

**Alger County Transit Authority  
Financial Statements  
For the Year Ended September 30, 2009**

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**ANDERSON, TACKMAN & COMPANY, P.L.C.**

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

**MICHIGAN**  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

**WISCONSIN**  
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MILWAUKEE

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities of the Alger County Transit Authority, as of and for the year ended September 30, 2009, which collectively comprise the Alger County Transit Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Alger County Transit Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Alger County Transit Authority as of September 30, 2009, and the respective changes in its financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2010 on our consideration of the Alger County Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Directors  
Alger County Transit Authority

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alger County Transit Authority's basic financial statements. The schedules listed in the table of contents as other financial information are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 1, 2010

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Alger County Transit Authority's financial performance provides an overview of the Alger County Transit Authority's financial activities for the year ended September 30, 2009. Please read it in conjunction with the financial statements, which begin on page 8.

### FINANCIAL HIGHLIGHTS

- Net assets for the Alger County Transit Authority as a whole were reported at \$729,384. Nets assets are comprised of 100% business-type activities.
- During the year, the Alger County Transit Authority's total expenses were \$1,134,865, while revenues from all sources totaled \$1,104,474 resulting in a decrease in net assets of \$30,391.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Table 1 provides a summary of the Alger County Transit Authority's net assets as of September 30, 2009 and 2008.

|                               | 2009             | 2008             |
|-------------------------------|------------------|------------------|
| Current and other assets      | \$107,623        | \$48,507         |
| Capital assets, net           | 939,710          | 953,790          |
| <b>Total Assets</b>           | <b>1,047,333</b> | <b>1,002,297</b> |
| Current liabilities           | 289,154          | 209,576          |
| Non-current liabilities       | 28,795           | 32,946           |
| <b>Total Liabilities</b>      | <b>317,949</b>   | <b>242,522</b>   |
| <b>Net Assets:</b>            |                  |                  |
| Invested in capital assets    | 939,710          | 953,790          |
| Restricted for transportation | (210,326)        | (194,015)        |
| <b>Total Net Assets</b>       | <b>\$729,384</b> | <b>\$759,775</b> |

Net assets of the Alger County Transit Authority's business-type activities stood at \$729,384. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities stood at \$(210,326).

The \$(210,326) in unrestricted net assets represents the accumulated results of all past years' operations. The results of this year's operations for the Alger County Transit Authority as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2009 and 2008.

|                                       | 2009             | 2008             |
|---------------------------------------|------------------|------------------|
| Operating Revenues                    | \$281,943        | \$279,091        |
| Operating Expenses                    | 1,134,865        | 1,141,899        |
| <b>Operating Income (Loss)</b>        | <b>(852,922)</b> | <b>(862,808)</b> |
| <b>Non-Operating Revenues:</b>        |                  |                  |
| Local                                 | 93,015           | 124,602          |
| State                                 | 305,573          | 299,051          |
| Federal                               | 255,123          | 244,771          |
| Capital Grants                        | 180,086          | 138,293          |
| Interest Income                       | 37               | 180              |
| Gain (Loss) on Sale of Capital Assets | (11,303)         | (21,091)         |
| <b>Total Non-Operating Revenues</b>   | <b>822,531</b>   | <b>785,806</b>   |
| <b>Changes in Net Assets</b>          | <b>(30,391)</b>  | <b>(77,002)</b>  |
| <b>Net assets, beginning</b>          | <b>759,775</b>   | <b>836,777</b>   |
| <b>Net Assets, Ending</b>             | <b>\$729,384</b> | <b>\$759,775</b> |

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

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

The Alger County Transit Authority's total revenues were \$1,104,474. The total cost of all programs and services was \$1,134,865, leaving a decrease in net assets of \$30,391 as a result of fiscal year 2008 operations.

The net decrease of \$30,391 was due from \$180,086 in Capital Grant Revenue, \$177,210 in depreciation expense, loss on sale of assets of \$12,955 and a net loss of \$20,312 from the remaining operations. This Net Loss of \$20,312 from operations is due from a decrease of roughly \$20,000 from fiscal year 2007 insurance rate retro adjustment.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal 2009 and 2008, the Alger County Transit Authority had \$939,710 and \$953,790 respectively, invested in a variety of capital assets including land, buildings, and other equipment. (See table below)

|                           | 2009             | 2008             |
|---------------------------|------------------|------------------|
| Buildings                 | \$960,278        | \$930,920        |
| Equipment and furnishings | 320,141          | 302,385          |
| Buses                     | 902,659          | 783,853          |
|                           | 2,183,078        | 2,017,158        |
| Accumulated depreciation  | (1,243,368)      | (1,063,368)      |
| Totals                    | <u>\$939,710</u> | <u>\$953,790</u> |

#### Debt

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

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In fiscal year 2009, we do expect an increase in fuel costs; however, a decrease in insurance costs should offset this. We may also receive a decrease in state operating revenue, but the millage revenue will see an increase. All in all, we expect to maintain the level of service provided on basically the same budget as fiscal year 2009.

### CONTACTING THE ALGER COUNTY TRANSIT AUTHORITY FINANCIAL MANAGEMENT

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

**ALGER COUNTY TRANSIT AUTHORITY**  
**Statement of Net Assets**  
**September 30, 2009**

**ASSETS**

CURRENT ASSETS:

|                            |    |              |
|----------------------------|----|--------------|
| Fare Income Receivable     | \$ | 14,969       |
| Due from State of Michigan |    | 87,411       |
| Prepaid Insurance          |    | 5,243        |
|                            |    | <u>5,243</u> |

TOTAL CURRENT ASSETS 107,623

NON-CURRENT ASSETS:

|  |  |                |
|--|--|----------------|
| Capital Assets, (Net of Accumulated Depreciated) |  | 939,710        |
|  |  | <u>939,710</u> |

TOTAL NON-CURRENT ASSETS 939,710

**TOTAL ASSETS** 1,047,333

**LIABILITIES**

CURRENT LIABILITIES:

|   |  |               |
|---|--|---------------|
| Cash and Cash Equivalents - overdraft   |  | 48,641        |
| Accounts Payable                        |  | 79,254        |
| Due to Commission on Aging              |  | 69,200        |
| Accrued Payroll and Related Liabilities |  | 23,910        |
| Unearned Revenue                        |  | 1,050         |
| Accrued Interest Payable                |  | 780           |
| Line of Credit                          |  | 66,319        |
|   |  | <u>66,319</u> |

