

# Auditing Procedures Report

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Issued under Public Act 2 of 1968, as amended.

Unit Name	ANTRIM COUNTY ROAD COMM	County	ANTRIM	Type	OTHER	MuniCode	05-0-100
Opinion Date-Use Calendar	Mar 14, 2008	Audit Submitted-Use Calendar	Jun 27, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & 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, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- 5. Did the local unit adopt a budget for all required funds?
- 6. Was a public hearing on the budget held in accordance with State statute?
- 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- 12. Is the local unit free of repeated reported deficiencies from previous years?
- 13. Is the audit opinion unqualified?      14. If not, what type of opinion is it?
- 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- 18. Are there reported deficiencies?       19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 5,563,405.00
General Fund Expenditure:	\$ 4,934,257.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 1,890,187.00
Governmental Activities Long-Term Debt (see instructions):	\$ 395,205.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

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CPA Firm Name	THOMAS R ZICK CPA, P.C.	Unit's Street Address	P O BOX 308	City MANCELONA	LU Zip	49659	

ANTRIM COUNTY ROAD COMMISSION  
BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2007

ANTRIM COUNTY  
BOARD OF COUNTY ROAD COMMISSIONERS

Jerome Dobrzelewski  
Commissioner

Glenn Paradis  
Commissioner

Frederick Hunt  
Commissioner

Burt Thompson  
Engineer/Manager

Dale Farrier  
Office Manager

**ANTRIM COUNTY ROAD COMMISSION  
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**Thomas R. Zick CPA, P.C.**  
CERTIFIED PUBLIC ACCOUNTANT

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## INDEPENDENT AUDITOR'S REPORT

March 14, 2008

Board of County Road Commissioners  
Antrim County  
Mancelona, MI 49659

I have audited the accompanying financial statements of the governmental activities and major fund of the Antrim County Road Commission, a component unit of Antrim County, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Road Commission's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Road Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Antrim County Road Commission as of December 31, 2007 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated March 14, 2008, on my consideration of Antrim County Road Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of my 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 Governmental Auditing Standards and should be considered in assessing the results of my audit.

The management's discussion and analysis on pages 3-8 and budgetary comparisons on pages 25 and 26 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Antrim County Road Commission's basic financial statements. Other supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Antrim County Road Commission. The other supplementary information is presented for purposes of additional analysis and has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.

A handwritten signature in black ink that reads "Thomas R. Zick, CPA P.C." The signature is written in a cursive style with a large, stylized initial 'T'.

Thomas R. Zick CPA, P.C.  
Certified Public Accountant

## **ANTRIM COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Antrim 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 the Road Commission's 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 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 types 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 that the government-wide statements.

### REPORTING THE 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. 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 access 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 currently has only one fund, the general operations fund. All of the road commission's activities are accounted for in this fund. The general operations fund is a governmental fund type. Our analysis of the road commission's major fund begins on this page. The fund financial statements begin on page 11 and provide detailed information about the major fund.

**ANTRIM COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

Governmental funds focus on how money flows into and out of this fund and the balances left at year end that is 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 4.07% from \$26,138,800 to \$27,202,367 as of December 31, 2007. The net assets are summarized below.

Net Assets

Restricted net assets are those net assets that have constraints placed on them by either: a) by creditors, grantors, contributors, or laws or regulations of other governments; b) by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used for only 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.

The investment in capital assets, net of related debt, was \$25,091,308 at December 31, 2006 and \$25,497,735 as of December 31, 2007. The increase in net assets is primarily the result of capitalizing infrastructure of \$1,513,426. The road commission retroactively reported infrastructure assets (assets acquired after 1980) in 2006 as permitted by Governmental Accounting Standards Board (GASB) Statement No. 34.

Net assets as of year ended December 31, 2007 and December 31, 2006

	<u>12/31/07</u>	<u>12/31/06</u>	<u>Increase/ (Decrease)</u>
Current and Other Assets	\$ 2,149,905	\$ 1,537,770	\$ 612,135
Capital Assets (Net)	<u>25,707,735</u>	<u>25,506,308</u>	<u>201,427</u>
Total Assets	<u>27,857,640</u>	<u>27,044,078</u>	<u>813,562</u>
Long-Term Debt Outstanding	185,205	422,907	(237,702)
Other Liabilities	<u>470,068</u>	<u>482,371</u>	<u>(12,303)</u>
Total Liabilities	<u>655,273</u>	<u>905,278</u>	<u>(250,005)</u>
Net Assets			
Invested in Capital Assets Net of Related Debt	25,497,735	25,091,308	406,427
Restricted	<u>1,704,632</u>	<u>1,047,492</u>	<u>657,140</u>
Total Net Assets	<u>\$ 27,202,367</u>	<u>\$ 26,138,800</u>	<u>\$ 1,063,567</u>

**ANTRIM COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

Changes in Net Assets

A summary of changes in net assets follows:

