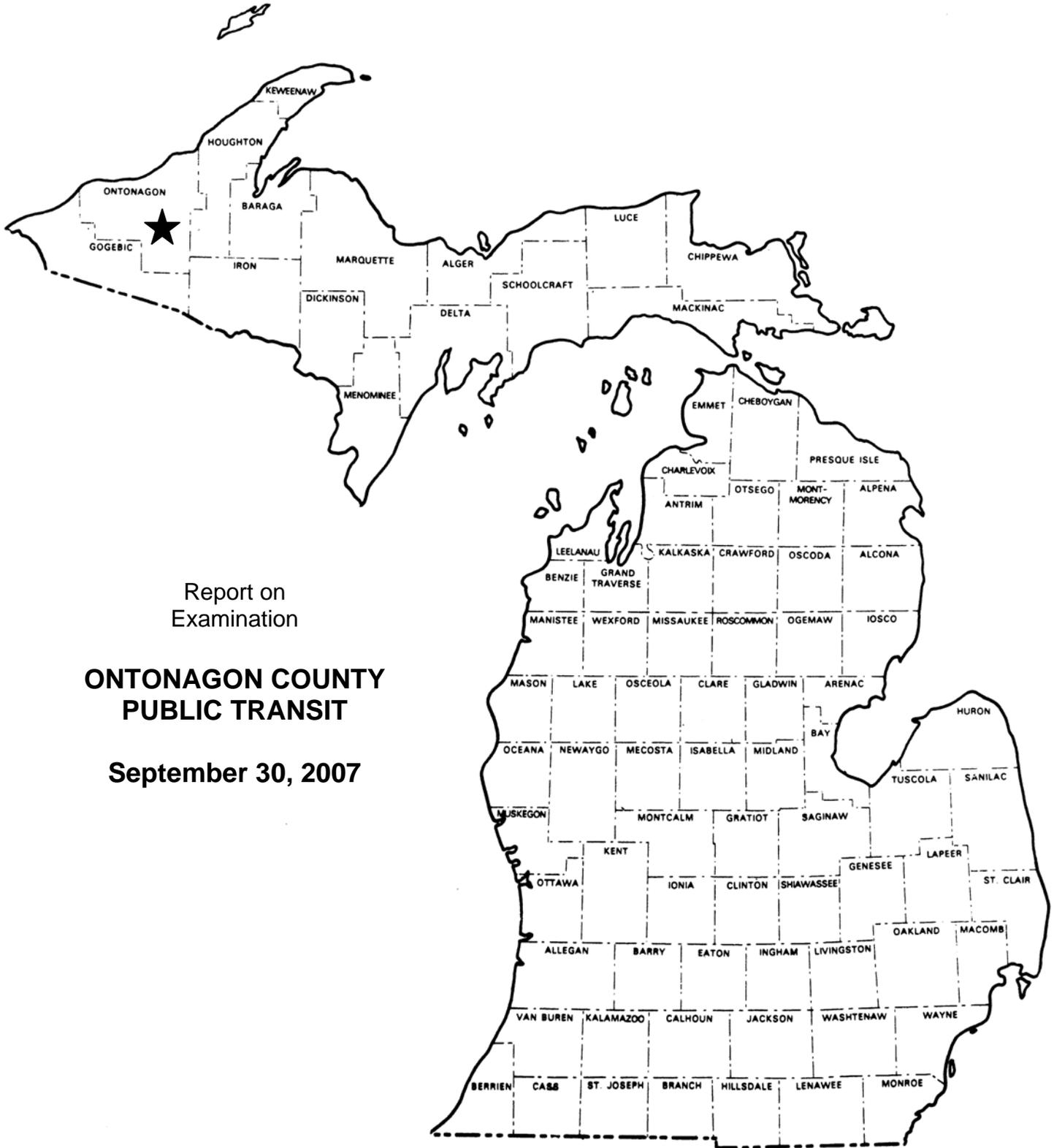


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



Report on
Examination

**ONTONAGON COUNTY
PUBLIC TRANSIT**

September 30, 2007



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

December 14, 2007

Ontonagon County Public Transit
Ontonagon County Board of County Commissioners
Ontonagon County Courthouse
725 Greenland Road
Ontonagon, Michigan 49953

RE: Unqualified Opinion on Basic Financial Statement Accompanied by Requirement
Supplementary Information and Supplementary Information--Governmental Entity

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying basic financial statements of the Ontonagon County Public Transit, a component unit of Ontonagon 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 Ontonagon County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ontonagon County Public Transit as of September 30, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2007 on our consideration of the Public Transit's internal control over financial reporting and our test on its compliance with certain provisions of laws, regulations, contracts,

grant agreement, 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 read in considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 5 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 performed for the purpose of forming an opinion on the basic financial statements of Ontonagon County Public Transit, taken as a whole. The individual Schedules 1, 2, 3, 4R, 4E and 5 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole. The Nonfinancial Data (Schedule 4N) has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we express no opinion on it.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

ONTONAGON COUNT PUBLIC TRANSIT

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ONTONAGON COUNTY PUBLIC TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

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

Overview of the Financial Statements

This annual report consists of three parts--management's discussion and analysis (this section), the basic financial statements, and an additional section that presents supplemental information and schedules. The basic financial statements include two kinds of statements that present different views of the Transit.

