

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.)

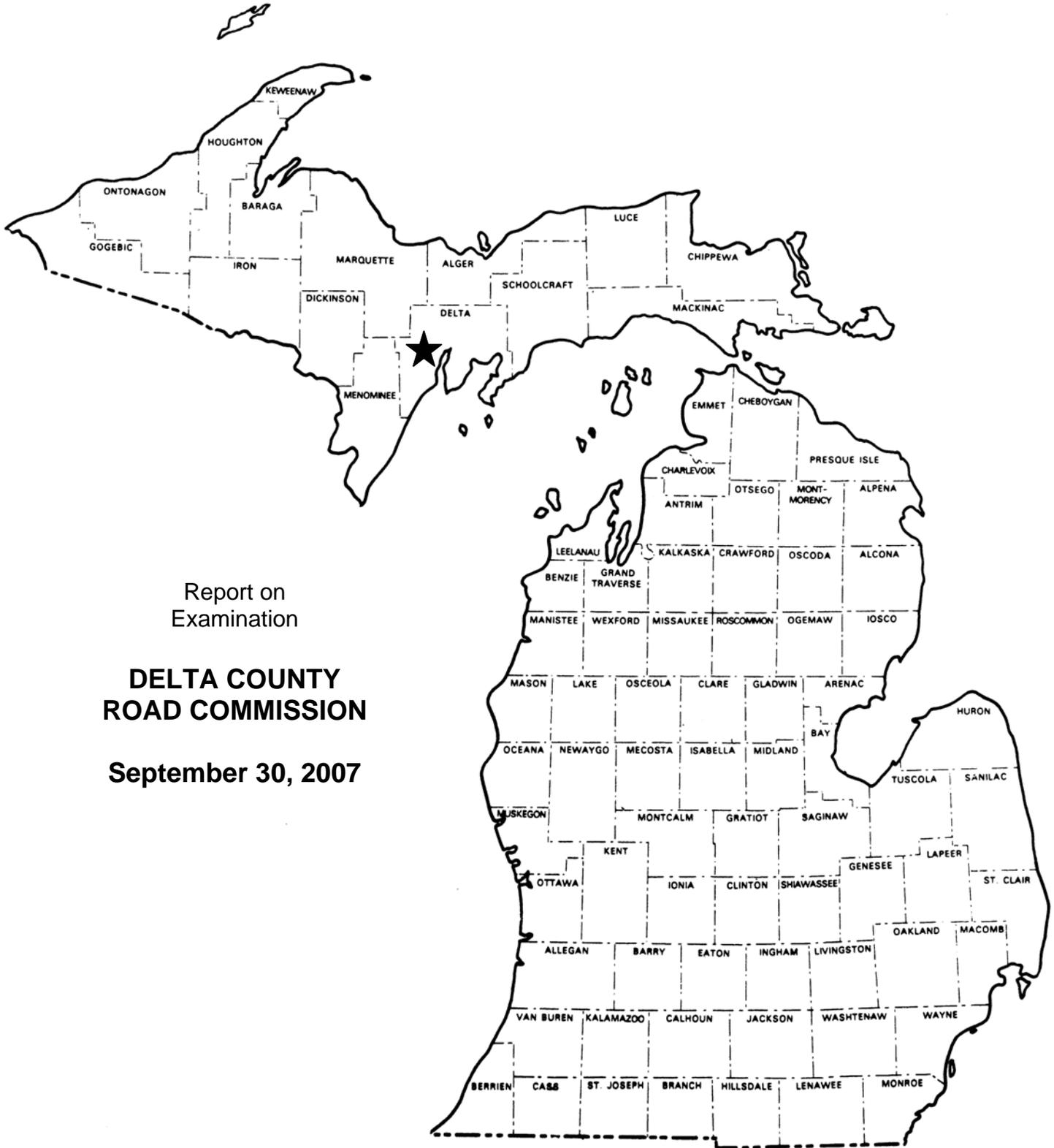
1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net 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

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



Report on
Examination

**DELTA COUNTY
ROAD COMMISSION**

September 30, 2007

DELTA COUNTY ROAD COMMISSION
BOARD OF COUNTY ROAD COMMISSIONERS

Mike Larrabee
Chairman

John LaTulip
Vice-Chairman

Peter Stropich
Member

Albert Keskimaki
Member

Rory Mattson
Member

Roger VanDrese
Managing Director

Robert VanEffen
Assistant Managing Director

Amy J. Reinhardt
Finance Director

Martha L. Holtslander
Office Clerk

COUNTY POPULATION--2000
38,473

STATE EQUALIZED VALUATION--2007
\$1,359,825,812



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

February 20, 2008

Board of County Road Commissioners
Delta County Road Commission
3000 32nd Avenue North
Escanaba, Michigan 49829-9315

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying basic financial statements of the Delta County Road Commission, a component unit of Delta County, Michigan, as of and for the year ended September 30, 2007 as listed in the table of contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delta County Road Commission, as of September 30, 2007 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2008, on our consideration of the Delta County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 8 and the budgetary comparison information in Exhibits G and H are not part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



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

DELTA COUNTY ROAD COMMISSION

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DELTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Delta County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the fiscal year ended September 30, 2007. This discussion and analysis is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the Road Commission's financial activity; c) identify changes in the Road Commission's financial position (its ability to address the next and subsequent year challenges); d) identify any material deviations from the approved budget; and e) identify any issues or concerns.

