

### 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 Detroit Transportation Corporation	County Wayne
Fiscal Year End June 30, 2007	Opinion Date January 15, 2008	Date Audit Report Submitted to State February 04, 2008	

We affirm that:

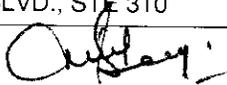
We are certified public accountants licensed to practice in Michigan.

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

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

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

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

<b>We have enclosed the following:</b>	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 checked="" type="checkbox"/>	Letter of Significant Deficiency	
Certified Public Accountant (Firm Name) ALAN C YOUNG & ASSOCIATES, P.C.		Telephone Number (313) 873 7500	
Street Address 2990 W. GRAND BLVD., STE 310		City Detroit	State MI
Authorizing CPA Signature 		Printed Name Anil Sakhuja	Zip 48202
		License Number 110102118	

**DETROIT TRANSPORTATION CORPORATION  
FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2007**

DETROIT TRANSPORTATION CORPORATION

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**Alan C.  
Young & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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2990 W. Grand Blvd., Suite 310  
Detroit, MI 48202

(313) 873-7500  
(313) 873-7502 (Fax)  
[www.alanycyoung.com](http://www.alanycyoung.com)

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Detroit Transportation Corporation  
Detroit, Michigan

We have audited the accompanying financial statements of the Detroit Transportation Corporation (DTC), a component unit of the City of Detroit, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of DTC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the DTC as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 15, 2008 on our consideration of DTC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Independent Auditors' Report  
(Continued)**

The Management's Discussion and Analysis and the schedule of employer contribution are not a required part of the basic financial statements but are required 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. The accompanying other supplementary schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.



January 15, 2008

**MANAGEMENT DISCUSSION  
&  
ANALYSIS (MD&A)**

**DETROIT TRANSPORTATION CORPORATION  
MANAGEMENT DISCUSSION & ANALYSIS  
YEAR ENDED JUNE 30, 2007**

The management of Detroit Transportation Corporation presents this narrative overview and analysis of the financial activities of the DTC for the fiscal year ended June 30, 2007. This discussion and analysis provides the management's insights to assist the readers to identify significant financial issues and also the changes in the financial position. We encourage readers to consider this information in conjunction with the financial statements as a whole.

Questions concerning any of the information provided in this report or request for additional information should be addressed to the Chief Financial Officer, Detroit Transportation Corporation, 1420 Washington Blvd, 3rd Floor, Detroit MI 48226, Telephone # (313) 224-2160.

## **INTRODUCTION**

The financial statements include the Statement of Net Assets, Statement of Revenues, Expenditures and Changes in Fund Net Assets and Statement of Cash Flows. These statements are supported by the notes to the financial statements, Management Discussion & Analysis (MD&A), and Required Supplementary Information other than MD&A.

## **FINANCIAL HIGHLIGHTS**

The assets of the Corporation exceeded its liabilities at June 30, 2007 by \$86.95 million (net assets).

The enterprise fund activities operating loss increased by \$1,913,232 or 24.15 % compared to prior year. The decrease in net assets was \$7,538,740 which showed a decrease of 7.97 % over the prior year.

Per the statements of net assets, the Corporation has \$10,061,637 of its net assets restricted for beam crack repairs which are currently invested in Comerica Bank and recorded at its fair value as of June 30, 2007.

The largest portion of the Corporation's net assets is reflected in its investment in capital assets (land, artwork, transportation equipment, office equipment, etc.).

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as information regarding the DTC's basic financial statements. Since the Corporation is comprised of a single enterprise fund, no fund level financial statements are shown.

**Basic Financial Statements** – These are designed to provide the readers with a broad overview of the DTC's finances, in a manner similar to a private sector business. The statement of net assets presents the information about DTC's assets and liabilities and the difference between the two is reported as net assets. The statement of revenues, expenses and changes in fund net assets presents the revenues earned and expenses incurred during the year on an accrual basis.

**DETROIT TRANSPORTATION CORPORATION**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**YEAR ENDED JUNE 30, 2007**  
(Continued)

**Notes to Financial Statements** – The notes provide additional information which is essential to a full understanding of the data provided in the basic financial statements.

**Required Supplementary Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the DTC's net revenues, and budgetary highlights of revenues and expenditures as well as trend data on infrastructure condition.

**Statement of Net Assets** – Presented below are the condensed net assets (the detailed financial statement is provided on pages 7 and 8):

<u>Assets:</u>	<u>2007</u>	<u>2006</u>
Current Assets	\$12,289,766	\$13,354,215
Restricted Assets	10,061,637	9,524,883
Capital Assets Net of Accumulated Depreciation	67,562,589	73,723,497
<b>Total Assets</b>	<u>89,913,992</u>	<u>96,602,595</u>
<b>Liabilities:</b>		
Current Liabilities	2,625,433	1,741,819
Accrued Compensated Absences	289,706	363,311
Unearned Revenue	40,128	0
<b>Total Liabilities</b>	<u>2,955,267</u>	<u>2,105,130</u>
<b>Net Assets:</b>		
Unrestricted	9,334,499	11,249,085
Invested in Capital Assets, Net of Related Debt	67,562,589	73,723,497
Temporarily Restricted for Beam Repairs	<u>10,061,637</u>	<u>9,524,883</u>
<b>Total Net Assets</b>	<u>\$86,958,725</u>	<u>\$94,497,465</u>

**Analysis of Net Assets** – As noted earlier, net assets may serve as a useful indicator of a government's financial position. The DTC's assets exceeded liabilities by \$86.95 million at the close of fiscal year 2007.