Reporting the Transit as a Whole

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

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

Report the Transit's Major Fund

The fund financial statements begin in the first column of the first two exhibits and provides detailed information about the major fund. The Transit has only one fund (special revenue fund type) in which all of the Transit's activities are accounted.

ONTONAGON COUNTY PUBLIC TRANSIT

MANAGEMENT’S DISCUSSION AND ANALYSIS

- **Governmental Fund**--The governmental fund focuses on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Transit’s general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Transit’s services. The first column in the first two exhibits show the governmental activities on a modified accrual basis of accounting, the second column represents the adjustments or reconciling items necessary to convert the modified accrual basis of accounting to the full basis accrual basis of accounting, which is presented in the third column of the first to exhibits.

Financial Analysis of the Transit as a Whole

The Transit’s net assets decreased approximately 1.8%, or \$15,422, from \$870,305 to \$854,877 for the year ended September 30, 2007. The net assets and change in net assets are summarized below.

Net Assets

The unrestricted net assets increased by \$47,651 and the investment in capital assets decreased by \$63,074 during 2007. The increase in unrestricted net assets was due to increases in property tax revenues and Federal and State formula operating assistance reimbursement percentages. The decrease in the investment in capital assets decreased due to the annual depreciation of \$63,073 with no capital additions for the year.

Net assets as of year ended September 30, 2007 are as follows:

	<u>2006</u>	<u>2007</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$ 229,693	\$270,824	\$ 41,131	17.91%
Capital Assets	<u>678,552</u>	<u>615,479</u>	<u>(63,073)</u>	<u>-9.30%</u>
Total Assets	<u>908,245</u>	<u>886,303</u>	<u>(21,942)</u>	<u>-2.42%</u>
Current Liabilities	<u>37,946</u>	<u>31,426</u>	<u>(6,520)</u>	<u>-17.18%</u>
Total Liabilities	<u>37,946</u>	<u>31,426</u>	<u>(6,520)</u>	<u>-17.18%</u>
Net Assets				
Invested in Capital Assets	678,552	615,479	(63,073)	-9.30%
Unrestricted	<u>191,747</u>	<u>239,398</u>	<u>47,651</u>	<u>24.85%</u>
Total Net Assets	<u>\$ 870,299</u>	<u>\$854,877</u>	<u>\$ (15,422)</u>	<u>-1.77%</u>

ONTONAGON COUNTY PUBLIC TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Assets

	<u>2006</u>	<u>2007</u>	<u>Variance</u>	<u>%</u>
Program Revenue				
Charges for Services	\$ 63,909	\$ 59,327	\$ (4,582)	-7.17%
Operating Grants and Contributions	294,333	297,648	3,315	1.13%
Capital Grants and Contributions	58,659	1,163	(57,496)	-98.02%
Nonoperating Revenue				
Tax Levy	204,470	216,533	12,063	5.90%
Interest Earned	3,104	4,088	984	31.70%
Total Revenue	<u>624,475</u>	<u>578,759</u>	<u>(45,716)</u>	<u>-7.32%</u>
Operating Expense				
Salaries and Wages	399,513	413,437	13,924	3.49%
Depreciation	67,921	63,073	(4,848)	-7.14%
Other	108,347	117,671	9,324	8.61%
Total Operating Expense	<u>575,781</u>	<u>594,181</u>	<u>18,400</u>	<u>3.20%</u>
Increase (Decrease) in Net Assets	48,694	(15,422)	(64,116)	-131.67%
Beginning Net Assets	<u>821,605</u>	<u>870,299</u>	<u>48,694</u>	<u>5.93%</u>
Ending Net Assets	<u>\$ 870,299</u>	<u>\$ 854,877</u>	<u>\$ (15,422)</u>	<u>-1.77%</u>

The Transit's Fund

The Transit's Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for public transportation purposes.

For the year ended September 30, 2007, the fund balance increased \$47,651 as compared to a decrease of \$58,615 in the fund balance for the year ended September 30, 2006. Total operating revenues were \$578,759, a decrease of \$45,716 as compared to last year. The decreases in revenues resulted primarily from the \$47,059 decrease in capital grants, and an increase of \$12,063 in property tax revenues. The Federal operating assistance grant percentage remained at 17% and the State operating assistance grant percentage decreased from 39.25% in 2006 to 38.6208% in 2007.

Total expenditures were \$531,108, a decrease of \$34,752 as compared to last year. This decrease is primarily due to a decrease of \$58,000 in capital outlay expenditures. Significant expenditure increases were in the area of fringe benefits (\$16,298) due to increased hospitalization insurance cost of \$16,060 or 15.6%.

ONTONAGON COUNTY PUBLIC TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Highlights

Prior to the beginning of any year, the Transit's budget is compiled based upon certain assumptions and facts available at that time. During the year, the County Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled.

