,441,019)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Principal payments on capital lease	-	(32,747)
Receipt of capital grants	16,169,025	8,639,138
Purchase of property and equipment	(9,480,021)	(8,731,617)
Net cash provided by capital and related financing activities	6,689,004	(125,226)
<b>Cash Flows from Noncapital Financing Activities</b>		
Repayments of line of credit	(1,150,000)	-
Operating federal grants	106,777	967,801
Operating state grants	7,465,268	9,719,179
Property taxes not restricted for capital activities	9,854,184	9,316,813
Retiree benefits paid from reserve proceeds	(5,628)	(5,629)
Net cash provided by noncapital financing activities	16,270,601	19,998,164
<b>Cash Flows from Investing Activities</b>		
Investment income	47,771	35,997
Sale of investments	-	299,000
Purchase of investments	(47,771)	(185,998)
Net cash provided by investing activities	-	148,999
<b>Net Increase (Decrease) in Cash</b>	1,998,232	(419,082)
<b>Cash - Beginning of year</b>	545,107	964,189
<b>Cash - End of year</b>	<b>\$ 2,543,339</b>	<b>\$ 545,107</b>

# Mass Transportation Authority

## Statement of Cash Flows (Continued) For the Years Ended September 30, 2007 and 2006

	2007	2006
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (25,897,293)	\$ (25,577,131)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	5,085,598	5,169,180
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	(132,691)	(13,069)
Inventories	(113,583)	(87,928)
Prepaid expenses	139,773	(25,979)
Accounts payable and self-insurance liabilities	(93,329)	(38,437)
Accrued salaries and wages and compensated absences	50,152	132,345
	<u>4,935,920</u>	<u>5,136,112</u>
Total adjustments		
Net cash used in operating activities	<u><u>\$ (20,961,373)</u></u>	<u><u>\$ (20,441,019)</u></u>
<b>Noncash Investing, Capital, and Financing Activities</b>		
Increase in construction in progress through contractor and retainage payable	\$ -	\$ 2,238,968
Interest paid	135,518	101,338

See Notes to Financial Statements.

## **Fund Financial Statements**

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# Mass Transportation Authority

	2007		
	Pension Trust		Totals
	Hourly Plan	Management Plan	
<b>Assets</b>			
Investments	\$ 3,637,576	\$ 3,205,328	\$ 6,842,904
Due from other funds	-	86,978	86,978
Total assets	<b>\$ 3,637,576</b>	<b>\$ 3,292,306</b>	<b>\$ 6,929,882</b>
<b>Net Assets</b>			
Held in trust for pension benefits	\$ 3,637,576	\$ 3,261,680	\$ 6,899,256
Held in trust for survivor benefits	-	30,626	30,626
Total net assets	<b>\$ 3,637,576</b>	<b>\$ 3,292,306</b>	<b>\$ 6,929,882</b>

See Notes to Financial Statements.

**Pension Trust Funds**  
**Combining Statements of Net Assets**  
**September 30, 2007 and 2006**

2006		
Pension Trust		
Hourly Plan	Management Plan	Totals
\$ 3,231,447	\$ 2,508,122	\$ 5,739,569
-	92,606	92,606
<b>\$ 3,231,447</b>	<b>\$ 2,600,728</b>	<b>\$ 5,832,175</b>

\$ 3,231,447	\$ 2,564,473	\$ 5,795,920
-	36,255	36,255
<b>\$ 3,231,447</b>	<b>\$ 2,600,728</b>	<b>\$ 5,832,175</b>

# Mass Transportation Authority

	2007		
	Pension Trust		Totals
	Hourly Plan	Management Plan	
<b>Additions</b>			
Contributions	\$ 347,840	\$ 299,237	\$ 647,077
Investment income	283,651	466,277	749,928
Total additions	631,491	765,514	1,397,005
<b>Deductions</b>			
Participant distributions	225,362	73,936	299,298
Total deductions	225,362	73,936	299,298
<b>Change in Net Assets</b>	406,129	691,578	1,097,707
<b>Net Assets</b>			
Beginning of year	3,231,447	2,600,728	5,832,175
End of year	<b>\$ 3,637,576</b>	<b>\$ 3,292,306</b>	<b>\$ 6,929,882</b>

See Notes to Financial Statements.

**Pension Trust Funds**  
**Combining Statements of Changes in Fiduciary Net Assets**  
**For the Years Ended September 30, 2007 and 2006**

2006		
Pension Trust		
Hourly Plan	Management Plan	Totals
\$ 359,474	\$ 269,807	\$ 629,281
146,371	159,429	305,800
505,845	429,236	935,081
349,071	40,490	389,561
349,071	40,490	389,561
156,774	388,746	545,520
3,074,673	2,211,982	5,286,655
<b>\$ 3,231,447</b>	<b>\$ 2,600,728</b>	<b>\$ 5,832,175</b>

## **Notes to Financial Statements**

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# Mass Transportation Authority

## Notes to Financial Statements September 30, 2007 and 2006

### Note I - Summary of Significant Accounting Policies

The accounting policies of Mass Transportation Authority (the "Authority" or MTA) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant policies:

#### A. Reporting Entity

Mass Transportation Authority was incorporated September 27, 1971 under the provisions of Mass Transportation System Authorities Act, Act 55 of the Public Acts of Michigan of 1963. The Authority provides public transportation to the general public in the City of Flint and Genesee County area. The Authority is managed by a governing committee consisting of the city administrator of the City of Flint or his or her designee and 10 United States citizens including the following: (1) the chairperson of Genesee County Board of Commissioners or another County Commissioner designated by the chairperson; (2) a representative of Genesee County Chapter of the Michigan Township Association; (3) a representative of Genesee County Chapter of Small Cities and Villages Association; (4) a representative of the education community designated by Flint Schools Superintendent; (5) the president of the Flint City Council or his or her designee; (6) the County Commissioner selected by the Genesee County Board of Commissioners; (7) two Flint residents appointed by the mayor with concurrence of the Flint City Council; (8) one Flint resident appointed by the Flint City Council; and (9) one Genesee County resident appointed by the Genesee County Board of Commissioners. The respective representatives of the Township Association and the Small Cities and Villages Association shall be selected, from among at least three persons nominated by the associations, by the Board of County Commissioners.

The Authority is not subject to federal or state income taxes.

Component units:

"The financial reporting entity," as defined by Statement No. 14 of the Governmental Accounting Standards Board (GASB), is comprised of the primary government and its component units. The primary government includes all departments and operations of MTA which are not legally separate organizations. Component units are legally separate organizations which are fiscally dependent on MTA or for which MTA is financially accountable. An organization is fiscally dependent if it must receive MTA's approval for its budget, the levying of taxes, or the issuance of debt. MTA is financially accountable for an organization if it appoints a majority of the organization's board and either (a) has the ability to impose its will on the organization or (b) there is the potential for the organization to provide a financial benefit to or impose a financial burden on the Authority. The reporting entity of MTA consists solely of the primary government. There are no component units.

Under the guidelines of GASB Statement No. 14, MTA is a jointly governed organization as detailed above. None of the participating governments appoints a majority of MTA's board and none has an ongoing financial interest or responsibility. None of the participating governments provided any support or had any significant financial transactions with MTA during fiscal 2007.

### Note I - Summary of Significant Accounting Policies (Continued)

#### B. Basis of Accounting

The accounts of MTA, which are organized as an enterprise fund, are used to account for MTA's activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, MTA maintains its records on the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned. Expenses (including depreciation and amortization) of providing services to the public are accrued when incurred.

Non-exchange transactions, in which MTA receives value without directly giving equal value in return, include property tax revenue and grants. On an accrual basis, revenue from property taxes is recognized in the current fiscal year. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to MTA on a reimbursement basis.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. MTA also has the option of following subsequent private-sector guidance, subject to this same limitation. MTA has elected not to follow subsequent private-sector guidance as it relates to its operations.

#### C. Investments

Investments are stated at fair value, based on published market prices.

