

LAKE ERIE TRANSPORTATION COMMISSION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007
WITH
INDEPENDENT AUDITORS' REPORT

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 LAKE ERIE TRANSPORTATION COMMISSION	County MONROE
Fiscal Year End JUNE 30, 2007	Opinion Date AUGUST 16, 2007	Date Audit Report Submitted to State OCTOBER 4, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- 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.
 - 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.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - 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.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - 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).
 - 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.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - 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)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ROBERTSON, EATON AND OWEN PC		Telephone Number 517-265-6154	
Street Address 121 N. MAIN STREET		City ADRIAN	State Zip MI 49221
Authorizing CPA Signature 		Printed Name GARY OWEN	License Number 1101008646

LAKE ERIE TRANSPORTATION COMMISSION

INDEPENDENT AUDITORS' REPORT

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2007

Our discussion and analysis of Lake Erie Transportation Commission's financial statements provides an overview of the Transportation Commission's financial activities for the fiscal year ended June 30, 2007. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenditures, and Changes in Fund Net Assets provide information about the activities of the Transportation Commission and present a long-term view of the Transportation Commission's finances. Also, the financial statements tell how these services were financed in the short-term, as well as what remains for future spending.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information.

- ◆ The first two statements are government-wide financial statements that provide both long-term and short-term information about the Transportation Commission's overall financial status. These statements report information about the Transportation Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenditures, and Changes in Fund Net Assets regardless of when cash is received or paid. The two government-wide statements report the Transportation Commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities - this is one way to measure the Transportation Commission's financial health or position.
- ◆ The third statement is the Statement of Cash Flows which shows the change in cash and cash equivalents presenting all activity of the Transportation Commission on a cash basis.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by supplementary information that further explains and supports the information in the financial statements.

Reporting the Transportation Commission as a Whole

Government-Wide Statements

The Statement of Net Assets and the Statement of Revenues, Expenditures, and Changes in Fund Net Assets report information about the Transportation Commission, as a whole, and about its activities in a way that helps answer the question of whether the Transportation Commission, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Transportation Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods used by most private-sector companies. All of the current year's revenues and expenses are accounted for the Statement of Revenues, Expenditures, and Changes in Fund Net Assets regardless of when cash is received or paid.

The two statements, mentioned above, report the Transportation Commission's net assets and how they have changed. The reader can think of the Transportation Commission's net assets (the difference between assets and liabilities) as one way to measure the Transportation Commission's financial health or financial position. Over time, increases or decreases in the Transportation Commission's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Transportation Commission, you need to consider additional factors such as changes in the general economy and changes in the laws related to Federal and State transportation funding.

Fund Financial Statements

The Transportation Commission has only one fund, the General Operating Fund, in which all of the Transportation Commission's activities are accounted. The General Operating Fund is a business-type fund, which accounts for activities on a full accrual basis.

Financial Analysis of the Transportation Commission as a Whole

The Transportation Commission's net assets increased 3.8% from \$1,972,338 to \$2,047,583 for the year ended June 30, 2007. The net assets and change in net assets are summarized below.

Net Assets

Net assets are divided between the three transit systems

Lake Erie Local Service System (LSS)
Monroe Essential Transportation System (ETS)
Bedford Local Service System

based on activity in each system. Also, a portion of net assets has been reserved for investment in capital assets (\$288,552); and a portion has been designated by the Commission for future capital improvements (\$1,000,000).

Net assets of each transit system must have a positive balance. If a deficit position occurs in one of the transit systems, the transfer is usually made from the LSS System to cover the deficit.

The net assets increased by \$75,245 during 2006-07. The primary reason for the increase was an increase in property tax revenue.

Net Assets (Continued)

The investment in capital assets (decreased) by \$(37,256).

Net assets for the years ended June 30, 2007 and 2006 follow:

	<u>2007</u>	<u>2006</u>
Current assets	\$ 2,192,619	\$ 2,107,206
Capital assets	<u>288,552</u>	<u>325,808</u>
Total assets	<u>2,481,171</u>	<u>2,433,014</u>
Long-term liabilities	232,311	228,146
Other liabilities	<u>201,277</u>	<u>232,530</u>
Total liabilities	<u>433,588</u>	<u>460,676</u>
Net assets:		
Invested in capital assets	288,552	325,808
Designated for future capital improvements	1,000,000	1,000,000
Transit system balances	<u>759,031</u>	<u>646,530</u>
Total net assets	<u>\$ 2,047,583</u>	<u>\$ 1,972,338</u>

Changes in Net Assets

A summary of changes in net assets for the years ended June 30, 2007 and 2006 follows:

	<u>2007</u>	<u>2006</u>
Revenues		
Operating revenue	\$ 351,682	\$ 336,735
Nonoperating revenue – local	1,405,503	1,416,787
Grants	<u>1,935,015</u>	<u>1,599,093</u>
Total revenues	3,692,200	3,352,615
Operating expenditures	<u>(3,616,955)</u>	<u>(3,387,788)</u>
Increase (decrease) in net assets	<u>\$ 75,245</u>	<u>\$ (35,173)</u>

Total revenues were \$3,692,200, an increase of \$339,585 as compared to last year. The change in revenues resulted primarily from an increase in Federal and State grants (\$335,922). Total expenditures were \$3,616,955, an increase of \$229,167 as compared to prior year.

Budgetary Highlights

General Fund Budgetary Highlights

The budget for fiscal year 2007 was \$3,664,000; expenses for FY 2007 were \$3,616,955, resulting in expenses better than budget by \$47,045 (1.3% variance). Below is a summary of budget items:

- Wages (Drivers, Supervisors, Dispatchers, Maintenance and Administrative) are over budget by \$21,256, (1.2%). This variance was due mainly to the addition of a new mechanic.
- Fringe benefits are 7% better than budget due to the implemented changes in health coverage providing less cost increase than expected.
- Fuel cost were better than budget by 19.5%. The higher fuel cost increases projected did not impact the budget until late into the fiscal year.
- Insurance cost exceeded budget by 5.7%.
- Maintenance parts, service and tire cost exceeded budget by 3.5%.
- Professional cost were below budget by 3.67%.
- Utilities are below budget by 35%.
- Advertising exceeded budget by \$33,165, this is due mainly to moving up the production of the LET ad campaign.

The budget is prepared six months before the start of the new fiscal year. This at times makes it difficult to budget line items that fluctuate daily due to influences beyond managements control. However, management strives to keep its overall budget in line with its overall expenses.

