

**ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
AUDIT REPORT
SEPTEMBER 30, 2008**

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Net Assets	9
Statement of Cash Flows	10-11
Notes to Financial Statements	12-19
Supplemental Information:	
Schedule 1 - Operating Revenues	20
Schedule 2 - Operating Expenses	21
Schedule 3 - Non-Operating Revenues	22
Schedule 4 - Schedule of Contributed Equity	23
Schedule 5 - Schedule of Expenditures of Federal and State Grants	24
Schedule 6 - Net Eligible Costs Computations of General Operations	25
Schedule 7 - Detail of Ineligible Expenses and Revenues	26
Schedule 8 - Mileage Data - Unaudited	27
Compliance Reports:	
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	28-30



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INDEPENDENT AUDITOR'S REPORT

October 28, 2008

Board of Directors
Roscommon County Transportation Authority
2665 S. Townline Road
Prudenville, MI 48651

I have audited the accompanying financial statements of the business-type activity and major fund, which collectively comprise the basic financial statements of the Roscommon County Transportation Authority, as of and for the year ended September 30, 2008, as listed in the table of contents. These statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 of The United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of the Roscommon County Transportation Authority, as of September 30, 2008, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MEMBER MACPA and AICPA

In accordance with Government Auditing Standards, I have also issued a report dated October 28, 2008, on my consideration of the Roscommon County Transportation Authority internal control over financial reporting and my test of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The managements discussion and analysis and budgetary comparison information on pages 3-7, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Roscommon County Transportation Authority basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Roscommon County Transportation Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.



JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Using this Annual Report

Our discussion and analysis of the Roscommon County Transportation Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2008. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets provide information about the activities of the Authority and present a longer-term view of the Authority's finances.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and an additional section that presents supplemental information and schedules. The basic financial statements include two kinds of statements that present different views of the Authority:

- . The first two statements are financial statements that provide both long-term and short-term information about the Authority's overall financial status. These statements report information about the Authority, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The two statements report the Authority's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities. This is one way to measure the Authority's financial health or position.
- . The remaining statement is a Statement of Cash Flows to demonstrate the activities of the Authority as it relates to cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing, and cash flows from investing activities.

Reporting the Transit Authority as a Whole

Government-Wide Statements

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

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2008

The two statements, mentioned above, report the Authority's net assets and how they have changed. The reader can think of the Authority's net assets (the difference between assets and liabilities) as one way to measure the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Authority you need to consider additional non-financial factors such as changes in the County's property tax base, the condition of the Authority's vehicles, and changes in the laws related to the operating assistance received from the Federal and State government.

Financial Analysis of the Transit Authority as a Whole

The Authority's net assets increased approximately 13%, or \$305,107, from \$2,420,977 to \$2,726,084 for the year ended September 30, 2008. The net assets and change in net assets are summarized below.

Net Assets

The overall financial position improved in 2008. The unrestricted net assets increased by \$143,929 and the net contributed equity and investment in capital assets increased by \$161,178. The primary reasons for the net increase was the increase in total revenue of \$265,714 and net increase of expenses of \$120,463.

The net assets as of the year ended September 30, 2008, are as follows:

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$1,653,027	\$1,503,022	\$ 150,005	9.98
Capital Assets	<u>1,196,598</u>	<u>1,002,886</u>	<u>193,712</u>	<u>19.31</u>
Total Assets	<u>2,849,625</u>	<u>2,505,908</u>	<u>343,717</u>	<u>13.72</u>
Current Liabilities	57,045	46,185	10,860	23.51
Noncurrent Liabilities	<u>66,496</u>	<u>38,746</u>	<u>27,750</u>	<u>71.62</u>
Total Liabilities	<u>123,541</u>	<u>84,931</u>	<u>38,610</u>	<u>45.46</u>
Net Assets				
Contributed equity	27,653	47,679	(20,026)	(42.00)
Invested in Capital Assets	1,136,411	955,207	181,204	18.97
Unrestricted	<u>1,562,020</u>	<u>1,418,091</u>	<u>143,929</u>	<u>10.15</u>
Total Net Assets	<u>\$2,726,084</u>	<u>\$2,420,977</u>	<u>\$ 305,107</u>	<u>12.60</u>

