

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Road Commission of Macomb County	County Macomb
Audit Date September 30, 2004	Opinion Date December 16, 2004	Date Accountant Report Submitted To State: March 10, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | | |
|---|--|---|
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 10 South Main Street, Suite 200	City Mount Clemens	State MI	ZIP 48043-7903
Accountant Signature <i>Plante & Moran, PLLC</i>			

ATTACHMENT TO STATE TRANSMITTAL LETTER

A statement regarding reasons why a compliance audit is not required for the Road Commission of Macomb County follows:

The Road Commission's financial statements report \$23,490,462 of federal aid, all of which is administered by the Michigan Department of Transportation; the Road Commission has no control over these expenditures, nor does it have any administrative or other responsibilities for compliance with grant requirements. Therefore, it does not consider these to represent federal assistance to the Road Commission. The remaining federal grants, all of which are considered to represent financial assistance to the Road Commission, total less than \$500,000; therefore, no single audit was undertaken by the Commission.

Road Commission of Macomb County

**Financial Report
September 30, 2004**

Road Commission of Macomb County

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Independent Auditor's Report

To the Board of Road Commissioners
Road Commission of Macomb County

We have audited the accompanying financial statements of the governmental activities, the Road Fund (the Road Commission's only major fund), and the aggregate remaining fund information of the Road Commission of Macomb County (a component unit of Macomb County, Michigan) as of and for the year ended September 30, 2004, which collectively comprise the Road Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the Road Fund (the Road Commission's only major fund), and the aggregate remaining fund information of the Road Commission of Macomb County at September 30, 2004, the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the Road Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

December 16, 2004

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Road Commission of Macomb County

Management's Discussion and Analysis

As management of the Road Commission of Macomb County, we offer the readers of the Road Commission's financial statements this narrative overview and analysis of the financial activities of the Road Commission for the fiscal year ended September 30, 2004.

Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding the Road Commission's basic financial statements. These statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The first two components are presented together on the governmental funds balance sheet/statement of net assets and statement of revenues, expenditures, and changes in fund balance/statement of activities.

Financial Analysis

Net assets enable governmental agencies to determine their overall fiscal position. The Road Commission of Macomb County's net assets increased 4.9 percent from a year ago, increasing from \$696.4 million to \$730.7 million. This increase was due primarily to the large amount of road construction, which generates additional infrastructure that will be maintained by the Road Commission. In a condensed format, the table below shows the comparison of net assets (in millions of dollars) as of September 30, 2004 to the prior year.

Condensed Statement of Net Assets

	2004	2003
Current assets	\$ 63.1	\$ 65.7
Capital assets	<u>677.9</u>	<u>641.9</u>
Total assets	741.0	707.6
Current liabilities	7.2	8.4
Long-term liabilities outstanding	<u>3.1</u>	<u>2.8</u>
Total liabilities	<u>10.3</u>	<u>11.2</u>
Net assets:		
Invested in capital assets	677.9	641.9
Unrestricted	<u>52.8</u>	<u>54.5</u>
Total net assets	<u>\$ 730.7</u>	<u>\$ 696.4</u>

Road Commission of Macomb County

Management's Discussion and Analysis (Continued)

Unrestricted net assets, which is the part of net assets that is available to finance the day-to-day operations of road activity and the future growth of Macomb County for infrastructure, were \$52.8 million at September 30, 2004. This amount decreased approximately 3.1 percent from last year's unrestricted net assets of \$54.5 million. The Road Commission of Macomb County secured approximately \$47 million of construction activities under contract. The expenditures for these projects will be incurred over future years as the projects are completed.

The following table shows the changes in net assets (in millions of dollars) as of September 30, 2004 and the prior year:

Condensed Statement of Activities

	2004	2003
Revenue		
State aid	\$ 41.7	\$ 44.6
Federal sources	23.5	10.8
Local and other sources	19.0	20.0
Land and roads released from developers	14.3	27.3
Total revenue	98.5	102.7
Expenses		
Maintenance	11.6	9.5
Administrative	21.1	18.2
Depreciation	31.5	28.8
Total expenses	64.2	56.5
Increase in Net Assets	\$ 34.3	\$ 46.2

Statement of Activities

The Road Commission's total revenue decreased by approximately \$4.2 million from the prior year. This decrease can be attributed mainly to the land and roads released from developers, which is reported as revenue on the statement of activities. Although many new miles of local roads were constructed in fiscal year 2004, these roads have not received final certification as of year end. As these roads are certified, they will be added to the Road Commission's infrastructure and recognized as revenue. Expenses increased approximately \$7.7 million over last year, or 13.6 percent. The majority of the increase fell into three categories: (1) maintenance expenditures, (2) increases in health care and pension costs, and (3) depreciation expense on the current year's infrastructure. Overall, net assets increased \$34.3 million from the prior year.

