

### 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 Marquette County Transit Authority	County Marquette
Fiscal Year End September 30, 2007	Opinion Date February 24, 2008	Date Audit Report Submitted to State March 1, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

- YES NO** Check each applicable box below. (See instructions for further detail.)
- 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.
  - 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.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - 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.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - 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).
  - 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.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - To our knowledge, bank reconciliations that were reviewed were performed timely.

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Schneider, Larche, Haapala & Company, PLLC		Telephone Number 906-786-6151	
Street Address 401 Ludington Street		City Escanaba	State MI
			Zip 49829
Authorizing CPA Signature <i>David P. Pechawer, CPA</i>		Printed Name David P Pechawer	
		License Number 1101009209	

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**FINANCIAL STATEMENT**

**For the years ended September 30, 2007 and 2006**

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## Management's Discussion and Analysis

### Using this Annual Report

This annual report includes a series of financial statements for the Marquette County Transit Authority. The Balance Sheet, the Statement of Revenues, Expenses, and Changes in Net Assets provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. This is the fourth year of reporting under the GASB #34 reporting model.

### The Authority as a Whole

The Authority's current assets as of September 2007 decreased \$340,000 from FY 2006 due to the State Infrastructure Bank (SIB) loan payment. The net capital assets decreased by \$356,500 due to depreciation and retirement of old equipment.

The decrease in current liabilities is due to a reduction in accounts payable and repayment and adjustments of the amounts due to the State of Michigan and a payment in August 2007 on the SIB Loan.

In a condensed format, the table below reflects the financial position of the Marquette County Transit Authority.

	<u>2007</u>	<u>2006</u>
Current assets	\$ 751,142	\$ 1,091,185
Net capital assets	<u>5,617,740</u>	<u>5,974,290</u>
TOTAL ASSETS	\$ <u>6,368,882</u>	\$ <u>7,065,475</u>
Total current liabilities	\$ 690,093	\$ 1,244,507
Long-term liabilities	<u>16,007</u>	<u>31,395</u>
TOTAL LIABILITIES	\$ 706,100	\$ 1,275,902
Net Assets		
Invested in capital assets, net of related debt	\$ 5,235,655	\$ 5,228,098
Restricted for capital project	125,000	125,000
Unrestricted	<u>302,127</u>	<u>436,475</u>
TOTAL NET ASSETS	\$ <u>5,662,782</u>	\$ <u>5,789,573</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>6,368,882</u>	\$ <u>7,065,475</u>

The following table reflects the result of operations of the Marquette County Transit Authority:

	<u>2007</u>	<u>2006</u>
Operating revenues	\$ 343,974	\$ 328,243
Non-operating revenues – local	1,004,937	925,618
Non-operating revenues – state	1,001,922	978,960
Non-operating revenues – federal	<u>422,828</u>	<u>411,367</u>
<b>TOTAL REVENUES</b>	<b>\$ 2,773,661</b>	<b>\$ 2,644,188</b>
Operating expenses	\$ 2,884,217	\$ 2,877,656
Loss on disposal of capital assets	<u>16,235</u>	<u>-</u>
<b>TOTAL EXPENSES</b>	<b>\$ <u>2,900,452</u></b>	<b>\$ <u>2,877,656</u></b>
<b>LOSS BEFORE CONTRIBUTIONS</b>	<b>\$ (126,791)</b>	<b>\$ (233,468)</b>
Capital asset additions funded with state and federal capital grants	<u>-</u>	<u>200,000</u>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (126,791)</b>	<b>\$ (33,486)</b>
Net assets at beginning of year	\$ <u>5,789,573</u>	\$ <u>5,823,041</u>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ <u>5,662,782</u></b>	<b>\$ <u>5,789,573</u></b>

#### Operations of the Authority

The Authority's revenues for FY 2007 increased due to the slight increases in all revenues. A majority of the Authority's revenue is state (36%) and federal operating (15%) grants, and local millage (37%). Passenger and contract fares provide approximately 12% of revenue.

The Authority's expenses increased approximately \$6,500 from FY 2006 due to a combination of increased fuel, labor, and utilities costs, as well as an increase in repair parts costs due to an aging fleet.

#### Economic Factors

The Authority relies primarily on state and federal revenues, along with the local millage for operational funding. Given the condition of the State of Michigan's financial challenges, and our anticipation that these challenges will reach far into the future, we remain hopeful that funding levels will increase from our current rate for FY 2009. FY 2008's state and federal levels of funding are less than the level of funding for FY 2007. We are anticipating a small increase in our local millage due to growth in Marquette County. Our greatest challenge remains the cost of our aging fleet, increased costs in fuel and health care benefits, retaining current client contracts, and maintaining a healthy cash flow picture.

### Aging Fleet

Our current problems affecting large increases in repair parts costs and external repair services are due to the aging of Marq-Trans's fleet of vehicles. A delay in the release of State capital funding appropriated for FY 2005 and FY 2006 aggravated this situation further. By the time the funds were released, the State had allowed its contracts with bus vendors to lapse. Management's decision to team together with other local transit authorities to draw up purchase contracts, and then bid out our individual specifications, has salvaged this process to potential fruition by the end of FY 2008.

### Budget Review

On the following page is the Authority's operating budget for the year ended September 30, 2007. This budget was prepared by prior management without prescience to developing issues. The following analysis reflects the adopted budget at the beginning of the year and the actual expenditures and revenues for the year ended September 30, 2007. At the end of each quarter of the fiscal year, the budget is reviewed and amended if needed. Current management is developing budget and accounting procedures to more closely align with the requirements of the MDOT Revenue and Expense Manual, to better reflect planned responses to rapidly increasing and anticipated expense items and to provide clearer vision to all anticipated revenues.

### Budget Expenditures

Operational costs exceeded the budget by approximately \$92,000. Contributing factors were double-digit percentage fuel price increases, heavy increases in repair parts and services for the aging fleet, building maintenance mechanical upgrades to improve functionality, and wage increases with retro-active payrolls from union contract negotiations. Further, costly improvements were made in 2007: upgrading computer hardware and networking systems to insure safeguards for internet usage and data security; safety and security improvements were affected to the facilities and properties to maintain insurability for the lowest cost and to improve personal and public security. We have revamped and updated the repair parts inventory system, both software and hardware, to include a bar code capability insuring a far greater accuracy in achieving inventory value and an improved interface to the accounting department. Finally, an estimate for depreciation is not included in the operating budget.

