

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 Straits Regional Ride	County Cheboygan
Fiscal Year End December 31, 2007	Opinion Date June 5, 2008	Date Audit Report Submitted to State June 30, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

YES NO 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 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State Zip MI 49788
Authorizing CPA Signature <i>Kenneth A. Talsma</i>		Printed Name Kenneth A. Talsma	License Number 1101024989

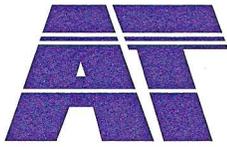
STRAITS REGIONAL RIDE
(an enterprise fund of the County of Cheboygan, Michigan)

FINANCIAL STATEMENTS

December 31, 2007

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S LETTER	1
FINANCIAL STATEMENTS:	
Statement of Net Assets.....	3
Statement of Revenues, Expenses, and Changes in Net Assets	4
Statement of Cash Flows	5
NOTES TO FINANCIAL STATEMENTS	6
SUPPLEMENTARY INFORMATION:	
Schedule 1 – Local Revenues	15
Schedule 1A – Local Revenues	16
Schedule 2 – Schedule of Expenditures of Federal and State Awards.....	17
Schedule 2A – Federal and State Awards Operating Revenue Only	18
Schedule 2B – Federal and State Awards Operating Revenue Only.....	19
Schedule 3A – Operating Expenses Split Between a September 30 and December 31, Year End	20
Schedule 3B – Operating Expenses by Program.....	21
OAR Schedule 3R – Nonurban Regular Service Revenue Report.....	22
OAR Schedule 3E – Nonurban Regular Service Expense Report.....	23
OAR Schedule 3N – Nonurban Regular Service Nonfinancial Report.....	25
Schedule 4 – Operating Assistance Calculation.....	26
REPORT ON COMPLIANCE:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
County of Cheboygan, Michigan
870 S. Main Street
Cheboygan, Michigan 49721

We have audited the accompanying financial statement of the Straits Regional Ride, an enterprise fund of the County of Cheboygan, Michigan, and the related statements of revenue, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinion.

As discussed in Note 1, the financial statements present only the Straits Regional Ride, an enterprise fund of the County of Cheboygan, Michigan and do not purport to, and do not, present fairly the financial position of the County of Cheboygan, Michigan, as of December 31, 2007, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Straits Regional Ride, enterprise fund of the County of Cheboygan, Michigan, as of December 31, 2007, and the changes in financial position and, where applicable, 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 June 5, 2008 on our consideration of the Straits Regional Ride, enterprise fund of the County of Cheboygan, Michigan's internal control over financial reporting and 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.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Straits Area Regional Ride. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole. The supplementary information required by the Michigan Department of Transportation on schedules of mileage, vehicle hours, and number of passengers transported have not been subjected to auditing procedures applied in the audit of financial statements, and accordingly, we express no opinion on them.

The Straits Regional Ride has not presented the Management's Discussion and Analysis which accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be a part of, the financial statements.



Anderson, Tackman & Company, PLC
Certified Public Accountants

June 5, 2008

Financial Statements

County of Cheboygan, Michigan
Straits Regional Ride

Statement of Net Assets
December 31, 2007

ASSETS

Current Assets:

Accounts Receivable - Net	\$	7,411
Due From Governmental Units		<u>94,844</u>
Total Current Assets		<u>102,255</u>

Capital Assets:

Vehicles and Equipment (Net of Accumulated Depreciation)		<u>127,992</u>
Total Assets	\$	<u>230,247</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$	15,905
Due to Other Funds		81,713
Accrued Liabilities		<u>12,081</u>
Total Current Liabilities		<u>109,699</u>

Net Assets:

Invested in Capital Assets		127,992
Unrestricted		<u>(7,444)</u>
Total Net Assets	\$	<u>120,548</u>

County of Cheboygan, Michigan
Straits Regional Ride

**Statement of Revenues, Expenses,
and Changes in Net Assets**
Year Ended December 31, 2007

Operating Revenues:

Federal Revenue Operations	\$	115,849
State Revenue Operations		273,014
Local Sources Operations		13,316
Charges for Services		<u>247,710</u>

