

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Alger County Transit Authority	County Alger
Fiscal Year End 09/30/07	Opinion Date 02/11/08	Date Audit Report Submitted to State 3-22-08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


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

**YES NO Check each applicable box below.** (See instructions for further detail.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Anderson, Tackman, & Company, PLC		Telephone Number 906-225-1166		
Street Address 102. W. Washington St., Suite 109		City Marquette	State MI	Zip 49855
Authorizing CPA Signature 		Printed Name Michael Alan Grentz		License Number 1101027988

Alger County Transit Authority  
Financial Statements  
For the Year Ended September 30, 2007

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Partners

John W. Blemberg, CPA	Robert J. Downs, CPA, CVA	Daniel E. Bianchi, CPA
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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Alger County Transit Authority  
530 Munising Ave.  
Munising, Michigan 49862

We have audited the accompanying financial statements of the business-type activities of the Alger County Transit Authority, as of and for the year ended September 30, 2007, which collectively comprise the Alger County Transit Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Alger County Transit Authority's management. Our responsibility is to express opinions 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Alger County Transit Authority as of September 30, 2007, and the respective changes in its financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2008 on our consideration of the Alger County Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Directors  
Alger County Transit Authority

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alger County Transit Authority's basic financial statements. The schedules listed in the table of contents as other financial information are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedules have 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.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

February 11, 2008

## Alger County Transit Authority

### MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Alger County Transit Authority's financial performance provides an overview of the Alger County Transit Authority's financial activities for the year ended September 30, 2007. Please read it in conjunction with the financial statements, which begin on page 8.

#### FINANCIAL HIGHLIGHTS

- Net assets for the Alger County Transit Authority as a whole were reported at \$836,777. Net assets are comprised of 100% business-type activities.
- During the year, the Alger County Transit Authority's total expenses were \$1,029,327, while revenues from all sources totaled \$1,087,944 resulting in an increase in net assets of \$58,617.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 8 and 9) provide information about the activities of the Alger County Transit Authority as a whole and present a longer-term view of the Alger County Transit Authority finances.

#### **Reporting the Alger County Transit Authority as a Whole**

One of the most important questions asked about the Alger County Transit Authority's finances is "Is the Alger County Transit Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Alger County Transit Authority as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Alger County Transit Authority's *net assets* and changes in them. You can think of the Alger County Transit Authority's net assets – the difference between assets and liabilities – as one way to measure the Alger County Transit Authority's financial health, or *financial position*. Over time, *increases or decreases* in the Alger County Transit Authority's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Alger County Transit Authority's operating base and the condition of the Alger County Transit Authority's capital assets, to assess the *overall financial health* of the Alger County Transit Authority.

In the Statement of Net Assets and the Statement of Activities, we report all of the Alger County Transit Authority's activities as business-type activities because the Alger County Transit Authority charges a fee to residents to help it cover the cost of services it provides.

**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)** (Continued)

**The Alger County Transit Authority as a Whole** (Continued)

Table 1 provides a summary of the Alger County Transit Authority's net assets as of September 30, 2007 and 2006.

	2007	2006
Current and other assets	\$51,730	\$104,047
Capital assets, net	996,039	922,207
<b>Total Assets</b>	<b>1,047,769</b>	<b>1,026,254</b>
Current liabilities	180,353	248,094
Non-current liabilities	30,639	-
<b>Total Liabilities</b>	<b>210,992</b>	<b>248,094</b>
<b>Net Assets:</b>		
Invested in capital assets	996,039	922,207
Restricted for transportation	(159,262)	(144,047)
<b>Total Net Assets</b>	<b>\$836,777</b>	<b>\$778,160</b>

Net assets of the Alger County Transit Authority's business-type activities stood at \$836,777. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities stood at \$(159,262).

The \$(159,262) in unrestricted net assets represents the accumulated results of all past years' operations. The results of this year's operations for the Alger County Transit Authority as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2007 and 2006.