Fiscal Year 2007 Operating Budget and Year-end Actual:

	Adopted 9/30/2007 <u>Budget</u>	Actual 9/30/2007 <u>Expenses</u>	<u>Variance</u>
<u>OPERATIONS</u>			
Driver's wages	\$ 802,900	\$ 823,966	\$ 21,066
Dispatch wages	72,900	91,090	18,190
Operations fringes	364,224	300,510	(63,714)
Radio system fees	12,300	11,481	(819)
Vehicle fuel and lubricants	208,800	273,530	64,730
Tires and tubes	22,400	25,192	2,792
Other materials and supplies	5,600	9,957	4,357
Utilities	5,600	59,441	53,841
Building repair and maintenance	46,800	58,191	11,391
PL and PD insurance	71,000	54,443	(16,557)
Facility Operations	101,700	23,735	(77,965)
Rent	1,000	-	(1,000)
Interest on short-term debt	5,700	-	(5,700)
Interest on long-term debt	1,800	23,546	21,746
Depreciation expense - local	14,000	43,637	29,637
Depreciation expense -- federal and state	<u>275,000</u>	<u>294,473</u>	<u>19,473</u>
 TOTAL OPERATIONS	 \$2,011,724	 \$ 2,093,192	 \$ 81,468
<u>MAINTENANCE</u>			
Mechanic wages	\$ 130,000	\$ 131,089	\$ 1,089
Mechanic fringes	85,365	62,136	(23,229)
Repair service	40,200	54,218	14,018
Expensed repair parts	125,000	144,343	19,343
Other materials and supplies	<u>25,000</u>	<u>15,355</u>	<u>(9,645)</u>
 TOTAL MAINTENANCE	 \$ 405,565	 \$ 407,141	 \$ 1,576
<u>ADMINISTRATION</u>			
Administration wages and per diem	\$ 209,900	\$ 225,800	\$ 15,900
Administration fringe benefits	119,511	93,992	(25,519)
Legal services	2,500	1,195	(1,305)
Auditing services	5,900	7,381	1,481
Other maintenance and supplies	6,500	22,929	16,429
Telephone utility	5,000	4,080	(920)
Other corp insurance	6,500	9,090	2,590
Advertising and promotions	5,100	4,275	(825)
Miscellaneous	7,300	6,117	(1,183)
Travel and meetings	4,100	6,363	2,263
Transit association dues and subs	<u>2,900</u>	<u>2,662</u>	<u>(238)</u>
 TOTAL ADMINISTRATION	 \$ <u>375,211</u>	 \$ <u>383,884</u>	 \$ <u>8,673</u>
 TOTAL EXPENDITURES	 \$ <u>2,792,500</u>	 \$ <u>2,884,217</u>	 \$ <u>91,717</u>

Budget Revenues

For the year ended September 30, 2007 we experienced an approximate increase of 18% in fare revenue over budgeted revenues, this was partially due to the increase in gas prices at the pump. Freight delivery service requests were exhausted in FY 2006. Charter operations were halted due to our desire to eliminate conflict with private charter corporations. Projected increase in ad valorem tax was not evidenced. Special contract fares increased favorably from negotiations of annual contracts by 11%. Federal operating assistance was budgeted at a conservative 15% and resulted favorably with actual assistance provided at 17%. Management's review of local banking facilities and services resulted in a positive change, one which helped us to witness a large increase in investment earnings.

	Adopted 9/30/2007 <u>Budget</u>	Actual 9/30/2007 <u>Revenues</u>	<u>Variance</u>
<u>REVENUES</u>			
Marquette routes	\$ 29,988	\$ 32,406	\$ 2,418
Ishpeming routes	29,988	35,655	5,667
KI Sawyer routes	24,990	29,081	4,091
Marquette shopper shuttle	3,332	5,453	2,121
Trowbridge route	4,998	5,863	865
Ishpeming shopper shuttle	3,332	4,437	1,105
Negaunee shuttle	1,666	1,233	(433)
Marquette area small bus	16,660	19,678	3,018
Ishpeming small bus	8,330	9,966	1,636
Out-county small bus	41,650	50,375	8,725
Special service fares	<u>1,666</u>	<u>2,254</u>	<u>588</u>
TOTAL FAREBOX	\$ 166,600	\$ 196,401	\$ 29,801
Special contract fares	132,200	147,063	14,863
Freight	700	-	(700)
Charter	12,600	510	(12,090)
Intercity commissions	17,300	17,336	36
Greyhound bus storage	3,000	1,000	(2,000)
Non-transit revenue	600	941	341
Ad valorem tax	925,600	914,986	(10,614)
State operating assistance	981,900	957,628	(24,272)
Federal operating assistance	310,200	421,526	111,326
RTAP reimbursement	1,500	1,302	(198)
Interest earnings	3,600	31,899	28,299
State special services grant	-	44,294	44,294
Prior years grant adjustment	<u>-</u>	<u>38,775</u>	<u>38,775</u>
TOTAL REVENUES	\$ <u>2,555,800</u>	\$ <u>2,773,661</u>	\$ <u>217,861</u>

Capital Asset and Debt Administration

As of September 30, 2007 the Authority had \$7,935,047 in capital assets, purchased with state and federal grants, and \$416,164 purchased with the Authority's funds. We have reviewed and updated our fixed assets records to accurately reflect our current inventory. As of September 30, 2007, the Authority had a balance of \$ 31,395 to pay on a state infrastructure bank loan for a second operations facility. As of September 30, 2007, the Authority had a balance of \$350,960 to pay on a state infrastructure loan for the main operations facility, 50% of this loan with interest was paid this year.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, and customers with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the:

Marquette County Transit Authority  
1325 Commerce Drive  
Marquette, Michigan 49855  
(906) 225-1283  
marqtran@miuplink.net



*Schneider, Larche,  
Haapala & Co., PLLC*

**CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS**

David P. Pechawer, C.P.A., P.C.

Denise M. Boyle, C.P.A., P.C.

Bruce D. Dewar, C.P.A.

Karen L. Meiers, C.P.A., P.C.

November 7, 2007

Board of Directors  
Marquette County Transit Authority  
Marquette, Michigan

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Marquette County Transit Authority (Authority) 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 Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of September 30, 2006, were audited by other auditors, whose report dated January 18, 2007, expressed an unqualified opinion on those statements.