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2008

Changes in Net Assets

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>%</u>
Operating Revenue				
Charges for Services	\$ 195,554	\$ 171,380	\$ 24,174	14.10
Nonoperating Revenue				
Taxes Levied for Authority	606,069	570,757	35,312	6.19
State of Michigan Operating Grants	607,450	589,449	18,001	3.05
Federal Operating Grants	264,168	268,645	(4,477)	(1.67)
Capital Grants	340,609	152,291	188,318	123.66
Interest	71,771	81,210	(9,439)	(11.62)
Gain on Sale of Fixed Assets	<u>18,575</u>	<u>4,750</u>	<u>13,825</u>	<u>291.05</u>
Total Revenue	<u>2,104,196</u>	<u>1,838,482</u>	<u>265,714</u>	<u>14.45</u>
Operating Expense				
Salaries and Wages	804,767	754,169	50,598	6.71
Fringe Benefits	340,476	323,615	16,861	5.21
Depreciation	222,571	164,987	57,584	34.90
Other	<u>431,275</u>	<u>435,855</u>	<u>(4,580)</u>	<u>(1.05)</u>
Total Operating Expense	<u>1,799,089</u>	<u>1,678,626</u>	<u>120,463</u>	<u>7.18</u>
Income (Loss)	305,107	159,856	145,251	90.86
Beginning Net Assets	<u>2,420,977</u>	<u>2,261,121</u>	<u>159,856</u>	<u>7.07</u>
Ending Net Assets	<u>\$2,726,084</u>	<u>\$2,420,977</u>	<u>\$ 305,107</u>	<u>12.60</u>

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2008

Capital Asset and Debt Administration

At September 30, 2008, the Authority had \$1,196,598 invested in capital assets. This amount represents a net increase (including additions and deductions) of \$193,712 or 19.31% as follows:

	<u>2008</u>	<u>2007</u>	<u>Total Percentage Change 2007-2008</u>
Capital Assets Not Being Depreciated			
Land	\$ -0-	\$ -0-	0.00
Subtotal	<u>-0-</u>	<u>-0-</u>	<u>0.00</u>
Capital Assets Being Depreciated			
Building	1,223,476	1,186,248	3.14
Vehicles	1,190,064	1,058,424	12.44
Equipment	<u>257,969</u>	<u>257,519</u>	<u>0.17</u>
Subtotal	<u>2,671,509</u>	<u>2,502,191</u>	<u>6.77</u>
Total Capital Assets	<u>2,671,509</u>	<u>2,502,191</u>	<u>6.77</u>
Total Accumulated Depreciation	<u>1,474,911</u>	<u>1,499,305</u>	<u>1.63</u>
Total Net Capital Assets	<u>\$1,196,598</u>	<u>\$1,002,886</u>	<u>19.31</u>

Please refer to the notes of the financial statements for more detailed information.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2008

Economic Factors and Next Year's Budget

Overview

The overall status of Roscommon County Transportation Authority continues to remain strong as reported in this September 30, 2008 audit. There were no OSHA personal injury loss of work claims to report and no major vehicular accidents. Roscommon County Transportation Authority is not involved in any litigation nor are we aware of any litigation pending. Staffing has remained constant over the past twelve months while ridership continues to increase. The Authority's capital assets continue to improve. Constant maintenance and scheduled preventative care provides long term assurance of continued value of the capital assets as reported in the annual audit report.

Financial Status

The Roscommon County Transportation Authority remains financially sound as reflected through this audit report dated September 30, 2008. In the event State and Federal funding were to cease Roscommon County Transportation Authority could continue to operate for approximately 6 (six) months with the ability to shutdown this transportation program in a responsible manner leaving no unmet financial obligations.

Financial support from the State continues a steady decline resulting in department labor hours being redistributed. Increasing drivers hours are a priority as we attempt to accommodate the substantial increases in transportation requests while negotiating the continued funding constraints being imposed. With the State revenue decline comes significant challenges and quite possibly staffing cutbacks during the 2009 fiscal year at a time when our community needs more services available.