#### D. Inventories

Inventory consists of maintenance parts, repair parts, operating and office supplies, and fuel used in the operation of the transit system. Inventories are recorded at average cost. In accordance with industry practice, all inventories are classified as current assets even though a portion of the inventories are not expected to be utilized within one year.

#### E. Prepaid Expenses

Prepaid expenses are payments made to vendors for services that will benefit periods beyond September 30, 2007 and 2006.

#### F. Accounts Receivable

No allowance for bad debts is included in the financial statements as MTA considers all receivables collectible.

# Mass Transportation Authority

## Notes to Financial Statements September 30, 2007 and 2006

### Note I - Summary of Significant Accounting Policies (Continued)

#### G. Capital Assets

MTA defines capital assets as assets with an initial cost of at least \$5,000 and a useful life of more than one year. Capital assets are stated at cost or fair market value at date of gift. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized.

Provisions for depreciation of building, improvements, and equipment are computed on the straight-line method. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20-30 years	Maintenance and garage equipment	5-10 years
Building improvements	10-30 years	Service cars	3-6 years
Revenue equipment	4-12 years	Furniture and fixtures	4-10 years

#### H. Cost Allocation Plan

Mass Transportation Authority has three cost allocation plans approved by the Bus Transit Division of the Michigan Department of Transportation for maintenance, the nonurban grant, and charter rates. These plans have been adhered to in the preparation of the financial statements.

#### I. Net Assets - Equity Displayed in Three Components

**Invested in Capital Assets** - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvements of those assets. There were no borrowings attributable to capital assets at September 30, 2007 or 2006.

**Restricted** - This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is MTA's policy to use restricted resources first, then unrestricted resources when they are needed.

**Unrestricted** - This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets."

#### J. Classifications of Revenue

MTA has classified its revenue as either operating or nonoperating. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares, advertising, and rental revenue. Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as property tax proceeds and most federal, state, and local grants and contracts.

### Note I - Summary of Significant Accounting Policies (Continued)

#### K. Recognition of Revenue and Receivables

The federal government, through the Federal Transit Administration (FTA) and the Michigan Department of Transportation (MDOT), provide financial assistance and make grants directly to the Authority for operations and acquisition of property and equipment. Operating grants and special fare assistance awards made on the basis of entitlement periods are recorded as grant receivables and revenues over the entitlement periods. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as grant receivables and credited to nonoperating revenues when the related capital expenditures are incurred. Capital grants for the maintenance of property, plant, and equipment are recorded as grant receivables and credited to nonoperating revenues in the period operating expenditures are incurred.

#### L. Federal and State Operating and Preventive Maintenance Assistance Funds

Federal and state operating and preventive maintenance assistance funds to be received by MTA under the Urban Mass Transportation Act of 1964, as amended, and under the Michigan Public Mass Transportation Grant Program are recorded and reflected as income in the period to which they are applicable.

#### M. Self-insurance Liabilities and Expense

MTA has a self-insurance program for general liability, property damage claims, and the workers' compensation claims.

Claims are accrued in the year the expenses are incurred, based upon the estimates of the claim liabilities made by management, legal counsel of MTA, and actuaries. Also provided for are estimates of claims incurred during the year but not yet reported.

Claims expense is accrued in the period the incidents of loss occur, based upon estimates of liability made by management with the assistance of third-party administration, legal counsel, and actuaries. Claims liability is the best estimate based on known information.

#### N. Passenger Fares

Passenger fares are recorded as revenue at the time services are performed.

#### O. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### P. Reclassifications

Certain amounts included in the 2006 financial statements have been reclassified to agree to the classifications used in 2007.

### 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 mature 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.

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Effective March 8, 1999, the Authority adopted an investment policy. Funds of Mass Transportation Authority will be invested in accordance with the Michigan Constitution and Public Act 55 of 1963 and Public Act 196 of 1997, in accordance with the following objectives, safety of principle, diversification, liquidity, and return of investment. In accordance with Michigan Public Act 55 of 1963 and Public Act 196 of 1997, the surplus funds of the Authority may be invested as follows:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, commercial paper, repurchase agreements, bankers' acceptances of United States banks, mutual funds, investment pools organized under the surplus funds investment pool act, 1982 PA 367, and investment pools organized under the local government investment pool act, 1985 PA 121

Management's responsibility for the investment program is delegated to the "Investment Officer." The governing board of Mass Transportation Authority has designated the general manager or the finance director as Investment Officer.

The Authority maintains a list of eligible financial institutions authorized to provide investment services and a list of approved security broker/dealers selected by creditworthiness who are authorized and eligible to provide investment services in Michigan. No public deposit shall be made except in an eligible qualified institution. The Authority has designated two banks for the deposit of its funds.

# Mass Transportation Authority

## Notes to Financial Statements September 30, 2007 and 2006

### Note 2 - Deposits and Investments (Continued)

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Credit Risk of Bank Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At September 30, 2007 and 2006, the Authority had \$2,737,290 and \$589,373, respectively, of bank deposits (checking accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk of Investments - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority's investment policy places no further limits on its investment choices. The Authority has invested in unrated money market funds of \$1,019,820 and \$972,050 as of September 30, 2007 and 2006, respectively; however, the Authority's investment policy does require a thorough investigation of the fund prior to investing and on a continual basis.

### Note 3 - Due to/from Other Governmental Units

#### Due from State Government

Amounts due from the state government consist of the following at September 30:

	<u>2007</u>	<u>2006</u>
Job Access Reverse Commute grant	\$ 536,519	\$ 707,202
State capital grants	348,631	1,235,896
Specialized services	76,693	-
Prior year grants	312	312
Total due from state government	<u>\$ 962,155</u>	<u>\$1,943,410</u>

# Mass Transportation Authority

## Notes to Financial Statements September 30, 2007 and 2006

### Note 3 - Due to/from Other Governmental Units (Continued)

#### Due from Federal Government

The Authority receives funding from the U.S. Department of Transportation under Section 5311 Operating Grants. The computation of the amount due from the federal government is as follows:

	<u>Nonurban</u>	
Net eligible expenses	\$ 1,312,940	
Funding rate	0.1700	
Funding earned	\$ 223,200	
Funding received	\$ 194,340	
Due from federal government:	<u>2007</u>	<u>2006</u>
Section 5311 Federal Operating Grants	\$ 28,860	\$ 19,120
Other federal operating grants	218,392	4,529,856
Federal capital grants	929,701	24,799
Total due from federal government	<u>\$1,176,953</u>	<u>\$4,573,775</u>

#### Due from Local Government

The Authority receives property tax funding from local taxing authorities. The amount due from local government of \$516,945 and 493,094 consists of property taxes levied but not yet collected as of September 30, 2007 and 2006, respectively.

#### Due to State Government

The Authority receives funding from the State of Michigan for the Local Bus Operating Assistance Program. The computation of the amount due to the State of Michigan is as follows:

	<u>Urban</u>	<u>Nonurban</u>
Net eligible expenses	\$18,090,206	\$1,315,015
Funding rate	0.325231	0.386208
Funding earned	\$ 5,883,496	\$ 507,869
Funding received	\$ 6,154,856	\$ 555,537
Due to state government:	<u>2007</u>	<u>2006</u>
Urban and Nonurban Operating Assistance - 2007	\$ 319,028	\$ -
Urban Operating Assistance - Prior years:		
2006	1,702,953	2,040,018
2005	11,784	454,831
2002	-	124,170
Total due to state government	<u>\$ 2,033,765</u>	<u>\$2,619,019</u>

