

# 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 Crawford County Transportation Authority	County Crawford
Fiscal Year End 9/30/07		Opinion Date 11/7/07		Date Audit Report Submitted to State 1/23/08	

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) James M. Anderson, P.C.		Telephone Number (989) 563-2450		
Street Address P.O. Box 255		City Roscommon	State MI	Zip 48653
Authorizing CPA Sig 	Printed Name James M. Anderson, CPA	License Number 1101017419		

Digitally signed by James M. Anderson, CPA  
DN: cn=James M. Anderson,  
c=US, o=James M. Anderson, P.C.,  
email=jma@m33access.com  
Date: 2008.01.23 08:50:15 -0500

**CRAWFORD COUNTY  
TRANSPORTATION AUTHORITY  
ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2007**

**CRAWFORD COUNTY TRANSPORTATION AUTHORITY**

**Board of Directors**

Ruth O'Mara

Dennis Long

Lee Riley

Brian Hulbert

Jeannette Kitchen

Fred Schaibley

Lynnette Corlew

**Executive Director**

Julee K. Dean

CRAWFORD COUNTY TRANSPORTATION AUTHORITY

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CRAWFORD COUNTY TRANSPORTATION AUTHORITY

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**James M. Anderson, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: [jma@m33access.com](mailto:jma@m33access.com)

**INDEPENDENT AUDITOR'S REPORT**

November 7, 2007

Board of Directors  
Crawford County Transportation Authority  
4276 W. North Down River Road  
Grayling, Michigan 49738

I have audited the accompanying financial statements of the business-type activity and major fund, which collectively comprise the basic financial statements, of the Crawford County Transportation Authority as of and for the year ended September 30, 2007, as listed in the table of contents. These statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

MEMBER MACPA and AICPA

In Accordance with Governmental Auditing Standards, I have also issued a report dated November 7, 2007, on my consideration of the Crawford County Transportation Authority's internal control over financial reporting and my test 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The management's discussion and analysis on pages 3-8 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

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



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

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007

***Using this Annual Report***

Our discussion and analysis of the Crawford County Transportation Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2007. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets provide information about the activities of the Authority and present a longer-term view of the Authority's finances.

***Overview of the Financial Statements***

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

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

***Reporting the Transit Authority as a Whole***

Government-Wide Statements

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

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2007

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

***Financial Analysis of the Transit Authority as Whole***

The Authority's net assets decreased approximately 3%, or \$67,347, from \$2,034,161 to \$1,966,814 for the year ended September 30, 2007. The net assets and change in net assets are summarized below.

Net Assets

The overall financial position declined slightly in 2007. The unrestricted net assets increased by \$85,449 and the net contributed equity and investment in capital assets decreased by \$152,796. The primary reasons for the net decrease was the increase in total expense of \$86,582 and net increase of revenues of only \$3,200.

The net assets as of the year ended September 30, 2007, are as follows:

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$1,673,762	\$1,541,937	\$ 131,825	8.55
Capital Assets	<u>462,285</u>	<u>615,081</u>	<u>(152,796)</u>	<u>(24.84)</u>
Total Assets	<u>2,136,047</u>	<u>2,157,018</u>	<u>(20,971)</u>	<u>(0.97)</u>
Current Liabilities	169,233	122,857	46,376	37.75
Noncurrent Liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>169,233</u>	<u>122,857</u>	<u>46,376</u>	<u>37.75</u>
Net Assets				
Contributed equity	-0-	77,114	(77,114)	(100.00)
Invested in Capital Assets	462,285	537,967	(75,682)	(14.07)
Unrestricted	<u>1,504,529</u>	<u>1,419,080</u>	<u>85,449</u>	<u>6.02</u>
Total Net Assets	<u>\$1,966,814</u>	<u>\$2,034,161</u>	<u>\$ (67,347)</u>	<u>(3.31)</u>