Successful passage of a 6 (six) year millage has provided some assurance of funding levels in addition to the increase from fare box revenue. The State of Michigan must find the resources to stabilize funding for operational needs and capital replacement for public transportation systems statewide to meet the needs of our individual communities.

Maureen W. Daugherty
Executive Director

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

ASSETS

Current

Cash and investments	\$ 1,548,531
Accounts receivable	12,128
Interest receivable	12,197
Due from governmental units	54,200
Inventory	<u>25,971</u>

Total Current Assets 1,653,027

Property and Equipment, less accumulated depreciation 1,196,598

Total Assets 2,849,625

LIABILITIES

Current Liabilities

Accounts payable	5,203
Accrued payroll	20,460
Due to other governmental units	21,981
Capital lease payable - due within one year	<u>9,401</u>

Total Current Liabilities 57,045

Noncurrent Liabilities

Capital lease payable	23,133
Accrued compensated absences	<u>43,363</u>

Total Noncurrent Liabilities 66,496

Total Liabilities 123,541

NET ASSETS

Contributed capital	27,653
Invested in Capital Assets, net of related debt	1,136,411
Unrestricted	<u>1,562,020</u>

Total Net Assets \$ 2,726,084

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

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2008

Operating Revenues	
Charges for services	
Fare box and special fares	\$ 195,179
Package delivery/Meals on wheels	<u>375</u>
Total operating revenues	<u>195,554</u>
Operating Expenses	
Salaries and wages	804,767
Fringe benefits	340,476
Services	53,511
Materials and supplies	269,666
Utilities	21,390
Casualty and liability insurance	70,480
Miscellaneous	16,228
Depreciation	<u>222,571</u>
Total operating expenses	<u>1,799,089</u>
Operating income (loss)	<u>(1,603,535)</u>
Non-operating Revenues (expenses)	
Property taxes	606,069
Federal	264,168
State	607,450
State and Federal capital grants	340,609
Interest/investment income	71,771
Gain on sale of fixed assets	<u>18,575</u>
Total non-operating revenues	<u>1,908,642</u>
Change in Net Assets	305,107
Net Assets - October 1, 2007	<u>2,420,977</u>
Net Assets - September 30, 2008	<u><u>\$ 2,726,084</u></u>

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

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED SEPTEMBER 30, 2008

Cash flows from operating activities	
Cash receipts from operations	\$ 195,672
Cash payments for supplies and services	(446,297)
Cash payments for employee services and fringes	<u>(1,142,127)</u>
Net cash provided (used) by operating activities	<u>(1,392,752)</u>
Cash flows from noncapital financing activities	
Property taxes	606,069
Federal operating grants	264,168
State operating grants	<u>607,450</u>
Net cash provided (used) by noncapital financing activities	<u>1,477,687</u>
Cash flows from capital and related financing activities	
Federal/State capital grants	340,609
Purchase of fixed assets	(416,283)
Sale of Fixed Assets	18,575
Capital Lease Proceeds	<u>32,534</u>
Net cash provided (used) by capital and related financing activities	<u>(24,565)</u>
Cash flows from investing activities	
Investment income	<u>71,771</u>
Net cash provided (used) by investing activities	<u>71,771</u>
Net increase (decrease) in cash and cash equivalents	132,141
Cash and Cash Equivalents - October 1, 2007	<u>1,416,390</u>
Cash and Cash Equivalents - September 30, 2008	<u><u>\$ 1,548,531</u></u>

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

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED SEPTEMBER 30, 2008

Reconciliation of operating income to net
cash provided by operating activities:

Operating income (loss) \$(1,603,535)

Adjustments to reconcile operating income to net
cash provided by operating activities:

Depreciation	222,571
Decrease (increase) in accounts receivable	4,362
Decrease (increase) in interest receivable	3,745
Decrease (increase) in inventory	(25,971)
Increase (decrease) in accounts payable	2,960
Increase (decrease) in accrued liabilities	<u>3,116</u>

Total adjustments 210,783

Net cash provided (used) by operating activities \$(1,392,752)

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

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE A - DESCRIPTION OF THE REPORTING ENTITY

The Authority was organized in 2004 under Public Act 196 of 1986 as a successor to the Roscommon Mini-Bus System. The Authority is a separate legal and administrative unit of government. The purpose of the Authority is to provide public transit services to the general public within Roscommon County.