# Mass Transportation Authority

## Notes to Financial Statements September 30, 2007 and 2006

### Note 4 - Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,909,705	\$ 514,245	\$ -	\$ 2,423,950
Construction in progress	701,662	4,684,223	(24,272)	5,361,613
Total capital assets, not being depreciated	2,611,367	5,198,468	(24,272)	7,785,563
Capital assets, being depreciated:				
Buildings	37,458,316	-	24,272	37,482,588
Leasehold improvements	50,518	-	-	50,518
Revenue equipment	41,286,931	4,292,404	(135,400)	45,443,935
Maintenance and garage equipment	1,054,842	-	-	1,054,842
Service cars	382,438	-	-	382,438
Furniture and fixtures	3,745,906	1,479,713	84,207	5,309,826
Capital assets under lease	84,207	-	(84,207)	-
Total capital assets, being depreciated	84,063,158	5,772,117	(111,128)	89,724,147
Less accumulated depreciation:				
Buildings	12,917,917	1,516,450	-	14,434,367
Leasehold improvements	21,144	2,554	-	23,698
Revenue equipment	33,857,641	3,285,478	(131,644)	37,011,475
Maintenance and garage equipment	937,739	38,937	-	976,676
Service cars	334,118	21,024	-	355,142
Furniture and fixtures	3,276,995	304,737	46,780	3,628,512
Capital asset under lease	46,780	-	(46,780)	-
Total accumulated depreciation	51,392,334	5,169,180	(131,644)	56,429,870
Total capital assets, being depreciated, net	32,670,824	602,937	20,516	33,294,277
Total capital assets, net	\$35,282,191	\$5,801,405	\$ (3,756)	\$41,079,840

# Mass Transportation Authority

## Notes to Financial Statements September 30, 2007 and 2006

### Note 4 - Capital Assets (Continued)

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

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,423,950	\$ 496,657	\$ -	\$ 2,920,607
Construction in progress	5,361,613	3,853,590	(1,871,224)	7,343,979
Total capital assets, not being depreciated	7,785,563	4,350,247	(1,871,224)	10,264,586
Capital assets, being depreciated:				
Buildings	37,482,588	6,454	1,871,224	39,360,266
Leasehold improvements	50,518	-	-	50,518
Revenue equipment	45,443,935	3,153,217	(96,544)	48,500,608
Maintenance and garage equipment	1,054,842	56,770	(637)	1,110,975
Service cars	382,438	43,002	11,482	436,922
Furniture and fixtures	5,309,826	457,446	-	5,767,272
Total capital assets, being depreciated	89,724,147	3,716,889	1,785,525	95,226,561
Less accumulated depreciation:				
Buildings	14,434,367	1,521,428	-	15,955,795
Leasehold improvements	23,698	2,554	-	26,252
Revenue equipment	37,011,475	3,164,130	(72,048)	40,103,557
Maintenance and garage equipment	976,676	36,020	(637)	1,012,059
Service cars	355,142	22,817	(13,013)	364,946
Furniture and fixtures	3,628,512	338,652	-	3,967,164
Total accumulated depreciation	56,429,870	5,085,601	(85,698)	61,429,773
Total capital assets, being depreciated, net	33,294,277	(1,368,712)	1,871,223	33,796,788
Total capital assets, net	<u>\$41,079,840</u>	<u>\$ 2,981,535</u>	<u>\$ (1)</u>	<u>\$44,061,374</u>

When assets are withdrawn from public transportation service, the grantee must remit to the grantor the grantor's pro rata share of the fair market value as of the date the asset was withdrawn from service; should an asset be sold by the grantee, the grantee must remit to the grantor the grantor's pro rata share of the proceeds less any amount specified as a service fee per the grant. However, if items of equipment have a current per-unit fair market value of less than \$5,000, the unit may be retained, sold, or otherwise disposed of with no further obligation to the grantor.

# Mass Transportation Authority

## Notes to Financial Statements September 30, 2007 and 2006

### Note 4 - Capital Assets (Continued)

Included in the September 30, 2006 and 2007 construction in progress balance are costs associated with the Downtown Transfer Center and various service centers located throughout Genesee County.

At September 30, 2006 and 2007, there was no capitalized interest.

The eligible depreciation of \$202,342 (\$5,085,598 total depreciation reported for Urban, Nonurban, and JARC less ineligible depreciation of \$4,883,256) includes only depreciation of assets purchased with authority funds where the useful life of the asset purchased has been approved by BPT.

### Note 5 - Leases

Operating leases:

MTA has various leases on storage and/or terminal facilities on a month-to-month basis with payments ranging from \$700 to \$1,929.

Rent expense for the years ended September 30, 2007 and 2006 was as follows:

<u>Description</u>	<u>2007</u>	<u>2006</u>
Tires	\$ 56,734	\$ 27,768
Terminals/storage	44,647	104,070
	<u>\$101,381</u>	<u>\$131,838</u>

### Note 6 - Lines of Credit

The Authority has an unsecured line of credit agreement expiring September 30, 2008 with JPMorgan Chase Bank to borrow up to \$2,000,000. The interest on the line is charged at 80 percent of prime. (The prime interest rate at September 30, 2007 was 7.75 percent.) The balance due on the line of credit at September 30, 2007 and 2006 was \$850,000 and \$2,000,000, respectively. The line of credit is payable solely from fare box revenue, contract revenue, and operating assistance revenue and not from taxes or special assessments.

# Mass Transportation Authority

## Notes to Financial Statements September 30, 2007 and 2006

### Note 7 - State Grants

As of September 30, 2007, the Authority has contracted with State of Michigan D.O.T. for various grant monies. All of the monies that the Authority is now eligible to receive have not yet been disbursed to them as the projects have not yet been completed. Below is a schedule of activity under these state grants including state grants or portions of state grants for which funds are still available to the Authority:

a. State capital grants

<u>Grantor</u>	<u>Contract or Project #</u>	<u>Grant Amount</u>	<u>Amount Earned This Audit Period</u>	<u>Total Amount Earned</u>	<u>Amount Deobligated</u>	<u>Amount Remaining</u>
State of Michigan D.O.T.	2007-0254- Z5	\$ 720,010	\$ 100,397	\$ 100,397	\$ -	\$ 619,613
State of Michigan D.O.T.	2002-0066-Z6	123,789	48,514	120,389	-	3,400
State of Michigan D.O.T.	2002-0066-Z7	259,883	57,252	259,883	-	-
State of Michigan D.O.T.	2002-0066 Z12	1,059,712	8,146	1,056,850	-	2,862
State of Michigan D.O.T.	2002-0066 Z15	491,839	19,905	488,779	-	3,060
State of Michigan D.O.T.	2002-0066 Z19	1,004,940	145,602	995,488	-	9,452
State of Michigan D.O.T.	2002-0066-Z24	606,796	147,445	606,796	-	-
State of Michigan D.O.T.	2002-0066-Z28	64,488	44,714	64,488	-	-
State of Michigan D.O.T.	2002-0066-Z29	128,000	119,600	119,600	-	8,400
State of Michigan D.O.T.	2002-0066-Z30	413,586	21,831	366,087	-	47,499
State of Michigan D.O.T.	2002-0066-Z33	728,834	356,866	713,985	-	14,849
State of Michigan D.O.T.	2002-0066-Z34	343,795	121,527	335,613	-	8,182
State of Michigan D.O.T.	2002-0066-Z36	74,250	23,065	23,065	-	51,185
State of Michigan D.O.T.	2002-0066-Z37	185,625	98,241	98,241	-	87,384
State of Michigan D.O.T.	2002-0066-Z39	410,292	352,021	376,803	-	33,489
State of Michigan D.O.T.	2002-0066-Z40	358,106	201,675	201,675	-	156,431
State of Michigan D.O.T.	2002-0066-Z42	443,704	39,467	39,467	-	404,237
Total state capital grants		7,417,649	1,906,268	5,967,606	-	1,450,043

Note - Grants completed prior to October 1, 2006, were deleted from this schedule.

b. State operating grants (excluding operating assistance, specialized services, and job access)

State of Michigan D.O.T.	2005-0052	100,000	-	85,770	-	14,230
Total state assistance		\$7,517,649	\$1,906,268	\$6,053,376	\$ -	\$1,464,273

### Note 8 - Property Taxes

For fiscal year 2004 through fiscal year 2011, 0.4 of a mill has been approved to be levied in each political jurisdiction within Genesee County. Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the following December 1 and are payable without penalty through February 28. The political jurisdictions within Genesee County bill and collect their own property taxes and remit payments to Mass Transportation Authority. Real property taxes delinquent at March 1 are remitted from the county. Delinquent personal property taxes are remitted from the political jurisdictions when collected. Property tax revenues are recognized in the fiscal year levied to the extent they are measurable and available.