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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marquette County Transit Authority as of September 30, 2007, and the results of its operations and cash flows 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 reported dated November 7, 2007, on our consideration of the Marquette 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 1 through 6 is not a required part of the basic financial statements but is 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.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying supplemental and compliance schedules, and the schedule of expenditures of federal and state awards listed in the table of contents are presented for purposes of additional analysis as required by the Michigan Department of Transportation and by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Schneider, Loeche, Haapala & Co., PLLC*  
Certified Public Accountants



LIABILITIES

	<u>2007</u>	<u>2006</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 88,519	\$ 128,930
Accrued interest	687	28,066
Due to State of Michigan	8,510	142,232
Accrued expenses:		
Salaries and wages	54,137	54,408
FICA withholding	-	3,603
Compensated absences	163,093	149,172
Unearned revenue	9,069	23,299
Current portion of debt	<u>366,078</u>	<u>714,797</u>
TOTAL CURRENT LIABILITIES	\$ 690,093	\$ 1,244,507
<u>LONG-TERM LIABILITIES</u>		
Notes payable	<u>16,007</u>	<u>31,395</u>
TOTAL LIABILITIES	\$ 706,100	\$ 1,275,902
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	\$ 5,235,655	\$ 5,228,098
Restricted for capital project	125,000	125,000
Unrestricted	<u>302,127</u>	<u>436,475</u>
TOTAL NET ASSETS	\$ <u>5,662,782</u>	\$ <u>5,789,573</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>6,368,882</u></u>	\$ <u><u>7,065,475</u></u>

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

For the years ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenues	\$ 343,974	\$ 328,243
Operating expenses	<u>2,884,217</u>	<u>2,877,656</u>
OPERATING LOSS	\$ (2,540,243)	\$ (2,549,413)
Non-operating revenues - local	1,004,937	925,618
Non-operating revenues - state and federal	1,424,750	1,390,327
Non-operating loss on disposal of capital assets	<u>(16,235)</u>	<u>-</u>
LOSS BEFORE CONTRIBUTIONS	\$ (126,791)	\$ (233,468)
Capital Contributions:		
Capital assets additions funded with state and federal capital grants	<u>-</u>	<u>200,000</u>
(DECREASE) INCREASE IN NET ASSETS	\$ (126,791)	\$ (33,468)
Net assets at beginning of year	<u>5,789,573</u>	<u>5,823,041</u>
Net assets at end of year	<u>\$ 5,662,782</u>	<u>\$ 5,789,573</u>

See notes to financial statements.

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**STATEMENTS OF CASH FLOWS**

For the years ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM		
OPERATING ACTIVITIES:		
Cash received from customers	\$ 417,578	\$ 364,065
Cash operating grants received from other governments	2,485,863	2,300,625
Cash received from interest	31,899	14,033
Cash paid for interest	(50,925)	(2,509)
Cash paid to employees for services	(1,261,898)	(1,230,734)
Cash paid to suppliers of goods and services	<u>(1,285,766)</u>	<u>(1,160,511)</u>
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ 336,751	\$ 284,969
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipts from capital grants	\$ -	\$ 75,000
Principal repayments on long-term debt	(364,107)	(14,227)
Payments for capital acquisitions	<u>-</u>	<u>(220,224)</u>
NET CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ <u>(364,107)</u>	\$ <u>(159,451)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (27,356)	\$ 125,518
Cash and cash equivalents at beginning of year	<u>397,708</u>	<u>272,190</u>
Cash and cash equivalents at end of year	\$ <u><u>370,352</u></u>	\$ <u><u>397,708</u></u>

See notes to financial statements.

	<u>2007</u>	<u>2006</u>
RECONCILIATION OF NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Operating Loss	\$ (126,791)	\$ (233,469)
Adjustments to reconcile net operating loss to cash provided by operating activities:		
Depreciation	338,110	360,731
Loss on disposition of capital assets	16,235	-
Adjustment of capital assets	2,205	
Decrease ( increase) in:		
Trade accounts receivable	15,552	(10,419)
Due from federal government	188,800	(48,278)
Due from State of Michigan	1,016	(8,522)
Due from local units	104,263	-
Inventory	(10,174)	12,199
Prepaid expenses	13,230	3,159
Increase (decrease) in:		
Accounts payable	(40,411)	97,925
Due to State of Michigan	(133,722)	102,860
Accrued expenses	(17,332)	9,887
Unearned revenue	(14,230)	(1,104)
	<u>336,751</u>	<u>284,969</u>
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
	\$ <u>336,751</u>	\$ <u>284,969</u>
NON-CASH ACTIVITIES:		
Adjustment of capital assets	\$ <u>2,205</u>	\$ <u>-</u>

## MARQUETTE COUNTY TRANSIT AUTHORITY

### NOTES TO FINANCIAL STATEMENT

For the year ended September 30, 2007 and 2006

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

The accounting policies followed by the Marquette County Transit Authority and the methods of applying those policies, which materially affect the determination of the financial position, changes in net assets, and results of operations are summarized below.

Description of Reporting Entity – The Marquette County Transit Authority was created by an Interlocal Agreement under Act 7 of the Public Acts of 1967 on October 1, 1985, by the County of Marquette, the cities of Ishpeming and Marquette, the Marquette Transit Authority, and the Ishpeming Transportation Authority to provide a cost effective and efficient public transportation system through the consolidation of the entities into a unified county system. The separate consolidated legal entity was designated as the Marquette County Transit Authority. The Authority provides public transportation to residents of the County of Marquette, Michigan.

The Marquette County Transit Authority is considered to be an independent agency of the County of Marquette for accounting purposes and is accounted for as an Enterprise Fund. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP.

## MARQUETTE COUNTY TRANSIT AUTHORITY

### NOTES TO FINANCIAL STATEMENT

For the year ended September 30, 2007 and 2006

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

The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Authority and/or its citizens, or whether the activity is conducted within the geographical boundaries of the Authority and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no component unit organizations included in the Authority's reporting entity.

Basis of Accounting – The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Revenues and expenses are recognized on the accrual basis in accordance with accounting principles generally accepted in the United States of America and with the requirements of Act 2 of the Public Acts of 1968, which is the Uniform Accounting Act of the State of Michigan. These financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Financial Reporting – The Governmental Accounting Standards Board has issued Statement of Accounting Standards No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (SGAS 34). SGAS 34 established standards for external financial reporting for all state and local governmental entities. It requires the classification of net assets into the three components of: invested in capital assets, net of related debt, restricted, and unrestricted. These classifications are defined as follows:

# MARQUETTE COUNTY TRANSIT AUTHORITY

## NOTES TO FINANCIAL STATEMENT

For the year ended September 30, 2007 and 2006

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

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net assets consists of assets with constraints placed on their use through creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of invested in capital assets, net of related debt or restricted net assets.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Budget - The Authority follows these procedures in establishing budgetary data:

- a. Authority administration prepares and submits to the Authority Board a proposed operating budget prior to commencement of the fiscal year. The operating budget includes proposed expenses, and the means of financing them, and is stated on a basis consistent with GAAP.
- b. The Authority Board formally adopts the finalized operating budget at a normal public meeting held prior to the commencement of the fiscal year.
- c. Authority administration is authorized to transfer budgeted amounts between line items within departmental budgets with post-transfer Authority Board approval.