**DETROIT TRANSPORTATION CORPORATION**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**YEAR ENDED JUNE 30, 2007**  
(Continued)

**Statement of Activities** – Presented below is the condensed activities for the years ended June 30, 2007 and 2006 (the detailed financial statement is presented on page 9):

	<b>2007</b>	<b>2006</b>
<b>Operating Revenues:</b>		
<hr/>		
Charges for Sales and Services: Ticket Sales	\$1,068,241	\$991,814
Intergovernmental - City Subsidy	6,366,901	7,896,198
Intergovernmental - State of Michigan	4,024,676	3,858,853
<b>Total Operating Revenues</b>	<b>11,459,818</b>	<b>12,746,865</b>
<b>Operating Expenses:</b>		
<hr/>		
Administration	(13,007,787)	(12,480,426)
Depreciation	(8,284,752)	(8,185,928)
<b>Total Operating Expenses</b>	<b>(21,292,539)</b>	<b>(20,666,354)</b>
<b>Operating Loss</b>	<b>(9,832,721)</b>	<b>(7,919,489)</b>
<b>Non Operating Revenues:</b>		
<hr/>		
Interest Income	397,072	331,326
Grant, Bond and Other Revenues	1,301,069	2,789,699
Unrealized Gain/(loss)	595,840	(496,077)
<b>Net Non Operating Revenues</b>	<b>2,293,981</b>	<b>2,624,948</b>
Change in Net Assets	(7,538,740)	(5,294,541)
Net Assets, Beginning of Year	94,497,465	99,792,006
<b>Net Assets, End of Year</b>	<b>\$86,958,725</b>	<b>\$94,497,465</b>

**Analysis of Statement of Activities** – The DTC's net assets overall decreased by \$7.53 million during the current fiscal year.

**DETROIT TRANSPORTATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**

**BUDGETARY HIGHLIGHTS**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>Positive/ (Negative)</b>
<b>Revenues:</b>				
Ticket & Token Sales	\$954,600	\$954,600	\$1,068,241	\$113,641
Homeland Security Grant	0	0	0	0
FTA Grant	708,032	708,032	363,252	(344,780)
Unrealized Gain/(Loss) & Investment Income	0	0	595,840	595,840
Misc. Revenue & Rental Income	259,922	259,922	29,088	(230,834)
Interest Income	95,000	95,000	397,072	302,072
Advertising Revenue	262,000	262,000	189,538	(72,462)
City Bond Revenue	8,000,000	8,000,000	149,302	(7,850,698)
City Cobo Bond Revenue	0	0	569,889	569,889
City Subsidy	6,229,976	6,229,976	6,366,901	136,925
State Operating Assistance	3,791,772	3,791,772	4,024,676	232,904
<b>Total Revenues</b>	<b>20,301,302</b>	<b>20,301,302</b>	<b>13,753,799</b>	<b>(6,547,503)</b>
<b>Expenditures:</b>				
Cost of Sales & Services				
Administration	13,601,701	13,601,701	13,007,787	593,915
Depreciation	8,324,089	8,324,089	8,284,752	39,337
<b>Total Expenditures</b>	<b>\$21,925,790</b>	<b>\$21,925,790</b>	<b>\$21,292,539</b>	<b>\$633,252</b>

During the year, actual ticket and token sales exceeded the budgetary estimates by \$113,641 primarily due to the increase in the ridership. Federal funding was \$344,780 lower than the budgetary amount as a result of unconsummated contracts for capital items. During the year, DTC had unrealized gain of \$595,840 on investments due to improved market conditions. Of the \$8,000,000 budgeted for vehicle overhaul from the City Bond Revenue, only \$149,302 was consummated into contracts at the end of fiscal year. The majority of the vehicle overhaul contracts will be consummated in fiscal year 2007-2008 and 2008-2009. The City Cobo Bond Revenue of \$569,889 was a reimbursement for funds expended on Cobo Station enclosure, a reallocated funding not included in the original budget. The City Subsidy amount was \$136,925 above the budgeted amount due to realization of previous year's unrealized revenues. State operating assistance was \$232,904 above the budgeted amount due to the state operating formula based on actual year end operating expenses.

**CAPITAL ASSETS**

The DTC's investment in capital assets amounts to \$67,562,589 net of accumulated depreciation as of June 30, 2007, a decrease of 8.35% compared to prior year. Capital assets include land, transportation equipment, train control and office equipment, etc. Depreciation was provided on all depreciable capital assets using the straight-line method. Additional information about capital assets can be found in Note 2-B to the basic financial statements.

**DETROIT TRANSPORTATION CORPORATION  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007**

**ASSETS**

**Current Assets:**

Cash & Cash Equivalents (Notes 1 & 2)	\$4,379,346
Investments (Note 2)	562,216
Accounts Receivable	235,481
Inter-Governmental Receivable	2,734,424
Inventories	3,808,839
Prepaid Expenses	569,460
<b>Total Current Assets</b>	<b>12,289,766</b>

**Noncurrent Assets (Note 2):**

Restricted Investments	10,061,637
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**Capital Assets (Note 2):**

Land	5,122,237
Artwork	1,986,000
Transportation Equipment & Structures	181,966,035
Capital Work in Process	149,302
Other Equipment	4,817,585
Train Control Upgrading	6,619,919
Power Rail Heat Tape	1,175,059
Less: Accumulated Depreciation	(134,273,548)
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<b>67,562,589</b>

<b>Total Noncurrent Assets</b>	<b>77,624,226</b>
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<b>Total Assets</b>	<b>\$89,913,992</b>
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*The accompanying notes are an integral part of these financial statements.*

