

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

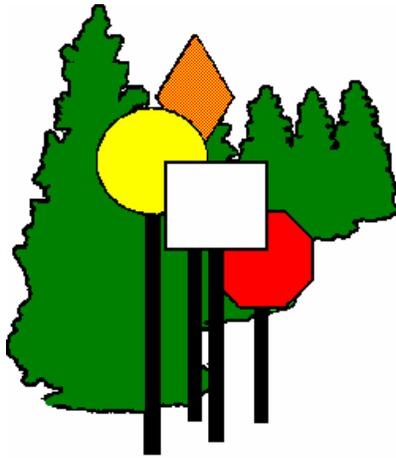
YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	



Kent County Road Commission

(a component unit of Kent County)

Financial Report
with Supplemental Information
September 30, 2007

Kent County Road Commission

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Independent Auditor's Report

To the Board of Road Commissioners
Kent County Road Commission

We have audited the accompanying financial statements of the governmental activities and each major fund of Kent County Road Commission (a component unit of Kent County, Michigan) as of and for the nine-month period ended September 30, 2007, which collectively comprise Kent County Road Commission's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Road Commission's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Kent County Road Commission at September 30, 2007 and the results of its operations for the nine-month period then ended, in conformity with accounting principles generally accepted in the United States of America.

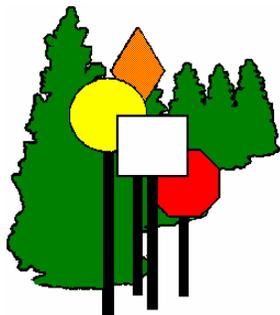
The management's discussion and analysis and the required supplemental information, as identified in the table of contents, are not required parts of the basic financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited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

To the Board of Road Commissioners
Kent County Road Commission

Our audit was made for the purpose of forming opinions on the basic financial statements taken as a whole. The other supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Kent County Road Commission. This information has been subjected to the procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

January 14, 2008



Board of County Road Commissioners of the County of Kent

1500 Scribner Ave., N.W. Grand Rapids, MI 49504 -3299
(616) 242-6900 Fax # (616) 242-6980

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John W. Weiss
Vice-Chairman
David M. Groenleer
Commissioner
Patrick G. Malone
Jon F. Rice, P.E.
Managing Director
Steven A. Warren
Deputy Director
John L. Strauss
Director of Finance

Management's Discussion and Analysis

This section of Kent County Road Commission's (the Road Commission") annual financial report presents our discussion and analysis of the Road Commission's financial performance during the fiscal year that ended on September 30, 2007. Please read it in conjunction with the Road Commission's basic financial statements, which follow this section.

Financial Highlights

- The fiscal year was changed to end on September 30.
- The Road Commission's total net assets decreased by \$0.4 million.
- Total revenue sources for the year of \$49 million were less than expenditures of \$49.4 million by \$0.4 million.

Overview of the Financial Statements

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplemental information, and other supplemental information.

The financial statements also include notes that explain some of the information in the financial statements and provide more detail data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with more detail regarding administrative expenditures, distributive expenditures, and Road Fund balances.

The fiscal year was modified to end on September 30, 2007, and the report reflects a 12-month year that began on October 1, 2006 for comparative purposes. The previous fiscal year was the 12-month period that began January 1, 2006.

Kent County Road Commission

Management's Discussion and Analysis (Continued)

Financial Analysis of the Road Commission as a Whole

Net Assets

The Road Commission's combined net assets decreased during the fiscal year by \$0.4 million, ending the year at \$278 million. Table I shows the composition of the Road Commission's net assets at September 30, 2007.

TABLE I

	Governmental Activities	
	September 30, 2007	December 31, 2006
	(in thousands)	
Assets		
Current and other assets	\$ 22,138	\$ 16,469
Capital assets	265,300	268,741
Total assets	287,438	285,210
Liabilities		
Long-term liabilities	3,793	3,545
Other liabilities	5,591	4,188
Total liabilities	9,384	7,733
Net Assets		
Invested in capital assets - Net of related debt	265,300	268,741
Unrestricted	12,754	8,736
Total net assets	<u>\$ 278,054</u>	<u>\$ 277,477</u>

Changes in Net Assets

The Road Commission's change in net assets was a combination of various revenue sources and expense categories as shown in Table 2.

The Michigan Transportation Fund revenue is the result of a statutory formula that is structured to share various fuel taxes and fees collected by the State with cities, road commissions, and the Department of Transportation. This revenue item is the primary source of revenue for the Road Commission. For fiscal year 2007, there was a 0.4 percent decrease in receipts from the State of Michigan for motor fuel taxes and weight taxes compared to the same period last year. Revenue from the State Trunkline maintenance was similar to the previous year, due to costly winter maintenance conditions. Federal and state aid decreased from the 2006 level by \$3 million driven by the completion of projects that were partially funded by grants.