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2007

Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>%</u>
Operating Revenue				
Charges for Services	\$ 225,167	\$ 228,961	\$ (3,794)	(1.66)
Nonoperating Revenue				
Taxes Levied for Authority	376,865	366,720	10,145	2.77
State of Michigan Operating Grants	514,985	547,281	(32,296)	(5.90)
Federal Operating Grants	224,924	202,171	22,753	11.25
Capital Grants	11,751	15,050	(3,299)	(21.92)
Interest	54,468	42,849	11,619	27.12
Miscellaneous	<u>92</u>	<u>2,020</u>	<u>(1,928)</u>	<u>(95.45)</u>
Total Revenue	<u>1,408,252</u>	<u>1,405,052</u>	<u>3,200</u>	<u>0.23</u>
Operating Expense				
Salaries and Wages	687,495	714,522	(27,027)	(3.78)
Fringe Benefits	337,613	325,723	11,890	3.65
Depreciation	167,255	210,439	(43,184)	(20.52)
Other	<u>283,236</u>	<u>311,497</u>	<u>(28,261)</u>	<u>(9.07)</u>
Total Operating Expense	<u>1,475,599</u>	<u>1,562,181</u>	<u>(86,582)</u>	<u>(5.54)</u>
Income (Loss)	(67,347)	(157,129)	89,782	57.14
Beginning Net Assets	<u>2,034,161</u>	<u>2,191,290</u>	<u>(157,129)</u>	<u>(7.17)</u>
Ending Net Assets	<u>\$1,966,814</u>	<u>\$2,034,161</u>	<u>\$ (67,347)</u>	<u>(3.31)</u>

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2007

***Capital Asset and Debt Administration***

At September 30, 2007, the Authority had \$462,285 invested in capital assets. This amount represents a net decrease (including additions and deductions) of \$152,796 or 24.84% as follows:

	<u>2007</u>	<u>2006</u>	<u>Total Percentage Change 2006-2007</u>
Capital Assets Not Being Depreciated			
Land	\$ 27,005	\$ 27,005	0.00
Subtotal	<u>27,005</u>	<u>27,005</u>	<u>0.00</u>
Capital Assets Being Depreciated			
Building	832,258	832,258	0.00
Vehicles	1,198,485	1,198,485	0.00
Equipment	<u>328,549</u>	<u>314,090</u>	<u>4.60</u>
Subtotal	<u>2,359,292</u>	<u>2,344,833</u>	<u>0.62</u>
Total Capital Assets	<u>2,386,297</u>	<u>2,371,838</u>	<u>0.61</u>
Total Accumulated Depreciation	<u>1,924,012</u>	<u>1,756,757</u>	<u>9.52</u>
Total Net Capital Assets	<u>\$ 462,285</u>	<u>\$ 615,081</u>	<u>24.84</u>

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

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2007

**Statistics:**

The passenger count for FY2007 was 109,644 passengers. This represents over a 4,500 rise from the previous fiscal year. It also represents nearly a 12,800 passenger count increase from FY2005. Of the 109,644 rides we provided: (A) Senior citizens represented 8,674, (B) 15,483 were special needs riders, (C) 5,120 were senior/special needs and (D) 4,498 of our riders required a wheelchair lift. This shows how very important our service is to many people in Crawford County.

Our Rural Health runs remained solid throughout the year, with a total of 2,926 hours of non-emergency medical transportation runs taking place. Again, as in past years, CCTA received several donations to go toward these funds. CCTA is currently transporting six individuals three times a week to dialysis.

**Accidents:**

CCTA was not involved in any accidents during FY2007.

**System Issues:**

Health Care, Liability Insurance and Fuel Costs and Bus Maintenance:

As in past years, the first three issues remain somewhat problematic because of the rising costs involved with each. Because the CCTA fleet is aging, bus maintenance is beginning to be an issue.

**Personnel:**

Employee turnover still remains relatively low. One employee retired and one quit in 2007. Two new drivers and a new mechanic were hired in FY2007.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2007

**Litigation:**

CCTA is still receiving payments from Third Coast Software for the incomplete software program that we did not receive. Our company attorney keeps abreast of the situation.

As of September 30, 2007, CCTA is not involved in any other form of litigation.

**Management meetings:**

As CCTA management, I continue to attend the local Crawford County Collaborative Body meetings monthly. Most Human Service agencies in Crawford County attend these meetings. It is the intent of all the agencies in attendance to help better the lives of the less fortunate. I am also a Board member of the Crawford County Economic Development Partnership (CCEDP). It is the goal of the CCEDP to help expand economic development in our County.

