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GLADWIN CITY-COUNTY TRANSIT GLADWIN, MICHIGAN

FINANCIAL STATEMENTS SEPTEMBER 30, 2007

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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 Gladwin City-County Transit	County Gladwin
Fiscal Year End September 30, 2007	Opinion Date November 1, 2007	Date Audit Report Submitted to State December 31, 2007	

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).



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"/>	No comments or recommendations were noted during the audit.	
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Weinlander Fitzhugh		Telephone Number (989) 893-5577	
Street Address 1600 Center Avenue		City Bay City	State Zip MI 48708
Authorizing CPA Signature 		Printed Name Scott A. Nietzke	License Number 1101022183

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November 1, 2007

Independent Auditors' Report

Board of Commissioners
Gladwin City Housing Commission
Gladwin, Michigan

We have audited the accompanying financial statements of the business-type activities, its major fund and aggregate remaining fund information of the Gladwin City-County Transit, a component unit of Gladwin County, Michigan, as of and for the year ended September 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Gladwin City-County Transit's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 financial position of the business-type activities, its major fund and aggregate remaining fund information of the Gladwin City-County Transit as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 1, 2007 on our consideration of Gladwin City-County Transit's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters.

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WEINLANDER FITZHUGH

Board of Commissioners
Gladwin City Housing Commission
November 1, 2007
Page 2

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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis as identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gladwin City-County Transit's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has 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.

Weinlander Fitzhugh

GLADWIN CITY-COUNTY TRANSIT
Management's Discussion & Analysis
For the Year Ended September 30, 2007

Our discussion and analysis of the Gladwin City–County Transit's financial performance provides an overview of Transit's activities of the year ended September 30, 2007.

The Gladwin City-County Transit System (Transit), a component unit of Gladwin County, is a county-wide transportation system created by an inter-local agreement dated June 22, 1981, between the County of Gladwin and the City of Gladwin. Administrative control of the system was transferred to the Gladwin City Housing Commission with the County Treasurer acting as fiscal agent. The Transit may not issue debt and the tax levy is subject to Gladwin County Board of Commissioners' approval. The Transit's taxes are levied under the taxing authority of Gladwin County's total tax levy and are reported in the Public Transit Fund.

Financial Highlights

Gladwin City-County Transit reported a change in net assets of (\$34,000) for the year, resulting in ending net assets of \$1,599,000.

Using this Annual Financial Report

The annual report includes this management's discussion and analysis report, the independent auditors' report and the basic financial statements of Gladwin City-County Transit. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Reporting Transit as a Whole

The *government-wide financial statements* are designed to provide readers with a broad overview of the Transit's finances in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the Transit's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Transit is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation.

The Statement of Activities presents information showing how the Transit's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements report functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

GLADWIN CITY-COUNTY TRANSIT
 Management's Discussion & Analysis
For the Year Ended September 30, 2007

Reporting on Public Transportation

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Transit, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary Funds. Proprietary funds are reported in the fund financial statements and generally report services for which the Government charges the customer a fee. Proprietary funds essentially encompass the same functions reported as business-type activities in the government-wide statements. The Transit uses a proprietary fund to account for Public Transportation.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide fund financial statements.

Financial Analysis of Public Transportation

The most common financial question posed to the Transit is "How did we do financially during the fiscal year?" The Statement of Net Assets and the Statement of Activities report information about the Transit's activities in a way that will help answer this question. The two statements report the net assets of the Transit and the change in them.

Exhibit A below summarizes the statement of net assets.

Exhibit A

	<u>2007</u>	<u>2006</u>
Assets		
Current assets	\$ 929,000	\$ 759,000
Capital assets - net of accumulated depreciation	781,000	944,000
Total assets	<u>1,710,000</u>	<u>1,703,000</u>
Liabilities		
Current liabilities	<u>111,000</u>	<u>70,000</u>
Net Assets		
Investment in capital assets	781,000	944,000
Unrestricted	818,000	689,000
Total net assets	<u>\$ 1,599,000</u>	<u>\$ 1,633,000</u>

GLADWIN CITY-COUNTY TRANSIT
Management's Discussion & Analysis
For the Year Ended September 30, 2007

Exhibit A focuses on the net assets of the Transit, which were \$1,599,000 at September 30, 2007. Investment in capital assets, totaling \$781,000, compares the original cost, less depreciation of the Transit's capital assets to long-term debt used to finance the acquisition of those assets, if any.