Kent County Road Commission

Management's Discussion and Analysis (Continued)

	Governmental Activities	
	Year Ended	
	September 30, 2007	December 31, 2006
	(in thousands)	
Revenue		
Michigan Transportation Fund	\$ 30,090	\$ 30,008
State trunkline maintenance	6,539	5,198
Federal and state aid	4,544	6,633
Contributions for work performed for others	6,485	4,977
Contributions for construction of facilities	316	316
Interest	616	540
Gain on sale of assets	220	211
Property rentals	140	140
Miscellaneous	-	5
Total revenue	48,950	48,028
Expenses		
Maintenance	25,787	23,144
Equipment	6,810	4,760
Less equipment rentals charged to other expenditures	(8,642)	(6,755)
Administrative	862	1,071
Work performed for units of government and other	2,465	1,531
Depreciation and depletion	22,067	21,253
Debt service	9	-
Total expenses	49,358	45,004
Contribution of Infrastructure	-	4,274
Change in Net Assets	\$ (408)	\$ 7,298

Kent County Road Commission

Management's Discussion and Analysis (Continued)

Financial Analysis of Road Commission's Funds

The undesignated fund balance of the governmental fund - Road Fund ended the year at \$10.8 million, which is \$2 million more than the previous year.

Road Fund Budgetary Highlights

The budget was for a nine-month period beginning January 1, 2007 and continuing through September 30, 2007. The Road Commission amended its 2007 budgeted revenue upward by less than \$20 thousand. Major items include a nearly \$0.6 million increase in State Trunkline revenue because of a costly winter maintenance season and a reduction of \$1 million in federal and state aid as fewer projects were expected to be constructed during the year. The revenue results of \$38.3 million were \$1.3 million short of the amended budgeted amount of \$39.6 million.

The expenditure budget was decreased by \$0.6 million and came in at \$3.5 million under budget. Construction costs exceeded the budget by \$0.4 million, and preservation costs were under the budgeted amounts by \$2.9 million.

Capital Assets

The Road Commission has \$265 million in capital assets (net of depreciation) at the end of the year, which was a decrease of \$3 million from 2006. The infrastructure amount includes expenditures since 1980.

	Governmental Activities	
	Year Ended	
	September 30, 2007	December 31, 2006
	(in thousands)	
Land and land improvements	\$ 2,405	\$ 2,405
Buildings	7,210	7,410
Road equipment	2,924	3,470
Shop equipment	224	169
Nonrental equipment	5	6
Office equipment	18	25
Engineering equipment	53	35
Gravel pits	1	1
Yard and storage bins	876	938
Infrastructure	251,584	254,280
Total	<u>\$ 265,300</u>	<u>\$ 268,739</u>

Kent County Road Commission

Management's Discussion and Analysis (Continued)

Infrastructure improvements completed during the year involved constructing or reconstructing roads, bridges, or intersections. The various townships within the County of Kent participated in work done on the local system. During the year, more than 20 miles of road improvements were made on primary and local roads. There were two safety improvements to intersections in the county and three structures (bridges and culverts) were improved.

Economic Factors and Next Year's Budget

The unfavorable economic conditions continue within the state of Michigan causing no anticipated growth in the Michigan Transportation Fund (MTF) for 2008 compared to 2007. The Road Commission has informed the public of reduced level of snow removal services during the next year.

World political and economic conditions may affect crude oil supplies and prices that could affect the Road Commission's cost of fuel for operation and asphalt paving prices. A significant cost increase in these commodities may result in a shift in priorities and project deferrals.

Contacting the Road Commission's Financial Management

The financial report is designed to provide a general overview of the Road Commission's finances and accountability of the public trust. Questions regarding any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, Kent County Road Commission, 1500 Scribner Ave., N.W., Grand Rapids, Michigan 49504 or visit us on the Web at: www.KentCountyRoads.net.

Kent County Road Commission

Governmental Fund Balance Sheet/Statement of Net Assets September 30, 2007

	Governmental Fund - Road Fund	Adjustments (Note 2)	Statement of Net Assets
Assets			
Cash, cash equivalents, and investments held by Treasurer of the County of Kent (Note 3)	\$ 12,283,289	\$ -	\$ 12,283,289
Accounts receivable	8,250,266	-	8,250,266
Inventory	1,534,556	-	1,534,556
Prepaid expenses and other assets	69,628	-	69,628
Capital assets - Net (Note 4):			
Assets being depreciated	-	262,894,228	262,894,228
Assets not being depreciated	-	2,405,372	2,405,372
Total assets	<u>\$ 22,137,739</u>	265,299,600	287,437,339
Liabilities			
Accounts payable	\$ 3,082,628	-	3,082,628
Advances and deferred revenue	1,209,232	-	1,209,232
Accrued liabilities and other	1,298,827	-	1,298,827
Other long-term liabilities (Note 5)	-	3,793,299	3,793,299
Total liabilities	5,590,687	3,793,299	9,383,986
Fund Balances			
Reserved for inventory and prepaid expenses	1,604,184	(1,604,184)	-
Unreserved:			
Designated for road projects (Note 11)	3,676,000	(3,676,000)	-
Designated for postemployment benefits (Note 10)	495,826	(495,826)	-
Undesignated	10,771,042	(10,771,042)	-
Total fund balances	<u>16,547,052</u>	<u>(16,547,052)</u>	-
Total liabilities and fund balances	<u>\$ 22,137,739</u>		
Net Assets			
Invested in capital assets		265,299,600	265,299,600
Unrestricted		12,753,753	12,753,753
Total net assets		<u>\$ 278,053,353</u>	<u>\$ 278,053,353</u>