Capital Assets

Capital Assets

As of June 30, 2007, the Transportation Commission had invested \$288,552 in capital assets. This amount represents a net (decrease) of \$(37,256), which represents depreciation taken for the year.

	<u>2007</u>	<u>2006</u>	<u>Total Percentage Change</u>
Capital Assets Being Depreciated			
Buildings	\$ 229,035	\$ 229,035	0 %
Vehicles	<u>256,246</u>	<u>256,260</u>	0 %
Total capital assets	485,281	485,295	
Total accumulated depreciation	<u>(196,729)</u>	<u>(159,487)</u>	
Total net capital assets	<u>\$ 288,552</u>	<u>\$ 325,808</u>	

Economic Factors and Next Year's Budget

Economic factors and the 2008 Fiscal Year budget:

- Fuel and utility cost fluctuate to a great extent. The FY 08 budget allows for fuel cost at \$2.45 per diesel gallon (no tax).
- Construction of the new bus parking garage and expansion of the maintenance facility is expected to be completed by November 2007.
- LETC will levy in the City of Monroe and Frenchtown Township for FY 2007 & FY 2008 the full .5 mill allowed. November 2007 is the next planned millage request; the ballot request is for .75 mills.
- The last year of the transit management contract is July 1, 2007 through June 30, 2008.
- Management expects that labor will exceed budget due to current issues in maintaining adequate sub driver reserves, continuous dispatch training and allocation of staff time to assure accurate Ridership detail reports.

Contacting the Commission's Financial Management

This financial report is designed to provide the citizens and other interested parties a general overview of the Transportation Commission's finances and to show the Transportation Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Lake Erie Transportation Commission, 1105 West Seventh Street, Monroe, Michigan 48161.

To the Board of Directors
Lake Erie Transportation Commission
Monroe, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the business-type activities of Lake Erie Transportation Commission, as of and for the years ended June 30, 2007 and 2006, which comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lake Erie Transportation Commission's management. Our responsibility is to express opinions 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 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 financial position of the business-type activities of Lake Erie Transportation Commission, as of June 30, 2007 and 2006, and the changes in financial position and cash flows 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 August 11, 2007 on our consideration of Lake Erie Transportation Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

To the Board of Directors
Lake Erie Transportation Commission
Monroe, Michigan

The management's discussion and analysis on pages i through v 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 audit was conducted for the purpose of forming opinions on the financial statements that comprise Lake Erie Transportation Commission's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Lake Erie Transportation Commission. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is also not a required part of the basic financial statements of Lake Erie Transportation Commission. Such information has been subjected to the 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.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
August 16, 2007

To the Board of Directors
Lake Erie Transportation Commission
Monroe, Michigan

**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***

We have audited the financial statements of the business-type activities of Lake Erie Transportation Commission, as of and for the year ended June 30, 2007, which comprise Lake Erie Transportation Commission's basic financial statements and have issued our report thereon dated August 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Lake Erie Transportation Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of Directors
Lake Erie Transportation Commission
Monroe, Michigan

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Lake Erie Transportation Commission'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*.

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

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
August 16, 2007

To the Board of Directors
Lake Erie Transportation Commission
Monroe, Michigan

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH omb
CIRCULAR A-133**

COMPLIANCE

We have audited the compliance of Lake Erie Transportation Commission 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 June 30, 2007. Lake Erie Transportation Commission's major federal programs are identified in the summary of auditors' 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 Lake Erie Transportation Commission's management. Our responsibility is to express an opinion on Lake Erie Transportation Commission's management. Our responsibility is to express an opinion on Lake Erie Transportation Commission'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 State, 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 Lake Erie Transportation Commission'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 Lake Erie Transportation Commission's compliance with those requirements.

In our opinion, Lake Erie Transportation Commission 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 June 30, 2007.

To the Board of Directors
Lake Erie Transportation Commission
Monroe, Michigan

INTERNAL CONTROL OVER COMPLIANCE

The management of Lake Erie Transportation Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lake Erie Transportation Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in or to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Robertson, Eaton & Owen, P.C.

August 16, 2007
Adrian, Michigan

LAKE ERIE TRANSPORTATION COMMISSION

STATEMENTS OF NET ASSETS

June 30, 2007 and 2006

	<u>Business-Type Activity</u>	
	<u>General Operating</u>	
ASSETS	<u>2007</u>	<u>2006</u>
Current assets:		
Cash	\$ 748,343	\$ 649,998
Investments	1,061,558	1,010,991
Due from SMART	175,616	315,418
Accounts receivable – other	71,342	49,151
Prepaid insurance	61,555	32,994
Inventory	<u>74,205</u>	<u>48,654</u>
Total current assets	<u>2,192,619</u>	<u>2,107,206</u>
Capital assets:		
Vehicles	256,246	256,260
Building	229,035	229,035
Accumulated depreciation	<u>(196,729)</u>	<u>(159,487)</u>
Capital assets – net	<u>288,552</u>	<u>325,808</u>
Total assets	<u>\$ 2,481,171</u>	<u>\$ 2,433,014</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	\$ 34,280	\$ 32,189
Due to Smart	33,250	113,841
Accrued payroll and related taxes	29,521	26,703
Deferred revenue	<u>104,226</u>	<u>59,797</u>
Total current liabilities	<u>201,277</u>	<u>232,530</u>
Long term liabilities:		
Advance from SMART (Note 2)	150,000	150,000
Accrued sick pay	31,224	30,266
Accrued vacation	<u>51,087</u>	<u>47,880</u>
Total long term liabilities	<u>232,311</u>	<u>228,146</u>
Total liabilities	<u>433,588</u>	<u>460,676</u>
Net assets:		
Invested in capital assets	288,552	325,808
Designated for future capital improvements	1,000,000	1,000,000
Lake Erie Local Service System (LSS)	638,274	547,943
Monroe Essential Transportation Services (ETS)	107,296	84,849
Bcdford Local Service System	<u>13,461</u>	<u>13,738</u>
Total net assets	<u>\$ 2,047,583</u>	<u>\$ 1,972,338</u>

The notes to the financial statements are an integral part of this statement.