Road Commission of Macomb County

Management's Discussion and Analysis (Continued)

Road Fund Budgetary Highlights

Prior to beginning each new fiscal year, the Road Commission of Macomb County's budget is prepared based upon certain assumptions and facts available at that time. Throughout the year, the Road Commission's Board amends the budget to reflect changes in these original assumptions, facts, and/or economic conditions that were unknown at the time the original budget was adopted. In addition, the Board reviews and authorizes expenditures and capital equipment purchases throughout the year. The Road Commission amended its 2004 budget on several occasions during the year to reflect a change in equipment expense and status changes in budgeted construction projects. Final budgeted expenditures were \$15.7 million lower than the original budget due primarily to changes in construction projects. The actual revenues for fiscal year 2004 were higher than the amended budget, but the expenditures on the construction fell short of the expected amount. Although the Road Commission secured approximately \$47 million of construction activities under contract, actual expenditures on these contracts were less than anticipated in fiscal year 2004.

Capital Assets

The Road Commission had \$677.9 million in capital assets at the end of the fiscal year. This amount represents a net increase of \$36 million from the previous year, or approximately 5.6 percent. The Road Commission added over \$67.5 million to its investment in capital assets during the current year, including over \$56.8 million of infrastructure additions. The recorded amount of the infrastructure assets, net of depreciation contained in this report, is \$483.5 million and \$455.2 million for fiscal years 2004 and 2003, respectively. The infrastructure will continue to be the largest asset class.

Economic Factors and Next Year's Budget

Reductions in revenue sharing will directly affect the local units of government. This will in turn affect the amount of funds the local units will have available to participate in road projects. Without adequate increases in MTF revenue and revenue sharing, the Road Commission of Macomb County will have diminishing resources for road improvements and maintenance activities. Despite these budget cuts, the Road Commission is continuing to move ahead on all planned projects. The revenue and expenditures will be monitored throughout the year to assure fiscal responsibility.

Contacting the Road Commission Management

This financial report is designed to provide a general overview of the Road Commission's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Road Commission of Macomb County, Michelle M. Mykytiak, Finance and MIS Director. For more specific information regarding construction projects, contact Robert Hoepfner, Acting County Highway Engineer.

Road Commission of Macomb County

	Nonmajor Funds		
	Major Fund - Road	Postemployment Benefits	Capital Projects
Assets			
Cash and investments (Note 4)	\$ 33,200,453	\$ 2,354,613	\$ 3,654,236
Receivables:			
State of Michigan	7,353,178	-	-
Construction accounts receivable	1,985,729	-	-
Accrued interest receivable	202,691	-	-
Other	639,253	-	-
Inventory	3,178,334	-	-
Advances and deposits	492,188	-	-
Surplus properties	62,639	-	-
Prepaid costs and other	782,400	-	-
Capital assets - Net (Note 5):			
Assets not being depreciated	-	-	-
Assets being depreciated	-	-	-
Total assets	<u>\$ 47,896,865</u>	<u>\$ 2,354,613</u>	<u>\$ 3,654,236</u>
Liabilities and Fund Balances			
Liabilities			
Current liabilities:			
Accounts payable	\$ 5,840,758	\$ -	\$ -
Provision for uninsured losses (Note 6)	-	-	-
Accrued workers' compensation (Note 6)	114,475	-	-
Accrued liabilities and other	1,341,693	-	-
Noncurrent liabilities:			
Provision for uninsured losses (Note 6)	-	-	-
Accrued workers' compensation liabilities (Note 6)	-	-	-
Accrued sick and vacation	-	-	-
Total liabilities	7,296,926	-	-
Fund Balances - Unreserved			
Designated (Note 9)	37,641,343	-	3,654,236
Undesignated	2,958,596	2,354,613	-
Total fund balances	<u>40,599,939</u>	<u>2,354,613</u>	<u>3,654,236</u>
Total liabilities and fund balances	<u>\$ 47,896,865</u>	<u>\$ 2,354,613</u>	<u>\$ 3,654,236</u>
Net Assets			
Investments in capital assets			
Unrestricted			
Total net assets			

**Governmental Funds Balance Sheet/Statement of Net Assets
September 30, 2004**

Total Governmental Funds	Adjustments (Note 2)	Statement of Net Assets
\$ 39,209,302	\$ 9,081,713	\$ 48,291,015
7,353,178	-	7,353,178
1,985,729	-	1,985,729
202,691	-	202,691
639,253	-	639,253
3,178,334	-	3,178,334
492,188	-	492,188
62,639	-	62,639
782,400	120,000	902,400
-	167,942,410	167,942,410
-	509,945,073	509,945,073
<u>\$ 53,905,714</u>	687,089,196	740,994,910
\$ 5,840,758	-	5,840,758
-	140,292	140,292
114,475	-	114,475
1,341,693	(265,171)	1,076,522
-	1,606,242	1,606,242
-	232,300	232,300
-	1,249,609	1,249,609
7,296,926	2,963,272	10,260,198
41,295,579	(41,295,579)	-
5,313,209	(5,313,209)	-
46,608,788	(46,608,788)	-
<u>\$ 53,905,714</u>	(43,645,516)	10,260,198
	677,887,483	677,887,483
	52,847,229	52,847,229
	<u>\$ 730,734,712</u>	<u>\$ 730,734,712</u>