	<u>12/31/07</u>	<u>12/31/06</u>	<u>Increase/ (Decrease)</u>
Revenues			
Licenses and Permits	\$ 51,010	\$ 41,195	\$ 9,815
Federal Grants	125,031	782,543	(657,512)
State Grants	3,517,941	3,800,245	(282,304)
Contributions from Local Units	1,097,804	1,356,855	(259,051)
Reimbursements/Miscellaneous	85	3,193	(3,108)
Charges for Services	731,972	578,563	153,409
Interest and Rents	39,562	28,004	11,558
Total Program Revenue	<u>5,563,405</u>	<u>6,590,598</u>	<u>(1,027,193)</u>
Expenditures			
Public Works	4,494,185	4,391,346	102,839
Interest Expense	5,653	8,935	(3,282)
Total Expenditures	<u>4,499,838</u>	<u>4,400,281</u>	<u>99,557</u>
Increase ( Decrease) in Net Assets	<u>\$ 1,063,567</u>	<u>\$ 2,190,317</u>	<u>\$ (1,126,750)</u>

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 which are earmarked by law for road and highway purposes.

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

	<u>12/31/07</u>	<u>12/31/06</u>	<u>(Decrease)</u>
Revenues			
Licenses and Permits	\$ 51,010	\$ 41,195	\$ 9,815
Federal Grants	125,031	782,543	(657,512)
State Grants	3,517,941	3,800,245	(282,304)
Contributions from Local Units	1,097,804	1,356,855	(259,051)
Reimbursements/Miscellaneous	85	3,193	(3,108)
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Interest and Rents	39,562	28,004	11,558
Total Program Revenue	<u>5,563,405</u>	<u>6,590,598</u>	<u>(1,027,193)</u>
			Increase/

**ANTRIM COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

Expenditures			
Public Works	5,089,845	6,897,552	(1,807,707)
Net Capital Outlay	(366,531)	(212,943)	(153,588)
Debt Service	210,943	209,185	1,758
Total Expenditures	<u>4,934,257</u>	<u>6,893,794</u>	<u>(1,959,537)</u>
Excess of Revenues Over (Under)			
Expenditures	629,148	(303,196)	932,344
Fund Balance - January 1	<u>1,261,039</u>	<u>1,564,235</u>	<u>(303,196)</u>
Fund Balance - December 31	<u>\$ 1,890,187</u>	<u>\$ 1,261,039</u>	<u>\$ 629,148</u>

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, 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 \$85,000 lower than the original budget primarily due to an decrease in Federal projected revenue and increases in Township contributions..

The final amended expenditure budget for 2007 was \$376,000 lower than the original budget primarily due to the road commission budgeting for higher expenses in Local Road Structural Improvements and lower expenses in the other three cost of road categories. The actual expenditures incurred during 2007 were less than the final amended budget by \$520,686. There were several unfavorable variances in expenditure line items.

**ANTRIM COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

Capital Assets

As of the respective year-ends, the road commission had invested the following in net capital assets including infrastructure as follows:

	<u>12/31/2007</u>	<u>12/31/06</u>	<u>Increase/ (Decrease)</u>
Capital assets not being depreciated:			
Land and Improvements	\$ 58,250	\$ 58,250	\$ -
Infrastructure and Land Improvements	<u>12,624,869</u>	<u>12,183,395</u>	<u>441,474</u>
Subtotal	<u>12,683,119</u>	<u>12,241,645</u>	<u>441,474</u>
Capital assets being depreciated:			
Buildings	2,461,446	2,461,446	-
Equipment - Road	5,454,695	5,464,456	(9,761)
Equipment - Shop	140,162	140,162	-
Equipment - Office	107,288	107,288	-
Equipment - Engineering	46,423	46,423	-
Equipment - Yard & Storage	928,133	928,133	-
Infrastructure - Bridges	1,149,439	1,149,439	-
Infrastructure - Roads	<u>19,078,516</u>	<u>18,006,564</u>	<u>1,071,952</u>
Subtotal	<u>29,366,102</u>	<u>28,303,911</u>	<u>1,062,191</u>
Total Capital Assets	<u>42,049,221</u>	<u>40,545,556</u>	<u>1,503,665</u>
Total Accumulated Depreciation	<u>16,341,486</u>	<u>15,039,248</u>	<u>1,302,238</u>
Total Net Capital Assets	<u>\$ 25,707,735</u>	<u>\$ 25,506,308</u>	<u>\$ 201,427</u>

Debt related to capital assets – bonds \$ 210,000

The Road Commission capitalized infrastructure and related assets during the current year in the amount of \$1,513,426. The infrastructure recorded, during 2007 will be depreciated in following years. The infrastructure is financed through Federal, State and local contributions

Major capital asset additions included the following by year:

	<u>12/31/2007</u>	<u>12/31/06</u>	<u>Increase/ (Decrease)</u>
Various Resurfacing Projects and Related Costs-Infrastructure	\$ 1,513,426	\$ 3,325,097	\$ (1,811,671)
Equipment	<u>5,600</u>	<u>234,742</u>	<u>(229,142)</u>
Total Additions	<u>\$ 1,519,026</u>	<u>\$ 3,559,839</u>	<u>\$ (2,040,813)</u>

There were no installment purchase agreements entered into during 2007. All the equipment was acquired with road commission funds.

