

# **DETROIT TRANSPORTATION CORPORATION**

---

**FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2010**

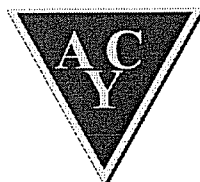


# Detroit Transportation Corporation

---

## Contents

	<u>Page No.</u>
Independent Auditors' Report .....	1
Management Discussion & Analysis .....	3
<b><u>Basic Financial Statements:</u></b>	
Statement of Net Assets .....	8
Statement of Revenues, Expenses and Changes in Fund Net Assets .....	10
Statement of Cash Flows .....	11
Notes to Basic Financial Statements .....	12
<b><u>Required Supplementary Information:</u></b>	
Schedule of Employer Contribution .....	21
<b><u>Other Supplementary Information:</u></b>	
Schedule Forming Part of the Report Relating to Grant Received from Michigan Department of Transportation .....	23



# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740  
Detroit, MI 48202

(313) 873-7500 (Tel.)  
(313) 873-7502 (Fax)  
[www.alancyoung.com](http://www.alancyoung.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, Michigan as of and for the year ended June 30, 2010, 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 DTC as of June 30, 2010, 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 will also be issuing a report on our consideration of DTC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement 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 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 read in conjunction with this report in considering the results of our audit.

**Independent Auditors' Report  
(Continued)**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis Information, on pages 3 thru 7, be presented to supplement the general purpose financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the general purpose financial statements, and other knowledge we obtained during our audit of the general purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurances.

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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Alan C. Young; Assoc.*

October 20, 2010

**Management Discussion  
&  
Analysis (MD&A)**

---

# Detroit Transportation Corporation

---

## Management Discussion & Analysis Year Ended June 30, 2010

The management of Detroit Transportation Corporation (DTC) presents this narrative overview and analysis of the financial activities of DTC for the fiscal year ended June 30, 2010. 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 Controller, 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, 2010 by \$78.25 million (net assets).

The enterprise fund activities operating loss increased by \$991,010 from \$8,714,790 to \$9,705,800 or 11.37 % compared to prior year. The decrease in net assets was \$4,364,227, 5.28% less than the prior year.

Per the statements of net assets, DTC has \$11,673,717 of its net assets restricted for beam maintenance which are currently invested in Comerica Bank and recorded at its fair value as of June 30, 2010.

The largest portion of DTC'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 DTC's basic financial statements. Since DTC 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 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, 2010 (Continued)

**Notes to Financial Statements** – The notes provide additional information which is essential for 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 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 8 and 9):

<b>Assets:</b>	<b>2010</b>	<b>2009</b>
Current Assets	\$ 6,571,208	\$ 9,681,173
Restricted Assets	11,655,497	10,628,627
Capital Assets Net of Accumulated Depreciation	65,406,981	67,710,087
<b>Total Assets</b>	<b>83,633,686</b>	<b>88,019,887</b>
<b>Liabilities:</b>		
Current Liabilities	5,058,900	5,137,944
Accrued Compensated Absences	323,282	258,597
Deferred Revenue	-	7,615
<b>Total Liabilities</b>	<b>5,382,182</b>	<b>5,404,156</b>
<b>Net Assets:</b>		
Unrestricted	1,170,806	4,277,017
Invested in Capital Assets, Net of Related Debt	65,406,981	67,710,087
Temporarily Restricted for Beam Maintenance	11,673,717	10,628,627
<b>Total Net Assets</b>	<b>\$ 78,251,504</b>	<b>\$ 82,615,731</b>

**Analysis of Net Assets** – As noted earlier, net assets may serve as a useful indicator of a government's financial position. DTC's assets exceeded liabilities by \$78.25 million at the close of fiscal year 2010.



# Detroit Transportation Corporation

## Management Discussion & Analysis Year Ended June 30, 2010 (Continued)

**Statement of Activities** – Presented below is the condensed activities for the years ended June 30, 2010 and 2009 (the detailed financial statement is presented on page 10):

	<u>2010</u>	<u>2009</u>
<b>Operating Revenues:</b>		
Charges for Sales and Services: Ticket Sales	\$ 900,881	\$ 844,822
Intergovernmental - City Subsidy	6,229,975	6,229,973
Intergovernmental - State of Michigan	3,632,330	3,966,307
<b>Total Operating Revenues</b>	<u>10,763,186</u>	<u>11,041,102</u>
<b>Operating Expenses:</b>		
Administration	(13,832,972)	(13,262,305)
Depreciation	(6,636,014)	(6,493,587)
<b>Total Operating Expenses</b>	<u>(20,468,986)</u>	<u>(19,755,892)</u>
	<u>(9,705,800)</u>	<u>(8,714,790)</u>
<b>Non Operating Revenues:</b>		
Investment Income	1,146,485	678
Grant, Bond, and Other Revenues	4,195,088	6,660,444
<b>Net Non Operating Revenues</b>	<u>5,341,573</u>	<u>6,661,122</u>
Change in Net Assets	(4,364,227)	(2,053,668)
Net Assets, Beginning of Year	<u>82,615,731</u>	<u>84,669,399</u>
<b>Net Assets, End of Year</b>	<u>\$ 78,251,504</u>	<u>\$ 82,615,731</u>

**Analysis of Statement of Activities** – DTC's net assets decreased by \$4.3 million during the current fiscal year.

# Detroit Transportation Corporation

## Management Discussion & Analysis Year Ended June 30, 2010 (Continued)

### BUDGETARY HIGHLIGHTS

	BUDGETED AMOUNTS			VARIANCE
	ORIGINAL	FINAL	ACTUAL	Positive/ (Negative)
Revenues:				
Ticket & Token Sales	\$ 1,135,000	\$ 1,082,400	\$ 900,881	\$ (181,519)
Homeland Security Grant	62,000	62,000	61,816	(184)
FTA Grant	850,000	850,000	1,585,547	735,547
MDOT Rail Grant Revenue	-	164,632	164,632	-
SEMCOG Grant Revenue	-	74,400	74,400	-
Misc. Revenue & Rental Income	152,214	152,214	292,053	139,839
Investment Income	462,733	462,733	1,146,485	683,752
Advertising Revenue	250,000	250,000	174,582	(75,418)
City Bond Revenue	2,000,000	2,000,000	1,842,058	(157,942)
City Subsidy	6,229,975	6,229,975	6,229,975	-
State Operating Assistance	4,056,814	4,056,814	3,632,330	(424,484)
Total Revenues	15,198,736	15,385,168	16,104,759	719,591
Expenditures:				
Cost of Sales & Services				
Administration	14,400,736	14,400,736	13,832,972	(567,764)
Depreciation	7,467,740	7,467,740	6,636,014	(831,726)
Total Expenditures	\$ 21,868,476	\$ 21,868,476	\$ 20,468,986	\$ (1,399,490)

During the year the token sales increased by 6.63% over the prior year. DTC received grants from Homeland Security in the amount of \$61,816 from new Federal Government Transit allocations.

Advertising revenues went below budgeted levels by \$75,418 or 30.2% due to the struggling economic climate in Detroit. City bond revenue was marginally under budget by 7.89% due to the near-completion of capital projects associated with the bonds.

Miscellaneous revenue went above the budgeted amount by \$139,839 due to old outstanding payable written off during the year. Investment income went above the budgeted amount due to the economic turn-around of the market. Administration expense decreased due to a concentrated effort by management to keep the cost down. Depreciation expenses fell short of budgeted amount due to various amounts being depreciated in prior year.

### **CAPITAL ASSETS**

DTC's investment in capital assets was \$65,406,981 net of accumulated depreciation as of June 30, 2010, a decrease of 3.4% 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.

### **CAPITAL ACQUISITION GRANT ACTIVITIES**

Capital grants for the acquisition of capital assets are recorded as grants receivable in the balance sheet and capital contributions in the statement of revenues, expenses and changes in the net assets when the related qualified expenditures are incurred.