**DETROIT TRANSPORTATION CORPORATION**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2007**  
**(Continued)**

**LIABILITIES AND NET ASSETS**

**Current Liabilities Payable from Current Assets:**

Accounts & Contract Payable	\$1,703,229
Accrued Salaries & Wages	338,646
Accrued Pension Payable	583,558
Deferred Revenue	40,128
<b>Total Current Liabilities</b>	<b>2,665,561</b>

**Long-Term Liabilities:**

Accrued Compensated Absences	289,706
<b>Total Liabilities</b>	<b>2,955,267</b>

**NET ASSETS**

Unrestricted	9,334,499
Invested in Capital Assets, Net of Related Debt (Accumulated Depreciation of \$134,273,548)	67,562,589
Temporarily Restricted for Beam Repair	10,061,637
<b>Total Net Assets</b>	<b>86,958,725</b>

<b>Total Liabilities and Net Assets</b>	<b>\$89,913,992</b>
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*The accompanying notes are an integral part of these financial statements.*

DETROIT TRANSPORTATION CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Unrestricted Assets	Temporarily Restricted Assets	Total
<b>Operating Revenues:</b>			
State			
Intergovernmental - State of Michigan	\$4,024,676	\$0	\$4,024,676
Local			
Intergovernmental - City Subsidy	6,366,901	0	6,366,901
Charges for Sales and Services: Ticket Sales	1,068,241	0	1,068,241
<b>Total Operating Revenues</b>	<u>11,459,818</u>	<u>0</u>	<u>11,459,818</u>
<b>Costs of Sales and Services:</b>			
Administration	13,007,787	0	13,007,787
Depreciation	8,284,752	0	8,284,752
<b>Total Operating Expenses</b>	<u>21,292,539</u>	<u>0</u>	<u>21,292,539</u>
Operating Loss	(9,832,721)	0	(9,832,721)
<b>Non-Operating Revenues (Expenses):</b>			
Federal			
FTA Grant Revenue	363,252	0	363,252
Local			
City Bond Revenue	149,302	0	149,302
Cobo Bond Revenue	569,889	0	569,889
Interest Income	184,612	212,460	397,072
Rental Income	21,804	0	21,804
Misc. Revenue	7,284	0	7,284
Unrealized Gain on Investment	7,423	588,417	595,840
Advertising Income	189,538	0	189,538
<b>Net Assets Released from Restriction</b>			
Restriction Satisfied with Incurrence of Expenses for Beam Repairs (Note 4)	264,123	(264,123)	0
<b>Total Nonoperating Revenue (Expenses)</b>	<u>1,757,227</u>	<u>536,754</u>	<u>2,293,981</u>
Change in Net Assets	(8,075,494)	536,754	(7,538,740)
Net Assets - Beginning of Year, as restated (Note 6)	84,972,582	9,524,883	94,497,465
<b>Net Assets - End of Year</b>	<u>\$76,897,088</u>	<u>\$10,061,637</u>	<u>\$86,958,725</u>

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

**DETROIT TRANSPORTATION CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2007**

<b>CASH FLOWS FROM OPERATIONS</b>	
Receipts from Customers	\$174,202
Cash Receipts from State of Michigan	4,244,917
Cash Receipts from City of Detroit	5,963,121
Cash Receipts from Federal	1,742,612
Payments to Suppliers	(6,148,399)
Payments to Employees	(6,328,148)
Payment of Accrued Pension	560,853
Accrued Compensated Absences	(73,605)
Other Operating Cash Receipts (Payments)	1,137,457
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>1,273,010</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(2,123,844)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>(2,123,844)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Restricted Investment, Net	(536,754)
Investment, Net	3,442,751
Unrealized Gain on Investment	595,840
Interest Received from Investment	397,072
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>3,898,909</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,048,075
Cash and Cash Equivalents, Beginning of Year	<u>1,331,271</u>
Cash and Cash Equivalents, End of Year	<u><u>\$4,379,346</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	(\$9,832,721)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities	
Depreciation and Amortization	8,284,752
Other Income	1,301,069
Change in Accounts Receivable	(15,536)
Change in Due from Inter-Governmental Receivables	476,830
Change in Prepaid Expenses	49,704
Change in Inventories	158,775
Change in Accounts & Contracts Payable	314,176
Change in Accrued Salaries Payable	8,585
Change in Accrued Pension Payable	560,853
Change in Accrued Compensated Absences	(73,605)
Change in Deferred Revenue	40,128
<b>Total Adjustment</b>	<u>11,105,731</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u><u>\$1,273,010</u></u>

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

**DETROIT TRANSPORTATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Detroit Transportation Corporation (DTC) was incorporated in 1985 as a Michigan Public Body Corporate for the purpose of acquiring, owning, constructing, furnishing, equipping, completing, operating, improving, enlarging, and/or disposing of the Central Automated Transit Systems (CATS) in Detroit, Michigan. DTC acquired the CATS project from the Suburban Mobile Authority for Regional Transportation (SMART), formerly Southeastern Michigan Transportation Authority (SEMTA), on October 4, 1985. DTC, created by the City of Detroit pursuant to Act 7 of Public Acts of 1967, is a component unit of the City of Detroit and accounts its activity as per proprietary funds.