# MARQUETTE COUNTY TRANSIT AUTHORITY

## NOTES TO FINANCIAL STATEMENT

For the year ended September 30, 2007 and 2006

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

- d. Formal budgetary integration is employed as a management control device during the year.
- e. Budgetary authority lapses at year-end.
- f. The Authority Board has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur, and the amount of the deviation can be determined. Once originally adopted, the budget is adjusted quarterly as necessary.

Cash and Cash Equivalents – The Authority has defined cash and cash equivalents to include cash on hand, demand deposits, and time deposits with an initial maturity of three months or less.

Deposits and Investments – The Authority reports investments in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified are also disclosed.

State statutes authorize the Authority to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposits, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.

The Authority is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. Banks, mutual funds composed of investments as described above, and obligations of the State of Michigan or any of its political subdivisions, that at the time of purchase, are rated as investment grade by not less than one standard rating service.

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENT**

For the year ended September 30, 2007 and 2006

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

Receivables – Revenues earned, but not yet received, as of the fiscal year end are recorded as a receivable on the Authority’s balance sheet. A provision for doubtful accounts is not necessary because all significant amounts are collected within two months of the balance sheet date or are due from other governmental units.

Inventory – The Authority utilizes a perpetual inventory system for replacement parts accounted for by the consumption method and valued at the lower of cost or market.

Capital Assets and Depreciation – Capital assets are stated at original cost at the date of acquisition, if purchased, or at fair market value at the date of donation. Costs relating to maintenance and repairs are charged to expenses, whereas those for renewals and improvements, when significant in amounts, are capitalized. Provisions for depreciation are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives in accordance with the guidelines provided by the Michigan Department of Transportation (MDOT). Depreciation of assets acquired with capital grant funds, which is the majority of capital assets, is charged against contributed capital accounts.

Depreciation of all exhaustible capital assets used by the Authority is charged as an expense against operations. Accumulated depreciations is reported on the balance sheet. The estimated useful lives are as follows:

Building	40 years
Bus shelters and signs	4 – 10 years
Equipment	4 – 10 years
Buses	4 – 10 years

Unearned Revenue – The Authority’s sales of fare tickets are recorded as unearned revenue until the tickets are redeemed in exchange for transportation services.

Grants – Revenue from the federal government and state of Michigan operating grants are recorded as earned when eligible expenses are incurred. Adjustments made to the operating grants by MDOT are recognized in the year they become measurable. The unearned portion of grant contracts received, if any, are reported as deferred revenue until such time as eligible expenses are incurred.

Capital grants are reported as additions to contributed capital accounts when qualifying expenses are incurred. The unexpended portions of capital grant contracts, if any, are reported as a liability to the issuing grantor, except for those amounts that are contractually obligated but not expended.

## MARQUETTE COUNTY TRANSIT AUTHORITY

### NOTES TO FINANCIAL STATEMENT

For the year ended September 30, 2007 and 2006

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

Revenue – The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with its principal ongoing operations. The principal operating revenues of the Authority are charges to customers for their transportation. Operating expenses for the Authority include the cost of providing rides to customers, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted only when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or other governmental regulations.

It is the Authority's policy to first apply restricted resources to expenses that are incurred for purposes for which both restricted and unrestricted net assets are available.

Comparative Data – Summaries of comparative data for prior years have been presented in the accompanying financial statements to provide an understanding of changes in the Authority's financial position, results of operations, and cash flows.

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENT**

For the year ended September 30, 2007 and 2006

**NOTE B - CASH AND INVESTMENTS**

Cash and cash equivalents, included in the basic financial statements as of September 30, 2007, consist of the following:

Cash and cash equivalents	\$ <u>370,352</u>
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Cash and cash equivalents can also be summarized into the following categories:

	<u>Cash and Cash Equivalents</u>
Cash in checking	\$ 86,052
Savings funds	282,750
Cash on hand	<u>1,550</u>
	\$ <u>370,352</u>

Custodial Credit Risk – At year-end, the carrying amount of the Authority’s deposits with financial institutions was \$370,352 and the balance per bank statement was \$793,694. Of the bank balance, \$100,000 of the Authority’s deposits were insured by the Federal Deposit Insurance Corporation (FDIC). The remaining balance of \$693,694 was uninsured and uncollateralized. Therefore, the Authority is subject to custodian credit risk. Custodian credit risk is the risk that, in the event of a financial institution failure, the Authority’s deposits may not be returned to it. The Authority places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the Authority, subject to minimal credit risk.

The Authority did not have any investments as of September 30, 2007 or 2006.

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENT**

For the year ended September 30, 2007 and 2006

**NOTE C – DUE FROM GOVERNMENTAL UNITS**

A summary of amounts due from governmental units as of September 30, 2007 is as follows:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
Specialized services	\$ -	\$ 7,506	\$ -	\$ 7,506
Operating assistance grant contract #2007-0252/Z2/R1	67,079	-	-	67,079
Facility construction grant contract #2002-0064/Z20	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>125,000</u>

AMOUNT DUE FROM OTHER GOVERNMENTAL UNITS AT SEPTEMBER 30, 2007	\$ <u>192,079</u>	\$ <u>7,506</u>	\$ <u>-</u>	\$ <u>199,585</u>
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**NOTE D – CAPITAL ASSETS**