Overview of the Financial Statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The 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. The two government-wide statements report the Road Commission's net assets and how they have changed.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending.

Reporting the Road Commission as a Whole

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. These statements include all 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 year's revenues and expenses are taken into account regardless of when cash is received or paid.

DELTA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

The two statements mentioned above report the Road Commission's net assets and changes in them. 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 and decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating.

Report of the Road Commission's Major Fund

The fund financial statements begin on page eleven and provide detailed information about the major fund. The Road Commission has only one fund, the General Operations Fund, in which all of the Road Commission's activities are accounted. The General Operations Fund is a governmental type fund.

- Governmental Fund--The governmental fund focuses on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the 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.

The Road Commission as a Whole

The Road Commission's net assets increased approximately 16.54% or \$2,432,043 from \$14,700,347 to \$17,132,390 for the year ended September 30, 2007. The net assets and change in net assets are summarized below.

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

The capital assets-net of related debt increased by \$2,004,052 primarily as a result of the significant amount of preservation/structural improvement projects completed during 2007 and purchases of road equipment.

DELTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Governmental Activities 09/30/06	Governmental Activities 09/30/07	Variance	Percentage
Current and Other Assets	\$ 3,157,975	\$ 3,151,545	\$ (6,430)	-0.20%
Net Capital Assets	<u>18,209,400</u>	<u>20,096,248</u>	<u>1,886,848</u>	<u>10.36%</u>
Total Assets	<u>21,367,375</u>	<u>23,247,793</u>	<u>1,880,418</u>	<u>8.80%</u>
Other Liabilities	976,113	609,729	(366,384)	-60.09%
Long-Term Liabilities	<u>5,690,915</u>	<u>5,505,674</u>	<u>(185,241)</u>	<u>-3.36%</u>
Total Liabilities	<u>6,667,028</u>	<u>6,115,403</u>	<u>(551,625)</u>	<u>-8.27%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	13,069,056	15,073,108	2,004,052	15.33%
Restricted	<u>1,631,291</u>	<u>2,059,282</u>	<u>427,991</u>	<u>26.24%</u>
Total Net Assets	<u>\$14,700,347</u>	<u>\$17,132,390</u>	<u>\$2,432,043</u>	<u>16.54%</u>

The total revenue decreased by 1 percent from 2006 to 2007. The most significant variances were: a decrease in fuel tax revenue and less Federal and State funding for road projects.

The most significant change in the expenses were related to doing less maintenance due to decreased revenues and yet some areas increased because we did work that was billable to other units (such as Alger County Road Commission C.R. 440 project engineering, private/township work, and garage lease expenses). Also, infrastructure depreciation is increasing as we do more preservation/structural improvement projects.

We feel that Road Commission revenue and expenditures will always vary from year to year depending on so many factors, such as level of State/Federal funding for capitalization projects, level of local contributions for both maintenance and preservation, weather conditions that may require more or less maintenance, and State Trunkline maintenance and nonmaintenance expenses and revenue which vary from year to year.

DELTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table presents a two year comparison of the Statement of Activities:

	<u>2006</u>	<u>2007</u>	<u>Difference</u>	<u>Percent</u>
Program Revenue				
Charges for Services	\$ 1,253,812	\$ 1,213,428	\$ (40,384)	-3.33%
Operating Grants and Contributions	4,114,019	4,044,356	(69,663)	-1.72%
Capital Grants and Contributions	2,122,850	2,002,900	(119,950)	-5.99%
General Revenue				
Gain on Land and Building Disposal		18,788	18,788	100.00%
Gain on Equipment Disposal	15,878	74,538	58,660	78.70%
Gain on Refunded Bond		82,758	82,758	100.00%
Total Revenue	<u>7,506,559</u>	<u>7,436,768</u>	<u>(69,791)</u>	<u>-0.94%</u>
Expenses				
Primary Routine and Preventive Maintenance	1,524,407	1,335,902	(188,505)	-12.37%
Local Routine and Preventive Maintenance	1,089,559	1,023,694	(65,865)	-6.05%
State Trunkline Maintenance	1,011,274	1,032,732	21,458	2.12%
Private Road Plowing		3,754	3,754	100.00%
Net Equipment Expense	473,056	321,435	(151,621)	-32.05%
Net Administrative Expense	358,421	364,923	6,502	1.81%
Maintenance for Other Units	21,388	27,812	6,424	30.04%
Infrastructure Depreciation Expense	344,448	529,018	184,570	53.58%
Compensated Absences	(42,341)	6,173	48,514	-114.58%
Interest Expense	253,441	247,975	(5,466)	-2.16%
Refunding Bond--Insurance and Other Costs		111,307	111,307	100.00%
Total Expenses	<u>5,033,653</u>	<u>5,004,725</u>	<u>(28,928)</u>	<u>-0.57%</u>
Change in Net Assets	<u>\$ 2,472,906</u>	<u>\$ 2,432,043</u>	<u>\$ (40,863)</u>	<u>-1.65%</u>
Ending Net Assets	<u>\$14,700,347</u>	<u>\$17,132,390</u>	<u>\$2,432,043</u>	<u>16.54%</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.