	2007	2006
Operating Revenues	\$273,117	\$374,235
Operating Expenses:	1,029,327	979,035
<b>Operating Income (Loss)</b>	<b>(756,210)</b>	<b>(604,800)</b>
<b>Non-Operating Revenues:</b>		
Local	85,906	61,808
State	263,562	282,876
Federal	232,783	125,186
Capital Grants	233,884	60,929
Interest Income	419	-
Gain (Loss) on Sale of Capital Assets	(1,727)	-
<b>Total Non-Operating Revenues</b>	<b>814,827</b>	<b>530,799</b>
<b>Changes in Net Assets</b>	<b>58,617</b>	<b>(74,001)</b>
<b>Net assets, beginning</b>	<b>778,160</b>	<b>852,161</b>
<b>Net Assets, Ending</b>	<b>\$836,777</b>	<b>\$778,160</b>

**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)** (Continued)

**The Alger County Transit Authority as a Whole** (Continued)

The Alger County Transit Authority's total revenues were \$1,087,944. The total cost of all programs and services was \$1,029,327, leaving an increase in net assets of \$58,617 as a result of fiscal year 2007 operations.

The net increase of \$58,617 was due from \$233,884 in Capital Grant Revenue, \$155,650 in depreciation expense and a net loss of \$19,617 from the remaining operations.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal 2007 and 2006, the Alger County Transit Authority had \$996,039 and \$922,207 respectively, invested in a variety of capital assets including land, buildings, and other equipment. (See table below)

	<u>2007</u>	<u>2006</u>
Buildings	\$930,920	\$930,920
Equipment and furnishings	228,413	218,043
Buses	<u>746,912</u>	<u>684,883</u>
	1,906,245	1,833,846
Accumulated depreciation	<u>(910,206)</u>	<u>(911,639)</u>
Totals	<u>\$996,039</u>	<u>\$922,207</u>

**Debt**

The Alger County Transit Authority has no outstanding debt at year end.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

In fiscal year 2008, we do expect an increase in fuel costs; however, a decrease in insurance costs should offset this. We may also receive a decrease in state operating revenue, but the millage revenue will see an increase. All in all, we expect to maintain the level of service provided on basically the same budget as fiscal year 2007.

**CONTACTING THE ALGER COUNTY TRANSIT AUTHORITY FINANCIAL MANAGEMENT**

This financial report is designated to provide our taxpayers, investors and creditors with a general overview of the Alger County Transit Authority's finances and to show the Alger County Transit Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Alger County Transit Authority Administrator at Alger County Transit Authority, P.O. Box 69, Munising, Michigan 49862.



**ALGER COUNTY TRANSIT AUTHORITY**  
**Statement of Net Assets**  
**September 30, 2007**

**ASSETS**

CURRENT ASSETS:

Fare Income Receivable	\$	27,676
Due from Commission on Aging		18,544
Prepaid Insurance		5,510

TOTAL CURRENT ASSETS		51,730
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NON-CURRENT ASSETS:

Capital Assets, (Net of Accumulated Depreciated)		996,039
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TOTAL NON-CURRENT ASSETS		996,039
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<b>TOTAL ASSETS</b>		1,047,769
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**LIABILITIES**

CURRENT LIABILITIES:

Cash and Cash Equivalents - overdraft		7,992
Accounts Payable		86,698
Due to State of Michigan		7,508
Accrued Payroll and Related Liabilities		21,339
Unearned Revenue		50
Line of Credit		56,766

TOTAL CURRENT LIABILITIES		180,353
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NON-CURRENT LIABILITIES:

Compensated Absences		30,639
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TOTAL NON-CURRENT LIABILITIES		30,639
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<b>TOTAL LIABILITIES</b>		210,992
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**NET ASSETS**

Invested in Capital Assets - Net of Related Debt		996,039
Unrestricted		(159,262)

<b>TOTAL NET ASSETS</b>	\$	836,777
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The accompanying notes to the financial statements are an integral part of this statement.

**ALGER COUNTY TRANSIT AUTHORITY**  
**Statement of Activities**  
**For the Year Ended September 30, 2007**

Operating Revenues		\$ 273,117
Operating Expenses:		<u>1,029,327</u>
	OPERATING INCOME (LOSS)	<u>(756,210)</u>
Non-operating Revenues:		
Local		85,906
State		263,562
Federal		232,783
Capital Grants		233,884
Interest Income		419
Gain (Loss) on Sale of Capital Assets		<u>(1,727)</u>
	TOTAL NON-OPERATING REVENUES	<u>814,827</u>
	CHANGES IN NET ASSETS	58,617
	NET ASSETS, BEGINNING OF THE YEAR	<u>778,160</u>
	NET ASSET, OF THE YEAR	<u>\$ 836,777</u>