A summary of capital assets is as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Retirements</u>	<u>End of year</u>
Purchased with Authority Funds:				
Land	\$ 21,000	\$ -	\$ -	\$ 21,000
Buildings	204,456	-	(1,256)	203,200
Bus shelter and signs	10,271	-	-	10,271
Vehicles	56,325	-	(199)	56,126
Other equipment	<u>142,486</u>	<u>-</u>	<u>(16,918)</u>	<u>125,568</u>
	\$ 434,538	\$ -	\$ (18,373)	\$ 416,165
Accumulated depreciation	<u>(214,870)</u>	<u>(43,636)</u>	<u>18,613</u>	<u>(239,893)</u>
Net purchased with Authority Funds	\$ 219,668	\$ (43,636)	\$ 240	\$ 176,272
Purchased with capital grants:				
Land	\$ 248,754	\$ -	\$ -	\$ 248,754
Buildings	5,360,076	-	(801)	5,359,275
Bus shelter and signs	24,376	-	(2,621)	21,755
Vehicles	2,187,861	-	(25,232)	2,162,629
Other equipment	<u>326,758</u>	<u>-</u>	<u>(184,124)</u>	<u>142,634</u>
	\$ 8,147,825	\$ -	\$ (212,778)	\$ 7,935,047
Accumulated depreciation	<u>(2,393,203)</u>	<u>(294,474)</u>	<u>194,097</u>	<u>(2,493,580)</u>
Net purchased with capital grants	\$ 5,754,622	\$ (294,474)	\$ (18,681)	\$ 5,441,467
NET CAPITAL ASSETS	\$ <u>5,974,290</u>	\$ <u>(338,110)</u>	\$ <u>(18,441)</u>	\$ <u>5,617,739</u>

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENT**

For the year ended September 30, 2007 and 2006

**NOTE D – CAPITAL ASSETS (Continued)**

When federal or state funded assets are taken out of public transportation service the disposition of the assets is determined by MDOT.

**NOTE E – COMPENSATED ABSENCES**

Employees earn sick leave at the rate of one (1) day per month, not to exceed twelve (12) days per year. Upon retirement or termination, employees in good standing with at least ten (10) years of service, will be paid one-half (1/2) of such sick leave accumulated at that time at their current rate of pay. Non-union employees with service dates beginning after July 1, 1983, can accumulate unlimited sick leave, with a maximum payment of one hundred twenty (120) days; however, non-union employees with service dates beginning before July 1, 1983, can accumulate and can receive payment on an unlimited amount of sick leave. Union employees may accumulate sick leave to a maximum of one hundred twenty (120) days with payment upon retirement or death at one-half (1/2) of the time accumulated at their current rate of pay. Once each year, employees may elect to sell back to the Authority any amount of accrued sick leave in excess of twenty days. Employees earn vacation leave based upon hours worked during the year and length of employment. Upon retirement or termination, employees are paid for all such outstanding days accumulated at their current rate of pay, with a maximum accumulation of thirty (30) days.

**NOTE F – LONG-TERM DEBT**

The Authority entered into a general loan contract with MDOT on September 16, 1999, for the purchase of a maintenance and operational facility in Ishpeming, Michigan. The loan is payable in annual installments of \$16,644 for ten years at a fixed interest rate of 4%. A summary of the changes in long-term debt as of September 30, 2007 is as follows:

Balance at September 30, 2006	\$ 46,192
Less principal payments	( 14,797)
Balance at September 30, 2007	\$ <u>31,395</u>

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENT**

For the year ended September 30, 2007 and 2006

**NOTE F – LONG-TERM DEBT (Continued)**

The schedule of annual principal and interest payments for the next two years is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 15,388	\$ 1,256	\$ 16,644
2009	<u>16,007</u>	<u>640</u>	<u>16,647</u>
TOTALS	<u>\$ 31,395</u>	<u>\$ 1,896</u>	<u>\$ 33,291</u>

The Authority entered into a general loan contract with MDOT on August 27, 2005, for transportation infrastructure improvements of the Marquette County Transit Authority's facility project in Marquette, Michigan. The loan is payable on or before August 27, 2008, including interest at a rate of 3%. A summary of the changes in long-term debt as of September 30, 2007, is as follows:

Balance at September 30, 2006	\$ 700,000
Less principal payments	<u>(349,310)</u>
Balance at September 30, 2007	\$ <u>350,690</u>

The schedule of annual principal and interest payments for the life of the loan is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ <u>350,690</u>	\$ <u>10,204</u>	\$ <u>360,894</u>
TOTALS	<u>\$ 350,690</u>	<u>\$ 10,204</u>	<u>\$ 360,894</u>

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENT**

For the year ended September 30, 2007 and 2006

**NOTE F – LONG-TERM DEBT (Continued)**

The following is a summary of long-term debt activity for the year ended September 30, 2007:

	<u>09/30/06</u>		<u>Additions</u>		<u>Payments</u>		<u>09/30/07</u>
Ishpeming Facility Loan	\$ 46,192	\$	-	\$	(14,797)	\$	31,395
Marquette Facility Loan	700,000		-		(349,310)		350,690
<b>TOTAL LONG-TERM DEBT</b>	<b>\$ 746,192</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>(364,107)</b>	<b>\$</b>	<b>382,085</b>

**NOTE G – SCHEDULE OF CONTRIBUTED CAPITAL**

	<u>Federal and State</u>		<u>Local</u>		<u>Total</u>
Balance September 30, 2006	\$ 5,754,621	\$	-	\$	5,754,621
Current year dispositions	(18,681)		-		(18,681)
Less: Depreciation charged on assets acquired with contributed funds	(294,473)		-		(294,473)
<b>Balance September 30, 2007</b>	<b>\$ 5,441,467</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>5,441,467</b>

**NOTE H – COUNTY OF MARQUETTE SUBSIDY**

The County of Marquette contributed \$914,986 and \$865,343 to the Authority from a millage allocation for the years ended September 30, 2007 and 2006, respectively.

**NOTE I – COST ALLOCATION PLANS**

The Authority has cost allocation plans for all allocated costs, which have been followed in the preparation of the financial statements. The Bus Transit Division of MDOT has approved these plans.

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENT**

For the year ended September 30, 2007 and 2006

**NOTE F – LONG-TERM DEBT (Continued)**

The following is a summary of long-term debt activity for the year ended September 30, 2007:

	<u>09/30/06</u>	Additions	<u>Payments</u>	<u>09/30/07</u>
Ishpeming Facility Loan	\$ 46,192	\$ -	\$ (14,797)	\$ 31,395
Marquette Facility Loan	<u>700,000</u>	<u>-</u>	<u>(349,310)</u>	<u>350,690</u>
 TOTAL LONG-TERM DEBT	 <u>\$ 746,192</u>	 <u>\$ -</u>	 <u>\$ (364,107)</u>	 <u>\$ 382,085</u>

**NOTE G – SCHEDULE OF CONTRIBUTED CAPITAL**

	<u>Federal and State</u>	<u>Local</u>	<u>Total</u>
Balance September 30, 2006	\$ 5,824,155	\$ -	5,824,155
Grants received	-	-	-
Less: Depreciation charged on assets acquired with contributed funds	<u>(294,473)</u>	<u>-</u>	<u>(294,473)</u>
 Balance September 30, 2007	 <u>\$ 5,529,682</u>	 <u>\$ -</u>	 <u>\$ 5,529,682</u>

**NOTE H – COUNTY OF MARQUETTE SUBSIDY**

The County of Marquette contributed \$914,986 and \$865,343 to the Authority from a millage allocation for the years ended September 30, 2007 and 2006, respectively.