Road Commission of Macomb County

	Nonmajor Funds		
	Major Fund - Road	Postemployment Benefits	Capital Projects
Revenue			
Licenses, permits, and fees	\$ 700,640	\$ -	\$ -
Federal aid for construction	23,490,462	-	-
State revenue:			
Michigan Transportation Fund	38,778,223	-	-
Build Michigan Fund	1,524,715	-	-
Category C Fund	1,226,222	-	-
State Critical Bridge	122,669	-	-
Contributions from local units:			
Cities	1,990,045	-	-
Townships	1,792,441	-	-
County	3,122,322	-	-
Other	23,126	-	-
Charges for services:			
State trunkline maintenance	5,887,235	-	-
State nonmaintenance	605,693	-	-
Other revenue:			
Cities, townships, and other	1,703,263	-	-
Inspections	729,329	-	-
Land and roads released from developers	-	-	-
Interest	506,446	-	52,309
Sale of land, property, rental, and other	1,934,350	-	-
Total revenue	<u>84,137,181</u>	-	<u>52,309</u>
Expenditures/Expenses - Current			
Primary road	45,492,763	-	-
Local road	12,418,303	-	-
Primary bridges	185,061	-	-
Local bridges	2,901,431	-	-
State maintenance	4,161,193	-	-
State nonmaintenance	488,445	-	-
Equipment rental credits - Net of equipment expense	(912,030)	-	-
Engineering	863,495	-	-
Administrative	1,347,428	-	-
Inspections and other	1,704,927	-	-
Distributive fringe benefits	11,877,943	-	-
Other distributive expense	4,889,335	-	-
Capital outlay - Net of depreciation credits	(42,016)	-	27,831
Depreciation expense	-	-	-
Total expenditures/expenses	<u>85,376,278</u>	-	<u>27,831</u>

**Statement of Governmental Revenues, Expenditures, and Changes in
Fund Balances/Statement of Activities
Year Ended September 30, 2004**

Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
\$ 700,640	\$ -	\$ 700,640
23,490,462	-	23,490,462
38,778,223	-	38,778,223
1,524,715	-	1,524,715
1,226,222	-	1,226,222
122,669	-	122,669
1,990,045	-	1,990,045
1,792,441	-	1,792,441
3,122,322	-	3,122,322
23,126	-	23,126
5,887,235	-	5,887,235
605,693	-	605,693
1,703,263	-	1,703,263
729,329	-	729,329
-	14,342,656	14,342,656
558,755	-	558,755
1,934,350	(39,355)	1,894,995
<u>84,189,490</u>	<u>14,303,301</u>	<u>98,492,791</u>
45,492,763	(40,958,276)	4,534,487
12,418,303	(6,201,297)	6,217,006
185,061	(195,139)	(10,078)
2,901,431	(3,059,439)	(158,008)
4,161,193	-	4,161,193
488,445	-	488,445
(912,030)	-	(912,030)
863,495	-	863,495
1,347,428	-	1,347,428
1,704,927	-	1,704,927
11,877,943	379,535	12,257,478
4,889,335	-	4,889,335
(14,185)	(2,687,662)	(2,701,847)
-	31,507,479	31,507,479
<u>85,404,109</u>	<u>(21,214,799)</u>	<u>64,189,310</u>

Road Commission of Macomb County

	Nonmajor Funds		
	Major Fund - Road	Postemployment Benefits	Capital Projects
Excess of Revenues Over (Under) Expenditures/ Change in Net Assets	\$ (1,239,097)	\$ -	\$ 24,478
Other Financing Sources (Uses) - Operating transfers	(1,584,782)	584,782	1,000,000
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	(2,823,879)	584,782	1,024,478
Fund Balances/Net Assets - October 1, 2003 (as restated, Note 5)	43,423,818	1,769,831	2,629,758
Fund Balances/Net Assets - September 30, 2004	\$ 40,599,939	\$ 2,354,613	\$ 3,654,236

**Statement of Governmental Revenues, Expenditures, and Changes in
Fund Balances/Statement of Activities (Continued)
Year Ended September 30, 2004**

Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
\$ (1,214,619)	\$ 35,518,100	\$ 34,303,481
-	-	-
(1,214,619)	35,518,100	34,303,481
<u>47,823,407</u>	<u>648,607,824</u>	<u>696,431,231</u>
<u>\$ 46,608,788</u>	<u>\$ 684,125,924</u>	<u>\$ 730,734,712</u>