For the year ended September 30, 2007, the fund balance of the General Operations Fund increased by \$434,162 compared to a decrease of \$71,315 in the fund balance for the fiscal year ended September 30, 2006. Total operating revenues were \$7,354,010, a decrease of \$152,549 as compared to last year. This change in revenues resulted from a decrease in fuel tax revenue and receiving less Federal and State funding for road projects.

DELTA COUNTY ROAD COMMISSION

MANAGEMENT’S DISCUSSION AND ANALYSIS

Total expenditures were \$7,002,606, a decrease of \$534,338 in comparison to last year. This change in expenditures is primarily the result of a decrease in preservation/structural improvement projects.

	2006	2007	Variance	%
Revenues				
Licenses and Permits	\$ 15,065	\$ 12,025	\$ (3,040)	-20.18%
Federal Grants	1,236,824	1,184,203	(52,621)	-4.25%
State Grants	4,498,053	4,301,335	(196,718)	-4.37%
Contributions From Local Units	448,939	384,660	(64,279)	-14.32%
Charges for Services	1,014,724	1,201,371	186,647	18.39%
Interest and Rents	53,053	58,992	5,939	11.19%
Other Revenue	239,901	211,424	(28,477)	-11.87%
Total Revenues	7,506,559	7,354,010	(152,549)	-2.03%
Expenditures				
Public Works	7,562,071	6,873,874	(688,197)	-9.10%
Capital Outlay--Net	(391,664)	(347,754)	43,910	-11.21%
Debt Service	366,537	476,486	109,949	30.00%
Total Expenditures	7,536,944	7,002,606	(534,338)	-7.09%
Excess of Expenditures Over Revenues	(30,385)	351,404	381,789	1256.50%
Other Financing Sources				
Proceeds From Refunding Bonds		4,800,000	4,800,000	0.00%
Payment to Refunding Agent		(4,717,242)	(4,717,242)	100.00%
Total Other Financing Sources (Uses)	-	82,758	82,758	100.00%
Excess of Revenues and Other Financing Sources Over Expenditures	(30,385)	434,162	464,547	1528.87%
Fund Balance--Beginning	1,858,743	1,828,358	(30,385)	-1.63%
Fund Balance--Ending	\$ 1,828,358	\$ 2,262,520	\$ 434,162	23.75%

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’s 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.

DELTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The original revenue budget for 2007 was \$7,999,537, which was \$4,154,473 less than the actual revenue received for the year. The final amended budget was \$7,288,782, which was \$4,865,228 less than the actual revenue received. This was due, in large part, to the Road Commission receiving proceeds from the issuance of refunding bonds. They also received more funds from certain Federal and State projects during the year than originally planned.

The Road Commission's original expenditure budget was projected at \$7,965,480, while actual expenditures were \$11,719,848 resulting in actual expenditures being more than originally budgeted by \$3,754,368. There were budget amendments made throughout the year, however, the actual expenditures exceeded the final amended budget by \$4,699,633. This was primarily due to the Road Commission having costs associated with the bond refunding, which was not budgeted for.

Capital Assets

As of September 30, 2007, the Road Commission had \$20,096,248 invested in capital assets as follows:

	<u>09/30/06</u>	<u>09/30/07</u>	<u>Percentage of Change</u>
Capital Assets Not Being Depreciated			
Land and Improvements	\$ 1,412,362	\$ 1,407,849	-0.32%
Construction in Progress	301,974	433,925	30.41%
Infrastructure-Land and Improvements	<u>1,027,737</u>	<u>1,232,855</u>	<u>16.64%</u>
Subtotal	<u>2,742,073</u>	<u>3,074,629</u>	<u>10.82%</u>
Capital Assets Being Depreciated			
Buildings	6,787,854	6,762,669	-0.37%
Road Equipment	6,529,143	6,722,327	2.87%
Shop Equipment	112,926	121,804	7.29%
Office Equipment	81,707	84,432	3.23%
Engineer's Equipment	38,933	41,015	5.08%
Infrastructure--Bridges	1,260,284	1,354,103	6.93%
Infrastructure--Roads	<u>8,610,129</u>	<u>10,957,279</u>	<u>21.42%</u>
Subtotal	<u>23,420,976</u>	<u>26,043,629</u>	<u>10.07%</u>
Total Capital Assets	26,163,049	29,118,258	10.15%
Total Accumulated Depreciation	<u>(7,953,649)</u>	<u>(9,022,010)</u>	<u>11.84%</u>
Total Net Capital Assets	<u>\$18,209,400</u>	<u>\$20,096,248</u>	<u>9.39%</u>

DELTA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Road Commission reported the infrastructure and other assets during the current year in the amount of \$3,211,666. The infrastructure recorded during 2007, will be depreciated in the following year. The infrastructure is financed through Federal, State and local contributions.