# Detroit Transportation Corporation

## Statement of Net Assets Proprietary Fund June 30, 2010

### ASSETS

#### **Current Assets:**

Cash & Cash Equivalents (Notes 1 & 2)	\$ 824,680
Investments (Note 2)	616,795
Accounts Receivable	79,932
Inter-Governmental Receivable	321,511
Inventories	4,048,305
Prepaid Expenses	679,985
<b>Total Current Assets</b>	<u>6,571,208</u>

#### **Non Current Assets (Note 2):**

Restricted Investments	11,655,497
------------------------	------------

#### **Capital Assets (Note 2):**

Land	5,122,237
Artwork	1,986,000
Transportation Equipment & Structures	202,076,944
Capital Work in Process	3,463,150
Other Equipment	5,566,689
Furniture and Fixture	513,736
Automobiles	63,354
Less: Accumulated Depreciation	<u>(153,385,129)</u>
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<u>65,406,981</u>

<b>Total Non Current Assets</b>	<u>77,062,478</u>
---------------------------------	-------------------

<b>Total Assets</b>	<u><u>\$ 83,633,686</u></u>
---------------------	-----------------------------

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

# Detroit Transportation Corporation

## Statement of Net Assets (Continued) Proprietary Fund June 30, 2010

### LIABILITIES AND NET ASSETS

#### Current Liabilities Payable from Current Assets:

Accounts & Contract Payable	\$ 2,747,443
Accrued Salaries & Wages	275,496
Accrued Pension Payable	616,532
Other Payables	1,419,429
<b>Total Current Liabilities</b>	<b>5,058,900</b>

#### Long-Term Liabilities:

Accrued Compensated Absences	323,282
<b>Total Long-Term Liabilities</b>	<b>323,282</b>

<b>Total Liabilities</b>	<b>5,382,182</b>
--------------------------	------------------

#### NET ASSETS

Unrestricted	1,170,806
Invested in Capital Assets, Net of Related Debt (Accumulated Depreciation of \$153,385,129)	65,406,981
Temporarily Restricted for Beam Repair	11,673,717
<b>Total Net Assets</b>	<b>78,251,504</b>

<b>Total Liabilities and Net Assets</b>	<b>\$ 83,633,686</b>
---	----------------------

*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 Fund Year Ended June 30, 2010

	Unrestricted Assets	Temporarily Restricted Assets	Total
<b>Operating Revenues:</b>			
State			
Intergovernmental - State of Michigan	\$ 3,632,330	\$ -	\$ 3,632,330
Local			
Intergovernmental - City Subsidy	6,229,975	-	6,229,975
Charges for Sales and Services: Ticket Sales	900,881	-	900,881
<b>Total Operating Revenues</b>	<u>10,763,186</u>	<u>-</u>	<u>10,763,186</u>
<b>Costs of Sales and Services:</b>			
Administration	13,832,972	-	13,832,972
Depreciation	6,636,014	-	6,636,014
<b>Total Operating Expenses</b>	<u>20,468,986</u>	<u>-</u>	<u>20,468,986</u>
Operating Loss	(9,705,800)	-	(9,705,800)
<b>Non-Operating Revenues (Expenses):</b>			
Federal			
FTA Grant Revenue	1,585,547	-	1,585,547
Homeland Security Grant	61,816	-	61,816
SEMCOG Grant Revenue	74,400	-	74,400
MDOT Rail Grant Revenue	164,632	-	164,632
Local			
City Bond Revenue	1,842,058	-	1,842,058
Investment Income	13,047	1,133,438	1,146,485
Rental Income	23,783	-	23,783
Misc. Revenue	268,270	-	268,270
Advertising Income	174,582	-	174,582
<b>Net Assets Released from Restriction</b>			
Restriction Satisfied with Incurrence of Expenses for Beam Maintenance	88,329	(88,329)	-
<b>Total Nonoperating Revenue (Expenses)</b>	<u>4,296,464</u>	<u>1,045,109</u>	<u>5,341,573</u>
Change in Net Assets	(5,409,336)	1,045,109	(4,364,227)
Net Assets - Beginning of Year	<u>71,987,123</u>	<u>10,628,608</u>	<u>82,615,731</u>
<b>Net Assets - End of Year</b>	<u>\$ 66,577,787</u>	<u>\$ 11,673,717</u>	<u>\$ 78,251,504</u>

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

# Detroit Transportation Corporation

## Statement of Cash Flows Proprietary Fund Year Ended June 30, 2010

### CASH FLOWS FROM OPERATIONS

Receipts from Customers	\$ 257,554
Cash Receipts from State of Michigan	4,081,770
Cash Receipts from City of Detroit	10,710,997
Cash Receipts from Federal	1,738,131
Payments to Suppliers	(6,479,309)
Payments to Employees	(7,217,097)
Payment of Accrued Pension	(531,752)
Accrued Compensated Absences	64,685
Other Operating Cash Receipts (Payments)	1,185,319
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>3,810,298</u></b>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	(4,332,908)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b><u>(4,332,908)</u></b>

### CASH FLOWS FROM INVESTING ACTIVITIES

Restricted Investment, Net	(1,026,870)
Investment, Net	7,483
Interest Received from Investment	1,146,485
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b><u>127,098</u></b>

Net Increase (Decrease) in Cash and Cash Equivalents	(395,512)
Cash and Cash Equivalents, Beginning of Year	1,220,192
Cash and Cash Equivalents, End of Year	<b><u>\$ 824,680</u></b>

### RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ (9,705,800)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities	
Depreciation and Amortization	6,636,014
Other Income	4,195,088
Change in Accounts Receivable	82,972
Change in Due from Inter-Governmental Receivables	2,649,438
Change in Prepaid Expenses	(220,849)
Change in Inventories	195,409
Change in Accounts & Contracts Payable	(156,586)
Change in Other Payables	290,702
Change in Accrued Salaries Payable	(282,123)
Change in Accrued Pension Payable	68,963
Change in Accrued Compensated Absences	64,685
Change in Deferred Revenue	(7,615)
<b>Total Adjustment</b>	<b><u>13,516,098</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>\$ 3,810,298</u></b>

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

### 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, Michigan pursuant to Act 7 of Public Acts of 1967, is a component unit of the City of Detroit, Michigan 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 DTC. Such operating revenue includes the receipts generated from operating and maintaining the Downtown People Mover.



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

### Statement of Cash Flows

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

### Inventories

Inventories consist of spare parts and are valued at cost or realizable value whichever is less.

## 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, 2010, DTC's bank accounts held approximately \$825,944 in excess of federal insurance coverages.

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 DTC. Category 1 includes investments, which are insured or registered, or held by DTC, or held by an agent in DTC'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 had a deposit balance of \$825,944 that 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 (Continued) Year Ended June 30, 2010

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

#### (A) Cash and Investments (Continued)

##### Credit Risk

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

		Cost		Fair Value	
	Rating	Unrestricted	Restricted	Unrestricted	Restricted
Rating Organization : Standards & Poor's Rating and Moody's Rating					
Cash & Cash Equivalents	None	\$ 1,157,183	\$ 1,719,101	\$ 1,157,183	\$ 1,719,101
Fixed Income					
Treasury Inflation Index Notes					
US Treasury Inflation Index	AAA/Aaa	26,522	-	31,465	-
Treasuries					
US Treasury Bond	AAA/Aaa	-	920,915	-	1,045,422
US Treasury Note	AAA/Aaa	99,754	496,075	100,932	506,770
U.S. Agencies					
Federal Home Loan Bank	Aaa/AAA	77,908	-	79,406	-
Federal National Mortgage	Aaa/AAA	-	664,587	-	741,066
Mortgage		50,701	54,923	55,891	55,825
Federal Natl. Mtg. Assn.	Aaa/AAA	-	487,080	-	530,719
Financing Corp.	Aaa/NR	15,588	214,429	15,031	210,438
Resolution Fdg. Corp. Strips	AAA/Aaa	-	355,827	-	3,276,584
Ref Corp. Strip Principal	AAA/Aaa	-	349,680	-	2,274,158
Equities					
Mutual Funds	Unrated	-	1,694,624	-	1,263,552
Accrued Interest		-	-	1,567	31,862
Total		\$ 1,427,656	\$ 6,957,241	\$ 1,441,475	\$ 11,655,497

##### 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 prohibits investment in foreign currency.

# Detroit Transportation Corporation

## Notes to Financial Statements (Continued) Year Ended June 30, 2010

### 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:

	Balance July 1, 2009	Additions	Disposals and Adjustments	Balance June 30, 2010
Capital Assets not being Depreciated:				
Land	\$ 5,122,237	\$ -	\$ -	\$ 5,122,237
Capital Work in Process	4,242,331	193,518	972,699	3,463,150
<b>Total Assets not being Depreciated</b>	<b>9,364,568</b>	<b>193,518</b>	<b>972,699</b>	<b>8,585,387</b>
Capital Assets being Depreciated:				
Artwork	1,986,000	-	-	1,986,000
Transportation Equipment & Structure	197,253,389	4,823,555	-	202,076,944
Other Equipment	5,285,977	280,712	-	5,566,689
Furniture & Fixture	505,913	7,823	-	513,736
Auto	63,354	-	-	63,354
<b>Total Assets being Depreciated</b>	<b>205,094,633</b>	<b>5,112,090</b>	<b>-</b>	<b>210,206,723</b>
<b>Total Capital Assets</b>	<b>214,459,201</b>	<b>5,305,608</b>	<b>972,699</b>	<b>218,792,110</b>
Accumulated Depreciation:				
Artwork	1,429,920	79,440	-	1,509,360
Transportation Equipment & Structure	140,988,057	6,020,193	-	147,008,250
Other Equipment	3,974,465	463,713	-	4,438,178
Furniture & Fixture	298,651	68,265	-	366,916
Auto	58,022	4,403	-	62,425
<b>Subtotal</b>	<b>146,749,115</b>	<b>6,636,014</b>	<b>-</b>	<b>153,385,129</b>
Net Capital Assets being Depreciated	58,345,518	(1,523,924)	-	56,821,594
<b>Net Capital Assets</b>	<b>\$ 67,710,086</b>	<b>\$ (1,330,406)</b>	<b>\$ 972,699</b>	<b>\$ 65,406,981</b>

# Detroit Transportation Corporation

## Notes to Financial Statements (Continued) Year Ended June 30, 2010

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

#### (C) Inter Governmental Receivables

At June 30, 2010 Inter Governmental receivables as of yearend are as follows:

Federal Transit Administration	\$ 173,593
MI Department of Transportation	5,894
City of Detroit, Michigan - Bond	87,922
SEMOG	54,102
<b>Total</b>	<b>\$ 321,511</b>

#### (D) City of Detroit, Michigan Subsidy

The ability of DTC to continue operations at current levels is dependent upon DTC receiving a subsidy from the City of Detroit, Michigan (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, 2010 amounted to \$6,229,975.