Road Commission of Macomb County

Road Fund Budgetary Comparison Schedule Year Ended September 30, 2004

	Original Budget	Amended Budget	Actual
Revenue			
Licenses, permits, and fees	\$ 765,414	\$ 698,416	\$ 700,640
Federal aid for construction	15,288,700	19,040,768	23,490,462
State revenue:			
Michigan Transportation Fund	35,178,000	36,011,256	38,778,223
Build Michigan Fund	1,296,000	1,296,000	1,524,715
Category C Fund	16,324,200	1,126,611	1,226,222
State Critical Bridge	-	110,000	122,669
Contributions from local units:			
Cities	150,000	3,861,110	1,990,045
Townships	5,958,000	1,733,293	1,792,441
County	1,688,500	2,616,465	3,122,322
Other	50,000	8,228	23,126
Charges for services:			
State trunkline maintenance	5,437,050	5,437,050	5,887,235
State nonmaintenance	785,000	586,691	605,693
Other revenue:			
Cities, townships, and other	1,401,130	1,483,391	1,703,263
Inspections	840,000	622,729	729,329
Interest	421,500	456,239	506,446
Sale of land, property, rental, and other	177,975	132,906	1,934,350
Total revenue	<u>85,761,469</u>	<u>75,221,153</u>	<u>84,137,181</u>
Expenditures - Current			
Primary road	52,978,465	42,973,770	45,492,763
Local road	15,234,781	13,220,307	12,418,303
Primary bridges	920,000	795,812	185,061
Local bridges	8,965,500	3,972,674	2,901,431
State maintenance	3,718,915	4,493,592	4,161,193
State nonmaintenance	613,720	613,720	488,445
Equipment rental credits - Net of equipment expense	(1,100,000)	(2,122,710)	(912,030)
Engineering	881,500	960,694	863,495
Administrative	1,684,041	1,684,041	1,347,428
Inspections and other	1,725,400	1,929,019	1,704,927
Distributive fringe benefits	10,825,000	10,825,000	11,877,943
Other distributive expense	4,250,400	4,500,400	4,889,335
Capital outlay - Net of depreciation credits	1,930,690	3,106,496	(42,016)
Total expenditures	<u>102,628,412</u>	<u>86,952,815</u>	<u>85,376,278</u>
Excess of Expenditures Over Revenue	(16,866,943)	(11,731,662)	(1,239,097)
Other Financing Uses - Operating transfers	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>(1,584,782)</u>
Excess of Expenditures and Other Uses Over Revenue	(19,866,943)	(14,731,662)	(2,823,879)
Fund Balance - October 1, 2003	<u>43,423,818</u>	<u>43,423,818</u>	<u>43,423,818</u>
Fund Balance - September 30, 2004	<u>\$ 23,556,875</u>	<u>\$ 28,692,156</u>	<u>\$ 40,599,939</u>

Road Commission of Macomb County

Proprietary Fund - Internal Service Fund - General Liability Self-insurance Fund Statement of Net Assets September 30, 2004

Assets - Current

Cash and investments (Note 4)	\$ 9,081,713
Prepaid costs and other assets	<u>120,000</u>
Total assets	9,201,713

Liabilities

Current liabilities - Provision for uninsured losses (Note 6)	140,292
Noncurrent liabilities - Provision for uninsured losses (Note 6)	<u>1,606,242</u>
Total liabilities	<u>1,746,534</u>

Net Assets - Unrestricted

\$ 7,455,179

Road Commission of Macomb County

Proprietary Fund - Internal Service Fund - General Liability Self-insurance Fund Statement of Revenues, Expenses, and Changes in Net Assets Year Ended September 30, 2004

Operating Revenues	\$ -
Operating Expenses	
Settlements, premiums, and other	366,064
Increase in allowance for unsettled claims incurred but not reported	<u>33,913</u>
Total operating expenses	<u>399,977</u>
Operating Loss	(399,977)
Nonoperating Revenues - Interest income	<u>129,344</u>
Decrease in Net Assets	(270,633)
Net Assets - Beginning of year	<u>7,725,812</u>
Net Assets - End of year	<u><u>\$ 7,455,179</u></u>

Road Commission of Macomb County

Proprietary Fund - Internal Service Fund - General Liability Self-insurance Fund Statement of Cash Flows Year Ended September 30, 2004

Cash Flows from Operating Activities - Claims, settlements, premiums, and other items paid	\$ (445,981)
Cash Flows from Investing Activities	
Interest received on investments	129,344
Net proceeds and purchases of investment securities	<u>316,637</u>
Net cash provided by investing activities	<u>445,981</u>
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents - Beginning of year	<u>-</u>
Cash and Cash Equivalents - End of year	<u><u>\$ -</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating loss	\$ (399,977)
Adjustments to reconcile operating loss to net cash from operating activities - Changes in assets and liabilities:	
Accounts payable	(7,603)
Provision for uninsured losses and liabilities	<u>(38,401)</u>
Net cash used in operating activities	<u><u>\$ (445,981)</u></u>
Reconciliation to Balance Sheet	
Cash and investments recorded on statement of net assets	\$ 9,081,713
Less fixed-term investments	<u>(9,081,713)</u>
Total	<u><u>\$ -</u></u>

Noncash Investing, Capital, and Financing Activities - During the year ended September 30, 2004, there were no noncash investing, capital, or financing activities.