TOTAL CURRENT LIABILITIES 289,154

NON-CURRENT LIABILITIES:

|                      |  |               |
|----------------------|--|---------------|
| Compensated Absences |  | 28,795        |
|                      |  | <u>28,795</u> |

TOTAL NON-CURRENT LIABILITIES 28,795

**TOTAL LIABILITIES** 317,949

**NET ASSETS**

|  |  |                  |
|--|--|------------------|
| Invested in Capital Assets - Net of Related Debt |  | 939,710          |
| Unrestricted                                     |  | (210,326)        |
|  |  | <u>(210,326)</u> |

**TOTAL NET ASSETS** \$ 729,384

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

**ALGER COUNTY TRANSIT AUTHORITY**  
**Statement of Activities**  
**For the Year Ended September 30, 2009**

|                                       |                                   |                          |
|---------------------------------------|-----------------------------------|--------------------------|
| Operating Revenues                    |                                   | <u>\$ 281,943</u>        |
| Operating Expenses:                   |                                   | <u>1,134,865</u>         |
|                                       | OPERATING INCOME (LOSS)           | <u>(852,922)</u>         |
| Non-operating Revenues:               |                                   |                          |
| Local                                 |                                   | 93,015                   |
| State                                 |                                   | 305,573                  |
| Federal                               |                                   | 255,123                  |
| Capital Grants                        |                                   | 180,086                  |
| Interest Income                       |                                   | 37                       |
| Gain (Loss) on Sale of Capital Assets |                                   | <u>(11,303)</u>          |
|                                       | TOTAL NON-OPERATING REVENUES      | <u>822,531</u>           |
|                                       | CHANGES IN NET ASSETS             | (30,391)                 |
|                                       | NET ASSETS, BEGINNING OF THE YEAR | <u>759,775</u>           |
|                                       | NET ASSETS, OF THE YEAR           | <u><u>\$ 729,384</u></u> |

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

**ALGER COUNTY TRANSIT AUTHORITY**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2009**

|   |  |                    |
|---|--|--------------------|
| Cash Flows from Operating Activities:                                       |  |                    |
| Collections from customers  |  | \$ 311,170         |
| Payments to employees and related items                                     |  | (661,298)          |
| Payments to vendors   |  | (341,159)          |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                     |  | <u>(691,287)</u>   |
| Cash Flows from Capital and Related Financing Activities:                   |  |                    |
| Purchase of Capital Assets  |  | (182,893)          |
| Proceeds of Sale of Capital Assets  |  | 1,652              |
| Capital Grant Funds to Purchase Capital Assets                              |  | 180,086            |
| Increase (decrease) in Line of Credit                                       |  | (9,864)            |
| Federal and State Sources   |  | 560,696            |
| Local Sources   |  | 93,015             |
| <b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b> |  | <u>642,692</u>     |
| Cash Flows from Investing Activities:                                       |  |                    |
| Interest income   |  | 37                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |  | <u>37</u>          |
|   | <b>NET INCREASE (DECREASE) IN CASH</b> | (48,558)           |
| Cash, Beginning of Year   |  | (83)               |
|   | <b>CASH, END OF YEAR</b>               | <u>\$ (48,641)</u> |

|   |                   |                     |
|---|-------------------|---------------------|
| RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:               |                   |                     |
| Operating Income (Loss)   |                   | \$ (852,922)        |
| Adjustments to Reconcile Operating Gain (Loss) to Net Cash Provided (Used) by Operating Activities: |                   |                     |
| Depreciation Expense  |                   | 184,018             |
| (Increase) Decrease in Fare Income Receivable   |                   | (12,880)            |
| (Increase) Decrease in Due from Commission on Aging   |                   | 41,182              |
| (Increase) Decrease in Prepaid Insurance  |                   | (190)               |
| Increase (Decrease) in Accounts Payable   |                   | 1,085               |
| Increase (Decrease) in Due to State of Michigan   |                   | (46,046)            |
| Increase (Decrease) in Accrued Payroll and Related Liabilities                                      |                   | (3,088)             |
| Increase (Decrease) in Unearned Revenue   |                   | 925                 |
| Increase (Decrease) in Accrued Interest Payable   |                   | 780                 |
| Increase (Decrease) in Compensated Absence  |                   | (4,151)             |
|   | Total Adjustments | <u>161,635</u>      |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>   |                   | <u>\$ (691,287)</u> |

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

ALGER COUNTY TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

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

**1 – Financial Reporting Entity**

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

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

**2 – Basic Financial Statements**

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

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

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

Business-type activities distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with principal ongoing operations. The principal operating revenue or our business-type activities relate to charges to customers for sales and services. Operating expenses for business-type activities include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

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

Bank Deposits and Investments

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

Capital Assets and Depreciation

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

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

The eligible depreciation of \$6,808: \$84,018 total depreciation reported in PTMS Code 51300 for both Urban and Non-urban less ineligible depreciation of \$177,210 reported in PTMS code 55007 Ineligible Depreciation includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by BPT.

Compensated Absences

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

Use of Estimates

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

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

Budgetary Information

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

Fund Deficits

As of September 30, 2009, a deficit of \$210,326 existed in unrestricted retained earnings. The Alger County Transit Authority's financial condition relating to unrestricted retained earnings has improved from last year. Management is evaluating its ability to reduce daily operating expenses, and obtain other revenue sources. If such conditions cannot be obtained or received the ability of the Alger County Transit Authority to continue operations may be impaired. The Alger County Transit Authority is required to and has filed a deficit elimination plan with the Department of Transportation.

**NOTE C – DEPOSITS AND INVESTMENTS:**

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

|                      | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u>       |
|----------------------|---------------------|-------------------|--------------------|
| Cash and equivalents | <u>\$ (48,641)</u>  | <u>\$ _____</u>   | <u>\$ (48,641)</u> |

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Alger County Transit Authority's deposits may not be returned to it. State law does not require and the Alger County Transit Authority does not have a deposit policy for custodial credit risk. The carrying amounts of the Alger County Transit Authority's deposits with financial institutions were \$ (48,641) and the bank balance was \$(42,365). Of the bank balance, \$(42,365) or approximately 100% was covered by federal depository insurance according to FDIC regulations.

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

Investments

As of September 30, 2009, the Alger County Transit Authority had no investments.