#### (E) State Operating Assistance Grant

Under Act 51 of the Public Acts of 1951, as amended, the State of Michigan makes distributions of funds that have been appropriated for mass transit operating assistance. DTC has recorded operating grant revenues under Act 51 based on a formula that takes into account the eligible costs incurred by DTC. The total state operating assistance grant for the year ending June 30, 2010 amounted to \$3,632,330.

Based on the latest available determinations of State operating assistance allocable to DTC in accordance with the Act 51 funding formula, operating assistance payments were received in excess of the amounts allocable to DTC. The excess of \$414,726 for the current year ended June 30, 2010 is recorded as payable to the State of Michigan.

#### (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 DTC's plan are no longer included in the financial statements.

#### (G) Inventories

Inventories are recorded at cost or realizable value, whichever is less and expensed when used.

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

### (H) Beam Maintenance

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 Guide-way. These structural defects were determined to be the responsibility of UTDC. The total cost of maintenance 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 maintenance. Such amount was invested and the fair value of the investments at June 30, 2010 is reflected as a restricted asset in the accompanying financial statements.

### (I) Related Party Transaction

DTC reported expenses for utilities provided by the City totaling \$492,160 for fiscal year ended June 30, 2010.

### (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 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.

**Annual Pension Cost** – For the year ended June 30, 2010 and 2009, DTC's annual pension cost was \$623,925 and \$531,752 respectively. The annual required contribution of \$616,944 was determined as part of an actuarial valuation at July 1, 2009, the latest actuarial valuation, using the individual entry age normal cost method. Significant actuarial assumptions used include (a) a 7% investment rate of return, (b) projected salary increases of 4% per year. Both (a) and (b) include an inflation component of 4%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five –year period. The unfunded actuarial liability is being amortized as a level percentage of payroll. The remaining amortization period is 30 years.

# Detroit Transportation Corporation

## Notes to Financial Statements (Continued) Year Ended June 30, 2010

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

#### (J) Defined Benefit Pension Plan (Continued)

##### Annual Pension Cost – (Continued)

	2007	2008	2009
Actuarial Value of Assets	\$ 5,566,797	\$ 6,359,330	\$ 6,871,783
Actuarial Accrued Liability (AAL)	\$ 6,851,620	\$ 7,785,586	\$ 8,764,832
Unfunded (AAL)	\$ 1,284,823	\$ 1,426,256	\$ 1,893,049
Funded Ratio	81.25%	81.68%	78.40%
Covered Payroll	\$ 4,159,875	\$ 4,370,377	\$ 4,808,029
UAAL a Percentage of Covered Payroll	31.00%	33.00%	39.00%

	Annual Required Contribution	Percent Contributed
2007	\$ 506,708	100%
2008	\$ 531,752	100%
2009	\$ 616,944	100%

##### 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, 2009 and 2008. The minimum required contribution for 2009 and 2008 consisted of normal costs of \$616,944 and \$531,752 respectively, (approximately 12.83% and 12.17%, respectively, of current covered payroll per actuary report) plus interest on the normal costs.

##### (K) Commitments & Contingencies

DTC is self-insured for up to \$5 million under their general liability insurance policy. As of June 30, 2010 the Corporation had approximately \$604,546 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.

# Detroit Transportation Corporation

## Notes to Financial Statements (Continued) Year Ended June 30, 2010

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

#### (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

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.

### 3) BUDGETARY DATA

#### Budgeting Policies

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.

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 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, 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 DTC, which usually falls in May. DTC budget approved by the City Council represents the final allocation for the fiscal year.

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

# Detroit Transportation Corporation

## Notes to Financial Statements (Continued) Year Ended June 30, 2010

### 4) BOND REVENUE PASSED THROUGH DDOT

In financial year 2006, the City Council approved funds to be paid to DTC through DDOT from the proceeds a bond issuance in an amount not to exceed \$10 million dollars for major transportation capital projects namely a vehicle overhaul project, a capital project of DTC. For the year ended June 30, 2010, \$1,842,058 was spent on this project, which was recorded as revenue in the financial statements.

### 5) 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 DTC's counsel that resolution of these matters will not have a material adverse effect on the financial condition of DTC.

### 6) 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 and, therefore, no expenses are subtracted out as ineligible expense on Schedule 6 of other supplementary information. Any capital money used to pay for operating expenses are either subtracted out as ineligible or not included in total expenses to be reimbursed with State Formula Funds.

### 7) NON FINANCIAL DATA

The methodology used for compiling mileage on Schedule 4N of other supplementary information is an adequate and reliable method for recording vehicle mileage.

### 8) UPCOMING ACCOUNTING PRONOUNCEMENTS

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.



## **Required Supplementary Information**

---

# Detroit Transportation Corporation

## Schedule of Employer Contribution Year Ended June 30, 2010

### SCHEDULE OF EMPLOYER CONTRIBUTION:

<b>Year Ended 30-Jun</b>	<b>Annual Recommended Contributions</b>	<b>Percentage Contributed</b>
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%
2008	\$ 506,708	100%
2009	\$ 529,572	100%
2010	\$ 692,277	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, 2009 and 2008. 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.

	<b>2010</b>	<b>2009</b>
<b>Pension Benefit Obligation</b>		
Current Employees	\$ 6,695,225	\$ 5,985,471
Employer Financed	243,787	234,994
Vested		
Non-Vested		
<b>Total Pension Benefit Obligation</b>	<b>6,939,012</b>	<b>6,220,465</b>
<b>Net Assets Available for Benefits</b>	<b>5,726,486</b>	<b>6,114,875</b>
<b>Excess of Net Assets over Benefit Obligation</b>	<b>\$ (1,212,526)</b>	<b>\$ (105,590)</b>

# Detroit Transportation Corporation

## Schedule of Employer Contribution (Continued) Year Ended June 30, 2009

### Three –year Trend Information

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Actuarial Value of Assets	\$ 5,566,797	\$ 6,359,330	\$ 6,871,783
Actuarial Accrued Liability (AAL)	\$ 6,851,620	\$ 7,785,586	\$ 8,764,832
Unfunded (AAL)	\$ 1,284,823	\$ 1,426,256	\$ 1,893,049
Funded Ratio	81.25%	81.68%	78.40%
Covered Payroll	\$ 4,159,875	\$ 4,370,377	\$ 4,808,029
UAAL a Percentage of Covered Payroll	31.00%	33.00%	39.00%

	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
2007	\$ 506,708	100%
2008	\$ 531,752	100%
2009	\$ 616,944	100%

## **Other Supplementary Information**

---

# Detroit Transportation Corporation

Local Revenues  
Year Ended June 30, 2010

## SCHEDULE 1

	<u>07/01/09- 09/30/09</u>	<u>10/01/09- 06/30/10</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Total</u>
Faregate Revenue	\$ 71,000	\$ 265,783	\$ 336,783
Pass Sales	7,400	53,618	61,018
Token Sales	121,666	381,414	503,080
City Bond Revenue (Vehicle Overhaul)	465,935	1,376,123	1,842,058
City Subsidy	2,437,675	3,792,300	6,229,975
Investment Income	42,465	1,104,020	1,146,485
Rental Income	8,178	15,605	23,783
Miscellaneous Income	4,516	263,754	268,270
Advertising Income	38,411	136,171	174,582
<b>Total</b>	<b><u>\$ 3,197,246</u></b>	<b><u>\$ 7,388,788</u></b>	<b><u>\$ 10,586,034</u></b>