Overall, CCTA is running very smoothly and effectively. Employee moral is high, and we continue to have an increase in passenger ridership each month. We are still in need of additional buses. CCTA should be receiving four (4) new buses prior to the end of 2007.

It is the goal of Crawford County Transportation Authority to provide the best possible service to our customers. As shown by our ridership figures for FY2007, many individuals in Crawford County depend on us as their sole means of transportation.

Julee K. Dean  
Executive Director

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF NET ASSETS  
ENTERPRISE FUND  
SEPTEMBER 30, 2007

ASSETS

Current Assets:

Cash	\$ 1,090,976
Investments	439,339
Accounts receivable	19,670
Account receivable - other	42,396
Inventories	25,240
Prepaid expenses	<u>56,141</u>

Total Current Assets 1,673,762

Property and equipment,  
less accumulated depreciation 462,285

Total Assets 2,136,047

LIABILITIES

Current Liabilities:

Accounts payable	13,051
Due to other governmental units	83,895
Accrued liabilities	70,893
Deferred revenue	<u>1,394</u>

Total Current Liabilities 169,233

NET ASSETS:

Invested in capital assets, net of related debt	462,285
Unrestricted	<u>1,504,529</u>

Total Net Assets \$ 1,966,814

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

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
ENTERPRISE FUND  
YEAR ENDED SEPTEMBER 30, 2007

Operating Revenues	
Charges for services	
Fare box and special fares	\$ 223,223
Vehicle maintenance	<u>1,944</u>
Total operating revenues	<u>225,167</u>
Operating Expenses	
Salaries and wages	687,495
Fringe benefits	337,613
Materials and supplies	175,427
Services	28,487
Utilities	23,579
Casualty and liability insurance	51,002
Miscellaneous	4,741
Depreciation	<u>167,255</u>
Total operating expenses	<u>1,475,599</u>
Operating income (loss)	<u>(1,250,432)</u>
Non-operating Revenues (expenses)	
Property taxes	376,865
Federal	224,924
State - Demand response	514,985
State and Federal capital grants	11,751
Interest/investment income	54,468
Miscellaneous	<u>92</u>
Total non-operating revenues	<u>1,183,085</u>
Change in Net Assets	(67,347)
Net Assets - October 1, 2006	<u>2,034,161</u>
Net Assets - September 30, 2007	<u><u>\$ 1,966,814</u></u>

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

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR YEAR ENDED SEPTEMBER 30, 2007

Cash flows from operating activities	
Cash receipts from operations	\$ 220,495
Cash payments for supplies and services	(293,804)
Cash payments for employee services and fringes	<u>(1,045,084)</u>
Net cash provided (used) by operating activities	<u>(1,118,393)</u>
Cash flows from noncapital financing activities	
Property taxes	376,865
Federal operating grants	224,924
State operating grants	<u>631,668</u>
Net cash provided (used) by noncapital financing activities	<u>1,233,457</u>
Cash flows from capital and related financing activities	
Federal/State capital grants	11,751
Purchase of fixed assets	<u>(14,459)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,708)</u>
Cash flows from investing activities	
Purchase of investments	(19,167)
Investment income	54,468
Collection on Accounts receivable - other	5,054
Miscellaneous income	<u>92</u>
Net cash provided (used) in investing activities	<u>40,447</u>
Net increase (decrease) in cash and cash equivalents	152,803
Cash and Cash Equivalents - October 1, 2006	<u>938,173</u>
Cash and Cash Equivalents - September 30, 2007	<u><u>\$ 1,090,976</u></u>

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

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND (CONTINUED)  
FOR YEAR ENDED SEPTEMBER 30, 2007

Reconciliation of operating income	
to net cash provided by operating activities:	
Operating income (loss)	<u>\$(1,250,432)</u>
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation	167,255
Decrease (increase) in accounts receivable	(3,845)
Decrease (increase) in inventories	10,677
Decrease (increase) in prepaid expenses	(4,529)
Increase (decrease) in accounts payable	(18,370)
Increase (decrease) in accrued liabilities	(19,976)
Increase (decrease) in deferred revenue	<u>827</u>
Total adjustments	<u>132,039</u>
Net cash provided (used) by operating activities	<u><u>\$(1,118,393)</u></u>

