City of Jackson Act 196
Transportation Authority
Jackson, Michigan

FINANCIAL STATEMENTS

September 30, 2008

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

TABLE OF CONTENTS

September 30, 2008

	Page
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-vii
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	1
Statement of Revenues, Expenses, and Changes in Fund Net Assets	2
Statement of Cash Flows	3
Notes to Financial Statements	4-11
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Local Revenues	12
Schedule of Expenditures of Federal and State Awards	13
Schedule of Operating and Contract Expenses	14
Urban Regular Service Revenue Report (OAR Schedule 4R)	15
Urban Regular Service Expense Report (OAR Schedule 4E)	16-17
Urban Regular Service Nonfinancial Report (OAR Schedule 4N)	18
Nonurban Regular Service Revenue Report (OAR Schedule 4R)	19
Nonurban Regular Service Expense Report (OAR Schedule 4E)	20-21
Nonurban Regular Service Nonfinancial Report (OAR Schedule 4N)	22
JARC Service Revenue Report (OAR Schedule 4R)	23
JARC Service Expense Report (OAR Schedule 4E)	24
JARC Service Nonfinancial Report (OAR Schedule 4N)	25
Operating Assistance Calculation	26
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	27-28
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	29-30
SCHEDULE OF FINDINGS	31-33
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	34

Principals
Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

Board of Directors
City of Jackson Act 196 Transportation Authority
Jackson, Michigan

We have audited the accompanying financial statements of the City of Jackson Act 196 Transportation Authority as of and for the years ended September 30, 2008 and 2007 as listed in the table of contents. These financial statements are the responsibility of the 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Jackson Act 196 Transportation Authority as of September 30, 2008 and 2007, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2008, on our consideration of the City of Jackson Act 196 Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United State 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jackson Act 196 Transportation Authority's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Jackson Act 196 Transportation Authority. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney PC

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 17, 2008

Jackson Transportation Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2008

As management of the Jackson Transportation Authority ["the Authority"], we offer readers of the Jackson Transportation Authority's financial statements this narrative overview and analysis of the financial activities of the Jackson Transportation Authority for the fiscal year ended September 30, 2008.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by $2,825,547.
- The Authority's total net assets decreased by $263,860, as the result of current year activity. Depreciation for the current year totaled $371,237.
- It should be noted that net assets indicate a reduction of $263,860. However, there was an increase of cash of $149,732 from the previous year. This can be compared to the last fiscal year (2007) where there was an increase of cash in the amount of $126,407 as compared to FY 2006.
- Capital contributions from the federal and state governments amounted to $24,735 in 2008, partially offsetting depreciation. Capital contributions included boiler and furnace purchases and security monitoring equipment.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise four components: statements of net assets; statements of revenues, expenses, and changes in net assets; statements of cash flows; and notes to the financial statements.

The statement of net assets presents information on all of the Authority's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The statement of net assets is shown on page 1 of this report.

The statement of revenues, expenses, and changes in net assets presents information on revenues, expenses, capital contributions, and how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues, expenses, and capital contributions are reported in the statements of some items that will only result in cash flows in future fiscal periods. The increase or decrease in net assets may serve as an indicator of the effect of the Authority's current year operations on its financial position. The statement of revenues, expenses, and changes in fund net assets is shown on page 2 of this report.

The statement of cash flows summarizes all of the Authority's cash flows into four categories: cash flows from operating activities; cash flows from noncapital financing activities; cash flows from capital and related financing activities; and cash flows from investing activities. The statement of cash flows is shown on page 3 of this report.

The statement of cash flows, along with related notes and information in other financial statements, can be used to assess the following: the Authority's ability to generate positive future cash flows and pay its debts if and when they occur and/or mature; the reasons for differences between the Authority's operating cash flows and operating income [loss]; the effect of cash and noncash investing, capital, and financing activities on the Authority's financial position.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the statement of net assets; statement of revenues, expenses, and changes in net assets; and statement of cash flows. The notes to the financial statements are shown on pages 4 to 11 of this report.

The financial statements provide information on all functions of the Authority as business type activities. The activities of the Authority are supported by a property tax levy, fare collections from passengers, and federal and state financial assistance.

Financial Analysis

Statement of Net Assets - Total assets of the Authority exceeded total liabilities by $2,825,547 as of September 30, 2008. The largest portion of this excess, ($1,918,527) of total net assets of $2,825,547, was invested in capital assets. The Authority used these capital assets to provide public transit services to customers and member jurisdictions; consequently, these assets are not available for future spending. Even though the Authority has no current debt, it should be noted that the Authority's investment in capital assets resources could not be used to liquidate any future liabilities. Such debt, should it occur, would need to be repaid using other sources of revenue such as property tax.

CONDENSED STATEMENT OF NET ASSETS

	2007	2008
Current Assets	$ 1,190,114	$ 1,294,007
Capital Assets [net]	2,261,836	1,918,527
Total Assets	3,451,950	3,212,534
Current Liabilities	362,543	386,987
Net Assets		
-Invested in Capital Assets	2,261,836	1,918,527
-Unrestricted	827,571	907,020
Total Net Assets	$ 3,089,407	$ 2,825,547

Unrestricted net assets ($907,020) are available to meet the Authority's ongoing obligations. Unrestricted net assets in 2007 were $827,571 or an increase of $79,449.

Statement of Revenues, Expenses, and Changes in Net Assets - During fiscal year 2008, the Authority's activities resulted in a decrease in net assets of $263,860. The decrease in net assets is primarily attributable to depreciation. It should be noted however that there was an increase of unrestricted net assets of $79,449 in the current year. This can again be compared to the decrease of unrestricted net assets of $16,748 in FY 2007 as compared to FY 2006. Actions taken over the past year has reversed a trend of declining unrestricted net assets. While the increase in unrestricted net assets is relatively small ($79,449), it indicates continued focus upon cost saving measures in combination with the addition of some new streams of revenue (JARC and New Freedom). The Authority still faces the challenge of increasing local funding. However, in November, 2008 the millage levy within the City of Jackson was renewed for five (5) years with a projected increase due to the approval of a Headlee override which restored the full one (1) mill levy.