Kent County Road Commission

Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended September 30, 2007

	Governmental Fund - Road Fund	Adjustments (Note 2)	Statement of Activities
Revenue			
Michigan Transportation Fund:			
Primary road system	\$ 24,754,784	\$ -	\$ 24,754,784
Local road system	5,334,964	-	5,334,964
State trunkline maintenance	6,538,641	-	6,538,641
Federal and state aid	4,543,939	-	4,543,939
Contributions for work performed for others	6,485,395	-	6,485,395
Contributions for facilities construction	315,504	-	315,504
Interest	616,331	-	616,331
Proceeds from sale of fixed assets	243,110	(243,110)	-
Gain on sale of assets	-	219,268	219,268
Property rentals	140,299	-	140,299
	<u>48,972,967</u>	<u>(23,842)</u>	<u>48,949,125</u>
Total revenue			
Expenditures - Current			
Construction:			
Primary	1,781,716	(1,781,716)	-
Local	136,476	(136,476)	-
Preservation:			
Primary	9,427,837	(9,427,837)	-
Local	4,270,988	(4,270,988)	-
Maintenance:			
Primary	7,823,254	-	7,823,254
Local	10,363,427	-	10,363,427
State trunkline maintenance	7,600,597	-	7,600,597
Equipment:			
Direct	3,916,679	(253,574)	3,663,105
Indirect	2,151,481	(283,035)	1,868,446
Operating	1,387,242	(109,819)	1,277,423
Capital outlay	1,656,022	(1,656,022)	-
Less equipment rentals charged to other expenditures	(8,642,334)	-	(8,642,334)
Administrative	758,807	103,446	862,253
Work performed for local units of government and others	2,464,777	-	2,464,777
Depreciation and depletion	(1,832,956)	23,899,994	22,067,038
Debt service	8,727	-	8,727
	<u>43,272,740</u>	<u>6,083,973</u>	<u>49,356,713</u>
Total expenditures			
Change in Fund Balance/Net Assets	5,700,227	(6,107,815)	(407,588)
Fund Balance/Net Assets - Beginning of year	<u>10,846,825</u>	<u>267,614,116</u>	<u>278,460,941</u>
Fund Balance/Net Assets - End of year	<u>\$ 16,547,052</u>	<u>\$ 261,506,301</u>	<u>\$ 278,053,353</u>

Kent County Road Commission

Statement of Fiduciary Net Assets Employees' Pension Trust Fund September 30, 2007

Assets - Investments - At fair value - Stock mutual funds	<u>\$ 503,000</u>
Net Assets - Held in trust for pension benefits	<u>\$ 503,000</u>

Kent County Road Commission

Statement of Changes in Fiduciary Net Assets Employees' Pension Trust Fund Year Ended September 30, 2007

Additions

Investment income:

Interest and dividends	\$ 39,615
Net appreciation in fair value of investments	<u>190</u>

Net investment income 39,805

Employer contributions 15,685

Total additions 55,490

Deductions

Benefit payments	85,615
Administrative expenses	<u>1,875</u>

Total deductions 87,490

Change in Net Assets (32,000)

Net Assets - Beginning of year 535,000

Net Assets - End of year \$ 503,000

Kent County Road Commission

Notes to Financial Statements September 30, 2007

Note I - Significant Accounting Policies

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

Basic 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. The Road Commission consists solely of governmental-type activities; no business-type activities exist.

The fund financial statements are provided for governmental funds and have been separately stated in conjunction with the government-wide financial statements.

The Road Commission is comprised of a single governmental fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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. Revenue related to construction projects and inspection work orders is recognized when the related costs are incurred, subject to the availability criterion. Other revenue is recorded when received.

Kent County Road Commission

Notes to Financial Statements September 30, 2007

Note 1 - Significant Accounting Policies (Continued)

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due. Interest earned on investments is recorded on the accrual basis.

The Road Commission reports the following major governmental fund:

Road Fund - The Road Fund is the Road Commission's primary operating fund. It accounts for all financial resources of the Road Commission, except those required to be accounted for in another fund.