### Note 9 - Risk Management

Mass Transportation Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Authority has purchased commercial insurance for property, boiler and machinery, crime, inland marine, public officials liability, employee dishonesty, underground storage tank liability, excess workers compensation, employee life, accidental death and dismemberment, short-term disability, medical, and dental coverages. The Authority participated in the Michigan Transit Pool for claims relating to liability, no-fault, and excess comprehensive coverage through December 1, 2000. MTA is self-insured for general liability, worker's disability compensation within its \$250,000 retention, for all physical damage to its vehicles and up to \$50,000 for comprehensive coverage, and for employee vision care. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

During May 1998, a magistrate entered an open award providing the widow of an MTA bus operator with weekly workmen's compensation benefits of \$141.33 for a total of 500 weeks. The total award of \$70,665 was recognized as a liability and expense at the time it was awarded. The remaining liability of \$3,392 is to be paid in 2008.

MTA, pursuant to statutory authority, contracted with Cambridge Integrated Services Group, Inc. for third-party administration of disputed worker's disability compensation claims. ASU Risk Management Services, LTD. serves as the claims facility for no fault and tort claims made for losses alleged to have occurred in connection with the operation of MTA-owned vehicles and facilities.

The Michigan Transit Pool risk pool program operates as a claims-servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts for claim years through December 2000. Premiums have been paid annually to the pool to be used to pay claims up to MTA's retention limit. Pool members share proportionately in losses that exceed member retentions. The pool was able to purchase commercial insurance on behalf of its members at a lower cost than was available on an individual basis.

# Mass Transportation Authority

## Notes to Financial Statements September 30, 2007 and 2006

### Note 9 - Risk Management (Continued)

The Michigan Transit Pool estimated the liability for auto and general liability claims that had been incurred through the end of December 31, 2000, including both those claims that have been reported as well as those that have not yet been reported to the pool. The pool will continue to estimate and administer the claims for years previous to December 2000. All funds on deposit with the pool will continue to be held by the pool until all claims for a specific year are settled. The pool's fiscal year is December 1 to November 30.

Starting December 1, 2000, MTA hired the ASU Group to administer the liability claims, previously administered through the Michigan Transit Pool. An Internal Service Fund was established to account for this activity. An actuarial determination was completed to determine an estimate of the liability for incurred but not reported (IBNR) claims at September 30, 2004. The claim estimates are recorded as claims payable in the Self-insurance Internal Service Fund. The estimated liability as well as the total estimated costs (based on an actuarial calculation and claims presented) of claims for the past fiscal year for the Authority are as follows:

	<u>2007</u>	<u>2006</u>
Estimated liability, beginning of year	\$ 926,262	\$ 979,656
Estimated claims incurred, including changes in estimates	533,000	182,671
Claims payments	<u>(466,933)</u>	<u>(236,065)</u>
Estimated liability, end of year	<u>\$ 992,329</u>	<u>\$ 926,262</u>

### Note 10 - 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). Any capital funds used to pay operating costs have been subtracted from eligible costs. Also, any expenses associated with earned revenues have been subtracted from eligible costs.

### Note 11 - Contingencies/Commitments

MTA participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the years ended September 30, 2007 and 2006 have been conducted and have been reported in this annual report. However, the compliance audit reports have not yet been accepted by the grantor. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although MTA expects such amounts, if any, to be immaterial.

### Note 12 - Postemployment Benefits

In compliance with current labor agreements and board resolution, the Authority provides medical coverage for retired hourly and salaried personnel age 65 and over. The supplement is not to exceed \$150 per month for retirees with 20 years of service or \$100 per month for retirees with 10 years of service. The supplemental amounts are only paid if a billing is presented by the retiree to MTA. MTA finances the plan on a pay-as-you-go basis. For fiscal years ended September 30, 2007 and 2006, there were 11 eligible retirees with a recorded expense of \$13,955 and \$16,128, respectively.

# Mass Transportation Authority

## Notes to Financial Statements September 30, 2007 and 2006

### Note 13 - Retirement Plan - Money Purchase 401(a) Pension Plan

The Management Employees Retirement Plan is a single employer money purchase 401(a) pension plan which covers all management employees. The plan is accounted for in a pension trust fund and is administered by Mass Transportation Authority. There are no service or age requirements and employees are 100 percent vested after five years of service (0 percent vested prior to five years of service). (Employees are 100 percent vested in the employee rollover from the terminated defined benefit plan.) The plan is fully funded as it is MTA's policy to fund pension costs as they accrue.

Employer contributions are to be determined by the employer and may be changed from time to time. The employer is to advise plan participants in writing of the percentage and of any change in the percentage. Employee contributions are mandatory to receive the employer contribution. Employees are required to contribute 4 percent to participate in the employer match of 8 percent.

The plan has the right to recover overpayments made by the plan and to satisfy any claim arising from embezzlement or fraud committed by a participating, former participant, beneficiary, or other person who has a claim to an accumulated balance or any other benefit from the plan.

Employer and employee contributions were made as follows:

	<u>2007</u>	<u>2006</u>
Employer	\$199,491	\$172,243
Employee	<u>99,746</u>	<u>97,564</u>
Total	<u>\$299,237</u>	<u>\$269,807</u>

### Note 14 - Retirement Plan - Hourly Employees Defined Contribution Pension Plan

The Hourly Employees Retirement Plan is a single employer defined contribution plan which covers all full-time hourly employees, who are members of AFSCME Michigan Council 25 Local 3437. The plan is accounted for in a pension trust fund and is administered by Mass Transportation Authority. There are no service or age requirements and employees are 100 percent vested after five years of service (0 percent vested prior to five years of service). The plan is fully funded as it is MTA's policy to fund pension costs as they accrue. Employees are required to contribute 4 percent to participate in the employer match of 4 percent.

Employer and employee contributions were made as follows:

	<u>2007</u>	<u>2006</u>
Employer	\$173,920	\$179,737
Employee	<u>173,920</u>	<u>179,737</u>
Total	<u>\$347,840</u>	<u>\$359,474</u>

# Mass Transportation Authority

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## Notes to Financial Statements September 30, 2007 and 2006

### Note 15 - Compensated Absences

Vacation leave is earned in varying amounts depending on the number of years of service of an employee. Vacation leave is credited to hourly employees annually on the anniversary of their seniority date; for management employees, vacation credit is accrued monthly.

Earned vacation credit is payable at 100 percent to employees when they terminate employment up to a maximum of 320 hours.

Vacation earned during the year is recorded as current fringe benefit expenses. At year end, each employee's accumulated leave is computed by applying his current (year-end) rate of pay times total accumulated hours. The composite dollar total for all employees is entered in the enterprise fund as an accrued liability and fringe benefit expense.

The Authority does not grant sick leave time to its employees.

### Note 16 - Deferred Compensation

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to key officials and employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. During a previous year, the law was changed to allow trusts to be created for the plan assets, thereby, insulating the assets from the unit of government's general creditors. The Authority's plan administrator created the trust and placed the assets of the plan within the trust. As a result, the plan assets have been removed from the enterprise fund to reflect that the Authority no longer has any fiduciary or administrative responsibility for the plan.

### Note 17 - Upcoming Reporting Changes

The Governmental Accounting Standards Board has released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pension*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending September 30, 2009. Management is currently assessing the impact of this new accounting standard on the Authority's financial statements for future reporting periods.