NOTE B - DESCRIPTION OF FUNDS

Enterprise Fund

The Authority Operations Fund is classified as an Enterprise Fund to conform to management requirements and State regulations. An Enterprise Fund is used to report operations that provide services which are financed by user charges, of activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. Enterprise Funds use the accrual basis of accounting.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Roscommon County Transportation Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting - The accrual basis of accounting is followed by the Authority. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Inventories - Inventories are valued at cost which approximates market, using the first-in/first-out (FIFO method). The costs of inventories are recorded as expenditures when used (consumption method).

Capital Assets - Capital assets are stated at cost or fair market value at date of gift. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives. The Authority's policy is to capitalize qualified purchases in excess of \$1,000 unless they are part of a capital grant where as there is no minimum threshold.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2008

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes - Current property taxes are levied as of December 1 each year and attach an enforceable lien on the property. Current property taxes levied are collected by other local units of government until the subsequent year when revenue is recognized for the current budget year. Current property taxes from the December 1 levy, which are received prior to December 31, are normally held in the Roscommon County's Trust and Agency Fund. The Authority subsequently receives its portion of the levy from this fund.

Contributed Capital - Prior to October 1, 2001, proceeds received from the State and the U.S. Department of Transportation, in accordance with contracts to purchase fixed assets were credited to Contributed Capital and were not recorded as revenue. Depreciation of fixed assets purchased with these funds is charged against Contributed Capital.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Balance 10/01/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/08</u>
Building and Improvements	\$ 1,186,248	\$ 37,228	\$ -0-	\$ 1,223,476
Vehicles	1,058,424	378,605	246,965	1,190,064
Shop Equipment	104,851	450	-0-	105,301
Office Equipment	<u>152,668</u>	<u>-0-</u>	<u>-0-</u>	<u>152,668</u>
Totals	<u>\$ 2,502,191</u>	<u>\$ 416,283</u>	<u>\$ 246,965</u>	2,671,509
Accumulated Depreciation	<u>\$ 1,499,305</u>	<u>\$ 222,571</u>	<u>\$ 246,965</u>	<u>1,474,911</u>
Net Property and Equipment				<u>\$ 1,196,598</u>

The total depreciation expense for fiscal year ending September 30, 2008 was \$222,571. The eligible depreciation of \$82,837 (\$222,571 total depreciation less ineligible depreciation \$139,734) includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by the Bureau of Passenger Transportation.

Useful lives of depreciable assets are as follows:

Buses & rehabilitations	3-10 years
Operations equipment	5-10 years
Garage equipment	3-15 years
Office equipment	3-10 years
Computer equipment	3-7 years
Building	4-20 years

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

NOTE E - PENSION PLAN

The Authority employees participate in the Roscommon County Transportation Authority retirement plan. A description of that plan follows:

Description of Plan and Plan Assets

The Roscommon County Transportation Authority is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement Systems (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirements are computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent time the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2007.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 MSA 5.333(a): MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Annual Pension Cost

During the fiscal year ended December 31, 2007, the Authority's contributions totaling \$92,264 were made in accordance with contribution requirements determined by an actuarial valuation of the plan. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2008

NOTE E - PENSION PLAN (CONTINUED)

Components of the Actuarial Accrued Liability at December 31, 2007 the last date of Annual Actuarial Valuation, are as follows:

Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	\$ 365,516
Terminated employees (vested former members) not yet receiving benefits	124,138
Non-vested terminated employees (pending refunds of accumulated member contributions)	-0-
Current employee contributions - Including allocated investment income	4,613
Employer financed contributions - Including allocated investment income	<u>1,166,459</u>
Total Actuarial Accrued Liability	1,660,726
Net Assets Available for Benefits at Actuarial Value (Market Value 1,308,048)	<u>1,292,965</u>
Unfunded Actuarial Accrued Liability	<u>\$ 367,761</u>

For the fiscal year beginning October 1, 2009 the Annual Required Contribution is \$73,788. The amortization factor used is .055889.