Additionally, the Road Commission reports the following fiduciary activities:

Employees' Pension Trust Fund - The Employees' Pension Trust Fund accounts for the activities of the defined benefit pension plan. The Employees' Pension Trust Fund accumulates resources for pension benefit payments to qualified retirees or beneficiaries.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Cash, Cash Equivalents, 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 reported at fair value, based on quoted market prices.

Accounts Receivable - Accounts receivable are primarily amounts due from other units of government. The Road Commission has not recorded a provision for doubtful accounts receivable since it is the opinion of management that those receivables are collectible in full.

Inventory and Prepaid Items - Inventory, principally consisting of road material, salt, signs, and equipment maintenance materials, is valued at average cost. 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 items in both government-wide and fund financial statements.

Kent County Road Commission

Notes to Financial Statements September 30, 2007

Note 1 - 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 all land evidenced by a deed, buildings and building improvements with a minimum cost of \$5,000 and \$2,500, respectively, all infrastructure, all licensed and road maintenance equipment, computers and computer software costing more than \$1,000 and \$2,500, respectively, and all other equipment with a minimum cost of \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at estimated fair market value at the date of donation. Capital assets are depreciated using the straight-line or units of production methods over the following useful lives:

	Useful Life - Years
Buildings and storage bins	25-50
Gravel pits	Various
Equipment	3-8
Roads	8-20
Other infrastructure	20-40

Advances and Deferred Revenue - Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the year, all advances were unearned.

Compensated Absences (Vacation and Sick Leave) - It is the Road Commission's policy to allow employees to accumulate earned but unused sick and vacation pay benefits. The Road Fund recognizes the expenditure when the obligations come due for payment; the statement of net assets and the statement of activities recognize the expense at the time the hours are earned by the employees.

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

Use of Estimates - The preparation of financial statements in conformity with accounting procedures generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

Kent County Road Commission

Notes to Financial Statements September 30, 2007

Note 1 - Significant Accounting Policies (Continued)

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

Change in Fiscal Year Ending - The Road Commission has changed its fiscal year end to September 30 from December 31. The current year has been reported for the period from October 1, 2006 through September 30, 2007. Beginning fund balance and beginning net assets reflect the balance as of October 1, 2006.

Upcoming Reporting Change - The Governmental 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 healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending September 30, 2008.

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 Fund - Fund Balance	\$ 16,547,052
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund	265,299,600
Compensated absences are not reported in the governmental fund	<u>(3,793,299)</u>
Net Assets - Governmental Activities	<u><u>\$ 278,053,353</u></u>

Kent County Road Commission

Notes to Financial Statements September 30, 2007

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

Net Change in Fund Balance - Total Governmental Funds	\$ 5,700,227
The governmental fund reports capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	(5,980,527)
In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental fund, the proceeds from the sale are reported. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets sold	(23,842)
Increases in accumulated employee sick and vacation pay, estimated workers' compensation, and health claims are recorded when earned in the statement of activities	<u>(103,446)</u>
Change in Net Assets of Governmental Activities	<u>\$ (407,588)</u>

Note 3 - Cash, Cash Equivalents, and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units 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 allowed to invest surplus monies (of nonpension funds) 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; and mutual funds and investment pools that are composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Employees' Pension Trust Fund is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Kent County Road Commission

Notes to Financial Statements September 30, 2007

Note 3 - Cash, Cash Equivalents, and Investments (Continued)

The Road Commission participates in the Money Max Cash Management System of the County of Kent (a pooled investment fund created in accordance with Michigan Public Act 20 of 1943, as amended). The Road Commission's cash, cash equivalents, and investments during the year consisted solely of the above-mentioned pooled cash management fund, with the exception of \$1,300 in petty cash. Since the monies are pooled for investment purposes with other County of Kent surplus monies, it is not possible to segregate the fund between cash, cash equivalents, and investments. The Road Commission believes that the investments in this fund comply with the applicable State of Michigan regulations.

The Road Commission's investments are subject to certain risks, which are examined in more detail below:

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Road Commission's investment policy does not restrict investment maturities.

	Fair Value	Less than One Year	1-5 Years
Governmental Activities -			
Pooled investment fund	\$ 12,283,289	\$ 11,564,150	\$ 719,139
Employees' Pension Trust Fund			
MERS of Michigan General Portfolio	503,000	503,000	-

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Road Commission has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

	Fair Value	Rating
Governmental Activities - Pooled		
investment fund	\$ 12,283,289	Not rated
Employees' Pension Trust Fund - MERS of		
Michigan General Portfolio	503,000	Not rated

