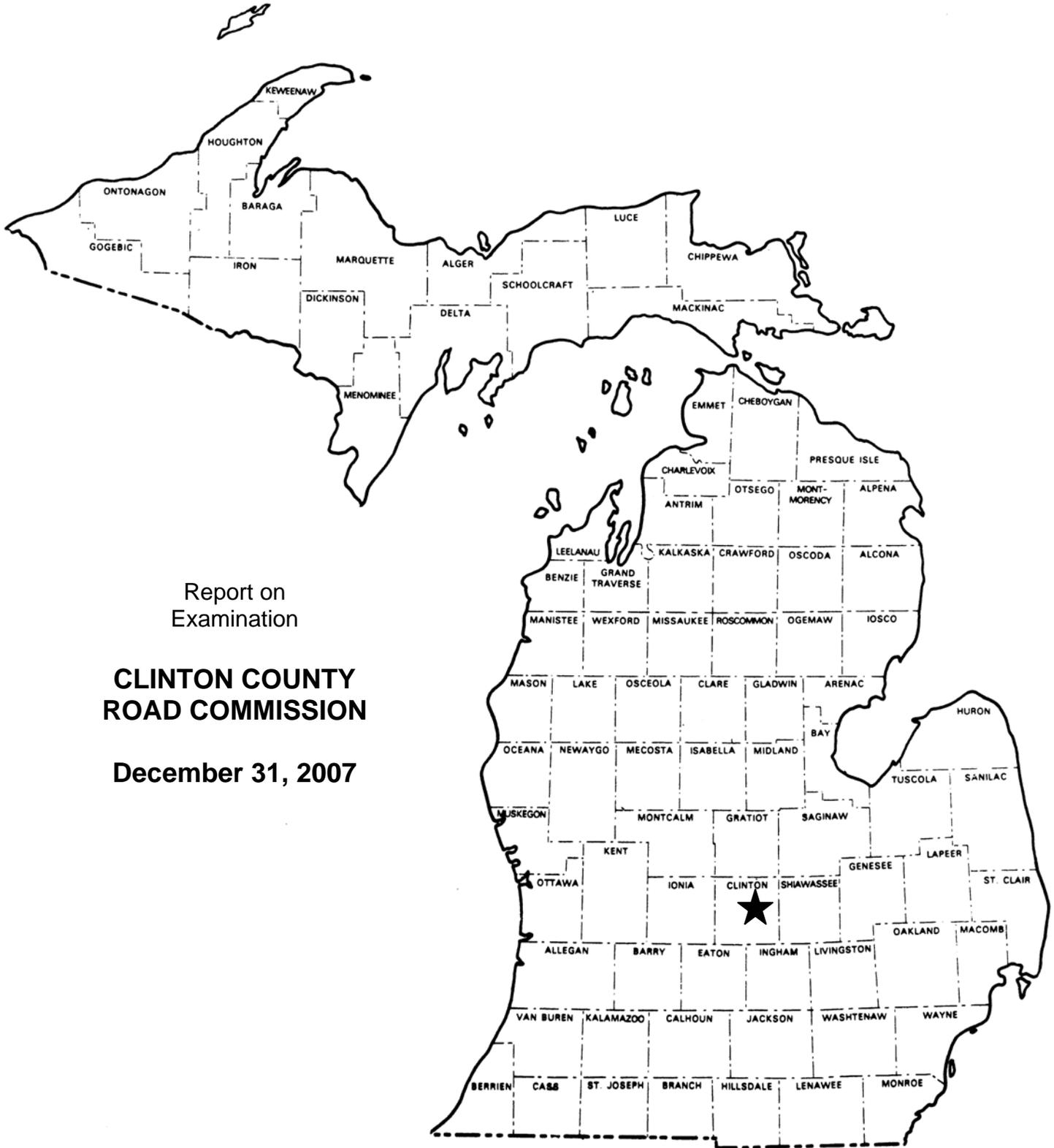


**STATE OF MICHIGAN**  
JENNIFER M. GRANHOLM, Governor  
**DEPARTMENT OF TREASURY**



Report on  
Examination

**CLINTON COUNTY  
ROAD COMMISSION**

**December 31, 2007**

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CLINTON COUNTY ROAD COMMISSION  
BOARD OF COUNTY ROAD COMMISSIONERS

Russel Bauerle  
Chairman

Donald J. Sisung  
Vice Chairman

Peter Blauwiel  
Member

Michael M. Nobach  
Managing Director

Daniel Armentrout  
County Highway Engineer

Patricia E. Wysong  
Director of Finance/Clerk

COUNTY POPULATION--2000  
64,753

STATE EQUALIZED VALUATION--2007  
\$3,287,308,041



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

February 29, 2008

Clinton County Road Commission  
Board of County Road Commissioners  
3535 South US 27  
St. Johns, Michigan 48879

RE: Unqualified Opinions on Basic Financial Statements Accompanied by  
Required Supplementary Information and Supplementary Information

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying basic financial statements of the Clinton County Road Commission, a component unit of Clinton County, Michigan, as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clinton County Road Commission as of December 31, 2007 and the changes in financial position 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 February 29, 2008 on our consideration of the Clinton County Road Commission's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of the audit.

The Management's Discussion and Analysis on pages 1 through 10 and the budget comparison information in Exhibits G and H are not part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprises the Clinton County Road Commission's basic financial statements. The accompanying supplemental and related information presented as Exhibits I through K is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.



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

CLINTON COUNTY ROAD COMMISSION

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CLINTON COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Using this Annual Report**

Our discussion and analysis of Clinton County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the calendar year ended December 31, 2007. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Road Commission and present a longer-term view of their finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

**Overview of the Financial Statements**

This annual report consists of four parts--Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents the operating fund broken down between primary, local and county funds. The basic financial statements include two kinds of statements that present different views of the Road Commission:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities--this is one way to measure the Road Commission's financial health or position.
- The remaining statements are fund financial statements that focus on individual funds, reporting the operations in more detail than the government wide-statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**Reporting the Road Commission as a Whole**

**Government-Wide Statements**

The Statement of Net Assets and the Statement of Activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year's activities.

## CLINTON COUNTY ROAD COMMISSION

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Net Assets includes all of the Road Commission'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 accounted for in the Statement of Activities regardless of when cash is received or paid.

The two statements mentioned above, report the Road Commission's net assets and how they have changed. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Road Commission you need to consider additional nonfinancial factors such as changes in the county's property tax base, the condition of the Road Commission's roads and changes in the law related to the gas taxes and its distribution.

#### Fund Financial Statements

The Road Commission has only one fund, the General Operations Fund, which is a governmental fund type.

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 Road Commission'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 Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the Governmental Fund in a reconciliation following the Fund Financial Statements.