Three Year Trend Information for GASB Statement No. 27

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 79,043	100%	\$ -0-
2006	76,833	100%	-0-
2007	73,792	100%	-0-

Required Supplementary Information for GASB Statement No. 27

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
2005	\$ 1,002,298	\$ 1,386,016	\$ 383,718	72%	\$ 575,279	67%
2006	1,137,692	1,493,426	355,734	76%	565,362	63%
2007	1,292,965	1,660,726	367,761	78%	530,117	69%

NOTE F - COMPENSATED ABSENCES

The current portion of compensated absences benefits are recorded as expenditures. Employees are eligible to receive ½ of sick pay benefits and 100% of vacation pay benefits accrued at year-end.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2008

NOTE G - CASH AND INVESTMENTS

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Accounts</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amount</u>
Cash and investments	\$1,548,531	Petty Cash	\$ 200
		Checking and Savings Accounts	298,331
		Certificate of Deposits	<u>1,250,000</u>
Total	<u>\$1,548,531</u>		<u>\$1,548,531</u>

Deposits - At year end, the carrying amount of the Authority's deposits was \$1,548,531 and the bank balance was \$1,536,486. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, approximately 62% of the total bank balance was covered by federal depository insurance.

Investments - Act 217, PA 1982, authorizes the Authority to deposit and invest in the following:

- (a) bonds and other direct obligations of the United States or its agencies
- (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146)
- (c) commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time
- (d) United States government or Federal agency obligation repurchase agreements
- (e) bankers' acceptance of United States banks
- (f) mutual funds composed of investments which are legal for direct investments by local units of government in Michigan

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

NOTE G - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

The Authority has not adopted a policy that indicates how the Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

The Authority has not adopted a policy that indicates how the Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

NOTE H - CONTRIBUTED CAPITAL

The Contributed Capital equity account represents funds provided by the federal Government and State of Michigan, to the Authority, for the purchase of buildings, buses and equipment. Depreciation on buildings, buses and equipment purchased with State and Federal Funds is charged against this account. Depreciation of fixed assets purchased with Contributed Capital, for the same period was \$20,026.

Effective for fiscal years beginning after July 2000, and for all subsequent years, all State/Federal Capital Grants are recorded as revenue on the Statement of Revenues, Expenses and Changes in Retained Earnings. For the year ended September 30, 2008 \$340,609 of State/Federal Capital Grants were recorded as revenue.

NOTE I - STATE GRANTS

The Transportation Authority has contracted with the State of Michigan for grant funds for operations and equipment. All of the monies that the Authority is now eligible to receive have not yet been disbursed to them, as the projects have not yet been completed. As of September 30, 2008, \$39,391 is still available to the Authority under those grants.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

NOTE J - RISK MANAGEMENT

The Transit Authority is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and commercial insurance and excess coverage policies. Following is a summary of these self-insurance programs and risk management pool participation.

The Transit Authority participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property damage coverages. The MMRMA was established in January 1980, pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of MMRMA is to provide cooperative and comprehensive risk financing and risk control services. The MMRMA provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The Transit Authority makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs. The Transit Authority is a state pool member and has deductibles which differ for each type of coverage.

The Transit Authority has insurance coverage for workers' compensation provided by the Michigan Counties Worker's Comp Fund.

NOTE K - LONG TERM OBLIGATIONS

Long-term obligation activity for the year ended September 30, 2008 is as follows:

	<u>9/30/07 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>9/30/08 Balance</u>	<u>Due within one year</u>
Capital Lease	\$ -0-	\$ 46,754	\$ 14,220	\$ 32,534	\$ 9,401
Accrued Compensated absences	<u>38,746</u>	<u>(1) 4,617</u>	<u>-0-</u>	<u>43,363</u>	<u>-0-</u>
Total Long-Term Obligation	<u>\$ 38,746</u>	<u>\$ 51,371</u>	<u>\$ 14,220</u>	<u>\$ 75,897</u>	<u>\$ 9,401</u>

(1) The change in compensated absences is shown as a net addition.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2008

NOTE K - LONG TERM OBLIGATIONS (CONTINUED)

The Transit Authority entered into two capital leases with GMAC for the purchase of a 2008 Chevrolet Equinox and a 2008 Chevrolet Silverado pickup. The lease agreements require four annual payments of \$5,370.97 and \$8,849.54, respectively.