The \$818,000 in unrestricted net assets of business-type activities represents the *accumulated* results of all past and current year's operations.

The results of this year's operations for the Transit are reported in the statement of activities, as summarized in Exhibit B, which shows the changes in net assets for the year ended September 30, 2007.

Exhibit B

	<u>2007</u>	<u>2006</u>
Revenue		
Program revenue:		
Charges for service	\$ 199,000	\$ 200,000
Operating grants	689,000	667,000
Capital grants	5,000	12,000
General revenue:		
Property and other taxes	396,000	393,000
Other	2,000	(10,000)
Interest income	30,000	18,000
	1,321,000	1,280,000
 Function/Program Expenses		
Public Transportation	1,355,000	1,346,000
 Increase (Decrease) in Net Assets	\$ (34,000)	\$ (66,000)

Budgetary Highlights

The preparation of budgets is not required for proprietary funds.

Capital Assets

The Transit had \$781,000, net of accumulated depreciation, invested in capital assets as of September 30, 2007. The investment in capital assets includes land, building, equipment and dwelling equipment.

GLADWIN CITY-COUNTY TRANSIT
 Management's Discussion & Analysis
For the Year Ended September 30, 2006

	2007	2006
Land and improvements	\$ 27,000	\$ 27,000
Buildings and improvements	1,017,000	1,017,000
Equipment	397,000	392,000
Buses and vehicles	1,463,000	1,463,000
Total capital assets	2,904,000	2,899,000
Less accumulated depreciation	2,123,000	1,955,000
Net capital assets	\$ 781,000	\$ 944,000

Factors Expected to have an Effect on Future Operations

We are not aware of any factors that will have a significant impact on future operations.

Requests For Information

This financial report is designed to provide a general overview of the Transit's finances for all those with an interest in the Transit. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mr. Bill Knight
 Transportation Director
 Gladwin City-County Transit
 615 Weaver Court
 Gladwin, MI 48624

GLADWIN CITY-COUNTY TRANSIT
Statement of Net Assets
September 30, 2007

<u>Assets</u>	<u>Business-type Activities</u>
Cash and cash equivalents	\$ 707,202
Accounts receivable	3,945
Due from other governmental units	66,051
Inventory	36,888
Prepaid expenses	114,633
Capital assets less accumulated depreciation of \$2,123,233	781,331
Total assets	1,710,050
<u>Liabilities</u>	
Accounts payable	29,171
Accrued payroll	13,681
Deferred revenue	14,607
Deferred liability	32,054
Compensated absences	21,972
Total liabilities	111,485
<u>Net Assets</u>	
Investment in capital assets	781,331
Unrestricted	817,234
Total net assets	\$ 1,598,565

See accompanying notes to financial statements.

GLADWIN CITY-COUNTY TRANSIT
Statement of Activities
For the Year Ended September 30, 2007

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Business-Type Activities</u>	
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Business-type activities					
Public transportation	<u>\$ 1,355,001</u>	<u>\$ 199,049</u>	<u>\$ 689,241</u>	<u>\$ 5,157</u>	\$ (461,554)
			General revenues:		
			Property taxes		395,934
			Interest income		29,893
			Other		1,577
					<u>1,577</u>
			Change in net assets		(34,150)
			Net assets - beginning of year		<u>1,632,715</u>
			Net assets - end of year		<u>\$ 1,598,565</u>

See accompanying notes to financial statements.

GLADWIN CITY-COUNTY TRANSIT
Statement of Net Assets
Proprietary Fund
September 30, 2007

	<u>Business-Type Activities Enterprise Fund</u>
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 707,202
Accounts receivable	3,945
Due from other governmental units	66,051
Inventory	36,888
Prepaid expenses	<u>114,633</u>
Total current assets	928,719
<u>Property and Equipment</u>	
Property and equipment less accumulated depreciation of \$2,123,233	<u>781,331</u>
Total assets	<u>1,710,050</u>
<u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accounts payable	29,171
Accrued payroll	13,681
Deferred revenue	14,607
Deferred liability	32,054
Compensated absences	<u>21,972</u>
Total liabilities	<u>111,485</u>
<u>NET ASSETS</u>	
Investment in capital assets	781,331
Unrestricted	<u>817,234</u>
Total net assets	<u><u>\$ 1,598,565</u></u>

See accompanying notes to financial statements.