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

**ALGER COUNTY TRANSIT AUTHORITY**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2007**

Cash Flows from Operating Activities:		
Collections from customers	\$	290,504
Payments to employees and related items		(585,758)
Payments to vendors		(280,356)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		<u>(575,610)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets		(233,884)
Proceeds of Sale of Capital Assets		2,675
Capital Grant Funds to Purchase Capital Assets		233,884
Increase (decrease) in Line of Credit		(11,632)
Federal and State Sources		496,345
Local Sources		85,906
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		<u>573,294</u>
Cash Flows from Investing Activities:		
Interest income		419
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<u>419</u>
	<b>NET INCREASE (DECREASE) IN CASH</b>	(1,897)
Cash, Beginning of Year		<u>(6,095)</u>
	<b>CASH, END OF YEAR</b>	<u>\$ (7,992)</u>

RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$	(756,210)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense		155,650
(Increase) Decrease in Fare Income Receivable		15,296
(Increase) Decrease in Due from Commission on Aging		2,266
(Increase) Decrease in Prepaid Insurance		116
Increase (Decrease) in Accounts Payable		(13,835)
Increase (Decrease) in Due to State of Michigan		27,966
Increase (Decrease) in Accrued Payroll and Related Liabilities		(10,288)
Increase (Decrease) in Unearned Revenue		(175)
Increase (Decrease) in Compensated Absence		3,604
	Total Adjustments	<u>180,600</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$	<u>(575,610)</u>

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

ALGER COUNTY TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**1 - Financial Reporting Entity**

The accounting policies of the Alger County Transit Authority conform to generally accepted accounting principles in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the Alger County Transit Authority:

The Alger County Transit Authority, which was organized under State of Michigan, Public Act 196 of 1986, provides public transportation to the general public in Alger County, Michigan. The Alger County Transit Authority is governed by a six (6) member Board of Directors appointed by the Alger County Board of Commissioners.

**2 - Basic Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Business-type activities rely to a significant extent on fees and charges for support.

**3 - Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Business-type activities distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with principal ongoing operations.

The principal operating revenue or our business-type activities relate to charges to customers for sales and services. Operating expenses for business-type activities include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**4 - Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with a maturity of three months or less when acquired.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Capital Assets and Depreciation

Capital assets are stated at cost or fair market value at the date of purchase/gift. Costs relating to maintenance and repairs are charged to expense, whereas those for betterments, with significant amounts, are capitalized. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as defined in the R&E Manual and/or as approved by BPT.

The eligible depreciation of \$6,107: \$155,650 total depreciation reported in PTMS Code 51300 for both Urban and Non-urban less ineligible depreciation of \$149,543 reported in PTMS code 55007 Ineligible Depreciation includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by BPT.

Compensated Absences

It is the Alger County Transit Authority's policy to permit employees to accumulate earned but unused paid time off. All paid time off pay is accrued when incurred.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

Budgetary Information

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. A budgetary comparison schedule is not presented as it is not legally required.

Fund Deficits

As of September 30, 2007, a deficit of \$159,262 existed in unrestricted retained earnings. The Alger County Transit Authority's financial condition relating to unrestricted retained earnings has improved from last year. Management is evaluating its ability to reduce daily operating expenses, and obtain other revenue sources. If such conditions cannot be obtained or received the ability of the Alger County Transit Authority to continue operations may be impaired. The Alger County Transit Authority is required to and has filed a deficit elimination plan with the Department of Transportation.

**NOTE C – DEPOSITS AND INVESTMENTS:**

The composition of cash and equivalents restricted and unrestricted, reported on the balance sheet are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and equivalents	<u>\$ (7,992)</u>	<u>\$ -</u>	<u>\$ (7,992)</u>

**NOTE C – DEPOSITS AND INVESTMENTS (Continued):**

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Alger County Transit Authority's deposits may not be returned to it. State law does not require and the Alger County Transit Authority does not have a deposit policy for custodial credit risk. The carrying amounts of the Alger County Transit Authority's deposits with financial institutions were \$ (7,992) and the bank balance was \$ 1,511. Of the bank balance, \$ 1,511 or approximately 100% was covered by federal depository insurance according to FDIC regulations.