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

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF FIDUCIARY NET ASSETS  
PENSION TRUST FUND  
SEPTEMBER 30, 2007

Assets

Investments	<u>\$ 6,535</u>
Total Assets	<u>6,535</u>

Net Assets

Held in trust for Pension benefits	<u>\$ 6,535</u>
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The accompanying notes are an integral part of these financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PENSION TRUST FUND  
FOR YEAR ENDED SEPTEMBER 30, 2007

Additions

Interest and investment income	<u>\$ 258</u>
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Total Additions	<u>258</u>
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Deductions

Administrative fees	<u>36</u>
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Total Deductions	<u>36</u>
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Change in Net Assets	222
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Net Assets - October 1, 2006	<u>6,313</u>
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Net Assets - September 30, 2007	<u><u>\$ 6,535</u></u>
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The accompanying notes are an integral part of these financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

NOTE A - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

DESCRIPTION OF OPERATIONS AND FUND TYPE

The Authority was organized in 1982, as successor to the Crawford County Public Transit. In 1998 The Authority reorganized under Act 196 of 1986 of the Public Acts of the State of Michigan. The Authority is a separate legal and administrative unit of government. The purpose of the Authority is to provide public transportation services to the general public within Crawford County.

Fund financial statements are provided for enterprise and fiduciary funds.

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

The Pension Trust Fund accounts for assets, liabilities and financial transactions of the Crawford County Transportation Authority Defined Contribution Pension Trust Fund. The Authority is the Trustee of the Plan which covers substantially all of its employees with two years seniority. The Pension Trust Fund uses the accrual basis of accounting. The Assets of the Authority's investment in the Municipal Employees Retirement System of Michigan (MERS) are not included in these financial statements

The following is a summary of the significant accounting policies of the Authority:

**INVENTORY** - Inventories of fuel, lubricants, tires, tubes and vehicle parts are recorded at cost, less estimated allowances for obsolescence, and are expended using the cost method. Obsolete inventory has been marked-down to its estimated market value. Inventories of office supplies and other similar items are recorded as an expenditure at the time of purchase.

**FIXED ASSETS AND DEPRECIATION** - Fixed assets acquired prior to 1982 are stated at salvage value. All other fixed assets are stated at cost. Fixed assets purchased with moneys furnished by the State and the U.S. Department of Transportation are secured by the State. These assets are, at the State's option, either returned to the State or otherwise disposed when retired. Depreciable fixed assets are depreciated over the estimated useful life of the assets on the straight-line method.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES - All compensated absences are recorded as an expense and a liability as they are earned.

CONTRIBUTED CAPITAL - Prior to October 1, 2000, proceeds received from the State and the U.S. Department of Transportation, in accordance with contracts to purchase fixed assets were credited to Contributed Capital and were not recorded as revenue. Depreciation of fixed assets purchased with these funds is charged against Contributed Capital.

PROPERTY TAXES - Property taxes are levied as of December 1 of each year and are due by the last day of the following February. The taxes are collected by the local units of government within the County and are periodically remitted to the Authority through the County during the collection period. The taxes are recognized as revenue in the year in which payment is due.

STATE AND FEDERAL OPERATING ASSISTANCE - Revenues from State and Federal operating assistance programs are recognized when earned rather than when received. Earned revenues from these sources are computed using the approved cost allocation principles and guidelines approved by the Michigan Department of Transportation.

COST ALLOCATIONS - The following are the major cost allocations used by the Authority and which have been approved by the State:

Building depreciation and utilities costs are allocated among operations, maintenance and administration based on the square footage utilized by each function.

Maintenance of Third-Party Vehicles - Expenses related to charges for maintenance of third-party vehicles are allocated as follows:

1. Labor and fringe costs are charged to third-party maintenance and bus maintenance based on direct maintenance hours charged to each.
2. Parts charges are based on original cost.
3. Supplies, utilities and depreciation costs are prorated between third-party maintenance and bus maintenance based on direct maintenance hours charged to each.

Charter - The charter rate is negotiated with each customer based on prior years operating expenses.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007

NOTE B - CASH AND INVESTMENTS

Cash deposits are held at Citizens Bank, Chemical Bank West, Huntington Bank and Fifth Third Bank, both directly and through the Crawford County Treasurer's Common Cash Account. Cash on deposit held by the Crawford County Treasurer shares FDIC insurance coverage with all other assets held by the County Treasurer. The proportionate share of FDIC insurance coverage related to the Authority's cash and certificate of deposit held by the County Treasurer has not been determined.