TOTAL OPERATING REVENUES 649,889

Operating Expenses:

Public Works:

Personal Services		458,353
Contractual Services		11,825
Utilities		2,167
Repairs and Maintenance		55,556
Other Supplies and Expenses		150,425
Depreciation		<u>104,335</u>

TOTAL OPERATING EXPENSES 782,661

Operating (Loss) (132,772)

Transfers In 75,287

CHANGES IN NET ASSETS (57,485)

Net Assets – January 1, 2007 178,033

Net Assets – December 31, 2007 \$ 120,548

County of Cheboygan, Michigan
Straits Regional Ride

Statement of Cash Flows
Year Ended December 31, 2007

Cash Flows from Operating Activities:

Cash received from customers or other governmental units	\$ 255,323
Cash received from governmental units	390,933
Cash payments for goods and services	(265,484)
Cash payments to employees	<u>(456,059)</u>

Net Cash (Used) by Operating Activities (75,287)

Cash Flows from Non-Capital and Related Financing Activities:

Transfers in – General Fund	<u>75,287</u>
-----------------------------	---------------

Net Cash Provided by Non-Capital and Related Financing Activities 75,287

Net Increase (Decrease) in Cash and Cash Equivalents -

Cash and Cash Equivalents – Beginning of Year -

Cash and Cash Equivalents – End of Year \$ -

**Reconciliation of Operating (Loss) to Net
Cash (Used) by Operating Activities:**

Operating (Loss) \$ (132,772)

Adjustments to Reconcile Operating (Loss) to Net Cash
(Used) by Operating Activities:

Depreciation	104,335
Change in Assets and Liabilities:	
(Increase) decrease in accounts receivable	64,938
(Increase) decrease Due from Governmental Units	(94,844)
Increase (decrease) in accounts payable	(45,511)
Increase (decrease) in accrued liabilities	2,294
Increase (decrease) in due to other funds	<u>26,273</u>

Net Cash (Used) by Operating Activities \$ (75,287)

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Straits Regional Ride, an enterprise fund of the County of Cheboygan, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. Because Straits Regional Ride provides a service to citizens financed by a user charge and federal and state operating grants, the accounts of the Straits Regional Ride are accounted for as an enterprise fund. The following is a summary of the significant accounting policies used by the Fund:

Reporting Entity

In accordance with the criteria established by the Governmental Accounting Standards Board, the Straits Regional Ride, is considered an enterprise fund of the County of Cheboygan, Michigan for financial accounting and reporting purposes. These criteria include: the extent of oversight responsibility, selection of governing authority, designation of management, the ability of the County to significantly influence operations, the accountability for fiscal matters including the level of County financing and/or moral or legal responsibility for long-term debt. Therefore, the financial statements of the Straits Regional Ride Fund of the County of Cheboygan, Michigan is presented in the financial statements as an enterprise fund, which is an integral part of the financial reporting oversight unit of the County of Cheboygan, Michigan. As of October 1, 2006, Straits Regional Ride provides transportation services covering approximately 1,885 square miles to the residents of Cheboygan, Emmet and Presque Isle Counties.

The Fund operates, maintains, and accounts for the County's Straits Regional Ride.

Basis of Accounting

The accrual basis of accounting is used by the Fund. The Fund follows all pronouncements of the Governmental Accounting Standards Board and those of the Financial Accounting Standards Board issued prior to November 30, 1989. The Fund has elected not to follow private sector standards used after November 30, 1989.

Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for services. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

Bank Deposits

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

Accounts Receivable

Receivables have been recognized for all significant amounts due to the Fund. Management considers all account receivables as collectible; therefore, no allowance for bad debts has been recorded.

Capital Assets

Capital assets, which include vehicles and equipment, are reported in the financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation

Vehicles and equipment are depreciated using the straight-line method over the following useful lives.

Buses	3 to 7 years
Equipment	5 to 7 years

Vested Employee Benefits Payable

It is the County's policy to permit employees to accumulate earned but unused sick and vacation time benefits, subject to certain limitations. All sick and vacation time pay is accrued when incurred in the financial statements.

Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as needed.