## **Supplemental Information**

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# Mass Transportation Authority

## Schedule I Local Revenues For the Years Ended September 30, 2007 and 2006

	2007	2006
Line haul - Farebox	\$ 2,428,313	\$ 1,852,766
Demand response - Farebox	884,042	698,039
Regional transportation - Farebox	107,742	128,924
Advertising	116,879	71,049
Rent	156,090	155,248
Parking lot	12,035	15,164
Miscellaneous	17,726	23,157
Tax levy	9,878,035	9,357,007
Interest income	47,771	35,997
Total	<u>\$ 13,648,633</u>	<u>\$ 12,337,351</u>

# Mass Transportation Authority

## Schedule 2 Expenditures of Federal and State Awards For the Year Ended September 30, 2007

Federal and State Grantor/Pass-Through Grantor/Program Title	Participation Percentage	Federal CFDA Number	Grant No./Authorization Number	Program Award Amount	Current Year's Expenditures				Prior Years' Expend.	Award Amount Remaining	
					Total	Federal	State	Local			
Federal Transit Capital Assistance Grants	80/20/0	20.500	MI-03-0174 & 2002-0066-Z6	\$ 618,946	\$ 242,570	\$ 194,056	\$ 48,514	\$ -	\$ 359,373	\$ 17,003	
Federal Transit Capital Assistance Grants	80/20/0	20.500	MI-03-0187 & 2002-0066-Z7	1,299,413	286,256	229,004	57,252	-	1,013,157	-	
Federal Transit Capital Assistance Grants	80/20/0	20.500	MI-03-0197 & 2002-0066-Z15	2,459,196	99,526	79,621	19,905	-	2,344,367	15,303	
Federal Transit Capital Assistance Grants	80/20/0	20.500	MI-03-0211 & 2002-0066-Z24	3,033,980	737,226	589,781	147,445	-	2,296,754	-	
Federal Transit Capital Assistance Grants	80/20/0	20.500	MI-03-0222 & 2002-0066-Z31	971,779	2,426	2,426	-	(1)	47,984	921,369	
Federal Transit Capital Assistance Grants	80/20/0	20.500	MI-03-0223 & 2002-0066-Z33	3,644,168	1,784,329	1,427,463	356,866	-	1,785,596	74,243	
Federal Transit Capital Assistance Grants	80/20/0	20.500	MI-04-0007 & 2002-0066-Z37	928,125	491,207	392,966	98,241	-	-	436,918	
Federal Transit Capital Assistance Grants	80/20/0	20.500	MI-04-0008 & 2002-0066-Z36	371,250	115,327	92,262	23,065	-	-	255,923	
Federal Transit Formula Grants	80/20/0	20.507	MI-90-X405 & 2002-0066-Z12	5,298,561	40,732	32,586	8,146	-	5,243,523	14,306	
Federal Transit Formula Grants	80/20/0	20.507	MI-90-X432 & 2002-0066-Z19	5,024,700	336,091	190,489	145,602	(1)	4,641,363	47,246	
Federal Transit Formula Grants	80/20/0	20.507	MI-90-X466 & 2002-0066-Z28	3,669,789	435,325	390,611	44,714	(1)	3,176,243	58,221	
Federal Transit Formula Grants	80/20/0	20.507	MI-90-X475 & 2002-0066-Z30	2,067,932	109,153	87,322	21,831	-	1,721,279	237,500	
Federal Transit Formula Grants	80/20/0	20.507	MI-90-X481 & 2002-0066-Z29	640,000	598,000	478,400	119,600	-	-	42,000	
Federal Transit Formula Grants	80/20/0	20.507	MI-90-X486 & 2002-0066-Z34	2,099,419	607,636	486,109	121,527	-	1,450,877	40,906	
Federal Transit Formula Grants	80/20/0	20.507	MI-90-X503 & 2002-0066-Z39	4,163,845	2,493,164	2,141,143	352,021	(1)	1,047,886	622,795	
Federal Transit Formula Grants	80/20/0	20.507	MI-90-X511 & 2002-0066-Z40	1,790,529	1,008,377	806,702	201,675	-	-	782,152	
Federal Transit Formula Grants	80/20/0	20.507	MI-90-X542 & 2007-0254-Z5	6,253,604	860,260	759,863	100,397	(1)	1,500,000	3,893,344	
Federal Transit Formula Grants	80/20/0	20.507	MI-95-X013 & 2007-0254-Z3	1,372,431	900,910	900,910	-	(1)	-	471,521	
Federal Transit Formula Grants	50/20/30	20.507	MI-26-7005 & 2002-0066-Z42	3,098,520	349,261	193,621	39,467	(1)	116,173 (2)	350,529	2,398,730
Job Access - Reverse Commute	50/50/0	20.516	MI-37-X023 & 2002-0066-Z6	436,790	436,790	218,395	218,395	-	-	-	
Blue Water Rail Passenger Promotion	0/90/10	N/A	2005-0052	111,111	-	-	-	-	95,300	15,811	
FY 2007 Urban Operating Assistance	0/100/0	N/A	FY 2007	5,883,496	5,883,496	-	5,883,496	-	-	-	
FY 2007 Non-urban Operating Assistance	N/A	N/A	FY 2007	731,069	731,069	223,200	507,869	-	-	-	
FY 2007 Specialized Services	0/100/0	N/A	885800	306,772	306,772	-	306,772	-	-	-	
Amtrack	0/100/0	N/A	2005-0052	100,000	-	-	-	-	85,770	14,230	
Formula grants for other than urbanized areas	80/0/20	20.509	N/A	24,999	24,999	19,999	-	5,000 (2)	-	-	
Job Access - Reverse Commute	0/100/0	20.516	2002-0066-Z38	550,000	550,000	-	550,000	-	-	-	
Job Access - Reverse Commute	0/100/0	20.516	2002-0066-Z38	550,000	550,000	-	550,000	-	-	-	
<b>TOTALS</b>			<b>Total</b>	<b>\$ 57,500,424</b>	<b>\$ 19,980,902</b>	<b>\$ 9,936,929</b>	<b>\$ 9,922,800</b>	<b>\$ 121,173</b>	<b>\$ 27,160,001</b>	<b>\$ 10,359,521</b>	

(1) - State match amounts met through allocation of toll credits.

(2) - Local match requirements met through use of property tax revenue.

# Mass Transportation Authority

**Schedule 3**  
**Enterprise Fund**  
**Operating and Contract Expenses**  
**For the Year Ended September 30, 2007**  
**With Comparative Totals For the Year Ended September 30, 2006**

	Urban	Nonurban	Specialized Services	Job Access	Total	
					2007	2006
Labor	\$ 9,317,004	\$ 644,505	\$ -	\$ 688,571	\$ 10,650,080	\$ 10,359,960
Fringe benefits	4,961,739	343,229	-	366,696	5,671,664	5,508,701
Audit costs	29,996	2,075	-	2,217	34,288	29,585
Other services	862,356	59,653	306,772	63,733	1,292,514	1,195,338
Materials and supplies	4,120,728	285,053	-	304,543	4,710,324	4,208,464
Utilities	683,047	47,250	-	50,481	780,778	707,100
Insurance	783,585	54,205	-	57,909	895,699	692,505
Taxes and fees	14,745	1,020	-	1,090	16,855	1,627
Miscellaneous expense	205,214	13,654	-	14,593	233,461	257,748
Interest expense	118,555	8,201	-	8,762	135,518	101,338
Operating leases	99,154	6,859	-	7,328	113,341	104,070
Bad debt expense	-	-	-	-	-	185,862
Depreciation and amortization	4,449,031	307,762	-	328,805	5,085,598	5,169,180
<b>Total expenses</b>	<b>\$ 25,645,154</b>	<b>\$ 1,773,466</b>	<b>\$ 306,772</b>	<b>\$ 1,894,728</b>	<b>\$ 29,620,120</b>	<b>\$ 28,521,478</b>

# Mass Transportation Authority

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## Schedule 4R (Urban) Urban Regular Service Revenue Report For the Year Ended September 30, 2007