LAKE ERIE TRANSPORTATION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS
(MDOT SCHEDULE 3)

For the Year Ended June 30, 2007
 With Comparative Totals for the Year Ended June 30, 2006

	LSS			ETS		Bedford		Totals	
	Urban	Nonurban	Total	Nonurban	Urban	2007	2006		
Operating revenues:									
Linehaul - farebox	\$ 96,014	\$ 17,259	\$ 96,104	\$ 37,367	\$ 7,788	\$ 96,014	\$ 92,742		
Demand Response - farebox	17,259	17,259	34,518	175,225		79,673	67,450		
Contracts	770		770			175,225	175,380		
Other						770	1,163		
Total operating revenues	114,043	17,259	131,302	212,592	7,788	351,682	336,735		
Operating expenditures:									
Operations	1,598,232	177,581	1,775,813	423,596	161,119	2,360,528	2,251,428		
Maintenance	455,461	50,607	506,068	139,831	59,032	704,931	625,204		
Administrative	334,498	37,166	371,664	131,177	43,725	546,566	511,156		
RTAP expenses	4,437	493	4,930			4,930			
Total operating expenses	2,392,628	265,847	2,658,475	694,604	263,876	3,616,955	3,387,788		
Deficiency of revenues under expenditures	(2,278,585)	(248,588)	(2,527,173)	(482,012)	(256,088)	(3,265,273)	(3,051,053)		
Nonoperating revenues - Local:									
City of Monroe taxes	417,789	46,421	464,210			464,210	451,054		
Frenchtown Township taxes	508,131	56,459	564,590			564,590	542,851		
Monroe Township	22,982	2,553	25,535			25,535	24,647		
Bedford support					72,461	72,461	122,308		
Commission on Aging				161,850		161,850	157,602		
Interest income	62,757	6,973	69,730	866		70,596	46,464		
Advertising	40,430	4,492	44,922			44,922	39,617		
Other	1,205	134	1,339			1,339	32,244		
Total nonoperating revenues - local	1,053,294	117,032	1,170,326	162,716	72,461	1,405,503	1,416,787		

The notes to the financial statements are an integral part of this statement.

LAKE ERIE TRANSPORTATION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS
(MDOT SCHEDULE 3)

For the Year Ended June 30, 2007
 With Comparative Totals for the Year Ended June 30, 2006

	Urban	LSS Nonurban	Total	ETS Nonurban	Bedford Urban	Totals
						<u>2007</u>
						<u>2006</u>
Grants:						
CMAQ	\$ 98,558	\$ 10,951	\$ 109,509	\$	\$ 135,491	\$
Act 51	851,680	94,631	946,311	214,142	47,859	1,215,274
Section 5311		45,346	45,346	127,601		102,519
RTAP	3,647	405	4,052			
Section 5307	<u>304,704</u>		<u>304,704</u>			<u>281,300</u>
Total grant revenues	<u>1,258,589</u>	<u>151,333</u>	<u>1,409,922</u>	<u>341,743</u>	<u>183,350</u>	<u>1,599,093</u>
Total nonoperating revenues	<u>2,311,883</u>	<u>268,365</u>	<u>2,580,248</u>	<u>504,459</u>	<u>255,811</u>	<u>3,015,880</u>
Net income (loss)	33,298	19,777	53,075	22,447	(277)	(35,173)
Net assets – beginning of year			1,873,751	84,849	13,738	1,937,366
Adjustment for prior year settlement						<u>70,145</u>
Net assets – end of year			<u>\$ 1,926,826</u>	<u>\$ 107,296</u>	<u>\$ 13,461</u>	<u>\$ 1,972,338</u>

LAKE ERIE TRANSPORTATION COMMISSION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2007 and 2006

INCREASE IN CASH

	<u>2007</u>	<u>2006</u>
Cash flows from operations:		
Cash received from passenger fares and contracts	\$ 329,491	\$ 329,402
Cash paid to suppliers and employees	<u>(3,628,916)</u>	<u>(3,232,893)</u>
Net cash used in operating activities	<u>(3,299,425)</u>	<u>(2,903,491)</u>
Cash flows from noncapital financing activities:		
Contributions from local governments and agencies	1,334,907	1,366,841
Federal and State grants	1,994,240	1,659,136
Increase (decrease) in deferred revenue	44,429	47,685
Increase (decrease) in accrued sick pay	958	2,943
Increase (decrease) in accrued vacation	<u>3,207</u>	<u>(3,598)</u>
Net cash provided by financing activities	<u>3,377,741</u>	<u>3,073,007</u>
Cash flows from investing activities:		
Interest received	<u>70,596</u>	<u>46,464</u>
Net increase in cash	148,912	215,980
Cash at beginning of year	<u>1,660,989</u>	<u>1,445,009</u>
Cash at end of year	<u>\$ 1,809,901</u>	<u>\$ 1,660,989</u>

Cash includes amounts in demand deposits as well as investments with a maturity date within three months of the date acquired.

LAKE ERIE TRANSPORTATION COMMISSION

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2007 and 2006

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED
IN OPERATING ACTIVITIES

	<u>2007</u>	<u>2006</u>
Net operating loss	<u>\$ (3,265,273)</u>	<u>\$ (3,051,053)</u>
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	37,242	46,238
(Increase) decrease in receivables	(22,191)	(7,333)
(Increase) decrease in inventory	(25,551)	13,785
(Increase) decrease in prepaids	(28,561)	(2,773)
(Decrease) increase in accounts payable	2,091	21,735
(Decrease) increase in other payables	<u>2,818</u>	<u>75,910</u>
Total adjustments	<u>(34,152)</u>	<u>147,562</u>
Net cash used in operating activities	<u>\$ (3,299,425)</u>	<u>\$ (2,903,491)</u>

LAKE ERIE TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For financial reporting purposes, Lake Erie Transportation Commission includes all funds and accounts that are controlled by the Commission.

Lake Erie Transportation Commission is a primary governmental unit with no outside component units.

Lake Erie Transportation Commission (LETC) is engaged under contract with the Suburban Mobility Authority For Regional Transportation (SMART) to set policy and provide funding for public transportation to Monroe County residents, with the Monroe Essential Transportation Service giving priority to elderly and physically and mentally impaired persons, and the Bedford and Lake Erie Local Service System providing general public transportation. Under the terms of the contract, transportation equipment is provided by SMART. The building and grounds presently occupied by the Commission are owned by SMART and made available rent free.

Management services are provided under contract with SMART by First Transit America, a Division of FirstGroup America, Inc.

The accounting policies of Lake Erie Transportation Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Effective July 1, 2003, Lake Erie Transportation Commission implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the statement include the following:

- ◆ A Management's Discussion and Analysis (MD&A) section providing an analysis of the Commission's overall financial position and results of operations has been included with the financial statements.
- ◆ Financial statements prepared using full accrual accounting for all of the Commission's activities.
- ◆ A change in the fund financial statements to focus on the major fund.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Commission has elected to implement the general provisions of the statement.

Basic Financial Statements – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Revenues, Expenditures, and Changes in Fund Net Assets) report information on the activities of the Commission. Lake Erie Transportation Commission consists solely of a business-type activity; no governmental-type activity exists.