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

Construction and Reconstruction of Bridges	\$ 93,818
Various Resurfacing Projects and Related Land/Right-of-Way	2,552,269
Road Constuction in Progress	199,789
Road Equipment	352,105
Other Various Equipment	<u>13,685</u>
 Total Additions	 <u><u>\$ 3,211,666</u></u>

There were no new installment purchase agreements entered into during 2007; all the equipment was acquired with Road Commission funds.

Debt

At year end, the Road Commission entered into a new bond refunding agreement, which will significantly reduce the amount of interest paid over the life of the agreement. The Road Commission will continue to pay under the existing bond agreement until 2009 and will make limited payments under the new agreement until then. An escrow has been established to pay a portion of the yearly principal until the old obligation is terminated. During 2007, \$115,000 was paid in principal, leaving a balance of \$4,920,000. Bonds issued in prior years have been paid.

More detailed information about the Road Commission's long-term liabilities for vested employee benefits is presented in Note H to the financial statements.

Economic Factors and Next Year's Budget

The board of county road commissioners considered many factors when setting the fiscal year 2008 budget. One of the factors is the economy. The Road Commission derives approximately 52.6% of its revenue from the fuel tax collected in 2007. The recent economic downturn has resulted in less consumption of fuel and consequently less Michigan Transportation Fund tax to be distributed. The Road Commission received approximately 3.17% of its revenues from township contributions during 2007. This amount fluctuates with the approved road projects and depends on what and how much the townships can afford to participate. During 2008, we expect to receive \$6,619,853 in Federal and State aid for road projects, some of which was deferred from 2007.

The above items were considered when adopting the budget for 2008. Amounts available for appropriation in the 2008 budget are \$12,163,853.

DELTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The board realizes, and the reader should understand, that there are not sufficient funds available to repair and/or rebuild every road in Delta County's transportation system; therefore, the board attempts to spend the public's money wisely and equitably and in the best interest of the motoring public and the citizens of Delta County.

Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Road Commission for Delta County administrative offices at: 3000 32 Avenue North, Escanaba, MI 49829-9315.

**DELTA COUNTY ROAD COMMISSION
STATEMENT OF NET ASSETS
September 30, 2007**

EXHIBIT A

ASSETS

Cash	\$ 301,231
Investments	1,222,092
Accounts Receivable	
State--Trunkline Maintenance	34,981
Michigan Transportation Fund	665,710
State--Other	41,206
Due From Other Units of Government	3,091
Due on County Road Agreements	64,857
Sundry Accounts	19,076
Inventories	
Road Materials	495,643
Equipment Parts and Materials	233,196
Prepaid Expenses	39,563
Restricted Cash	899
Long-Term Contract Receivable	30,000
Capital Assets (Net of Accumulated Depreciation)	<u>20,096,248</u>
 Total Assets	 <u>23,247,793</u>

LIABILITIES

Current Liabilities	
Accounts Payable	271,280
Due to State of Michigan	146,349
Accrued Liabilities	58,974
Deposits	540
Private Road Plowing Deposits	896
Accrued Interest Payable	103,140
Unamortized Refunding Bond Premiums	28,550
Noncurrent Liabilities	
Advance From State	382,436
Bonds Payable Due Within One year	120,000
Bonds Payable Due in More Than One Year	4,800,000
Vested Employee Benefits Payable	<u>203,238</u>
 Total Liabilities	 <u>6,115,403</u>

NET ASSETS

Investment in Capital Assets	
Net of Related Debt	15,073,108
Restricted for County Roads	<u>2,059,282</u>
 Total Net Assets	 <u><u>\$17,132,390</u></u>

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

DELTA COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007

EXHIBIT B

Program Expenses	
Primary Road Routine and Preventive Maintenance	\$ 1,335,902
Local Road Routine and Preventive Maintenance	1,023,694
State Trunkline Maintenance	1,032,732
Private Road Plowing	3,754
Net Equipment Expense	321,435
Net Administrative Expense	364,923
Maintenance for Other Units	27,812
Infrastructure Depreciation	529,018
Compensated Absences	6,173
Interest Expense	247,975
Refunding Bond--Insurance and Other Costs	111,307
	<hr/>
Total Program Expenses	5,004,725
	<hr/>
Program Revenue	
Charges for Services	
License and Permits	12,025
Charges for Services	1,201,403
Operating Grants and Contributions	
Michigan Transportation Funds	3,867,298
Contributions	118,066
Investment Earnings	58,992
Capital Grants and Contributions	
Federal Grants	1,184,203
State Grants	434,037
Contributions	384,660
	<hr/>
Total Program Revenue	7,260,684
	<hr/>
Net Program Revenue	2,255,959
	<hr/>
General Revenue	
Gain on Land and Building Disposal	18,788
Gain on Equipment Disposal	74,538
Gain on Refunding Bonds	82,758
	<hr/>
Total General Revenues	176,084
	<hr/>
Change in Net Assets	2,432,043
	<hr/>
Net Assets	
Beginning of Year	14,700,347
	<hr/>
End of Year	\$ 17,132,390
	<hr/>