The original revenue budget for 2007 of \$657,400 was more than the actual revenue by \$78,001. This variance was due, in large part, to an anticipated capital grant of \$120,000 for two new busses that were not received until the 2008 fiscal year. The only 2007 revenue budget amendment was a \$4,408 increase in anticipated Federal operating assistance.

The Transit's original expenditures were projected at \$657,400, while actual expenditures were \$531,108. This resulted in total expenditures being under budget by \$126,292. During 2007, there were budget amendments made that increased the original budget to \$661,808. There were some line-item expenditures that exceeded the budget, however, the overall final amended budget exceeded the actual expenditures by \$130,700. The variance between the original budget and actual expenditures was primarily due again to budgeted capital outlay for the purchase of the two new busses that were not received until the 2008 fiscal year.

Capital Asset Administration

As of September 30, 2007, the Transit had \$615,479 invested in capital assets. This amount represents a net decrease of \$63,073 or 9.30% as follows:

	2006	2007	Total Percentage Change 2006-2007
Capital Assets Being Depreciated			
Land Improvements	\$ 26,536	\$ 26,536	0.00%
Buildings	644,198	644,198	0.00%
Vehicles	363,978	363,978	0.00%
Total Capital Assets	<u>1,034,712</u>	<u>1,034,712</u>	<u>0.00%</u>
Total Accumulated Depreciation	<u>356,160</u>	<u>419,233</u>	<u>17.71%</u>
Total Net Capital Assets	<u><u>\$ 678,552</u></u>	<u><u>\$ 615,479</u></u>	<u><u>-9.30%</u></u>

ONTONAGON COUNTY PUBLIC TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budget

The 2007/2008 budget will increase due to increases in labor, fringe benefits and fuel costs that continue to drive up the cost of doing business.

Contacting the Transit's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Transit's finances and to show the accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Ontonagon County Clerk's Office at: 725 Greenland Road, Ontonagon, Michigan 49953.

**ONTONAGON COUNTY PUBLIC TRANSIT FUND
GOVERNMENTAL FUNDS BALANCE SHEET
STATEMENT OF NET ASSETS
September 30, 2007**

EXHIBIT A

<u>ASSETS</u>	Modified Accrual Basis	Adjustments	Statement of Net Assets
Cash	\$ 144,822		\$ 144,822
Certificates of Deposit	100,000		100,000
Due From State of Michigan	15,988		15,988
Accounts Receivable	5,373		5,373
Prepaid Expense	4,641		4,641
Capital Assets		\$ 615,479	615,479
Total Assets	\$ 270,824	\$ 615,479	\$ 886,303
 <u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 7,191		\$ 7,191
Due to State of Michigan	2,308		2,308
Accrued Wages Payable	4,406		4,406
Accrued Benefits Payable	17,521		17,521
Total Liabilities	31,426	\$ -	31,426
 <u>FUND BALANCE/NET ASSETS</u>			
Fund Balance	239,398	(239,398)	-
Total Fund Equities	239,398	(239,398)	-
Total Liabilities and Fund Balance	\$ 270,824	(239,398)	31,426
 Net Assets			
Invested in Capital Assets--Net of Related Debt		615,479	615,479
Restricted		239,398	239,398
Total Net Assets		\$ 854,877	\$ 854,877
 <u>Reconciliation of Government-Wide and Fund Financial Statements</u>			
Total Fund Balance--Modified Accrual Basis			\$ 239,398
Amounts reported in the Statement of Net Assets are different because:			
Capital assets are not financial resources and are not reported in the funds			615,479
Total Net Assets--Full Accrual Basis			\$ 854,877

The Notes to Financial Statements are an integral part of this statement.

**ONTONAGON COUNTY PUBLIC TRANSIT FUND
STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007**

EXHIBIT B

	Modified Accrual Basis	Adjustments	Statement of Net Assets
Revenues			
Property Taxes	\$ 216,533		\$ 216,533
Federal Grants	91,441		91,441
State Grants	207,370		207,370
Charges for Services	59,327		59,327
Interest and Rents	4,088		4,088
Total Revenue	<u>578,759</u>	\$ -	<u>578,759</u>
Expenditures			
Public Works	531,108	63,073	594,181
Capital Outlay	-	-	-
Total Expenditures	<u>531,108</u>	<u>63,073</u>	<u>594,181</u>
Excess of Revenues Over (Under)			
Expenditures/Change in Net Assets	47,651	(63,073)	(15,422)
Fund Balance/Net Assets--Beginning of Year	<u>191,747</u>	<u>678,552</u>	<u>870,299</u>
Fund Balance/Net Assets--End of Year	<u>\$ 239,398</u>	<u>\$ 615,479</u>	<u>\$ 854,877</u>

Reconciliation of Government-Wide and Fund Financial Statements

Net Change in Fund Balance-Modified Accrual Basis	\$ 47,651
Amounts reported in the Statement of Activities are different because:	
Capital outlays are reported as expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balance; in the Statement of Activities these costs are allocated over the estimated useful lives as depreciation:	
Capital Outlay	-
Depreciation	<u>(63,073)</u>
Change in Net Assets--Full Accrual Basis	<u>\$ (15,422)</u>

The Notes to Financial Statements are an integral part of the statement.