Kent County Road Commission

Notes to Financial Statements September 30, 2007

Note 4 - Capital Assets

Capital asset activity for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated -				
Land and land improvements	\$ 2,377,571	\$ 27,801	\$ -	\$ 2,405,372
Capital assets being depreciated:				
Buildings	11,641,649	-	-	11,641,649
Road equipment	16,225,147	505,699	884,354	15,846,492
Shop equipment	516,570	78,381	20,849	574,102
Nonrental equipment	62,915	-	-	62,915
Office equipment	538,036	2,296	-	540,332
Engineering equipment	293,798	32,550	30,986	295,362
Gravel pits	102,986	-	-	102,986
Yard and storage bins	1,980,475	-	-	1,980,475
Infrastructure	<u>407,875,188</u>	<u>15,439,785</u>	<u>8,533,375</u>	<u>414,781,598</u>
Subtotal	439,236,764	16,058,711	9,469,564	445,825,911
Less accumulated depreciation for:				
Buildings	(4,167,534)	(264,438)	-	(4,431,972)
Road equipment	(12,342,689)	(1,440,102)	(860,512)	(12,922,279)
Shop equipment	(347,588)	(23,498)	(20,849)	(350,237)
Nonrental equipment	(56,771)	(1,209)	-	(57,980)
Office equipment	(513,296)	(8,450)	-	(521,746)
Engineering equipment	(264,209)	(9,169)	(30,986)	(242,392)
Gravel pits	(102,460)	-	-	(102,460)
Yard and storage bins	(1,018,787)	(86,090)	-	(1,104,877)
Infrastructure	<u>(151,497,033)</u>	<u>(20,234,082)</u>	<u>(8,533,375)</u>	<u>(163,197,740)</u>
Subtotal	<u>(170,310,367)</u>	<u>(22,067,038)</u>	<u>(9,445,722)</u>	<u>(182,931,683)</u>
Net capital assets being depreciated	<u>268,926,397</u>	<u>(6,008,327)</u>	<u>23,842</u>	<u>262,894,228</u>
Net capital assets	<u>\$ 271,303,968</u>	<u>\$ (5,980,526)</u>	<u>\$ 23,842</u>	<u>\$ 265,299,600</u>

Infrastructure assets include roads, bridges, drainage structures, traffic signals, etc. These infrastructure assets are the largest asset class of the Road Commission.

Kent County Road Commission

Notes to Financial Statements September 30, 2007

Note 5 - Other Long-term Liabilities

Insurance Programs

The Road Commission is exposed to various risks 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 coverage of employees' health claims and participates in the Michigan County Road Commission Self-insurance Pool for claims relating to general and auto liability insurance. As a member of the pool, the Road Commission is partially uninsured for general and auto liability, with maximum losses per occurrence of \$25,000 and \$500, respectively, and no limit in the aggregate. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past fiscal years.

The Road Commission has been a member of the County Road Association Self-insurance Fund since January 1, 2000. As a member of the fund, the Road Commission is fully insured for workers' compensation claims incurred on or after January 1, 2000.

The Road Commission is also self-insured for dental claims. The Road Commission estimates the liability for dental 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 been reported. The estimated liability is insignificant and has not been recorded on the accompanying financial statements.

Compensated Absences

The compensated absences liability represents the estimated liability to be paid employees under the Road Commission's leave policies. Under the Road Commission's policy, union and nonunion employees earn sick and vacation time based on time of service with the Road Commission. Estimated compensated absences as of September 30, 2007 total \$3,793,299.

Kent County Road Commission

Notes to Financial Statements September 30, 2007

Note 6 - Operating Leases

The Road Commission leases road equipment under several operating leases. The following is a schedule of future lease payments as of September 30, 2007:

2008	\$	254,697
2009		130,334
2010		130,334
2011		98,817
2012		39,442

The Road Commission also leases equipment, as needed, on a month-to-month basis. Total rent expense was \$552,062 for 2007.

Note 7 - Contingent Liability - Lawsuits

Numerous lawsuits against the Road Commission are pending at September 30, 2007. 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. However, it is the opinion of management that the ultimate liability in excess of the amount provided for at September 30, 2007, if any, would be immaterial to the Road Commission's financial statements.

Note 8 - Budget Information

The annual budget is prepared by the Road Commission's management 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 budget was adopted for nine months ended September 30, 2007.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the Road Fund budget as adopted by the Board of Road Commissioners is available at the Road Commission offices for inspection.

Kent County Road Commission

Notes to Financial Statements September 30, 2007

Note 9 - Pension Plans

Defined Contribution Pension Plan

The Road Commission provides pension benefits to all its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. As established by board resolution, the Road Commission contributes up to 6 percent of employees' gross earnings. In accordance with these requirements, the Road Commission contributed approximately \$702,000 for the fiscal year October 1, 2006 through September 30, 2007.

Defined Benefit Pension Plan

Plan Description

For employees that retired before the formation of the defined contribution plan, the Road Commission maintains the Employees' Pension Trust Fund, a single-employer defined benefit pension plan which provides retirement and death benefits to retirees and their beneficiaries. Municipal Employees' Retirement System (MERS) serves as trustee of the plan. At September 30, 2007, membership in the plan consisted of 25 retirees and beneficiaries currently receiving benefits. The plan does not issue a separate financial report.

Contributions

Employer contributions to the plan are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note I for further significant accounting policies.