**ANTRIM COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

Debt

At the year-end, the road commission had \$210,000 in bonds payable, a decrease of \$205,000. The bonds are payable over a five year period with a final payment due June 1, 2008. Other long-term debt is accrued vacation and sick pay leave.

In 2008, the road commission does not anticipate borrowing or financing any debt related to the acquisition of capital assets.

Economic Factors and Next Year's Budget

The Board of County Road Commissioners, along with the road commission's fiscal and chief administrative officers, considered many factors when setting the calendar year 2008 budget. These factors included the economy, township contributions, interest rates and various others. We are projecting a minor decrease in revenues for 2008 primarily due to less Federal project revenue and lower contribution from townships. The MTF funds are starting the year 2008 down from the prior year due to less gas tax being collected at the State level. Budget adjustments may be necessary during 2008 if this trend continues. Fuel prices could also negatively affect our 2008 results.

This financial report is designed to provide the public, citizens and other interested parties a general overview of the road commission's finances and to show the road commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Antrim County Road Commission's administrative offices at 319 E. Lincoln St., Mancelona, MI 49659.

ANTRIM COUNTY ROAD COMMISSION  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2007

ASSETS	
Cash demand and time deposits	\$ 937,086
Investments	97,215
Accounts receivable:	
Michigan Transportation Fund	481,989
State - Other	104,727
Due on County Road Agreements	2,265
Sundry Accounts	20,012
Inventories	
Road Materials	332,192
Equipment Parts and Materials	119,365
Prepaid expenses	55,054
Capital Assets (Net of Accumulated Depreciation)	<u>25,707,735</u>
 TOTAL ASSETS	 <u>\$ 27,857,640</u>
LIABILITIES	
Current Liabilities	
Account payable	\$ 77,224
Accrued liabilities	31,712
Advances from governmental units	151,132
Bonds payable	210,000
Noncurrent liabilities:	
Bonds payable	-
Vested employee benefits payable	<u>185,205</u>
 TOTAL LIABILITIES	 <u>655,273</u>
NET ASSETS	
Invested in capital assets, net of related debt	25,497,735
Restricted for County Roads	<u>1,704,632</u>
 TOTAL NET ASSETS	 <u>\$ 27,202,367</u>

See Notes to Financial Statements

**ANTRIM COUNTY ROAD COMMISSION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

Program Expenses	
Primary Road Maintenance	\$ 1,331,378
Local Road Maintenance	2,157,002
Net Equipment Expense	(46,055)
Net Administrative Expense	311,105
State Trunkline Maintenance	740,755
Interest Expense	<u>5,653</u>
Total Program Expenses	<u>4,499,838</u>
Program Revenue	
License and Permits	51,010
Federal Grants	125,031
State Grants	3,517,941
Contributions From Local Units/Other	1,097,804
Charges for Services	731,972
Reimbursements/Miscellaneous	<u>85</u>
Total Program Revenue	<u>5,523,843</u>
Net Program Revenue	<u>1,024,005</u>
General Revenue	
Investment Income	<u>39,562</u>
Total General Revenue	<u>39,562</u>
Change in Net Assets	<u>1,063,567</u>
Net Assets	
Beginning of Year	<u>26,138,800</u>
End of Year	<u>\$ 27,202,367</u>

See Notes to Financial Statements

**ANTRIM COUNTY ROAD COMMISSION  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2007**

	<u>General Operating Fund</u>
<b>ASSETS</b>	
Cash Demand and Time Deposits	\$ 937,086
Investments	97,215
Accounts Receivable:	
Due from State	586,716
Due on County Road Agreements	2,265
Sundry	20,012
Inventories	
Road Materials	332,192
Equipment Parts and Materials	119,365
Prepaid Expenses	<u>55,054</u>
 TOTAL ASSETS	 <u>\$ 2,149,905</u>
 <b>LIABILITIES AND FUND EQUITY</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 77,224
Accrued Liabilities	31,362
Advances from Governmental Units	<u>151,132</u>
 TOTAL LIABILITIES	 259,718
 <b>FUND EQUITY</b>	
Fund Balance	
Undesignated	<u>1,890,187</u>
 TOTAL FUND EQUITY	 <u>1,890,187</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 2,149,905</u>

See Notes to Financial Statements

**ANTRIM COUNTY ROAD COMMISSION**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**to the Statement of Net Assets**  
**DECEMBER 31, 2007**

Total Governmental Fund Balance	\$ 1,890,187
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital assets at cost	42,049,221
Accumulated depreciation	(16,341,486)
Accrued interest on bonds payable is not included as a liability in the funds	(350)
Long Term Debt - bonds payable not due and payable in current period and is not reported in the funds	(210,000)
Vested Employee Benefits Payable are not due and payable in the current period and are not reported in the funds	<u>(185,205)</u>
Net Assets of Governmental Activities	<u><u>\$ 27,202,367</u></u>