**ONTONAGON COUNTY PUBLIC TRANSIT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
GENERAL OPERATING FUND
For the Year Ended September 30, 2007**

EXHIBIT C

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Property Taxes	\$ 200,635	\$ 200,635	\$ 216,533	\$ 15,898
Federal Grants				
Section 5311 Operating Assistance				
Contract #02-0077/Z9	78,765	83,173	89,110	5,937
Prior Years' Operating Assistance Adjustments	-	-	(299)	(299)
RTAP Training Funds	3,000	3,000	1,467	(1,533)
Section 5309/5311 Capital Program	100,000	100,000	1,163	(98,837)
Total Federal Grants	181,765	186,173	91,441	(94,732)
State Grants				
FY 07 Formula Operating Assistance	183,525	183,525	203,905	20,380
Prior Years' Operating Assistance Adjustments	-	-	3,465	3,465
Section 5311 Capital Assistance	24,000	24,000	-	(24,000)
Total State Grants	207,525	207,525	207,370	(155)
Charges for Services				
Sale of Scrap and Salvage	2,000	2,000	-	(2,000)
Sale of Maintenance Services	1,475	1,475	470	(1,005)
Sale of Advertising Space	1,500	1,500	684	(816)
Demand Response Fares	60,000	60,000	58,173	(1,827)
Total Charges for Services	64,975	64,975	59,327	(5,648)
Interest and Rents				
Interest Earned	2,500	2,500	4,088	1,588
Total Interest and Rents	2,500	2,500	4,088	1,588
Total Revenues	657,400	661,808	578,759	(83,049)
Public Works				
Labor	243,025	243,025	236,304	6,721
Fringe Benefits	173,980	181,375	177,133	4,242
Services	9,500	12,485	8,603	3,882
Materials and Supplies Consumed	56,760	60,363	53,042	7,321
Utilities	12,600	12,900	12,922	(22)
Casualty and Liability Costs	21,135	22,135	23,952	(1,817)
Miscellaneous Expense	3,950	3,075	2,390	685
County Central Services Costs	16,450	16,450	16,762	(312)
Capital Outlay	120,000	110,000	-	110,000
Total Expenditures	\$ 657,400	\$ 661,808	\$ 531,108	\$ 130,700
Excess of Revenues Over (Under) Expenditures	-	-	\$ 47,651	\$ 47,651
Fund Balance--October 1, 2006	\$ 191,747	\$ 191,747	191,747	-
Fund Balance--September 30, 2007	\$ 191,747	\$ 191,747	\$ 239,398	\$ 47,651

The Notes to Financial Statements are an integral part of the statement

ONTONAGON COUNTY PUBLIC TRANSIT

NOTES TO FINANCIAL STATEMENTS

NOTE A--REPORTING ENTITY

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 Ontonagon County Public Transit Fund, a blended component unit of Ontonagon County.

The Ontonagon County Public Transit Fund is, for financial reporting purposes, within generally accepted accounting principles, a special revenue fund of Ontonagon County. The financial statements herein present the financial operations of the Public Transit Fund which is used to account for the revenues and expenditures of the Ontonagon County Public Transit System. Revenue is derived primarily from a special voted property tax millage, State and Federal aid, and farebox fees which are earmarked for the operation and maintenance of the transit system. The Ontonagon County Public Transit System is administered by the Ontonagon County Board of Commissioners to provide public transportation services within the boundaries of Ontonagon County.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Revenues, Expenditures and Changes in Net Assets) report information of the activities of the Ontonagon County Transit Fund. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Transit Fund's assets and liabilities with the difference being reported as either invested in capital assets or restricted net assets.

The Statement of Revenues, Expenditures and Changes in Net Assets demonstrates the degree to which the operating expenses of a given function or segment are offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function or segment. Operating 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 the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among operating revenues are reported instead as nonoperating revenue.

Basis of Presentation--Fund Financial Statements

Separate financial statements are provided for the operating fund (governmental fund). The operating fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

ONTONAGON COUNTY PUBLIC TRANSIT

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

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

Measurement Focus/Basis of Accounting--Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan Transportation Funds, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Governmental Fund--Special Revenue Fund

Special revenue funds are used to account for specific revenue derived from State and Federal grants, tax millages and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the operating fund in the government-wide financial statements. Capital assets are defined by the transit as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are stated at historical cost. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Assets with an initial individual cost of less than \$5,000 and/or an estimated useful life less than one year and purchased with Federal and/or State grants are expensed and subtracted out as ineligible on the "Net Eligible Costs Computations of General Operations" (Schedule 5). Provisions for depreciation of equipment are computed on the straight-line method.

ONTONAGON COUNTY PUBLIC TRANSIT

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Operating Facility	12 to 20 years
Buses	3 to 7 years
Maintenance Equipment	3 to 10 years
Office Equipment	6 to 10 years

Property Tax Revenues

The county property taxes are levied on each December 1st on the State equalized valuation of property located in the county as of the preceding December 31st. The county's 2006 ad valorem tax was levied and collectible on December 1, 2006. It is the county's policy to recognize revenues from the current tax levy in the Transit System's 2006/07 fiscal year when the proceeds of this levy are budgeted and made available for the financing of the Public Transit System's operations.