#### **Financial Analysis of the Road Commission as a Whole**

The Road Commission's net assets increased from \$55,538,039 to \$57,822,422 for the year ended December 31, 2007. The net assets and change in net assets are summarized below:

#### Net Assets

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, and charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such, all assets (except for assets invested in capital assets-net of related debt) are considered restricted.

CLINTON COUNTY ROAD COMMISSION

MANAGEMENT’S DISCUSSION AND ANALYSIS

The increase in capital assets was due to an increase of \$60,000 for road right-of-way accepted into the public road system, \$329,816 in land improvement expenditures on the road system, \$1,878,242 in net addition to the infrastructure system, and \$12,136 of bank-run inventory material created at the Woodbury Pit.

The decrease in noncurrent liabilities was due mainly to a \$4,811 increase in state trunkline advances for maintenance, a \$7,500 decrease in the Piggott Pit gravel purchase contract, a \$25,163 decrease in the vested employee benefits payable for 2007, a \$55,948 decrease in accrued accounts payable, and a \$171,062 advanced for Federal/State/Jobs Today projects.

Net assets as of year ended December 31, 2007 compared to the prior year follows:

	2006	2007	Variance Increase (Decrease)	%
Current and Other Assets	\$ 5,053,432	\$ 5,790,715	\$ 737,283	14.59%
Net Capital Assets	<u>51,904,268</u>	<u>53,252,946</u>	<u>1,348,678</u>	<u>2.60%</u>
Total Assets	<u>56,957,700</u>	<u>59,043,661</u>	<u>2,085,961</u>	<u>3.66%</u>
Current Liabilities	388,646	277,967	(110,679)	-28.48%
Long-Term Liabilities	<u>1,031,015</u>	<u>943,272</u>	<u>(87,743)</u>	<u>-8.51%</u>
Total Liabilities	<u>1,419,661</u>	<u>1,221,239</u>	<u>(198,422)</u>	<u>-13.98%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	51,904,268	53,252,946	1,348,678	2.60%
Restricted	<u>3,633,771</u>	<u>4,569,476</u>	<u>935,705</u>	<u>25.75%</u>
Total Net Assets	<u>\$55,538,039</u>	<u>\$57,822,422</u>	<u>\$2,284,383</u>	<u>4.11%</u>

Changes in Net Assets

The net decrease in total revenue was due to a \$18,462 decrease in permit applications, a \$1,250,585 decrease in Federal grants and a \$963,355 increase in State grants related to Federal/State funded projects, a \$118,046 decrease in contributions from local units from a decrease in township participation in projects, a \$300,002 increase in charges for services related to increased trunkline maintenance expenditures, a \$5,562 increase in investment earnings related to increased interest rates and an increased cash balance due to the Building Fund and Discretionary Fund, a \$569,599 decrease in private contributions related to a decrease in subdivision roads constructed and accepted into the public road system, and a \$27,980 increase related to miscellaneous contributions and sale of surplus inventory items.

## CLINTON COUNTY ROAD COMMISSION

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The net decrease in total expenses was due to a \$187,316 increase in road maintenance costs primarily attributable to routine maintenance work, a \$297,984 increase in State trunkline maintenance costs, a \$613,734 decrease in net equipment expense related to an increase in equipment usage and a decrease in overall equipment maintenance repairs and fringe benefit expenses, a \$73,704 decrease in administrative expense due mainly to a decrease of \$19,754 in fringe benefit expense, a \$8,557 decrease in data processing expense, and an increase of \$32,119 in trunkline maintenance overhead. A decrease of \$1,612 in infrastructure depreciation due mainly to infrastructure bridge assets removed with a remaining undepreciated value, \$2,769 in work for other agency cost mainly attributable to less work performed for the county, cities, villages, and schools, and a \$12,828 increase in drainage district due to an increase in the county at large drain assessment also affected the net decrease in total expenses.

CLINTON COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

A summary of changes in net assets for the year ended December 31, 2007 compared to the prior year follows:

	2006	2007	Favorable (Unfavorable) Variance	Variance %
Program Revenue				
License and Permits	\$ 79,065	\$ 60,603	\$ (18,462)	-23.35%
Federal Grants	2,386,142	1,135,557	(1,250,585)	-52.41%
State Grants	6,447,416	7,410,771	963,355	14.94%
Contributions From Local Units	2,070,732	1,952,687	(118,045)	-5.70%
Charges for Services	1,130,223	1,430,225	300,002	26.54%
Investment Earnings	180,086	185,648	5,562	3.09%
Refunds and Rebates	1,288	967	(321)	-24.92%
Private Contributions	1,335,383	765,784	(569,599)	-42.65%
Other		27,980	27,980	100.00%
General Revenue				
Gain on Equipment Disposal	47,851	28,256	(19,595)	-40.95%
<b>Total Revenue</b>	<b>13,678,186</b>	<b>12,998,478</b>	<b>(679,708)</b>	<b>-4.97%</b>
Expenses				
Primary Road Maintenance	1,590,507	1,821,192	(230,685)	-14.50%
Local Road Maintenance	3,516,788	3,473,419	43,369	1.23%
State Trunkline Maintenance	1,076,419	1,374,403	(297,984)	-27.68%
Net Equipment Expense	510,744	(102,990)	613,734	120.16%
Net Administrative Expense	595,140	521,436	73,704	12.38%
Infrastructure Depreciation	3,540,917	3,539,305	1,612	0.05%
Infrastructure Gain/Loss		4,382	(4,382)	-100.00%
Work for Other Agencies	160,148	157,379	2,769	1.73%
Drainage District	37,305	50,132	(12,827)	-34.38%
Compensated Absences	48,748	(25,163)	73,911	151.62%
Interest Expense	1,200	600	600	50.00%
<b>Total Expenses</b>	<b>11,077,916</b>	<b>10,814,095</b>	<b>263,821</b>	<b>2.38%</b>
Increase in Net Assets Before Transfers	2,600,270	2,184,383	(415,887)	-15.99%
Transfers In--Primary Government	100,000	100,000	-	0.00%
Increase in Net Assets	2,700,270	2,284,383	\$ (415,887)	-15.40%
Ending Net Assets	\$55,538,039	\$57,822,422		

CLINTON COUNTY ROAD COMMISSION

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Road Commission’s Fund

The Road Commission’s General Operations Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county that are earmarked by law for road and highway purposes.

For the year ended December 31, 2006, program revenues exceeded program expenditures by \$160,518 while 2007 resulted in an excess of \$903,042 of program revenue over program expenditures mainly as a result of a decrease in permit applications, a decrease in Federal Aid projects, a decrease in contributions from donated subdivision roads, and a decrease in capital assets purchased.