Farebox revenue - Passenger fares	\$ 3,216,020
Auxiliary transportation revenues - Advertising	116,879
Nontransportation revenues:	
Rental of buildings and other property	156,090
Parking lot revenue	12,035
Other nontransportation revenue	17,726
Local revenue - Taxes levied directly for/by transit agency	9,288,614
State formula and contracts:	
State formula operating funds	5,883,496
Preventive maintenance	97,980
State capital reimbursement for operating expenses	196,678
Federal contracts:	
Federal Section 5307 (operating funds only)	1,474,719
Federal capital reimbursement for operating expenses	1,545,094
Bus stop auditing grant	19,999
Total revenues	<u><u>\$ 22,025,330</u></u>

# Mass Transportation Authority

## Schedule 4E (Urban) Urban Regular Service Expense Report For the Year Ended September 30, 2007

	Operations	Maintenance	General Administration	Total
<b>Labor:</b>				
Operator's salaries and wages	\$ 5,705,810	\$ -	\$ -	\$ 5,705,810
Other salaries and wages	624,731	1,726,115	1,137,743	3,488,589
Dispatcher salaries and wages	122,605	-	-	122,605
Fringe benefits - Other fringe benefits	3,436,601	919,237	605,901	4,961,739
<b>Services:</b>				
Advertising fees	-	-	49,589	49,589
Audit cost	-	-	29,996	29,996
Other services	-	88,954	723,813	812,767
<b>Materials and supplies consumed:</b>				
Fuel and lubricants	2,057,682	16,380	-	2,074,062
Other materials and supplies	25,315	1,918,398	102,953	2,046,666
Utilities	-	-	683,047	683,047
<b>Casualty and liability costs:</b>				
Liability insurance	694,713	-	-	694,713
Other insurance	-	-	88,872	88,872
Taxes and fees	-	-	14,745	14,745
<b>Miscellaneous expense:</b>				
Travel, meetings, and training	-	-	15,159	15,159
Association dues and subscriptions	-	-	56,606	56,606
Lobbying	-	-	37,722	37,722
Other miscellaneous expenses	-	-	95,727	95,727
<b>Interest expense:</b>				
Interest on short-term debt	-	-	73,724	73,724
Interest on state advances	-	-	44,831	44,831
Operating leases and rentals	-	-	99,154	99,154
Depreciation and amortization expense	-	-	4,449,031	4,449,031
<b>Total expenses:</b>	<b>12,667,457</b>	<b>4,669,084</b>	<b>8,308,613</b>	<b>25,645,154</b>
<b>Ineligible expenses</b>				
Ineligible interest expense	-	-	44,831	44,831
Ineligible depreciation	-	-	4,385,878	4,385,878
Ineligible preventative maintenance grants	-	1,470,946	-	1,470,946
Ineligible operating expense paid with capital grants	-	1,212,503	331,499	1,544,002
Ineligible lobbying expenses	-	-	37,722	37,722
Ineligible fines	-	-	11,220	11,220
Ineligible percent of dues	-	-	3,794	3,794
Ineligible bus stop auditing grant	-	-	17,496	17,496
Other ineligible expenses	-	-	39,059	39,059
<b>Total ineligible expenses</b>	<b>-</b>	<b>2,683,449</b>	<b>4,871,499</b>	<b>7,554,948</b>
<b>Total eligible expenses:</b>	<b>\$ 12,667,457</b>	<b>\$ 1,985,635</b>	<b>\$ 3,437,114</b>	<b>\$ 18,090,206</b>

# Mass Transportation Authority

## Schedule 4N (Urban) Urban Regular Service Nonfinancial For the Year Ended September 30, 2007 (Unaudited)

### Public Service

Description	Weekday LH	Weekday DR	Saturday LH	Saturday DR	Sunday LH	Sunday DR	Total
Vehicle hours	121,702	195,177	13,499	13,139	8,145	5,653	357,315
Vehicle miles	1,876,395	3,690,499	189,819	241,597	127,570	100,339	6,226,219
Passengers - Regular	3,937,155	289,090	440,670	5,532	208,017	2,708	4,883,172
Passengers - Elderly		64,965		3,930		1,324	70,219
Passengers - Persons w/ disabilities		172,960		11,042		3,509	187,511
Passengers - Elderly persons w/disabilities		20,481		2,068		538	23,087
Total line-haul passengers	3,937,155		440,670		208,017		4,585,842
Total demand-response passengers		547,496		22,572		8,079	578,147
Days operated	257	257		52	54	54	674

### Vehicle Information

Description	Quantity
Total line-haul vehicles	125
Line-haul vehicle w/lifts	96
Total demand-response vehicles	166
Demand response vehicles w/lifts	72
Total transit vehicles	291

### Miscellaneous Information

Description	Quantity LH	Quantity DR
Number of routes (line-haul only)	13	
Number of accidents	52	51

# Mass Transportation Authority

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## Schedule 4R (Nonurban) Nonurban Regular Service Revenue Report For the Year Ended September 30, 2007

Farebox revenue - Passenger fares	\$ 204,077
Local revenue - Taxes levied directly for/by transit agency	589,421
State formula and contracts - State formula operating funds	507,869
Federal contracts - Federal Section 5311 (operating funds only)	<u>223,200</u>
Total revenues	<u><u>\$ 1,524,567</u></u>

# Mass Transportation Authority

## Schedule 4E (Nonurban) Nonurban Regular Service Expense Report For the Year Ended September 30, 2007

	Operations	Maintenance	General Administration	Total
Labor:				
Operator's salaries and wages	\$ 394,700	\$ -	\$ -	\$ 394,700
Other salaries and wages	43,216	119,404	78,704	241,324
Dispatcher salaries and wages	8,481	-	-	8,481
Fringe benefits:				
Other fringe benefits	237,728	63,588	41,913	343,229
Services:				
Advertising fees	-	-	3,430	3,430
Audit cost	-	-	2,075	2,075
Other services	-	6,153	50,070	56,223
Materials and supplies consumed:				
Fuel and lubricants	142,341	1,133	-	143,474
Other materials and supplies	1,751	132,706	7,122	141,579
Utilities	-	-	47,250	47,250
Casualty and liability costs:				
Liability insurance	48,057	-	-	48,057
Other insurance	-	-	6,148	6,148
Taxes and fees	-	-	1,020	1,020
Miscellaneous expense:				
Travel, meetings, and training	-	-	1,049	1,049
Association dues and subscriptions	-	-	3,916	3,916
Lobbying	-	-	2,068	2,068
Other miscellaneous expenses	-	-	6,621	6,621
Interest expense:				
Interest on short-term debt	-	-	5,743	5,743
Interest on state advances	-	-	2,458	2,458
Operating leases and rentals	-	-	6,859	6,859
Depreciation and amortization expense	-	-	307,762	307,762
Total expenses	876,274	322,984	574,208	1,773,466
Ineligible expenses				
Ineligible interest expense	-	-	2,458	2,458
Ineligible depreciation	-	-	240,469	240,469
Ineligible preventative maintenance grants	-	101,753	-	101,753
Ineligible operating expense paid with capital grants	-	88,632	18,175	106,807
Ineligible lobbying expenses	-	-	2,068	2,068
Ineligible fines	-	-	776	776
Ineligible percent of dues	-	-	208	208
Ineligible bus stop auditing grant	-	-	1,210	1,210
Other ineligible expenses	-	-	2,702	2,702
Total ineligible expenses	-	190,385	268,066	458,451
Total eligible expenses	\$ 876,274	\$ 132,599	\$ 306,142	\$ 1,315,015

# Mass Transportation Authority

## Schedule 4N (Nonurban) Nonurban Regular Service Nonfinancial Report For the Year Ended September 30, 2007 (Unaudited)

### Public Service

Description	Weekday DR	Saturday DR	Sunday DR	Total
Vehicle hours	31,207	1,842	1,104	34,153
Vehicle miles	645,008	36,726	19,829	701,563
Passengers - Regular	27,867	817	332	29,016
Passengers - Elderly	7,670	530	175	8,375
Passengers - Persons w/disabilities	27,901	1,315	653	29,869
Passengers - Elderly persons w/disabilities	3,318	232	190	3,740
Total demand-response passengers	66,756	2,894	1,350	71,000
Days operated	256	52	53	361