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

	2007	2008
Operating Revenues	$ 917,163	$ 932,413
Nonoperating Revenues	4,022,570	3,911,246
Total Revenues	4,939,733	4,843,659
Depreciation Expense	665,820	371,237
Other Expenses	4,774,485	4,736,282
Total Expenses	5,440,305	5,107,519
Beginning Net Assets	3,589,979	3,089,407
Ending Net Assets	3,089,407	2,825,547
Change in Net Assets	$(500,572)	$(263,860)

The increase in operating revenues of $15,250 (or 1.7%) is primarily due to an increase in JARC program farebox revenues during the fiscal year. Property tax revenues increased by $16,889. Investment income decreased by $7,827. State of Michigan Act 51 operating assistance decreased by $293,889 (or 17%). This decrease can be attributed to a significant expense reduction this fiscal year (State formula assistance is based upon eligible expense) combined with an overall reduction of formula assistance from 38.62% in FY 2007 to 36.15% in FY 2008. Federal FTA urban operating assistance stayed the same. Authority officials have the ability to allocate the use of Federal formula funds for operating or capital purchases. Federal formula funds are currently being relied upon to meet general operating expenses that would otherwise be covered by local funds. Unfortunately, this practice leaves very little funding available for capital purchases. The Authority continues to press for new local funding. The lack of local share funding for services outside the City of Jackson continue to limit the reduced service levels instituted in September, 2007.

The following table shows revenues and expenses by source for the fiscal years ended September 30, 2008 and 2007.

	2007	2008
Operating Revenues	$ 917,163	$ 932,413
Nonoperating Revenues		
• Property Taxes	619,824	636,713
• State Funds	1,821,110	1,728,037
• Federal Funds	1,423,761	1,396,772
• Local Funds	129,446	129,122
Interest Earnings	28,429	20,602
Total Revenues	4,939,733	4,843,659
Operations Expenses	3,504,691	3,265,185
Maintenance Expenses	1,045,245	1,049,523
General Administrative Expenses	890,369	792,811
Total Expenses	$ 5,440,305	$ 5,107,519

Capital Assets and Debt Administration

Capital Assets - The Authority's investment in capital assets as of September 30, 2008, was $1,918,527 compared to $2,261,836 in 2007. Investment in capital assets includes: land, buildings and improvements; revenue and nonrevenue vehicles; equipment; furniture, fixtures, and leasehold improvements. The net decrease in capital assets during the current year was $343,309 (or 15%). The reduction is primarily due to less capital improvements in the 2008 year that would have offset depreciation.

The following table summarizes capital assets net of depreciation as of September 30, 2008.

Land [not depreciated]	$ 180,119
Buildings and improvements	1,406,032
Revenue vehicles/Service vehicles	221,241
Furniture and fixtures	3,931
Equipment	107,204
Net Capital Assets	$ 1,918,527

Additional information on the Authority's capital assets is shown in Note D on page 8.

Outstanding Debt - At the end of the 2008 fiscal year, the Authority had no outstanding debt. This was unchanged from the 2007 fiscal year.

Other Significant Items

Unrestricted net assets in 2007 were $827,571. Unrestricted net assets at the end of 2008 were $907,020 or an increase of $79,449. Cash flow with this level of unrestricted assets can pose some problems due to the timing of some of the large contributions to revenue (i.e. 5307 federal funds). However, JTA was able to avoid borrowing operating funds from the State as was the case last year. JTA officials will attempt to avoid borrowing in FY 2009 subject to Federal allocation timing.

Authority management was successful in avoiding continued significant reductions of unrestricted net assets that had occurred prior to FY 2006. JTA management, under the leadership of its board of directors has committed to maintaining the viability of the Authority through fiscal discipline. While funding for large capital purchases continues to be a challenge, the Authority anticipates the purchase seven (7) fixed-route buses in FY 2009. The addition of these capital assets should help reduce maintenance expense in the future.

JTA officials are continuing discussions with Jackson County officials to find a way to increase local funding. Until additional funding can be found, County residents will be forced to deal with reduced service levels instituted in FY 2007 and continued in FY 2008.

It appears that for the near future, Federal funding will remain somewhat steady. State funding may decline due to the struggling economy. The Authority can expect more pressure to raise local sources of funding to maintain current service levels or for expanded service. JTA officials will continue to access all available sources of funding.

Request for Information

This financial report is designed to provide our member jurisdictions, customers, investors, and creditors with a general overview of the Authority's finances. If you have questions concerning any of the information provided in this report, or if you need additional financial information, contact the Chief Financial Officer or General Manager at the following address:

Jackson Transportation Authority
2350 East High Street
Jackson, MI 49203
Phone: 517-787-8363

Cameron McCollum
General Manager
Ext. 3790

Dawn Mroczka
Finance Director
Ext. 3781

BASIC FINANCIAL STATEMENTS

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

September 30, 2008 and 2007

	2008	2007
ASSETS		
Current assets		
Cash	$ 904,742	$ 755,010
Accounts receivable	96,845	62,492
Grants receivable	22,394	117,025
Inventories	247,303	229,434
Prepaids	22,723	26,153
Total current assets	1,294,007	1,190,114
Noncurrent assets		
Capital assets not being depreciated	180,119	180,119
Capital assets, net of accumulated depreciation	1,738,408	2,081,717
Total noncurrent assets	1,918,527	2,261,836
TOTAL ASSETS	3,212,534	3,451,950
LIABILITIES		
Current liabilities		
Accounts payable	37,093	30,897
Accrued liabilities	147,928	128,703
Sick and vacation payable	201,966	202,943
TOTAL LIABILITIES	386,987	362,543
NET ASSETS		
Invested in capital assets	1,918,527	2,261,836
Unrestricted	907,020	827,571
TOTAL NET ASSETS	$ 2,825,547	$ 3,089,407

See accompanying notes to financial statements.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Years Ended September 30, 2008 and 2007