Investments

As of September 30, 2007, the Alger County Transit Authority had no investments.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Alger County Transit Authority's investments. The Alger County Transit Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk*

Michigan statutes (Act 196, PA 1997) authorize the Alger County Transit Authority to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Alger County Transit Authority has no investment policy that would further limit its investment choices. The Alger County Transit Authority's investments are in accordance with statutory Alger County Transit Authority.

**NOTE D – DUE TO/FROM OTHER GOVERNMENTAL UNITS:**

Due from State Government

The Alger County Transit Authority receives funding from the State of Michigan for the Local Bus Operating Assistance Program. The computation of the amount due from the State of Michigan is as follows:

Net eligible expenses	\$702,403
Funding rate	38.6208%
Funding earned	<u>\$271,274</u>
Funding received	<u>278,467</u>
Due to state government for current year for local bus operating assistance	(7,193)
Net of all other state balances	<u>(315)</u>
Total due to State of Michigan	<u><u>\$(7,508)</u></u>

**NOTE D – DUE TO/FROM OTHER GOVERNMENTAL UNITS (Continued):**

Due to Federal Government

The Alger County Transit Authority receives funding from the U.S. Department of Transportation under Section 5311 Operating Grants. The computation of the amount due to the Federal Government is as follows:

Net Eligible Expenses	\$697,253
Funding Rate	17.0000%
Funding Earned	<u>\$118,533</u>
Funding Received	<u>\$119,073</u>
Due to State Government	<u>\$540</u>

**NOTE E – CHANGES IN CAPITAL ASSETS:**

Capital asset activity for the year ended September 30, 2007 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$-	\$-	\$-	\$-
Sub-Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets Being Depreciated				
Buildings	930,920	-	-	930,920
Vehicles	740,955	223,514	161,485	802,984
Furniture and Equipment	161,971	10,370	-	172,341
Sub-Total	<u>1,833,846</u>	<u>233,884</u>	<u>161,485</u>	<u>1,906,245</u>
Less Accumulated Depreciation for:				
Buildings	337,693	46,805	-	384,498
Vehicles	445,853	95,142	157,083	383,912
Furniture and Equipment	128,093	13,703	-	141,796
Sub-Total	<u>911,639</u>	<u>155,650</u>	<u>157,083</u>	<u>910,206</u>
Net Capital Assets Being Depreciated	<u>922,207</u>	<u>78,234</u>	<u>(4,402)</u>	<u>996,039</u>
Capital Assets – Net of Depreciation	<u>\$922,207</u>	<u>\$78,234</u>	<u>\$(4,402)</u>	<u>\$996,039</u>

**NOTE F – SHORT-TERM NOTES PAYABLE:**

Short-term notes payable outstanding as of September 30, 2007 consists of the following:

Short-term note payable to bank:

- Original note \$46,198, unsecured, on May 17, 2007, with interest at 7%, due on November 7, 2007.
- Original note \$10,568, unsecured, on September 30, 2007, with interest at 7%, due on January 8, 2008.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Short Term Note #1	\$46,298	\$-	\$100	\$46,198
Short Term Note #2	22,100	-	11,532	10,568
Total	<u>\$68,398</u>	<u>\$-</u>	<u>\$11,632</u>	<u>\$56,766</u>

## NOTE G – SCHEDULE OF CONTRIBUTED CAPITAL:

Changes in contributed capital for the year ended September 30, 2007, consist of the following:

### Capital Grants:

Balance, October 1, 2006		\$1,793,846
Add grants recognized:		
2007-0159/Z24	\$ -	
2002-0006/Z24	4,984	
2002-0006/Z23	59,142	
2002-0006/Z22	156,625	
2002-0006/Z19	-	
2002-0006/Z16	-	
2002-0006/Z11	-	
2002-0006/Z10R2	13,133	
	Total Grants	233,884
Minus Disposals		(161,485)
Facility Share of current additions		-
	Balance, September 30, 2007	<u>1,866,245</u>

### Accumulated amortization:

Balance, October 1, 2006	899,609
Add - current amortization	149,543
Minus Disposals	(157,080)
Facility Share of current additions	-
	<u>892,072</u>
Balance, September 30, 2007	<u>892,072</u>
NET CAPITAL GRANTS, SEPTEMBER 30, 2007	<u>\$ 974,173</u>

## NOTE H – RISK MANAGEMENT:

The Alger County Transit Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Alger County Transit Authority is participating with other Transit Authority's in two separate Michigan Transit Insurance pools. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Alger County Transit Authority. Settled claims have not exceeded this coverage in any of the past four years.