**ANTRIM COUNTY ROAD COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General Operating Fund</u>
<b>REVENUES</b>	
Licenses and Permits	\$ 51,010
Federal Grants	125,031
State Grants	3,517,941
Contributions From Local Units / Other Contributions	1,097,804
Charges for Services	731,972
Interest	39,562
Other Revenue	<u>85</u>
 TOTAL PROGRAM REVENUE	 <u>5,563,405</u>
 <b>EXPENDITURES</b>	
Public Works	5,089,845
Net Capital Outlay	(366,531)
Debt Service	<u>210,943</u>
 TOTAL EXPENDITURES	 <u>4,934,257</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>629,148</u>
 FUND BALANCES, BEGINNING OF YEAR	 <u>1,261,039</u>
 FUND BALANCES, END OF YEAR	 <u>\$ 1,890,187</u>

**ANTRIM 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**

Net Change in Fund Balances - Total Governmental Funds	\$ 629,148
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p> <p>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 and reported as depreciation expense.</p>	
Add - Capital Outlay	1,519,026
Deduct - Depreciation Expense	(1,317,599)
Repayment of bond principal is an expenditure in the governmental fund but reduces long-term liabilities in the Statement of Net Assets	205,000
Vested employee benefits payable do not require the current use of financial resources and are not reported as expenditures in the fund statements	
Add - decrease in vested employee benefits	27,702
Accrued interest on bonded debt does not require the current use of financial resources and is not reported as an expenditure in the fund statement	
Deduct - increase in Accrued interest payable	<u>290</u>
Change in Net Assets	<u>\$ 1,063,567</u>

**ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Antrim County 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 used by Antrim County road commission.

**REPORTING ENTITY**

The Antrim 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 bonded 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 Antrim County Road Commission, a discretely presented component unit of Antrim 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.

**Basis of Presentation - Government-Wide financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the Antrim 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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. 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.

**ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 customer or applicants for goods or services or privileges provided; (2) Michigan transportation funds, State/Federal contracts and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue.

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 the 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.

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 stated at fair value.

Inventories

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

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements.

**ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets

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

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. The Antrim County Road Commission has capitalized the current year's infrastructure, as well as the prior year's, as required by GASB 34, and has reported the infrastructure in the statement of net assets. The road commission retroactively capitalized the major infrastructure assets for years prior to 2003 during 2006.

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	30 to 50 years	Shop Equipment	10 years
Road Equipment	5 to 8 years	Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years	Infrastructure - Roads	8 to 30 years
Infrastructure - Bridges	12 to 50 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.

Use of Estimates

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

Budgets and Budgetary Accounting - The County Road Commission follows the requirements of the Uniform Budgeting and Accounting Act, Michigan Public Act 621 of 1978, in the preparation and execution of its annual general appropriations act. Any violations are disclosed in audits of the County Road Commission financial statements as required by law. The budgets are amended as appropriate throughout the year and lapse at year-end.

**ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007**

**NOTE B - EXCESS EXPENDITURES OVER APPROPRIATIONS**

Public Act 621 of 1978, section 18 (1), as amended, provides that a County Road Commission shall not incur expenditures in excess of amounts appropriated. As presented in the financial statements for the year ended December 31, 2007 the County Road Commission incurred expenditures in certain areas which were in excess of the amounts budgeted as follows:

<u>Function</u>	<u>Total Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Primary Road:			
Preservation–Structural Improvement	\$ 154,000	\$ 175,442	\$ (21,442)
Maintenance	\$ 920,000	\$ 944,551	\$ (24,551)
Local Road:			
Maintenance	\$ 1,430,000	\$ 1,623,016	\$ (193,016)
State Trunkline Maintenance	\$ 740,000	\$ 740,755	\$ (755)

The above line items were spent in excess of their respective budgeted amounts but total expenditures were less than the total budgeted amount by \$520,686.

**NOTE C - CASH AND INVESTMENTS**

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Accounts</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amount</u>
Imprest cash	\$ 200	Imprest cash	\$ 200
Cash demand and time deposits	936,886	Savings and checking	
Investments	97,215	accounts	936,886
		Investments	97,215
	<u>\$ 1,034,301</u>		<u>\$ 1,034,301</u>

**DEPOSITS** - At year-end the carrying amount of the road account deposits was \$936,886 and the bank balance was \$997,073. These funds are 16.1% insured by the Federal Deposit Insurance Corporation.

**Investments** - Act 217, PA 1982, authorized the commission to deposit and invest in the following:

- (a) bonds and other direct obligations of the United States or its agencies
- (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the National Credit Union Administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146)
- (c) commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time
- (d) United States government or Federal agency obligation repurchase agreements

**ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007**

**NOTE C - CASH AND INVESTMENTS (CONTINUED)**

- (e) bankers' acceptance of United States banks
- (f) mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

The following investments are considered mutual or trust funds:

	<u>Carrying Value</u>	<u>Market Value</u>
Investments held by:		
Merrill Lynch Governmental Securities Fund	\$ 97,215	\$ 97,215
	<u>\$ 97,215</u>	<u>\$ 97,215</u>

The above investments were the road commission's share of investment pools which were made up of U.S. Treasury, Agencies, and instrumentalities, commercial paper, banker's acceptances, repurchase agreements and reverse repurchase agreements which were not in the name of the Commission. These are considered investment pools and are not required to be categorized as to investment risk. They are uninsured investments.

The Road Commission has adopted the County's investment policy, which is in accordance with the provisions of Public Act 196 of 1997.