LAKE ERIE TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements are provided for the business-type fund which is the same as the governmental-wide financial statements.

The major individual fund (General Operating Fund) is reported in the financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

LETC uses the accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available for use in current operations. Expenses are recorded when the liability is incurred.

LETC accounts for its operations in a manner similar to private business enterprises, where the intent of LETC is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis are financed through user charges, SMART subsidy, or local tax revenues. LETC is deemed to be an enterprise fund.

Monroe Essential Transportation Services (ETS), Lake Erie Local Service System (LSS), and Bedford Local Service System share common expenses. These expenses were allocated at year-end based on the number of actual bus hours, bus miles, and peak number of buses operated by each system during the year.

Cash and Investments – Cash and cash investments are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are reported at fair value.

Inventory – LETC maintains an inventory of repair and replacement parts at cost. Parts are charged to expense when they are used.

Fixed Assets and Depreciation – Fixed assets are stated at cost. Cost relating to maintenance and repairs are charged to expense. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives. The estimated lives are defined in the R & E Manual and should be approved by the Bureau of Passenger Transportation (BPT).

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported 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.

LAKE ERIE TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 2: ADVANCE FROM SMART

SMART continues its advance to LETC in the sum of \$150,000, as the estimated amount of working capital funds required to maintain proper fiscal management. The advanced funds shall be deducted over the last two reimbursement payments under the current contract with SMART unless a successor contract has been entered into between the parties which provides for the continuance of the advance.

NOTE 3: ACCRUED SICK AND VACATION PAY

As provided in the union contract between LETC and the United Steelworkers of America, Local 2511, all non-probationary employees are eligible to accumulate sick leave to a maximum of forty (40) days. Leave is accumulated at three-quarters (3/4) days per month worked. At June 30, 2007, the liability for unused sick leave was \$31,224.

Also, LETC has accumulated vacation pay for those employees who have unused vacation time up to their anniversary date. The liability at June 30, 2007 was \$51,087.

NOTE 4: SETTLEMENTS RECEIVABLE AND PAYABLE

Estimated settlements due from SMART are as follows:

<u>Fiscal Year</u>	<u>Total Settlement</u>
2004-2005 (Bedford) Act 51 (Payable)	\$ (492)
2004-2005 Sec 5311	228
2006-2007 Sec 5307	211,444
2006-2007 Act 51 (Payable)	<u>(165,199)</u>
	<u>\$ 45,981</u>

This receivable account also included June 2007 monthly grant payments from SMART totaling \$129,635.

Estimated settlements due to SMART on Act 51 and Section 5311 are as follows:

<u>Fiscal Year</u>	<u>Total Settlement</u>
1999---2000	\$ 1,098
2000---2001 (Receivable)	(1,764)
2001 - 2002	7,430
2002 - 2003	32
2003 - 2004	375
2004 - 2005	4,784
2006 - 2007	<u>5,791</u>
	<u>\$ 17,746</u>

The settlements payable are included in the amount 'Due to Smart' shown in the financial statements.

This payable account also included the June 2007 monthly expenses of \$15,504 reimbursed to SMART.

LAKE ERIE TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 5: FUNDING FROM SMART

SMART funding of the three systems operated by LETC consists of Federal and State funds which are received through SMART. Funding for the fiscal year ending June 30, 2007 was as follows:

<u>Amounts Received</u>	<u>LSS</u>	<u>ETS</u>	<u>Bedford</u>	<u>Adjustment For Fiscal Year 2005 – 2006 Settlements</u>	<u>Total</u>
Federal Funds:					
Section 5311	\$ 46,840	\$ 131,898	\$	\$ (5,791)	\$ 172,947
Section 5307	283,250			21,454	304,704
CMAQ	109,509		135,491		245,000
State Funds:					
Act 51	<u>1,014,472</u>	<u>275,489</u>	<u>83,550</u>	<u>(165,199)</u>	<u>1,208,312</u>
Total	<u>\$ 1,454,071</u>	<u>\$ 407,387</u>	<u>\$ 219,041</u>	<u>\$ (149,536)</u>	<u>\$ 1,930,963</u>

Included in the above amounts are expenses incurred by SMART on behalf of LETC in the amount of \$186,312.

NOTE 6: DEPOSITS AND INVESTMENTS

Investment Policy

Credit Risk – State statutes authorize Lake Erie Transportation Commission to invest in obligations of the U.S. Treasury, agencies, and instrumentalities: Commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptance of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions that are insured with the applicable federal agency. Public funds of Lake Erie Transportation Commission may not be deposited in financial institutions located in states other than Michigan. The Commission has authorized one depository, Fifth Third Bank.

The Commission has no policy on limiting uninsured or uncollateralized deposits. Nor does it have a policy on limiting concentration of credit risk.

Interest Rate Risk – The Commission has no policy on interest rate risk.

Custodial Credit Risks – Deposits

All deposits are in the form of checking accounts with Fifth Third Bank. The carrying value of LETC's deposits was \$748,343 at June 30, 2007 and the bank balances were \$797,061. Of the bank balance, \$697,061 was uninsured and uncollateralized and \$100,000 was covered by Federal depository insurance.

LAKE ERIE TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risks – Investments

All investments are with Fifth Third Securities, Inc. Investments at June 30, 2007 consist of:

	<u>Market Value</u>
U.S. Government Money Market Fund, fixed, 4.97%	\$ 256,217
Federal Home Loan Mortgage, 4.00%, 7-15-11	85,565
Federal National Mortgage Association, 4.0%, 1-25-27	5,395
Savings Account 4.3%	27,512
Federal Home Loan Mortgage 4.5%, 7-15-26	281,473
Federal Home Loan Mortgage 4.75%, 9-15-28	293,671
Federal Home Loan Mortgage 5.00%, 5-15-29	<u>111,725</u>
	<u>\$ 1,061,558</u>

The above investments are not exposed to credit risks.

Interest Rate Risks – Investments

The money market investment is not subject to interest rate risks because its shares are always valued at \$1.00. The government securities have interest rate risks as shown above by their maturities and interest rates.

NOTE 7: TAX REVENUE

During 2006, Frenchtown Township levied .500 mills for the LSS System based on a property taxable value of \$1,132,264,000 and the City of Monroe levied .4981 mills for the LSS System based on a property taxable value of \$964,207,860.

NOTE 8: CAPITAL ASSETS

All buildings, vehicles, and equipment used by Lake Erie Transportation Commission are owned by SMART or the State of Michigan.