A summary of changes in the Operating Fund is as follows:

	2006	2007	Favorable (Unfavorable) Variance	Variance %
Revenues				
License and Permits	\$ 79,065	\$ 60,603	\$ (18,462)	-23.35%
Federal Grants	2,386,142	1,135,557	(1,250,585)	-52.41%
State Grants	6,447,416	7,410,771	963,355	14.94%
Contributions From Local Units	2,070,732	1,952,687	(118,045)	-5.70%
Charges for Services	1,130,223	1,430,225	300,002	26.54%
Investment Earnings	180,086	185,648	5,562	3.09%
Other Revenue	1,384,522	822,987	(561,535)	-40.56%
Total Revenue	<u>13,678,186</u>	<u>12,998,478</u>	<u>(679,708)</u>	<u>-4.97%</u>
Expenditures				
Public Works	13,008,509	11,852,087	1,156,422	8.89%
Capital Outlay	600,459	335,249	265,210	44.17%
Debt Service	8,700	8,100	600	6.90%
Total Expenditures	<u>13,617,668</u>	<u>12,195,436</u>	<u>1,422,232</u>	<u>10.44%</u>
Excess of Revenues (Over) Under Expenditures	60,518	803,042	742,524	1226.95%
Other Financing Sources				
Transfers In--Primary Government	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>0.00%</u>
Excess of Revenues and Other Financing Sources (Over) Under Expenditures	160,518	903,042	742,524	462.58%
Fund Balance Beginning	<u>4,162,665</u>	<u>4,323,183</u>	<u>160,518</u>	<u>3.86%</u>
Fund Balance Ending	<u>\$ 4,323,183</u>	<u>\$ 5,226,225</u>	<u>\$ 903,042</u>	<u>20.89%</u>

## CLINTON COUNTY ROAD COMMISSION

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### **Budgetary Highlights**

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission board acts to amend its budget to reflect changes in these original assumptions utilizing facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The final amended revenue budget for 2007 was \$1,590,549 lower than the original budget, primarily due to \$3,852,265 of federally funded projects not completed in 2007, an increase in State critical bridge projects, additional work performed for cities, additional work completed under trunkline maintenance, additional interest earned, and additional work completed for other agencies. The actual revenue recognized during 2007 was less than the final amended budget by \$198,758, with \$203,177 of this amount as a result of Federal and State grant funded projects not being invoiced by Michigan Department of Transportation prior to the close of 2007.

The final amended expenditure budget for 2007 was \$2,842,920 lower than the original budget due mainly to a decrease of Federal/State aid projects within the primary road preservation/structural improvement expenditures in the amount of \$3,471,118 which were not invoiced by the Michigan Department of Transportation prior to the close of 2007 and an increase in local road maintenance expenditures of \$755,506 as a result of additional routine maintenance work performed. The actual expenditures recognized during 2007 were less than the final amended budget by \$682,152. This deficit of expenditures over budgeted projections was due primarily to Federal aid road and bridge projects not completed by the end of 2007 in the amount of \$3,453,150.

CLINTON COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

As of December 31, 2007, the Road Commission had \$53,252,946 invested in capital assets as follows:

	<u>2006</u>	<u>2007</u>	Favorable (Unfavorable) Variance	Variance %
Capital Assets Not being Depreciated				
Land	\$ 283,750	\$ 283,750	-	0.00%
Land Improvements	5,286,407	5,616,224	\$ 329,817	6.24%
ROW Easements	<u>963,081</u>	<u>1,023,081</u>	<u>60,000</u>	<u>6.23%</u>
Subtotal	<u>6,533,238</u>	<u>6,923,055</u>	<u>389,817</u>	<u>5.97%</u>
Capital Assets Being Depreciated				
Buildings	1,735,798	1,735,798	-	0.00%
Depletable Assets	63,115	75,251	12,136	19.23%
Equipment	6,031,615	6,224,872	193,257	3.20%
Infrastructure	<u>72,397,496</u>	<u>74,275,738</u>	<u>1,878,242</u>	<u>2.59%</u>
Subtotal	<u>80,228,024</u>	<u>82,311,659</u>	<u>2,083,635</u>	<u>2.60%</u>
Total Capital Assets	86,761,262	89,234,714	2,473,452	2.85%
Total Accumulated Depreciation	<u>34,856,994</u>	<u>35,981,768</u>	<u>1,124,774</u>	<u>3.23%</u>
Total Net Capital Assets	<u>\$ 51,904,268</u>	<u>\$ 53,252,946</u>	<u>\$ 1,348,678</u>	<u>2.60%</u>

During the current year, the Road Commission invested \$5,191,283 in infrastructure capital assets including the addition of .45 miles of newly constructed public roadway, and \$335,249 in other capital assets. The infrastructure recorded during 2007 will be depreciated in the following year. The infrastructure is financed through Federal, State and local contributions.

This year's major capital assets additions included the following:

Various Resurfacing Projects and Related ROW	\$ 2,565,726
Bridges	2,218,328
Traffic Signals	407,229
Trucks/Equipment	314,667
Office and Engineering Equipment	8,446
Depletable Assets	<u>12,136</u>
Total Additions	<u>\$ 5,526,532</u>

## CLINTON COUNTY ROAD COMMISSION

### MANAGEMENT'S DISCUSSION AND ANALYSIS

During 2007, the Road Commission traded in and/or disposed of equipment with a purchase amount of \$129,857 and related depreciation of \$117,493 with a net book value of \$12,364. A total of \$2,923,225 of infrastructure assets with related depreciation of \$2,901,774 and a net book value of \$21,451 were removed from the capital asset accounts.

In 2008, we are projecting the purchase of 1 dump truck, 1 grader, 1 small steel drum roller, 1 night patrol truck, 4 ½-ton pickups, 1 over band machine, and 2 arrow boards for a total of \$588,400; shop equipment of 1 steam cleaner/pressure washer for a total of \$7,000; office equipment of \$17,293; and engineering equipment of \$17,293, for a total of \$618,743.

#### Debt

At the end of the year, the Road Commission had paid \$7,500 in principal on a purchase agreement for gravel reducing the balance to \$0.00.

Other obligations include accrued vacation, sick leave, and longevity in the amount of \$656,749 at the end of 2007.

#### **Economic Factors and Next Year's Budget**

The Board of County Road Commissioners considered many factors when setting the fiscal year 2008 budget. One of the factors is the economy. The Road Commission derives approximately 44% of its revenues from the fuel tax and license plate fees collected. Using Michigan Department of Transportation projections, it is estimated that the Road Commission will receive \$193,121 (3.2%) less Michigan Transportation Fund revenue in 2008. The Road Commission received approximately 18% of its revenues from township contributions during 2007, this amount fluctuates with the approved road projects and depends on what and how much the townships can afford to participate in. During 2008, we expect to receive \$3,591,264 in Federal and State aid for road projects if they are completed during the 2008 construction season. In 2006, the Board of Clinton County Road Commissioners authorized an actuarial valuation of all post-employment benefits with a determined liability of \$14,325,707. The Board of Clinton County Road Commissioners has established a trust fund through Michigan Employees Retirement System for future employee retirement benefits with \$60,000 contributed annually into this fund since 2006. The MERS OPEB Trust Fund had a balance of \$130,338 at the end of 2007 leaving an unfunded liability of \$14,445,967.