GLADWIN CITY-COUNTY TRANSIT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended September 30, 2007

	Business-type Activities <u>Enterprise Fund</u>
Operating revenues	\$ 199,049
Operating expenses	<u>1,355,001</u>
Net operating loss	<u>(1,155,952)</u>
Non-operating revenues:	
Local	427,404
State and Federal	673,952
State and Federal Grants - Prior Year Adjustments	<u>15,289</u>
Total non-operating revenues	<u>1,116,645</u>
Loss before capital contributions	(39,307)
Capital contributions - State and Federal	<u>5,157</u>
Decrease in net assets	(34,150)
Net assets - beginning of year	<u>1,632,715</u>
Net assets - end of year	<u><u>\$ 1,598,565</u></u>

See accompanying notes to financial statements.

GLADWIN CITY-COUNTY TRANSIT
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2007

	<u>Business-type Activities Enterprise Fund</u>
<u>Cash flows from operating activities</u>	
Cash received from customers	\$ 206,398
Cash payments to employees for services	(861,584)
Cash payments to suppliers for goods and services	<u>(325,035)</u>
Net cash used by operating activities	<u>(980,221)</u>
<u>Cash flows from non-capital financing activities</u>	
Other income	1,577
State and federal grants	720,075
Property taxes	<u>395,934</u>
Net cash provided by non-capital and related financing activities	<u>1,117,586</u>
<u>Cash flows from capital and related financing activities</u>	
Acquisition and construction of fixed assets	<u>(5,157)</u>
Net cash used by capital and related financing activities	<u>(5,157)</u>
<u>Cash flows from investing activities</u>	
Interest income	<u>29,893</u>
Net increase in cash and cash equivalents	162,101
Cash and cash equivalents at beginning of year	<u>545,101</u>
Cash and cash equivalents at end of year	<u><u>\$ 707,202</u></u>

See accompanying notes to financial statements.

GLADWIN CITY-COUNTY TRANSIT
Notes to Financial Statements
For the Year Ended September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Gladwin City-County Transit (Transit) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Transit.

Reporting Entity

The Gladwin City-County Transit System, a component unit of Gladwin County, is a county-wide transportation system created by an inter-local agreement dated June 22, 1981, between the County of Gladwin and the City of Gladwin. Administrative control of the system was transferred to the Gladwin City Housing Commission with the County Treasurer acting as fiscal agent. The Transit may not issue debt and the tax levy is subject to Gladwin County Board of Commissions' approval. The Transit taxes are levied under the taxing authority of Gladwin County total tax levy and are reported in the Public Transit Fund. The fiscal year of the Transit is October 1 through September 30.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on the above criteria, these financial statements present the Gladwin City-County Transit, a component unit of Gladwin County.

Government-wide and Fund 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Government activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely on a significant extent of fees and charges for support. All of Transit's government-wide activities are considered business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include, (1) charges to customers, or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting operations or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenue.

GLADWIN CITY-COUNTY TRANSIT
Notes to Financial Statements
For the Year Ended September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate fund financial statements are provided for the major enterprise fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund relates to charges for transportation. Gladwin City-County Transit also recognizes charges for freight tariffs and advertising. Operating expenses for proprietary funds include the cost of maintenance, utilities, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

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

Receivables – Accounts receivable consist of advertising and contract transportation charges. Accounts receivable are stated at actual since Transit utilizes the direct write-off method for bad debts. The direct write-off method recognizes a bad debt expense only when a specific account is determined to be uncollectible. The application of this method is not deemed materially different than the allowance method which is prescribed for purposes of U.S. generally accepted accounting principles.