**NOTE I – COST ALLOCATION PLANS**

The Authority has cost allocation plans for all allocated costs, which have been followed in the preparation of the financial statements. The Bus Transit Division of MDOT has approved these plans.

## MARQUETTE COUNTY TRANSIT AUTHORITY

### NOTES TO FINANCIAL STATEMENT

For the year ended September 30, 2007 and 2006

#### **NOTE J – DEFINED BENEFIT PENSION PLAN**

Plan Description – The Authority participates in the Michigan Municipal Employees Retirement System (“System” of “MERS”), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees. MERS issues a publicly available financial report that includes the financial statements and required supplementary information for the entire System. The report may be obtained by writing to MERS, 1134 Municipal Way, Lansing, Michigan 49817.

The System provides retirement, disability and death benefits to plan members and their beneficiaries. All full-time employees of the Authority are eligible to participate in the System. State statute and the Authority’s Board of Directors establish benefit provisions and all other requirements.

Funding Policy – Authority employees who are members of the bargaining unit are required to contribute 4% of their annual compensation to the System, as established by negotiation with the Authority’s bargaining unit. Full-time employees, who are not members of the bargaining unit, are not required to contribute to the System as established by the Board of Directors. The Authority is required to contribute the remaining amounts necessary to fund the System using the actuarial basis specified by statute.

Annual Pension Costs – The Authority’s annual pension cost of \$52,062 and \$49,821, respectively, for the years ended September 30, 2007 and 2006, was equal to the required and actual contribution. The annual required contribution is actuarially determined. Significant actuarial assumptions used include (a) a rate of return on the investment of 8% per year for present and future assets, (b) projected salary increases of 4 1/2% per year, compounded annually, attributable to inflation, and (c) additional projected salary increases based upon seniority and merit. The unfunded actuarial accrued liability is being amortized over 30 years based on the level percentage of payroll method.

## MARQUETTE COUNTY TRANSIT AUTHORITY

### NOTES TO FINANCIAL STATEMENT

For the year ended September 30, 2007 and 2006

#### **NOTE J – DEFINED BENEFIT PENSION PLAN (Continued)**

Three year trend information is as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension costs (APC)	\$ 52,284	\$ 49,821	\$ 52,062
Percentage of APC contributed	100%	100%	100%

	<u>Actuarial Valuation as of December</u>		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$ 1,606,688	\$ 1,716,724	\$ 1,853,124
Actuarial accrued liability	1,872,798	1,851,767	2,116,486
Unfunded AAL (UAAL)	266,110	135,043	263,362
Funded ratio	86%	93%	88%
Covered payroll	731,433	665,723	777,456
UAAL as a percentage of covered payroll	36%	20%	34%

#### **NOTE K – RISK MANAGEMENT**

The 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 Authority was unable to obtain vehicle and general liability insurance at a cost it considered to be economically justifiable. The Authority joined other transit authorities in the Michigan Transit Pool Direct Property Damage Trust Fund and Liability Trust Fund. These funds operate as a common risk management and insurance program. The Authority makes annual contributions to the pool for its vehicle and general liability insurance coverage. The Direct Property Damage Trust Fund will reinsure through commercial companies for claims in exposure of large losses to \$2,000,000 per occurrence. An excess policy provides an additional \$4,000,000 in coverage.

The Authority continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENT**

For the year ended September 30, 2007 and 2006

**NOTE L – BENEFIT PLANS**

The Authority has adopted a Medical Care Expense Plan created in accordance with Internal Revenue Service Code Sections 105, 125, and 129. The Authority does not make any contributions to the Plan, however, voluntary contributions made by qualified plan participants administered by the American Family Life Assurance Company totaled \$6,410 and \$6,926 for the years ended September 30, 2007 and 2006, respectively. In addition, voluntary contributions made toward the medical plan administered by the Michigan Employee Benefit Service, at 5% of premiums charged, totaled \$16,081 and \$11,089 for the years ended September 30, 2007 and 2006, respectively.

The Authority also belongs to a Deferred Compensation Plan created in accordance with Internal Revenue Service Code Section 457. The Authority does not make any contributions to the Plan, however, voluntary contributions made by qualified participants to the Plan administered by Variable Annuity Life Insurance Company totaled \$15,370 and \$16,110 for the years ended September 30, 2007 and 2006.

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**STATEMENTS OF OPERATING REVENUES**

For the years ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>OPERATING REVENUES</u>		
Linehaul (farebox)	\$ 114,128	\$ 108,780
Demand - response (farebox)	82,273	75,731
Special contract fares	147,063	138,935
Charter services	510	4,590
Freight	<u>-</u>	<u>207</u>
 TOTAL OPERATING REVENUES	 \$ <u>343,974</u>	 \$ <u>328,243</u>

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**STATEMENTS OF OPERATING EXPENSES**

For the years ended September 30, 2007 and 2006

	<u>Operations</u>	<u>Maintenance</u>	<u>Administration</u>	<u>2007</u>	<u>2006</u>
Labor:					
Operator's wages	\$ 788,927	\$ -	\$ -	\$ 788,927	\$ 762,997
Other salaries and wages	35,039	131,089	225,800	391,928	376,942
Dispatchers' wages and salaries	91,090	-	-	91,090	79,682
Fringe benefits	292,621	61,377	93,992	447,990	423,091
Other services	17,301	54,217	8,576	80,094	59,955
Materials and supplies consumed:					
Fuel and lubricants	273,530	-	-	273,530	269,774
Tires and tubes	25,192	-	-	25,192	19,974
Other materials and supplies	28,254	160,458	22,929	211,641	280,726
Utilities	59,461	-	4,080	63,541	67,497
Casualty and liability costs:					
Premiums for public liability and property damage insurance	54,443	-	9,090	63,533	108,359
Miscellaneous:					
Advertising	-	-	4,275	4,275	5,058
Other	-	-	15,142	15,142	20,239
Loan interest	23,546	-	-	23,546	23,509
Leases and rentals	65,678	-	-	65,678	19,122
Depreciation	338,110	-	-	338,110	360,731
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 2,093,192</b>	<b>\$ 407,141</b>	<b>\$ 383,884</b>	<b>\$ 2,884,217</b>	<b>\$ 2,877,656</b>