	2008	2007
OPERATING REVENUES		
Sales and charges for services	$ 932,413	$ 917,163
OPERATING EXPENSES		
Operations	3,265,185	3,504,691
Maintenance	1,049,523	1,045,245
Administrative	792,811	885,065
TOTAL OPERATING EXPENSES	5,107,519	5,435,001
OPERATING (LOSS)	(4,175,106)	(4,517,838)
NONOPERATING REVENUES		
Taxes	636,713	619,824
Intergovernmental		
Federal sources	1,375,550	1,288,978
State sources	1,724,524	1,787,414
Local sources	129,122	111,866
Interest earnings	20,602	28,429
TOTAL NONOPERATING REVENUES	3,886,511	3,836,511
NONOPERATING EXPENSES		
Interest	-	(5,304)
NET (LOSS) BEFORE CAPITAL GRANT REVENUE	(288,595)	(686,631)
CAPITAL GRANT REVENUE		
Federal sources	21,222	134,783
State sources	3,513	33,696
Local sources	-	17,580
TOTAL CAPITAL GRANT REVENUE	24,735	186,059
CHANGE IN NET ASSETS	(263,860)	(500,572)
Net assets, beginning of year	3,089,407	3,589,979
Net assets, end of year	$ 2,825,547	$ 3,089,407

See accompanying notes to financial statements.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS

Years Ended September 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	$ 898,060	$ 938,300
Cash paid to employees and vendors	(3,617,851)	(3,486,607)
Cash paid for employee benefits	(1,108,426)	(1,244,146)
NET CASH (USED) BY OPERATING ACTIVITIES	(3,828,217)	(3,792,453)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Taxes	636,713	619,824
Intergovernmental sources	3,323,827	3,271,848
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	3,960,540	3,891,672
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital purchases	(27,928)	(185,937)
Loss on disposal of capital assets	-	3,941
Capital grants	24,735	186,059
Interest expense	-	(5,304)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,193)	(1,241)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue	20,602	28,429
NET CHANGE IN CASH DURING YEAR	149,732	126,407
Cash, beginning of year	755,010	628,603
Cash, end of year	$ 904,742	$ 755,010
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	$ (4,175,106)	$ (4,517,838)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities		
Depreciation	371,237	665,820
(Increase) decrease in accounts receivable	(34,353)	21,137
(Increase) decrease in inventories	(17,869)	17,146
Decrease in prepaids	3,430	3,550
Increase in accounts payable	6,196	21,882
Increase (decrease) in sick and vacation payable	(977)	609
Increase (decrease) in accrued liabilities	19,225	(4,759)
NET CASH (USED) BY OPERATING ACTIVITIES	$ (3,828,217)	$ (3,792,453)

See accompanying notes to financial statements.

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Jackson Act 196 Transportation Authority (JTA) was established under the applicable laws of the State of Michigan Public Act 196, as amended, to operate a transportation system within the County of Jackson on November 3, 1986. Public Act 196 known as the "public transportation authority act" authorizes the formation of public transportation authorities with certain powers and duties as separate and distinct political subdivisions within the State of Michigan.

The JTA receives Federal and State financial assistance in the form of operating and capital grant funding to support its operation, expand marketing and specialized services, and replace buses and other equipment. The JTA provides linehaul and demand response services within the City of Jackson and Jackson County. The JTA provides services on a contractual basis to several nonprofit and governmental agencies within the County as well as other services not provided through private providers.

The accounting policies of the City of Jackson Act 196 Transportation Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. In accordance with Governmental Accounting Standards Board Statement 20, the Authority has elected not to apply the FASB Statements and interpretations issued after November 30, 1989, to its financial statements. The following is a summary of the significant policies:

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the City of Jackson Act 196 Transportation Authority. The Authority has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14, as amended by Statement No. 39, and has determined that no other entities should be included in its financial statements as component units. Therefore, the reporting entity consists only of the primary government financial statements.

2. Basis of Presentation

The accounts of the JTA are organized on the basis of a fund which is considered a separate accounting entity. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. JTA resources are allocated to and accounted for in the individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund in the financial statements in this report is described as follows:

PROPRIETARY FUND

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. Fund equity (i.e., net total assets) is segregated into invested in capital (net of related debt) and unrestricted components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred, regardless of the timing of related cash flows.

5. Cash

The JTA pooled cash accounts consist of various checking and savings accounts. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing accounts.

6. Inventories

Inventories consist of fuel and maintenance and repair parts and are valued on the average cost basis.

7. Capital Assets and Long-Term Liabilities

Capital assets include all buildings, vehicles, equipment, furniture, and fixtures purchased with federal or state monies or assets with an acquisition cost exceeding $1,000 if purchased with local monies. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives are:

Buildings	30 years
Vehicles	5-10 years
Furniture and fixtures	10 years
Equipment	5-10 years

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as defined in the R&E Manual and/or as approved by BPT.

The eligible depreciation of $32,233 ($371,237 total depreciation reported in PTMS code 51300 for both Urban and Nonurban less ineligible depreciation of $366,600 reported in PTMS code 51300 Ineligible Depreciation) includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by BPT.

Long-term liabilities are recognized in the basic financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term. JTA did not have any long-term liabilities at September 30, 2008.

8. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Accrued Vacation and Sick Leave

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

10. Cost Allocations

The JTA has five (5) cost allocation plans where the methodology has been approved by the BPT. Those cost allocations are for the separation of charter service, special project costs, urban and nonurban service, maintenance costs, and administrative costs. These cost allocation plans were adhered to in the preparation of the financial statements.

JTA allocates expenses between various program activities for grant reporting purposes. The allocations are prepared based on a cost allocation plan and methodology that has been approved by the grantor agency (i.e., vehicle miles per program activity).

11. Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the financial position and operations of the Authority.