The CATS project, predominantly known as the Downtown People Mover (DPM), officially opened to the public on July 31, 1987. The DPM has automated rail cars traveling a 2.9-mile loop around Detroit's central business district. Effective November 18, 1988, DTC assumed responsibility to operate and maintain the People Mover System, a responsibility which had been performed by the primary contractor, Urban Transportation Development Corporation (UTDC), on a month-to-month basis until that date.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from the date of acquisition. Investments are valued at their fair value plus accrued interest in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

Definition of Operating Activities

DTC considers operating revenues and expenses to be those that result from activities related to the operations of Detroit Transportation Corporation. Such operating revenue include the receipts generated from operating and maintaining the Downtown People Mover.

**DETROIT TRANSPORTATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**  
**(Continued)**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Statement of Cash Flows

For purposes of reporting cash flows, the Corporation considers "cash" as cash on deposit in financial institutions.

Inventories

Inventories consist of spare parts and are valued at lower of cost or market value.

**2) ASSETS, LIABILITIES AND NET ASSETS**

**(A) Cash and Investments**

Cash consists of checking accounts, money market accounts, and cash-on-hand. At June 30, 2007, the Corporation's bank accounts held approximately \$4,441,211 in excess of federal insurance coverages. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

DTC had adopted the City's official investment policy, which is in accordance with Michigan Public Act 20 of 1943, as amended, and Michigan Public Act 94 of 1997, as amended. DTC deposits funds with banks and invests in U.S. Government obligations as authorized by the aforementioned acts.

In accordance with Government Accounting Standards Board's Statement No. 3, investments are categorized to indicate the level of risk assumed by the Corporation. Category 1 includes investments, which are insured or registered, or held by the Corporation, or held by an agent in the Corporation's name. Category 2 includes investments which are uninsured and unregistered, held by an agent in the Corporation's name. Category 3 includes investments which are uninsured and unregistered, held by an agent but not in the Corporation's name.

Custodial Credit Risk of Bank Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, DTC deposits may not be returned to it. At year end, DTC deposit balance of \$4,441,211 was uninsured and uncollateralized. DTC evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The custodial risk for Investments will be minimized by limiting investments to the types of securities allowed by City's investment policy and by pre-qualifying the financial institutions.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. DTC's policy minimizes interest rate risk by investing funds primarily in Fixed Income, Treasuries and Mutual Funds.

**DETROIT TRANSPORTATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**  
**(Continued)**

**2) ASSETS, LIABILITIES AND NET ASSETS**

**(A) Cash and Investments – (Continued)**

Credit Risk

At year end, the credit quality ratings of securities are as follows:

	Rating	Cost		Fair Value	
		Unrestricted	Restricted	Unrestricted	Restricted
<i>Rating Organization : Standards &amp; Poor's Rating and Moody's Rating</i>					
Cash & Cash Equivalents	None	4,274,990	8,419	4,274,990	8,419
Fixed Income					
Treasury Inflation Index Notes					
US Treasury Inflation Index	AAA/Aaa	58,129	120,788	58,997	128,136
Treasuries					
US Treasury Bond	AAA/AAA	0	163,078	0	166,547
US Treasury Bond	AAA/Aaa	0	251,367	0	254,375
US Treasury Note	AAA/Aaa	39,767	203,703	39,539	197,500
U.S. Agencies					
Federal Home Loan Bank	Aaa/AAA	0	946,435	0	1,042,703
Federal National Mortgage	Aaa/AAA	30,000	718,251	29,944	712,438
Federal Natl. Mtg. Assn.	Aaa/AAA	267,857		255,008	-
Financing Corp.	Aaa/NR	15,589	214,429	14,050	196,700
Ref Corp. Strip Principal	AAA/Aaa	0	349,680	0	1,636,309
Resolution Fdg. Corp. 4/1	AAA/Aaa	0	49,480	0	299,838
Resolution Fdg. Corp. 1/1	AAA/Aaa	0	343,637	0	1,681,045
Resolution Fdg. Corp. Strips	AAA/Aaa	0	306,348	0	2,085,146
Equities					
Mutual Funds	Unrated	0	1,565,330	0	1,883,080
Accrued Interest					
				4,912	33,523
<b>Total</b>		<u>\$4,686,332</u>	<u>\$5,240,945</u>	<u>\$4,677,440</u>	<u>\$10,325,759</u>

Concentration of Credit Risk

DTC's policy minimizes concentration of credit risk by; and, requiring diversification of the investment portfolio so that the impact if potential losses from any one type of security will be minimized.

Foreign Currency Risk

Foreign Currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S dollar value, as a result of changes in foreign currency exchange rates. DTC's policy prohibit investment in foreign currency.

**DETROIT TRANSPORTATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**  
**(Continued)**

**2) ASSETS, LIABILITIES AND NET ASSETS (Continued)**

**(B) Property, Plant & Equipment & Depreciation**

Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Artwork	25 Years
Transportation Equipment & Structures	17-30 Years
Other Equipment	5-7 Years
Train Control Upgrading	17 Years
Power Rail Heat Tape	10 Years

Expenditures for maintenance and repairs are charged to expense. Renewals or betterments, which extend the life or increase the value of properties, are capitalized.