*Interest Rate Risk* – The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Commission has no investment policy that would further limit its investment choices.

*Custodial Deposit Credit Risk* – custodial deposit credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. State law does not require and the Commission does not have a policy for deposit custodial credit risk. As of year end \$786,190 of the Commission's bank balance of \$936,886 was exposed to credit risk because it was uninsured and uncollateralized.

**NOTE D - STATE EQUIPMENT PURCHASE ADVANCE/STATE HIGHWAY MAINTENANCE ADVANCE**

State equipment purchase advance is determined by a formula applied to the book value of equipment of the previous fiscal year. This amount is adjusted each fiscal year in accordance with the formula and would be refunded to the State Department of Transportation upon termination of the State Highway Maintenance Contract. At December 31, 2007 the amount was \$88,554.

During 2007 the State had advanced \$62,578 on the routine maintenance agreement, which would be refunded to the State Department of Transportation upon termination of the contract.

**NOTE E - FEDERAL REVENUE/EXPENDITURES**

All Federal dollars recorded by the Antrim County Road Commission in 2007 were for projects controlled by the Michigan Department of Transportation. Federal compliance testing of these funds will be included in the audit of MDOT and not at the local road commission level. No A-133 Single audit is required for the Antrim County Road Commission. Federal revenues totaled \$125,031 for 2007.

**ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007**

**NOTE F - CAPITAL ASSETS**

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

	Balance <u>1/1/2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2007</u>
Capital assets not being depreciated:				
Land	\$ 58,250	\$ -	\$ -	\$ 58,250
Infrastructure and Land Improvements	<u>12,183,395</u>	<u>441,474</u>		<u>12,624,869</u>
	<u>12,241,645</u>	<u>441,474</u>	-	<u>12,683,119</u>
Capital assets being depreciated:				
Buildings	2,461,446	-	-	2,461,446
Equipment - Road	5,464,456	5,600	15,361	5,454,695
Equipment - Shop	140,162	-	-	140,162
Equipment - Office	107,288	-	-	107,288
Equipment - Engineering	46,423	-	-	46,423
Equipment - Yard & Storage	928,133	-	-	928,133
Infrastructure - Bridges	1,149,439	-	-	1,149,439
Infrastructure - Roads	<u>18,006,564</u>	<u>1,071,952</u>	-	<u>19,078,516</u>
Subtotal	<u>28,303,911</u>	<u>1,077,552</u>	<u>15,361</u>	<u>29,366,102</u>
Accumulated Depreciation:				
Buildings	711,767	60,227	-	771,994
Equipment - Road	4,813,584	253,497	15,361	5,051,720
Equipment - Shop	108,862	8,134	-	116,996
Equipment - Office	96,399	5,669	-	102,068
Equipment - Engineering	44,901	1,303	-	46,204
Equipment - Yard & Storage	795,245	43,301	-	838,546
Infrastructure - Bridges	484,255	34,091	-	518,346
Infrastructure - Roads	<u>7,984,235</u>	<u>911,377</u>	-	<u>8,895,612</u>
Subtotal	<u>15,039,248</u>	<u>1,317,599</u>	<u>15,361</u>	<u>16,341,486</u>
Net Capital Assets Being Depreciated	<u>13,264,663</u>	<u>(240,047)</u>	-	<u>13,024,616</u>
Total Net Capital Assets	<u>\$ 25,506,308</u>	<u>\$ 201,427</u>	<u>\$ -</u>	<u>\$ 25,707,735</u>

Depreciation expense was charged to operations as follows:

Primary	\$ 395,969
Local	549,499
Equipment	365,159
Administration	<u>6,972</u>
	<u>\$ 1,317,599</u>

**ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007**

**NOTE G- POST EMPLOYMENT HEALTH CARE BENEFITS**

The road commission provides post retirement health care benefits to all employees who retire from the road commission. Any employee retiring after 7/1/89, who has completed at least ten years of service and is eligible for retirement will have \$150 per month contributed towards the employee and spouse coverage. Effective for retirees retiring after July 1, 1999 the commission contribution will be \$200 per month and effective July 1, 2003 \$250 per month. There were 22 employees receiving benefits with an approximate annual cost of \$44,400.

**NOTE H - PENSION PLAN**

Plan Description - Antrim County Road Commission participates in a defined benefit retirement plan administered by the Municipal Employee's Retirement System (MERS). The plan covers substantially all full-time employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, Michigan 49817. The most recent report for which actuarial data was available was for the fiscal year ended December 31, 2006.

All full time county road union and administrative employees are eligible to participate in the system. Benefits vest after ten years of service. Union employees who retire at or after age 60 with 10 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5 percent of the member's 5-year final average compensation per year of service. Administrative employees who retire at or after age 60 with 10 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5 percent of the member's 3-year final average compensation per year of service. In addition, both union and administrative employees with 30 years of service can elect to retire at age 55. The system also provides death and disability benefits which are established by State Statute.

Participating county road employees are not required to contribute to the system. The county road is required to contribute the amounts necessary to fund the Michigan Municipal Employees Retirement System using the actuarial basis specified by statute.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (a) inflation, and (b) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit and (c) the assumption that benefits will increase 2.5% annually after retirement.

**ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007**

**NOTE H - PENSION PLANS (CONTINUED)**

All entries are based on the actuarial methods and assumption that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/06)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 6,062,088
Terminated employees not yet receiving benefits	20,157
Current employees:	
Accumulated employee contributions including	
allocated investment income	150,556
Employer financed	<u>4,066,604</u>
Total Actuarial accrued liability	10,299,405
Net Assets Available for Benefits, at actuarial value	
(Market Value is 6,570,835)	<u>6,480,184</u>
Unfunded (over funded) actuarial accrued liability	<u>\$ 3,819,221</u>

GASB 27 INFORMATION (as of 12/31/06)

Fiscal year beginning	January 1, 2008
Annual required contribution (ARC)	\$ 351,360
Amortization factor used	0.054719

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

<u>Annual Pension Cost</u>				
Year Ended December 31,	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation	
2004	\$ 262,808	100%	-0-	
2005	271,025	100%	-0-	
2006	346,336	100%	-0-	
2007	330,881	100%	-0-	
2008	351,360	100%	-0-	

**ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007**

**NOTE H - PENSION PLANS (CONTINUED)**

The County Road Commission was required to contribute \$257,808 for the year ended December 31, 2007. Payments were based on contribution calculations made by MERS.

Actuarial Valuation Date <u>December 31,</u>	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % Of Covered Payroll
2004	\$ 6,272,727	\$ 9,521,436	\$ 3,248,709	66%	\$ 1,431,107	227.00%
2005	6,292,051	10,141,853	3,849,802	62%	1,540,770	250.00%
2006	6,480,184	10,299,405	3,819,221	63%	1,584,739	241.00%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000 and 2004 valuations. The funding method was changed to entry age normal for the 1993 valuation.

**NOTE I - RISK MANAGEMENT**

Antrim County Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan which authorize contracts between Municipal Corporations (inter-local agreements) to form group self-insurance pools.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverage, vehicle liability coverage, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Antrim County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, vehicle and equipment liability, bodily injury, property damage and personal injury liability. The Pool agreement provides that it shall be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance based upon limits determined by the Pool Board of Directors.

The road commission is also self-insured for worker's compensation as a member of the County Road Association Self Insurance Fund.

**NOTE J - LONG-TERM DEBT**

The long-term debt of the road commission is summarized as follows:

	Balance <u>1 /01/2007</u>	Additions (Reductions)	Balance <u>12/31/2007</u>
Bonds Payable	\$ 415,000	\$ (205,000)	\$ 210,000
Compensated Absences	\$ 212,907	\$ (27,702)	\$ 185,205
Total	<u>\$ 627,907</u>	<u>\$ (232,702)</u>	<u>\$ 395,205</u>

**ANTRIM COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007**

**NOTE J - LONG-TERM DEBT (CONTINUED)**

The annual debt service requirements to maturity for bonds payable as of December 31, 2007 is summarized as follows:

The Michigan Transportation Fund Notes, Series 2003 were used for the purpose of renovation and reconstruction of the Mancelona garage.

Michigan Transportation Fund Notes, Series 2004

Date of Issue: July 1, 2004

Original Amount: \$ 995,000

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal</u>	<u>Interest June 1</u>	<u>Interest December 1</u>	<u>Total</u>
2.00%	06/01/08	\$ 210,000	\$ 2,100	\$ -0-	\$ 212,100
		<u>\$ 210,000</u>	<u>\$ 2,100</u>	<u>\$ -0-</u>	<u>\$ 212,100</u>

Compensated absences are for accumulated personal, sick and vacation days. At December 31, 2007 the total accumulated liability was \$212,907.

**REQUIRED SUPPLEMENTARY INFORMATION**

**ANTRIM COUNTY ROAD COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Adopted Budget	Final Amended Budget	Actual	Variance With Final Budget
Licenses and Permits:				
Permits	\$ -	\$ -	\$ 51,010	\$ 51,010
Subtotal	<u>-</u>	<u>-</u>	<u>51,010</u>	<u>51,010</u>
Federal Aid:				
STP Funds	480,000	73,000	78,967	5,967
D Funds	320,000	79,000	46,064	(32,936)
Subtotal	<u>800,000</u>	<u>152,000</u>	<u>125,031</u>	<u>(26,969)</u>
State Aid:				
Engineering	10,000	10,000	10,000	-
Allocation	3,075,000	3,075,000	3,100,253	25,253
Snow Removal	300,000	317,000	317,099	99
Economic Development Funds	-	-	39,484	39,484
Forest Road Funds	50,000	51,000	51,105	105
Subtotal	<u>3,435,000</u>	<u>3,453,000</u>	<u>3,517,941</u>	<u>64,941</u>
Contributions				
Townships	850,000	1,200,000	1,057,690	(142,310)
Other	-	-	40,114	40,114
Subtotal	<u>850,000</u>	<u>1,200,000</u>	<u>1,097,804</u>	<u>(102,196)</u>
Charges for Services:				
State Trunkline Maintenance	520,000	730,000	731,972	1,972
Subtotal	<u>520,000</u>	<u>730,000</u>	<u>731,972</u>	<u>1,972</u>
Interest				
Interest Income	-	-	39,562	39,562
Other Revenue:				
Miscellaneous	(1) 70,000	55,000	85	(54,915)
Subtotal	<u>70,000</u>	<u>55,000</u>	<u>85</u>	<u>(54,915)</u>
Total Operating Revenue	<u>\$ 5,675,000</u>	<u>\$ 5,590,000</u>	<u>\$ 5,563,405</u>	<u>\$ (26,595)</u>