*Interest Rate Risk*

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

*Credit Risk*

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

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

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

Due from (to) State Government

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

|   |                  |
|---|------------------|
| Net eligible expenses   | \$946,753        |
| Funding rate  | 35.6166%         |
| Funding earned  | <u>\$268,814</u> |
| Funding received  | <u>267,923</u>   |
| Due from (to) state government for current year<br>for local bus operating assistance | 891              |
| Due from (to) Federal Government*   | 17,499           |
| Net of all other state balances   | <u>69,021</u>    |
| Total due from State of Michigan  | <u>\$87,411</u>  |

Due from (to) Federal Government

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

|  |                  |
|--|------------------|
| Net Eligible Expenses  | \$748,543        |
| Funding Rate   | 16.0000%         |
| Funding Earned   | <u>\$119,767</u> |
| Funding Received   | <u>102,268</u>   |
| Due from Federal Government (included<br>with due from State – see above*) | <u>\$17,499</u>  |

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

Capital asset activity for the year ended September 30, 2009 is as follows:

|                                       | Beginning<br>Balance | Increases        | Decreases       | Ending<br>Balance |
|---------------------------------------|----------------------|------------------|-----------------|-------------------|
| Capital Assets Not Being Depreciated: |                      |                  |                 |                   |
| Construction-In-Progress              | \$-                  | \$6,050          | \$-             | \$6,050           |
| Sub-Total                             | -                    | 6,050            | -               | 6,050             |
| Capital Assets Being Depreciated:     |                      |                  |                 |                   |
| Buildings                             | 930,920              | 30,255           | 6,950           | 954,225           |
| Buses                                 | 783,853              | 119,889          | 88,535          | 815,207           |
| Furniture and Equipment               | 302,385              | 26,701           | 23,610          | 305,476           |
| Sub-Total                             | 2,017,158            | 176,845          | 119,095         | 2,074,908         |
| Less Accumulated Depreciation for:    |                      |                  |                 |                   |
| Buildings                             | 431,303              | 48,121           | 2,954           | 476,470           |
| Buses                                 | 418,684              | 103,615          | 79,589          | 442,710           |
| Furniture and Equipment               | 213,381              | 32,282           | 23,595          | 222,068           |
| Sub-Total                             | 1,063,368            | 184,018          | 106,138         | 1,141,248         |
| Net Capital Assets Being Depreciated  | 953,790              | (7,173)          | 12,957          | 933,660           |
| Capital Assets – Net of Depreciation  | <u>\$953,790</u>     | <u>\$(1,123)</u> | <u>\$12,957</u> | <u>\$939,710</u>  |

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

Short-term notes payable outstanding as of September 30, 2009 consists of the following:

Short-term note payable to bank:

- Original note \$45,825, unsecured, on July 13, 2009, with interest at 7%, due on January 13, 2010.
- Original note \$20,493, unsecured, on July 23, 2009, with interest at 7%, due on January 23, 2010.

|                    | Beginning Balance | Additions  | Deletions      | Ending Balance  |
|--------------------|-------------------|------------|----------------|-----------------|
| Short Term Note #1 | \$46,053          | \$-        | \$227          | \$45,825        |
| Short Term Note #2 | 30,130            | -          | 9,636          | 20,494          |
| Total              | <u>\$76,183</u>   | <u>\$-</u> | <u>\$9,863</u> | <u>\$66,319</u> |

**NOTE G – SCHEDULE OF CONTRIBUTED CAPITAL:**

Changes in contributed capital for the year ended September 30, 2009, consist of the following:

Capital Grants:

|                          |                |
|--------------------------|----------------|
| Balance, October 1, 2009 | \$1,997,158    |
| Add grants recognized:   |                |
| 2007-0159/Z9             | 25,000         |
| 2007-0159/Z8/R1          | 8,635          |
| 2002-0006/Z25            | 82,939         |
| 2002-0006/Z24/R1         | 44,499         |
| 2002-0006/Z23            | 3,763          |
| 2007-0159/Z9/R1          | 6,050          |
| 2007-0159/Z14            | 9,200          |
| Total Grants             | <u>180,086</u> |

**NOTE G – SCHEDULE OF CONTRIBUTED CAPITAL (Continued):**

|  |                   |
|--|-------------------|
| Minus Disposals                        | \$(116,286)       |
| Facility Share of current additions    | -                 |
| Balance, September 30, 2009            | <u>2,060,958</u>  |
| Accumulated amortization:              |                   |
| Balance, October 1, 2009               | 1,059,368         |
| Add - current amortization             | 177,210           |
| Minus Disposals                        | (103,330)         |
| Facility Share of current additions    | -                 |
| Balance, September 30, 2009            | <u>1,133,248</u>  |
| NET CAPITAL GRANTS, SEPTEMBER 30, 2009 | <u>\$ 927,710</u> |

**NOTE H – RISK MANAGEMENT:**

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

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

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

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

**NOTE I – COST ALLOCATIONS:**

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

**NOTE J – EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL:**

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

In addition, all capital revenue used to pay for operating expenses has been subtracted out as ineligible expenses as line item Capital Contract Expenses on the Schedule of Operating Assistance Calculation.

Advertising Income did not have any related expenses. The advertising income was from a radio station, which paid for the purchase and installation of the signs on the buses, in prior years. Therefore, there are no expenses relating to this income in the current year.

Donated income is not considered an expense and is included in total expenses.

**NOTE K – NON-FINANCIAL DATA:**

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

**NOTE L – CONTINGENCIES:**

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

## OTHER FINANCIAL INFORMATION

**ALGER COUNTY TRANSIT AUTHORITY**  
**Schedule of Local Revenues**  
**For the Year Ended September 30, 2009**

|   |           |                |
|---|-----------|----------------|
| Fare Box                                    | \$        | 253,943        |
| County Commission on Aging - Contract Fares |           | 28,000         |
| Advertising                                 |           | 17,505         |
| Gain (Loss) on Sale of Capital Assets       |           | (11,303)       |
| Administrative Contract                     |           | 36,000         |
| Miscellaneous Revenue                       |           | 2,990          |
| Tax Levy                                    |           | 21,000         |
| Local Operating Assistance                  |           | 15,520         |
| Interest Income                             |           | 37             |
| Total                                       | <u>\$</u> | <u>363,692</u> |

|  |           |              |
|--|-----------|--------------|
| <u>Miscellaneous Revenue Breakdown</u> |           |              |
| MTP Insurance Refund                   | @ \$      | 1,635        |
| Workers Compensation Refund            | @         | 1,298        |
| Miscellaneous Charges for Service      |           | 57           |
| Donations                              |           | -            |
| Total Miscellaneous Revenue            | <u>\$</u> | <u>2,990</u> |