NOTE 2 - CASH AND EQUIVALENTS

Statutory Authority:

Michigan law (Act 196 PA 1997) authorizes the County to deposit and invest in one or more of the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the Fund to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligations described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Fund's deposits are in accordance with statutory authority. All deposits are carried at cost.

Cash and Equivalents
Unrestricted

\$ _____ -

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the previous list of authorized investments. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The County's investment policy does not have specific limits in excess of state law on investment credit risk. The Fund has no investments for which ratings are required.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk.

NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS

Due From State Government

The Straits Regional Ride receives funding from the State of Michigan for the Local Bus Operating Assistance Program. Detail of the amount due from the State of Michigan is as follows:

2005 – 2006 Contract	\$	12,459
2006 – 2007 Contract		<u>23,014</u>
Due From State Government	\$	<u>35,473</u>

Due From Federal Government

The Straits Regional Ride receives funding from the U.S. Department of Transportation under Section 5311 Operating Grants. Detail of the amount due from the Federal government is as follows:

2004 – 2005 Contract	\$	438
2005 – 2006 Contract		7,848
2006 – 2007 Contract		19,306
2007 – 2008 Contract		<u>31,613</u>
Due From Federal Government	\$	<u>59,205</u>

Also, \$166 is due from other counties at year end. The total amount due from governments is \$94,844.

Straits Regional Ride records accounts receivable/due from governments as of December 31, 2007.

**County of Cheboygan, Michigan
Straits Regional Ride**

**Notes to Financial Statements
December 31, 2007**

NOTE 4 - CAPITAL ASSETS

Capital assets activity was as follows for the year ending December 31, 2007:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital Assets Being Depreciated:</i>				
Equipment	\$ 28,984	\$ -	\$ -	\$ 28,984
Vehicles	<u>771,772</u>	<u>-</u>	<u>-</u>	<u>771,772</u>
Subtotal	<u>800,756</u>	<u>-</u>	<u>-</u>	<u>800,756</u>
<i>Less Accumulated Depreciation for:</i>				
Equipment	(24,408)	(3,542)	-	(27,950)
Vehicles	<u>(544,021)</u>	<u>(100,793)</u>	<u>-</u>	<u>(644,814)</u>
Subtotal	<u>(568,429)</u>	<u>(104,335)</u>	<u>-</u>	<u>(672,764)</u>
Net Capital Assets Being Depreciated	<u>\$ 232,327</u>	<u>\$ (104,335)</u>	<u>\$ -</u>	<u>\$ 127,992</u>

There were no capital grants expended in 2007, therefore, no capital money was used to pay for operating expenses.

When federal or state funded assets are withdrawn from public transportation service, the disposition of the asset is determined by Michigan Department of Transportation. There was no such disposition of assets during 2007.

NOTE 5 - EMPLOYEES' RETIREMENT SYSTEM

Cheboygan County

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0% times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2006.

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 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 MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

NOTE 5 - EMPLOYEES' RETIREMENT SYSTEM (Continued)

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

Annual Pension Cost

During the year ended December 31, 2007, the County's contributions totaling \$450,421 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2006. 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 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% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31st. as follows:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial Value of Assets	\$ 10,368,117	\$ 11,100,677	\$ 12,064,231
Actuarial Accrued Liability	12,154,129	13,027,931	13,948,511
Unfunded AAL	1,786,012	1,927,254	1,884,280
Funded Ratio	85%	85%	86%
Covered Payroll	\$ 3,980,598	\$ 4,036,047	\$ 4,441,610
UAAL as a Percentage of Covered Payroll	45%	48%	42%

Three Year Trend Information

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 356,436	100%	\$ 0
2006	378,050	100%	0
2007	450,421	100%	0

NOTE 6 - RISK MANAGEMENT/SELF-INSURANCE PROGRAMS

Cheboygan County

Primary Government

The County participates as a member in the Michigan Municipal Risk Management Authority (the "Authority"). The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage and property.

The authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund. In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

The reinsurance agreements discussed above include provisions for minimum annual premiums. As of December 31, 2007, the Authority had met the minimum requirements.