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

**DELTA COUNTY ROAD COMMISSION
BALANCE SHEET
September 30, 2007**

EXHIBIT C

**GOVERNMENTAL
FUND TYPE**

<u>ASSETS</u>	<u>General Operating Fund</u>
Cash	\$ 301,230
Investments	1,222,092
Accounts Receivable	
Interest	4,816
State Trunkline Maintenance	34,981
Michigan Transportation Fund	665,710
State--Other	41,206
Due From Other Governmental Units	3,091
Sundry Accounts	14,259
Due on County Road Agreements	64,858
Inventories	
Road Materials	495,643
Equipment Parts and Materials	233,196
Prepaid Expenses	39,563
Restricted Cash	899
Long-Term Contracts Receivable	<u>30,000</u>
Total Assets	<u><u>\$ 3,151,544</u></u>
 <u>LIABILITIES AND FUND EQUITY</u>	
Liabilities	
Accounts Payable	\$ 271,279
Due to State	146,349
Accrued Liabilities	58,974
Unamortized Refunding Bond Premiums	28,550
Advances	
Deposits	540
Private Road Plowing	896
State Trunkline Equipment Purchase	309,078
State Trunkline Maintenance	<u>73,358</u>
Total Liabilities	<u>889,024</u>
Fund Equities	
Fund Balance	
Reserved for	
Inventory	728,839
Long-Term Receivables	30,000
Unreserved and Undesignated	<u>1,503,681</u>
Total Fund Equities	<u>2,262,520</u>
Total Liabilities and Fund Equities	<u><u>\$ 3,151,544</u></u>

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

**DELTA COUNTY ROAD COMMISSION
RECONCILIATION OF THE BALANCE
SHEET FUND BALANCE TO THE
STATEMENT OF NET ASSETS
For the Year Ended September 30, 2007**

EXHIBIT D

Total Governmental Fund Balance	\$ 2,262,520
Amounts reported for governmental activities 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.	20,096,248
Other long-term liabilities are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
Compensated Absences	(203,238)
Bond proceeds increase long-term liabilities which are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
Proceeds From Refunding Bonds	(4,920,000)
The interest accrued up to the end of the year, but not due until the following year.	<u>(103,140)</u>
Net Assets of Governmental Activities	<u><u>\$17,132,390</u></u>

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

**DELTA COUNTY ROAD COMMISSION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Year Ended September 30, 2007**

EXHIBIT E

	Operating Fund
Revenues	
Licenses and Permits	\$ 12,025
Federal Grants	1,184,203
State Grants	4,301,335
Contributions From Local Units	384,660
Charges for Services	1,201,371
Interest and Rents	58,992
Other Revenue	211,424
	<hr/>
Total Revenues	7,354,010
	<hr/>
Expenditures	
Public Works	6,160,330
Capital Outlay	365,790
Debt Service	476,486
	<hr/>
Total Expenditures	7,002,606
	<hr/>
Excess of Revenues Over (Under) Expenditures	351,404
Other Financing Sources (Uses)	
Proceeds From Refunding Bonds	4,800,000
Payment to Refunding Agent	(4,717,242)
	<hr/>
Total Other Financing Sources and (Uses)	82,758
	<hr/>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	434,162
Fund Balance--October 1, 2006	1,828,358
	<hr/>
Fund Balance--September 30, 2007	\$ 2,262,520
	<hr/> <hr/>

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

**DELTA 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 September 30, 2007**

EXHIBIT F

Net Change in Fund Balance--Total Governmental Funds	\$ 434,162
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,886,850
Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the Statement of Activities.	
Repayment of notes/leases payable is an expenditure in governmental funds, but reduces the long-term liabilities in the State of Net Assets.	115,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Increase in compensated absences and decrease in interest expense.)	<u>(3,969)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 2,432,043</u></u>

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

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE A--REPORTING ENTITY

The Delta County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an elected 3 member board and an appointed 2 member board of county road commissioners. The Road Commission may not issue debt without the approval of the county board of commissioners, and property taxes would be levied under the taxing authority of the county, as approved by the county electors. If approval is granted, Road Commission taxes are levied under the taxing authority of the county, as approved by the county electors. The taxes would be included as part of the county's total tax levy as well as reported in the County Road Fund.

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 Delta County Road Commission, a discretely presented component unit of Delta 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 Activities) report information on all of the activities of the Delta 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 expense are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Basis of Presentation--Fund Financial Statements

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

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

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

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

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. Likewise, general revenue includes all taxes.

Measurement Focus/Basis of Accounting--Fund Financial Statements

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

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

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

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.

Restricted Cash

Funds classified as restricted cash at September 30, 2007 consists of \$899 to be used for debt retirement.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

Inventories

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

Prepaid Expenses

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.

Capital Assets

Capital assets, which include property, plant, equipment, and 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 the Road Commission as assets with an initial individual cost of more \$200 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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
Road Equipment	5 to 8 years
Shop Equipment	10 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.

Compensated Absences (Vacation and Sick Leave)

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. Benefits earned by each employee in the current calendar year are to be paid to the employee in the subsequent calendar year; and are permitted to carry over up to 2 weeks vacation, to be used by June 1st of the following year.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

Each regular employee shall earn sick leave with pay at the rate of 8 hours for each month of employment in which the employee works at least 12 days and has qualified as a regular employee. Sick leave may be accumulated without limitation. The Road Commission's sick leave benefits policy provides for payment of 50% of the accumulated benefits, to a maximum of 520 hours, when an employee takes a bona fide retirement or a bona fide disability termination. Those benefits payable upon retirement or disability represent the vested sick leave benefits.