The above items were considered when adopting the budget for 2008. Amounts available for appropriation in the budget are \$12,017,658 representing a decrease of 24% from the 2007 budget of \$15,720,508.

CLINTON COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Contacting the Commission's Financial Management**

The financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Clinton County Road Commission Director of Finance at 3536 S. BR-127, St. Johns, MI 48879.

**CLINTON COUNTY ROAD COMMISSION  
STATEMENT OF NET ASSETS  
December 31, 2007**

**EXHIBIT A**

**ASSETS**

Cash	\$ 4,123,217
Sundry Accounts	5,300
State--Trunkline Maintenance	213,468
Michigan Transportation Fund	938,431
Inventories	
Road Materials	257,856
Equipment Parts and Materials	81,381
Deferred Expenses	171,062
Capital Assets (Net of Accumulated Depreciation)	<u>53,252,946</u>
 Total Assets	 <u>59,043,661</u>

**LIABILITIES**

Current Liabilities	
Accounts Payable	19,697
Accrued Liabilities	72,279
Performance Bonds Payable	185,991
Non-Current Liabilities	
State Trunkline Advances	286,523
Vested Employee Benefits Payable	<u>656,749</u>
 Total Liabilities	 <u>1,221,239</u>

**NET ASSETS**

Investment in Capital Assets--Net of Related Debt	53,252,946
Restricted for County Roads	<u>4,569,476</u>
 Total Net Assets	 <u><u>\$ 57,822,422</u></u>

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

**CLINTON COUNTY ROAD COMMISSION  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2007**

**EXHIBIT B**

Program Expenses	
Primary Road Maintenance	\$ 1,821,192
Local Road Maintenance	3,473,419
State Trunkline Maintenance	1,374,403
Net Equipment Expense	(102,990)
Net Administrative Expense	521,436
Work for Other Agencies	157,379
Infrastructure Depreciation	3,539,305
Infrastructure Gain/Loss	4,382
Drainage District	50,132
Compensated Absences	(25,163)
Interest Expense	600
	<hr/>
Total Program Expenses	10,814,095
	<hr/>
Program Revenue	
Charges for Services	
Licenses and Permits	60,603
Charges for Services	1,430,225
Refunds and Reimbursements	967
Operating Grants and Contributions	
Michigan Transportation Funds	6,035,020
Investment Earnings	185,649
Capital Grants and Contributions	
Federal Grants	1,135,557
State Grants	1,375,750
Contributions From Local Units	1,952,687
Private Contributions	765,784
Other	27,980
	<hr/>
Total Program Revenue	12,970,222
	<hr/>
Net Program Revenue	2,156,127
	<hr/>
General Revenue	
Gain on Disposal of Capital Assets	28,256
Transfers In--Primary Government	100,000
	<hr/>
Total General Revenues and Transfers	128,256
	<hr/>
Change in Net Assets	2,284,383
	<hr/>
Net Assets	
Beginning of Year	55,538,039
	<hr/>
End of Year	\$ 57,822,422
	<hr/> <hr/>

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

**CLINTON COUNTY ROAD COMMISSION  
BALANCE SHEET  
DECEMBER 31, 2007**

**EXHIBIT C**

**GOVERNMENTAL  
FUND TYPE**

General  
Operating  
Fund

**ASSETS**

Cash	\$ 4,123,217
Accounts Receivable	
State Trunkline Maintenance	213,468
Michigan Transportation Fund	938,431
Sundry Accounts	5,300
Inventories	
Road Materials	257,856
Equipment Parts and Materials	81,381
Deferred Expense	<u>171,062</u>
 Total Assets	 <u><u>\$ 5,790,715</u></u>

**LIABILITIES AND FUND EQUITY**

Liabilities	
Accounts Payable	\$ 19,697
Accrued Liabilities	72,279
Performance Bonds Payable	185,991
Advances From State	<u>286,523</u>
 Total Liabilities	 <u>564,490</u>
 Fund Equities	
Fund Balance	
Reserved for Inventory	339,237
Unreserved and Undesignated	<u>4,886,988</u>
 Total Fund Equities	 <u>5,226,225</u>
 Total Liabilities and Fund Equities	 <u><u>\$ 5,790,715</u></u>

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

**CLINTON COUNTY ROAD COMMISSION  
RECONCILIATION OF THE BALANCE SHEET FUND  
BALANCES TO THE STATEMENT OF NET ASSETS  
For the Year Ended December 31, 2007**

**EXHIBIT D**

Total Governmental Fund Balance	\$ 5,226,225
Amounts reported for governmental activities in the Statement of Net Assets are are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	53,252,946
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	<u>(656,749)</u>
Net Assets of Governmental Activities	<u><u>\$ 57,822,422</u></u>

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

**CLINTON COUNTY ROAD COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
For the Year Ended December 31, 2007**

**EXHIBIT E**

	<u>Operating Fund</u>
Revenues	
License and Permits	\$ 60,603
Federal Grants	1,135,557
State Grants	7,410,771
Contributions From Local Units	1,952,686
Charges for Services	1,430,226
Interest and Rents	185,649
Other Revenue	<u>822,986</u>
Total Revenues	<u>12,998,478</u>
Expenditures	
Public Works	11,852,087
Capital Outlay	335,249
Debt Service	<u>8,100</u>
Total Expenditures	<u>12,195,436</u>
Excess of Revenues Over (Under) Expenditures	<u>803,042</u>
Other Financing Sources	
Transfers In--Primary Government	<u>100,000</u>
Total Other Financing Sources	<u>100,000</u>
Excess of Revenues and Other Financing Sources Over Expenditures	903,042
Fund Balance--January 1, 2007	<u>4,323,183</u>
Fund Balance--December 31, 2007	<u><u>\$5,226,225</u></u>

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

**CLINTON COUNTY ROAD COMMISSION  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2007**

**EXHIBIT F**

Net Change in Fund Balance--Total Governmental Funds \$ 903,043

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the Statement of Activities. 1,348,677

Lease proceeds provide current financial resources to governmental funds, but entering into lease agreements increases long-term liabilities in the Statement of Net Assets. Repayment of notes/leases payable is an expenditure in governmental funds, but reduces the long-term liabilities in the Statement of Net Assets. 7,500

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Increase in compensated absences and decrease in interest expense.) 25,163

Change in Net Assets of Governmental Activities \$2,284,383

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

# CLINTON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

### NOTE A--REPORTING ENTITY

The Clinton County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a 3-member board of county road commissioners appointed by the county board of commissioners. The Road Commission may not issue debt without the county's approval and property tax levies for road purposes are subject to county board of commissioners' approval.