12. Explanation of Ineligible Expenses per the BPT R&E Manual

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

NOTE B: CASH

The JTA is authorized to invest any of its funds in one (1) or more of the following:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which it maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

4. The United States government or federal agency obligations repurchase agreements.

5. Bankers acceptances of United States banks.

NOTE B: CASH - CONTINUED

6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental agency's are to be separately insured for the amount of $100,000 for deposits in an insured bank for savings deposits and $100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of $100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of September 30, 2008, the carrying amounts of the Authority's deposits were $899,942 and the bank balance was $929,912, of which $171,922 was insured by the FDIC. The balance of $757,990 was uninsured and uncollateralized. The Statement of Net Assets caption "Cash" includes $4,800 of imprest cash.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2008, the Authority did not have any investments that would be subject to rating.

Interest rate risk

The Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Authority's cash requirements.

Concentration of credit risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business in accordance with Board approved policy.

NOTE C: GRANTS RECEIVABLE (REFUNDS PAYABLE)

Grants receivable (refunds payable) at September 30, 2008, by grant type and year are as follows:

State Operating Assistance - FY08	$ (43,127)
State Operating Assistance - FY06	20,267
State Operating Assistance - FY05	1,591
State Operating Assistance - FY07	8,424
State Operating Assistance - FY03	29,094
Federal Section 5311 - FY08	5,704
Federal Section 5311 - FY06	209
Western Union	232
Total	$ 22,394

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008, was as follows:

	Balance Oct. 1, 2007	Additions	Deletions	Balance Sept. 30, 2008
Business-type activities:				
Capital assets not being depreciated				
Land	$ 180,119	$ -	$ -	$ 180,119
Capital assets being depreciated				
Buildings and improvements	4,233,050	13,530	-	4,246,580
Vehicles	4,350,383	-	-	4,350,383
Furniture and fixtures	97,481	-	-	97,481
Components parts	23,157	12,439	(23,157)	12,439
Equipment	1,692,193	1,959	(4,449)	1,689,703
Total capital assets being depreciated	10,396,264	27,928	(27,606)	10,396,586
Less accumulated depreciation for:				
Buildings and improvements	(2,652,353)	(188,195)	-	(2,840,548)
Vehicles	(4,018,085)	(111,057)	-	(4,129,142)
Furniture and fixtures	(91,126)	(2,424)	-	(93,550)
Components parts	(23,157)	(12,439)	23,157	(12,439)
Equipment	(1,529,826)	(57,122)	4,449	(1,582,499)
Total accumulated depreciation	(8,314,547)	(371,237)	27,606	(8,658,178)
Net capital assets being depreciated	2,081,717	(343,309)	-0-	1,738,408
Net capital assets	$ 2,261,836	$(343,309)	$ -0-	$ 1,918,527

When Federal or State funded assets are withdrawn from public transportation service, the disposition of the assets is to be determined by the United States Department of Transportation (USDOT) and the Michigan Department of Transportation (MDOT). During the year the Jackson Transportation Authority disposed of assets that were federally and State funded with a historical cost of $27,606. The total amount disposed of was fully depreciated. Depreciation expense in the amount of $371,237 was reported for year ended September 30, 2008.

NOTE E: RETIREMENT PLAN

Plan Description

The JTA participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

Covered employees contribute 4% of their annual salary to the retirement system. The JTA is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For year ended September 30, 2008, the JTA's annual pension cost of $152,844 for the plan was equal to the JTA's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

Three (3) year trend information

	As of December 31,		
	2005	2006	2007
Actuarial value of assets	$ 2,390,800	$ 2,761,159	$ 3,120,015
Actuarial accrued liability (AAL) (entry age)	3,368,402	3,690,537	3,940,164
Unfunded (overfunded) AAL	977,602	929,378	820,149
Funded ratio	71 %	75 %	79 %
Covered payroll	2,235,173	2,249,251	2,026,462
UAAL as a percentage of covered payroll	44 %	41 %	40 %

	Year Ended September 30,		
	2006	2007	2008
Annual pension cost	$ 152,140	$ 153,961	$ 152,844
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

NOTE F: COMPENSATED ABSENCES

Vacation leave is earned in varying amounts depending on the number of years of service of an employee. Vacation must be taken within a one (1) year period and is not subject to carryover, except if approved by the department head, and then cannot exceed 25% of the vacation leave available that year.

NOTE F: COMPENSATED ABSENCES - CONTINUED

Sick leave is granted at a rate of six (6) days per year. Any unused sick pay up to sixteen (16) hours may be carried over to the next fiscal year. Unused sick time exceeding the sixteen (16) hours is payable to the employees in the first week of the next fiscal year.

Vacation leave is recorded as an expense when earned. Sick leave is not recorded until utilized or paid. Accumulated sick leave is immaterial.

The sick and vacation payable at September 30, 2008, was $201,966 and is recorded as a current liability in the financial statements.

NOTE G: PROPERTY TAX REVENUES

The JTA property tax is levied in December on the Taxable Valuation of property located in the City of Jackson as of the preceding December. Real and personal property in the City for the current levy was assessed and equalized at approximately $766 million representing 50% of estimated current market value. In September 2003, the JTA's tax rate of 1.00 mill was renewed for five (5) years, covering the period from October 1, 2003 through September 30, 2008. For the year ended September 30, 2008, the JTA levied .9597 mills, due to the Headlee rollback.

NOTE H: RISK MANAGEMENT

The JTA is a member of the Michigan Transit Liability Trust Fund ("Pool") established pursuant to an Intergovernmental Agreement entered into by the member Transit Agencies and Authorities.

This Pool was established for the purpose of making a self-insurance pooling program available for Michigan Transit Agencies and Authorities, which includes, but is not limited to, bodily injury liability, property damage liability, and personal injury liability related to vehicle operation of the JTA.

The JTA pays an annual premium to the Pool for this coverage. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums. Annually, the JTA receives notification from the Pool of retrospective claims adjustments based on the actual claims experience of the JTA and other members of the Pool. These retrospective claims adjustments, determined by the Pool, are accrued annually by the JTA upon notification.

The JTA continues to carry commercial insurance for employee health, workers' compensation, and other insurance including general liability and commercial building insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

NOTE I: NET ASSETS RESERVE

The Board of Directors of the JTA has earmarked $200,000 of net assets to provide a reserve for uninsured losses.