The capital asset values shown on the financial statements represent LETC's share of funding of the transfer station (building) and certain vehicles.

LAKE ERIE TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 8: CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets:				
Building	\$ 229,035	\$	\$	\$ 229,035
Vehicles	<u>256,246</u>	<u> </u>	<u> </u>	<u>256,246</u>
	<u>485,281</u>	<u>-</u>	<u>-</u>	<u>485,281</u>
Less – Accumulated Depreciation				
Building	27,337	11,451		38,788
Vehicles	<u>132,150</u>	<u>25,791</u>	<u> </u>	<u>157,941</u>
	<u>159,487</u>	<u>37,242</u>	<u>-</u>	<u>196,729</u>
Net capital assets	<u>\$ 325,794</u>	<u>\$ (37,242)</u>	<u>\$ -</u>	<u>\$ 288,552</u>

NOTE 9: CONTINGENCIES

Lake Erie Transportation Commission is subrecipient of mass transit operating assistance funds from the State of Michigan and the Federal Government. Suburban Mobility Authority for Regional Transportation (SMART) is the primary recipient of these funds passing them through to Lake Erie Transportation.

The State of Michigan conducts examinations of prior years' eligible cost related to this funding and may raise questions concerning eligibility of certain costs for reimbursement. The ultimate outcome cannot presently be determined. Accordingly, no provision for any loss that may result from the resolution of this matter has been made in the accompanying financial statements.

NOTE 10. PENSION PLANS

Lake Erie Transportation Commission has two pension plans.

One plan covers union employees. This plan is a multi-employer defined benefit plan administered by the Steelworkers Pension Trust. The plan is funded by employer contribution only. The contribution for fiscal year 2006-07 was \$37,369. No current actuarial information is available.

The second pension plan for all other full-time employees is a money purchase plan through the Michigan Employees Retirement System (MERS) and the plan administrator is the ICMA Retirement Corporation. The plan is funded by employer only based on 2% of participant's earnings. This contribution was \$6,022.

LAKE ERIE TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 11: COST ALLOCATION

Lake Erie Transportation Commission's transit systems' cost allocation plans are under Suburban Mobility Authority For Regional Transportation (SMART) (Charter 1983). And, the Lake Erie Transit (LSS System) urban/nonurban cost allocation was approved by MDOT on July 31, 2003.

NOTE 12: INELIGIBLE EXPENSE

Ineligible expenses are classified appropriately to the definition in the Local Public Revenue and Expense Manual. The following are adjustments to eligible expenses:

APTA Dues

APTA dues were paid in fiscal year 2006-2007 and a portion (10%) represents lobbying expenses.

Depreciation

Depreciations expense is a non-allowable expense because in this case it represents partial expensing of the local contribution on the buses and street car purchased, and transfer facility which did not have the asset lives approved by Bureau of Passenger Transportation (BPT)

Audit Fee

A transit agency was required to have a single audit for the prior year. As such, the cost of the annual financial audit was not an eligible expense under Section 5311 in FY 2006-07.

Section 5307 Funding

Section 5307 money used to pay for operating expenses are subtracted from eligible expenses for Federal and State formula operating funds.

CMAQ Grant Funding

CMAQ grant funds are subtracted from eligible expenses for Federal and State formula operating funds.

RTAP Funding

RTAP funds used for training are subtracted from eligible expenses for Federal and State formula operating funds.

NOTE 13: NONFINANCIAL DATA

The methodology used for compiling mileage and hours shown on schedules in this audit report were found to be adequate and reliable.

LAKE ERIE TRANSPORTATION COMMISSION

**LOCAL REVENUE
(MDOT SCHEDULE 1)**

For the Year Ended June 30, 2007

	LSS		ETS		Bedford	
	7/1/06 9/30/06	10/1/06 6/30/07	7/01/06 9/30/06	10/1/06 6/30/07	7/01/06 9/30/06	10/01/06 6/30/07
Line Haul – Farebox (Urban)	\$ 23,031	\$ 72,933	\$	\$	\$ 2,455	\$ 5,343
Demand Response – Farebox (Urban)	3,387	13,872				
Demand Response – Farebox (Nonurban)	3,388	13,871	9,791	27,576		
Contracts – CMH			30,538	144,687		
Other – CMH	97	673				
City of Monroe – taxes	379,055	85,155				
Frenchtown Township – taxes	449	564,141				
Monroe Township		25,535				
Bedford support					24,131	48,330
Commission on Aging			39,837	122,013		
Interest income	6,045	63,685	19	847		
Advertising	30,678	14,244				
Other	354	985				
Totals	\$ 446,534	\$ 855,094	\$ 80,185	\$ 295,123	\$ 26,576	\$ 53,673
		\$ 1,301,628		\$ 375,308		\$ 80,249

LAKE ERIE TRANSPORTATION COMMISSION

LOCAL REVENUE
(MDOT SCHEDULE IA and 4R)

For the Year Ended September 30, 2006

	LSS		ETS		Bedford		Grand Total
	10/1/05 6/30/06	7/1/06 9/30/06	10/01/05 6/30/06	7/1/06 9/30/06	10/01/05 6/30/06	7/01/06 9/30/06	
Line Haul – Farebox (Urban)	\$ 72,156	\$ 23,081	\$	\$	\$ 5,466	\$ 2,445	\$ 95,237
Demand Response – Farebox (Urban)	12,888	3,387					24,186
Demand Response – Farebox (Nonurban)	12,888	3,388	22,187	9,791			48,254
Contracts – CMH			132,712	30,538			163,250
Other – CMH	1,163	97					1,260
City of Monroe – taxes	39,022	379,055					418,077
Frenchtown Township – taxes	543,302	449					543,751
Monroe Township	24,645				101,700	24,131	24,645
Bedford support							125,831
Commission on Aging	43,647	6,045	118,434	39,837			158,271
Interest income	29,793	30,678	333	19			50,044
Advertising	30,062	354					60,471
Other							30,416
Totals	\$ 809,566	\$ 446,534	\$ 273,666	\$ 80,185	\$ 107,166	\$ 26,576	\$ 1,743,693
							\$ 133,742
							\$ 353,851

LAKE ERIE TRANSPORTATION COMMISSION
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
(MDOT SCHEDULE 3)