### Vehicle Information

Description	Quantity
Total demand-response vehicles	15
Demand response vehicles w/lifts	6

# Mass Transportation Authority

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## Schedule 4R (JARC) Job Access - Reverse Commute Service Revenue Report For the Year Ended September 30, 2007

State formula and contracts - Other (JARC)	\$ 1,318,395
Federal contracts - 49 USC Section 5307 (Section 9)	<u>218,395</u>
Total revenues	<u><u>\$ 1,536,790</u></u>

# Mass Transportation Authority

## Schedule 4E (JARC) Job Access - Reverse Commute Service Expense Report For the Year Ended September 30, 2007

	Operations	Maintenance	General Administration	Total
Labor:				
Operator's salaries and wages	\$ 421,687	\$ -	\$ -	\$ 421,687
Other salaries and wages	46,171	127,568	84,084	257,823
Dispatcher salaries and wages	9,061	-	-	9,061
Fringe benefits - Other fringe benefits	253,981	67,936	44,779	366,696
Services:				
Advertising fees	-	-	3,665	3,665
Audit cost	-	-	2,217	2,217
Other services	-	6,574	53,494	60,068
Materials and supplies consumed:				
Fuel and lubricants	152,073	1,211	-	153,284
Other materials and supplies	1,871	141,779	7,609	151,259
Utilities	-	-	50,481	50,481
Casualty and liability costs:				
Liability insurance	51,343	-	-	51,343
Other insurance	-	-	6,566	6,566
Taxes and fees	-	-	1,090	1,090
Miscellaneous expense:				
Travel, meetings, and training	-	-	1,120	1,120
Association dues and subscriptions	-	-	4,184	4,184
Lobbying	-	-	2,210	2,210
Other miscellaneous expenses	-	-	7,079	7,079
Interest expense:				
Interest on short-term debt	-	-	6,136	6,136
Interest on state advances	-	-	2,626	2,626
Operating leases and rentals	-	-	7,328	7,328
Bad debt expense	-	-	-	-
Depreciation and amortization expense	-	-	328,805	328,805
Total expenses:	936,187	345,068	613,473	1,894,728
Ineligible expenses				
Ineligible interest expense	-	-	2,626	2,626
Ineligible depreciation	-	-	256,909	256,909
Ineligible preventative maintenance	-	-	-	-
Ineligible operating expense paid with capital grants	-	71,545	19,418	90,963
Ineligible lobbying expenses	-	-	2,210	2,210
Ineligible fines	-	-	829	829
Ineligible percent of dues	-	-	222	222
Ineligible bus stop auditing grant	-	-	1,293	1,293
Other ineligible expenses	-	-	2,886	2,886
Total ineligible expenses:	-	71,545	286,393	357,938
Total eligible expenses:	<b>\$ 936,187</b>	<b>\$ 273,523</b>	<b>\$ 327,080</b>	<b>\$ 1,536,790</b>

# Mass Transportation Authority

## Schedule 4N (JARC) Job Access - Reverse Commute Service Nonfinancial Report For the Year Ended September 30, 2007 (Unaudited)

### Public Service

Description	Weekday LH	Saturday LH	Sunday LH	Total
Vehicle hours	23,342	1,832	1,058	26,232
Vehicle miles	729,014	63,522	35,364	827,900
Passengers - Regular	149,191	13,688	6,060	168,939
Total line-haul passengers	149,191	13,688	6,060	168,939
Days operated	256	52	53	361

# Mass Transportation Authority

## Schedule 5 Operating Assistance Calculation For the Year Ended September 30, 2006

	Urban	Nonurban
Total expenses	\$ 25,645,154	\$ 1,773,466
Less ineligible expenses:		
Preventative maintenance	\$ 1,470,946	\$ 101,753
Capital grants used for operations	1,544,002	106,807
Depreciation and amortization	4,385,878	240,469
Lobbying	37,722	2,068
Fines	11,220	776
Dues	3,794	208
Bus stop auditing grant	17,496	1,210
Miscellaneous	39,059	2,702
State interest expense	44,831	2,458
Total ineligible expenses	\$ 7,554,948	\$ 458,451
<b>Total State Eligible Expenses</b>	<b>\$ 18,090,206</b>	<b>\$ 1,315,015</b>
Eligible Expenses for State Reimbursement	\$ 18,090,206	\$ 1,315,015
x Reimbursement Percentage	0.325231	0.386208
State Operating Assistance	\$ 5,883,496	\$ 507,869
<b>Total Federal Eligible Expenses</b>		
Less Additional Federal Ineligible Expenses per A-87		
Audit Costs		\$ 2,075
Eligible Expenses for Federal Reimbursement		\$ 1,312,940
x Reimbursement Percentage	n/a	0.1700
Federal Section 5307 and Section 5311 Operating Assistance	\$ 1,474,719	\$ 223,200

# Mass Transportation Authority

## Schedule 6 Detail of Ineligible Items - State For the Year Ended September 30, 2007

### Depreciation and Amortization

Depreciation expense of public operations is ineligible according to UMTA C 9050.1, Page A-4 for all capital assets purchased from federal, state, or local funds. Amortization expense of assets purchased through capital leases which are being repaid from state and federal funds has also been included as an ineligible expense. For capital assets purchased from Authority funds, depreciation is an eligible expense for state operating assistance purposes and amounted to \$202,342.

### Miscellaneous

The following expenditures are not eligible for operating assistance:

<u>Description</u>	<u>Amount</u>
Dues	\$ 4,224
Fines	12,825
Bus stop audit	19,999
Lobbying	<u>42,000</u>
Total miscellaneous	<u>\$ 79,048</u>

The Authority paid \$45,940 in connection with annual dues to the American Public Transit Association and Michigan Public Transit Association. It has been determined that these organizations devote approximately 14.0 percent and 6.8 percent, respectively, of their activities to influencing legislation, which is not eligible for reimbursement according to OMB Circular A-87. The ineligible portion of dues paid to Transit Association amounted to \$4,224 for the year.

### Related Expenses - Miscellaneous Revenue

In addition, costs associated with miscellaneous revenue are ineligible expenses. These expenses totaled \$44,647 for the year ended September 30, 2007.

### Bad Debt Expenses

Bad debt expenses are ineligible expenses. This amount includes grant receivables written off during the year for transportation services contracted by an agency for which they subsequently did not receive their grant funding and, therefore, could not pay for the service. At September 30, 2007, there was no bad debt expense.

### Interest Expense

Non-state interest expense on short-term debt obligations after deducting all interest income is eligible. (Interest expense paid to the State of Michigan of \$49,915 is totally ineligible.)

# Mass Transportation Authority

## Schedule 7 Vehicle Miles For The Year Ended September 30, 2007 (Unaudited)

	Public Transportation <u>Mileage</u>	Regional <u>Mileage</u>	Specialized Services Section 5311 <u>Mileage</u>
<u>Fixed Route</u>			
First Quarter	506,442	206,113	-
Second Quarter	504,182	202,445	-
Third Quarter	503,241	214,325	-
Fourth Quarter	503,627	205,017	-
Total Fixed Route	2,017,492	827,900	-
<u>Demand Response</u>			
First Quarter	1,118,592	-	122,252
Second Quarter	1,203,881	-	118,765
Third Quarter	1,218,372	-	130,504
Fourth Quarter	1,193,362	-	127,670
Total Demand Response	4,734,207	-	499,191
Total Operation	6,751,699	827,900	499,191

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

# **Mass Transportation Authority**

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**Federal Awards  
Supplemental Information  
September 30, 2007**

# Mass Transportation Authority

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## Independent Auditor's Report

To the Board of Directors  
Mass Transportation Authority

We have audited the financial statements of Mass Transportation Authority's (MTA) Enterprise Fund and the aggregate pension fund information, which collectively comprise MTA's basic financial statements, as of and for the year ended September 30, 2007 and have issued our report thereon dated February 7, 2008. Those basic financial statements are the responsibility of the management of Mass Transportation Authority. Our responsibility was to express opinions on those basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mass Transportation Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

February 7, 2008

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*

To the Board of Directors  
Mass Transportation Authority

We have audited the financial statements of Mass Transportation Authority's (MTA) Enterprise Fund and the aggregate pension fund information, which collectively comprise MTA's basic financial statements, as of and for the year ended September 30, 2007 and have issued our report thereon dated February 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Mass Transportation Authority'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 Mass Transportation Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mass Transportation Authority's internal control over financial reporting.