Due to the current status of the plan, the only obligation of the employer is to fund any unfunded actuarial accrued liability. Administrative costs of the plan are financed through investment earnings.

Kent County Road Commission

Notes to Financial Statements September 30, 2007

Note 9 - Pension Plans (Continued)

Annual Pension Cost

For the year ended September 30, 2007, the Road Commission's annual pension cost of \$15,685 for the plan was equal to the Road Commission's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at January 1, 2006, using the entry age actuarial cost method.

In the most recent actuarial valuation dated January 1, 2006, an unfunded actuarial accrued liability (UAAL) of \$105,252 was calculated. The actuary recommended a level annual payment of \$15,685 over 10 years, beginning in 2006, to provide the funds necessary to eliminate the UAAL. A significant actuarial assumption of an 8 percent investment rate of return was used in the valuation. In addition, the actuarial value of assets was determined using techniques that smooth the effects of short-term volatility.

Reserves

As of September 30, 2007, amounts held by the plan are reserved entirely for retired benefit payments.

Three-year Trend Information

	Fiscal Year Ended		
	September 30, 2007	December 31, 2006	December 31, 2005
Annual pension cost (APC)	\$ 15,685	\$ 15,685	\$ 13,184
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 10 - Postemployment Benefits

Plan Description - The Road Commission provides healthcare benefits to certain salaried employees upon retirement, in accordance with Road Commission policy. Currently, 48 retirees are eligible. The Road Commission includes pre-Medicare retirees and their dependents in its insured healthcare plan, with a portion of the contribution required by the participants. The Road Commission purchases Medicare supplemental insurance for retirees eligible for Medicare.

Kent County Road Commission

Notes to Financial Statements September 30, 2007

Note 10 - Postemployment Benefits (Continued)

Funding Policy - The Road Commission has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due, which amounted to approximately \$215,000 for 2007. Currently, the Road Commission has not made contributions to advance-fund these benefits.

Funding Progress - For the year beginning October 1, 2007, the Road Commission has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2006. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The annual required contribution was calculated at \$496,000. Expected premiums are approximately \$300,000, and subsequent to year end, the remaining balance of \$196,000 has been transferred to a trust to fund future liabilities. Management has designated fund balance for the required contributions.

The current funding progress of the plan is as follows for the valuation date of September 30, 2007:

Actuarial value of assets	\$	-
Actuarial accrued liability		4,789,910
Unfunded AAL		4,789,910
Funded ratio		0.0%

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Kent County Road Commission

Notes to Financial Statements September 30, 2007

Note 10 - Postemployment Benefits (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2006 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 2008. Both rates included a 4 percent inflation assumption. UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2007 was 29 years.

Note 11 - Contract Obligations

Estimated future contract obligations related to completion of Road Fund construction projects in progress at September 30, 2007, net of estimated revenue from federal aid and contributions from participating communities, total approximately \$3,676,000. The total remaining cost of these uncompleted projects will exceed the above estimated future contract costs due to inspection costs and other noncontracted services. It is anticipated that a significant portion of such additional costs will be shared with other governmental units and that the Road Commission's share of these costs will not be material in amount.

Required Supplemental Information

Kent County Road Commission

Required Supplemental Information Budgetary Comparison Schedule - Road Fund Nine Months Ended September 30, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Michigan Transportation Fund:				
Primary road system	\$ 16,934,000	\$ 19,087,100	\$ 18,978,904	\$ (108,196)
Local road system	6,256,000	4,239,890	4,250,530	10,640
State trunkline maintenance	3,914,000	4,750,000	5,373,449	623,449
Federal and state aid	5,716,000	4,766,000	3,708,824	(1,057,176)
Contributions for work performed for others	5,801,532	5,801,532	4,937,167	(864,365)
Contributions for facilities construction	315,504	315,504	315,504	-
Interest	414,000	423,000	489,946	66,946
Proceeds from sale of fixed assets	140,000	127,000	143,110	16,110
Property rentals	114,000	114,000	105,350	(8,650)
Miscellaneous	3,800	3,800	-	(3,800)
Total revenue	39,608,836	39,627,826	38,302,784	(1,325,042)
Expenditures - Current				
Construction:				
Primary	1,305,000	525,000	878,636	(353,636)
Local	100,000	100,000	133,283	(33,283)
Preservation:				
Primary	9,291,500	8,371,500	7,232,127	1,139,373
Local	5,747,194	5,747,194	3,977,398	1,769,796
Maintenance:				
Primary	6,466,800	6,866,800	6,221,498	645,302
Local	8,180,000	8,480,000	8,152,767	327,233
State trunkline maintenance	4,359,000	5,375,000	6,055,245	(680,245)
Equipment:				
Direct	3,057,000	3,057,000	2,917,772	139,228
Indirect	1,797,000	1,797,000	1,593,402	203,598
Operating	975,000	1,103,000	1,084,255	18,745
Capital outlay	1,769,130	1,604,130	1,579,099	25,031
Less equipment rentals charged to other expenditures	(5,529,000)	(6,925,192)	(7,111,937)	186,745
Administrative	895,100	793,500	572,979	220,521
Unallocated distributive expenses	150,000	150,000	-	150,000
Work performed for units of government and others	1,050,000	1,980,000	2,065,511	(85,511)
Less provision for depreciation and depletion	(1,506,000)	(1,506,000)	(1,324,097)	(181,903)
Debt service	21,000	21,000	8,727	12,273
Total expenditures	38,128,724	37,539,932	34,036,665	3,503,267
Excess of Revenue Over Expenditures	<u>\$ 1,480,112</u>	<u>\$ 2,087,894</u>	4,266,119	<u>\$ 2,178,225</u>
Fund Balance - Beginning of year			12,280,933	
Fund Balance - End of year			<u>\$ 16,547,052</u>	