The County is a "state pool member" for the self-insured retention portion of liabilities and as such pays deductibles of only \$250 per vehicle and \$150 per occurrence for property and crime coverage. The County's annual MMRMA premium includes a fee to participate as a "state pool member" for self-insured retention.

The County has transferred the risk of loss for workers' compensation and health insurance via the purchase of commercial insurance policies. Settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 7 - VESTED EMPLOYEE BENEFITS

Vacation is earned in varying amounts depending on the number of years of services of an employee and is made available to the employee at their anniversary date, not to exceed a total accumulation of 25 days for union employees, 25 days for administrative and nonunion supervisory employees. Vacation is payable to 100% to employees when they terminate employment.

Sick leave is accumulated at the rate of 1 day for each month of services, not to exceed a total accumulation of 30 days for all employees.

The amount of vested employee benefits payable for the Fund at December 31, 2007 is \$3,759.

NOTE 8 - COMMITMENTS, CONTINGENCIES & COMPLIANCE

Grants

The Fund receives significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds from the various programs generally requires compliance with terms and conditions specified in the applicable grant agreement and is subject to examination. Any disallowed claims could become a liability of the fund. It is the opinion of management that any such disallowed claims will not have a material effect on any of the financial statements of the fund.

NOTE 9 - COST ALLOCATION PLANS

The Straits Regional Ride has one cost allocation plan where the methodology has been approved by the BPT. This cost allocation is for central service. This cost allocation plan was adhered to in the preparation of the financial statements.

NOTE 10 - 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 11 - NONFINANCIAL DATA

The methodology used for compiling mileage on 3N (NonUrban) is an adequate and reliable method for recording vehicle mileage.

NOTE 12 - SUBSEQUENT EVENTS

On June 13, 2007, the Michigan Department of Transportation authorized Project No. 100682, effective July 30, 2007. This project facilitated the purchase of 8 passenger busses, totaling \$734,400 for Cheboygan County – Straits Regional Ride with federal funding of \$587,520 and state funding of \$146,880. No expenditures occurred during 2007 related to this project.

On July 17, 2007, the Michigan Department of Transportation authorized the Project No. 77473A, effective September 17, 2007. This project facilitated the transfer of a storage building from the Cheboygan County Council on Aging to Cheboygan County – Straits Regional Ride. The contract related to this project was not signed until 2008 and no expenditures occurred during 2007.

NOTE 12 - SUBSEQUENT EVENTS (Continued)

On October 24, 2007, the Michigan Department of Transportation authorized Project No. 102132, effective December 17, 2007. This project facilitated the transfer of two busses with lifts from the Cheboygan County Council on Aging to Cheboygan County – Straits Regional Ride. The contract related to this project was not signed until 2008 and the transfer of property did not occur until 2008. This acquisition will be recorded in the financial statements of Straits Regional Ride for the year ended December 31, 2008.

On November 7, 2007, the Michigan Department of Transportation authorized Project No. 102183, effective January 8, 2008. This project facilitated the transfer of one 25 foot passenger bus with lift from the Cheboygan County Council on Aging to Cheboygan County – Straits Regional Ride. The contract related to this project was not signed until 2008 and the transfer of property did not occur until 2008. This acquisition will be recorded in the financial statements of Straits Regional Ride for the year ended December 31, 2008.

Supplementary Information

County of Cheboygan, Michigan
Straits Regional Ride

Schedule 1
Local Revenues
Year Ended December 31, 2007

	Jan-Sept	Oct-Dec	Total
Local Revenue:			
Passenger Fares	\$ 41,781	\$ 10,053	\$ 51,834
Contract Fares	107,858	88,018	195,876
Revenue from Counties:			
Cheboygan County Appropriation	41,022	34,265	75,287
Emmet County Appropriation	5,410	3,642	9,052
Presque Isle County Appropriation	3,029	1,170	4,199
Otsego County Appropriation	-	65	65
 Total Local Revenue	 \$ 199,100	 \$ 137,213	 \$ 336,313