*The Michigan Transit Pool – Liability Trust Fund* provides liability insurance to its members. Contributions to the Pool in excess of claim losses, expenses, and other costs may be refunded and the Pool may assess members a supplemental assessment in the event of deficiencies. The Pool limits the maximum net loss that may arise from large risks or risks in concentrated areas of exposure by reinsuring certain levels of risk with other insurers or reinsurers. The Alger County Transit Authority's insurance coverage is based on various types of risk and the maximum aggregate reimbursement cannot exceed \$1,000,000 for all claims. The Pool is responsible for paying specific claims up to \$250,000 in Medical claims and \$950,000 in General Liability claims from premiums collected and have purchased aggregate reinsurance in excess of these limits.



#### **NOTE H – RISK MANAGEMENT:**

*The Michigan Transit Pool – Direct Property Damage Trust Fund* provides direct property damage coverage to its members. Contributions to the Pool in excess of claim losses, expenses, and other costs may be refunded and the Pool may assess members a supplemental assessment in the event of deficiencies. The Fund uses excess insurance to reduce its exposure to individual claims in excess of \$100,000. The insurance policy permits the recovery of losses from the carrier in excess of this limit, but does not discharge the primary liability of the Fund as direct insurer of the risks insured.

The Alger County Transit Authority continues to carry commercial insurance for other risks of loss, including general liability, worker's compensation and employee health insurance.

#### **NOTE I – COST ALLOCATIONS:**

The Alger County Transit Authority has cost allocation plans for allocated expenses regarding Specialized Services, Job Access/Reverse Commute and Administration contract with the Alger County Commission on Aging. All allocation plans are approved by the Michigan Department of Transportation, Bureau of Urban and Public Transportation, Bus Transit Division. The plans have been adhered to in the preparation of the financial statements.

#### **NOTE J – 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 K – NON-FINANCIAL DATA:**

The methodology used for compiling mileage on Non-Urban Regular Service Non-Financial Report has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

#### **NOTE L – CONTINGENCIES:**

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

## OTHER FINANCIAL INFORMATION

**ALGER COUNTY TRANSIT AUTHORITY**  
**Schedule of Local Revenues**  
**For the Year Ended September 30, 2007**

Fare Box	\$ 249,117
County Commission on Aging - Contract Fares	24,000
Advertising	22,110
Gain (Loss) on Sale of Capital Assets	(1,727)
Administrative Contract	31,000
Miscellaneous Revenue	3,952
Tax Levy	12,474
Donations	16,370
Interest Income	419
Total	<u>\$ 357,715</u>

**ALGER COUNTY TRANSIT AUTHORITY**  
**Schedule of Federal and State Awards**  
**For the Year Ended September 30, 2007**

Federal and State Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures			Prior Year's Expenditures	Amount Remaining
				Total	Federal	State		
<u>U.S. Department of Transportation</u>								
Passed Through Michigan Department of Transportation								
Federal Transit Capital Grants	20.500							
Capital Grant--Section 5309 (80/20)		2007-0159-Z4	\$ 72,000	\$ -	\$ -	\$ -	\$ -	\$ 72,000
Capital Grant--Section 5309 (80/20)		2002-0006-Z24	73,000	4,983	3,986	997	-	68,017
Capital Grant--Section 5309 (80/20)		2002-0006-Z23	66,460	59,142	47,314	11,828	-	7,318
Capital Grant--Section 5309 (80/20)		2002-0006-Z22	160,000	156,625	125,300	31,325	-	3,375
Capital Grant--Section 5309 (80/20)		2002-006-Z19	75,000	-	-	-	-	75,000
Capital Grant--Section 5309 (80/20)		2002-006-Z16	58,000	-	-	-	57,902	98
Capital Grant--Section 5309 (80/20)		2002-006-Z11	172,755	-	-	-	162,334	10,421
Capital Grant--Section 5309 (80/20)		2002-006-Z10	225,000	13,134	10,507	2,627	211,189	677
Federal Transit Operating Grants	20.509							
Operating Assistance - Section 5311		2007-0159-Z3	118,533	118,533	118,533	-	-	-
Operating Assistance - Section 5311		2002-006-Z21	122,592	-	-	-	-	-
Operating Assistance - Section 5311		FY 04-05	84,271	(13,156)	(13,156)	-	-	-
Operating Assistance - Section 5311		FY 03-04	69,923	(2,838)	(2,838)	-	-	-
Rural Transit Assistance Program (RTAP)		N/A	3,500	3,500	3,500	-	-	-
Federal Job Access Grants	20.516							
Job Access - Section 5316		2007-0159-Z2	108,428	108,428	108,428	-	-	-
<u>Michigan Department of Transportation</u>								
Operating Assistance - Non-Urban - Act 51	N/A							
FY 06-07		N/A	271,274	271,274	-	271,274	-	-
FY 05-06		N/A	283,037	-	-	-	-	-
FY 04-05		N/A	264,314	(9,068)	-	(9,068)	-	-
FY 03-04		N/A	269,709	655	-	655	-	-
FY 02-03		N/A	264,379	(40)	-	(40)	-	-
FY 01-00		N/A	264,379	(1,731)	-	(1,731)	-	-
FY 00-01		N/A	264,379	(297)	-	(297)	-	-
State Specialized Services Grants	N/A							
Specialized Services		2007-0159-Z1	18,763	18,763	18,763	-	-	-
<b>TOTALS</b>			<b>\$ 3,309,696</b>	<b>\$ 727,907</b>	<b>\$ 420,337</b>	<b>\$ 307,569</b>	<b>\$ 431,425</b>	<b>\$ 236,906</b>