Operations Fund investments are in Bank One Short Term Investment Fund for governmental entities, and American Express Mutual Funds.

Pension Trust Funds listed on the balance sheet are invested in mutual funds of the ICMA R C Services, LLC.

State statute authorizes investment of funds in obligations of the U.S.; certificates of deposits and savings and checking accounts with banks, savings and loan associations of credit unions which are insured with the applicable federal agency; commercial paper within the three highest rate classifications by two rating services, maturing not later than 270 days from date, to the extent of 50% of total surplus funds; U.S. or agency repurchase agreements; bankers' acceptance of U.S. banks; and mutual funds.

Cash of the Operations Fund is stated at cost which approximates market value. Investments of the Operating fund are stated at cost. Investments of the Pension Trust Funds are stated at market value.

Deposits

Petty Cash	\$ 150
Insured - demand deposits and interest bearing accounts & certificates	358,237
Uninsured - deposits and certificates	625,308
Uninsured - (Cash with County) Common Cash	<u>107,281</u>
Total cash	<u>\$ 1,090,976</u>

	Cost	Market
Operations Fund Investments		
Uninsured, Uncollateralized, held by agent: Bank One Short Term Investment Fund for governmental units	\$ 336,120	\$ 336,120
American Express:		
AXP Short Duration U.S. Government Fund	60,069	61,424
Equity Value Funds	<u>43,150</u>	<u>59,034</u>
Total Operations Fund Investments	<u>\$ 439,339</u>	<u>\$ 456,578</u>
Pension Investments ICMA RC Services, LLC	<u>\$ 6,535</u>	<u>\$ 6,535</u>

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

NOTE B - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

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

Interest Rate Risk

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

Concentration of Credit Risk

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

NOTE C - ACCOUNTS RECEIVABLE - OTHER

Crawford County Public Transit advanced monies to a software company for developing a dispatch computer program in 2002. The program was never completed and the money was not repaid. A judgement was obtained for \$50,000 which included all costs, attorney fees, and interest. A down payment of \$2,000 was paid at time of the judgement. Monthly payments of \$750 including interest at 5% are due until amount is fully paid.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Balance</u> <u>10/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>9/30/07</u>
Land	\$ 27,005	\$ -0-	\$ -0-	\$ 27,005
Buildings	832,258	-0-	-0-	832,258
Buses	1,198,485	-0-	-0-	1,198,485
Operations equipment	98,711	-0-	-0-	98,711
Garage equipment	140,508	9,795	-0-	150,303
Office equipment	32,872	-0-	-0-	32,872
Computer equipment	<u>41,999</u>	<u>4,664</u>	<u>-0-</u>	<u>46,663</u>
Totals	<u>\$ 2,371,838</u>	<u>\$ 14,459</u>	<u>\$ -0-</u>	<u>\$ 2,386,297</u>
Accumulated depreciation	<u>\$ 1,756,757</u>	<u>\$ 167,255</u>	<u>\$ -0-</u>	<u>1,924,012</u>
Net property and equipment				<u>\$ 462,285</u>

Useful lives of depreciable assets are as follows:

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

NOTE E - CONTRIBUTED CAPITAL

The Contributed Capital equity account represents funds provided by the Federal Government and the State of Michigan, to the Authority, to purchase buildings, buses and equipment prior to July, 2000. Contributed capital balances as of September 30, 2000 have not been restated, and have continued to be amortized over the lives of the related fixed assets, until entirely depleted or sold. Depreciation of fixed assets purchased with Contributed Capital prior to July 2000, for year ended 2007 of \$77,114 was charged against this account.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

NOTE E - CONTRIBUTED CAPITAL (CONTINUED)

Effective for fiscal years beginning after July 2000, and for all subsequent years, all State/Federal Capital Grants will be recorded as revenue on the Statement of Revenues, Expenses and Changes in Net Assets. There were \$11,751 capital grants for the year ended September 30, 2007

NOTE F - PROPERTY TAXES

In August 1988 the voters of Crawford County approved a countywide property tax levy (renewal) of up to 0.75 mill to provide for the continued operation of the Authority. Net property taxes collected for the year ended September 30, 2007 were \$376,865.