The 2006 taxable valuation of Ontonagon County amounted to \$207,353,007, on which ad valorem taxes of .9753 mills were levied for County Public Transit Fund operating purposes.

Cost Allocation Plans

Ontonagon County has prepared and submitted to the Bureau of Passenger Transportation Division (PTD), Michigan Department of Transportation (MDOT), a central services cost allocation plan to document those general fund costs which should be allocated to the various Federal and State grant programs. This plan has been adhered to in the preparation of the financial statements. The amount of \$16,762 was paid to the General Fund by the Public Transit Fund for the 2007 fiscal year central services charges.

Explanation of Ineligible Expenditures

Ineligible expenditures are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual. Audit costs are the only costs in which eligibility differs from the State Revenue and Expense Manual and the Federal OMB Circular A-87. The Public Transit Fund did not incur expenditures associated with depreciation expense and, therefore, no expenditures are subtracted out as ineligible on the OAR Schedule 4E or Schedule 5.

Nonfinancial Data

The nonfinancial data presented in OAR Schedule 4N is based on daily logs prepared by the bus drivers. The daily logs note each passenger, broken down by the type and codes established by the Local Public Transit Revenue and Expense Manual, vehicle hours and miles driven. A spreadsheet is used to compile the daily information for monthly, quarterly and annual reports. The methodology used for compiling the nonfinancial information appears to be adequate and reliable.

ONTONAGON COUNTY PUBLIC TRANSIT

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles (GAAP), requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

The budget is adopted by the county board of commissioners for the Public Transit Fund. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for this fund. Budgeted revenues and expenditures, as presented in Exhibit C and E, include any authorized amendments to the original budget as adopted.

Excess of Expenditures Over Appropriations

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for the special revenue funds as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the fiscal year ended September 30, 2007, expenditures were incurred in excess of amounts appropriated in the amended budgets for the activities or functions:

<u>Activity/Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Expenditures</u>
Utilities	\$ 12,900	\$12,922	\$ 22
Casualty and Liability Costs	22,135	23,952	1,817
County Central Services Costs	16,450	16,762	312

NOTE C--CASH DEPOSITS AND INVESTMENTS

Deposits are carried at cost. Deposits of the county are at various banks in the name of the county treasurer. Michigan Compiled Laws (MCL), Section 129.91, authorizes the county to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

ONTONAGON COUNTY PUBLIC TRANSIT

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH DEPOSITS AND INVESTMENTS (Continued)

The county's deposits and investments are in accordance with statutory authority and the county has adopted an investment policy in accordance with Public Act 20 of 1943, as amended. The Public Transit Fund monies are deposited to the county's common bank accounts along with the monies of several other county funds. The risk disclosures for the County Public Transit Fund's deposits at September 30, 2007, as required by the Governmental Accounting Standards Board (GASB) Statement No. 40, are not available because the fund's cash deposits are part of the county's general bank accounts. The cash and investments are under the control on the county treasurer and is part of the county's policy. We estimate that approximately 12.3% of the county's bank account balances are covered by FDIC insurance at September 30, 2007. The cash carrying balance at September 30, 2007 was \$244,822.

Investments Authorized by the County's Investment Policy

The county's investment policy authorizes investment in all those that are authorized by law. As stated above, the county did not have any investments in the fiscal year ended September 30, 2007. The county's investment policy does not contain specific provisions to limit the county's exposure to credit risk. The policy does contain provisions to limit the county's exposure to concentration of credit risk.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The county's investment policy does not contain specific provisions to limit the county's exposure to interest rate risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer where the investment is 5% or greater. The county's investment policy requires assets to be diversified to eliminate the risk of loss resulting from over-concentration in a specific maturity, individual financial institution(s), or a specific class of securities.

ONTONAGON COUNTY PUBLIC TRANSIT

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law does not contain requirements that would limit the exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the county’s investment policy would limit, to some extent, exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law does not contain legal requirements that would limit the exposure to custodial credit risk for investments. However, the county’s investment policy does contain a safekeeping and custody section that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools. The county is not exposed to custodial credit risk for investments.

NOTE D--DUE FROM STATE

The following amounts recorded as “due from” the Michigan Department of Transportation on September 30, 2007 represent amounts earned but not yet received on the respective Federal and State grant contracts and agreements.

		<u>Due From State</u>
Federal Section 5311 Operating Assistance		
2006-07 Contract #02-0274/Z1		
Net Eligible Expenditures	\$524,177	
Funding Rate	17%	
Section 5311 Revenue	89,110	
Funding Received	<u>73,982</u>	
Due From State	15,128	\$ 15,128
Federal Section 5311 Capital Assistance		
Contract #02-0077/Z8--Maintenance Tools		
Tools Purchased in August and September 2007	<u>860</u>	<u>860</u>
Total		<u><u>\$ 15,988</u></u>

The above receivables and related program revenues are subject to adjustments resulting from program compliance audits by the Michigan Department of Transportation that have not yet been finalized.