# Detroit Transportation Corporation

**Local Revenues**  
**Based on a September 30, 2009 Year End**

## SCHEDULE 1A

	<b>10/01/08- 06/30/09</b>	<b>07/01/09- 09/30/09</b>	
	<b>Amount</b>	<b>Amount</b>	<b>Total</b>
Faregate Revenue	\$ 231,118	\$ 71,000	\$ 302,118
Pass Sales	29,070	7,400	36,470
Token Sales	399,634	121,666	521,300
City Bond Revenue (Vehicle Overhaul)	5,341,309	465,935	5,807,244
City Subsidy	5,195,573	2,437,675	7,633,248
Investment Income	(34,322)	42,465	8,143
Rental Income	15,085	8,178	23,263
Miscellaneous Income	15,668	4,516	20,184
Advertising Income	314,484	38,411	352,895
<b>Total</b>	<b>\$ 11,507,619</b>	<b>\$ 3,197,246</b>	<b>\$ 14,704,865</b>

# Detroit Transportation Corporation

## Expenditures of Federal and State Awards Year Ended June 30, 2010

### SCHEDULE 2

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant No./ Authorization Number	Total Project Cost	Local Share	FTA Share	Current Year's Expenditures			Prior Year's Expenditures			Award Remaining		
						Total	Federal	State	Total	Federal	State	Local	Remaining	
U.S. Department of Transportation														
Direct Assistance														
Federal Transit Capital Investment Grant	20.500	5309	\$ 406,150	\$ 81,251	\$ 324,899	\$ -	\$ -	\$ -	\$ 141,124	\$ 112,899	\$ -	\$ 28,225	\$ -	
Federal Transit Capital Investment Grant	20.500	5309	592,997	118,600	474,397	-	-	-	305,425	244,340	-	61,085	229,373	
Federal Transit Capital Investment Grant	20.500	5309	1,079,281	179,880	899,401	504,731	403,496	-	219,742	175,793	-	43,949	24,406	
Federal Transit Capital Investment Grant	20.500	5309	133,125	-	133,125	133,125	133,125	-	-	-	-	-	-	
Federal Transit Capital Investment Grant	20.500	5309	1,075,043	215,009	860,034	307,630	246,104	-	37,191	29,753	-	7,438	584,177	
Federal Transit Formula Grant	20.507	5307	4,315,936	863,187	3,452,749	764,793	611,834	-	244,432	195,545	-	48,887	2,607,887	
Federal Transit Formula Grant	20.507	5307	1,000,000	200,000	800,000	238,735	190,988	-	47,747	-	-	-	328,929	
Passed Through SEMCOG Approved Work Program	20.205					93,000	74,400	-	-	-	-	-	-	
Transportation Security Administration														
2006 Homeland Security	97.075				507,797	61,816	61,816	-	129,263	129,263	-	-	161,527	
2007 Homeland Security	97.075				57,097	-	-	-	-	-	-	-	43,931	
Michigan Department of Transportation														
Operating Assistance-ACT 51 Urban	n/a	n/a	3,629,056			3,632,330	-	3,632,330	-	-	-	-	-	
Project tied to MI-90X423-03 (local share)	n/a	n/a				-	-	164,632	54,604	-	54,604	-	-	
Total					\$7,509,489	\$ 5,736,160	\$1,721,763	\$ 3,796,962	\$ 382,067	\$ 1,131,781	\$ 887,593	\$ 54,604	\$189,584	\$3,980,230

# Detroit Transportation Corporation

**Federal and State Awards  
Operating Revenue Only  
Year Ended June 30, 2010**

## SCHEDULE 2A

	<u>07/01/09- 09/30/09</u>	<u>10/01/09- 06/30/10</u>	<u>TOTAL</u>
Michigan Department of Transportation			
Operating Assistance - ACT 51	<u>\$ 877,346</u>	<u>\$ 2,754,984</u>	<u>\$ 3,632,330</u>
Total	<u>\$ 877,346</u>	<u>\$ 2,754,984</u>	<u>\$ 3,632,330</u>



# Detroit Transportation Corporation

**Federal and State Awards  
Operating Revenue Only  
Based on September 30, 2009 Year End**

## SCHEDULE 2B

	<u>10/01/08 - 06/30/09</u>	<u>07/01/09 - 09/30/09</u>	<u>TOTAL</u>
Michigan Department of Transportation Operating Assistance - ACT 51 Total	<u>\$ 2,824,987</u> <u>\$ 2,824,987</u>	<u>\$ 877,346</u> <u>\$ 877,346</u>	<u>\$ 3,702,333</u> <u>\$ 3,702,333</u>

# Detroit Transportation Corporation

Operating and Contract Expenses  
Year Ended June 30, 2010

## SCHEDULE 3

	Urban	Non-Urban	Total
Labor	\$ 5,174,432	\$ -	\$ 5,174,432
Benefits	2,361,257	-	2,361,257
Audit Cost	49,021	-	49,021
Services	3,099,533	-	3,099,533
Materials and Supplies	1,069,351	-	1,069,351
Utilities	825,673	-	825,673
Insurance	559,986	-	559,986
Miscellaneous Expense	420,333	-	420,333
Operating Leases	273,386	-	273,386
Depreciation	6,636,014	-	6,636,014
<b>Total</b>	<b>\$ 20,468,986</b>	<b>-</b>	<b>\$ 20,468,986</b>

# Detroit Transportation Corporation

## Operating and Contract Expenses Split Between A June 30 and September 30 Year End Year Ended June 30, 2010

### SCHEDULE 3A

	Urban			Non-Urban		
	07/01/09- 09/30/09	10/01/09- 06/30/10		07/01/09- 09/30/09	10/01/09- 06/30/10	
	Urban	Urban	Total	Non-Urban	Non-Urban	Total
Labor	\$ 1,274,469	\$ 3,899,963	\$ 5,174,432	\$ -	\$ -	\$ -
Benefits	543,870	1,817,387	2,361,257	-	-	-
Audit Cost	5,848	43,173	49,021	-	-	-
Services	869,682	2,229,851	3,099,533	-	-	-
Materials and Supplies	87,585	981,766	1,069,351	-	-	-
Utilities	189,799	635,874	825,673	-	-	-
Insurance	145,248	414,738	559,986	-	-	-
Miscellaneous Expense	29,328	391,005	420,333	-	-	-
Operating Leases	59,780	213,606	273,386	-	-	-
Depreciation	1,638,172	4,997,842	6,636,014	-	-	-
<b>Total</b>	<b>\$ 4,843,781</b>	<b>\$ 15,625,205</b>	<b>\$ 20,468,986</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# Detroit Transportation Corporation

## Operating and Contract Expenses Year Ended September 30, 2009

### SCHEDULE 3B

	Urban			Non-Urban		
	10/01/08 - 06/30/09	07/01/09 - 09/30/09	Total	10/01/08 - 06/30/09	07/01/09 - 09/30/09	Total
Labor	\$ 3,744,227	\$ 1,274,469	\$ 5,018,696	\$ -	\$ -	\$ -
Benefits	1,470,747	543,870	2,014,617	-	-	-
Audit Cost	19,997	5,848	25,845	-	-	-
Services	2,766,316	869,682	3,635,998	-	-	-
Materials and Supplies	447,145	87,585	534,730	-	-	-
Utilities	788,109	189,799	977,908	-	-	-
Insurance	477,309	145,248	622,557	-	-	-
Miscellaneous Expense	520,636	29,328	549,964	-	-	-
Operating Leases	173,800	59,780	233,580	-	-	-
Depreciation	4,927,407	1,638,172	6,565,579	-	-	-
<b>Total</b>	<b>\$ 15,335,693</b>	<b>\$ 4,843,781</b>	<b>\$ 20,179,474</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# Detroit Transportation Corporation

## Urban Regular Service Revenue Report Year Ended September 30, 2009

### 4 R OAR SCHEDULE 2009

Code	Description	Amount
<b>401:</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 859,889
<b>405:</b>	<b>Charter Service</b>	
40500	Charter Service	-
<b>406:</b>	<b>Auxillary Trans Revenues</b>	
40615	Advertising	352,895
<b>407:</b>	<b>Non Trans Revenues</b>	
40710	Sales of Maintenance Services	-
40720	Rental of Bldgs or Other Property	
<b>408:</b>	<b>Local Revenues</b>	
40800	Taxes Levied Directly for / by Transit Agency	-
<b>409:</b>	<b>Local Revenue</b>	
40910	Local Operating Assistance	13,483,940
<b>411:</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	3,702,333
<b>413:</b>	<b>Federal Contracts</b>	
41302	Federal Operating Grant	373,399
41399	Other Federal Transit Contract Grant	576,011
<b>414:</b>	<b>Other Revenue</b>	
41400	Investment Income	8,143
	Miscellaneous Income	
<b>Total Revenues</b>		<b>\$ 19,356,610</b>