NOTE G - MONEY PURCHASE PENSION PLAN

Monies remaining in the Money Purchase Pension Plan at September 30, 2007 belong to terminated vested employees. The plan is administered by ICMA RC Services, LLC. Distributions from the funds will be made upon termination of employment or upon retirement, or on or after normal retirement age of 65. Pension assets of \$6,535, at September 30, 2007, are invested in the mutual funds of ICMA RC Services, LLC. Each participant determines the type of mutual fund in which his/her assets are invested.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

NOTE H - MICHIGAN EMPLOYEES RETIREMENT SYSTEM

PLAN DESCRIPTION - On August 1, 1997 the Authority Board of Directors adopted a defined benefit plan of the Michigan Employees Retirement System (MERS). MERS, an agent, multiple-employer public employee retirement system, acts as the common investment and administrative agent pursuant to State of Michigan Public Act 427 of 1984, as amended, and the Constitution of the State of Michigan. The Authority's plan provides benefits for Normal retirement, Deferred retirement, Disability retirement, Non-duty death allowance, Duty-connected death allowance, and all employees of the Authority participate. All participating employees have received prior service credit from their date of hire. There is no vesting for the first 10 years, and 100% vesting after 10 years.

Employees are eligible for retirement upon attaining the age of 50, and have completed 25 years of employment service; at age 55 with 15 years of employment service; or at age 60 with 10 years of employment service.

FUNDING POLICY - The plan's funding policy provides for mandatory employee contributions at a rate of 4.8% of regular gross wages and employer contributions of 9.44% for the last three months of 2006, 10.03% from January through September 30, 2007. Crawford County Transportation Authority made employer contributions at 12% for the first 3 months of the fiscal year and 14% for the last 9 months of the fiscal year. Required employer contributions are based on a percentage of compensation projected into the middle of the calendar year.

The normal cost and amortization payment were determined using the entry age normal actuarial funding method. Actuarial assumptions include (a) projected salary and wage increases of due to inflation of 4.5% and from 0.0% to 8.40% based on merit and longevity, (b) a net long-term investment yield rate of 8%, (c) 1994 Group Annuity Mortality Tables.

Unfunded actuarial accrued liabilities are amortized as a level percent of payroll over 30 years.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007

NOTE H - MICHIGAN EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

ANNUAL PENSION COST - For the fiscal year ended September 30, 2007 the Authority's actual pension cost of \$89,385, was 12% of covered payroll for October, 2006 through December 2006, and 14% for January through September 2007. Total payroll for the year ended September 30, 2007 was \$667,937.

Components of the Actuarial Accrued Liability at December 31, 2006 the last date of Annual Actuarial Valuation, are as follows:

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits	\$ 1,437,331
Non-vested terminated employees (pending refunds of accumulated member contributions)	86
Current employee contributions - Including allocated investment income	247,391
Employer financed contributions - Including allocated investment income	<u>1,397,231</u>
Total Actuarial Accrued Liability	3,082,039
Net Assets Available for Benefits at Actuarial Value (Market Value \$2,893,908)	<u>2,853,984</u>
Unfunded Actuarial Accrued Liability	<u><u>\$ 228,055</u></u>

For calendar year 2008 the Annual Required Contribution is \$68,220. The amortization factor used is .054719.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007

NOTE H - MICHIGAN EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Trend information of Aggregate Accrued Liabilities follows:

Valuation Date	<u>2006</u>	<u>2005</u>	<u>2004</u>
Accrued Liabilities	<u>\$ 3,082,039</u>	<u>\$ 2,790,377</u>	<u>\$ 2,503,562</u>
Valuation Assets	<u>\$ 2,853,984</u>	<u>\$ 2,636,698</u>	<u>\$ 2,440,358</u>
Funded Percent	<u>93</u>	<u>94</u>	<u>97</u>
Unfunded Actuarial Liability	<u>\$ 228,055</u>	<u>\$ 153,679</u>	<u>\$ 63,204</u>
Unfunded Actuarial Liability as a Percent of Annual Payroll	<u>36</u>	<u>23</u>	<u>9</u>

NOTE I - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries as well as medical benefits provided to full-time employees. The Authority has purchased commercial insurance for medical benefits, disability, and workers' compensation; fleet, real and personal property coverage; and general liability coverage.