County of Cheboygan, Michigan
Straits Regional Ride

Schedule 1A
Local Revenues
Based on a September 30, 2007 Year End

	<u>10/31/2006</u>	<u>1/1/2007</u>	<u>Total</u>
	to	to	
	<u>12/31/2006</u>	<u>9/30/2007</u>	
Local Revenue:			
Passenger Fares	\$ 16,214	\$ 41,781	\$ 57,995
Contract Fares	33,180	107,858	141,038
Revenue from Counties:			
Cheboygan County Appropriation	7,908	41,022	48,930
Emmet County Appropriation	1,531	5,410	6,941
Presque Isle County Appropriation	1,209	3,029	4,238
Otsego County Appropriation	<u>(843)</u>	<u>-</u>	<u>(843)</u>
 Total Local Revenue	 <u>\$ 59,199</u>	 <u>\$ 199,100</u>	 <u>\$ 258,299</u>

County of Cheboygan, Michigan
Straits Regional Ride

Schedule 2
Schedule of Expenditures of Federal and State Awards (1) (2)
For the Year Ended December 31, 2007

	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures			Prior Year's Expend.	Award Amount Remaining	
				Total	Federal	State			Local
U.S. Department of Transportation									
State and Federal Operating Assistance Computations									
Based on Operating Expenses:									
Passed Through MDOT:									
Operating Assistance - Section 5311	20.509	2007-0191-Z2/R1	\$ 100,307	\$ 56,930	\$ 56,930	\$ -	\$ -	\$ 31,769	\$ 11,608
Operating Assistance - Section 5311	20.509	2007-0191-Z6	140,768	58,919	58,919	-	-	-	81,849
Operating Assistance - Section 5311	20.509	2007-0191/Z4	587,520	-	-	-	-	-	587,520
Operating Assistance - Section 5311	20.509	2007-0191-Z3	12,500	-	-	-	-	-	12,500
Michigan Department of Transportation									
Operating Assistance - Act 51	N/A	N/A	235,919	170,689	-	170,689	-	65,230	-
Operating Assistance - Act 51	N/A	N/A	318,137	102,325	-	102,325	-	-	215,812
Operating Assistance - Act 51	N/A	N/A	146,880	-	-	-	-	-	146,880
Total Operating Assistance				<u>\$ 388,863</u>	<u>\$ 115,849</u>	<u>\$ 273,014</u>	<u>\$ -</u>	<u>\$ 96,999</u>	<u>\$ 1,056,169</u>

This schedule is prepared on an accrual basis of accounting as described in the summary of significant accounting policies in Note 2 of the Notes to Financial Statements.

County of Cheboygan, Michigan
Straits Regional Ride

Schedule 2A
Federal and State Awards
Operating Revenue Only
For the Year Ended December 31, 2007

	<u>1/1/2007</u> to <u>9/30/2007</u>	<u>10/1/2007</u> to <u>12/31/2007</u>	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act 51)	\$ 170,689	\$ 102,325	\$ 273,014
Federal Transit Administration Section 5311	<u>56,930</u>	<u>58,919</u>	<u>115,849</u>
Total	<u><u>\$ 227,619</u></u>	<u><u>\$ 161,244</u></u>	<u><u>\$ 388,863</u></u>

County of Cheboygan, Michigan
Straits Regional Ride

Schedule 2B
Federal and State Awards
Operating Revenue Only
Based on a September 30, 2007 Year End

	<u>10/1/2006</u> to <u>12/31/2006</u>	<u>1/1/2007</u> to <u>9/30/2007</u>	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act 51)	\$ 72,823	\$ 170,689	\$ 243,512
Federal Transit Administration Section 5311	<u>11,415</u>	<u>56,930</u>	<u>68,345</u>
Total	<u>\$ 84,238</u>	<u>\$ 227,619</u>	<u>\$ 311,857</u>

County of Cheboygan, Michigan
Straits Regional Ride

Schedule 3A
Operating Expenses Split Between a
September 30 and December 31 Year End
For the Year Ended December 31, 2007