GLADWIN CITY-COUNTY TRANSIT
Notes to Financial Statements
For the Year Ended September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets – Capital assets, which include property, plant, and equipment, are reported in the applicable business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and any asset susceptible to theft. 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 renewals and betterments, when significant in amount, 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.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Building	20 years
Improvements	10-20 years
Equipment	3-10 years
Vehicles	3-12 years

The eligible depreciation of \$25,665 (\$168,081 total depreciation reported in PTMS code 51300 for Nonurban less ineligible depreciation of \$142,416 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.

Use of Estimates

The process of preparing the basic financial statements in conformity with U.S. 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.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Property Tax Revenues

For the taxpayers of Gladwin City-County Transit, properties are assessed as of December 31, and the related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

GLADWIN CITY-COUNTY TRANSIT
Notes to Financial Statements
For the Year Ended September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid accumulated vacation pay. The liability has been calculated using the vesting method, in which the obligation for employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

NOTE 2 – DEPOSITS AND INVESTMENTS

State statutes and the Transit's investment policy authorize the Transit to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Transit is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. Gladwin City-County's deposits are in accordance with statutory authority.

At year-end, Gladwin City-County Transit's deposits were reported in the basic financial statements as follows.

	Business-Type Activities
Bank deposits (checking and savings)	\$ 107,662
Cash held by the County Treasurer	599,390
Petty cash and cash on hand	150
Total	\$ 707,202

Interest Rate Risk

In accordance with its investment policy, the Transit 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 structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

GLADWIN CITY-COUNTY TRANSIT
Notes to Financial Statements
For the Year Ended September 30, 2007

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2007, Gladwin City-County's had no investments.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, Gladwin City-County Transit's deposits may not be returned to it. The amount of the Transit's deposits covered by federal depository insurance cannot be determined since other deposits of Gladwin County would need to be considered.

GLADWIN CITY-COUNTY TRANSIT
Notes to Financial Statements
For the Year Ended September 30, 2007

NOTE 3 – CAPITAL ASSETS

Capital asset activity of the Transit for the current year was as follows.

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 14,135	\$ 0	\$ 0	\$ 14,135
Construction in progress	0	0	0	0
Subtotal	<u>14,135</u>	<u>0</u>	<u>0</u>	<u>14,135</u>
Capital Assets Being Depreciated:				
Building and improvements	1,016,630	0	0	1,016,630
Land improvements	12,600	0	0	12,600
Buses/vehicles	1,463,543	0	0	1,463,543
Equipment	392,499	5,157	0	397,656
Subtotal	<u>2,885,272</u>	<u>5,157</u>	<u>0</u>	<u>2,890,429</u>
Less Accumulated Depreciation for:				
Building and improvements	442,979	50,070	0	493,049
Land improvements	12,600	0	0	12,600
Buses/vehicles	1,201,613	99,798	0	1,301,411
Equipment	297,960	18,213	0	316,173
Subtotal	<u>1,955,152</u>	<u>168,081</u>	<u>0</u>	<u>2,123,233</u>
Net Capital Assets Being Depreciated	<u>930,120</u>	<u>(162,924)</u>	<u>0</u>	<u>767,196</u>
Net Capital Assets	<u>\$ 944,255</u>	<u>\$ (162,924)</u>	<u>\$ -</u>	<u>\$ 781,331</u>
Purchased with Purchased with				
	<u>System Funds</u>	<u>Capital Grants</u>	<u>Total</u>	
Building and improvements	\$ 292,494	\$ 724,136	\$ 1,016,630	
Land and improvements	26,735	0	26,735	
Buses/vehicles	38,282	1,425,261	1,463,543	
Equipment	79,840	317,816	397,656	
Total Capital Assets	<u>437,351</u>	<u>2,467,213</u>	<u>2,904,564</u>	
Less accumulated depreciation	<u>236,286</u>	<u>1,886,947</u>	<u>2,123,233</u>	
Net Capital Assets	<u>\$ 201,065</u>	<u>\$ 580,266</u>	<u>\$ 781,331</u>	

GLADWIN CITY-COUNTY TRANSIT
Notes to Financial Statements
For the Year Ended September 30, 2007

NOTE 4 – RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (1,155,952)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	168,081
Change in assets and liabilities:	
Accounts receivable	7,349
Inventory	2,638
Prepaid expenses	(37,491)
Accounts payable	(1,216)
Deferred liability	32,054
Salaries and wages	821
Compensated absences	3,495
Net cash used by operating activities	\$ (980,221)

NOTE 5 - PENSION PLAN

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)

Plan Description – The Gladwin City–County Transit participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible employees of the Gladwin City-County Transit, through its association with the City of Gladwin. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling 1-800-767-6377.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by the Gladwin City–County Transit on November 8, 2003, by resolution of the Board. The plan requires a 3% contribution by the employees to the System. The Transit is required to contribute based on an actuarially determined rate.