DTC's Capital asset activity during the year was as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2007</u>
Capital Assets not being Depreciated:				
Land	\$5,122,237	\$0	\$0	\$5,122,237
Capital Work in Process	<u>0</u>	<u>149,302</u>	<u>0</u>	<u>149,302</u>
<b>Total Assets not being Depreciated</b>	<u>5,122,237</u>	<u>149,302</u>	<u>0</u>	<u>5,271,539</u>
Capital Assets being Depreciated:				
Artwork	1,986,000	0	0	1,986,000
Transportation Equipment & Structure	188,160,925	1,600,088	0	189,761,013
Other Equipment	3,972,620	325,499	0	4,298,119
Furniture & Fixture	407,307	48,805	0	456,112
Auto	63,354		0	63,354
<b>Total Assets being Depreciated</b>	<u>194,590,206</u>	<u>1,974,392</u>	<u>0</u>	<u>196,564,598</u>
<b>Total Capital Assets</b>	199,712,443	2,123,694	0	201,836,137
Accumulated Depreciation:				
Artwork	1,191,600	79,440	0	1,271,040
Transportation Equipment & Structure	121,686,014	7,728,828	0	129,414,842
Other Equipment	2,938,439	412,358	0	3,350,797
Furniture & Fixture	124,322	60,926	0	185,248
Auto	48,421	3,200	0	51,621
<b>Subtotal</b>	<u>125,988,796</u>	<u>8,284,752</u>	<u>0</u>	<u>134,273,548</u>
Net Capital Assets being Depreciated	<u>68,601,410</u>	<u>(6,310,360)</u>	<u>0</u>	<u>62,291,050</u>
<b>Net Capital Assets</b>	<u>\$73,723,647</u>	<u>(\$6,310,360)</u>	<u>\$0</u>	<u>\$67,562,589</u>

**DETROIT TRANSPORTATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**  
**(Continued)**

**2) ASSETS, LIABILITIES AND NET ASSETS (Continued)**

**(C) Receivables**

Receivables as of year end are as follows:

Inter-Governmental Receivables	\$2,734,424
Other Receivables	235,481

**(D) City of Detroit Subsidy**

The ability of DTC to continue operations at current levels is dependent upon DTC receiving a subsidy from the City of Detroit (the City). Realization of the carrying value of assets of DTC is dependent upon the success of future operations or the receipt of such subsidies. The subsidy from the City for the year ended June 30, 2007 amounted to \$6,366,901.

**(E) State Operating Assistance Grant**

The reimbursements are initially calculated based on budgeted expenses and then recalculated based on reconciled expenses. The total state operating assistance grant for the year ending June 30, 2007 amounted to \$ 4,024,676.

**(F) Deferred Compensation Plan**

Detroit Transportation Corporation established a plan to permit its employees to defer a portion of their salary for the purpose of providing either retirement benefits or death benefits in the event of death prior to retirement. The Plan was established in accordance with Internal Revenue Code Section 457.

In accordance with GASB No. 32, the deferred compensation plan assets pertaining to the DTC's plan are no longer included in the financial statements.

**(G) Inventories**

Cost of Inventories is recorded at the lower of cost or market and expensed when used.

**(H) Beam Crack Liability**

Inspections of the people mover system (the System) at the time of completion revealed that structural defects exist that have resulted in, and may continue to result in, cracks in the beams supporting the System's Guideway. These structural defects were determined to be the responsibility of UTDC. The total cost of making necessary repairs was estimated at a present value of \$3,000,000 and will be made at various times over the life of the System.

DTC obtained a settlement with UTDC amounting to \$3,000,000, and DTC assumed responsibility for all beam crack repairs. Such amount was invested and the fair value of the investments at June 30, 2007 is reflected as a restricted asset in the accompanying financial statements.

**DETROIT TRANSPORTATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**  
**(Continued)**

**2) ASSETS, LIABILITIES AND NET ASSETS (Continued)**

**(I) Related Party Transaction**

DTC reported expenses for utilities provided by the city totaling \$481,742 for fiscal year ended June 30, 2007.

**(J) Defined Benefit Pension Plan**

Plan Description

DTC contributes to the Detroit Transportation Corporation Employees' Retirement Plan (the Plan), which was established on July 1, 1988. DTC's payroll for employees covered by the Plan for the years ended June 30, 2007 and 2006 was \$4,449,849 and \$4,584,835. DTC employees are not required to contribute to the Plan.

All DTC employees who have attained the age of 21 are eligible for the Plan. Benefits vest after five years of service. DTC employees who retire at or after the age of 62 (normal retirement) are entitled to an annual retirement benefit, payable monthly for life. The retirement benefits is an amount equal to employees final average earnings, which shall be 1.5% for the employees years of credited service from year one to year ten, 1.7% for credited service for year eleven to twenty and 1.9% for the credited service for year twenty one and thereafter. Final average is determined as the average of the highest annual earnings for the five consecutive calendar years during the last ten consecutive calendar years of employment with the DTC.

DTC employees who retire at or after the age of 55 with five or more years of vesting service (early retirement) are entitled to the normal retirement benefit reduced by 0.6% for each month that early retirement precedes normal retirement. The Plan also provides death and disability benefits.

Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7% per year, net of investment expenses, (b) projected salary increases of 4% per year, (c) heavy rates of termination, and (d) moderate rates of disablement.

Contribution Required and Contribution Made

DTC contributes to the Plan based upon actuarially determined contribution requirements. The contribution rate for normal cost is determined using the projected unit credit cost method. The significant actuarial assumptions used to compute the pension benefit obligation are described above.

The required contributions to the Plan were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2006 and 2005. The minimum required contribution for 2007 and 2006 consisted of normal costs of \$560,853 and \$270,313, respectively, (approximately 12.43% and 9.78%, respectively, of current covered payroll per actuary report) plus interest on the normal costs.

**DETROIT TRANSPORTATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**  
**(Continued)**

**2) ASSETS, LIABILITIES AND NET ASSETS (Continued)**

**(K) Commitments & Contingencies**

DTC is self-insured for up to \$5 million under their general liability insurance policy. As of June 30, 2007 the Corporation had approximately \$562,216 on deposit in order to fund any future claims made on this policy. These amounts are included in the investments account in the accompanying balance sheets.