Road Commission of Macomb County

**Notes to Financial Statements
September 30, 2004**

Note I - Significant Accounting Policies

The Road Commission of the County of Macomb, Michigan (the "Road Commission") is a governmental agency responsible for the maintenance and construction of the road system in Macomb County. The Road Commission's financial statements will be included in the basic financial statements of the County of Macomb, Michigan as a discretely presented component unit.

The accounting policies of the Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Road Commission is governed by an appointed three-member Board of Commissioners. As required by accounting principles generally accepted in the United States of America, these financial statements present the Road Commission of Macomb County. In accordance with accounting principles generally accepted in the United States of America, there are no component units included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Road Commission. For the most part, the effect of interfund activity has been removed from these statements. The Road Commission consists solely of governmental-type activities; no business-type activities exist.

The fund financial statements are provided for governmental funds and are included in the government-wide financial statements. Major and nonmajor individual governmental funds are reported as separate columns. Separate financial statements are provided for the proprietary fund.

Road Commission of Macomb County

**Notes to Financial Statements
September 30, 2004**

Note I - Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 Road Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Amounts collected beyond this time period are recorded as deferred revenue. Revenue related to construction projects and inspection work orders is recognized when the related costs are incurred, subject to the availability criterion. Billings on the contracts include a provision for fringe benefits and overhead. No profit is recognized on these contracts. Interest associated with the current fiscal period is considered susceptible to accrual and has been recognized as revenue of the current fiscal period. Deposits with the State of Michigan for construction projects earn interest that is computed and credited to the Road Commission as of September 30 and recorded when received. Other revenue is recorded when received.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditures for construction and work orders are recognized as the work progresses. Amounts billed to other governmental units for participation in construction or for work orders include equipment usage charges based on predetermined rates. These rates are designed to cover direct equipment operating costs, which include depreciation recorded within the government-wide statements. However, expenditures related to compensated absences and claims and judgments, accounted for within the Road Fund, are recorded only when payment is due.

The Road Fund is the Road Commission's only major governmental fund and is used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Road Commission of Macomb County

**Notes to Financial Statements
September 30, 2004**

Note I - Significant Accounting Policies (Continued)

Additionally, the Road Commission reports the following fund types:

Internal Service Fund - The Internal Service Fund is a proprietary fund type and accounts for risk management services provided to the Road Fund on a cost-reimbursement basis.

Proprietary funds distinguish operating revenue and operating expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Cash Equivalents - For purposes of the statement of cash flows, the Road Commission does not include fixed-term investments (such as certificates of deposit) as cash equivalents. Only cash items (cash on hand, checking accounts, and savings accounts) are included.

Investments - Investments are reported at fair value, based on quoted market prices.

Inventory and Prepaid Costs - Inventory consists principally of road material, salt, signs, and equipment maintenance materials and is valued at the lower of average cost or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Surplus Properties - Surplus properties are recorded at the lower of acquisition cost or market.

Road Commission of Macomb County

Notes to Financial Statements
September 30, 2004

Note I - Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-25 years
Infrastructure	8-50 years

Compensated Absences (Vacation and Sick Leave) - It is the Road Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. The government-wide statement of net assets accrues all vacation and personal pay as it is earned, and sick pay as it is used or vested (whichever is earlier.) A liability for these amounts is reported in governmental funds as it comes due for payment (when time is taken off or employee is terminated.)

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, such as provision for uninsured losses, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Fund Equity - In the fund financial statements, governmental funds report designations of fund balance for amounts that represent tentative management plans that are subject to change.

Other accounting policies are disclosed in other notes to the financial statements.

Road Commission of Macomb County

**Notes to Financial Statements
September 30, 2004**

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Amounts reported in the government-wide financial statements are different from amounts reported in the governmental funds because of the following:

Governmental funds fund balance	\$ 46,608,788
Capital assets used in governmental activities are not financial resources and are not reported in the funds	677,887,483
State and local receivables not available to pay for current year expenditures and therefore deferred in the governmental funds	265,171
Compensated absences and provision for workers' compensation uninsured losses are not reported in the funds	(1,481,909)
Internal Service Fund is included as part of governmental activities	<u>7,455,179</u>
Government-wide net assets	<u><u>\$ 730,734,712</u></u>