ONTONAGON COUNTY PUBLIC TRANSIT

NOTES TO FINANCIAL STATEMENTS

NOTE E--CAPITAL ASSETS

The following is a summary of the changes in the capital assets:

	Account Balances 10/01/06	Additions	Deductions	Account Balances 09/30/07
Capital Assets Being Depreciated				
Transit				
Land Improvements	\$ 26,536			\$ 26,536
Buildings	644,198			644,198
Vehicles	<u>363,978</u>			<u>363,978</u>
Total Capital Assets	<u>1,034,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,034,712</u>
Accumulated Depreciation				
Transit				
Land Improvements	3,981	1,327		5,308
Buildings	107,482	21,704		129,186
Vehicles	<u>244,697</u>	<u>40,042</u>		<u>284,739</u>
Total Accumulated Depreciation	<u>356,160</u>	<u>63,073</u>	<u>-</u>	<u>419,233</u>
Capital Assets Net of Accumulated Depreciation	<u>\$ 678,552</u>	<u>\$ -</u>	<u>\$ 63,073</u>	<u>\$ 615,479</u>

NOTE F--DUE TO THE STATE

The following amounts recorded as “due to” the Michigan Department of Transportation on September 30, 2007 represent amounts overpaid on the respective State grant contracts and agreements, based on audited eligible costs.

	Due to State
State Operating Assistance	
Net Eligible Expenditures	\$ 527,966
Funding Rate	38.6208%
Funding Earned	203,905
Funding Received	<u>206,213</u>
Due From State	<u>\$ (2,308)</u> <u>\$ (2,308)</u>

The above payables and related program revenues are subject to adjustments resulting from program compliance audits by the Michigan Department of Transportation, which have not yet been finalized.

ONTONAGON COUNTY PUBLIC TRANSIT

NOTES TO FINANCIAL STATEMENTS

NOTE G--COMPENSATED ABSENCES

Vacation Benefit Policies

The county's employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service. Vacation benefits are earned and credited to each employee on a biweekly basis. Employees are permitted to maintain an accumulation of up to 1 year's vacation benefits.

Sick Leave Benefit Policies

The county's employment policies provide for sick leave benefits to be earned at the rate of 1 day per month, with a maximum accumulation of 100 days. When county general and public transit employees separate from employment with the county, for whatever reason, they shall be paid for 20% of all unused sick days to a maximum of 100 days.

The accrued liability for accumulated and vested vacation and sick leave benefits is recorded in the Public Transit Fund's financial statements as of September 30, 2007.

NOTE H--RISK MANAGEMENT

The Ontonagon County Transit 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 county carries commercial insurance for all losses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 years.

NOTE I--EMPLOYEES' RETIREMENT PLAN

Description of Plan and Plan Assets

Ontonagon County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The transit's pension plan is included with the county's plan and could not be broken out. Therefore, the information presented is the primary government's plan. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, as amended (MCL 46.12a). MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan, 48917.

ONTONAGON COUNTY PUBLIC TRANSIT

NOTES TO FINANCIAL STATEMENTS

NOTE I--EMPLOYEES' RETIREMENT PLAN (Continued)

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the county's competitive bargaining units. The calendar year 2006 required pension contributions were 12.45%.

Annual Pension Cost

For the calendar year ended December 31, 2006, the county's annual pension cost was \$189,898 which was equal to the county's required and actual contributions. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB No. 27

<u>Ended Dec 31</u>	<u>Pension Cost (APC)</u>	<u>of APC Contributed</u>	<u>Pension Obligation</u>
2004	\$ 177,202	100%	\$0
2005	162,796	100%	0
2006	189,898	100%	0

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation December 31</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Accrued Liability (AAL)</u>	<u>(3) Overfunded (Unfunded) AAL (UAAL) (1) - (2)</u>	<u>(4) Funded Ratio (1) / (2)</u>	<u>(5) Covered Payroll</u>	<u>(6) UAL as a % of Covered Payroll</u>
2004	\$4,589,928	\$ 5,860,425	\$ (1,270,497)	78%	\$1,415,133	90%
2005	4,852,764	6,136,107	(1,283,343)	79%	1,394,532	92%
2006	5,231,604	6,532,906	(1,301,302)	80%	1,475,917	88%

ONTONAGON COUNTY PUBLIC TRANSIT FUND
LOCAL REVENUES
For the Year Ended September 30, 2007

SCHEDULE 1

LOCAL REVENUES

Farebox	\$ 23,147
Contract Fares	35,025
Advertising	684
Sales of Maintenance Services	470
Taxes Levied Directly for/by Transit Agency	216,533
Interest Income	<u>4,088</u>
Total Local Revenues	<u><u>\$ 279,947</u></u>

ONTONAGON COUNTY PUBLIC TRANSIT FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (1), (2)
For the Year Ended September 30, 2007