**(L) Net Assets**

Business type financial statements use net asset presentation. Net assets are categorized as follows:

1. Investment in Capital Assets (Net of Related Debt) – consists of capital assets net of accumulated depreciation. This amount would further reduce by the portion of debt attributable to those assets.
2. Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by DTC. The donors of these assets permit DTC to use all or part of the income earned on related investments for general or specific purposes.
3. Temporarily Restricted – Net assets subject to donor-imposed stipulations that can be met either by actions of DTC and/or the passage of time.
4. Unrestricted Net Assets – consists of unrestricted net assets which the Corporation's management can use for various purposes.

**(M) Compensated Absences**

The DTC records as a liability estimated vested vacation and sick pay in accordance with GASB Statement No. 16, Accounting for Compensated Absences. Unused vacation and sick pay accumulates until termination of employment.

**DETROIT TRANSPORTATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**  
**(Continued)**

**3) BUDGETARY DATA**

**Budgeting Policies**

The DTC's yearly budget is presented to the City's Budget Department for review and a determination of the annual subsidy for the ongoing operation and maintenance of the DPM.

The DTC meets with the City Budget Department generally during the month of February each year to justify the budget submitted. Shortly thereafter, the Budget Department will inform the DTC on their recommendation for the total subsidy that will be forwarded to the Mayor. Before the budget hearing with the Mayor that is usually conducted in April, the DTC submits additional justification to support the items not approved by the Budget. A date will be set for the City Council budget hearing with the DTC, which usually falls in May. The DTC budget approved by the City Council represents the final allocation for the fiscal year.

The DTC then prepares an Operation and Maintenance Agreement with the Detroit Department of Transportation (DDOT) for the Subsidy Agreement for the fiscal year. The DTC budget is passed through DDOT.

**4) RELEASE OF TEMPORARILY RESTRICTED NET ASSETS**

**Beam Crack Repairs**

Net assets were released from temporary restriction by incurring expenses for beam crack repairs in the amount of \$264,123. The balance in net assets temporarily restricted for beam crack repairs represent the investments and accumulated unrealized gain from settlement investments. This amount will be used for any future repairs of structural defects of the system guide-way (beam).

**5) BOND REVENUE PASSED THROUGH DDOT**

In financial year 2006, the City Council approved funds to be paid to DTC through DDOT from the proceeds of the Bonds in the amount not to exceed \$10 million dollars for major transportation capital projects namely vehicle overhaul project, a capital project of DTC. For the year ended June 30, 2007, \$149,302 was spent on this project, which was recorded as revenue in the financial statements.

As of June 30, 2007, DTC had a remaining obligation of \$2,203,623 with various companies related to vehicle overhaul, a capital project of DTC.

**6) NET ASSETS RESTATEMENT**

During the 2007 audit, it was discovered that \$3,000,000 previously reported as a liability for beam repair should be reported as restricted net assets rather than a liability. As a result, beginning net assets have been restated to reflect the change.

**DETROIT TRANSPORTATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**  
**(Continued)**

**7) CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Corporation expects such amounts, if any, to be immaterial.

DTC is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the DTC's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the DTC.

**8) 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). DTC did not incur expenses associated with Rental Income, Interest Income and Unrealized Gain on Investments and, therefore, no expenses are subtracted out as ineligible expense on Schedule 4 of other supplementary information.

**9) NON FINANCIAL DATA**

The methodology used for compiling mileage on Schedule 6 of other supplementary information is an adequate and reliable method for recording vehicle mileage.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DETROIT TRANSPORTATION CORPORATION  
SCHEDULE OF EMPLOYER CONTRIBUTION  
YEAR ENDED JUNE 30, 2007**

**SCHEDULE OF EMPLOYER CONTRIBUTION:**

<u>Year Ended June 30</u>	<u>Annual Recommended Contributions</u>	<u>Percentage Contributed</u>
1997	\$133,021	100%
1998	\$147,567	100%
1999	\$148,122	100%
2000	\$160,712	100%
2001	\$168,538	100%
2002	\$210,220	100%
2003	\$347,322	100%
2004	\$326,258	100%
2005	\$365,020	100%
2006	\$279,342	100%
2007	\$633,061	100%

**Obligation for Benefits**

The following information is the actuarial accrued liability measure computed as part of an actuarial valuation performed as of July 1, 2006 and 2005. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.0% per year, net of investment expenses (b) projected salary increases of 4% per year (c) heavy rates of termination and (d) moderate rates of disablement.

	<u>2007</u>	<u>2006</u>
<b>Pension Benefit Obligation:</b>		
Current Employees		
Employer Financed:		
Vested	\$4,610,251	\$3,322,436
Non-Vested	202,569	118,596
<b>Total Pension Benefit Obligation</b>	<u>4,812,820</u>	<u>3,441,032</u>
<b>Net Assets Available for Benefits</b>	<u>4,742,226</u>	<u>3,872,264</u>
<b>Excess of Net Assets over Benefit Obligation</b>	<u>(\$70,594)</u>	<u>\$431,232</u>

**SUPPLEMENTARY INFORMATION**

**Alan C.  
Young & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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2990 W. Grand Blvd., Suite 310  
Detroit, MI 48202

(313) 873-7500  
(313) 873-7502 (Fax)  
[www.alancyoung.com](http://www.alancyoung.com)

**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 of  
Detroit Transportation Corporation  
Detroit, Michigan

We have audited the financial statements of the Detroit Transportation Corporation (DTC) as of and for year ended June 30, 2007, and have issued our report thereon dated January 15, 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 DTC'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 DTC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the DTC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority'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 Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

We noted certain other matters that we reported to management of the Authority in a separate letter dated January 15, 2008.