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**STATEMENTS OF NON-OPERATING REVENUES - LOCAL**

For the years ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Non-operating Revenues - Local:		
Local operating millage - County of Marquette	\$ 914,986	\$ 865,343
Interest income	31,899	14,033
Inter-city ticket commissions	17,336	20,198
Miscellaneous	<u>40,716</u>	<u>26,044</u>
 TOTAL NON-OPERATING REVENUES - LOCAL	 <u>\$ 1,004,937</u>	 <u>\$ 925,618</u>

**MARQUETTE COUNTY TRANSIT AUTHORITY**  
**STATEMENTS OF NON-OPERATING REVENUES -**  
**FEDERAL AND STATE**

For the years ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Non-operating grants - State of Michigan		
Local bus operating assistance	\$ 957,628	\$ 934,544
Specialized services	<u>44,294</u>	<u>44,416</u>
TOTAL STATE OF MICHIGAN NON-OPERATING REVENUES	\$ 1,001,922	\$ 978,960
Non-operating grants - Federal		
U.S. Department of Transportation operating assistance	\$ 421,526	\$ 411,367
RTAP	<u>1,302</u>	<u>-</u>
	\$ <u>422,828</u>	\$ <u>411,367</u>
TOTAL NON-OPERATING REVENUES STATE AND FEDERAL	\$ <u><u>1,424,750</u></u>	\$ <u><u>1,390,327</u></u>

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**STATEMENT OF ELIGIBLE EXPENSES BY CONTRACT**  
**AND GENERAL OPERATIONS**

For the year ended September 30, 2007

	<u>Specialized</u> <u>Services</u>	<u>General</u> <u>Operations</u>	<u>Total</u>
Labor	\$ 42,547	\$ 1,229,398	\$ 1,271,945
Fringe benefits	14,834	433,156	447,990
Services	2,652	77,442	80,094
Material and supplies	18,002	492,361	510,363
Utilities	2,104	61,437	63,541
Casualty and liability costs	2,104	61,429	63,533
Miscellaneous	502	18,915	19,417
Loan interest	780	22,766	23,546
Leases and rentals	786	64,892	65,678
Depreciation	11,196	326,914	338,110
	<u>11,196</u>	<u>326,914</u>	<u>338,110</u>
TOTAL OPERATING EXPENSES	\$ 95,507	\$ 2,788,710	\$ 2,884,217
Less ineligible expenses	<u>-</u>	<u>309,146</u>	<u>309,146</u>
TOTAL ELIGIBLE EXPENSES	<u>\$ 95,507</u>	<u>\$ 2,479,564</u>	<u>\$ 2,575,071</u>

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**NET ELIGIBLE COSTS COMPUTATIONS OF  
GENERAL OPERATIONS**

For the year ended September 30, 2007

	Federal Section 18 2007-0252/Z2/R1 10/01/06-09/30/07	State Operating Assistance 10/01/06-09/30/07
Expenses:		
Labor	\$ 1,229,398	\$ 1,229,398
Fringe benefits	433,156	433,156
Services	77,442	77,442
Materials and supplies	492,361	492,361
Utilities	61,437	61,437
Casualty and liability costs	61,429	61,429
Miscellaneous	18,915	18,915
Loan interest	22,766	22,766
Leases and rentals	64,892	64,892
Depreciation	326,914	326,914
<b>TOTAL EXPENSES</b>	<b>\$ 2,788,710</b>	<b>\$ 2,788,710</b>
Less Ineligible Expenses:		
Depreciation	\$ 283,501	\$ 283,501
Charter expenses	233	233
Non-transit revenue	940	940
Interest expense	22,766	22,766
MPTA dues	225	225
RTAP	1,302	1,302
Miscellaneous expense	179	179
<b>TOTAL INELIGIBLE EXPENSES</b>	<b>\$ 309,146</b>	<b>\$ 309,146</b>
<b>NET ELIGIBLE EXPENSES</b>	<b>\$ 2,479,564</b>	<b>\$ 2,479,564</b>
Maximum Section 18 Reimbursement:		
The lesser of 17 percent of net eligible expenses - \$421,526 or contract award - \$425,272	\$ 421,526	
Maximum Local Bus Operating Assistance (Act 51):		
38.6208 percent of net eligible expenses - \$957,628		\$ 957,628



*Schneider, Larche,  
Haapala & Co., PLLC*

**CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS**

David P. Pechawer, C.P.A., P.C.  
Denise M. Boyle, C.P.A., P.C.  
Bruce D. Dewar, C.P.A.  
Karen L. Meiers, C.P.A., P.C.

November 7, 2007

**INDEPENDENT AUDITORS' 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"**

To the Board of Directors  
Marquette County Transit Authority  
Marquette, Michigan

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Marquette 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 Marquette County Transit Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marquette County Transit Authority'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 Marquette 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 Marquette County Transit Authority's financial statements that is more than inconsequential will not be prevented or detected by Marquette County Transit Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marquette 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 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 Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants



*Schneider, Larche,  
Haapala & Co., PLLC*

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November 7, 2007

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
Marquette County Transit Authority  
Marquette, Michigan

Compliance

We have audited the compliance of Marquette County Transit Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2007. Marquette County Transit Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Marquette County Transit Authority's management. Our responsibility is to express an opinion on Marquette County Transit Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marquette County Transit Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marquette County Transit Authority's compliance with those requirements.