NOTE J: CONTINGENT LIABILITIES

Under the terms of various Federal and State grants, periodic compliance audits are required and certain costs may be questioned, allowed, or disallowed, which could result in funds being returned and/or received from grantor agencies.

NOTE K: FLEXIBLE BENEFITS PLAN

In January 1994, JTA implemented a flexible benefits cafeteria plan established under section 125 of the Internal Revenue Code. The plan is available to all employees who are eligible to have health coverage under JTA's health insurance plan and have a benefit election form on file. The plan permits employees to waive health insurance coverage from JTA and receive a cash benefit in lieu of such health insurance. The plan also permits employees receive dependent care expense reimbursement.

The plan is administered by Flex One.

NOTE L: DEFERRED COMPENSATION

The JTA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to substantially all employees of JTA, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan is administered through Nationwide Retirement Solutions.

Legislative change has been made to 457 plans which mandate that no later than January 1, 1999, all existing 457 plan assets must be held in a custodial account, trust, annuity contract for benefit of participants and their beneficiaries.

Once a trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiary, and are not subject to the claims of the public employees creditors nor can they be used by the public employee for any purpose other than the payment of benefits to these individuals participating in the plan it their designated beneficiaries. As of December 31, 1997, the JTA had implemented changes to be in compliance with the new requirement. As a result, the plan assets are not reported by the JTA because the new legislation has eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

OTHER SUPPLEMENTARY INFORMATION

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF LOCAL REVENUES

Year Ended September 30, 2008

Line Haul - Farebox (Urban)	$	475,940
Demand Response - Farebox (Nonurban)		14,624
JARC - Farebox		21,309
Contract fares		107,425
Advertising		20,094
Intercity ticket sales		28,700
Sale of maintenance services		200,213
Other nontransportation revenues		64,108
Tax levy		597,316
Single business tax		39,397
Other local contracts and reimbursements		129,122
Interest income		20,602
TOTAL LOCAL REVENUES	$	1,718,850

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended September 30, 2008

Federal and State Grantor/Pass - Through Grantor/Program Title	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures Total	Current Year's Expenditures Federal	Current Year's Expenditures State	Prior Year's Expenditures	Award Amount Remaining
U.S. DEPARTMENT OF TRANSPORTATION								
Direct Assistance								
Federal Transit Administration								
Federal Transit - Formula Grants [a]	20.507							
FY 2008 Operating and Capital		MI-90-4556	$ 1,241,017	$1,100,000	$1,100,000	$ -	$ -	$ 141,017
Capital Assistance for Buses		MI-04-0012	495,000	-	-	-	-	495,000
Large Bus Procurement		MI-04-0033	343,000	-	-	-	-	343,000
FY 2007 Operating and Capital		MI-90-4532	1,130,000	-	-	-	1,100,000	30,000
Bus Procurement		MI-90-4555	50,095	-	-	-	-	50,095
STP 2007 Flex funds		MI-95-4015	255,395	-	-	-	-	255,395
2008 STP and TDEF Flex Funds		MI-95-4028	114,963	-	-	-	-	114,963
FY 2006 Operating and Capital		MI-90-0501	1,249,000	-	-	-	1,171,096	77,904
Passed Through Michigan Department of Transportation								
Federal Transit - Formula Grants [a]								
Capital Assistance - Section 5307 (80/20)		2002-0054/Z16	157,500	19,404	16,138	3,266	137,907	189
Capital Assistance - Section 5307 (80/20)		2002-0054/Z19	125,000	5,331	5,084	247	110,151	9,518
			5,160,970	1,124,735	1,121,222	3,513	2,519,154	1,517,081
Formula Grants for Other than Urbanized Areas	20.509							
Operating Assistance - Section 5311 (FY 08)		2007-0236/Z5	198,630	96,654	96,654	-	-	101,976
Rural Transit Assistance Program (RTAP)		N/A	833	833	833	-	-	-0-
			199,463	97,487	97,487	-0-	-0-	101,976
MICHIGAN DEPARTMENT OF TRANSPORTATION								
Job Access and Reverse Commute (50/50)	20.516	2007-0236/Z6/R1	356,126	356,126	178,063	178,063	-	-0-
Operating Assistance - Act 51		N/A						
Operating Assistance (FY 08)								
Urban		N/A	1,263,005	1,263,005	-	1,263,005	-	-0-
Nonurban		N/A	218,383	218,383	-	218,383	-	-0-
Operating Assistance (FY 07)		N/A	1,840,350	65,073	-	65,073	1,775,277	-0-
			3,321,738	1,546,461	-0-	1,546,461	1,775,277	-0-
TOTALS			$ 9,038,297	$3,124,809	$1,396,772	$1,728,037	$ 4,294,431	$ 1,619,057

[a] Denotes major program.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF OPERATING AND CONTRACT EXPENSES

Year Ended September 30, 2008

	Urban	Nonurban	JARC	Total
Labor	$ 1,751,459	$ 304,969	$ 179,278	$ 2,235,706
Fringe benefits	882,538	153,668	90,468	1,126,674
Services	98,836	17,209	10,557	126,602
Materials and supplies	766,699	133,499	76,112	976,310
Utilities	83,237	14,493	9,532	107,262
Insurance	93,495	16,280	10,062	119,837
Taxes and fees	951	166	123	1,240
Miscellaneous expenses	37,567	3,138	1,270	41,975
Operating leases	530	92	54	676
Depreciation	278,428	92,809	-	371,237
TOTAL EXPENSES	$ 3,993,740	$ 736,323	$ 377,456	$ 5,107,519

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4R
URBAN REGULAR SERVICE REVENUE REPORT