(1) Budgeted Permits, Interest, Other - in total

See Notes to Financial Statements

**ANTRIM COUNTY ROAD COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Adopted Budget	Final Amended Budget	Actual	Variance With Final Budget
Primary Road:				
Preservation-Structural Improvements	\$ 800,000	\$ 154,000	\$ 175,442	\$ (21,442)
Maintenance	1,100,000	920,000	944,551	(24,551)
Local Road:				
Preservation - Structural Improvements	1,000,000	1,625,000	1,337,984	287,016
Maintenance	1,800,000	1,430,000	1,623,016	(193,016)
State Trunkline Maintenance	520,000	740,000	740,755	(755)
Equipment Expense - Net:				
Direct			646,738	
Indirect			494,532	
Operating			364,837	
Less:				
Equipment Rental			(1,552,162)	
(1)	<u>200,000</u>	<u>100,000</u>	<u>(46,055)</u>	<u>146,055</u>
Administrative Expense - Net:				
Administrative Expense			390,450	
Less:				
Overhead - State Trunkline			(75,240)	
Purchase Discounts and Handling Charges			(1,058)	
(1)	<u>350,000</u>	<u>375,000</u>	<u>314,152</u>	<u>60,848</u>
Capital Outlay - Net:				
Capital Outlay			5,600	
Less:				
Depreciation			(372,131)	
(1)	<u>(150,000)</u>	<u>(100,000)</u>	<u>(366,531)</u>	<u>(266,531)</u>
Debt Service:				
Principal	205,000	205,000	205,000	-
Interest	<u>5,943</u>	<u>5,943</u>	<u>5,943</u>	<u>-</u>
Total Expenditures	<u>\$ 5,830,943</u>	<u>\$ 5,454,943</u>	<u>\$ 4,934,257</u>	<u>\$ 520,686</u>

(1) - Budgeted in total

See Notes to Financial Statements

**OTHER SUPPLEMENTARY INFORMATION**

**ANTRIM COUNTY ROAD COMMISSION  
ANALYSIS OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Commission</u>	<u>Total</u>
Total Revenues and Other Financing Sources	\$ 2,012,484	\$ 2,800,388	\$ 750,533	\$ 5,563,405
Total Expenditures	<u>1,189,279</u>	<u>3,161,275</u>	<u>583,703</u>	<u>4,934,257</u>
Excess of Revenues Over (Under) Expenditures	<u>823,205</u>	<u>(360,887)</u>	<u>166,830</u>	<u>629,148</u>
Fund Balance - January 1, 2007	670,914	635	589,490	1,261,039
Optional Transfers	<u>(546,314)</u>	<u>546,314</u>	<u>-</u>	<u>-</u>
Fund Balance - December 31, 2007	<u>\$ 947,805</u>	<u>\$ 186,062</u>	<u>\$ 756,320</u>	<u>\$ 1,890,187</u>

See Notes to Financial Statements

**ANTRIM COUNTY ROAD COMMISSION  
ANALYSIS OF REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Commission</u>	<u>Total</u>
Licenses and Permits:				
Permits	\$ -	\$ 51,010	\$ -	\$ 51,010
Federal Aid:				
STP Funds	78,967	-	-	78,967
D Funds	46,064	-	-	46,064
State Aid:				
Engineering	5,874	4,126	-	10,000
Allocation	1,821,048	1,279,205	-	3,100,253
Snow Removal	-	317,099	-	317,099
Economic Development Funds	39,484	-	-	39,484
Forest Road Funds	-	51,105	-	51,105
Contributions				
Townships	-	1,057,690	-	1,057,690
Other	-	40,114	-	40,114
Charges for Services:				
State Trunkline Maintenance	-	-	731,972	731,972
Interest				
Interest Income	21,047	39	18,476	39,562
Other Revenue:				
Miscellaneous	<u>-</u>	<u>-</u>	<u>85</u>	<u>85</u>
Total Revenue	<u>\$ 2,012,484</u>	<u>\$ 2,800,388</u>	<u>\$ 750,533</u>	<u>\$ 5,563,405</u>

See Notes to Financial Statements

**ANTRIM COUNTY ROAD COMMISSION  
ANALYSIS OF EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Commission</u>	<u>Total</u>
Primary Road:				
Preservation - Structural Improvement	\$ 175,442	\$ -	\$ -	\$ 175,442
Maintenance	944,551	-	-	944,551
Local Road:				
Preservation - Structural Improvement	-	1,337,984	-	1,337,984
Maintenance	-	1,623,016	-	1,623,016
State Trunkline Maintenance	-	-	740,755	740,755
Equipment Expense - Net	(16,930)	(27,661)	(1,464)	(46,055)
Administrative Expense - Net	86,216	227,936	-	314,152
Capital Outlay - Net	-	-	(366,531)	(366,531)
Debt Service				
Interest	-	-	5,943	5,943
Principal	-	-	205,000	205,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	<u>\$ 1,189,279</u>	<u>\$ 3,161,275</u>	<u>\$ 583,703</u>	<u>\$ 4,934,257</u>