Use of Estimates

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

Deferred Revenue

Deferred revenue represents amounts that do not meet the available criteria, such as grants received before the expenditure is incurred.

NOTE C--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Procedures

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, (MCL 141.421) which requires the county board of road commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Road Commission's chief administrative officer (managing director) prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board conducts a public budget hearing and subsequently adopts an operating budget. The budget is amended as necessary during the year and is approved by the board. Also, the board has authorized the chief administrative officer to amend the Road Commission's budget when necessary, by transferring up to 15% from one line-item to another. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

Budget Violations

Public Act 2 of 1968, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. Total actual 2007 expenditures exceeded the total amended budget by a total of \$4,699,633.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE C--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Expenditures by activity that exceeded appropriations are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Local Road Routine and Preventive Maintenance	\$ 1,012,340	\$ 1,015,542	\$ (3,202)
Net Administrative Expenditures	359,452	364,922	(5,470)
Net Capital Outlay	(351,000)	(347,755)	(3,245)
Refunding Bond Insurance and Related Costs		111,307	(111,307)
Payment to Refunding Agent		4,717,242	(4,717,242)

NOTE D--DEPOSITS AND INVESTMENTS

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

The Road Commission has designated three financial institutions for the deposit of Road Commission funds. The investment policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Road Commission's deposits and investment policy are in accordance with statutory authority.

At year end, the Road Commission's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Operating Fund</u>
Cash	\$ 301,230
Investments	1,222,092
Restricted Cash	<u>899</u>
Total	<u><u>\$ 1,524,221</u></u>

Restricted cash at September 30, 2007 consists of \$899 in interest earned on the separate bank account that is used for the retirement of the 1999 MTF bond debt.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE D--DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits and investments is as follows:

Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 301,930
Investments in Money Market and Government Operating Money Market	1,222,092
Petty Cash and Cash on Hand	<u>200</u>
Total	<u><u>\$ 1,524,222</u></u>

The bank balance of the Road Commission's deposits is \$337,088, of which \$100,899 is covered by Federal depository insurance.

Investments Authorized by the Road Commission's Investment Policy

The Road Commission's investment policy only authorizes investment in all those that are authorized by law. The Road Commission has limited their investments to money markets.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Road Commission manages its exposure to interest rate risk is by participating in mutual funds which hold diverse investments that are authorized by law for direct investment.

As of September 30, 2007, the Road Commission had the following investments that are nonrisk-categorized:

	Reported Amount (Fair Value)
Investments	
Money Market Fund	<u>\$ 1,222,092</u>
Total Primary Government	<u><u>\$ 1,222,092</u></u>

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The mutual funds (money market fund) do not have a rating provided by a nationally recognized statistical rating organization.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE D--DEPOSITS AND INVESTMENTS (Continued)

The investment policy of the Road Commission contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Road Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

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

NOTE E--DEFERRED COMPENSATION PLAN

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

NOTE F--RESERVE FOR LONG-TERM RECEIVABLES

At September 30, 2007, there was a balance of \$30,000 for long-term receivables. The balance is result of the Road Commission granting an extended period of time for Garden Township to pay their township road agreement (\$15,000 will be paid in 2008 and 2009). The balance is the result of the amounts not received within 60 days after the year end. Since the amounts are not expected to be received within 60 days, it is reserved from the fund balance available for current operations.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS

Following is a summary of the changes in the capital assets:

	Account Balances 09/30/06	Additions	Deductions	Account Balances 09/30/07
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 1,412,362		\$ 4,513	\$ 1,407,849
Construction In Progress--Infrastructure	301,974	\$ 199,789	67,839	433,924
Infrastructure Land Improvements	<u>1,027,737</u>	<u>205,119</u>		<u>1,232,856</u>
Subtotal	<u>2,742,073</u>	<u>404,908</u>	<u>72,352</u>	<u>3,074,629</u>
Capital Assets Being Depreciated				
Buildings and Improvements	6,787,854		25,184	6,762,670
Road Equipment	6,529,143	352,105	158,921	6,722,327
Shop Equipment	112,926	8,878		121,804
Office Equipment	81,707	2,725		84,432
Engineers' Equipment	38,933	2,082		41,015
Infrastructure--Bridges	1,260,284	93,818		1,354,102
Infrastructure--Roads	<u>8,610,129</u>	<u>2,347,150</u>		<u>10,957,279</u>
Total	<u>23,420,976</u>	<u>2,806,758</u>	<u>184,105</u>	<u>26,043,629</u>
Less Accumulated Depreciation				
Buildings and Improvements	1,520,594	195,906	18,385	1,698,115
Road Equipment	5,410,426	475,208	128,958	5,756,676
Shop Equipment	94,398	5,453		99,851
Office Equipment	51,312	8,533		59,845
Engineers' Equipment	32,836	1,587		34,423
Infrastructure--Bridges	3,061	25,205		28,266
Infrastructure--Roads	<u>841,022</u>	<u>503,812</u>		<u>1,344,834</u>
Total	<u>7,953,649</u>	<u>1,215,704</u>	<u>147,343</u>	<u>9,022,010</u>
Net Capital Assets Being Depreciated	<u>15,467,327</u>	<u>2,806,758</u>	<u>1,252,466</u>	<u>17,021,619</u>
Total Net Capital Assets	<u>\$ 18,209,400</u>	<u>\$ 3,211,666</u>	<u>\$ 1,324,818</u>	<u>\$ 20,096,248</u>