**ALGER COUNTY TRANSIT AUTHORITY**  
**Schedule of Operating and Contract Expenses**  
**For the Year Ended September 30, 2007**

	Specialized Services	Job Access	Non-Urban	Total
Expenses:				
Labor	\$ 8,311	\$ 48,027	\$ 330,646	\$ 386,983
Fringe Benefits	4,125	23,840	164,126	192,091
Services	883	5,100	35,113	41,096
Materials and Supplies	3,474	20,075	138,207	161,756
Utilities	538	3,111	21,420	25,070
Insurance	810	4,681	32,224	37,715
Taxes and Fees	7	38	259	303
Miscellaneous Expense	225	1,299	8,941	10,464
Interest Expense	391	2,259	15,550	18,199
Depreciation	-	-	155,650	155,650
TOTAL	<u>\$ 18,763</u>	<u>\$ 108,428</u>	<u>\$ 902,136</u>	<u>\$ 1,029,327</u>
Percentage Calculation	<u>2.15%</u>	<u>12.41%</u>	<u>85.44%</u>	<u>100.00%</u>

**ALGER COUNTY TRANSIT AUTHORITY**  
**Non-Urban Regular Service Revenue Report**  
**For the Year Ended September 30, 2007**

Code	Description	Amount
<b>401:</b>	<b>Fare Box Revenue</b>	
40101	Passenger Fares	\$ 249,117
40300	Contract Fares	24,000
<b>406</b>	<b>Auxiliary Transportation Revenue</b>	
40615	Advertising	22,110
<b>407</b>	<b>Non-Transportation Revenue</b>	
40760	Gain (loss) on Sale of Capital Assets	(1,727)
40799	Other Non-Transportation Revenue	34,952
<b>408</b>	<b>Local Revenue</b>	
40800	Taxes Levied Directly for/by Transit Agency	12,474
40910	Local Operating Assistance	16,370
<b>411</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	271,274
41102	Prior Year State Operating Assistance Adjustments	(26,475)
41114	State Other Capital Contract	46,777
45005	State Specialized Services	18,763
<b>413</b>	<b>Federal Formula and Contracts</b>	
40207	Federal Section 5316 Job Access	108,428
41301	Federal Section 5311 Operating	118,533
41313	Federal Capital Contract Administrative Expense	2,322
41314	Federal Other Capital Contract	187,107
41398	RTAP	3,500
<b>414</b>	<b>Other Revenue</b>	
41400	Interest Income	419
TOTAL REVENUES		<u>\$ 1,087,944</u>

**ALGER COUNTY TRANSIT AUTHORITY**  
**Non-Urban Regular Service Expense Report**  
**For the Year Ended September 30, 2007**