In our opinion, Marquette County Transit Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

#### Internal Control Over Compliance

The management of Marquette County Transit Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Marquette County Transit Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marquette County Transit Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

Board of Directors  
Marquette County Transit Authority  
November 7, 2007  
Page 3

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

*Schneider, Lorche, Haysala & Co., P.A.C.*  
Certified Public Accountants

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**SCHEDULE OF FEDERAL AND STATE FINANCIAL AWARDS**

For the year ended September 30, 2007

Program Title	Federal CFDA Number	State Grantor Number	Program Award or Amount	Federal Revenue	State Revenue	Disbursements / Expenditures	Grant Amount Remaining
<b>U.S. Department of Transportation</b>							
<b>Passed through MDOT:</b>							
Capital Assistance - Section 5311	20.500	2002-0064/Z24	\$ 343,205	\$ -	\$ -	\$ -	343,205
Capital Assistance - Section 5311	20.509	2002-0064/Z25	125,000	-	-	-	125,000
Capital Assistance - Section 5311	20.500	2002-0064/Z26	591,717	-	-	-	591,717
Capital Assistance - Section 5311	20.500	2002-0064/Z27	704,195	-	-	-	704,195
Capital Assistance - SIB Loan	20.205	2004-0418	350,690	350,690	-	-	-
Capital Assistance	20.500	2007-0252	137,000	-	-	-	137,000
Capital Assistance	20.500	2007-0252	591,600	-	-	-	591,600
Capital Assistance	20.500	2007-0252	375,000	-	-	-	375,000
<b>TOTAL CAPITAL ASSISTANCE</b>			<b>\$ 3,218,407</b>	<b>\$ 350,690</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,867,717</b>
<b>U.S. Department of Transportation</b>							
<b>Passed through MDOT:</b>							
Operating Assistance - Section 5311	20.509	2007-0252-Z2/R1	\$ 425,272	\$ 421,526	\$ -	\$ 421,526	\$ -
RTAP	N/A	N/A	1,302	1,302	-	1,302	-
<b>TOTAL OPERATING ASSISTANCE</b>			<b>\$ 425,574</b>	<b>\$ 422,828</b>	<b>\$ 1,001,922</b>	<b>\$ 1,424,750</b>	<b>\$ -</b>
<b>Michigan Department of Transportation:</b>							
Operating Assistance	N/A	N/A	-	-	957,628	957,628	-
Specialized Services	N/A	2007-0252	58,961	-	44,294	44,294	-
<b>TOTAL OPERATING ASSISTANCE</b>			<b>\$ 58,961</b>	<b>\$ -</b>	<b>\$ 1,001,922</b>	<b>\$ 1,424,750</b>	<b>\$ -</b>
<b>TOTAL FEDERAL AND STATE FINANCIAL AWARDS</b>			<b>\$ 3,703,942</b>	<b>\$ 773,518</b>	<b>\$ 1,001,922</b>	<b>\$ 1,424,750</b>	<b>\$ 2,867,717</b>

**MARQUETTE COUNTY TRANSIT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended September 30, 2007

Summary of Auditors' Results

- An unqualified opinion was issued on the financial statements.
- No material weaknesses or significant deficiencies in internal control relating to the audit of the financial statements were noted.
- No instances of noncompliance were noted during the audit that were material to the financial statements.
- No material weaknesses or significant deficiencies in internal control relating to the audit of the major federal award program were noted.
- An unqualified opinion was issued on compliance with the requirements applicable to its major federal award program.
- Major program during the year ended September 30, 2007 was:

Federal Transit-Operating Assistance Grant      CFDA Number 20.509
- The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- Marquette County Transit Authority does not qualify as a low-risk auditee.

**MARQUETTE COUNTY TRANSIT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended September 30, 2007

The following schedule summarizes those expenses, which are not eligible for reimbursement under the federal and state operating assistance grant formulas:

	<u>Ineligible Expenses/Questioned Costs</u>	
	<u>Federal Section 18 Per OMB Circular A-87</u>	<u>State Operating Assistance Per Revenue and Expense Manual</u>
Urban Mass Transportation Administration:		
A: Operating grants:		
1. Depreciation: Depreciation on contributed capital is an ineligible expense.	\$ 283,501	\$ 283,501
2. Charter expenses: Expenses pertaining to charter services are ineligible.	233	233
3. Non-transit revenue: Expenses pertaining to non-transit services are ineligible.	940	940
4. Interest expense: Interest expense on the state infrastructure loan is ineligible.	22,766	22,766
5. Miscellaneous expenses: A percentage of dues paid to MPTA are ineligible.	225	225
6. RTAP: Expenses pertaining to RTAP activities are ineligible.	1,302	1,302
7. Miscellaneous expenses: Expenses pertaining		

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

For the year ended September 30, 2007

There were no findings noted during the audit for the year ended September 30, 2006. Accordingly, no follow-up was required during the current year audit.

**MARQUETTE COUNTY TRANSIT AUTHORITY**

**MILEAGE DATA (Unaudited)**

For the year ended September 30, 2007

	<u>Public Transit Mileage</u>	<u>Special Services Mileage</u>	<u>Charter Mileage</u>	<u>Total Mileage</u>
Linehaul:				
1st Quarter	167,338	N/A	N/A	167,338
2nd Quarter	167,274	N/A	N/A	167,274
3rd Quarter	162,185	N/A	N/A	162,185
4th Quarter	164,897	N/A	N/A	164,897
TOTAL LINEHAUL	<u>661,693</u>	N/A	N/A	<u>661,693</u>
Demand Response:				
1st Quarter	66,585	12,162	N/A	78,747
2nd Quarter	67,085	11,632	N/A	78,717
3rd Quarter	63,428	12,894	N/A	76,322
4th Quarter	65,494	12,104	N/A	77,598
TOTAL DEMAND RESPONSE	<u>262,592</u>	<u>48,792</u>	N/A	<u>311,384</u>
TOTAL OPERATION	<u><u>924,285</u></u>	<u><u>48,792</u></u>	N/A	<u><u>973,077</u></u>

**MARQUETTE COUNTY TRANSIT AUTHORITY**  
**VEHICLE HOURS AND PASSENGER DATA (Unaudited)**

For the year ended September 30, 2007

	Public Transit Hours	Regular Passengers	Sr. Citizen Passengers	Senior / Handicap Passengers	Handicap Passengers	Total Passengers
Linehaul:						
1st Quarter	6,788	50,926	N/A	N/A	N/A	50,926
2nd Quarter	6,826	49,780	N/A	N/A	N/A	49,780
3rd Quarter	6,478	48,735	N/A	N/A	N/A	48,735
4th Quarter	6,682	47,987	N/A	N/A	N/A	47,987
TOTAL LINEHAUL	26,773	197,428	N/A	N/A	N/A	197,428
Demand Response:						
1st Quarter	5,553	17,307	3,573	1,013	6,087	27,980
2nd Quarter	5,584	21,308	3,017	1,071	6,120	31,516
3rd Quarter	5,300	7,174	3,467	1,044	5,097	16,782
4th Quarter	5,467	8,901	3,405	1,368	4,678	18,352
TOTAL DEMAND RESPONSE	21,905	54,690	13,462	4,496	21,982	94,630
TOTAL OPERATION	48,678	252,118	13,462	4,496	21,982	292,058