GLADWIN CITY-COUNTY TRANSIT
Notes to Financial Statements
For the Year Ended September 30, 2007

NOTE 5 - PENSION PLAN (CONTINUED)

Annual Pension Costs – For year ended September 30, 2007, the Transit’s annual pension cost of \$84,339 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry age normal actuarial cost method. Significant actuarial assumptions used include, (1) an 8.0% investment rate of return, (2) projected salary increase of 4.5% per year, and (3) 4.5% per year cost of living adjustments. It was determined using techniques that smooth the effects of short-term volatility over a four-year period.

NOTE 6 – EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The following three year trend information as of December 31, 2006 is for the entire Gladwin City Housing Commission:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension cost	\$ 51,468	\$ 112,718	\$ 112,408
Percentage of APC contributed	100%	100%	100%
Net pension obligation	0	0	0
Actuarial value of assets	722,529	878,150	1,063,688
Actuarial accrued liability	1,190,977	2,010,435	2,262,731
Unfunded AAL	468,448	1,132,285	1,199,043
Funded ratio	61%	44%	47%
Covered payroll	728,880	705,810	661,221
UAAL as a percentage of covered payroll	64%	160%	181%

GLADWIN CITY-COUNTY TRANSIT
Notes to Financial Statements
For the Year Ended September 30, 2007

NOTE 7 – RISK MANAGEMENT

The Transit is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employers, and natural disasters. The Transit manages risk through the purchase of commercial insurance.

The Transit is a member of the Housing Authority Risk Retention Group (HARRG), Housing Authority Property Insurance Group (HAPI), and the Housing Insurance Services (HIS); which are subsidiaries of the parent company Housing Authority Insurance (HAI). HARRG, HAPI, and HIS are public entity risk pools. Public entity risk pools are cooperative groups of governmental entities joining together to finance an exposure, liability, or risk. Liability insurance is provided to the Transit by HARRG and property insurance is provided by HAPI and auto insurance is provided by HIS. More specifically, HARRG is classified as a risk sharing pool, which is an arrangement by which government's pool risks and funds and share in the cost of losses. HAPI is an insurance purchasing pool, which is an arrangement by which governments pool funds or resources to purchase commercial insurance products. HAPI buys property and casualty insurance from the Travelers Indemnity Company who reinsures the coverage with the American Reinsurance Company.

To be a part of HAPI, HARRG and HIS, the Transit was required to make an initial surplus contribution. Premiums are then paid to the pools throughout the year to remain a member. Additional surplus contributions may be required by the pools in order to maintain adequate surplus to premium ratios for each member. HAPI, HARRG and HIS keep record of surplus accounts for each member.

These accounts include initial and additional surplus contributions plus any dividends declared or paid to the member and any other adjustments for earnings and losses based upon a member's underwriting experience. Upon withdrawal, the Transit would be entitled to receive total surplus contributions paid in over a five year period or to leave its surplus account with the pools and share in all allocations as if it were still a member.

The Transit also participates in the Michigan Transit Insurance Pool, which provides insurance covering system vehicles.

NOTE 8 – CONTINGENCIES

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

GLADWIN CITY-COUNTY TRANSIT
Notes to the Financial Statements
For the Year Ended September 30, 2007

NOTE 9 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Transit operates in a heavily regulated environment. The operations of the Transit are subject to the administrative directives, rules and regulations of federal, and state and local regulatory agencies, including, but not limited to, the Michigan Department of Transportation. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by the Michigan Department of Transportation. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE 10 - COST ALLOCATION PLANS

The Transit has six cost allocation plans where the methodology has been approved by the BPT. Those cost allocation plans are for rent, gasoline charges, charter, maintenance services, administrative costs and project zero costs. The cost allocation plan associated with administrative cost is between the Transit and the Gladwin City Housing Commission for shared administration. Under the cost allocation plan, the Transit reimburses the Gladwin City Housing Commission a percentage of the cost for the Executive Director and percentage of the cost for the Deputy Director. These cost allocation plans were adhered to in the preparation of the financial statements.