# Detroit Transportation Corporation

## Urban Regular Service Expense Report Year Ended September 30, 2009

### SCHEDULE 4E

Code	Description	Operations	Maintenance	General Administration	Total
<b>501 :</b>	<b>Labor</b>				
50101	Operators' Salaries & Wages	\$ 965,227	\$ -	\$ -	\$ 965,227
50102	Other Salaries & Wages	1,017,427	1,753,253	1,282,788	4,053,469
50103	Dispatchers' Salaries & Wages	-	-	-	-
<b>502 :</b>	<b>Fringe Benefits</b>				
50200	Other Fringe Benefits	560,248	334,832	566,755	1,461,835
50201	Pensions	-	-	552,782	552,782
<b>503 :</b>	<b>Services</b>				
50302	Advertising Fees	-	-	248,760	248,760
50305	Audit Costs	-	-	25,845	25,845
50399	Other Services	20,529	2,203,293	1,163,416	3,387,238
<b>504 :</b>	<b>Materials &amp; Supplies Consumed</b>				
50401	Fuel & Lubricants	-	-	-	-
50402	Tires & Tubes	-	-	-	-
50499	Other Materials & Supplies	75,936	330,450	128,344	534,730
<b>505 :</b>	<b>Utilities</b>				
50500	Utilities	910,584	-	67,324	977,908
<b>506 :</b>	<b>Insurance</b>				
50603	Public Liability Insurance	339,541	-	-	339,541
50699	Other Insurance	-	-	283,016	283,016
<b>508 :</b>	<b>Purchased Transportation Services</b>				
50800	Purchased Transportation Services	-	-	-	-
<b>509 :</b>	<b>Miscellaneous Expenses</b>				
50902	Travel & Meetings	5,287	13,820	30,930	50,037
50903	Association Dues & Subscription	-	340	52,444	52,784
50999	Other Miscellaneous Expenses	-	63,922	383,221	447,143
<b>511 :</b>	<b>Interest Expense</b>				
51102	Interest on Short Term Debt	-	-	-	-
<b>512 :</b>	<b>Operating Leases &amp; Rentals</b>				
51200	Operating Leases & Rentals	10,546	17,298	205,736	233,580
<b>513 :</b>	<b>Depreciation</b>				
51300	Depreciation	-	-	6,565,579	6,565,579

# Detroit Transportation Corporation

## Urban Regular Service Expense Report (Continued) Year Ended September 30, 2009

### SCHEDULE 4E (Continued)

<b>550 :</b>	<b>Ineligible Expenses</b>				
55006	Other Ineligible Interest Expense	-	-	-	-
55007	Ineligible Depreciation	-	-	6,565,579	6,565,579
55008	Other Ineligible Expense				
	Litigation Settlement Expenses	-	-	379,470	379,470
	Legal & Professional Charges	-	-	434,395	434,395
	Bank Charges	-	-	51,323	51,323
	Receivables written off	-	-	119,980	119,980
	Expenses written off	-	-	-	-
	Beam Repair Expenses	-	-	40,627	40,627
	(Paid from Restricted Assets)				
	Safety Audit	-	-	21,310	21,310
	Cobo Bond Revenue	-	-	-	-
	Miscellaneous Revenue	-	-	43,651	43,651
55009	Ineligible Dues & Subscription	-	-	52,784	52,784
55015	Ineligible Charter	-	-	-	-
<b>560 :</b>	<b>Ineligible Expenses</b>				
56001	Ineligible Expenses Associates with sale of Maintenance Service	-	-	-	-
56002	Ineligible Expenses Associates with advertising revenue	-	-	91,818	91,818
56004	Ineligible Expenses Associates with rental	-	-	-	-
<b>570 :</b>	<b>Ineligible Expenses</b>				
57099	Other Ineligible Federal/State/Local				
	Homeland Security Grant	-	-	61,816	61,816
	(Homeland Security Grant CFDA 97.075)				
	FTA Grant (MI-03-0161-01)	-	-	-	-
				<b>Total Expenses</b>	<b>\$ 20,179,474</b>
				<b>Total Ineligible Expenses</b>	<b>\$ 7,862,753</b>
				<b>Total Eligible Expenses</b>	<b>\$ 12,316,721</b>

# Detroit Transportation Corporation

## Urban Regular Service Nonfinancial Report Year Ended September 30, 2009

### SCHEDULE 4N

#### Public Service

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	30,395	6,701	5,160	42,256
611	Vehicle Miles	348,919	68,866	52,369	470,154

#### Miscellaneous Information

Code	Description	Quantity			
630	Charter Service Hours	-	-	-	-
631	Charter Service Miles	-	-	-	-



# Detroit Transportation Corporation

## Operating Assistance Calculation Year Ended September 30, 2009

### SCHEDULE 5

	Urban			Nonurban		
	10/01/08 to 6/30/2009	07/01/09 to 9/30/2009	Total	10/01/08 to 6/30/2009	07/01/09 to 9/30/2009	Total
Total Expenses	15,335,693	4,843,781	20,179,474	-	-	-
Less Ineligible Expenses						
Litigation Settlement Expenses	379,470	-	379,470	-	-	-
Legal & Professional Charges	371,820	62,575	434,395	-	-	-
Advertising Expenses	72,018	19,800	91,818	-	-	-
Miscellaneous Revenue	43,488	163	43,651	-	-	-
Bank Charges	51,147	176	51,323	-	-	-
Dues & Subscription	23,769	29,015	52,784	-	-	-
Receivables written off	78,596	41,384	119,980	-	-	-
Safety Audit	21,310	-	21,310	-	-	-
Beam Repair Expenses	-	40,627	40,627	-	-	-
(Paid from Restricted Assets)						
Homeland Security Grant	-	61,816	61,816	-	-	-
(Homeland Security Grant CFDA 97.075)						
Depreciation	4,927,407	1,638,172	6,565,579	-	-	-
Total Ineligible Expenses per R&E Manual	5,969,025	1,893,728	7,862,753	-	-	-
<b>Total State Eligible Expenses</b>	<b>\$ 9,366,668</b>	<b>\$ 2,950,053</b>	<b>\$ 12,316,721</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Eligible Expenses for State Reimbursement	\$ 9,366,668	\$ 2,950,053	\$ 12,316,721	\$ -	\$ -	\$ -
x Reimbursement Percentage	30.1600%	29.7400%		30.1600%	29.7400%	
State Operating Assistance	\$ 2,824,987	\$ 877,346	\$ 3,702,333	\$ -	\$ -	\$ -

# Detroit Transportation Corporation

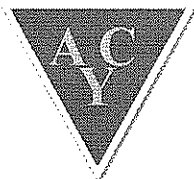
## Operating Assistance Calculation Year Ended June 30, 2010

### SCHEDULE 6

	Urban	Non Urban
Total Expenses	<u>\$ 20,468,986</u>	<u>\$ -</u>
Less Ineligible Expenses		
Litigation Settlement Expenses	20,489	-
Legal & Professional Charges	579,117	-
Advertising Expenses	30,599	-
Miscellaneous Revenue	268,270	-
Bank Charges	60,338	-
Dues & Subscription	54,242	-
Receivables written off	217,123	-
Beam Repair Expenses	88,329	-
(Paid from Restricted Assets)		
MDOT Rail Grant Revenue	164,632	-
SEMCOG Grant Revenue	74,700	-
Approved Work Program (CFDA 20.205)		
Homeland Security Grant	61,816	-
(Homeland Security Grant CFDA 97.075)		
Depreciation	6,636,014	-
Total Ineligible Expenses per R&E Manual	<u>\$ 8,255,669</u>	<u>\$ -</u>
<b>Total State Eligible Expenses</b>	<u><b>\$ 12,213,317</b></u>	<u><b>\$ -</b></u>
Eligible Expenses for State Reimbursement	\$ 12,213,317	\$ -
x Reimbursement Percentage	<u>29.7400%</u>	<u>30.6260</u>
State Operating Assistance	3,632,240	-
Total	<u><b>\$ 3,632,240</b></u>	<u><b>\$ -</b></u>

**DETROIT TRANSPORTATION  
CORPORATION**

Year Ended June 30, 2010



# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740  
Detroit, MI 48202

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

October 20, 2010

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

We have recently completed our audit of the financial statements of Detroit Transportation Corporation (DTC) for the year ended June 30, 2010. In addition to our audit report, we are providing the following required communication and recommendations which impact DTC.

	<u>Page</u>
Results of Audit	1
Summary of Unrecorded Possible Adjustments	4
Other Comments and Recommendations	6
Informational	9

We are grateful for the opportunity to be of service to DTC. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

Alan C. Young and Associates, P.C.



# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740  
Detroit, MI 48202

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

## **Results of Audit**

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

We have audited the financial statements of Detroit Transportation Corporation (DTC) for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Detroit Transportation Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009-2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. No disclosures were noted to be of a particularly sensitive nature.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, all misstatements detected as a result of audit procedures material to the financial statements taken as a whole were corrected by management.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 20, 2010.

### Management Consultations with Other Independent Accountants

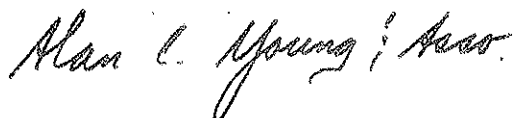
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination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

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Additionally, we would like to identify the efforts of the General Manager and the finance department who worked diligently to streamline processes, raise accountability and meet deadlines. In the current economy, this is crucial, and the Corporation has made a concerted effort in this area.