Year Ended September 30, 2008

Code	Description	Amount
401	Farebox revenue	
40100	Passenger fares	$ 475,940
40200	Contract fares	78,104
406	Auxiliary transportation revenue	
40615	Advertising	20,094
40620	Intercity ticket sales	24,444
407	Nontransportation revenue	
40710	Sale of maintenance services	170,521
40799	Other nontransportation revenues	54,602
408	Local revenue	
40800	Tax levied directly for/by transit agency	597,316
40920	Single business tax	39,397
40999	Other local contracts and reimbursements	3,500
411	State formula and contracts	
41101	State operating assistance	1,263,005
413	Federal contracts	
41302	Section 5307	1,100,000
414	Other revenue	
41400	Interest income	17,547
	TOTAL URBAN SERVICE REVENUE	$ 3,844,470

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4E
URBAN REGULAR SERVICE EXPENSE REPORT

Year Ended September 30, 2008

Code	Description	Operations	Maintenance	Administrative	Total
501	Labor				
50101	Operator's salaries and wages	$ 794,330	$ -	$ -	$ 794,330
50102	Other salaries and wages	68,365	441,352	226,751	736,468
50103	Dispatchers' salaries and wages	220,661	-	-	220,661
502	Fringe benefits				
50200	Other fringe benefits	486,345	188,546	87,821	762,712
50201	Pensions	65,777	27,805	26,244	119,826
503	Services				
50302	Advertising fees	-	-	11,441	11,441
50305	Audit cost	-	-	6,932	6,932
50399	Other services	-	21,389	59,074	80,463
504	Materials and supplies				
50401	Fuel and lubricants	455,380	-	-	455,380
50402	Tires and tubes	17,679	-	-	17,679
50404	Major supplies	795	54	2,333	3,182
50499	Other materials and supplies	179,452	83,492	27,514	290,458
505	Utilities				
50500	Utilities	-	-	83,237	83,237
506	Insurance				
50603	Liability insurance	75,813	-	-	75,813
50699	Other insurance	-	-	17,682	17,682
507	Taxes and fees				
50700	Taxes and fees	827	124	-	951
509	Miscellaneous expenses				
50902	Travel, meeting, and training	-	1,149	13,003	14,152
50903	Association dues and subscriptions	-	-	517	517
50999	Other miscellaneous expenses	1,401	450	21,047	22,898
512	Operating leases and rentals				
51200	Operating leases and rentals	-	-	530	530
513	Depreciation				
51300	Depreciation	183,762	55,686	38,980	278,428
550	Less ineligible expenses				
55008	Other ineligible expenses	-	-	44,812	44,812
55010	Other ineligible expenses associated with auxiliary and nontransportation	4,136	-	6,085	10,221

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4E
URBAN REGULAR SERVICE EXPENSE REPORT - CONTINUED

Year Ended September 30, 2008

Code	Description	Operations	Maintenance	Administrative	Total
560	Less ineligible expenses				
56001	Ineligible expenses associated with the sale of maintenance services	$ -	$ 170,521	$ -	$ 170,521
513	Less ineligible expenses				
51300	Depreciation	181,154	54,895	38,426	274,475
			Total expenses		3,993,740
			Total ineligible expenses		500,029
			Total eligible expenses		$ 3,493,711

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4N
URBAN REGULAR SERVICE NONFINANCIAL REPORT (UNAUDITED)

Year Ended September 30, 2008

PUBLIC SERVICE

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	46,755	4,353	718	51,826
611	Vehicle Miles [1]	577,056	54,569	7,497	639,122
615	Passengers - Regular	320,652	30,038	459	351,149
616	Passengers - Elderly	66,014	10,054	54	76,122
617	Passengers - Person with Disabilities	103,846	11,009	359	115,214
618	Passengers - Elderly Person with Disabilities	7,608	848	207	8,663
621	Total Line-Haul Passengers	454,579	49,811	-	504,390
622	Total Demand-Response Passengers	43,541	2,138	1,079	46,758
625	Days Operated	516	107	53	676

VEHICLE INFORMATION

Code	Description	Quantity
653	Total Line-Haul Vehicles	11
654	Line-Haul Vehicles with Lifts	11
655	Total Demand-Response Vehicles	32
656	Demand-Response Vehicles with Lifts	32
658	Total Transit Vehicles	43

MISCELLANEOUS INFORMATION

Code	Description	Quantity
601	Number of Routes (Line Haul Only)	14
602	Number of Route Miles (Line Haul Only)	1,150
660	Diesel/Gasoline - Gallons Consumed	96,838
661	Total Transit Agency Employees (Full-Time Equiv.)	46
662	Total Revenue Vehicle Operators (Full-Time Equiv.)	22

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

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4R
NONURBAN REGULAR SERVICE REVENUE REPORT

Year Ended September 30, 2008

Code	Description	Amount
401	Farebox revenue	
40100	Passenger fares	$ 14,624
40200	Contract fares	29,321
406	Auxiliary transportation revenue	
40620	Intercity ticket sales	4,256
407	Nontransportation revenue	
40710	Sale of maintenance services	29,692
40799	Other nontransportation revenues	9,506
408	Local revenue	
40999	Other local contracts and reimbursements	125,622
411	State formula and contracts	
41101	State operating assistance	218,383
413	Federal contracts	
41301	Section 5311	96,654
41398	RTAP	833
414	Other revenue	
41400	Interest income	3,055
	TOTAL NONURBAN SERVICE REVENUE	$ 531,946