NOTE 11 - 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 and freight tariff revenue are the only costs and revenues in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-87. The Transit did not incur expenses associated with 40615 Advertising revenue and, therefore, no expenses are subtracted out as ineligible on the Operating Assistance Calculation schedule. The Transit did incur expenses associated with 40699 Auxiliary Transportation and 40799 Nontransportation revenue and therefore, the expenses are subtracted out as ineligible on the Operating Assistance Calculation schedule.

NOTE 12 - NONFINANCIAL DATA

The methodology used for compiling mileage on OAR Schedule 4N (Nonurban Regular Service Nonfinancial Report) is an adequate and reliable method for recording vehicle mileage.

GLADWIN CITY-COUNTY TRANSIT
Schedule of Local Revenues
Proprietary Fund
For the Year Ended September 30, 2007

	Business-type Activities <u>Enterprise Fund</u>
<u>Operating Revenues</u>	
Demand - Response (Farebox)	\$ 191,323
Freight tariffs	153
Advertising	<u>7,573</u>
Total Operating Revenues	<u>199,049</u>
<u>Non-Operating Revenues</u>	
Local operating assistance:	
Property taxes	<u>\$ 395,934</u>
Other revenues:	
Interest income	29,893
Miscellaneous	<u>1,577</u>
Total other revenues	<u>31,470</u>
Total Non-Operating Revenues	<u>427,404</u>
Total Local Revenues	<u><u>\$ 626,453</u></u>

GLADWIN CITY-COUNTY TRANSIT
Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2007

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Grantor Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue Oct. 1, 2006	Adjustments	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue Sept. 30, 2007
U.S. Department of Transportation									
Passed through Michigan									
Department of Transportation:									
Operating Capital Assistance Section 5311 (FY05)	20.509	2002-0038	\$ 158,792	\$ 151,945	\$ 54	\$ 0	\$ 54	\$ 0	\$ 0
Operating Capital Assistance Section 5311 (FY06)	20.509	2002-0038	212,058	195,276	73,802	30	73,832	0	0
Operating Capital Assistance Section 5311 (FY07)	20.509	2007-0211	210,655	0	0	0	138,167	204,218	66,051
Rural Transit Assistance Programs Section 5311	20.509	2007-0211	3,500	0	0	0	3,500	3,500	0
Capital Assistance Section 5311	20.509	2002-0038	36,800	32,674	9,598	0	13,724	4,126	0
Total Federal Assistance				<u>379,895</u>	<u>83,454</u>	<u>30</u>	<u>229,277</u>	<u>211,844</u>	<u>66,051</u>
Michigan Department of Transportation									
Operating Assistance Act 51 2006-2007			466,234	0	0	0	478,568	466,234	(12,334)
Operating Assistance Act 51 2005-2006			450,929	450,929	(8,733)	0	(6,460)	0	(2,273)
Capital Assistance Section 5311 Match		2002-0038	9,200	8,169	2,400	0	3,431	1,031	0
Total State Assistance				<u>459,098</u>	<u>(6,333)</u>	<u>0</u>	<u>475,539</u>	<u>467,265</u>	<u>(14,607)</u>
Total Federal and State Assistance				<u>\$ 838,993</u>	<u>\$ 77,121</u>	<u>\$ 30</u>	<u>\$ 704,816</u>	<u>\$ 679,109</u>	<u>\$ 51,444</u>

GLADWIN CITY-COUNTY TRANSIT
 Nonurban Regular Service Revenue Report
 Proprietary Fund
For the Year Ended September 30, 2007