NOTE J - COMMITMENTS - STATE LIENS

The Authority's facility is financed with both Federal and State funds. Part of the terms and conditions of the use of Federal and State funds is the requirement that the facility continue to be used for the purposes stated in the Authority's grant application, in perpetuity. Should the facility cease to be used for its stated purpose it will either revert to the Federal government or be sold and the proceeds divided proportionate to the original investment.

Most buses and a substantial amount of the equipment of the Authority have been purchased with State and Federal Grants. The Authority, by accepting those grants have accepted the obligation to use that equipment for public transportation purposes for the life of each asset.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF CONTRIBUTED CAPITAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Balance October 1, 2006	\$ 77,114
Deduct:	
Depreciation of assets purchased from contributed capital	<u>77,114</u>
Balance September 30, 2007	<u><u>\$ -0-</u></u>

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
 SCHEDULE OF CAPITAL CONTRACTS  
 YEAR ENDED SEPTEMBER 30, 2007

Grantor: State of Michigan - Department of Transportation

Contract or Project Number	<u>Grant Amount</u>	<u>Previously Earned</u>	<u>Current Earned</u>	<u>Amount Remaining</u>
#02-0030-Z10	\$ 12,500	\$ 7,688	\$ 4,676	\$ 136
#02-0030-Z13	10,000	2,922	7,075	3
#02-0030-Z16	10,000	7,925	-0-	2,075
#02-0030-Z18	27,777	-0-	-0-	27,777
#07-0198-Z2	<u>10,000</u>	<u>-0-</u>	<u>-0-</u>	<u>10,000</u>
Totals	<u>\$ 70,277</u>	<u>\$ 18,535</u>	<u>\$ 11,751</u>	<u>\$ 39,991</u>

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF OPERATING EXPENSES BY FUNCTION  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>OPERATIONS</u>	<u>MAINTENANCE</u>	<u>GENERAL ADMINIS- TRATION</u>	<u>TOTAL</u>
Operating Expenses:				
Salaries and wages	\$ 540,716	\$ 48,363	\$ 98,416	\$ 687,495
Fringe benefits	286,738	17,818	33,057	337,613
Materials and Supplies	128,526	36,086	10,815	175,427
Services	3,460	9,413	15,614	28,487
Utilities	10,102	8,324	5,153	23,579
Casualty & Liability				
Insurance	47,901	945	2,156	51,002
Miscellaneous	1,377	-0-	3,364	4,741
Depreciation	<u>139,023</u>	<u>19,942</u>	<u>8,290</u>	<u>167,255</u>
Total Operating Expenses	<u>\$ 1,157,843</u>	<u>\$ 140,891</u>	<u>\$ 176,865</u>	<u>\$ 1,475,599</u>

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
NET ELIGIBLE COST COMPUTATIONS OF DEMAND/RESPONSE OPERATIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>FEDERAL SECTION 5311 07-0198/Z1</u>	<u>STATE OPERATING ASSISTANCE</u>
Operating Expenses:		
Salaries and wages	\$ 687,495	\$ 687,495
Fringe benefits	337,613	337,613
Materials and Supplies	175,427	175,427
Services	28,487	28,487
Utilities	23,579	23,579
Casualty and Liability insurance	51,002	51,002
Miscellaneous	4,741	4,741
Depreciation	<u>167,255</u>	<u>167,255</u>
Total operating expenses	<u>1,475,599</u>	<u>1,475,599</u>
Less ineligible expenses:		
Depreciation funded by grants	139,621	139,621
Board per diem	6,560	-0-
Audit	3,800	-0-
Other disallowed	<u>92</u>	<u>92</u>
Total ineligible expenses	<u>150,073</u>	<u>139,713</u>
Net eligible expenses	<u>1,325,526</u>	<u>1,335,886</u>
Less Project revenue:		
Charter	503	503
Vehicle Revenues	<u>1,943</u>	<u>1,943</u>
Total project revenue	<u>2,446</u>	<u>2,446</u>
Eligible expenses for reimbursement	<u>\$ 1,323,080</u>	<u>\$ 1,333,440</u>
Section 5311 Reimbursement 17.0%	<u>\$ 224,924</u>	
State operating assistance (38.6208%)		<u>\$ 514,985</u>