Code	Description	Operations	Maintenance	Gen. Admin.	Total
<b>501</b>	<b>Labor</b>				
50101	Operator's Salaries and Wages	\$ 243,124	\$ -	\$ -	\$ 243,124
50102	Other Salaries and Wages	1,902	21,056	83,122	106,080
50103	Dispatcher's Salaries and Wages	37,779	-	-	37,779
<b>502</b>	<b>Fringe Benefits</b>				
50200	Other Fringe Benefits	111,347	12,695	42,493	166,535
50201	Pensions	15,789	1,597	8,170	25,556
<b>503</b>	<b>Services</b>				
50302	Advertising Fees	-	-	23,917	23,917
50305	Audit Cost	-	-	5,150	5,150
50399	Other Services	10,436	74	1,519	12,029
<b>504</b>	<b>Materials and Supplies</b>				
50401	Fuel and Lubricants	110,327	-	-	110,327
50402	Tires and Tubes	4,826	-	-	4,826
50499	Other Materials and Supplies	41,890	468	4,245	46,603
<b>505</b>	<b>Utilities</b>				
50500	Utilities	-	-	25,070	25,070
<b>506</b>	<b>Insurance</b>				
50603	Liability Insurance	33,174	-	-	33,174
50699	Other Insurance	-	-	4,541	4,541
<b>507</b>	<b>Taxes and Fees</b>				
50700	Taxes and Fees	303	-	-	303
<b>509</b>	<b>Miscellaneous Expense</b>				
50902	Travel, Meetings, and Training	489	238	5,736	6,463
50903	Association Dues and Subscriptions	-	-	1,632	1,632
50999	Other Miscellaneous Expenses	1,238	-	1,131	2,369
<b>511</b>	<b>Interest Expense</b>				
51102	Interest on Short-Term Debt	-	-	16,088	16,088
51103	Interest on State Advances	-	-	1,567	1,567
51200	Operating Leases and Rentals	400	-	144	544
<b>513</b>	<b>Depreciation</b>				
51300	Depreciation	155,650	-	-	155,650
<b>550</b>	<b>Ineligible Depreciation and Ineligible Charter</b>				
55007	Ineligible Depreciation	149,543	-	-	149,543
<b>560</b>	<b>Ineligible Auxiliary and Non-Transportation Expenses</b>				
56001	Other Ineligible Expenses Associated with Auxiliary and Non-Transportation Revenue	1,286	-	25,345	26,631
<b>550</b>	<b>Ineligible State Contracts</b>				
55004	Other Ineligible State Contracts	18,763	-	-	18,763
<b>574</b>	<b>Ineligible FTA Contracts</b>				
57402	Ineligible RTAP	-	408	3,092	3,500
<b>576</b>	<b>Ineligible Federal Contract with State Match and/or Local Match</b>				
57099	Other Ineligible FSL	108,428	-	-	108,428
57603	Other Ineligible Operating Expense Paid by Capital Contract (FSL)	-	-	2,322	2,322
<b>580</b>	<b>Ineligible Miscellaneous Expenses</b>				
58002	Ineligible Interest on State Advances	-	-	1,567	1,567
55006	Other Ineligible Interest Expense	-	-	16,088	16,088
55009	Ineligible Percent of Association Dues	-	-	54	54
58005	Ineligible Lobbying Expense	-	-	28	28
<b>TOTAL EXPENSES</b>					<b>\$ 1,029,327</b>
<b>TOTAL INELIGIBLE EXPENSES</b>					<b>\$ 326,924</b>
<b>TOTAL ELIGIBLE EXPENSES</b>					<b>\$ 702,403</b>

**ALGER COUNTY TRANSIT AUTHORITY**  
**Non-Urban Regular Service Non-Financial Report**  
**For the Year Ended September 30, 2007**

**Public Service**

<b>Code</b>	<b>Description</b>	<b>Weekday</b>	<b>Saturday</b>	<b>Sunday</b>	<b>Total</b>
611	Vehicle Miles	385,286	8,532	6,064	399,882



**ALGER COUNTY TRANSIT AUTHORITY**  
**Schedule of Operating Assistance Calculation**  
**For the Year Ended September 30, 2007**

	<u>Non-Urban</u>
Total Expenses	<u>\$ 1,029,327</u>
Less Ineligible Expenses:	
Depreciation	149,543
Administrative Contract	26,631
Specialized Service Contract	18,763
RTAP	3,500
Job Access Contract	108,428
Capital Contract Expenses	2,322
Interest on State Advances	1,567
Interest on Short-Term Debt	16,088
Percent of Association Dues	54
Lobbying Expense	28
	<hr/>
Total Ineligible Expenses per R & E Manual	<u>\$ 326,924</u>
<b>Total State Eligible Expenses</b>	<b><u>\$ 702,403</u></b>