Code	Description	Amount
401:	Farebox Revenue	
40100	Passenger fares	\$ 62,166
40200	Contract fares	129,157
40400	Package deliveries	153
406:	Auxiliary Transportation Revenue	
40615	Advertising	7,573
40699	Other auxiliary transportation revenue	1,577
408:	Local Revenue	
40800	Taxes levied directly for/by Transit Agency	395,934
411:	State Formula and Contracts	
41101	State operating assistance	466,234
413:	Federal Contracts	
41301	Section 5311	204,218
41398	RTAP	3,500
414:	Other Revenue	
41400	Interest income	<u>29,893</u>
	Total Revenues	<u>\$ 1,300,405</u>

GLADWIN CITY-COUNTY TRANSIT
 Nonurban Regular Service Expense Report
 Proprietary Fund
For the Year Ended September 30, 2007

Code	Description	Operations	Maintenance	Gen. Admin.	Total
501: Labor					
50101	Operators' salaries and wages	\$ 333,236	\$ 0	\$ 0	\$ 333,236
50102	Other salaries and wages	7,478	105,833	121,293	234,604
50103	Dispatchers' salaries and wages	61,494	0	0	61,494
502: Fringe Benefits					
50200	Other fringe benefits	61,664	26,854	63,709	152,227
50201	Pensions	13,105	19,456	51,778	84,339
503: Services					
50302	Advertising fees	0	0	6,175	6,175
50305	Audit cost	0	0	5,800	5,800
50399	Other services	0	12,065	8,958	21,023
504: Materials and Supplies					
50401	Fuel and lubricants	111,678	0	0	111,678
50402	Tires and tubes	8,056	0	0	8,056
50404	Major supplies	900	7,106	0	8,006
50499	Other materials and supplies	39,704	12,215	6,072	57,991
505: Utilities					
50500	Utilities	0	0	33,820	33,820
506: Insurance					
50603	Liability insurance	44,114	0	0	44,114
50699	Other insurance	0	0	5,963	5,963
509: Miscellaneous Expense					
50902	Travel, meetings, and training	747	352	11,262	12,361
50903	Association dues and subscriptions	0	0	1,898	1,898
50999	Other miscellaneous expense	3,915	0	220	4,135
513: Depreciation					
51300	Depreciation	150,971	8,555	8,555	168,081
	Total Expenses	\$ 837,062	\$ 192,436	\$ 325,503	\$ 1,355,001

GLADWIN CITY-COUNTY TRANSIT
 Nonurban Regular Service Expense Report
 Proprietary Fund
For the Year Ended September 30, 2007

Code	Description	Operations	Maintenance	Gen. Admin.	Total
550: Ineligible Expenses					
55007	Ineligible depreciation	\$ 142,416	\$ 0	\$ 0	\$ 142,416
55009	Ineligible percentage of association dues	0	0	93	93
55010	Other ineligible expense associated with auxiliary and nontransportation	1,577	0	180	1,757
574: Ineligible Expenses					
57402	Ineligible RTAP	<u>0</u>	<u>0</u>	<u>3,500</u>	<u>3,500</u>
	Total Ineligible Expense	<u>143,993</u>	<u>0</u>	<u>3,773</u>	<u>147,766</u>
	Total Eligible Expenses	<u>\$ 693,069</u>	<u>\$ 192,436</u>	<u>\$ 321,730</u>	<u>\$ 1,207,235</u>

GLADWIN CITY-COUNTY TRANSIT
 Nonurban Regular Service Nonfinancial Report
For the Year Ended September 30, 2007

Code	Description	Weekday	Saturday	Sunday	Total
611:	Vehicle Miles				
	First Quarter	102,693	0	0	102,693
	Second Quarter	107,651	0	0	107,651
	Third Quarter	108,077	222	0	108,299
	Fourth Quarter	<u>101,966</u>	<u>118</u>	<u>0</u>	<u>102,084</u>
Total		<u>420,387</u>	<u>340</u>	<u>0</u>	<u>420,727</u>

GLADWIN CITY-COUNTY TRANSIT
 Operating Assistance Calculation
 Proprietary Fund
For the Year Ended September 30, 2007