@ - Included with Ineligible Expenses

**ALGER COUNTY TRANSIT AUTHORITY**  
**Schedule of Federal and State Awards**  
**For the Year Ended September 30, 2009**

| Federal and State Grantor/Pass Through Grantor/Program Title | Federal CFDA Number | Grant No./ Authorization Number | Program Award Amount | Current Year's Expenditures |                   |                   | Prior Year's Expenditures | Amount Remaining  |
|--|---------------------|---------------------------------|----------------------|-----------------------------|-------------------|-------------------|---------------------------|-------------------|
|  |                     |                                 |                      | Total                       | Federal           | State             |                           |                   |
| <u>U.S. Department of Transportation</u>                     |                     |                                 |                      |                             |                   |                   |                           |                   |
| Passed Through Michigan Department of Transportation         |                     |                                 |                      |                             |                   |                   |                           |                   |
| Federal Transit Capital Grants                               | 20.500              |                                 |                      |                             |                   |                   |                           |                   |
| Capital Grant--Section 5309 (80/20)                          |                     | 2007-0159/Z12                   | \$ 125,000           | \$ -                        | \$ -              | \$ -              | \$ -                      | \$ 125,000        |
| Capital Grant--Section 5309 (80/20)                          |                     | 2007-0159/Z9                    | 75,000               | 25,000                      | 20,000            | 5,000             | -                         | 50,000            |
| Capital Grant--Section 5309 (80/20)                          |                     | 2007-0159/Z8/R1                 | 66,500               | 8,635                       | 6,908             | 1,727             | -                         | 57,865            |
| Capital Grant--Section 5309 (80/20)                          |                     | 2007-0159/Z4                    | 60,000               | -                           | -                 | -                 | 60,000                    | -                 |
| Capital Grant--Section 5309 (80/20)                          |                     | 2002-0006/Z25                   | 147,261              | 82,939                      | 66,351            | 16,588            | 64,322                    | (0)               |
| Capital Grant--Section 5309 (80/20)                          |                     | 2002-0006/Z24/R1                | 65,000               | 44,499                      | 35,599            | 8,900             | 18,954                    | 1,547             |
| Capital Grant--Section 5309 (80/20)                          |                     | 2002-0006/Z23                   | 66,460               | 3,763                       | 3,010             | 753               | 59,142                    | 3,555             |
| Capital Grant--Section 5309 (80/20)                          |                     | 2002-006/Z19/R1                 | 75,000               | -                           | -                 | -                 | -                         | 75,000            |
| Capital Grant--Section 5309 (80/20)                          |                     | 2007-0159/Z9/R1                 | 275,000              | 6,050                       | 4,840             | 1,210             | -                         | 268,950           |
| Capital Grant--Section 5309 (80/20)                          |                     | 2007-0159/Z14                   | 65,040               | 9,200                       | 7,360             | 1,840             | -                         | 55,840            |
| Federal Transit Operating Grants                             | 20.509              |                                 |                      |                             |                   |                   |                           |                   |
| Operating Assistance - Section 5311                          |                     | 2007-0159/Z13                   | 119,767              | 119,767                     | 119,767           | -                 | -                         | -                 |
| Operating Assistance - Section 5311                          |                     | 2007-0159/Z6                    | (965)                | (965)                       | (965)             | -                 | -                         | -                 |
| Operating Assistance - Section 5311                          |                     | FY 06-07                        | -                    | -                           | -                 | -                 | -                         | -                 |
| Operating Assistance - Section 5311                          |                     | FY 05-06                        | -                    | -                           | -                 | -                 | -                         | -                 |
| Operating Assistance - Section 5311                          |                     | FY 04-05                        | -                    | -                           | -                 | -                 | -                         | -                 |
| Rural Transit Assistance Program (RTAP)                      |                     | N/A                             | 4,000                | 4,000                       | 4,000             | -                 | -                         | -                 |
| Federal Job Access Grants                                    | 20.516              |                                 |                      |                             |                   |                   |                           |                   |
| Job Access - Section 5316                                    |                     | 2007-0159/Z10                   | 131,198              | 131,198                     | 131,198           | -                 | -                         | -                 |
| <u>Michigan Department of Transportation</u>                 |                     |                                 |                      |                             |                   |                   |                           |                   |
| Operating Assistance - Non-Urban - Act 51                    | N/A                 |                                 |                      |                             |                   |                   |                           |                   |
| FY 08-09   |                     | N/A                             | 268,814              | 268,814                     | -                 | 268,814           | -                         | -                 |
| FY 07-08   |                     | N/A                             | 8,661                | 8,661                       | -                 | 8,661             | -                         | -                 |
| FY 06-07   |                     | N/A                             | -                    | -                           | -                 | -                 | -                         | -                 |
| FY 05-06   |                     | N/A                             | 10,300               | 10,300                      | -                 | 10,300            | -                         | -                 |
| State Specialized Services Grants                            | N/A                 |                                 |                      |                             |                   |                   |                           |                   |
| Specialized Services   |                     | 2007-0159/Z5                    | 18,763               | 18,763                      | 18,763            | -                 | -                         | -                 |
| <b>TOTALS</b>  |                     |                                 | <b>\$ 1,580,799</b>  | <b>\$ 740,624</b>           | <b>\$ 416,832</b> | <b>\$ 323,792</b> | <b>\$ 202,418</b>         | <b>\$ 637,757</b> |