Kent County Road Commission

Required Supplemental Information Employees' Pension Trust Fund Analysis of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Unfunded AAL (UAAL) (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll
01/01/98	\$ 241,100	\$ 1,196,300	\$ (955,200)	20%	*	*
01/01/00	500,400	1,000,600	(500,200)	50%	*	*
01/01/02	747,700	910,200	(162,500)	82%	*	*
01/01/04	710,000	798,400	(88,400)	89%	*	*
01/01/06	577,000	682,000	(105,000)	85%	*	*

* Not applicable due to no active employees during this period.

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
December 31, 2003	\$ 24,200	100
December 31, 2004	13,184	100
December 31, 2005	13,184	100
December 31, 2006	15,685	100
September 30, 2007	15,685	100

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of January 1, 2006, the latest actuarial valuation, follows:

Actuarial cost method	Aggregate
Amortization method	Level annual funding
Remaining amortization period	8 years
Asset valuation method	Smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	None
Cost of living adjustments	None

Other Supplemental Information

Kent County Road Commission

Other Supplemental Information Schedule of Administrative Expenditures - Road Fund

	Nine Months	
	Ended	Year Ended
	September 30,	December 31,
	2007	2006
Personnel costs	\$ 764,985	\$ 1,090,750
Depreciation	12,477	17,747
Utilities	129,941	169,042
Information systems	30,819	55,844
Professional services	59,857	61,555
Insurance	8,898	35,625
Advertising	3,646	4,160
Supplies and postage	62,873	73,629
Equipment rental	38,820	47,091
Repairs and maintenance	67,079	97,194
Other	58,121	66,773
Total	1,237,516	1,719,410
Less administrative credits:		
State trunkline overhead recovered	(597,155)	(605,538)
Material handling	(54,391)	(38,164)
Purchase discounts	(12,991)	(29,873)
Net administrative expenditures	<u>\$ 572,979</u>	<u>\$ 1,045,835</u>

Kent County Road Commission

Other Supplemental Information Schedule of Distributive Expenditures - Road Fund

	Nine Months	
	Ended	Year Ended
	September 30,	December 31,
	2007	2006
Fringe benefits:		
Vacation and holiday	\$ 678,565	\$ 1,282,577
Sick leave	213,776	435,372
Payroll taxes	682,673	939,034
Retirement plan expense	528,513	794,791
Hospitalization, dental, and life insurance	2,040,544	2,718,192
Longevity	667	80,750
Workers' compensation	273,374	306,365
Unemployment compensation	3,057	13,466
Other	19,644	15,636
Total fringe benefits	4,440,813	6,586,183
Other distributive expenditures:		
Engineering services	694,135	931,513
Maintenance	298,860	395,672
Traffic and safety services	496,186	701,701
Planning and human resources	172,196	202,301
Liability insurance	72,470	259,130
Inventory handling and adjustments	106,741	166,304
Yard and storage facilities	155,006	219,938
Total other distributive expenditures	1,995,594	2,876,559
Total distributive expenditures	6,436,407	9,462,742
Less fringe benefits charged to other distributive expenditures	(474,948)	(734,723)
Less amounts charged for work performed	(1,685,818)	(1,926,235)
Total fringe benefits and other distributive expenditures	<u>\$ 4,275,641</u>	<u>\$ 6,801,784</u>
Charges distributed to:		
Construction:		
Primary	\$ 43,891	\$ 297,505
Local	23,464	1,322
Preservation:		
Primary	337,729	779,389
Local	438,190	518,438
Maintenance:		
Primary	1,074,181	1,516,006
Local	1,421,882	2,216,266
Equipment:		
Direct	312,438	472,895
Indirect	266,958	433,865
Operating	46,331	77,517
Administrative	262,968	418,177
Capital outlay	47,609	70,404
Total distributive expenditures	<u>\$ 4,275,641</u>	<u>\$ 6,801,784</u>

Kent County Road Commission

Other Supplemental Information Analysis of Changes in Road Fund Balance Nine Months Ended September 30, 2007