Road Commission of Macomb County

Notes to Financial Statements September 30, 2004

Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

Net change in fund balances - Total government funds	\$ (1,214,619)
Governmental funds report capital outlay as an expenditure; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay expenditures	53,161,088
Depreciation expense	(31,507,479)
Net book value of assets disposed of	(59,275)
Changes in accumulated employee sick and vacation pay are recorded when earned in the statement of activities and reported in the fund statements when they come due for payment	(108,902)
In the statement of activities, land and roads released from developers are reported as revenue at the fair market value and the fixed asset is capitalized	14,342,656
Internal Service Funds are also included as governmental activities	(270,633)
In the governmental funds, state and local revenues not collected within 60 days of year end are not available to pay for current year expenditures, whereas in the statement of activities, revenue is recognized when earned	<u>(39,355)</u>
Change in net assets of governmental activities	<u>\$ 34,303,481</u>

Road Commission of Macomb County

**Notes to Financial Statements
September 30, 2004**

Note 3 - Stewardship, Compliance, and Accountability

The annual budget is prepared by the Finance and MIS Director and adopted by the Board of Road Commissioners; subsequent amendments are approved by the Board of Road Commissioners. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at September 30, 2004 has not been calculated. The budget was amended in a legally permissible manner with the exception of a budget amendment subsequent to year end.

The Road Fund budget has been adopted on an activity basis and prepared in accordance with accounting principles generally accepted in the United States of America; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. There were no significant budget variances of the Road Fund other than those disclosed in the statement of revenue, expenditures, and changes in fund balance - Road Fund - budget and actual. Copies of the adopted budget are available for comparison at the Road Commission offices.

Note 4 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Road Commission to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Road Commission is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Road Commission has adopted an investment policy in accordance with the statutory authority.

Road Commission of Macomb County

Notes to Financial Statements September 30, 2004

Note 4 - Deposits and Investments (Continued)

At year end, the deposits and investments were reported in the basic financial statements under governmental activities. The breakdown between deposits and investments as classified by Governmental Accounting Standards Board Statement No. 3 is in the following categories:

Deposits with financial institutions (checking accounts, savings accounts, and certificates of deposit)	\$ 46,949,621
Bank investment pools	1,340,594
Petty cash or cash on hand	<u>800</u>
Total	<u>\$ 48,291,015</u>

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$50,250,816. Of that amount, approximately \$900,000 was covered by federal depository insurance and the balance was uninsured and uncollateralized.

The Road Commission believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Road Commission evaluates each financial institution with which it deposits Road Commission funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

The Road Commission is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles. However, the Road Commission policy adopted by the Board restricts investments to certificates of deposit, U.S. Treasury bills, and bank investment pools. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool.

Road Commission of Macomb County

Notes to Financial Statements September 30, 2004

Note 4 - Deposits and Investments (Continued)

The Road Commission's investments during the year consisted solely of bank investment pools totaling \$1,340,594 at September 30, 2004. Investments are normally categorized to give an indication of the level of risk assumed by the Road Commission; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Road Commission believes that the investments in these pools comply with the investment authority noted above.

The bank investment pools are regulated by the Michigan Banking Act and the fair value of the position in the pool is the same as the value of the pool shares.

Note 5 - Capital Assets

Capital asset activity for the current year was as follows:

Governmental Activities	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
Capital assets not being depreciated - Land	\$ 159,938,295	\$ 8,004,115	\$ -	\$ 167,942,410
Capital assets being depreciated:				
Land improvements	1,314,800	2,656	-	1,317,456
Buildings	23,467,968	754,582	-	24,222,550
Road equipment	21,670,328	1,610,686	887,900	22,393,114
Other equipment	2,229,284	379,013	-	2,608,297
Infrastructure	<u>688,962,267</u>	<u>56,752,693</u>	<u>-</u>	<u>745,714,960</u>
Subtotal	737,644,647	59,499,630	887,900	796,256,377
Less accumulated depreciation for:				
Land improvements	550,468	65,829	-	616,297
Buildings	4,096,166	479,163	-	4,575,329
Road equipment	15,934,944	2,207,458	828,625	17,313,777
Other equipment	1,244,564	312,115	-	1,556,679
Infrastructure	<u>233,806,308</u>	<u>28,442,914</u>	<u>-</u>	<u>262,249,222</u>
Subtotal	<u>255,632,450</u>	<u>31,507,479</u>	<u>828,625</u>	<u>286,311,304</u>
Net capital assets being depreciated	<u>482,012,197</u>	<u>27,992,151</u>	<u>59,275</u>	<u>509,945,073</u>
Net capital assets	<u>\$ 641,950,492</u>	<u>\$ 35,996,266</u>	<u>\$ 59,275</u>	<u>\$ 677,887,483</u>

Road Commission of Macomb County

Notes to Financial Statements September 30, 2004

Note 5 - Capital Assets (Continued)

Construction Commitments - The Road Commission has three significant active resurfacing projects at year end totaling \$8,652,136. The Road Commission's cumulative expenditures and remaining commitment with these contractors as of September 30, 2004 are \$4,579,787 and \$4,072,349, respectively.