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

November 7, 2007

Board of Directors  
Crawford County Transportation Authority  
4276 W. North Down River Road  
Grayling, Michigan 49738

As required by the Michigan Department of Transportation, schedules of mileage, vehicle hours and number of passengers transported for the twelve months ended September 30, 2007 follows. This supplemental information was not audited by me and accordingly, I do not express an opinion on it. However, I have reviewed the compilation methods for mileage and passenger data and found them reliable.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'J M Anderson', written over a light blue horizontal line.

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

MEMBER MACPA and AICPA

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
MILEAGE, VEHICLE HOURS AND PASSENGERS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Month ended	<u>MILEAGE</u>	<u>VEHICLE HOURS</u>	<u>PASSENGERS</u>	
			<u>REGULAR</u>	<u>SENIOR CITIZEN</u>
2006				
October	46,386	2,228	7,955	699
November	42,946	2,111	6,978	800
December	37,071	1,940	6,200	751
2007				
January	44,490	2,280	7,666	774
February	38,599	2,009	6,917	698
March	44,587	2,269	7,583	769
April	41,374	2,129	6,365	654
May	47,830	2,336	7,880	612
June	41,036	2,064	5,599	649
July	42,039	2,602	6,619	753
August	44,105	2,201	5,076	829
September	<u>36,627</u>	<u>1,862</u>	<u>5,529</u>	<u>686</u>
Totals	<u>507,090</u>	<u>26,031</u>	<u>80,367</u>	<u>8,674</u>

<u>HANDICAPPED</u>	<u>SENIOR/ HANDICAP</u>	<u>TOTAL</u>
1,442	374	10,470
1,240	397	9,415
1,157	355	8,463
1,379	347	10,166
1,166	373	9,154
1,330	486	10,168
1,246	469	8,734
1,348	445	10,285
1,256	482	7,986
1,173	481	9,026
1,435	490	7,830
<u>1,311</u>	<u>421</u>	<u>7,947</u>
<u><u>15,483</u></u>	<u><u>5,120</u></u>	<u><u>109,644</u></u>



**James M. Anderson, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 7, 2007

Board of Directors  
Crawford County Transportation Authority  
4276 W. North Down River Road  
Grayling, Michigan 49738

Dear Board:

I have audited the accompanying financial statements of the Crawford County Transportation Authority for the year ended September 30, 2007, and issued my report thereon dated November 7, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Crawford County Transportation Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Crawford County Transportation Authority's internal control over financial reporting.

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

MEMBER MACPA and AICPA

### Segregation of Duties

The idea of segregation of duties is that two or more persons are part of a process, such as cash disbursements, so that if a mistake is made by one, it will become apparent to another within a reasonable time period.

Currently, the Authority has one person in the bookkeeping staff who is responsible for writing cash receipts received by mail, writing checks, recording cash receipts, cash disbursements, payroll, bank transfers and adjusting journal entries as well as preparing bank reconciliations.

Monthly financial statements, conveyance of bank transfers and cash receipts deposits, and signing of checks are done by Management personnel or the Board of Directors.

With the limited bookkeeping staff, the Authority has an inherent weakness in the internal controls related to the bookkeeping functions. Segregation of these duties should be made on a practical basis.

### Financial Statement Preparation

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

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

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

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

Compliance and Other Matters

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

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



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



## James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

November 7, 2007

Board of Directors  
Crawford County Transportation Authority  
4276 W. North Down River Road  
Grayling, MI 49738

I have audited the financial statements of the business-type activity and major fund of the Crawford County Transportation Authority for the year ended September 30, 2007, and have issued my report thereon dated November 7, 2007. Professional standards require that I provide you with the following information related to my audit.

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

As stated in my engagement letter dated November 6, 2007, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

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

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

### Significant Accounting Policies

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

MEMBER MACPA and AICPA

#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

#### Audit Adjustments

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

#### Disagreements with Management

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

#### Consultations with Other Independent Accountants

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

#### Issues Discussed Prior to Retention of Independent Auditors

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

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Difficulties Encountered in Performing the Audit

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

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

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

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