For the Year Ended June 30, 2007

With Comparative Totals for the Year Ended June 30, 2006

	Urban (A)	LSS Nonurban (B)	Total	ETS Nonurban	Bedford Urban (B)	Total	2007 Total	Budget	2006 Total
Operations:									
Drivers' wages	\$ 735,082	\$ 81,676	\$ 816,758	\$ 181,312	\$ 69,709	\$ 1,067,779	\$ 1,068,965	\$ 1,009,248	
Supervisor salary	61,215	6,802	68,017	15,099	5,805	88,921	81,024	88,154	
Dispatchers' wages	81,844	9,094	90,938	20,187	7,761	118,886	123,189	108,964	
Fringe benefits	393,809	43,756	437,565	97,135	37,345	572,045	629,844	522,850	
Fuel and lubricants	179,772	19,975	199,747	55,192	23,300	278,239	345,676	288,678	
Tires and tubes	12,615	1,402	14,017	3,873	1,635	19,525	30,000	17,419	
Other materials	4,959	551	5,510	1,522	643	7,675	6,002	7,123	
Vehicle insurance	96,446	10,716	107,162	37,822	12,607	157,591	150,000	154,928	
Miscellaneous	8,691	966	9,657	2,144	824	12,625	10,000	7,827	
Depreciation	23,798	2,644	26,442	9,310	1,490	37,242	-	46,237	
Total operations	<u>1,598,231</u>	<u>177,582</u>	<u>1,775,813</u>	<u>423,596</u>	<u>161,119</u>	<u>2,360,528</u>	<u>2,444,700</u>	<u>2,251,428</u>	
Maintenance:									
Wages	243,716	27,079	270,795	74,823	31,588	377,206	361,046	339,557	
Fringe benefits	112,676	12,520	125,196	34,593	14,604	174,393	173,804	151,667	
Other services	26,881	2,987	29,868	8,253	3,484	41,605	35,000	31,725	
Materials	70,931	7,881	78,812	21,776	9,193	109,781	100,000	101,093	
Miscellaneous	1,257	140	1,397	386	163	1,946	4,250	1,162	
Total maintenance	<u>455,461</u>	<u>50,607</u>	<u>506,068</u>	<u>139,831</u>	<u>59,032</u>	<u>704,931</u>	<u>674,100</u>	<u>625,204</u>	
Administrative:									
Wages	44,976	4,997	49,973	17,638	5,879	73,490	70,802	66,642	
Fringe benefits	17,964	1,996	19,960	7,045	2,348	29,353	32,803	29,039	
Professional services	152,794	16,977	169,771	59,919	19,973	249,663	259,095	246,334	
Supplies	7,342	816	8,158	2,879	960	11,997	15,000	15,927	
Utilities	23,972	2,663	26,635	9,401	3,134	39,170	60,000	40,000	
Telephone	20,465	2,274	22,739	8,026	2,675	33,440	30,000	26,614	
Insurance	20,084	2,231	22,315	7,876	2,625	32,816	30,000	27,888	
Travel and meetings	1,621	180	1,801	635	212	2,648	20,000	18,006	
Advertising and promotion	35,597	3,955	39,552	13,960	4,653	58,165	25,000	36,174	
Miscellaneous	9,684	1,076	10,760	3,798	1,266	15,824	2,500	4,532	
Total administrative	<u>334,499</u>	<u>37,165</u>	<u>371,664</u>	<u>131,177</u>	<u>43,725</u>	<u>546,566</u>	<u>545,200</u>	<u>511,156</u>	
RTAP expense	4,437	493	4,930	-	-	4,930	-	-	
Total operating expenses	<u>\$ 2,392,628</u>	<u>\$ 265,847</u>	<u>\$ 2,658,475</u>	<u>\$ 694,604</u>	<u>\$ 263,876</u>	<u>\$ 3,616,955</u>	<u>\$ 3,664,000</u>	<u>\$ 3,387,788</u>	

(A) Expenses relate to Section 5307 funding (M1-90-X541-00)

(B) Expenses relate to CMAQ funding (M1-90-X515)

LAKE ERIE TRANSPORTATION COMMISSION

**SCHEDULE OF GRANT EXPENSES
(MDOT SCHEDULE 3)**

For the Year Ended June 30, 2007

	MI-90-4489 FY 06 <u>Sec 5307</u>	MI-90-4541 FY 07 <u>Sec 5307</u>	Total <u>Sec 5307</u>	MI-90-X515 FY 06 <u>CMAQ</u>	MI-90-X515 FY 07 <u>CMAQ</u>	Total <u>CMAQ</u>
Operations:						
Driver's wages	\$ 28,970	\$ 65,709	\$ 94,679	\$ 35,753	\$ 34,440	\$ 70,193
Supervisor salary	2,412	5,472	7,884	3,136	2,868	6,004
Dispatcher's wages	3,225	7,317	10,542	3,876	3,835	7,711
Fringe benefits	15,520	35,203	50,723	18,598	18,450	37,048
Fuel and lubricant	7,085	16,070	23,155	11,071	9,845	20,916
Tires and tubes	497	1,128	1,625	668	691	1,359
Other materials	195	444	639	253	272	525
Vehicle insurance	3,801	8,621	12,422	6,681	5,306	11,987
Miscellaneous	<u>343</u>	<u>776</u>	<u>1,119</u>	<u>278</u>	<u>407</u>	<u>685</u>
Total operations	<u>62,048</u>	<u>140,740</u>	<u>202,788</u>	<u>80,314</u>	<u>76,114</u>	<u>156,428</u>
Maintenance:						
Wage	9,605	21,786	31,391	13,022	13,347	26,369
Fringe benefits	4,441	10,072	14,513	5,817	6,171	11,988
Other services	1,059	2,403	3,462	1,216	1,472	2,688
Materials	2,873	6,431	9,304	4,380	3,890	8,270
Miscellaneous	<u>50</u>	<u>112</u>	<u>162</u>	<u>45</u>	<u>69</u>	<u>114</u>
Total maintenance	<u>18,028</u>	<u>40,804</u>	<u>58,832</u>	<u>24,480</u>	<u>24,949</u>	<u>49,429</u>
Administrative:						
Wages	1,773	4,020	5,793	2,874	2,474	5,348
Fringe benefits	708	1,606	2,314	1,252	988	2,240
Professional services	6,022	13,658	19,680	9,153	8,406	17,559
Supplies	289	657	946	687	404	1,091
Utilities	945	2,143	3,088	1,725	1,319	3,044
Telephone	806	1,830	2,636	1,148	1,126	2,274
Insurance	792	1,795	2,587	1,203	1,105	2,308
Travel & meetings		208	208	943	89	1,032
Advertising	1,403	3,182	4,585	1,560	1,958	3,518
Miscellaneous	<u>446</u>	<u>801</u>	<u>1,247</u>	<u>196</u>	<u>533</u>	<u>729</u>
Total administrative	<u>13,184</u>	<u>29,900</u>	<u>43,084</u>	<u>20,741</u>	<u>18,402</u>	<u>39,143</u>
Total expenses	<u>\$ 93,260</u>	<u>\$ 211,444</u>	<u>\$ 304,704</u>	<u>\$ 125,535</u>	<u>\$ 119,465</u>	<u>\$ 245,000</u>