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the Road Commission as follows:

Net Equipment Expense	
Direct Equipment	\$ 475,208
Indirect Equipment	170,348
Distributive Expense	19,231
Net Administrative Expenses	21,900
Infrastructure Depreciation Expense	<u>529,017</u>
Total Depreciation Expense	<u><u>\$ 1,215,704</u></u>

NOTE H--LONG-TERM DEBT

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

	<u>Balances</u> 09/30/06	<u>Additions</u> (Reductions)	<u>Balances</u> 09/30/07	<u>Due Within</u> <u>One Year</u>
MTF Bonds Payable	\$ 5,035,000	\$(4,800,000) (115,000)	\$ 120,000	\$ 120,000
MTF Refunding Bonds		4,800,000	4,800,000	
Compensated Absences	<u>197,065</u>	<u>6,173</u>	<u>203,238</u>	
Total	<u><u>\$ 5,232,065</u></u>	<u><u>\$ (108,827)</u></u>	<u><u>\$5,123,238</u></u>	<u><u>\$ 120,000</u></u>

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

1999 Bond

In May 1999, the County of Delta approved a Delta County Road Commission Michigan Transportation Fund Bond Issue for the purpose of constructing Road Commission buildings. The issue was for \$5,690,000, payable over the period 1999 to 2028 at interest rates that range from 4.6% to 7.0%. During September 2007, the county issued advanced refunding bonds in the amount of \$4,800,000 which will be placed in an escrow account to pay off the 1999 bonds. The 1999 bonds are callable in November 2009 with a refunded principal of \$4,540,000. The principal and interest payments up to November 2009 will consist of payments by the Road Commission and the escrow account to satisfy the remaining debt. The escrow account will pay \$115,027.50 semi annually from November 1, 2007 through November 1, 2009. The annual debt service requirements are as follows:

	Principal	Interest	Total
2008	\$ 120,000	\$ 14,720	\$134,720
2009		134,085	134,085
2010		138,105	138,105
	\$ 120,000	\$286,910	\$406,910

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Advance Refunded 2007 Bond

On September 18, 2007, the County of Delta approved a \$4,800,000 Michigan Transportation Fund Refunding Bonds, Series 2007, to refund the 1999 bonds that was for the purpose of constructing Road Commission buildings. An advance refunding bond occurs when a new debt is issued to refinance an existing debt (old debt), but the proceeds must be placed in escrow pending call date or maturity. The difference between the cash flow required to service the old debt and required to service the new debt and complete the refunding is \$254,425.66. The economic gain from the transaction (difference between the present value of the old debt service requirement and the present value of new debt service requirement, discounted at the effective interest rate on the new debt and adjusted for any additional cash) is \$197,304.86. The total bond issuance cost, including issuance cost, underwriter's discount, insurance fee, and additional proceeds, was \$111,307.81. The refunding bond is payable over the period of 2008 to 2028 at interest rates that range from 4% to 5%. The annual debt service requirements are as follows:

Year Ending September 30	Principal	Interest	Total
2008		\$ 127,210	\$ 127,210
2009	\$ 20,000	204,961	224,961
2010	25,000	204,062	229,062
2011	150,000	200,561	350,561
2012	175,000	194,062	369,062
2013	180,000	186,962	366,962
2014	185,000	179,546	364,546
2015	195,000	171,586	366,586
2016-2020	1,105,000	715,858	1,820,858
2021-2025	1,400,000	449,704	1,849,704
2026-2028	1,365,000	122,112	1,487,112
	<u>\$ 4,800,000</u>	<u>\$ 2,756,624</u>	<u>\$ 7,556,624</u>

Vacation Benefits

Vacation is earned in varying amounts depending on the number of years of service of an employee. Road Commission policy provides that two weeks of vacation benefits earned in the current calendar year may be carried over to the subsequent calendar year. All carried over vacation must be used by June 1st of the subsequent year.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Sick Leave Benefits

Each regular full-time employee receives 8 hours of sick leave per month. There is no limitation on the accumulation of unused sick leave time. Any employee who retires at age 60 or becomes disabled with 10 years of service, and upon proper notice, shall be paid 50% of their accumulated sick leave, up to a maximum of 520 hours. An employee may use up to 32 hours of sick leave each year as personal leave time.