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



October 20, 2010

## **SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS**

# Detroit Transportation Corporation

## Summary of Unrecorded Possible Adjustments Year Ended June 30, 2010

The effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Fund Balance	Revenues	Expenses
1.	To correct accrued salaries	\$ -	\$ -	\$ 2,501	\$ -	\$ -	\$ -	\$ 2,501
2.	To reconcile investment income	(3,340)	-	-	-	-	(3,340)	-
3.	To record legal expense	-	-	3,606	-	-	-	3,606
4.	To record audit expense	-	-	900	-	-	-	900
5.	To correct account payable balance	-	-	(2,264)	-	-	-	(2,264)
6.	To correct Pension liability	-	-	(412)	-	-	-	(412)
7.	To correct accumulated depreciation	-	5,850	-	-	-	-	(5,850)
		<u>\$ (3,340)</u>	<u>\$ 5,850</u>	<u>\$ 4,331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,340)</u>	<u>\$ (1,519)</u>



## **OTHER COMMENTS AND RECOMMENDATIONS**

---

# **Detroit Transportation Corporation**

---

## **Other Comments and Recommendations Year Ended June 30, 2010**

### **Internal Control Observations and Suggestions**

As the result of our audit procedures for the year ended June 30, 2010, we offer the following financial reporting suggestions for your review and consideration:

#### **1) EXCESSIVE HOURS**

During our examination, we noted that several employees worked in excess of 120 hours on a regular basis within a two-week period. An excessive workload on a regular basis could impact the employee's level of service.

We recommend that DTC strive to limit cases of employees working excessive amounts of overtime.

#### **2) ACCRUED VACATION HOURS**

During our audit we noted that several employees accrued more vacation hours than the 320 maximum hours allowed as per the policy.

We recommend that employees are compensated for all accrued vacation hours above the 320 maximum as outlined in the policy.

#### **3) FILING SYSTEM AND RETENTION OF RECORDS**

During our audit we noted that supporting documentation was not made readily available for review.

We recommend that a better system of document retention and file maintenance be implemented.

#### **4) PERSONNEL FILES**

During our procedures, we noted that employee personnel files did not include updated pay rate information. Any changes in employee pay rates should be documented and maintained within the personnel files.

We recommend that DTC update personnel files anytime a change is made to an employee's compensation.

#### **5) CHART OF ACCOUNTS**

During our audit, we noted that many accounts included in the chart of accounts are no longer being used.

We recommend that the chart of accounts be modified in a way that makes it easier to determine the operations of DTC.

**6) GRANT REIMBURSEMENTS**

During our testing of DTC's grants, we noted that 2<sup>nd</sup> quarter fiscal year reimbursement requests were not submitted in a timely manner.

We recommend that all reimbursement requests are consistently submitted to maintain a positive cash position.

## **INFORMATIONAL**

These items have been discussed with the administration and are presented here for your information as the policy-making body of the DTC.

## **GASB No. 54 -Time for Implementation**

By now you are likely aware that GASB Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions, is effective for your 2010-2011 fiscal year. GASB 54 clarifies the definition of fund types and requires fund balances to be classified into new categories based on the level of availability for discretionary spending. In order to have a smooth transition to the new standard, you will likely need to modify your budgets, general ledger account structure, and board policies.

## **Fund Balance Definitions**

GASB 54 eliminates the current use of the terms "reserved" and "designated" in the reporting of fund balance, and replaces those terms with five new categories for segregating fund balance.

Following are the new categories and related definitions to be used for describing the components of your fund balance:

- **Nonspendable** – Includes amounts either not in spendable form or legally or contractually required to be maintained intact. This would include inventory, prepaid expenses, and noncurrent receivables.
- **Restricted** – Reflects the same definition as restricted net assets: constraints placed on the use of amounts are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. This would generally include amounts in bonded capital projects funds, debt service funds, and cafeteria and center program funds funded with federal program dollars.
- **Committed** – Includes amounts that are committed for specific purposes by formal action of the board. Amounts classified as "committed" are not subject to legal enforceability like restricted fund balance; however, those amounts cannot be used for any other purpose unless the board removes or changes the limitation by taking the same form of action it employed to previously impose the limitation.
- **Assigned** – Amounts that are intended by the DTC to be used for specific purposes, but are neither restricted nor limited, should be reported as assigned fund balance. Intent should be expressed by the board itself or a subordinate high-level body or official possessing the authority to assign amounts to be used for specific purposes in accordance with policy established by the board. This would include any activity reported in a fund other than the General Fund that is not otherwise restricted more narrowly by the above definitions.

## Fund Balance Definitions (Continued)

- **Unassigned** – Includes any remaining amounts after applying the above definitions. Planned spending in the subsequent year's budget would be included here and can no longer be described as "designated" unless formally committed or assigned.

You will likely want to consider what formal "commitments" the board wishes to adopt and adopt formal board policies or budget approvals to document these decisions. Commitments or assignments of fund balance should be made prior to June 30, 2011.

GASB 54 also requires disclosure in the financial statements of any minimum fund balance policies, and the purposes for restrictions, commitments, and assignments of fund balance.

We encourage the DTC to become familiar with the new terms and definitions and work with the users of the financial statements to ensure a clear presentation and understanding of the new requirements.

**DETROIT TRANSPORTATION CORPORATION**

**FEDERAL AWARDS SUPPLEMENTAL INFORMATION**

**YEAR ENDED JUNE 30, 2010**

# Detroit Transportation Corporation

---

## Contents

### Page No.

Independent Auditors' Report.....	1
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 .....	2
Report on Compliance with Requirements that Could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	4
Schedule of Expenditures of Federal Awards .....	6
Notes to Schedule of Expenditures of Federal Awards .....	7
Schedule of Findings and Questioned Costs .....	8
Status of Prior Year Findings.....	16





# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740  
Detroit, MI 48202

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

## INDEPENDENT AUDITORS' REPORT

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

We have audited the general purpose financial statements of the Detroit Transportation Corporation (DTC), as of and for the year ended June 30, 2010, and have issued our report thereon dated October 20, 2010. Those financial statements are the responsibility of the management of the Detroit Transportation Corporation. Our responsibility was to express an opinion on those general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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.

Our audit was made for the purpose of forming an opinion on the basic financial statements of DTC as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Alan C. Young & Assoc.*

October 20, 2010



# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740  
Detroit, MI 48202

(313) 873-7500 (Tel.)  
(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 the year ended June 30, 2010 and have issued our report thereon dated October 20, 2010. 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 opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

**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  
(Continued)**

Internal Control over Financial Reporting (Continued)

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-1 thru 2010-5 to be material weaknesses.

Compliance and Other Matters

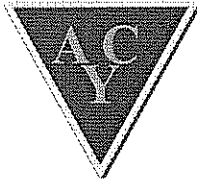
As part of obtaining reasonable assurance about whether the DTC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 is required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the DTC in a separate letter dated October 20, 2010.

The management of DTC'S responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, 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.

  
October 20, 2010



# ***Alan C. Young & Associates, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

7310 Woodward Ave, Suite 740  
Detroit, MI 48202

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

## **REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

### Compliance

We have audited the compliance of the Detroit Transportation Corporation (DTC) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The DTC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of DTC's management. Our responsibility is to express an opinion on DTC's compliance based on our audit.

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

In our opinion, the DTC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-6 and 2010-7.

**Report on Compliance with Requirements that Could  
have a Direct and Material Effect on each Major Program  
and on Internal Control over Compliance in Accordance  
with OMB Circular A-133 (Continued)**

Internal Control Over Compliance

Management of the DTC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the DTC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the DTC's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

The management's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the management's response and, accordingly, we express no opinion on it.

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.

Alan C. Young, Assoc.

October 20, 2010

**Detroit Transportation Corporation****Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2010**

<b>Federal / Pass Through Grantor / Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Transportation:</b>		
Passed through Federal Transit Authority		
Capital Investment	20.500	\$ 782,725
Transit Formula Grant	20.507	802,822
 Passed through SEMCOG		
Approved Work Program	20.205	74,400
<b>U.S. Department of Homeland Security:</b>		
Passed through State of Michigan		
Law Enforcement Terrorism Prevention Program	97.074	<u>61,816</u>
 <b>Total Expenditures of Federal Awards</b>		<u><u>\$ 1,721,763</u></u>

*See notes to schedule of expenditures of federal awards.*

# **Detroit Transportation Corporation**

---

## **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010**

### **1) SIGNIFICANT ACCOUNTING PRINCIPLES**

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

### **2) EXPENDITURE REPORT**

Management has reconciled the expenditures reported in the Schedule of Expenditures of Federal Awards to those amounts reported in the annual or final cost reports. Unallowable differences, if any, have been disclosed to the auditor.