LAKE ERIE TRANSPORTATION COMMISSION
SCHEDULE OF NET ELIGIBLE COSTS COMPUTATION
(MDOT SCHEDULE 2A, 3A)

For the Year Ended June 30, 2007

	LAKE ERIE LOCAL SERVICE SYSTEM	
	7/01/06 <u>9/30/06</u>	10/01/06 <u>6/30/07</u>
Expenses:		
Operations	\$ 436,699	\$ 1,339,114
Maintenance	109,681	396,387
Administrative	82,811	288,853
RTAP expenses	<u>2,630</u>	<u>2,300</u>
Total expenses	631,821	2,026,654
Ineligible expenses:		
Less: Depreciation expense	(6,607)	(19,835)
Less: RTAP expenses reimbursed	(2,630)	(1,422)
Less: Section 5703 funding	(93,260)	(211,444)
Less: CMAQ	(6,855)	(51,970)
Less: APTA Dues	<u> </u>	<u>(41)</u>
Net eligible expenses – Act 51	<u>\$ 522,469</u>	<u>\$ 1,741,942</u>
Less: Audit fee		<u>(5,662)</u>
Net eligible expenses – Section 5311	522,469	1,736,280
Net eligible expenses – Section 5311 – 10%	<u>\$ 52,247</u>	<u>\$ 173,628</u>
Net eligible expenses – Section 5307 – 90% (Sec. 5307 deduction added back)	<u>\$ 554,156</u>	<u>\$ 1,752,952</u>
Grant Reimbursement Received – Act 51, Section 5311, and Section 5307		
Act 51	235,315	779,157
Section 5311	16,168	30,672
Section 5307	<u>93,260</u>	<u>211,444</u>
Total grant reimbursement	<u>\$ 344,743</u>	<u>\$ 1,021,273</u>

MONROE ESSENTIAL TRANSPORTATION SERVICES		BEDFORD LOCAL SERVICE SYSTEM		<u>Total</u>
<u>7/01/06</u> <u>9/30/06</u>	<u>10/01/06</u> <u>6/30/07</u>	<u>7/01/06</u> <u>9/30/06</u>	<u>10/01/06</u> <u>6/30/07</u>	
\$ 105,006	\$ 318,590	\$ 39,415	\$ 121,704	\$ 2,360,528
30,733	109,098	12,386	46,646	704,931
27,998	103,179	9,188	34,537	546,566
				4,930
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
163,737	530,867	60,989	202,887	3,616,955
(2,328)	(6,982)	(372)	(1,118)	(37,242)
				(4,052)
				(304,704)
		(22,219)	(67,495)	(148,539)
				(41)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 161,409</u>	<u>\$ 523,885</u>	<u>\$ 38,398</u>	<u>\$ 134,274</u>	<u>\$ 3,122,377</u>
	(1,915)			(7,577)
<u>\$ 161,409</u>	<u>\$ 521,970</u>			<u>\$ 2,942,128</u>
				<u>\$ 225,875</u>
				<u>\$ 2,307,108</u>
\$ 66,167	\$ 209,322	\$ 22,224	\$ 61,326	\$ 1,373,511
45,660	86,238			178,738
				304,704
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 111,827</u>	<u>\$ 295,560</u>	<u>\$ 22,224</u>	<u>\$ 61,326</u>	<u>\$ 1,856,953</u>

LAKE ERIE TRANSPORTATION COMMISSION
SCHEDULE OF NET ELIGIBLE COSTS COMPUTATION
(MDOT SCHEDULE 2B, 3B, 4E, 5)

For the Year Ended September 30, 2006

	LAKE ERIE LOCAL SERVICE SYSTEM (Nonurban)		
	10/1/05 6/30/06	7/1/06 9/30/06	Total
	Expenses:		
Operations	\$ 1,283,444	\$ 436,699	\$ 1,720,143
Maintenance	338,520	109,681	448,201
Administrative	263,817	82,811	346,628
RTAP expenses	<u> </u>	<u>2,630</u>	<u>2,630</u>
Total expenses	1,885,781	631,821	2,517,602
Ineligible expenses:			
Less: Depreciation expense	(24,621)	(6,607)	(31,228)
Less: RTAP expenses reimbursed		(2,630)	(2,630)
Less: Section 5703 funding	(189,990)	(93,260)	(283,250)
Less: CMAQ	(50,684)	(6,855)	(57,539)
Less: APTA Dues	<u>(41)</u>	<u> </u>	<u>(41)</u>
Net eligible expenses – Act 51	<u>\$ 1,620,445</u>	<u>\$ 522,469</u>	<u>\$ 2,142,914</u>
Net eligible expenses – Section 5311 – 100%			
Net eligible expenses – Section 5311 – 10%	<u>\$ 162,045</u>	<u>\$ 52,247</u>	<u>\$ 2,142,292</u>
Net eligible expenses – Section 5307 – 90% (Sec. 5307 deduction added back)	<u>\$ 1,629,392</u>	<u>\$ 554,156</u>	<u>\$ 2,183,548</u>
Maximum Reimbursement:			
Act 51 (38.8857% of eligible expenses) Nonurban			<u>\$ 833,287</u>
Act 51 (32.82347% of eligible expenses) Urban			<u>\$ 36,430</u>
Section 5311 (17% of eligible expenses)			
Grant Reimbursement Received – Act 51, Section 5311, and Section 5307			
Act 51	665,110	235,315	900,425
Section 5311	21,756	16,168	37,924
Section 5307	<u>189,990</u>	<u>93,260</u>	<u>283,250</u>
Total grant reimbursement	<u>\$ 876,856</u>	<u>\$ 344,743</u>	<u>\$ 1,221,599</u>

MONROE ESSENTIAL TRANSPORTATION SERVICES (Nonurban)

BEDFORD LOCAL SERVICE SYSTEM (Urban)