	1/1/2007 to 9/30/2007	10/1/2007 to 12/31/2007	Total
Expenses			
Labor	\$ 218,749	\$ 92,226	\$ 310,975
Fringe Benefits	107,442	39,936	147,378
Services	59,463	13,391	72,854
Materials and Supplies	75,957	46,277	122,234
Utilities	1,358	809	2,167
Insurance	5,101	-	5,101
Miscellaneous Expenses	1,875	1,342	3,217
Operating Leases and Rentals	10,800	3,600	14,400
Depreciation	78,252	26,083	104,335
	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 558,997</u>	<u>\$ 223,664</u>	<u>\$ 782,661</u>

County of Cheboygan, Michigan
Straits Regional Ride

Schedule 3B
Operating Expenses By Program
Based on a September 30, 2007 Year End

	10/1/2006 to 12/31/2006	1/1/2007 to 9/30/2007	Total
Expenses			
Labor	\$ 74,857	218,749	\$ 293,606
Fringe Benefits	28,065	107,442	135,507
Services	18,473	59,463	77,936
Materials and Supplies	28,543	75,957	104,500
Utilities	731	1,358	2,089
Insurance	15,303	5,101	20,404
Miscellaneous Expenses	470	1,875	2,345
Operating Leases and Rentals	2,460	10,800	13,260
Depreciation	31,739	78,252	109,991
	<u>31,739</u>	<u>78,252</u>	<u>109,991</u>
Total Expenses	<u>\$ 200,641</u>	<u>\$ 558,997</u>	<u>\$ 759,638</u>

**County of Cheboygan, Michigan
Straits Regional Ride**

**OAR Schedule 3R
Nonurban Regular Service Revenue Report
For the Year Ended September 30, 2007**

Code	Description	Amount
401	: Farebox Revenue	
40100	Passenger Fares	\$ 57,995
40200	Contract Fares	141,038
409	: Local Revenue	
40910	Local Operating Assistance	59,266
411	: State Formula and Contracts	
41101	State Operating Assistance	243,512
413	: Federal Contracts	
41301	Federal Section 5311 (Operating funds only)	68,345
Total Revenues		\$ 570,156

**County of Cheboygan, Michigan
Straits Regional Ride**

**OAR SCHEDULE 3E
Nonurban Regular Service Expense Report
For the Year Ended September 30, 2007**

Code	Description	Operations	Maintenance	General Administration	Total
501	: Labor				
50101	Operators Salaries & Wages	\$ 209,349	\$ -	\$ -	\$ 209,349
50102	Other Salaries & Wages	-	-	56,086	56,086
50103	Dispatchers' Salaries & Wages	28,171	-	-	28,171
502	: Fringe Benefits				
50200	Other Fringe Benefits	87,088	-	22,729	109,817
50201	Pensions	20,081	-	5,609	25,690
503	: Services				
50302	Advertising Fees	-	-	4,353	4,353
80305	Audit Cost	-	-	3,500	3,500
50399	Other Services (vehicle maintenance, OMB compliance services - drug and alcohol testing, pre-employment physicals, electrical service upgrade for operations and cost allocation plan expense for general administration)	66,202	-	3,881	70,083
504	: Materials and Supplies				
50401	Fuel & Lubricants	93,070	-	-	93,070
50402	Tires & Tubes	3,755	-	-	3,755
50404	Major Supplies (office equipment and internet access)	-	-	4,719	4,719
50499	Other Materials & Supplies	-	-	2,956	2,956
505	: Utilities				
50500	Utilities	2,089	-	-	2,089
506	: Insurance				
50699	Other Insurance	20,404	-	-	20,404

County of Cheboygan, Michigan
Straits Regional Ride

OAR SCHEDULE 3E
Nonurban Regular Service Expense Report
For the Year Ended September 30, 2007

Code	Description	Operations	Maintenance	General Administration	Total
507	: Taxes & Fees				
50700	Taxes & Fees	304	-	-	304
509	: Miscellaneous Expenses				
50902	Travel, Meetings & Training	-	-	1,321	1,321
50903	Association Dues & Subscriptions	-	-	720	720
512	: Operating Leases & Rentals				
512000	Operating Leases & Rentals	-	-	13,260	13,260
513	: Depreciation				
51300	Depreciation	-	-	109,991	109,991
550	: Ineligible Expenses				
55007	Depreciation	-	-	109,991	109,991
55009	Ineligible Percent of Association Dues	-	-	33	33
Total Expenses					759,638
Total Ineligible Expenses					110,024
Total Eligible Expenses					649,614