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 the component unit data were not included. Based on the above criteria, these financial statements present the Clinton County Road Commission, a discretely presented component unit of Clinton County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county, which are earmarked by law for street and highway purposes. The board of county road commissioners is responsible for the administration of the Road Commission Operating Fund.

### 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 Activities) report information on all of the activities of the Clinton County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets-net of related debt, or restricted net assets.

# CLINTON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

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

#### 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.

Amounts reported as program revenue include: 1) charges to customers or applicants for goods or services or privileges provided; and 2) Michigan Transportation Funds (MTF), State/Federal contracts and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the Road Commission's policy to use restricted resources first, then unrestricted resources as needed.

# CLINTON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

#### 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, permits, township contributions 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.

#### Bank Deposits and Investments

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

#### Inventories

Inventories are priced at cost as determined by the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations, as used.

#### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges and traffic signals) are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by the Clinton County Road Commission as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of three years except for Schedule 'C' equipment which has no minimum cost. Assets are recorded at historical cost or estimated historical cost of purchase or construction. Donated capital assets are recorded at estimated fair market value at the date of donation.

CLINTON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	25 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12 to 50 years
Infrastructure--Signals	15 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Operating Fund Statement of Net Assets.

Other Financing Sources (Uses)

In the fund financial statements, the transfers of cash between the various county funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out) unless they represent temporary advances that are to be repaid, in which case they are carried as assets and liabilities of the advancing or borrowing funds. In 2007, the Road Commission received a \$100,000 transfer from the primary government to purchase equipment.

NOTE C--STEWADSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Procedures

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, (MCL 141.421) which requires the county board of road commissioners to approve a budget for the County Road Fund. The Road Commission's chief fiscal administrative officer (director of finance) prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board conducts a public budget hearing and, subsequently, adopts an operating budget. Amendments to the budget are made only with board approval. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the fund financial statements.

CLINTON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH AND INVESTMENTS

Deposits are carried at cost. Deposits of the County Road Fund are made in eight banks in the name of the Clinton County Treasurer. Public Act 20 of 1943, as amended, authorizes the county treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any 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; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; and obligations of the State of Michigan or its political subdivisions which are rated investment grade. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The board of county road commissioners has adopted an investment policy similar to the county's policy in accordance with investment provisions in Public Act 20 of 1943.

The Road Commission's insured deposit amount results from the County Road Fund meeting certain specified criteria under FDIC regulations. The risk disclosures for the Road Commission deposits, as required by the GASB Statement No. 40, are as follows:

At year end (and during the year), the Road Commission did not have any investments other than long-term certificates of deposits, the deposits were reported in the basic financial statements in the following categories:

Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	<u>\$4,123,217</u>
Total	<u>\$4,123,217</u>

The bank balance of the Road Commission's deposits is \$4,255,485, of which \$800,000 is covered by Federal depository insurance.

Investments Authorized by the Road Commission's Investment Policy

The Road Commission's investment policy authorizes investment in all those that are authorized by law. As stated above, the Road Commission did not have any investments in the fiscal year ended December 31, 2007.

CLINTON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH AND INVESTMENTS (Continued)

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. The Road Commission's investment policy contains specific provisions to limit their exposure to credit risk.

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 Road Commission's investment policy contains specific provisions to limit their 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 Road Commission'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.

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 Road Commission's investment policy would limit, to some extent, exposure to custodial credit risk for deposits.

CLINTON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE E--LONG-TERM DEBT

The long-term debt of the Road Commission may be summarized as follows:

	<u>Balance 01/01/07</u>	<u>Additions (Reductions)</u>	<u>Balance 12/31/07</u>	<u>Due Within One Year</u>
Installment Purchase Contract				
\$75,500 Dated December 15, 1998	\$ 7,500	\$ (7,500)	-	
Vested Employee Benefits				
Vacation, Sick Leave and Longevity	<u>681,912</u>	<u>(25,163)</u>	<u>\$656,749</u>	
Totals	<u>\$689,412</u>	<u>\$(32,663)</u>	<u>\$656,749</u>	<u>\$ -</u>

Installment Purchase Contract

The installment purchase contract was entered into for aggregate sand and gravel. The agreement bears interest at 8% per annum and was paid in full at the end of 2007.

Vested Employee Benefits Payable

	<u>Balances 01/01/07</u>	<u>Additions (Reductions)</u>	<u>Balances 12/31/07</u>
Vested Employee Benefits			
Vacation Benefits	\$167,102	\$ 11,344	\$178,446
Sick Leave Benefits	371,315	16,047	387,362
Longevity	<u>143,495</u>	<u>(52,554)</u>	<u>90,941</u>
Total	<u>\$681,912</u>	<u>\$(25,163)</u>	<u>\$656,749</u>

Vacation Benefits

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of an employee and the employee group to which they belong. Benefits earned by each employee are credited annually to his or her account on the anniversary date of employment. The maximum allowable accumulation is 248 hours for administrative salaried employees and 240 hours for road and office union employees. For administrative salaried and office union employees, up to one-half of their accumulated vacation hours may be converted to cash within 6 months of their anniversary date. Road union employees may convert vacation hours to cash in the week after their anniversary date. All employees are eligible to receive 100% of accumulated vacation time upon retirement, death, or resignation if they leave providing a 2 week notice.

CLINTON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE E--LONG-TERM DEBT (Continued)

Sick Leave Benefits

The Road Commission's employment policies provide that every full-time employee shall earn sick leave at the rate of 2 hours per week, not to exceed 104 hours per year, with a maximum accumulation of 1,200 hours for road union employees and 1,360 hours for administrative salaried and office union employees. Upon retirement or death, employees shall be paid for all unused sick leave. One-half of accumulated sick leave is paid upon resignation of an employee provided they give a 2 week notice. Union employees are allowed to sell up to 80 hours in the first check of December, annually, with a minimum balance requirement of 240 hours after the sale of hours. Administrative salaried employees receive an additional 32 hours of sick leave on January 1, annually, and may sell up to 96 hours in the first check of December, annually, with a minimum balance requirement of 240 hours after the sale of hours.

Longevity Benefits

Administrative salaried employees accumulate longevity of 24 to 48 hours per year, not to exceed 1,440 hours maximum. Payment can be made after a minimum of 5 years of administrative service. Longevity is recorded at 100% of maximum payable, is earned on the employees' administrative anniversary date, and can be sold at any time. Administrative salaried employees hired after January 1, 2007 will receive 24 hours of longevity pay, annually, in the last check issued for the year.