**ALGER COUNTY TRANSIT AUTHORITY**  
**Schedule of Operating and Contract Expenses**  
**For the Year Ended September 30, 2009**

|                        | Specialized<br>Services | Job Access        | Non-Urban         | Total               |
|------------------------|-------------------------|-------------------|-------------------|---------------------|
| Expenses:              |                         |                   |                   |                     |
| Labor                  | \$ 9,372                | \$ 65,531         | \$ 376,979        | \$ 451,881          |
| Fringe Benefits        | 4,193                   | 29,319            | 168,666           | 202,178             |
| Services               | 828                     | 5,787             | 33,290            | 39,904              |
| Materials and Supplies | 2,975                   | 20,804            | 119,678           | 143,457             |
| Utilities              | 605                     | 4,232             | 24,344            | 29,181              |
| Insurance              | 1,140                   | 7,970             | 45,850            | 54,960              |
| Taxes and Fees         | 10                      | 69                | 395               | 474                 |
| Miscellaneous Expense  | 197                     | 1,381             | 7,942             | 9,520               |
| Interest Expense       | 400                     | 2,798             | 16,094            | 19,292              |
| Deprecation            | 3,816                   | 26,686            | 153,516           | 184,018             |
| TOTAL                  | <u>\$ 23,536</u>        | <u>\$ 164,575</u> | <u>\$ 946,753</u> | <u>\$ 1,134,865</u> |

**ALGER COUNTY TRANSIT AUTHORITY**  
**Non-Urban Regular Service Revenue Report**  
**For the Year Ended September 30, 2009**

| Code           | Description                                       | Amount              |
|----------------|---|---------------------|
| <b>401:</b>    | <b>Fare Box Revenue</b>                           |                     |
| 40101          | Passenger Fares                                   | \$ 253,943          |
| 40300          | Contract Fares                                    | 28,000              |
| <b>406</b>     | <b>Auxiliary Transportation Revenue</b>           |                     |
| 40615          | Advertising                                       | 17,505              |
| <b>407</b>     | <b>Non-Transportation Revenue</b>                 |                     |
| 40760          | Gain (loss) on Sale of Capital Assets             | (11,303)            |
| 40799          | Other Non-Transportation Revenue                  | 38,990              |
| <b>408</b>     | <b>Local Revenue</b>                              |                     |
| 40800          | Taxes Levied Directly for/by Transit Agency       | 21,000              |
| 40910          | Local Operating Assistance                        | 15,520              |
| <b>411</b>     | <b>State Formula and Contracts</b>                |                     |
| 41101          | State Operating Assistance                        | 268,814             |
| 41102          | Prior Year State Operating Assistance Adjustments | 17,996              |
| 41114          | State Other Capital Contract                      | 36,017              |
| 45005          | State Specialized Services                        | 18,763              |
| <b>413</b>     | <b>Federal Formula and Contracts</b>              |                     |
| 40207          | Federal Section 5316 Job Access                   | 131,198             |
| 41301          | Federal Section 5311 Operating                    | 119,767             |
| 41313          | Federal Capital Contract Administrative Expense   | 158                 |
| 41314          | Federal Other Capital Contract                    | 144,069             |
| 41398          | RTAP  | 4,000               |
| <b>414</b>     | <b>Other Revenue</b>                              |                     |
| 41400          | Interest Income                                   | 37                  |
| TOTAL REVENUES |   | <u>\$ 1,104,474</u> |

**ALGER COUNTY TRANSIT AUTHORITY**  
**Non-Urban Regular Service Expense Report**  
**For the Year Ended September 30, 2009**

| Code       | Description  | Operations | Maintenance | Gen. Admin. | Total      |
|------------|--|------------|-------------|-------------|------------|
| <b>501</b> | <b>Labor</b>   |            |             |             |            |
| 50101      | Operator's Salaries and Wages  | \$ 233,723 | \$ -        | \$ -        | \$ 233,723 |
| 50102      | Other Salaries and Wages   | 2,491      | 23,097      | 73,489      | 99,077     |
| 50103      | Dispatcher's Salaries and Wages  | 44,178     | -           | -           | 44,178     |
| <b>502</b> | <b>Fringe Benefits</b>   |            |             |             |            |
| 50200      | Other Fringe Benefits  | 96,490     | 9,502       | 37,174      | 143,166    |
| 50201      | Pensions   | 15,061     | 445         | 9,994       | 25,499     |
| <b>503</b> | <b>Services</b>  |            |             |             |            |
| 50302      | Advertising Fees   | 534        | -           | 17,790      | 18,324     |
| 50305      | Audit Cost   | -          | -           | 5,172       | 5,172      |
| 50399      | Other Services   | 7,213      | 450         | 2,130       | 9,793      |
| <b>504</b> | <b>Materials and Supplies</b>  |            |             |             |            |
| 50401      | Fuel and Lubricants  | 74,520     | -           | -           | 74,520     |
| 50402      | Tires and Tubes  | 2,861      | -           | -           | 2,861      |
| 50499      | Other Materials and Supplies   | 34,907     | 2,661       | 4,728       | 42,297     |
| <b>505</b> | <b>Utilities</b>   |            |             |             |            |
| 50500      | Utilities  | 24,344     | -           | -           | 24,344     |
| <b>506</b> | <b>Insurance</b>   |            |             |             |            |
| 50603      | Liability Insurance  | 42,128     | -           | -           | 42,128     |
| 50699      | Other Insurance  | -          | -           | 3,722       | 3,722      |
| <b>507</b> | <b>Taxes and Fees</b>  |            |             |             |            |
| 50700      | Taxes and Fees   | 370        | 25          | -           | 395        |
| <b>509</b> | <b>Miscellaneous Expense</b>   |            |             |             |            |
| 50902      | Travel, Meetings, and Training   | 908        | 280         | 3,718       | 4,906      |
| 50903      | Association Dues and Subscriptions   | 1,075      | -           | 1,432       | 2,507      |
| 50999      | Other Miscellaneous Expenses   | 3          | -           | 526         | 529        |
| <b>511</b> | <b>Interest Expense</b>  |            |             |             |            |
| 51102      | Interest on Short-Term Debt  | 762        | -           | 14,573      | 15,334     |
| 51103      | Interest on State Advances   | -          | -           | 338         | 338        |
| 51200      | Operating Leases and Rentals   | 334        | -           | 88          | 422        |
| <b>513</b> | <b>Depreciation</b>  |            |             |             |            |
| 51300      | Depreciation   | 153,516    | -           | -           | 153,516    |
| <b>550</b> | <b>Ineligible Depreciation and Ineligible Charter</b>                              |            |             |             |            |
| 55007      | Ineligible Depreciation  | 147,836    | -           | -           | 147,836    |
| <b>560</b> | <b>Ineligible Auxiliary and Non-Transportation Expenses</b>                        |            |             |             |            |
| 56001      | Other Ineligible Expenses Associated with Auxiliary and Non-Transportation Revenue | -          | -           | 22,516      | 22,516     |
| <b>550</b> | <b>Ineligible State Contracts</b>  |            |             |             |            |
| 55004      | Other Ineligible State Contracts   | -          | -           | -           | -          |
| <b>574</b> | <b>Ineligible FTA Contracts</b>  |            |             |             |            |
| 57402      | Ineligible RTAP  | 267        | 546         | 2,524       | 3,337      |
| <b>576</b> | <b>Ineligible Federal Contract with State Match and/or Local Match</b>             |            |             |             |            |
| 57099      | Other Ineligible FSL   | -          | -           | -           | -          |
| 57603      | Other Ineligible Operating Expense Paid by Capital Contract (FSL)                  | 132        | -           | -           | 132        |
| <b>580</b> | <b>Ineligible Miscellaneous Expenses</b>   |            |             |             |            |
| 58002      | Ineligible Interest on State Advances  | -          | -           | 338         | 338        |
| 55006      | Other Ineligible Interest Expense  | 884        | -           | 14,450      | 15,334     |
| 55009      | Ineligible Percent of Association Dues   | -          | -           | 69          | 69         |
| 55010      | Other Ineligible Expenses Associated - Insurance Refunds                           | 2,448      | -           | -           | 2,448      |
| 58005      | Ineligible Lobbying Expense  | -          | -           | -           | -          |