# Detroit Transportation Corporation

## Schedule of Findings and Questioned Costs Year Ended June 30, 2010

### SECTION I - SUMMARY OF AUDITOR'S RESULTS

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material Weakness(es) identified?   X   Yes        No
- Significant Deficiency(ies) identified?        Yes   X   None Reported
- Non-Compliance material to financial Statements noted?        Yes   X   No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?        Yes   X   No
- Significant Deficiency(ies) identified?        Yes   X   None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

  X   Yes        No

#### Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.500	Federal Transit Capital Investment Grant
20.507	Federal Transit Formula Grant

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

Auditee qualified as low risk auditee?        Yes   X   No



# Detroit Transportation Corporation

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS

Reference Number	Findings
2010-1	<p><b>Finding Type – Material Weakness</b></p> <p><b>Condition and Description –</b> During our audit we noted that significant entries to the general ledger were required to reconcile the general ledger with the results of the year-end physical inventory count.</p> <p><b>Recommendation –</b> We recommend that inventory items are reconciled with the general ledger on a consistent basis maintain accurate reporting of actual inventory balances.</p> <p><b>View of Responsible Officials and Corrective Action Plan –</b> DTC concurs with the finding and has already begun to implement the recommendation as stated.</p>

# Detroit Transportation Corporation

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS – (Continued)

Reference Number	Findings
2010-2	<p><b>Finding Type – Material Weakness</b></p> <p><b>Condition and Description –</b> During our audit we noted that Detroit Transportation Corporation does not have a consistent system of performing a physical inventory of fixed assets. Further, we noted that obsolete items were not removed from the accounting records. This is a weakness in the system of controls and has the potential for allowing discrepancies to exist and not be detected.</p> <p><b>Recommendation –</b> We recommend Detroit Transportation Corporation perform a physical inventory of fixed assets at least annually and the results be reviewed and reconciled to the subsidiary ledger and the general ledger with any discrepancy investigated and explained.</p> <p><b>View of Responsible Officials and Corrective Action Plan –</b> DTC concurs with the findings and has begun to implement the recommendations as stated. The change in personnel in the Accounting Department, as well as in the Inventory, Stores and Purchasing functions has resulted in continual testing of inventory and assets and reconciliation to the ledgers.</p>

# Detroit Transportation Corporation

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS – (Continued)

Reference Number	Findings
2010-3	<p><b>Finding Type – Material Weakness</b></p> <p><b>Condition and Description</b> – During our audit we noted that tuition reimbursement payments were made to employees although they did not qualify as per the policy adopted by DTC.</p> <p><b>Recommendation</b> – We recommend that policies are reviewed on a consistent basis to avoid variances.</p> <p><b>View of Responsible Officials and Corrective Action Plan</b> – The DTC's Controller identified the non-compliance of the Tuition Reimbursement Policy which DTC then requested a full audit of the program by the independent auditors. At this time, DTC has suspended the program until further notice. Should the DTC re-activate the program, DTC staff will ensure full compliance for reimbursement of expenses.</p>

# Detroit Transportation Corporation

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS – (Continued)

Reference Number	Findings
2010-4	<p><b>Finding Type – Material Weakness</b></p> <p><b>Condition and Description</b> – During our audit we noted that Detroit Transportation Corporation was unable to provide documentation for the reason and description for manual changes made to the electronic timekeeping system.</p> <p><b>Recommendation</b> – We recommend that a policy is implemented to limit excessive manual changes to the electronic timekeeping system. We also recommend that all changes to the electronic timekeeping system are documented and made readily available for review.</p> <p><b>View of Responsible Officials and Corrective Action Plan</b> – Manual changes to the timekeeping system can only be made by a supervisor or manager. Any employee that clocks in more than 3 minutes before the start of their shift will have an <i>invalid</i> punch that will have to be manually overridden. Senior Managers are not subject to the same sign-in and sign-out procedures. They are exempt employees and work well in excess of 40 hours per week. Periodic 'exception' reports will be given to the General Manager for review.</p>

# Detroit Transportation Corporation

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS – (Continued)

Reference Number	Findings
2010-5	<p><b>Finding Type – Material Weakness</b></p> <p><b>Condition and Description –</b> During our audit we noted that 2 of 40 samples selected did not have an approved purchase order.</p> <p><b>Recommendation –</b> We recommend that all purchase orders are reviewed and approved by the appropriate level of management.</p> <p><b>View of Responsible Officials and Corrective Action Plan –</b> The auditors noted that 2 out of 40 samples did not have an approved purchase order. DTC does not consider this a material weakness. Procedures governing purchase order review, approval and final signatures are being adhered to.</p>

# Detroit Transportation Corporation

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### SECTION III - FEDERAL PROGRAM AUDIT FINDINGS

Reference Number	Findings
2010-6	<p><b>Program Name</b> – Federal Transit Capital Investment Grant, Federal Transit Formula Grant</p> <p><b>CFDA Number</b> – 20.500, 20.507</p> <p><b>Finding Type</b> – Noncompliance</p> <p><b>Criteria</b> – Federal Transit Capital Investment Grant recipients are required to comply with the Federal requirements with respect to real property, equipment and supplies financed by the Grant Agreement.</p> <p><b>Condition</b> – Detroit Transportation Corporation did not maintain fixed asset inventory records that easily distinguish between federally funded and non federally funded assets. In the case of disposition of property, Detroit Transportation Corporation could not provide documentation that they complied with the maintenance, notification and other disposition of property requirements of Federal grants.</p> <p><b>Questioned Costs</b> – None</p> <p><b>Cause/Effect</b> – Due to non availability of documentation, it could not be verified if Detroit Transportation Corporation complied with the notification requirements and other disposition of property requirements of Federal grants.</p> <p><b>Recommendation</b> – We recommend that Detroit Transportation Corporation maintain fixed asset inventory records that can easily help distinguish between federally funded and non-federally funded assets. Also, adequate documentation should be maintained in the case of disposition of property to comply with federal requirements.</p> <p><b>View of Responsible Officials and Corrective Action Plan</b> – DTC utilizes the SAGE Fixed Assets system. This program provides a field for federally-funded assets and it is completed upon the set-up of each asset. No assets bought with federal funds were disposed of during the fiscal year. Only computer hardware and peripherals were identified for disposal.</p>

# Detroit Transportation Corporation

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### SECTION III - FEDERAL PROGRAM AUDIT FINDINGS – (Continued)

Reference Number	Findings
2010-7	<p><b>Program Name</b> – Federal Transit Capital Investment Grant, Federal Transit Formula Grant</p> <p><b>CFDA Number</b> – 20.500, 20.507</p> <p><b>Finding Type</b> – Noncompliance</p> <p><b>Criteria</b> – Federal Transit Capital Investment Grant recipients are required to comply with the Federal requirements with respect to timely reporting.</p> <p><b>Condition</b> – During our audit we noted that Detroit Transportation Corporation did not submit Financial Status Reports for the 2<sup>nd</sup> quarter of the fiscal year in the required timeframe.</p> <p><b>Questioned Costs</b> – None</p> <p><b>Cause/Effect</b> – DTC was not in compliance with program requirements.</p> <p><b>Recommendation</b> – We recommend that Detroit Transportation Corporation submits all required reports by the due date specified by the granting agency.</p> <p><b>View of Responsible Officials and Corrective Action Plan</b> – DTC's Grant Administrator was out due to terminal illness, and unfortunately, due to minimal staffing, taking on additional projects, and staff restructuring, one report period was missed. This issue has been addressed and DTC will be submitting Financial Status Reports in a timely manner.</p>

**SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS**

<b>Reference Number</b>	<b>Findings</b>
2009-1	<p><b>Finding Type – Material Weakness</b></p> <p><b>Condition and Description</b> – Due to supporting information not being received on a timely basis by the accounting department and other workload constraints, significant adjustments were made to the general ledger well after year- end to post transactions and close the books and records. Further, it could not be verified that the bank reconciliations and journal entries made during the year were reviewed by responsible personnel other than the preparer. There was lack of timely review and reconciliation of the MDOT-Expenditures during the year. As a result there is a risk of errors not being detected, or not being detected on a timely basis.</p> <p><b>Status</b>-There was no such finding noted in the current year.</p>
2009-2	<p><b>Finding Type – Material Weakness</b></p> <p><b>Condition and Description</b> – During our audit we noted that Detroit Transportation Corporation does not have a consistent system of performing a physical inventory of fixed assets. Further, we noted that obsolete items were not removed from the accounting records. This is a weakness in the system of controls and has the potential for allowing discrepancies to exist and not be detected.</p> <p><b>Status</b>- This condition still existed in the current year. See finding 2010-2.</p>



**SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS-- (Continued)**

<b>Reference Number</b>	<b>Findings</b>
2009-3	<p><b>Finding Type – Material Weakness</b></p> <p><b>Condition and Description –</b> Our audit procedures disclosed inadequate support for the accounts receivable balances as of the balance sheet date. We feel that the following factors contribute to this deficiency: lack of reconciliation, inadequate filing procedures of bank deposit slips and other documentation, and inadequate review for cash receipts. This lack of control led to the inability to determine accurate accounts receivable balances, to assess account aging, to evaluate the appropriate allowance for doubtful accounts and to easily track amounts owed to DTC. All variances identified during the audit process necessitated an adjusting entry at year end.</p> <p><b>Status-</b> There was no such finding noted in the current year.</p>
2009-4	<p><b>Finding Type – Material Weakness</b></p> <p><b>Condition and Description –</b> Our audit procedures disclosed that investment accounts were not reconciled during the year and significant time and effort was spent reconciling this account after the books were closed. All variances identified during the audit process necessitated an adjusting entry at year end.</p> <p><b>Status-</b> There was no such finding noted in the current year.</p>

**SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS – (Continued)**

<b>Reference Number</b>	<b>Findings</b>
2009-5	<p><b>Finding Type – Material Weakness</b></p> <p><b>Condition and Description</b> – Under Statement on Auditing Standards No.112, we are required to communicate when any 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.</p> <p><b>Status-</b> There was no such finding noted in the current year.</p>

# Detroit Transportation Corporation

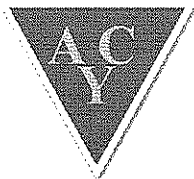
## Status of Prior Year Findings (Continued) Year Ended June 30, 2009

### SECTION III – FEDERAL PROGRAM AUDIT FINDINGS

<b>Reference Number</b>	<b>Findings</b>
2009-6	<p><b>Program Name</b> – Federal Transit Capital Investment Grant, Federal Transit Formula Grant</p> <p><b>CFDA Number</b> – 20.500, 20.507</p> <p><b>Finding Type</b> – Noncompliance</p> <p><b>Condition</b> – Detroit Transportation Corporation did not maintain fixed asset inventory records that easily distinguish between federally funded and non-federally funded assets. In the case of disposition of property, Detroit Transportation Corporation could not provide documentation that they complied with the maintenance, notification and other disposition of property requirements of Federal grants.</p> <p><b>Status</b>-This condition still existed in the current year. See finding 2010-6.</p>

**DETROIT TRANSPORTATION  
CORPORATION**

Year Ended June 30, 2010



# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740  
Detroit, MI 48202

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

October 20, 2010

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

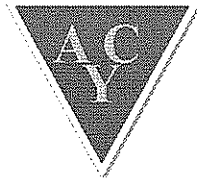
We have recently completed our audit of the financial statements of Detroit Transportation Corporation (DTC) for the year ended June 30, 2010. In addition to our audit report, we are providing the following required communication and recommendations which impact DTC.

	<u>Page</u>
Results of Audit	1
Summary of Unrecorded Possible Adjustments	4
Other Comments and Recommendations	6
Informational	9

We are grateful for the opportunity to be of service to DTC. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

Alan C. Young and Associates, P.C.



# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740  
Detroit, MI 48202

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

## **Results of Audit**

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

We have audited the financial statements of Detroit Transportation Corporation (DTC) for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Detroit Transportation Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009-2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. No disclosures were noted to be of a particularly sensitive nature.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, all misstatements detected as a result of audit procedures material to the financial statements taken as a whole were corrected by management.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 20, 2010.

### Management Consultations with Other Independent Accountants

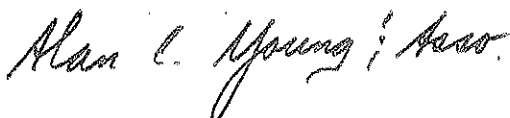
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination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

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Additionally, we would like to identify the efforts of the General Manager and the finance department who worked diligently to streamline processes, raise accountability and meet deadlines. In the current economy, this is crucial, and the Corporation has made a concerted effort in this area.

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



October 20, 2010

## **SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS**



# Detroit Transportation Corporation

## Summary of Unrecorded Possible Adjustments Year Ended June 30, 2010

The effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Fund Balance	Revenues	Expenses
1.	To correct accrued salaries	\$ -	\$ -	\$ 2,501	\$ -	\$ -	\$ -	\$ 2,501
2.	To reconcile investment income	(3,340)	-	-	-	-	(3,340)	-
3.	To record legal expense	-	-	3,606	-	-	-	3,606
4.	To record audit expense	-	-	900	-	-	-	900
5.	To correct account payable balance	-	-	(2,264)	-	-	-	(2,264)
6.	To correct Pension liability	-	-	(412)	-	-	-	(412)
7.	To correct accumulated depreciation	-	5,850	-	-	-	-	(5,850)
		<u>\$ (3,340)</u>	<u>\$ 5,850</u>	<u>\$ 4,331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,340)</u>	<u>\$ (1,519)</u>

## **OTHER COMMENTS AND RECOMMENDATIONS**

# Detroit Transportation Corporation

---

## Other Comments and Recommendations Year Ended June 30, 2010

### Internal Control Observations and Suggestions

As the result of our audit procedures for the year ended June 30, 2010, we offer the following financial reporting suggestions for your review and consideration:

#### **1) EXCESSIVE HOURS**

During our examination, we noted that several employees worked in excess of 120 hours on a regular basis within a two-week period. An excessive workload on a regular basis could impact the employee's level of service.

We recommend that DTC strive to limit cases of employees working excessive amounts of overtime.

#### **2) ACCRUED VACATION HOURS**

During our audit we noted that several employees accrued more vacation hours than the 320 maximum hours allowed as per the policy.

We recommend that employees are compensated for all accrued vacation hours above the 320 maximum as outlined in the policy.

#### **3) FILING SYSTEM AND RETENTION OF RECORDS**

During our audit we noted that supporting documentation was not made readily available for review.

We recommend that a better system of document retention and file maintenance be implemented.

#### **4) PERSONNEL FILES**

During our procedures, we noted that employee personnel files did not include updated pay rate information. Any changes in employee pay rates should be documented and maintained within the personnel files.

We recommend that DTC update personnel files anytime a change is made to an employee's compensation.

#### **5) CHART OF ACCOUNTS**

During our audit, we noted that many accounts included in the chart of accounts are no longer being used.

We recommend that the chart of accounts be modified in a way that makes it easier to determine the operations of DTC.

**6) GRANT REIMBURSEMENTS**

During our testing of DTC's grants, we noted that 2<sup>nd</sup> quarter fiscal year reimbursement requests were not submitted in a timely manner.

We recommend that all reimbursement requests are consistently submitted to maintain a positive cash position.

## **INFORMATIONAL**

These items have been discussed with the administration and are presented here for your information as the policy-making body of the DTC.

## **GASB No. 54 -Time for Implementation**

By now you are likely aware that GASB Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions, is effective for your 2010-2011 fiscal year. GASB 54 clarifies the definition of fund types and requires fund balances to be classified into new categories based on the level of availability for discretionary spending. In order to have a smooth transition to the new standard, you will likely need to modify your budgets, general ledger account structure, and board policies.

## **Fund Balance Definitions**

GASB 54 eliminates the current use of the terms "reserved" and "designated" in the reporting of fund balance, and replaces those terms with five new categories for segregating fund balance.

Following are the new categories and related definitions to be used for describing the components of your fund balance:

- **Nonspendable** – Includes amounts either not in spendable form or legally or contractually required to be maintained intact. This would include inventory, prepaid expenses, and noncurrent receivables.
- **Restricted** – Reflects the same definition as restricted net assets: constraints placed on the use of amounts are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. This would generally include amounts in bonded capital projects funds, debt service funds, and cafeteria and center program funds funded with federal program dollars.
- **Committed** – Includes amounts that are committed for specific purposes by formal action of the board. Amounts classified as "committed" are not subject to legal enforceability like restricted fund balance; however, those amounts cannot be used for any other purpose unless the board removes or changes the limitation by taking the same form of action it employed to previously impose the limitation.
- **Assigned** – Amounts that are intended by the DTC to be used for specific purposes, but are neither restricted nor limited, should be reported as assigned fund balance. Intent should be expressed by the board itself or a subordinate high-level body or official possessing the authority to assign amounts to be used for specific purposes in accordance with policy established by the board. This would include any activity reported in a fund other than the General Fund that is not otherwise restricted more narrowly by the above definitions.

## Fund Balance Definitions (Continued)

- **Unassigned** – Includes any remaining amounts after applying the above definitions. Planned spending in the subsequent year's budget would be included here and can no longer be described as "designated" unless formally committed or assigned.

You will likely want to consider what formal "commitments" the board wishes to adopt and adopt formal board policies or budget approvals to document these decisions. Commitments or assignments of fund balance should be made prior to June 30, 2011.

GASB 54 also requires disclosure in the financial statements of any minimum fund balance policies, and the purposes for restrictions, commitments, and assignments of fund balance.

We encourage the DTC to become familiar with the new terms and definitions and work with the users of the financial statements to ensure a clear presentation and understanding of the new requirements.