Governmental net assets have been increased to adjust the cost of capital assets (primarily infrastructure) in service as of October 1, 2003 as follows:

Governmental net assets - October 1, 2003, as previously reported	\$ 657,376,061
Capital assets - Net of accumulated depreciation	<u>39,055,170</u>
Governmental net assets - October 1, 2003, as restated	<u>\$ 696,431,231</u>

Net income of governmental activities for the year ended September 30, 2003 was reduced approximately \$9,600,000 by this adjustment.

Note 6 - Risk Management

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits provided to employees but is self-funded for general liability and workers' compensation claims up to a retention amount, at which time the Road Commission's reinsurance begins. Retention amounts during the year ended September 30, 2004 were \$5,000,000 and \$250,000 for general liability and workers' compensation, respectively. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

General Liability Claims

Beginning January 17, 1993, the Road Commission assumes costs for general liability claims, including all cost associated with those claims, within certain limits. The Road Commission is liable for losses up to a retention amount per claim and is liable for losses in excess of the maximum insurance coverage.

Road Commission of Macomb County

Notes to Financial Statements
September 30, 2004

Note 6 - Risk Management (Continued)

The Road Commission estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The Road Commission has been named defendant in numerous claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. It is the opinion of legal counsel and management that reasonable estimates of the Road Commission's liability for these matters have been recorded in the General Liability Self-insurance Fund as outlined below.

Changes in the estimated recorded liability for the past two fiscal years were as follows:

	<u>2004</u>	<u>2003</u>
Estimated liability - Beginning of year	\$ 1,785,015	\$ 2,559,090
Increase (decrease) in estimated claims incurred, including changes in estimates	13,723	(701,682)
Claim payments	<u>(52,204)</u>	<u>(72,393)</u>
Estimated liability - End of year	<u>\$ 1,746,534</u>	<u>\$ 1,785,015</u>

There are also certain property and employment-related lawsuits currently pending against the Road Commission claiming amounts for damages and relief without stated limitations. These lawsuits have not yet progressed to the point where a legal opinion can be reached as to the ultimate liability, if any, which may result from the resolution of these cases. Hence, no provision has been made in the financial statements as of September 30, 2004 for any ultimate liability related to these matters in excess of the estimated liability discussed above. However, in the opinion of Road Commission management and legal counsel, the probable additional exposure of the Road Commission for these lawsuits is immaterial to the financial statements.

Workers' Compensation Claims

The Road Commission assumes costs for workers' compensation claims within certain limits.

Road Commission of Macomb County

Notes to Financial Statements
September 30, 2004

Note 6 - Risk Management (Continued)

The Road Commission estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The current portion of these estimates is recorded in the Road Fund. The government-wide statement of net assets includes the current and long-term portions of these estimates. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2004</u>	<u>2003</u>
Estimated liability - Beginning of year	\$ 266,269	\$ 327,468
Increase in estimated claims incurred, including changes in estimates	251,440	110,948
Claim payments	<u>(170,934)</u>	<u>(172,147)</u>
Estimated liability - End of year	<u>\$ 346,775</u>	<u>\$ 266,269</u>

The Road Commission recognizes liabilities for environmental remediation costs when such obligations are probable and reasonably estimable. During the year ended June 30, 2001, the Road Commission sold certain property. An environmental assessment was performed subsequent to the sale, which indicated the presence of certain compounds in excess of applicable limits. In its status as former owner and operator and as a generator of solid waste, the Road Commission could be found to be a potentially responsible party. Preliminary cost estimates related to remediation are immaterial; therefore, no amounts have been accrued.

Note 7 - Postemployment Benefits

The Road Commission provides health care and dental benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, 255 retirees are eligible. The Road Commission includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participants. The Road Commission purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$2,450,000.

Road Commission of Macomb County

**Notes to Financial Statements
September 30, 2004**

Note 7 - Postemployment Benefits

Upcoming Reporting Change - The Government Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending September 30, 2008.

Note 8 - Defined Benefit Pension Plan

Plan Description

The Road Commission contributes to the Macomb County Employees’ Retirement System, an agent multiple-employer defined benefit pension plan that covers all full-time employees of the Road Commission. The Macomb County Employees’ Retirement System provides retirement, disability, and death benefits to plan members and their beneficiaries. The Macomb County Employees’ Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Macomb County Employees’ Retirement System. That report may be obtained by writing to the Retirement Commission at 10 N. Main, Mt. Clemens, Michigan 48043.

Funding Policy

The obligation to contribute to and maintain the Macomb County Employees’ Retirement System for these employees was established by negotiation with the Road Commission’s competitive bargaining units and requires a contribution from the employees of 3.5 percent of gross wages from all covered employees.

Road Commission of Macomb County

Notes to Financial Statements
September 30, 2004

Note 8 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost

For the valuation year ended December 31, 2003, the Road Commission's annual pension cost of \$964,174 for the plan was equal to the Road Commission's required and actual contribution of \$964,174. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 5 percent per year, compounded annually and attributable to inflation, (c) additional projected salary increases of up to 5 percent per year, depending on service and attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The remaining UAAL (or overfunding) was amortized by level percentage of payroll contributions over 12 years, except for liabilities created by plan changes, assumption changes, or method changes, which are amortized over 17 years.