|                                  |                   |
|----------------------------------|-------------------|
| <b>TOTAL EXPENSES</b>            | <b>\$ 946,753</b> |
| <b>TOTAL INELIGIBLE EXPENSES</b> | <b>\$ 192,010</b> |
| <b>TOTAL ELIGIBLE EXPENSES</b>   | <b>\$ 754,743</b> |

**ALGER COUNTY TRANSIT AUTHORITY**  
**Specialized Services Expense Report**  
**For the Year Ended September 30, 2009**

| <b>Code</b> | <b>Description</b>   | <b>Operations</b> | <b>Maintenance</b> | <b>Gen. Admin.</b> | <b>Total</b> |
|-------------|--|-------------------|--------------------|--------------------|--------------|
| <b>501</b>  | <b>Labor</b>   |                   |                    |                    |              |
| 50101       | Operator's Salaries and Wages  | \$ 5,810          | \$ -               | \$ -               | \$ 5,810     |
| 50102       | Other Salaries and Wages   | 62                | 574                | 1,827              | 2,463        |
| 50103       | Dispatcher's Salaries and Wages  | 1,098             | -                  | -                  | 1,098        |
| <b>502</b>  | <b>Fringe Benefits</b>   |                   |                    |                    |              |
| 50200       | Other Fringe Benefits  | 2,399             | 236                | 924                | 3,559        |
| 50201       | Pensions   | 374               | 11                 | 248                | 634          |
| <b>503</b>  | <b>Services</b>  |                   |                    |                    |              |
| 50302       | Advertising Fees   | 13                | -                  | 442                | 456          |
| 50305       | Audit Cost   | -                 | -                  | 129                | 129          |
| 50399       | Other Services   | 179               | 11                 | 53                 | 243          |
| <b>504</b>  | <b>Materials and Supplies</b>  |                   |                    |                    |              |
| 50401       | Fuel and Lubricants  | 1,853             | -                  | -                  | 1,853        |
| 50402       | Tires and Tubes  | 71                | -                  | -                  | 71           |
| 50499       | Other Materials and Supplies   | 868               | 66                 | 118                | 1,052        |
| <b>505</b>  | <b>Utilities</b>   |                   |                    |                    |              |
| 50500       | Utilities  | 605               | -                  | -                  | 605          |
| <b>506</b>  | <b>Insurance</b>   |                   |                    |                    |              |
| 50603       | Liability Insurance  | 1,047             | -                  | -                  | 1,047        |
| 50699       | Other Insurance  | -                 | -                  | 93                 | 93           |
| <b>507</b>  | <b>Taxes and Fees</b>  |                   |                    |                    |              |
| 50700       | Taxes and Fees   | 9                 | 1                  | -                  | 10           |
| <b>509</b>  | <b>Miscellaneous Expense</b>   |                   |                    |                    |              |
| 50902       | Travel, Meetings, and Training   | 23                | 7                  | 92                 | 122          |
| 50903       | Association Dues and Subscriptions   | 27                | -                  | 36                 | 62           |
| 50999       | Other Miscellaneous Expenses   | 0                 | -                  | 13                 | 13           |
| <b>511</b>  | <b>Interest Expense</b>  |                   |                    |                    |              |
| 51102       | Interest on Short-Term Debt  | 19                | -                  | 362                | 381          |
| 51103       | Interest on State Advances   | -                 | -                  | 8                  | 8            |
| 51200       | Operating Leases and Rentals   | 8                 | -                  | 2                  | 10           |
| <b>513</b>  | <b>Depreciation</b>  |                   |                    |                    |              |
| 51300       | Depreciation   | 3,816             | -                  | -                  | 3,816        |
| <b>550</b>  | <b>Ineligible Depreciation and Ineligible Charter</b>                              |                   |                    |                    |              |
| 55007       | Ineligible Depreciation  | 3,675             | -                  | -                  | 3,675        |
| <b>560</b>  | <b>Ineligible Auxiliary and Non-Transportation Expenses</b>                        |                   |                    |                    |              |
| 56001       | Other Ineligible Expenses Associated with Auxiliary and Non-Transportation Revenue | -                 | -                  | 560                | 560          |
| <b>550</b>  | <b>Ineligible State Contracts</b>  |                   |                    |                    |              |
| 55004       | Other Ineligible State Contracts   | -                 | -                  | -                  | -            |
| <b>574</b>  | <b>Ineligible FTA Contracts</b>  |                   |                    |                    |              |
| 57402       | Ineligible RTAP  | 7                 | 14                 | 63                 | 83           |
| <b>576</b>  | <b>Ineligible Federal Contract with State Match and/or Local Match</b>             |                   |                    |                    |              |
| 57099       | Other Ineligible FSL   | -                 | -                  | -                  | -            |
| 57603       | Other Ineligible Operating Expense Paid by Capital Contract (FSL)                  | 3                 | -                  | -                  | 3            |
| <b>580</b>  | <b>Ineligible Miscellaneous Expenses</b>   |                   |                    |                    |              |
| 58002       | Ineligible Interest on State Advances  | -                 | -                  | 8                  | 8            |
| 55006       | Other Ineligible Interest Expense  | 22                | -                  | 359                | 381          |
| 55009       | Ineligible Percent of Association Dues   | -                 | -                  | 2                  | 2            |
| 55010       | Other Ineligible Expenses Associated - Insurance Refunds                           | 61                | -                  | -                  | 61           |
| 58005       | Ineligible Lobbying Expense  | -                 | -                  | -                  | -            |

|                                  |                  |
|----------------------------------|------------------|
| <b>TOTAL EXPENSES</b>            | <b>\$ 23,536</b> |
| <b>TOTAL INELIGIBLE EXPENSES</b> | <b>\$ 4,773</b>  |
| <b>TOTAL ELIGIBLE EXPENSES</b>   | <b>\$ 18,763</b> |