Eligible Expenses for State Reimbursement	\$ 702,403
X Reimbursement Percentage	<hr/> 38.6208%
State Operating Assistance	<u>\$ 271,274</u>

**Total Federal Eligible Expenses**

Less Additional Federal Ineligible Expenses per A-87	
Audit Costs	<u>\$ 5,150</u>

Eligible Expenses for Federal Reimbursement	\$ 697,253
X Reimbursement Percentage	<hr/> 17.0000%
State Operating Assistance	<u>\$ 118,533</u>

## Compliance Supplements



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Partners

John W. Blemberg, CPA	Robert J. Downs, CPA, CVA	Daniel E. Bianchi, CPA
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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*

Board of Directors  
Alger County Transit Authority  
530 East Munising Ave.  
Munising, Michigan 49862

We have audited financial statements of the business-type activities of the Alger County Transit Authority, as of and for the year ended September 30, 2007, which collectively comprise the Alger County Transit Authority's basic financial statements and have issued our report thereon dated December 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Alger County Transit Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alger County Transit Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Alger County Transit Authority's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Alger County Transit 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 Alger County Transit Authority's financial statements that is more than inconsequential will not be prevented or detected by the Alger County Transit Authority's internal control. We consider the deficiencies described in a separate letter to management, dated February 11, 2008 as item 07-02 to be significant deficiencies in internal control over financial reporting.

Board of Directors  
Alger County Transit Authority

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 Alger County Transit Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alger County Transit Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in a separate letter to management dated February 11, 2008, as item 07-01.

The Alger County Transit Authority's responses to the findings identified in our audit are described in a separate letter to management, dated February 11, 2008. We did not audit the Alger County Transit Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board and management of the Alger County Transit Authority, and other federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

February 11, 2008



**Anderson, Tackman & Company, PLC**

Certified Public Accountants

Marquette, Michigan 906-225-1166

Fax – 1-906-225-1714

**Partners**

John W. Blemberg, CPA	Robert J. Downs, CPA, CVA	Daniel E. Bianchi, CPA
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<p><i>Alger County Transit Authority Report to Management Letter For the Year Ended September 30, 2007</i></p>
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Alger County Transit Authority  
530 East Munising Ave.  
Munising, Michigan 49862

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Alger County Transit Authority as of and for the year ended September 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Alger County Transit Authority’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alger County Transit Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Alger County Transit Authority’s internal control.

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 a combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

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

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

**07-01 (REPEAT) - Condition/Criteria:** At September 30, 2007 the Alger County Transit Authority had an unrestricted equity deficit of \$159,262. Public Act 275 of 1980 requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the Footnotes of the financial statements. In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the Alger County Transit Authority has filed such a plan.

**Effect:** The Alger County Transit Authority is not in compliance with State Law.

**Cause of Condition:** Failure of operating revenues to cover operating expenditures in the current year.

**Recommendation:** We recommend that the Alger County Transit Authority monitor the fund closer in future years to ensure there are sufficient revenues to cover the expenditures each year.

**Management Response - Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Rochelle Cotey, Director
- Corrective Action Planned:
  - The revenue and expenditures will be more closely monitored.
- Anticipated Completion Date:
  - September 30, 2008

**07-02 - SEGREGATION OF DUTIES**

**Condition/Criteria:** The accounting staff of the Alger County Transit Authority is made up of one individual, which does not allow for segregation of duties.

**Effect:** Because of the limited staff, there is an increased chance that misstatements in financial statements would not be prevented or detected on a timely basis.

**Cause of Condition:** The size of the organization's accounting staff precludes certain internal design controls that would be preferred if the office staff was large enough to provide optimum segregation of duties.

**Recommendation:** Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency.

**Management Response - Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Rochelle Cotey, Director
- Corrective Action Planned:
  - The Transit Authority Board closely monitors all payments and reviews the financial statements on a monthly basis.
- Anticipated Completion Date:
  - September 30, 2008

This communication is intended solely for the information and use of the management, audit committee, Transit Authority Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Alger County Transit Authority's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

February 11, 2008