Additional pension plan information for the Road Commission is as follows:

	Plan Year Ended December 31		
	2003	2002	2001
Annual pension cost (APC)	\$ 964,174	\$ 372,158	\$ 849,866
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Valuation Year Ended December 31		
	2003	2002	2001
Actuarial value of assets	\$ 84,102,585	\$ 85,917,264	\$ 89,368,629
Actuarial accrued liability (AAL) (entry age)	\$ 90,840,389	\$ 85,178,635	\$ 79,609,325
(Underfunded)/Overfunded AAL	\$ (6,737,804)	\$ 738,629	\$ 9,759,304
Funded ratio	92.58%	100.87%	112.26%
Covered payroll	\$ 15,166,250	\$ 14,370,596	\$ 13,155,595
UAAL as a percentage of covered payroll	44.43%	-%	-%

Road Commission of Macomb County

Notes to Financial Statements September 30, 2004

Note 9 - Designated Fund Balance

Fund balances at September 30, 2004 have been designated for the following purposes:

	Major Fund - Road Fund	Nonmajor Fund - Capital Projects Fund
Subsequent year's expenditures	\$ 17,060,343	\$ 3,654,236
Bridge projects	16,400,000	-
Salt storage	300,000	-
Traffic signal upgrades	2,000,000	-
Drain apportionment	200,000	-
Illicit discharge elimination program	381,000	-
Pavement management study	500,000	-
Sign inventory	500,000	-
SEMSIM	300,000	-
Total	<u>\$ 37,641,343</u>	<u>\$ 3,654,236</u>

December 16, 2004

Board of Road Commissioners
Road Commission of Macomb County
117 S. Groesbeck Highway
Mt. Clemens, Michigan 48043

Dear Commissioners:

We have recently completed our audit of the Road Commission of Macomb County for the year ended September 30, 2004. In addition to our audit report, we offer the following comments and recommendations for your consideration as the policy making body of the Road Commission:

Internal Control and Fraud Prevention

Designing and maintaining a sound system of internal controls over assets, as well as fraud prevention and detection, are on the forefront in today's business environment. As part of our audit of the Road Commission's 2004 financial statements, we performed additional procedures as required by Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit* (SAS 99). While SAS 99 does not change the focus of the financial statement audit to a "fraud audit", the new standard incorporates a change in mindset for auditors to search for and identify significant fraud risk factors. SAS 99 requires auditors to perform specific procedures to search for significant fraud risk factors, including inquiries with the Road Commissioners, administration, and other employees throughout the Road Commission; a retrospective review of accounting estimates; a detailed review of all journal entries; and other related procedures. We are pleased to report that no significant fraud risk factors or instances of fraud were identified as a result of our procedures.

New Governmental Accounting Pronouncements

Retiree Health Care Funding

As you are aware, the Road Commission provides post employment benefits for all eligible employees. The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Post employment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions). The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government wide financial statements, rather than the individual fund level. As a result, you will not need to change your budgeting practices.

As you know, the promise to provide health care to retirees is very similar to the promise to provide an annual pension check. The new pronouncement will require the Road Commission to obtain a valuation of the obligation to provide retiree health care benefits. In addition, the Road Commission's funding status or the progress it has made in accumulating assets to pay for this liability, will be disclosed in the financial statements. Lastly, the Road Commission will be required to make an annual contribution equal to the amount that the actuary deems necessary to fund the liability. As you know, the Road Commission already established a separate fund to account for these benefits and has started to set aside funds for this liability. These changes will be effective in 2008.

Deposit and Investment Risk Disclosures

Governmental Accounting Standards Board Statement #40 – Deposit and Investment Risk Disclosures, is effective for the Road Commission's September 30, 2005 year-end. GASB #40 amends the Deposit and Investment Risk disclosures previously prescribed by GASB #3. Under GASB #40, the Road Commission must disclose applicable investment risks due to custodial credit risk (originally required by GASB #3) as well as new disclosures for concentration credit risk, interest rate fluctuation risk, and foreign currency risk. In addition, the Road Commission must disclose its investment policy addressing each applicable risk. We encourage you to review your investment policies and update as necessary, to ensure the policies adequately address the risks associated with each type of investment made by the Road Commission. We will work with the Finance Director and provide any guidance requested.

We sincerely thank the Commissioners for the opportunity to serve as auditors for the Road Commission and we strive to meet or exceed your expectations. We also express our appreciation for the courtesy and cooperation extended to us by Ms. Mykytiak, the finance department and all personnel at the administration building during the audit. As always, we are happy to answer any questions or concerns you have regarding the annual financial report or the above comments at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC



Christina M. Kostiuk



Lisa C. Manetta

cc: Ms. Michelle Mykytiak