<u>10/1/05</u> <u>6/30/06</u>	<u>7/1/06</u> <u>9/30/06</u>	<u>Total</u>	<u>10/1/05</u> <u>6/30/06</u>	<u>7/1/06</u> <u>9/30/06</u>	<u>Total</u>
\$ 296,211	\$ 105,006	\$ 401,217	\$ 102,206	\$ 39,415	\$ 141,621
97,894	30,733	128,627	34,640	12,386	47,026
90,789	27,998	118,787	34,460	9,188	43,648
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
484,894	163,737	648,631	171,306	60,989	232,295
(8,669)	(2,328)	(10,997)	(1,388)	(372)	(1,760)
			(45,777)	(22,219)	(67,996)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 476,225</u>	<u>\$ 161,409</u>	<u>\$ 637,634</u>	<u>\$ 124,141</u>	<u>\$ 38,398</u>	<u>\$ 162,539</u>
<u>\$ 476,225</u>	<u>\$ 161,409</u>	<u>\$ 637,634</u>			
		<u>\$ 247,948</u>			<u>\$ 53,351</u>
		<u>\$ 108,397</u>			
\$ 243,128	\$ 66,167	\$ 309,295	\$ 66,690	\$ 22,230	\$ 88,920
67,035	45,660	112,695			
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 310,163</u>	<u>\$ 111,827</u>	<u>\$ 421,990</u>	<u>\$ 66,690</u>	<u>\$ 22,230</u>	<u>\$ 88,920</u>

LAKE ERIE TRANSPORTATION COMMISSION

SCHEDULE OF MILEAGE DATA

For the Year Ended June 30, 2007

	<u>LSS</u>	<u>ETS</u>	<u>Bedford</u>	<u>Total Mileage</u>
<u>Demand Response:</u>				
First Quarter	\$ 143,195	\$ 43,716	\$ 17,576	\$ 204,487
Second Quarter	147,191	40,255	17,692	205,138
Third Quarter	155,388	40,645	17,046	213,079
Fourth Quarter	<u>144,791</u>	<u>42,008</u>	<u>18,030</u>	<u>204,829</u>
Total operation	<u>\$ 590,565</u>	<u>\$ 166,624</u>	<u>\$ 70,344</u>	<u>\$ 827,533</u>

LAKE ERIE TRANSPORTATION COMMISSION
REGULAR SERVICE NONFINANCIAL REPORTN
(MDOT SCHEDULE 4N)

For the Year Ended September 30, 2006

Description	<u>Weekday</u>	<u>Saturday</u>	<u>Total</u>
LSS - Linehaul (Urban)			
Vehicle hours	27,383	1,891	29,274
Vehicle miles	309,986	25,792	335,778
LSS – Demand response (Urban/Nonurban)			
Vehicle hours	12,566	689	13,255
Vehicle miles	196,592	11,457	208,049
ETS - Demand response (Nonurban)			
Vehicle hours	9,054		9,054
Vehicle miles	153,647		153,647
Bedford – Demand response (Urban)			
Vehicle hours	3,154		3,154
Vehicle miles	54,492		54,492

Above figures are operating hours and miles.

Above figures include 1,325 hours under the LSS System and 1,227 hours under the Bedford System were reimbursed by a CMAQ Grant at 80% of cost.

LAKE ERIE TRANSPORTATION COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(MIDOT SCHEDULE 2)

For the Year Ended June 30, 2007

Federal and State Grant/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant No. Authorization Number	Program Award Amount	Current Year's Expenditures		
				Total	Federal	State
<u>United States Department of Transportation</u> Direct Assistance Transit operating grant - Section 5307	20.507	MI-90-x541-00	\$ 304,704	\$ 304,704	\$	\$
Pass-Through Michigan Department of Transportation Operating Assistance - Section 5311	20.509	2007-0294/Z2	147,618	147,618		
Congestion, Mitigation and Quantity Improvement Program (CMAQ)	20.507	MI-90-X515	148,539	148,539		37,135
Rural Transit Assistance Program (RTAP)	20.215	N/A	4,052	4,052		
Total Federal			<u>\$ 604,913</u>	<u>\$ 604,913</u>	<u>\$</u>	<u>\$ 37,135</u>
<u>Michigan Department of Transportation</u> Operating Assistance - Act 51 Urban			56,275	56,275		
Nonurban			<u>1,141,012</u>	<u>1,141,012</u>		
Total State			<u>\$ 1,197,287</u>	<u>\$ 1,197,287</u>	<u>\$</u>	<u>\$</u>

LAKE ERIE TRANSPORTATION COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified			
Internal control over financial reporting:				
* Material weakness(es) identified?	___	YES	___X	NO
* Reportable condition(s) identified that are not considered to be material weaknesses?	___	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
* Reportable condition(s) identified that are not considered to be material weaknesses?	___	YES	___X	NONE REPORTED
Type of auditors' report issued on compliance for major program:				Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	___	YES	___X	NO

LAKE ERIE TRANSPORTATION COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

SECTION I - SUMMARY OF AUDITORS' RESULTS

IDENTIFICATION OF MAJOR PROGRAM:

<u>CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Name of Federal Program</u>
20.507	MI-90-X541-00	Transit operating grant-Section 5307

Dollar Threshold used to distinguish
between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

_____ YES X NO

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

August 16, 2007

Board of Commissioners
Lake Erie Transportation Commission
Monroe, Michigan

This comment letter related to our audit of the financial statements of Lake Erie Transportation Commission for the year ended June 30, 2007 discusses capital assets, financial reporting, and Federal and State funding.

Capital assets

Lake Erie Transportation Commission could receive State and Federal funding for depreciation expense on capital assets purchased by the Commission. To receive reimbursement, the useful lives of capital assets, over which depreciation is taken, must be approved by the Bureau of Passenger Transportation of the Michigan Department of Transportation. Currently the depreciation lives of these capital assets do not have such approval.

Expanded Financial Reporting

The financial statements presented in the audit report for the year ended June 30 2007 have been expanded. Additional information has been provided for urban and nonurban revenue and expenditures by system. Financial statements are presented showing financial information based on the fiscal year of September 30, 2006. Also, a schedule of grant expenses is shown. And, additional statistical data is given on vehicle operating hours.

All additional reporting is required by the State.

Federal and State Funding

Funding under federal Section 5311 has remained constant for fiscal year 2006 and fiscal year 2007 at 17%; however, it will probably decrease to 16% for fiscal year 2008.

State funding under Act 51 changed slightly from fiscal year 2006 from fiscal year 2007 at 38.62%; however, for fiscal year 2008 it may decrease to 36.16%.

Both Federal Section 5311 and State Act 51 are effected adversely by Section 5307 operating funds being subtracted from eligible expenses. This reduces both federal Section 5311 and State Act 51 funding.

We again appreciate the assistance provided by the staff of the Lake Erie Transportation Commission during our audit.

Robertson, Eaton & Owen, P.C.