	Nonurban
Total Expenses	\$ 1,355,001
Less Ineligible Expenses	
Depreciation	142,416
Rural transit assistance programs	3,500
Regional Roadeo	1,377
State Roadeo	200
Auxiliary transportation	180
Association dues	93
Total Ineligible Expenses per R&E Manual	147,766
Total State Eligible Expenses	\$ 1,207,235
State Operating Assistance	
Total state eligible expenses	\$ 1,207,235
X reimbursement percentage	38.62%
State Operating Assistance	\$ 466,234
Federal Operating Assistance	
Total State Eligible Expenses	\$ 1,207,235
Less additional federal ineligible expenses	
Freight tariffs	153
Audit expense	5,800
Eligible expenses for federal reimbursement	1,201,282
X reimbursement percentage	17.00%
Federal Section 5311 Operating Assistance	\$ 204,218



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November 1, 2007

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

Board of Commissioners
Gladwin City Housing Commission
Gladwin, Michigan

We have audited the financial statements of the business-type activities and the major fund of Gladwin City-County Transit as of and for the year ended September 30, 2007, which collectively comprise the Transit's basic financial statements and have issued our report thereon dated November 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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Board of Commissioners
Gladwin City Housing Commission
November 1, 2007
Page 2

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Gladwin City-County Transit'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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

Weinlander Fitzhugh



WEINLANDER FITZHUGH

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November 1, 2007

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Board of Commissioners
Gladwin City Housing Commission
Gladwin, Michigan

This letter is intended to inform the Board of Commissioners of the Gladwin City Housing Commission about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Board of Commissioners.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

Our audit of the Organization described above for the year ended September 30, 2007, was conducted in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. 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. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

In planning and performing our audit, we considered Gladwin City-County Transit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Gladwin City-County Transit's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

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Board of Commissioners
Gladwin City Housing Commission
November 1, 2007
Page 2

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the organization's financial reporting process. All audit adjustments were considered part of the normal audit process. In our judgment, the adjustments we proposed, whether recorded or unrecorded by the organization, either individually or in the aggregate, indicate matters that would not have a significant effect on the organization's financial reporting process.

Accounting Policies and Alternative Treatments

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Transit. The Transit did not adopt any new accounting policies nor have there been any changes in existing significant accounting policies during the period which should be brought to your attention for approval.

We noted no transactions entered into by the Transit during the year that were both significant and unusual and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.



WEINLANDER FITZHUGH

Board of Commissioners
Gladwin City Housing Commission
November 1, 2007
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Consultation with Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

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 Transit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Other Comments

Risk Based Auditing Standards

In early 2006, the AICPA's Auditing Standards Board (ASB) issued eight Statements on Auditing Standards (SAS) relating to the assessment of risk and performance of procedures in an audit of financial statements:

- SAS No. 104, Amendment to Statement on Auditing Standards No. 1, Codification of Auditing Standards and Procedures.
- SAS No. 105, Amendment to Statement on Auditing Standards No. 95, Generally Accepted Auditing Standards
- SAS No. 106, Audit Evidence
- SAS No. 107, Audit Risk and Materiality in Conducting an Audit
- SAS No. 108, Planning and Supervision



WEINLANDER FITZHUGH

Board of Commissioners
Gladwin City Housing Commission
November 1, 2007
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- SAS No. 109, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement
- SAS No. 110, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained
- SAS No. 111, Amendment to Statement on Auditing Standards No. 39, Audit Sampling

These Statements establish standards and provide guidance concerning the auditor's assessment of the risks of material misstatement (whether caused by error or fraud) in a financial statement audit and the design and performance of audit procedures whose nature, timing and extent are responsive to the assessed risks. Additionally, the Statements establish standards and provide guidance on planning and supervision, the nature of audit evidence and evaluating whether the audit evidence obtained affords a reasonable basis for an opinion regarding the financial statements under audit.

Because these new standards demand a higher level of performance, there will be mandatory changes to the way we perform audits commencing with audit periods ending September 30, 2008. The new standards require us to perform more extensive procedures than in the past, resulting in an additional time commitment from both your personnel and our audit team.

Closing

We will be pleased to respond to any questions you have about the foregoing. It has been a pleasure to serve the Gladwin City-County Transit. We appreciate the cooperation and courtesy extended to us by management and the employees of the Transit and look forward to our association in the future.

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

Weinlander Fitzhugh