CLINTON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS

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

	Account Balances 01/01/07	Additions	Deductions	Account Balances 12/31/07
Capital Assets Not Being Depreciated				
Land	\$ 283,750			\$ 283,750
Infrastructure--Land/Right-of-Way	963,081	\$ 60,000		1,023,081
Infrastructure--Land Improvements	5,286,407	329,816		5,616,223
Subtotal	<u>6,533,238</u>	<u>389,816</u>	<u>\$ -</u>	<u>6,923,054</u>
Capital Assets Being Depreciated				
Buildings	1,735,798			1,735,798
Road Equipment	5,828,386	309,117	123,780	6,013,723
Shop Equipment	72,560	5,550		78,110
Office Equipment	97,778	8,447	6,077	100,148
Engineers' Equipment	22,684			22,684
Yard Equipment	10,207			10,207
Depletable Assets	63,115	12,136		75,251
Infrastructure--Bridges	24,343,805	2,218,328	297,851	26,264,282
Infrastructure--Roads	47,683,465	2,175,910	2,625,374	47,234,001
Infrastructure--Traffic Signals	370,226	407,229		777,455
Total	<u>80,228,024</u>	<u>5,136,717</u>	<u>3,053,082</u>	<u>82,311,659</u>
Less Accumulated Depreciation				
Buildings	916,069	42,706		958,775
Road Equipment	4,502,099	535,295	111,416	4,925,978
Shop Equipment	52,622	4,066		56,688
Office Equipment	81,537	8,998	6,255	84,280
Engineer's Equipment	20,227	691		20,918
Yard Equipment	2,807	1,021		3,828
Reserve for Depletable Assets	40,473	12,136		52,609
Infrastructure--Bridges	11,727,257	490,057	276,399	11,940,915
Infrastructure--Roads	17,505,337	3,023,040	2,625,374	17,903,003
Infrastructure--Traffic Signals	8,566	26,207		34,773
Total	<u>34,856,994</u>	<u>4,144,217</u>	<u>3,019,444</u>	<u>35,981,767</u>
Net Capital Assets Being Depreciated	<u>45,371,030</u>	<u>5,136,717</u>	<u>4,177,855</u>	<u>46,329,892</u>
Total Net Capital Assets	<u>\$ 51,904,268</u>	<u>\$ 5,526,533</u>	<u>\$ 4,177,855</u>	<u>\$ 53,252,946</u>

CLINTON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following activities:

	<u>Amount</u>
Net Equipment Expense	
Direct Equipment	\$ 535,295
Indirect Equipment	
Buildings	25,463
Shop Equipment	4,066
Distributive Expense	
Buildings	14,612
Depletable Assets	12,136
Net Administrative Expense	
Buildings	3,652
Engineers Equipment	691
Office Equipment and Furniture	8,998
Infrastructure	<u>3,539,304</u>
Total Depreciation Expense	<u><u>\$4,144,217</u></u>

NOTE G--DEFERRED COMPENSATION PLAN

The Clinton County Board of Road Commissioners offers all Road Commission employees participation in a deferred compensation plan created in accordance with the Internal Revenue Code (IRC), Section 457, with Nationwide Retirement Solutions (NRS). The assets of the plan are held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32 requirements, plan balances and activities are not reflected in the Road Commission's financial statements.

# CLINTON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--EMPLOYEES' RETIREMENT SYSTEM

#### Description of Plan and Plan Assets

The Clinton County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death, duty-connected death, and post-retirement adjustments to plan members and their beneficiaries. The service requirement for all qualified employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.5% times the final average compensation (FAC) with 5-year averaging for office and road union and 3-year averaging for administrative salaries, with a maximum benefit of 80% of the FAC. Administrative salaried retirees have a benefit 'E-1 and E-2 plan allowing for a 2.5% annual increase. Administrative salaried employees hired after January 1, 2007 will have the MERS Hybrid Retirement Plan with the Road Commission contributing 1.5% of the employee's applicable salary into the defined benefit portion and 1% of the employee's applicable salary into the defined contribution portion. The MERS Hybrid Retirement Plan has a 6 year vesting requirement, a 3-year FAC, and is payable at age 60. The most recent period for which actuarial data was available was for the year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Public Act 156 of 1951, as amended, (MCL 46.12a) State of Michigan. 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 MERS at 1134 Municipal Way, Lansing, Michigan 48917.

#### Funding Policy

The Road Commission is required to contribute at an actuarially determined rate. Based on the 2004 actuarial valuation, the 2006 rate for general-union/AFLCIO, administrative salary and administrative union employees was 9.27%, 12.80%, and 6.59%, respectively, of annual compensation. For 2007, the actuarial valuation was based on the 2005 rate for general-union/AFLCIO, administrative salary, and administrative hourly employees which was 9.94%, 20.28%, and 6.58%, respectively, of annual compensation. Each member is required to contribute 3% of his or her annual compensation and 3% was paid by the employees for both years.

CLINTON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE H--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Annual Pension Cost

During the year ended December 31, 2006, the Road Commission's contributions totaled \$235,138 and the employee contributions totaled \$73,052. Payments were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2005, and 3% employee share. 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 amortizing 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 or her projected benefit. During the year ended December 31, 2007, the Road Commission contributed \$264,231 and the employees contributed \$75,925. Based on the 2005 actuarial valuation, the Road Commission was required to contribute an estimated \$321,060 for the 2007 fiscal year.

Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 275,439	100%	\$0
2005	298,745	100%	\$0
2006	340,155	100%	\$0

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/04	\$ 9,824,701	\$11,443,164	\$ 1,618,463	86%	\$ 2,411,623	67%
12/31/05	10,178,132	12,843,023	2,664,891	79%	2,448,290	109%
12/31/06	10,793,942	13,354,761	2,560,819	81%	2,420,068	106%

# CLINTON COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### NOTE I--POST-EMPLOYMENT HEALTH CARE BENEFITS

The Road Commission agrees to pay the full premium for hospitalization medical coverage for retired road union and office union employees and their spouses, in accordance with the agreement between the Road Commission management and the American Federation of State, county, and municipal employees, AFL-CIO with the stipulation that they retire under the MERS Retirement Plan with full retirement benefits. Retired employees and/or spouses under the age of 65 are covered with a Blue Cross Flexible Blue Plan with the employer paying 75% of the deductible expense. For union retired employees and/or spouses over age 65, coverage includes a Blue Cross Medicare supplemental insurance with a \$10/\$40 prescription drug plan with \$40 prescription drugs reimbursed \$20 by the Road Commission through a self-funded Road Commission plan. If an office union employee dies with 20 years service time, the spouse is covered.

The Road Commission agrees to pay the full premium for hospitalization medical coverage for retired administrative salaried employees and their spouses. Retired employees and/or spouses under the age of 65 are covered with a Blue Cross Flexible Blue Plan with the employer paying 80% of the deductible expense. For union retired employees and/or spouses over age 65, coverage includes a Blue Cross Medicare supplemental insurance with a \$10/\$40 prescription drug plan with \$40 prescription drugs reimbursed \$20 by the Road Commission through a self-funded Road Commission plan. If an administrative employee dies with 20 years service time, the spouse is covered. Administrative salaried employees hired after January 1, 2007 will have health insurance benefits provided for the retiree only.