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

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. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 07-01 to be a significant deficiency in internal control over financial reporting.

To the Board of Directors  
Mass Transportation Authority

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mass Transportation Authority'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 or other matters that are required to be reported under *Government Auditing Standards*.

Mass Transportation Authority's response to the significant deficiency and findings relating to compliance and other matters identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

*Plante & Moran, PLLC*

February 7, 2008

Report on Compliance with Requirements Applicable to Each Major  
Program and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133

To the Board of Directors  
Mass Transportation Authority

## Compliance

We have audited the compliance of Mass Transportation Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2007. The major federal programs of Mass Transportation Authority are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Mass Transportation Authority's management. Our responsibility is to express an opinion on Mass Transportation Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mass Transportation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mass Transportation Authority's compliance with those requirements.

In our opinion, Mass Transportation Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

To the Board of Directors  
Mass Transportation Authority

### **Internal Control Over Compliance**

The management of Mass Transportation Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mass Transportation Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

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

*Plante & Moran, PLLC*

February 7, 2008

# Mass Transportation Authority

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Project Number	Award Amount
U.S. Department of Transportation:			
Direct Programs:			
Federal Transit Cluster:			
Federal Transit Capital Assistance Grants	20.500*	MI-03-0174	\$ 495,157
Federal Transit Capital Assistance Grants	20.500*	MI-03-0187	1,039,530
Federal Transit Capital Assistance Grants	20.500*	MI-03-0197	1,967,357
Federal Transit Capital Assistance Grants	20.500*	MI-03-0211	2,427,184
Federal Transit Capital Assistance Grants	20.500*	MI-03-0222	971,779
Federal Transit Capital Assistance Grants	20.500*	MI-03-0223	2,915,334
Federal Transit Capital Assistance Grants	20.500*	MI-04-0007	742,500
Federal Transit Capital Assistance Grants	20.500*	MI-04-0008	297,000
Federal Transit Formula Grants	20.507*	MI-90-X405	4,238,849
Federal Transit Formula Grants	20.507*	MI-90-X432	4,019,760
Federal Transit Formula Grants	20.507*	MI-90-X466	3,605,301
Federal Transit Formula Grants	20.507*	MI-90-X475	1,654,346
Federal Transit Formula Grants	20.507*	MI-90-X481	512,000
Federal Transit Formula Grants	20.507*	MI-90-X486	1,755,624
Federal Transit Formula Grants	20.507*	MI-90-X503	3,753,553
Federal Transit Formula Grants	20.507*	MI-90-X511	1,432,423
Federal Transit Formula Grants	20.507*	MI-90-X542	5,533,594
Federal Transit Formula Grants	20.507*	MI-95-X013	1,372,431
Federal Transit Formula Grants	20.507*	MI-26-7005	<u>1,659,260</u>
Total Federal Transit Cluster			40,392,982
Job Access - Reverse Commute	20.516	MI-37-X023	<u>218,395</u>
Total Direct Programs			40,611,377
Passed-through State of Michigan - Department of Transportation and Genesee County Metropolitan Planning Commission - Formula grants for other than urbanized areas	20.509	N/A	19,999
Passed-through State of Michigan - Department of Transportation - Formula grants for other than urbanized areas	20.509	N/A	<u>244,535</u>
Total U.S. Department of Transportation			<u><b>\$ 40,875,911</b></u>

\*Denotes major program

**Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2007**

Revenue Recognized During This Audit Period	Federal Expenditures During This Audit Period	Deobligated	Cumulative Federal Expenditures	Amount Remaining
\$ 194,056	\$ 194,056	\$ -	\$ 481,554	\$ 13,603
229,004	229,004	-	1,039,530	-
79,621	79,621	-	1,955,114	12,243
589,781	589,781	-	2,427,184	-
2,426	2,426	-	50,410	921,369
1,427,463	1,427,463	-	2,855,940	59,394
392,966	392,966	-	392,966	349,534
92,262	92,262	-	92,262	204,738
32,586	32,586	-	4,227,405	11,444
190,489	190,489	-	3,981,965	37,795
390,611	390,611	-	3,547,080	58,221
87,322	87,322	-	1,464,345	190,001
478,400	478,400	-	478,400	33,600
486,109	486,109	-	1,722,900	32,724
2,141,143	2,141,143	-	3,164,247	589,306
806,702	806,702	-	806,702	625,721
759,863	759,863	-	2,259,863	3,273,731
900,910	900,910	-	900,910	471,521
193,621	193,621	-	498,429	1,160,831
9,475,335	9,475,335	-	32,347,206	8,045,776
218,395	218,395	-	218,395	-
9,693,730	9,693,730	-	32,565,601	8,045,776
19,999	19,999	-	19,999	-
223,200	223,200	20,945	223,200	390
<b><u>\$ 9,936,929</u></b>	<b><u>\$ 9,936,929</u></b>	<b><u>\$ 20,945</u></b>	<b><u>\$ 32,808,800</u></b>	<b><u>\$ 8,046,166</u></b>

# Mass Transportation Authority

## Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2007

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Mass Transportation Authority and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Formula grants for other than urbanized areas	20.509	\$ 19,999

# Mass Transportation Authority

## Schedule of Findings and Questioned Costs Year Ended September 30, 2007

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Identification of major program:

CFDA Numbers	Name of Federal Program or Cluster
20.500 and 20.507	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

# Mass Transportation Authority

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2007

### Section II - Financial Statement Audit Findings

Reference Number	Findings
07-01	<p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - Grant revenue for state operating assistance and federal Section 5311 operating assistance should be recorded based on allowable expenditures and reimbursement percentages. A receivable or payable should be recorded for any difference between calculated operating assistance and funds received.</p> <p><b>Condition</b> - Mass Transportation Authority did not adjust the operating assistance revenue based on actual eligible expenditures.</p> <p><b>Context</b> - The state operating assistance totaled approximately \$6.4 million and the federal Section 5311 operating assistance totaled approximately \$223,000 for the year ended September 30, 2007.</p> <p><b>Effect</b> - An audit adjustment of approximately \$341,000 was required in order to adjust the revenue and receivable balance.</p> <p><b>Cause</b> - Mass Transportation Authority had not adjusted the revenue based on the required operating assistance calculation.</p> <p><b>Recommendation</b> - The board and management may make the business decision to continue the same practice of not adjusting the liability; however, it meets the definition of a matter to be communicated.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Management will adjust the state operating assistance to actual based on eligible expenses on a quarterly basis beginning with the quarter ending March 31, 2008.</p>

### Section III - Federal Program Audit Findings

None

February 7, 2008

To the Board of Directors  
Mass Transportation Authority  
Flint, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Mass Transportation Authority 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 Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 a deficiency in internal control that we consider to be a significant deficiency.

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. We consider the following deficiency to be a significant deficiency in internal control:

- **Grants Revenue and Receivable** - A significant audit adjustment was required to adjust the state operating grant revenue and receivable accounts based on the calculation of allowable operating assistance included in Schedule 5 of the audited financial statements.

This communication is intended solely for the information and use of management, the board of directors, others within the organization, the Michigan Department of Transportation, and the Federal Transit Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**



Peggy Haw Jury