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4E
NONURBAN REGULAR SERVICE EXPENSE REPORT

Year Ended September 30, 2008

Code	Description	Operations	Maintenance	Administrative	Total
501	Labor				
50101	Operator's salaries and wages	$ 138,311	$ -	$ -	$ 138,311
50102	Other salaries and wages	11,904	76,849	39,483	128,236
50103	Dispatchers' salaries and wages	38,422	-	-	38,422
502	Fringe benefits				
50200	Other fringe benefits	84,683	32,830	15,291	132,804
50201	Pensions	11,453	4,841	4,570	20,864
503	Services				
50302	Advertising fees	-	-	1,992	1,992
50305	Audit cost	-	-	1,207	1,207
50399	Other services	-	3,724	10,286	14,010
504	Materials and supplies				
50401	Fuel and lubricants	79,292	-	-	79,292
50402	Tires and tubes	3,078	-	-	3,078
50404	Major supplies	138	9	406	553
50499	Other materials and supplies	31,247	14,538	4,791	50,576
505	Utilities				
50500	Utilities	-	-	14,493	14,493
506	Insurance				
50603	Liability insurance	13,201	-	-	13,201
50699	Other insurance	-	-	3,079	3,079
507	Taxes and fees				
50700	Taxes and fees	144	22	-	166
509	Miscellaneous expenses				
50902	Travel, meeting, and training	-	200	2,264	2,464
50903	Association dues and subscriptions	-	-	90	90
50999	Other miscellaneous expenses	244	79	261	584
512	Operating leases and rentals				
51200	Operating leases and rentals	-	-	92	92
513	Depreciation				
51300	Depreciation	61,254	18,562	12,993	92,809
550	Less ineligible expenses				
55008	Other ineligible expenses	-	-	7,803	7,803
55010	Other ineligible expenses associated with auxiliary and nontransportation	720	-	1060	1,780
560	Less ineligible expenses				
56001	Ineligible expenses associated with the sale of maintenance services	-	29,692	-	29,692

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4E
NONURBAN REGULAR SERVICE EXPENSE REPORT - CONTINUED

Year Ended September 30, 2008

Code	Description	Operations	Maintenance	Administrative	Total
513	Less ineligible expenses				
51300	Depreciation expense	$ 60,803	$ 18,425	$ 12,897	$ 92,125
574	Less ineligible expenses				
57402	Ineligible RTAP	-	-	833	833
				Total expenses	736,323
				Total ineligible expenses	132,233
				Total eligible expenses	$ 604,090

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4N
NONURBAN REGULAR SERVICE NONFINANCIAL REPORT (UNAUDITED)

Year Ended September 30, 2008

PUBLIC SERVICE

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	5,481	-	-	5,481
611	Vehicle Miles [1]	113,605	-	-	113,605
615	Passengers - Regular	1,252	-	-	1,252
616	Passengers - Elderly	949	-	-	949
617	Passengers - Person with Disabilities	1,771	-	-	1,771
618	Passengers - Elderly Person with Disabilities	1,226	-	-	1,226
622	Total Demand-Response Passengers	5,198	-	-	5,198
625	Days Operated	258	-	-	258

VEHICLE INFORMATION

Code	Description	Quantity
655	Total Demand-Response Vehicles	6
656	Demand-Response Vehicles with Lifts	6
658	Total Transit Vehicles	6

MISCELLANEOUS INFORMATION

Code	Description	Quantity
660	Diesel/Gasoline - Gallons Consumed	16,862
661	Total Transit Agency Employees (Full-Time Equiv.)	8
662	Total Revenue Vehicle Operators (Full-Time Equiv.)	4

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

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4R
JARC SERVICE REVENUE REPORT

Year Ended September 30, 2008

Code	Description	Amount
401	Farebox revenue	
40100	Passenger fares	$ 21,309
411	State formula and contracts	
41199	Other state contracts and reimbursements	356,126
	TOTAL JARC SERVICE REVENUE	$ 377,435

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4E
JARC SERVICE EXPENSE REPORT

Year Ended September 30, 2008

Code	Description	Operations	Maintenance	General Administration	Total
501	Labor				
50101	Operator's salaries and wages	$ 82,311	$ -	$ -	$ 82,311
50102	Other salaries and wages	6,932	44,391	23,018	74,341
50103	Dispatchers' salaries and wages	22,626	-	-	22,626
502	Fringe benefits				
50200	Other fringe benefits	50,295	19,464	8,785	78,544
50201	Pensions	6,533	2,767	2,624	11,924
503	Services				
50302	Advertising Fees	-	-	1,219	1,219
50305	Audit cost	-	-	861	861
50399	Other services	-	2,210	6,267	8,477
504	Materials and supplies				
50401	Fuel and lubricants	43,827	-	-	43,827
50402	Tires and tubes	1,112	-	-	1,112
50404	Major supplies	116	9	261	386
50499	Other materials and supplies	19,108	8,778	2,901	30,787
504	Utilities				
50401	Utilities	-	-	9,532	9,532
506	Insurance				
50603	Liability insurance	8,115	-	-	8,115
50699	Other insurance	-	-	1,947	1,947
507	Taxes and fees				
50700	Taxes and fees	93	30	-	123
509	Miscellaneous expenses				
50902	Travel, meetings, and training	-	152	790	942
50903	Association dues and subscriptions	-	-	64	64
50999	Other miscellaneous expenses	159	21	84	264
512	Operating leases and rentals				
51200	Operating leases and rentals	-	-	54	54
			Total eligible expenses		$ 377,456

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OAR SCHEDULE 4N
JARC SERVICE NONFINANCIAL REPORT (UNAUDITED)

Year Ended September 30, 2008

PUBLIC SERVICE

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	3,154	-	-	3,154
611	Vehicle Miles [1]	64,918	-	-	64,918
617	Passengers - Person with Disabilities	5,149	-	-	5,149
622	Total Demand-Response Passengers	5,149	-	-	5,149
625	Days Operated	216	-	-	216

VEHICLE INFORMATION

Code	Description	Quantity
655	Total Demand-Response Vehicles	4
656	Demand-Response Vehicles with Lifts	4
658	Total Transit Vehicles	4

MISCELLANEOUS INFORMATION

Code	Description	Quantity
660	Diesel/Gasoline - Gallons Consumed	10,121
661	Total Transit Agency Employees (Full-Time Equiv.)	7
662	Total Revenue Vehicle Operators (Full-Time Equiv.)	4

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

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

OPERATING ASSISTANCE CALCULATION

Year Ended September 30, 2008

	Urban	Nonurban	JARC
Total expenses	$ 3,993,740	$ 736,323	$ 377,456
Less ineligible expenses			
Auxiliary and nontransportation	10,221	1,780	-
Sale of maintenance services	170,521	29,692	-
Depreciation	274,475	92,125	-
Ineligible RTAP	-	833	-
Other ineligible expenses	44,812	7,803	-
Total ineligible expenses per R&E manual	500,029	132,233	-0-
TOTAL STATE AND FEDERAL ELIGIBLE EXPENSES	$ 3,493,711	$ 604,090	$ 377,456
Eligible expenses for State reimbursement	$ 3,493,711	$ 604,090	$ 377,456
x Reimbursement percentage	0.361508	0.361508	0.500000(2)
State operating assistance	$ 1,263,005	$ 218,383	$ 178,063
Eligible expenses for Federal reimbursement	$ 3,493,711	$ 604,090	$ 377,456
x Reimbursement percentage	0.500000(1)	0.160000	0.500000(2)
Federal section 5307, 5311, and 5316 operating assistance	$ 1,100,000	$ 96,654	$ 178,063

(1) Reimbursement is 50% of eligible expenses, not to exceed $1,100,000.
(2) Reimbursement is 50% of eligible expenses, not to exceed $178,063.