Annual Debt Service Requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 9,401	\$ 4,820	\$ 14,221
2010	10,770	3,451	14,221
2011	<u>12,363</u>	<u>1,858</u>	<u>14,221</u>
Totals	<u>\$ 32,534</u>	<u>\$ 10,129</u>	<u>\$ 42,663</u>

NOTE L - COST ALLOCATION PLANS

The Transit Authority has no Cost Allocation plans in use during the year ended September 30, 2008.

NOTE M - EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL

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

NOTE N - NONFINANCIAL DATA

The methodology used for compiling mileage on Schedule 8 - Mileage Data is an adequate and reliable method for recording vehicle mileage.

NOTE O - CONTINGENCIES

Amounts received or receivable under grant programs are subject to audit and adjustment by the grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the Transit agency. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Transit agency expects such amounts, if any, to be immaterial.

SUPPLEMENTAL INFORMATION

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
 OPERATING REVENUES
 YEAR ENDED SEPTEMBER 30, 2008

Operating Revenues	
Passenger Fares	\$ 118,586
Contract Fares	76,593
Package Delivery/Meals on Wheels	<u>375</u>
Total Operating Revenues	<u>\$ 195,554</u>

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
 OPERATING EXPENSES
 YEAR ENDED SEPTEMBER 30, 2008

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor				
Operator's salaries and wages	\$ 443,234	\$ -0-	\$ -0-	\$ 443,234
Other salaries and wages	-0-	110,036	121,242	231,278
Dispatcher's salaries and wages	130,255	-0-	-0-	130,255
Fringe Benefits:				
Other fringe benefits	179,227	37,902	31,083	248,212
Pensions	57,019	17,518	17,727	92,264
Services:				
Advertising fees	14,926	-0-	-0-	14,926
Audit costs	-0-	-0-	4,300	4,300
Other services	4,680	17,481	12,124	34,285
Materials and Supplies Consumed				
Fuel and lubricants	217,725	-0-	-0-	217,725
Tires	-0-	9,795	-0-	9,795
Other materials and supplies	-0-	23,408	18,738	42,146
Utilities	-0-	-0-	21,390	21,390
Casualty and Liability Costs				
Premiums for public liability and property damage insurance	70,480	-0-	-0-	70,480
Miscellaneous Expenses				
Travel and meetings	-0-	-0-	13,445	13,445
Association dues and Subscriptions	-0-	-0-	2,783	2,783
Depreciation	<u>199,283</u>	<u>4,947</u>	<u>18,341</u>	<u>222,571</u>
Total Expenses	<u>\$ 1,316,829</u>	<u>\$ 221,087</u>	<u>\$ 261,173</u>	<u>\$1,799,089</u>

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NONOPERATING REVENUES
YEAR ENDED SEPTEMBER 30, 2008

Local Operating Grants	
Tax Levy	<u>\$ 606,069</u>
Subtotal Local Operating Grants	<u>606,069</u>
State of Michigan Operating Grants	
Formula Operating Assistance (Act 51)	603,950
R-Tap	<u>3,500</u>
Subtotal State of Michigan Operating Grants	<u>607,450</u>
Federal Operating Grants	
U.S. DOT Operating Grant - Section 5311	<u>264,168</u>
State Capital Grants	<u>340,609</u>
Interest Income	<u>71,771</u>
Gain on Sale of Assets	<u>18,575</u>
Total Nonoperating Revenues	<u><u>\$ 1,908,642</u></u>

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
 SCHEDULE OF CONTRIBUTED EQUITY
 YEAR ENDED SEPTEMBER 30, 2008

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Balance, October 1, 2007	\$ 10,638	\$ 37,041	\$ 47,679
Deduct			
Depreciation on assets purchased from contributed equity	<u>(4,937)</u>	<u>(15,089)</u>	<u>(20,026)</u>
Balance, September 30, 2008	<u>\$ 5,701</u>	<u>\$ 21,952</u>	<u>\$ 27,653</u>

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE GRANTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