This report is intended solely for the information and use of the management of DTC, City of Detroit 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.

A handwritten signature in cursive script, appearing to read "Alan J. [unclear]".

January 15, 2008

**OTHER SUPPLEMENTARY INFORMATION**

**DETROIT TRANSPORTATION CORPORATION  
OPERATING REVENUES  
YEAR ENDED JUNE 30, 2007**

**SCHEDULE 1**

<u>Operating Revenues</u>	<u>Amount</u>
Faregate Revenue	\$318,225
Pass Sales	69,662
Token Sales	680,354
<b>Total Passenger Revenue</b>	<u>1,068,241</u>
<b>Local Operating Grants:</b>	
City Subsidy- Contract No. 2719888	6,366,901
State-Local Bus Operating Assistance	4,024,676
<b>Total Local Operating Grant</b>	<u>10,391,577</u>
<b>Total Operating Revenues</b>	<u><u>\$11,459,818</u></u>

**DETROIT TRANSPORTATION CORPORATION**  
**OPERATING EXPENSES**  
**YEAR ENDED JUNE 30, 2007**

**SCHEDULE 2**

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
<b>Labor</b>				
Operators' Salaries & Wages	\$1,054,612	\$0	\$0	\$1,054,612
Other Salaries & Wages	678,504	1,475,531	1,241,202	3,395,237
Dispatchers' Salaries & Wages	0	0	0	0
<b>Fringe Benefits</b>				
Other Fringe Benefits	491,231	315,187	481,813	1,288,231
Pensions	0	0	560,853	560,853
<b>Services</b>				
Advertising Fees	0	0	181,139	181,139
Audit Costs	0	0	23,390	23,390
Other Services	0	2,967,371	662,461	3,629,832
<b>Materials &amp; Supplies Consumed</b>				
Fuel & Lubricants	0	0	0	0
Tires & Tubes	0	0	0	0
Other Materials & Supplies	19,851	623,183	114,416	757,450
<b>Utilities</b>	0	708,148	55,702	763,850
<b>Casualty &amp; Liability Costs</b>				
Public Liability Insurance	578,988	0	0	578,988
Other Insurance	0	0	245,858	245,858
<b>Taxes</b>	0	0	0	0
<b>Purchased Transportation Services</b>	0	0	0	0
<b>Miscellaneous Expenses</b>				
Travel & Meetings	15,565	7,533	32,125	55,223
Other Miscellaneous Expenses	0	26,980	189,292	216,272
Association Dues & Subscription	65	33,611	43,033	76,709
<b>Interest Expense</b>				
Interest on Long-Term Debt	0	0	0	0
Interest on Working Capital Needs	0	0	0	0
<b>Lease &amp; Rentals</b>	5,129	9,768	165,246	180,143
<b>Depreciation</b>	0	0	8,284,752	8,284,752
<b>TOTAL EXPENSES</b>	<u>\$2,843,945</u>	<u>\$6,167,312</u>	<u>\$12,281,282</u>	<u>\$21,292,539</u>

**DETROIT TRANSPORTATION CORPORATION  
NON-OPERATING REVENUES  
YEAR ENDED JUNE 30, 2007**

**SCHEDULE 3**

	<b>Amount</b>
<b>Federal Non-Operating Grants</b>	
FTA Grant	
MI-05-0067-00 Rehab/Renov Rail Station	\$20,000
MI-03-0172-01 Facility Improvement	342,568
MI-03-0161-01 Rotary Stone Grinder	684
<b>Subtotal Federal Non-Operating Grants</b>	<b>363,252</b>
<b>Local Non-Operating Grants</b>	
City Bond Revenue	149,302
City Cobo Bond Revenue	569,889
<b>Subtotal Local Non-Operating Grants</b>	<b>719,191</b>
<b>Other Non-Operating Revenue</b>	
Interest Income	397,072
Rental Income	21,804
Misc. Revenue	7,284
Unrealized Gain on Investment	595,840
Advertising Income	189,538
<b>Subtotal Other Non-Operating Grants</b>	<b>1,211,538</b>
<b>Total Non-Operating Revenues</b>	<b>\$2,293,981</b>

**DETROIT TRANSPORTATION CORPORATION  
 MAXIMUM REIMBURSEMENT COMPUTATIONS  
 OF LOCAL BUS OPERATING ASSISTANCE  
 YEAR ENDED JUNE 30, 2007**

**SCHEDULE 4**

	<b>Amount</b>
<b>Expenses</b>	
Labor	\$4,449,849
Fringe Benefits	1,849,084
Services	4,591,811
Utilities	763,850
Casualty & Liability Costs	824,846
Leases & Rentals	180,143
Other Expenses	348,204
Depreciation	8,284,752
<b>Total Expenses</b>	<b>21,292,539</b>
 <b>Less Ineligible Expenses</b>	
Employee Litigation Expenses	224,132
Advertising Expenses	39,660
Miscellaneous Revenue	7,284
Dues & Subscription	6,344
Balances written off	89,557
Beam Repair Expenses (Paid from Restricted Assets)	264,123
FTA Grant	684
Depreciation	8,284,752
<b>Total Ineligible Expenses</b>	<b>8,916,536</b>
Eligible Expenses for Local Bus Operating Assistance	12,376,003
Reimbursement percentage	32.52
<b>Local Bus Operating Assistance</b>	<b>\$4,024,676</b>