Principals
Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

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
City of Jackson Act 196 Transportation Authority
Jackson, Michigan

We have audited the financial statements of the City of Jackson Act 196 Transportation Authority as of and for the year ended September 30, 2008, and have issued our report thereon dated December 17, 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 the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects 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 City of Jackson Act 196 Transportation Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control over financial reporting. We consider the deficiencies described as 2008-1 and 2008-2 in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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 City of Jackson Act 196 Transportation Authority's internal control over financial reporting.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jackson Act 196 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*.

The City of Jackson Act 196 Transportation Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the City of Jackson Act 196 Transportation Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Board of Director of the City of Jackson Act 196 Transportation Authority, others within the entity, the pass-through entities, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney PC

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 17, 2008

Principals
Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

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
City of Jackson Act 196 Transportation Authority
Jackson, Michigan

Compliance

We have audited the compliance of the City of Jackson Act 196 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 its major Federal program for the year ended September 30, 2008. The City of Jackson Act 196 Transportation Authority's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major Federal program is the responsibility of the City of Jackson Act 196 Transportation Authority's management. Our responsibility is to express an opinion on the City of Jackson Act 196 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 Nonprofit 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 the City of Jackson Act 196 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 of the City of Jackson Act 196 Transportation Authority's compliance with those requirements.

In our opinion, the City of Jackson Act 196 Transportation Authority complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Jackson Act 196 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 the City of Jackson Act 196 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 City of Jackson Act 196 Transportation Authority'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 and the Board of Directors of the City of Jackson Act 196 Transportation Authority, others within the entity, the pass-through entities, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney PC

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 17, 2008

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS

Year Ended September 30, 2008

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?	X	Yes		No
Significant deficiencies identified that are not considered to be material weakness(es)?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiencies identified that are not considered to be material weakness(es)?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified			
Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133?		Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.507	Federal Transit - Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000			
Auditee qualified as low-risk auditee?	X	Yes		No

Section II - Financial Statement Findings

2008-1 SEGREGATION OF DUTIES - FINANCE

Condition: During our consideration of the internal controls over financial reporting, we noted that the Finance Director has access to cash and bank accounts and has the ability to post journal entries in the Authority's accounting system with no review or oversight being provided. We also noted that the Finance Director reconciles all bank accounts, is an authorized signer on the accounts, and has physical access to blank check stock.

Section II - Financial Statement Findings - continued

2008-1 SEGREGATION OF DUTIES - FINANCE - CONTINUED

Criteria: The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle. Duties and responsibilities should be arranged and separated so that an employee does not perform duties in or have access to more than one of the following areas:

a. Access to blank checks.
b. Access to cash and bank accounts.
c. Authorized check signer.
d. Bank reconciliations.
e. Posting journal entries.

Effect: While this is a common occurrence in many organizations due to the limited number of employees, the Board should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated. The Authority is vulnerable to fraudulent transactions occurring but not detected due to this deficiency. In situations such as this, where the number of employees is limited and duties cannot be adequately separated, the Authority's management must provide a greater review and supervision of employee functions and procedures.

Recommendation: We recommend that the Authority review this area of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we recommend the Authority management provide a greater review and supervision of employee functions and procedures.

Corrective Action Response: The Finance Director will be removed as an authorized signatory from all accounts. In addition, journal entries will be reviewed by the General Manager on a monthly basis. This process will become part of written policy.

2008-2 SEGREGATION OF DUTIES OVER INVENTORY

Condition: During our consideration and assessment of fraud risk, we noted that the Authority may not have sufficient segregation of duties in its inventory accounting structure. Specifically, we noted that the Part Manager has the ability to initiate inventory purchase, input purchase orders, record inventory transactions into the system, has responsibilities for inventory counts, maintain/edit inventory records, maintain access to and custody of inventory, and investigate inventory count discrepancies. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle. Reasonable segregation of duties is essential to sound internal control and necessary to prevent and detect errors and fraud.

Criteria: Duties and responsibilities for handling inventory should be arranged and separated so that an employee does not perform more than one of the following functions:

a. Initiating inventory purchases.
b. Inputting purchase orders.
c. Recording inventory transactions.
d. Having responsibilities for inventory counts.
e. Investigating inventory count discrepancies and issues related to inventory.
f. Maintaining or editing inventory records.
g. Maintaining access to and custody of inventory.

Section II - Financial Statement Findings - continued

2008-2 SEGREGATION OF DUTIES OVER INVENTORY - CONTINUED

Effect: While this is a common occurrence in many organizations due to the limited number of employees, the Board should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated. The Authority is vulnerable to fraudulent transactions occurring but not detected due to this deficiency. In situations such as this, where the number of employees is limited and duties cannot be adequately separated, the Authority's management must provide a greater review and supervision of employee functions and procedures.

Recommendation: We recommend that the Authority review various areas of operation related to inventory and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we recommend the Authority provide a greater review and supervision of employee functions and procedures.

Corrective Action Response: The Authority has a part time assistant in the maintenance department. Written policy will be developed that requires the separation of the parts ordering process from the input of received parts into inventory and the CFI software program.

Section III - Federal Award Findings and Questioned Costs

None.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2008

There were no findings disclosed for the past two years.