See Notes to Financial Statements



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

March 14, 2008

Board of County Road Commissioners  
Antrim County  
Mancelona, Michigan 49659

I have audited the component unit financial statements of the governmental activities and major fund of the Antrim County Road Commission, a Special Revenue Fund of the County of Antrim, Michigan, as of and for the year ended December 31, 2007 which collectively comprise the Antrim County Road Commission's basic financial statements, and have issued my report thereon dated March 14, 2008. I conducted my 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 my audit, I considered Antrim County Road Commission's internal over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Antrim County Road Commission's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of the Antrim 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 Antrim County 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 Antrim County Road Commission's financial statements that is more than inconsequential will not be prevented or detected by the Antrim County Road Commission's internal control. I consider the following deficiency to be a significant deficiency in internal control over financial reporting:

Establishment and maintenance of internal control over the financial reporting process as defined by Statement on auditing Standards Number 112 requires management to prepare annual financial statements in accordance with GASB Statement Number 34. The Road Commission's auditor prepares these statements.

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 Antrim County Road Commission's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Antrim County Road Commission's component unit financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, grants, and contract 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that I reported to management of Antrim County Road Commission in a separate letter dated March 14, 2008.

This report is intended solely for the information and use of management, the Board of Road Commissioners, the Michigan Department of Treasury, and Michigan Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.



THOMAS R. ZICK CPA, P.C.  
CERTIFIED PUBLIC ACCOUNTANT



**Thomas R. Zick CPA, P.C.**  
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### FINANCIAL AUDIT COMMENTS

March 14, 2008

Board of County Road Commissioners  
Antrim County  
Mancelona, Michigan 49659

In planning and performing my audit of the component unit financial statements of Antrim County Road Commission, for the year ended December 31, 2007, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the component unit financial statements and not to provide assurance on the internal control structure. However, I noted certain matters that I feel should be brought to your attention as follows:

There were several budgetary line items that were overspent in violation of PA 621. Those line items are detailed in Note B to the financial statements. In total the actual expenditures did not exceed the budgeted amount.

The inventory detail printouts did not agree to the general ledger totals. While the amounts were minor, the detail totals should agree to the general ledger. It is my experience that this same condition exists at other road commissions using the software you use. You should work with the software vendor to eliminate these out of balance conditions.

The requirements of GASB #45 relating to post employment benefits other than pension (primarily health care costs) must be implemented for the year ending December 31, 2008. In order to properly implement the standard, certain actuarial calculations must be made. I can assist you in finding a firm to make these calculations.

There is not adequate segregation of duties in the accounting area. The individual who posts all journals and the general ledger also prepares checks and related disbursements journals, and also initiates all journal entries.

I recognize that with only two full time individuals working in the accounting area adequate segregation of duties is not only difficult but for all practical purposes impossible. The Board must recognize that all internal controls must be evaluated for cost effectiveness and at this point little can be done to increase the control without a considerable cost increase. The controls, which could be added, would have to be compared with the costs required to obtain those controls. By assigning the bank reconciliation procedures to another employee, considerable strengthening of internal accounting control has already occurred.

This report is intended solely for the information and use of the Antrim County Road Commission, its management, and the Michigan Departments of Treasury and Transportation and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'T. Zick, CPA, P.C.', written in a cursive style.

THOMAS R. ZICK CPA, P.C.  
CERTIFIED PUBLIC ACCOUNTANT



**Thomas R. Zick CPA, P.C.**  
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## REPORT TO BOARD OF ROAD COMMISSIONERS

March 14, 2008

To the Board of Road Commissioners  
Antrim County Road Commission

I have audited the financial statements of the governmental activities and the major fund of Antrim County Road Commission for the year ended December 31, 2007, and have issued my report thereon dated March 14, 2008. Professional standards require that I provide you with the following information related to my audit.

### My responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated January 25, 2008, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

### Planned Scope of the Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on January 25, 2008.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Antrim County Road Commission are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the inventory quantities is based on observation of those inventories. I evaluated the key factors and assumptions used to develop the inventory quantities in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Post employment health care benefits as reported in Note G to the financial statements.  
The pension unfunded liability as reported in Note H.

#### *Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

The completion of my audit was delayed because the confirmation responses from the financial institution were late. The financial institution was in the process of some internal restructuring and the responses were not timely received.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of the audit.

#### *Management Representations*

I have requested certain representations from management that are included in the management representation letter dated March 14, 2008.

Page 3  
Board of Road Commissioners  
March 14, 2008

*Other Audit Findings or Issues*

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to my retention.

This information is intended solely for the use of the Board of Antrim County Road Commission and management of Antrim County Road Commission and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Thomas R. Zick, CPA P.C." with a stylized, cursive script.

Thomas R. Zick CPA, P.C.