Expenditures for health care benefits are recognized on a pay as you go basis as premiums come due. During 2007, 40 retirees and/or spouses were eligible for benefits, and \$436,269 was recognized for post-employment health insurance expenditures in the Road Commission Operating Fund.

The Road Commission also provides dental and vision coverage for retirees and their spouses. The cost of dental, vision, and Medicare supplemental insurance coverage is included in total health insurance expenditures reported in the preceding paragraphs.

Contributions made to the Retiree Health Care Trust Fund are recognized as expenditures in the Road Commission Operating Fund at the time the contribution is made. During the year, post-employment expenditures were \$60,000 for contributions made to the Retiree Health Care Trust Fund. In preparation for the upcoming reporting change discussed below, the Road Commission established a plan to hold and invest monies that will be used to fund future retiree health care benefit obligations. During 2006 and 2007, the Road Commission contributed a total of \$120,000 into the trust as explained above. The trust had a balance on January 1, 2007 of \$64,071. Contributions in 2007 of \$60,000, investment earnings of \$6,526, less fees of \$259 resulting in a December 31, 2007 balance of \$130,338. The Road Commission has excluded the retiree health care benefit plan from the December 31, 2007 financial statements. The Road Commission is not required to begin including the plan in its financial statements until 2008 as described below.

## CLINTON COUNTY ROAD COMMISSION

### NOTES TO FINANCIAL STATEMENTS

#### NOTE I--POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

##### Upcoming Reporting Change

In 2004, the Governmental Accounting Standards Board issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. The 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 pension). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care expenses over the working life of the employee, rather than at the time the health care expenses are paid. For the Clinton County Road Commission, the pronouncement is effective for the year ending December 31, 2008.

#### NOTE J--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits' claims and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents), crime, and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The County Road Commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (MCRCSIP) pursuant to the provisions of PA 138 of 1982. The MCRCSIP is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to Road Commissions and related Road Commission activities within the State.

The Michigan County Road Commission Self-Insurance Pool program (MCRCSIP) operates as a common risk-sharing management program for Road Commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. If for any reason the MCRCSIP's resources available to pay losses are depleted, the payment of all unpaid losses of the member is the sole obligation of the member.

CLINTON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE K--CONTINGENT LIABILITIES

The Road Commission, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The Road Commission's insurance carrier estimates that the potential claims against the Road Commission, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Road Commission.

NOTE L--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the calendar year ended December 31, 2007, the Federal Aid received and expended by the Road Commission was \$2,511,307 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT. The contracted Federal projects are not subject to single audit requirements by the Road Commissions, as they are included in MDOT's single audit.

During the calendar year ended December 31, 2007, the Road Commission did not receive any Federal grants for negotiated projects. Negotiated projects are projects that are performed by the Road Commission and are subject to single audit requirements, if the amount expended is \$500,000 or more. A single audit was not performed during the calendar year ended December 31, 2007.

NOTE M--STATE TRUNKLINE MAINTENANCE REVENUE

The difference between the State Trunkline Maintenance revenues of \$1,367,694 and expenditures of \$1,370,903 is the result of the following: 1) Michigan Department of Transportation (MDOT) Trunkline Maintenance audit for the 2005 calendar year which resulted in a refund to the Road Commission of \$3,100; 2) January fringe benefits calculated at the 2006 rate when the invoice was created and recalculated at the 2007 rate by the computer software after the invoice was created causing a \$5,816 under-billing for fringe benefits and an under-billing of \$493 for overhead on the January 2007 trunkline maintenance invoice.

**CLINTON COUNTY ROAD COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended December 31, 2007**

**EXHIBIT G**

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
License and Permits				
Permits	\$ 100,000	\$ 70,000	\$ 60,603	\$ (9,397)
Federal Grants				
Surface Transportation Program	1,972,794	421,410	319,359	(102,051)
Hazard Elimination Safety	272,279	274,279	274,266	(13)
Critical Bridge	1,993,600	546,720	540,569	(6,151)
Congestion/Air Quality	407,124	1,124	-	(1,124)
Economic D Funds	484,373	34,372	1,363	(33,009)
State Grants				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Primary Road	3,490,000	3,454,000	3,453,789	(211)
Local Road	1,880,180	1,905,180	1,904,219	(961)
Primary Urban Road	468,535	478,635	479,939	1,304
Local Urban Road	182,018	188,458	187,074	(1,384)
Jobs Today	35,720	-	-	-
Critical Bridge	416,490	1,374,506	1,368,858	(5,648)
Economic Development Funds				
Rural Primary "D" Funds	24,989	4,989	-	(4,989)
Urban Area "F" Funds	357,088	57,088	6,892	(50,196)
Contributions--Local Units				
Cities and Villages	7,700	87,700	83,939	(3,761)
Townships	1,200,000	1,868,780	1,868,747	(33)
Other	-	-	-	-
Charges for Services				
State Trunkline Maintenance	1,322,745	1,402,745	1,367,694	(35,051)
State Trunkline Nonmaintenance	-	3,500	3,500	-
Salvage Sales	-	-	7,438	7,438
Service Charges	58,010	59,808	51,594	(8,214)
Interest and Rents				
Interest Earned	75,000	187,000	181,011	(5,989)
Property Rentals	4,640	4,640	4,638	(2)
Other Revenue				
Private Contributions	-	786,000	765,784	(20,216)
Public Contributions	-	31,700	31,695	(5)
Gain on Equipment Disposal	24,500	40,280	28,256	(12,024)
Loss on Surplus Property Disposal	-	3,322	(3,715)	(7,037)
Refunds and Reimbursements	-	1,000	966	(34)
<b>Total Operating Revenue</b>	<b>14,787,785</b>	<b>13,297,236</b>	<b>12,998,478</b>	<b>(298,758)</b>
Other Financing Sources				
Transfers In--Primary Government	100,000	-	100,000	100,000
<b>Total Other Financing Sources</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>	<b>100,000</b>
<b>Total Revenue and Other Financing Sources</b>	<b>14,887,785</b>	<b>13,297,236</b>	<b>\$ 13,098,478</b>	<b>\$(198,758)</b>
Fund Balance--January 1, 2007	3,202,851	4,323,187		
<b>Total Budget</b>	<b>\$18,090,636</b>	<b>\$17,620,423</b>		