	Primary Road	Local Road	County Road Commission	Total
Revenue				
State aid - Act 51	\$ 18,978,904	\$ 4,250,530	\$ -	\$ 23,229,434
State trunkline maintenance	-	-	5,373,449	5,373,449
Federal/State sources	3,708,824	-	315,504	4,024,328
Revenue from local governments	-	2,529,562	2,118,699	4,648,261
Interest, fees, and other revenue	221,604	94,974	710,734	1,027,312
Total revenue	22,909,332	6,875,066	8,518,386	38,302,784
Expenditures - Current				
Construction	878,636	133,283	-	1,011,919
Preservation	7,232,127	3,977,398	-	11,209,525
Maintenance	6,221,498	8,152,767	-	14,374,265
State maintenance	-	-	6,055,245	6,055,245
Equipment and capital outlay	703,302	(835,085)	(1,129,723)	(1,261,506)
Administrative	308,775	264,204	-	572,979
Other services	8,727	-	2,065,511	2,074,238
Total expenditures	15,353,065	11,692,567	6,991,033	34,036,665
Optional Transfers	(5,455,922)	5,455,922	-	-
Excess of Revenue Over Expenditures	2,100,345	638,421	1,527,353	4,266,119
Fund Balances - Beginning of period	4,298,326	1,842,141	6,140,466	12,280,933
Fund Balances - End of period	<u>\$ 6,398,671</u>	<u>\$ 2,480,562</u>	<u>\$ 7,667,819</u>	<u>\$ 16,547,052</u>



Plante & Moran, PLLC
Bridgewater Place
Suite 600
333 Bridge St. N.W.
Grand Rapids, MI 49504
Tel: 616.774.8221
Fax: 616.774.0702
plantemoran.com

January 14, 2008

To the Board of County
Road Commissioners
Kent County Road Commission
1500 Scribner NW
Grand Rapids, MI 49504

Dear Board Members:

We recently completed our audit of the financial statements of Kent County Road Commission for the year ended September 30, 2007. As a result of our audit, we have the following comments for your review.

Retiree Healthcare Benefits

For the year ending September 30, 2008, Governmental Accounting Standards Board Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, is effective for the Road Commission. This pronouncement provides guidance for local units of government in recognizing the cost of retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, the Road Commission should continue to budget only the expected cash payments, whether directly for health insurance premiums or for contributions to fund the plan.

Subsequent to the end of the year, the Road Commission has made contributions to fund the annual required contribution as calculated by the actuary, as disclosed in the financial statements.

New Auditing Pronouncements

Statements on Auditing Standards Nos. 104 to 111 - *The Risk Assessment Standards* - The AICPA issued Statements on Auditing Standards (SAS 104 to SAS 111) which will substantially affect the auditing process. The effective date for the Road Commission's audits will be for the audit of the financial statements for the year ending September 30, 2008. These standards essentially redefine the audit process from start to finish and the ramifications for the audit process are substantial.

The new standards primarily require:

- The auditor to obtain a deeper understanding of (1) the Road Commission and its internal control, for the purpose of identifying the risks of material misstatement in the financial statements; and (2) what the Road Commission is doing to mitigate those risks
- A more rigorous assessment of the risks of material misstatement based on that understanding, with additional emphasis on significant risks that call for special audit consideration
- A clearer linkage between the assessed risks and the audit procedures performed, including tests of controls and substantive tests, in response to those risks

We have invested substantial resources into the redesign of our audit process to conform to these requirements. Our ultimate goal, as in the past, is to provide a quality audit, in full conformance with the requirements, which is tailored to the unique environment for the Road Commission. As a result, our 2008 audit process will have many new features and elements built in. We will work with the Road Commission to understand the elements, involve the Road Commission in the information gathering process, and perform audit tests focused on the risks embedded in the Road Commission's financial statements. To provide the Road Commission with as much lead time as possible in the data gathering process, we will review the information needs and soon provide the Road Commission with the tools needed.

Statement on Auditing Standards No. 114 - *Communication with Those Charged with Governance* - The AICPA issued Statement on Auditing Standards (SAS) 114, which will increase the amount of information provided to the board and others charged with governance about the audit process and results. This standard, effective for the September 30, 2008 audit, will provide information describing what an audit is, emphasizing management's role in the financial statement reporting process, identifying issues encountered during the audit, and clarifying what must be communicated in writing. This required communication will be in addition to the financial statements and management letter already received by the Road Commission.

These changes in the auditing standards continue to increase the level of audit effort required by the auditor and the amount of information provided to the Road Commission. We will work closely with the Road Commission to simplify and clarify changes as they continue to become effective.

To the Board of County
Road Commissioners
Kent County Road Commission

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January 14, 2008

We would like to thank the Road Commission personnel for their assistance during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in cursive script that reads "Mary F. Schafer". The signature is written in black ink and is positioned below the firm name.

Mary Schafer