**ALGER COUNTY TRANSIT AUTHORITY**  
**Job Access Expense Report**  
**For the Year Ended September 30, 2009**

| Code       | Description  | Operations | Maintenance | Gen. AFmin. | Total     |
|------------|--|------------|-------------|-------------|-----------|
| <b>501</b> | <b>Labor</b>   |            |             |             |           |
| 50101      | Operator's Salaries and Wages  | \$ 40,628  | \$ -        | \$ -        | \$ 40,628 |
| 50102      | Other Salaries and Wages   | 433        | 4,015       | 12,775      | 17,223    |
| 50103      | Dispatcher's Salaries and Wages  | 7,680      | -           | -           | 7,680     |
| <b>502</b> | <b>Fringe Benefits</b>   |            |             |             |           |
| 50200      | Other Fringe Benefits  | 16,773     | 1,652       | 6,462       | 24,887    |
| 50201      | Pensions   | 2,618      | 77          | 1,737       | 4,433     |
| <b>503</b> | <b>Services</b>  |            |             |             |           |
| 50302      | Advertising Fees   | 93         | -           | 3,093       | 3,185     |
| 50305      | Audit Cost   | -          | -           | 899         | 899       |
| 50399      | Other Services   | 1,254      | 78          | 370         | 1,702     |
| <b>504</b> | <b>Materials and Supplies</b>  |            |             |             |           |
| 50401      | Fuel and Lubricants  | 12,954     | -           | -           | 12,954    |
| 50402      | Tires and Tubes  | 497        | -           | -           | 497       |
| 50499      | Other Materials and Supplies   | 6,068      | 463         | 822         | 7,353     |
| <b>505</b> | <b>Utilities</b>   |            |             |             |           |
| 50500      | Utilities  | 4,232      | -           | -           | 4,232     |
| <b>506</b> | <b>Insurance</b>   |            |             |             |           |
| 50603      | Liability Insurance  | 7,323      | -           | -           | 7,323     |
| 50699      | Other Insurance  | -          | -           | 647         | 647       |
| <b>507</b> | <b>Taxes and Fees</b>  |            |             |             |           |
| 50700      | Taxes and Fees   | 64         | 4           | -           | 69        |
| <b>509</b> | <b>Miscellaneous Expense</b>   |            |             |             |           |
| 50902      | Travel, Meetings, and Training   | 158        | 49          | 646         | 853       |
| 50903      | Association Dues and Subscriptions   | 187        | -           | 249         | 436       |
| 50999      | Other Miscellaneous Expenses   | 1          | -           | 91          | 92        |
| <b>511</b> | <b>Interest Expense</b>  |            |             |             |           |
| 51102      | Interest on Short-Term Debt  | 132        | -           | 2,533       | 2,666     |
| 51103      | Interest on State Advances   | -          | -           | 59          | 59        |
| 51200      | Operating Leases and Rentals   | 58         | -           | 15          | 73        |
| <b>513</b> | <b>Depreciation</b>  |            |             |             |           |
| 51300      | Depreciation   | 26,686     | -           | -           | 26,686    |
| <b>550</b> | <b>Ineligible Depreciation and Ineligible Charter</b>                              |            |             |             |           |
| 55007      | Ineligible Depreciation  | 25,699     | -           | -           | 25,699    |
| <b>560</b> | <b>Ineligible Auxiliary and Non-Transportation Expenses</b>                        |            |             |             |           |
| 56001      | Other Ineligible Expenses Associated with Auxiliary and Non-Transportation Revenue | -          | -           | 3,914       | 3,914     |
| <b>550</b> | <b>Ineligible State Contracts</b>  |            |             |             |           |
| 55004      | Other Ineligible State Contracts   | -          | -           | -           | -         |
| <b>574</b> | <b>Ineligible FTA Contracts</b>  |            |             |             |           |
| 57402      | Ineligible RTAP  | 46         | 95          | 439         | 580       |
| <b>576</b> | <b>Ineligible Federal Contract with State Match and/or Local Match</b>             |            |             |             |           |
| 57099      | Other Ineligible FSL   | -          | -           | -           | -         |
| 57603      | Other Ineligible Operating Expense Paid by Capital Contract (FSL)                  | 23         | -           | -           | 23        |
| <b>580</b> | <b>Ineligible Miscellaneous Expenses</b>   |            |             |             |           |
| 58002      | Ineligible Interest on State Advances  | -          | -           | 59          | 59        |
| 55006      | Other Ineligible Interest Expense  | 154        | -           | 2,512       | 2,666     |
| 55009      | Ineligible Percent of Association Dues   | -          | -           | 12          | 12        |
| 55010      | Other Ineligible Expenses Associated - Insurance Refunds                           | 425        | -           | -           | 425       |
| 58005      | Ineligible Lobbying Expense  | -          | -           | -           | -         |

|                                  |                   |
|----------------------------------|-------------------|
| <b>TOTAL EXPENSES</b>            | <b>\$ 164,575</b> |
| <b>TOTAL INELIGIBLE EXPENSES</b> | <b>\$ 33,377</b>  |
| <b>TOTAL ELIGIBLE EXPENSES</b>   | <b>\$ 131,198</b> |

**ALGER COUNTY TRANSIT AUTHORITY**  
**Non-Urban Regular Service Non-Financial Report**  
**For the Year Ended September 30, 2009**

**Public Service**

| <b>Code</b> | <b>Description</b> | <b>Weekday</b> | <b>Saturday</b> | <b>Sunday</b> | <b>Total</b> |
|-------------|--------------------|----------------|-----------------|---------------|--------------|
| 611         | Vehicle Miles      | 361,958        | 27,851          | 11,002        | 400,811      |