Federal and State Grantor/Pass-Through	Federal CFDA Number	Grant Number	Program Award Amount	Current Year Expenditures			Prior Year Expend- itures	Award Amount Remaining
				Total	Federal	State		
Passed Through Michigan Department of Transportation								
Operating Assistance - Section 5311	20.509	07-0282/Z4	\$ 264,168	\$ 264,168	\$ 264,168	\$ -0-	\$ -0-	\$ -0-
Federal Transit Capital Grants	20.500							
Capital Grant		05-0345/Z6	60,736	8,946	7,157	1,789	51,790	-0-
Capital Grant		05-0345/Z8	54,040	-0-	-0-	-0-	51,821	2,219
Capital Grant		05-0345/Z10	228,900	191,728	160,828	30,900	-0-	37,172
Capital Grant		05-0345/Z11	51,644	51,644	41,315	10,329	-0-	-0-
Capital Grant		07-0282/Z2	54,625	54,625	43,700	10,925	-0-	-0-
Capital Grant		07-0282/Z3	33,666	33,666	26,933	6,733	-0-	-0-
Total Capital Grants			483,611	340,609	279,933	60,676	103,611	39,391
Michigan Department of Transportation								
Non Urban Operating Assistance - Act 51								
Current Year	N/A	N/A	598,423	598,423	-0-	598,423	-0-	-0-
Prior Year Grant Adjustments	N/A		-0-	5,527	-0-	5,527	-0-	-0-
Total State Operating Assistance			598,423	603,950	-0-	603,950	-0-	-0-
Total Federal and State Grants			\$1,346,202	\$1,208,727	\$ 544,101	\$ 664,626	\$ 103,611	\$ 39,391

SCHEDULE 6

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS
YEAR ENDED SEPTEMBER 30, 2008

	2007-0282/Z4 Federal <u>Section 5311</u>	State Operating <u>Assistance</u>
Expenses		
Labor	\$ 804,767	\$ 804,767
Fringe benefits	340,476	340,476
Services	53,511	53,511
Materials & supplies	269,666	269,666
Utilities	21,390	21,390
Casualty & liability costs	70,480	70,480
Miscellaneous	16,228	16,228
Depreciation	<u>222,571</u>	<u>222,571</u>
Total Expense	1,799,089	1,799,089
Less Ineligible Expenses		
Depreciation	139,734	139,734
R-TAP	3,500	3,500
MPTA Dues	123	123
CTAA Dues	5	5
Annual Audit Fees	4,300	-0-
Package Delivery	<u>375</u>	<u>375</u>
Total Ineligible Expenses	<u>148,037</u>	<u>143,737</u>
Net Eligible Expenses	<u>\$ 1,651,052</u>	<u>\$ 1,655,352</u>
Maximum Section 5311 Reimbursement (16.0%)	<u>\$ 264,168</u>	
State Operating Assistance		<u>\$ 598,423</u>

Federal Section 5311 expenses are only those expenses incurred in providing service to nonurbanized areas. The State Operating Assistance is computed at 36.15084% of the current eligible expenses for the year ended September 30, 2008.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
DETAIL OF INELIGIBLE EXPENSES AND REVENUES
YEAR ENDED SEPTEMBER 30, 2008

Depreciation

Depreciation accrued from assets funded by capital grants is considered ineligible in accordance with the Bureau of Passenger Transportation's Revenue and Expense manual.

Annual Audit Fees

Any Transit Agency that expends less than \$500,000 in federal funds must subtract out the cost of the annual audit as an ineligible expense under Section 5311. Therefore, \$4,300 has been treated as ineligible for Section 5311 purposes.

MPTA Dues

6.94% of MPTA dues are considered ineligible for reimbursement under State Operating Assistance and Section 5311 Operating Assistance Programs for the year ended September 30, 2008.

CCTA Dues

1.66% of CCTA dues are considered ineligible for reimbursement under State Operating Assistance and Section 5311 Operating Assistance Programs for the year ended September 30, 2008.