**DETROIT TRANSPORTATION CORPORATION  
EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2007**

**SCHEDULE 5**

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures		Prior Year's Expend.	Award Amount Remaining
				Total	Local		
<b>U.S. Department of Transportation:</b>							
Direct Assistance							
Federal Transit Capital Grant - Section 5309	20.500	MI-05-0067-00	\$406,150	\$20,000	\$0	\$0	\$381,150
Federal Transit Capital Grant - Section 5309	20.500	MI-03-0172-01	948,438	342,568	0	520,228	0
Federal Transit Capital Grant - Section 5309	20.500	MI-03-0161-01	592,997	684	0	0	592,141
<b>Michigan Department of Transportation:</b>							
Operating Assistance-ACT 51	N/A	N/A	4,024,841	0	4,024,841	0	0
Urban							
<b>TOTALS</b>			<b>\$5,972,426</b>	<b>\$363,252</b>	<b>\$4,024,841</b>	<b>\$520,228</b>	<b>\$973,291</b>

**DETROIT TRANSPORTATION CORPORATION  
MILAGE DATA (UNAUDITED)  
YEAR ENDED JUNE 30, 2007**

**SCHEDULE 6**

	<u>Public Transportation Mileage</u>	<u>Charter School Bus Mileage</u>	<u>New Services</u>
<b>Line Haul *</b>			
First Quarter	161,814	0	0
Second Quarter	160,353	0	0
Third Quarter	169,943	0	0
Fourth Quarter	168,160	0	0
<b>Total Line Haul</b>	<u>660,270</u>	<u>0</u>	<u>0</u>
<b>Demand Response</b>			
First Quarter	0	0	0
Second Quarter	0	0	0
Third Quarter	0	0	0
Fourth Quarter	0	0	0
<b>Total</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Operation</b>	<u><u>660,270</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

\*- Line Haul represents Automatic Guideway

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2990 W. Grand Blvd., Suite 310  
Detroit, MI 48202

(313) 873-7500  
(313) 873-7502 (Fax)  
[www.alanycyoung.com](http://www.alanycyoung.com)

January 15, 2008

To the Board of Directors of  
Detroit Transportation Corporation  
Detroit, Michigan

In planning and performing our audit of the basic financial statements of the Detroit Transportation Corporation (DTC) for the year ended June 30, 2007, we considered DTC's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

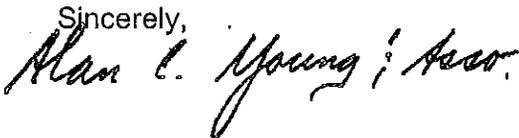
However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. Exhibit A, which accompanies this letter, summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated January 15, 2008 on the financial statements of the DTC.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with DTC's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We wish to thank the Board of Directors and others within the Corporation for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Alan C. Young & Associates, P.C.

**1) TIMELY FILING OF FINANCIAL STATUS REPORT**

During our audit, we noted that Detroit Transportation Corporation did not file Financial Status Reports for two federal grants for the first quarter of fiscal year 2007. Lack of timely submission of reports could impact the timing and collectability of payment.

We recommend that the Detroit Transportation Corporation should file all necessary reports on timely basis to ensure that it complies with the reporting requirements for federal grants.

**2) NEW AUDITING STANDARDS**

The AICPA has issued eight statements, commonly referred to as Risk Assessment standards, to improve the quality and effectiveness of audits. The new standards will result in an overall increased work effort by the auditors as they require auditors to obtain a more in depth understanding of the Corporation's operations and control environment and a more rigorous assessment of the risk of material misstatement of the financial statements. The cost of implementing these new standards will depend on the Corporation's ability to complete all the documentation requirements. At a minimum, there will likely be some additional assistance required to comply with the new standards. The cost will depend on the level of assistance required to fully implement these new standards.

We recommend the Corporation to review the new pronouncements to determine changes necessary to ensure that the Corporation is in compliance with the applicable financial statements and footnote disclosure.

**Alan C.  
Young & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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2990 W. Grand Blvd., Suite 310  
Detroit, MI 48202

(313) 873-7500  
(313) 873-7502 (Fax)  
[www.alancyoung.com](http://www.alancyoung.com)

January 15, 2008

To the Board of Directors of  
Detroit Transportation Corporation  
Detroit, Michigan

In planning and performing our audit of the financial statements of Detroit Transport Corporation (DTC) as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered DTC's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DTC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control 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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. Exhibit A identifies the deficiencies that we consider to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe items one through two as detailed in Exhibit A to be material weaknesses.

This communication is intended solely for the information and use of Board of Directors, management, and others within Detroit Transport Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Alan C. Young & Associates, P.C.

**1) GENERAL LEDGER REVIEW AND RECONCILIATION**

During our audit we encountered some general ledger accounts that were incorrect and needed appropriate review and/or reconciliation. Periodic review of the general ledger is essential to identify any inconsistencies and would also reduce the number of yearend audit adjustments as well as greatly improving the internal control structure.

We recommend that the general ledger be reviewed on a periodic basis and that all necessary account reconciliations be prepared and completed prior to the start of audit fieldwork. This will not only improve the quality of internally generated financial statements but also help reduce the time necessary for the audit.

**2) FINANCIAL STATEMENT PREPARATION**

Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

The staff of the DTC does understand all information included in the annual financial statements; however, the external auditor was utilized in preparing the financial statements and the footnotes to the financial statements.

Utilization of the external auditor in preparing the financial statements and the footnotes to the financial statements assists management with the external financial reporting responsibility, to ensure their financial statements are accurate.

At this time, we recommend no changes to this situation and communicate this as required by professional standards. The current process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.