**ALGER COUNTY TRANSIT AUTHORITY**  
**Schedule of Operating Assistance Calculation**  
**For the Year Ended September 30, 2009**

|  | <u>Non-Urban</u>         |
|--|--------------------------|
| Total Expenses   | <u>\$ 946,753</u>        |
| Less Ineligible Expenses:                                    |                          |
| Depreciation   | 147,836                  |
| Administrative Contract                                      | 22,516                   |
| Various Refunds - @ - See Schedule of Local Revenue Breakout | 2,448                    |
| RTAP   | 3,337                    |
| Capital Contract Expenses - 2007-006/Z25                     | 132                      |
| Interest on State Advances                                   | 338                      |
| Interest on Short-Term Debt                                  | 15,334                   |
| Percent of Association Dues                                  | 69                       |
| Lobbying Expense   | -                        |
|  | <hr/>                    |
| Total Ineligible Expenses per R & E Manual                   | <u>\$ 192,010</u>        |
| <b>Total State Eligible Expenses</b>                         | <b><u>\$ 754,743</u></b> |

|   |                   |
|---|-------------------|
| Eligible Expenses for State Reimbursement | \$ 754,743        |
| X Reimbursement Percentage                | <u>35.6166%</u>   |
| State Operating Assistance                | <u>\$ 268,814</u> |

**Total Federal Eligible Expenses**

|  |                 |
|--|-----------------|
| Less Additional Federal Ineligible Expenses per A-87 |                 |
| Audit Costs  | <u>\$ 6,200</u> |

|   |                   |
|---|-------------------|
| Eligible Expenses for Federal Reimbursement | \$ 748,543        |
| X Reimbursement Percentage                  | <u>16.0000%</u>   |
| State Operating Assistance                  | <u>\$ 119,767</u> |

# COMPLIANCE SUPPLEMENTS



**ANDERSON, TACKMAN & COMPANY, P.L.C.**

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

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

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

We have audited financial statements of the business-type activities of the Alger County Transit Authority, as of and for the year ended September 30, 2009, which collectively comprise the Alger County Transit Authority's basic financial statements and have issued our report thereon dated March 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Alger County Transit Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Alger County Transit Authority's financial statements that is more than inconsequential will not be prevented or detected by the Alger County Transit Authority's internal control. We consider the deficiencies described in a separate letter to management, dated March 1, 2010 as item 09-02 and 09-03 to be significant deficiencies in internal control over financial reporting.

Board of Directors  
Alger County Transit Authority

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alger County Transit Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in a separate letter to management dated March 1, 2010, as item 09-01.

The Alger County Transit Authority's responses to the findings identified in our audit are described in a separate letter to management, dated March 1, 2010. We did not audit the Alger County Transit Authority's response and, accordingly, we express no opinion on it.

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

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

March 1, 2010



To the Board of Directors and Management of  
Alger County Transit Authority  
530 East Munising Avenue  
Munising, Michigan 49862

In planning and performing our audit of the financial statements of the business-type activities and the aggregate remaining fund information of Alger County Transit Authority as of and for the year ended September 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Alger County Transit Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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

**09-01 - EQUITY DEFICIT (REPEAT)**

**Condition/Criteria:** At September 30, 2009 the Alger County Transit Authority had an unrestricted equity deficit of \$210,326. Public Act 275 of 1980 requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the Footnotes of the financial statements. In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the Alger County Transit Authority has filed such a plan.

To the Board of Directors and Management of  
Alger County Transit Authority

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

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

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

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Rochelle Cotey, Director
- Corrective Action Planned:
  - The revenue and expenditures will be more closely monitored.
- Anticipated Completion Date:
  - September 30, 2010

**09-02 – SEGREGATION OF DUTIES (REPEAT)**

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

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

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

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

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Rochelle Cotey, Director
- Corrective Action Planned:
  - The Transit Authority Board closely monitors all payments and reviews the financial statements on a monthly basis.
- Anticipated Completion Date:
  - Not applicable

**09-03 JOURNAL ENTRY REVIEW/APPROVAL**

**Condition/Criteria:** Journal entries are prepared by the Business Manager. Journal entries are not printed once recorded and none of the journal entries are being review by anyone other than the preparer. Internal controls rely on the principle of checks and balances, which requires that no one individual should be responsible for more than one of the three components of internal control: authorization, custody, and recordkeeping.

To the Board of Directors and Management of  
Alger County Transit Authority

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

**Effect:** The lack of segregation of duties increases the chance that misstatements, whether caused by error or fraud, could occur and not be prevented or detected on a timely basis by employees in the course of performing their assigned duties.

**Recommendation:** The Executive Director should review and document the review of all journal entries on no less than a monthly basis.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Rochelle Cotey, Director
- Corrective Action Planned:
  - The Business Manager will submit copies of journal entries to the Executive Director on a monthly basis. The Executive Director will review and approve the journal entries.
- Anticipated Completion Date:
  - September 30, 2010

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

*Anderson, Tackman, & Company, P.L.C.*  
Certified Public Accountants

March 1, 2010



**ANDERSON, TACKMAN & COMPANY, P.L.C.**

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

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WISCONSIN  
GREEN BAY  
MILWAUKEE

March 1, 2010

Alger County Transit Authority  
530 East Munising Avenue  
Munising, Michigan 49862

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of Alger County Transit Authority for the year ended September 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 30, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

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

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

*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 each opinion unit's financial statements taken as a whole.

The following is a list of adjusting journal entries made during the audit:

To adjust Café Plan Payable to actual at year end.

To adjust Accounts Receivables to actual at year end, relating to adjustments by the State on prior contracts.

To adjust the Line of Credit balance to actual at year end.

To adjust capital asset and contributed capital accounts to actual at year end, relating to current year activity.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 1, 2010.

### *Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Alger County Transit Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Alger County Transit Authority's financial statements that is more than inconsequential will not be prevented or detected by the Alger County Transit Authority's internal control. We consider the deficiencies described in a separate letter to management, dated March 1, 2010 as item 09-02 and 09-03 to be significant deficiencies in internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Alger County Transit Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in a separate letter to management dated March 1, 2010, as item 09-01.

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.

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

Very truly yours,

*Anderson, Tackman, & Company, P.L.C.*

Certified Public Accountants