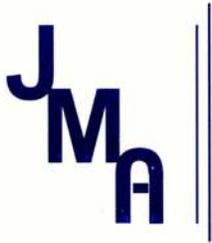
Package Delivery

Revenues equal to expenses associated with package delivery are not eligible and are treated as ineligible in accordance with the Bureau of Passenger Transportation's Revenue and Expense Manual.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MILEAGE DATA - UNAUDITED
YEAR ENDED SEPTEMBER 30, 2008

	<u>Public Transportation Mileage</u>
DEMAND RESPONSE	
1 st Quarter	176,009
2 nd Quarter	176,164
3 rd Quarter	174,675
4 th Quarter	<u>185,462</u>
TOTAL OPERATIONS	<u>712,310</u>

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



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

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**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**

October 28, 2008

Board of Directors
Roscommon County Transportation Authority
2665 Townline Road
Prudenville, MI 48651

Dear Board:

I have audited the accompanying financial statements of the business-type activity and major fund which collectively comprise the basic financial statements of the Roscommon County Transportation Authority for the year ended September 30, 2008, and issued my report thereon dated October 28, 2008. I conducted my 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 my audit, I considered the Roscommon County Transportation Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Roscommon County Transportation Authority's internal control over financial reporting.

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

MEMBER MACPA and AICPA

Financial Statement Preparation

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Authority's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Authority has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the government's internal controls. This condition was caused by the Authority's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Authority to perform this task internally.

A Control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Roscommon County Transportation Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. I consider the deficiencies described above to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

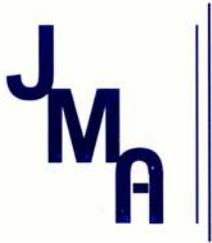
As part of obtaining reasonable assurance about whether the Roscommon County Transportation Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

I noted certain other matters that I reported to management of the Roscommon County Transportation Authority in a separate letter dated October 28, 2008.

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

A handwritten signature in cursive script, appearing to read "James M. Anderson".

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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October 28, 2008

Board of Directors
Roscommon County Transportation Authority
2665 Townline Road
Prudenville, MI 48651

I have audited the financial statements of the business-type activity and major fund of the Roscommon County Transportation Authority for the year ended September 30, 2008, and have issued my report thereon dated October 28, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in my engagement letter dated October 26, 2008, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the Roscommon County Transportation Authority. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Roscommon County Transportation Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Roscommon County Transportation Authority are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the Roscommon County Transportation Authority during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Roscommon County Transportation Authority's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the Roscommon County Transportation Authority, either individually or in the aggregate, indicate matters that could have a significant effect on Roscommon County Transportation Authority's financial reporting process.

Disagreements with Management

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

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 applications of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Roscommon County Transportation Authority's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing my audit.

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

A handwritten signature in cursive script, appearing to read "James M. Anderson, P.C.", written in black ink.

James M. Anderson, P.C.
Certified Public Accountant

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
REPORT TO MANAGEMENT
SEPTEMBER 30, 2008



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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October 28, 2008

Board of Directors
Roscommon County Transportation Authority
2665 S. Townline Road
Prudenville, MI 48651

In planning and performing my audit of the financial statements of the Roscommon County Transportation Authority, as of and for the year ended September 30, 2008, I considered the Authority's accounting, operational, and internal control procedures to determine the nature and extent of my audit testing for the purpose of expressing an opinion on the financial statements of the Authority and not to provide assurance on the procedures themselves.

I did however, during the course of my audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated October 28, 2008, on the financial statements of the Roscommon County Transportation Authority.

I have already discussed these comments and suggestions with the Authority's personnel, and I will be pleased to discuss them in further detail at your convenience, and/or to perform any additional studies of these matters, should you so desire.

Sincerely,

A handwritten signature in cursive script that reads "James M. Anderson".

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY

COMMENTS AND RECOMMENDATIONS

Bank Reconciliations

The Disbursement bank account has been reconciled using a cut off date of two days into the subsequent month. I recommend that all bank accounts be reconciled using a month end cut-off.

Accounts Receivable

During my testwork, I found that invoicing for services were dated with the date of preparation of the invoice rather than the date the service was rendered. This causes the income to be reported in the subsequent month. I recommend that the date of the service be used for the posting date to ensure proper reporting of income. This same principal should be followed in the accounts payable posting.