County of Cheboygan, Michigan
Straits Regional Ride

OAR SCHEDULE 3N
Nonurban Regular Service Nonfinancial Report
For the Year Ended September 30, 2007

Public Service

Code	Description	Weekday DR	Saturday DR	Sunday DR	Total
610	Vehicle Hours	14,419	-	-	14,419
611	Vehicle Miles	340,517	-	-	340,517
615	Passengers - Regular	8,167	-	-	8,167
616	Passengers - Elderly	1,801	-	-	1,801
617	Passengers - Persons w/Disabilities	26,611	-	-	26,611
622	Total Demand-Response Passengers	36,579	-	-	36,579
625	Days Operated	246	-	-	246

Total Passengers: 36,579

Vehicle Information

Code	Description	Quantity
655	Total Demand-Response Vehicles	15
656	Demand-Response Vehicle w/ Lifts	14
658	Total Transit Vehicles	15

Total Vehicles: 15

Miscellaneous Information

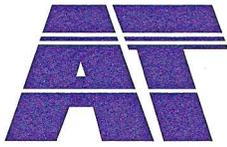
Code	Description	Quantity DR
660	Diesel/Gasoline Gallons Consumed	39,916
661	Total Transit Agency Employees (Full-Time Equivalents)	12
662	Total Revenue Vehicle Operators (Full-Time Equivalents)	11
663	Number of Accidents	-

**County of Cheboygan, Michigan
Straits Regional Ride**

**Schedule 4
Operating Assistance Calculation
For the Year Ended September 30, 2007**

	10/1/2006 to 9/30/2007
Total Expenses	<u>\$ 759,638</u>
Less Ineligible Expenses	
Depreciation	109,991
MPTA Dues	<u>33</u>
Total Ineligible Expenses	<u>\$ 110,024</u>
Total State Eligible Expenses	<u>\$ 649,614</u>
Eligible Expenses for State Reimbursement	\$ 649,614
x Reimbursement Percentage	<u>38.62%</u>
State Operating Assistance	<u>\$ 250,881</u>
Total Federal Eligible Expenses	\$ 649,614
Less Additional Federal Ineligible Expenses Per A-87 Audit Costs	<u>3,500</u>
Eligible Expenses for Federal Reimbursement	646,114
x Reimbursement Percentage	<u>17.00%</u>
Federal Section 5311 Operating Assistance	<u>\$ 109,839</u>

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

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 Commissioners
County of Cheboygan, Michigan
870 S. Main Street
Cheboygan, Michigan 49721

We have audited the accompanying financial statements of the Straits Regional Ride, (an enterprise fund of the County of Cheboygan, Michigan), as of and for the year ended December 31, 2007, and have issued our report thereon, dated June 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Straits Regional Ride, (an enterprise fund of the County of Cheboygan, Michigan's), internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

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

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

Our 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Straits Regional Ride, (an enterprise fund of the County of Cheboygan, Michigan'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 material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



Anderson, Tackman & Company, PLC
Certified Public Accountants

June 5, 2008



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
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DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Commissioners
County of Cheboygan, Michigan
870 S. Main Street
Cheboygan, Michigan 49721

We have audited the accompanying financial statement of the Straits Regional Ride, an enterprise fund of the County of Cheboygan, Michigan, and the related statements of revenue, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated February 5, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Straits Regional Ride, an enterprise fund of the County of Cheboygan, Michigan. Such considerations were solely for the purpose of determining our 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, we performed tests of the Straits Regional Ride, an enterprise fund of the County of Cheboygan, Michigan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on February 5, 2008.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Straits Regional Ride, an enterprise fund of the County of Cheboygan, Michigan, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the depreciation expense based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determine that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 5, 2008.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Conclusion

This information is intended solely for the use of the Finance Committee, Board of Commissioners and management of the Straits Regional Ride, an enterprise fund of the County of Cheboygan, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.



Anderson, Tackman & Company, PLC
Certified Public Accountants

June 5, 2008