SCHEDULE 2

	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures				Prior Year's Expenditure	Amount Remaining
				Total	Federal	State	Local		
U.S. Department of Transportation									
Passed Through Michigan Department of Transportation									
Federal Transit Capital Grants									
Capital Grant--Maintenance Tools (Power Washer)	20.509	02-0077/Z8	\$ 4,000	\$ 1,163	\$ 1,163			\$ 659	\$ 2,178
Capital Grant--2 New Busses	20.509	02-0077/Z10	120,000	-	-			-	120,000
Operating Assistance--Section 5311	20.507	07-0274/Z1	90,770	89,110	89,110	(4)			
Prior Years' Reconciliation Adjustments	20.507	02-0077/Z9		(299)	(299)				
Federal Training (RTAP) Funds		N/A	3,500	1,467	1,467	(3)			
<u>Michigan Department of Transportation</u>									
Operating Assistance-Act 51 Formula Funding (FY 07)			183,525						
Nonurban	N/A	N/A	206,213	203,905	(5)	\$203,905			
Prior Years' Reconciliation Adjustments	N/A	N/A		3,465		3,465			
Total Department of Transportation				\$298,811	\$ 91,441	\$207,370	\$ -	\$ 659	\$ 122,178

1. The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all Federal and State awards programs of Ontonagon County Public Transit (DAR). Federal and State awards received directly from Federal or State agencies, as well as Federal or State awards passed through other government agencies, are included on the schedule.
2. The accompanying Schedule of Expenditures of Federal and State Awards is presented using the accrual basis accounting which is described in Note B of the Transit's basic financial statements.
3. The operating assistance listed under the capital contracts is for equipment purchased under the grant agreements costing less than \$5,000 and not capitalized.
4. Maximum Section 5311 operating assistance revenue can be 17% of Net Eligible Expenses as presented in Schedule 5, not to exceed the local match or contract limit.
5. State operating assistance of \$203,905 was recognized based on the net eligible costs computation as presented in Schedule 5. The actual revenue to be received from the State is uncertain because the revenue is based on a fixed amount of state-wide available funding. MDOT will recalculate the State operating assistance percentage in Schedule 5 after audited close-outs based on state-wide eligible expenses.

ONTONAGON COUNTY PUBLIC TRANSIT FUND
OPERATING AND CONTRACT EXPENSES
For the Year Ended September 30, 2007

SCHEDULE 3

<u>Expenses</u>	Nonurban State Operating FY 2007*	2002-0077/Z8 Section 5311 FY 2007	Total
Labor	\$ 236,304		\$ 236,304
Fringe Benefits	177,133		177,133
Audit Costs	3,789		3,789
Services	21,576		21,576
Materials and Supplies	51,426	\$1,163	52,589
Utilities	12,922		12,922
Casualty and Liability Costs	23,952		23,952
Miscellaneous	2,843		2,843
Total Expenses	\$ 529,945	\$1,163	\$ 531,108

*The expenses incurred for the State Operating Assistance are the same as the expenses incurred for the Section 5311 Federal Operating Assistance with the exception of the audit cost. A Single Audit was not required and is therefore ineligible for Federal assistance.

**ONTONAGON COUNTY PUBLIC TRANSIT FUND
NONURBAN REGULAR SERVICE REVENUE REPORT
For the Year Ended September 30, 2007**

OAR SCHEDULE 4R

REVENUE SCHEDULE REPORT

CODE	DESCRIPTION	AMOUNT
401:	Farebox Revenue	
40100	Passenger Fares	\$ 23,147
40200	Contract Fares	35,025
406:	Auxiliary Transportation Revenue	
40615	Advertisig	684
407:	Non-Transportation Revenues	
40710	Sales of Maintenance Services	470
408:	Local Revenue	
40800	Taxes Levied Directly for/by Transit Agency	216,533
411:	State Formula and Contracts	
41101	State Operating Assistance	203,905
41110	Line-Item Municipal Credit (Prior Year Adjustments)	3,465
413:	Federal Contracts	
41301	Federal Section 5311	89,110
41311	Line-Item Municipal Credit (Prior Year Adjustments)	(298)
41314	Other Capital Contract Reimbursed for Operating Expenses	1,163
41398	RTAP	1,467
414:	Other Revenue	
41400	Interest Income	4,088
TOTAL REVENUES		\$578,759

**ONTONAGON COUNTY PUBLIC TRANSIT FUND
NONURBAN REGULAR SERVICE EXPENDITURE REPORT
For the Fiscal Year September 30, 2007**

OAR SCHEDULE 4E

CODE	DESCRIPTION	OPERATONS	MAINTENANCE	ADMINISTRATION	TOTAL
501:	Labor				
50101	Operators' Salaries and Wages	\$129,511			\$129,511
50102	Other Salaries and Wages		\$25,966	\$33,532	59,498
50103	Dispatchers' Salaries and Wages	47,295			47,295
502:	Fringe Benefits				
50200	Other Fringe Benefits	109,916	19,199	18,809	147,924
50201	Pensions	22,144	3,327	3,738	29,209
503:	Services				
50302	Advertising Fees	479		80	559
50305	Audit Cost			3,789	3,789
50399	Other Services	1,801	2,455	16,761	21,017
504:	Materials and Supplies				
50401	Fuel & Lubricants	39,626			39,626
50402	Tires & Tubes	1,721			1,721
50499	Other Materials and Supplies	355	9,685	1,202	11,242
505:	Utilities				
50500	Utilities	2,209		10,713	12,922
506:	Insurance				
50603	Liability Insurance	23,918			23,918
50699	Other Insurance			34	34
507:	Taxes and Fees				
50700	Taxes and Fees	453			453
509:	Miscellaneous Expenses				
50902	Travel, Meetings, & Training			1,615	1,615
50903	Association Dues & Subscriptions			775	775
Total Operating Expenditures		\$379,428	\$60,632	\$91,048	\$531,108