**CLINTON COUNTY ROAD COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended December 31, 2007**

**EXHIBIT H**

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Preservation/Structural Improvements	\$ 4,475,616	\$ 1,124,848	\$ 1,039,294	\$ 85,554
Routine and Preventive Maintenance	1,385,000	2,001,336	1,814,921	186,415
Local Road				
Construction/Capacity Improvements	-	796,857	796,423	434
Preservation/Structural Improvements	476,000	1,104,286	1,077,179	27,107
Routine and Preventive Maintenance	2,839,800	3,585,149	3,471,103	114,046
Primary Road Structure				
Preservation/Structural Improvements	1,612,000	1,491,651	1,487,488	4,163
Routine and Preventive Maintenance	2,000	7,728	6,271	1,457
Local Road Structure				
Preservation/Structural Improvements	990,000	776,835	760,682	16,153
Routine and Preventive Maintenance	40,000	50,157	2,315	47,842
State Trunkline Maintenance	1,248,026	1,371,026	1,370,903	123
State Trunkline Nonmaintenance	-	3,500	3,500	-
Equipment Expense--Net	(501,788)	(41,585)		
Direct			\$ 1,021,289	
Indirect			604,652	
Operating			417,366	
Less: Equipment Rentals			<u>(2,146,296)</u>	(102,989)
Equipment Expense--Net				61,404
Distributive Expense	2,169,613	-		-
Administrative Expense--Net	310,808	547,426		
Administrative Expense			655,358	
Less: Handling Charges			(677)	
Overhead--State			(122,724)	
Overhead--Other			(7,487)	
Purchase Discounts			<u>(3,035)</u>	25,991
Administrative Expense--Net				
Work for Other Agencies	10,000	157,804	157,380	424
Capital Outlay--Net	(144,800)	(208,521)		
Capital Outlay			335,249	
Less: Depreciation Credits			(604,913)	
Equipment Retirements			<u>(29,255)</u>	90,398
Capital Outlay--Net				
Debt Service				
Principal	7,500	7,500	7,500	-
Interest	600	600	600	-
Debt Service				
Drainage District	50,133	50,133	50,132	1
Contingencies	750,000			-
Total Expenditures	15,720,508	12,877,588	<u>\$12,195,436</u>	<u>\$ 682,152</u>
Fund Balance--December 31, 2007	2,370,128	4,742,835		
Total Budget	<u>\$18,090,636</u>	<u>\$ 17,620,423</u>		

**CLINTON COUNTY ROAD COMMISSION  
ANALYSIS OF CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2007**

**EXHIBIT I**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$5,878,161	\$5,425,520	\$1,694,797	\$12,998,478
Total Expenditures	4,588,668	6,392,829	1,213,939	12,195,436
Excess of Revenues Over (Under) Expenditures	1,289,493	(967,309)	480,858	803,042
Other Financing Sources (Uses)				
Transfers In--Primary Government			100,000	100,000
Optional Transfers	(1,179,704)	1,179,704		-
Total Other Financing Sources (Uses)	(1,179,704)	1,179,704	100,000	100,000
Excess of Revenues Over (Under) Expenditures and Other Financing Sources and (Uses)	109,789	212,395	580,858	903,042
Fund Balance--January 1, 2007	1,206,719	954,601	2,161,863	4,323,183
Fund Balance--December 31, 2007	<u>\$1,316,508</u>	<u>\$1,166,996</u>	<u>\$2,742,721</u>	<u>\$ 5,226,225</u>

**CLINTON COUNTY ROAD COMMISSION**  
**ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES**  
**For the Year Ended December 31, 2007**

**EXHIBIT J**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
License and Permits				
Permits	\$ 16,908	\$ 13,381	\$ 30,314	\$ 60,603
Federal Grants				
Surface Transportation Program	319,359			319,359
Hazard Elimination Safety	274,266			274,266
Critical Bridge		540,569		540,569
Economic D Funds	1,363			1,363
State Grants				
Michigan Transportation Fund				
Engineering	6,446	3,554		10,000
Allocation	3,453,789	1,904,219		5,358,008
Urban Roads	479,939	187,074		667,013
Critical Bridge	1,267,502	101,356		1,368,858
Economic Development Funds				
Urban Area "F" Funds	6,892			6,892
Contributions--Local Units				
Cities and Villages			83,939	83,939
Townships		1,868,747		1,868,747
Charges for Services				
State Trunkline Maintenance			1,367,694	1,367,694
State Trunkline Nonmaintenance			3,500	3,500
Salvage Sales			7,438	7,438
Service Charges			51,594	51,594
Interest and Rents				
Interest Earned	51,697	40,836	88,478	181,011
Property Rentals			4,638	4,638
Other Revenue				
Private Contributions		765,784		765,784
Reimbursements	-	-	31,695	31,695
Gain on Equipment Disposal			28,256	28,256
Loss on Sale of Surplus Property			(3,715)	(3,715)
Refunds and Reimbursements			966	966
Total Operating Revenue	5,878,161	5,425,520	1,694,797	12,998,478
Other Financing Sources				
Transfers In--Primary Government			100,000	100,000
Total Other Financing Sources	-	-	100,000	100,000
Total Revenues and Other Financing Sources	\$5,878,161	\$5,425,520	\$1,794,797	\$13,098,478

**CLINTON COUNTY ROAD COMMISSION**  
**ANALYSIS OF EXPENDITURES**  
**For the Year Ended December 31, 2007**

**EXHIBIT K**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Preservation/Structural Improvements	\$1,039,294			\$ 1,039,294
Routine and Preventive Maintenance	1,814,921			1,814,921
Local Road				
Construction/Capacity Improvements		\$ 796,423		796,423
Preservation/Structural Improvements		1,077,179		1,077,179
Routine and Preventive Maintenance		3,471,103		3,471,103
Primary Road Structures				
Preservation/Structural Improvements	1,487,488			1,487,488
Routine and Preventive Maintenance	6,271			6,271
Local Road Structures				
Preservation/Structural Improvements		760,682		760,682
Routine and Preventive Maintenance		2,315		2,315
State Trunkline Maintenance			\$1,370,903	1,370,903
State Trunkline Nonmaintenance			3,500	3,500
Equipment Expense--Net (Per Exhibit H)	(23,049)	(52,916)	(27,025)	(102,990)
Administrative Expense--Net (Per Exhibit H)	217,716	303,720		521,436
Work for Other Agencies			157,379	157,379
Capital Outlay--Net (Per Exhibit H)			(298,918)	(298,918)
Debt Service				
Principal			7,500	7,500
Interest			600	600
Drainage District	15,809	34,323	-	50,132
Total Expenditures	\$4,588,668	\$6,392,829	\$1,213,939	\$12,195,436



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

ROBERT J. KLEINE  
STATE TREASURER

February 29, 2008

Clinton County Road Commission  
Board of County Road Commissioners  
3535 South US 27  
St. Johns, Michigan 48879

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 Clinton County Road Commission, a component unit of Clinton County, as of and for the year ended December 31, 2007, and have issued our report thereon dated February 29, 2008. 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 Clinton County Road Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clinton County Road Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clinton County Road Commission'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 Road Commission'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 Road Commission's financial statements that is more than inconsequential will not be prevented or detected by the Road Commission'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 Road Commission'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 Clinton County Road Commission'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 Clinton County Board of Road Commissioners, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. 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