ONTONAGON COUNTY PUBLIC TRANSIT FUND
NONURBAN REGULAR SERVICE EXPENDITURE REPORT
For the Fiscal Year September 30, 2007

OAR SCHEDULE 4E
(CONTINUED)

CODE	DESCRIPTION	OPERATONS	MAINTENANCE	ADMINISTRATION	TOTAL
550:	Ineligible Expenses				
55007	Ineligible Depreciation				
55009	Ineligible Percent of Association Dues			\$ 55	\$ 55
560:	Ineligible Expenses				
	Ineligible Expenditure. Associated with				
56001	Sale of Maintenance Service.		\$ 457		457
574:	Ineligible Expenses				
57402	Ineligible RTAP			1,467	1,467
576:	Ineligible Expenses				
	Other Ineligible Operating Expenditure				
57604	Paid by Capital Contracts		1,163		1,163
TOTAL INELIGIBLE EXPENSES		\$ -	1,620	1,522	3,142
TOTAL ELIGIBLE EXPENSES		\$379,428	\$59,012	\$89,526	\$527,966

**ONTONAGON COUNTY PUBLIC TRANSIT
 OPERATING ASSISTANCE REPORT--REGULAR SERVICE
 NONFINANCIAL DATA--UNAUDITED
 For the Year Ended September 30, 2007**

OAR SCHEDULE 4N

NONFINANCIAL SCHEDULE REPORT

CODE	DESCRIPTION	Weekday DR	Saturday and Sunday DR	TOTAL
Public Service				
610	Vehicle Hours	8,366		8,366
611	Vehicle Miles	163,954		163,954
615	Passengers--Regular	12,400		12,400
616	Passengers--Elderly	5,407		5,407
617	Passengers--Persons w/Disabilities	14,074		14,074
618	Passengers--Elderly Persons w/Disabilities	1,872		1,872
622	Total Demand-Response Passengers	33,753		33,753
625	Days Operated	251		251

Vehicle Information	Quantity
656 Demand-Response Vehicles	6
658 Total Transit Vehicles	4

Miscellaneous Information	Quantity DR
660 Diesel/Gasoline Gallons Consumed	17,700
661 Total Transit Agency Employees (Full-Time Equivalents)	8
662	5

The Public Information Service information listed above is computed based on daily logs maintained by the Public Transit and then computed and entered into the Operating Assistance Report using the codes required by the Local Public Transit Revenue and Expense Manual issued by the Michigan Department of Transportation.

**ONTONAGON COUNTY PUBLIC TRANSIT FUND
NET ELIGIBLE COST COMPUTATIONS
OF GENERAL OPERATIONS
For the Fiscal Year Ended September 30, 2007**

SCHEDULE 5

	<u>Nonurban</u>
Total Operating Expenditures	<u>\$ 531,108</u>
Less: Ineligible Expenditures	
Cost of Maintenance Services Sales	457
Membership Dues	55
Federal Grant--Maintenance Tools	1,163
Federal (RTAP) Training Funds	<u>1,467</u>
Total Ineligible Expenditures per R&E Manual	<u>\$ 3,142</u>
Total State Eligible Expenditures	\$ 527,966

Eligible Expenditures for State Reimbursement	\$ 527,966
Reimbursement Percentage	<u>38.6208%</u>
State Operating Assistance	<u>\$ 203,905</u>

Total Federal Eligible Expenditures

Less: Additional Federal Ineligible Expenses per A-87	
Audit Costs	<u>\$ 3,789</u>

Eligible Expenditures for Federal Reimbursement	\$ 524,177
Reimbursement Percentage	<u>17.00%</u>
Federal Section 5311 Operating Assistance	<u>\$ 89,110</u>



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

ROBERT J. KLEINE
STATE TREASURER

December 14, 2007

Ontonagon County Public Transit
Ontonagon County Board of County Commissioners
Ontonagon County Courthouse
725 Greenland Road
Ontonagon, Michigan 49953

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards

Dear Commissioners:

We have audited the financial statements of the Ontonagon County Public Transit, a component unit of Ontonagon County, as of and for the year ended September 30, 2007, and have issued our report thereon dated December 14, 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 the Ontonagon County Public 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, but not for the purpose of expressing an opinion on the effectiveness of the Ontonagon County Public 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 statement 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 prevented or detected by the Transit's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in 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 Ontonagon County Public 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 of the Ontonagon County Board of Commissioners, management, others within the County and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division