NOTE I--EMPLOYEE PENSION PLANS

Description of Plan and Plan Assets

The Delta County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0%, 2.5% and 2.25% times the final average compensation (FAC) for teamsters, administration and managing director and supervisory staff, respectively. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

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

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which do not require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined rate; the rate was 17.41% for teamsters, 26.86% for administrative staff, 0% for the managing director and 20.55% for supervisory for the calendar year ending December 31, 2006.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE I--EMPLOYEE PENSION PLANS (Continued)

Annual Pension Cost

During the calendar year ended December 31, 2006, the Road Commission's contributions totaling \$294,226 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 29 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

Significant actuarial assumptions used include a long-term investment yield rate of 8%, annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases and the assumption that benefits will increase 2.5% per year (annually) after retirement.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$312,118	100%	\$0
2005	306,330	100%	\$0
2006	294,226	100%	\$0

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/04	\$2,962,602	\$7,057,321	\$ 4,094,719	42%	\$1,752,568	234%
12/31/05	3,314,073	7,085,690	3,771,617	47%	1,517,923	248%
12/31/06	3,680,773	7,755,037	4,074,264	47%	1,422,368	286%

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE J--RISK MANAGEMENT

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

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

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE K--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2007, the Federal Grants received and expended by the Road Commission was \$1,133,764 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit.

During the fiscal year ended September 30, 2007, the Road Commission received and expended Federal grants in the amount of \$50,439 for negotiated projects. Negotiated projects are projects that are performed by the Road Commission and are subject to single audit requirements, if the amount expended is \$500,000 or more. A single audit was not performed during the fiscal year ended September 30, 2007.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE L--STATE TRUNKLINE MAINTENANCE REVENUE

The \$115,414 difference between the State trunkline maintenance revenues of \$1,155,414 and expenditures of \$1,003,870 is due to the following audit results:

<u>Description of Audit</u>		<u>Audit Results</u>
State Trunkline Audit 10/01/02 -- 09/30/03	Refund to Road	\$ 179,408
State Trunkline Audit 10/01/03 -- 09/30/04	Refund to Road	3,950
Chemical Storage Facility Audit--Contract 1998-0466	Due to State	(39,891)
Chemical Storage Facility Audit--Contract 2000-0340	Refund to Road	<u>8,088</u>
Total Net Amount Paid to Road Commission		<u><u>\$ 151,555</u></u>

**DELTA COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES--BUDGET AND ACTUAL
For the Year Ended September 30, 2007**

EXHIBIT G

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Licenses and Permits				
Permits	\$ 14,000	\$ 12,250	\$ 12,025	\$ (225)
Federal Grants				
Contracted				
Hazard Elimination Funds	400,000	167,700	167,657	(43)
Surface Transportation Program	255,000	329,000	326,612	(2,388)
Economic Development D Funds	255,000	249,000	249,151	151
High Priority	513,230	357,000	390,344	33,344
Negotiated				
Forest Highway Funds	62,000	50,500	50,439	(61)
State Grants				
Michigan Transportation Fund				
Engineering	-	10,000	10,000	-
Primary Road	2,510,000	2,506,000	2,506,541	541
Local Road	1,110,000	1,108,000	1,108,733	733
Urban Primary	142,000	145,000	145,260	260
Urban Local	63,000	31,000	62,358	31,358
Snow Removal	-	45,000	34,406	(10,594)
Critical Bridge	601,000	-	-	-
Economic Development Fund				
Rural Primary (D)	76,000	16,700	16,622	(78)
Forest Road (E)	187,500	187,500	187,482	(18)
Target Industries (A)	253,307	210,500	217,523	7,023
TRP (DEQ) Funds				
			12,410	12,410
Contributions--Local Units				
Townships	450,000	385,000	384,660	(340)
Other Governmental	35,000	-	-	-
Charges for Services				
State Trunkline Maintenance	900,000	1,161,555	1,155,414	(6,141)
State Trunkline Non-Maintenance	125,000	29,000	28,863	(137)
Subdivision and Road Abandonment Fees	-	6,500	9,961	3,461
Private Road Plowing	-	3,800	3,754	(46)
Salvage Sales	2,500	3,500	3,379	(121)
Interest and Rents				
Interest Earned	40,000	58,500	58,992	492
Other Revenue				
Contributions From Other Sources		121,957	118,066	(3,891)
Gain on Equipment Disposals	5,000	75,000	74,558	(442)
Land and Building Sales	-	18,788	18,788	-
Sundry Refunds	-	32	12	(20)
Total Operating Revenues	7,999,537	7,288,782	7,354,010	65,228
Other Financing Sources				
Proceeds From Refunding Bonds	-	-	4,800,000	4,800,000
Total Revenues and Other Sources	7,999,537	7,288,782	<u>\$ 12,154,010</u>	<u>\$ 4,865,228</u>
Fund Balance--October 1, 2006	1,801,841	1,828,358		
Total Budget	<u>\$ 9,801,378</u>	<u>\$ 9,117,140</u>		

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

**DELTA COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL
For the Year Ended September 30, 2007**

EXHIBIT H

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Preservation/Structural Improvements	\$ 2,573,200	\$ 1,815,912	\$ 1,766,763	\$ 49,149
Routine and Preventive Maintenance	1,195,000	1,369,632	1,331,007	38,625
Local Road				
Construction/Capacity Improvements		114,671	114,366	305
Preservation/Structural Improvements	419,500	524,816	499,609	25,207
Routine and Preventive Maintenance	916,800	1,012,340	1,015,542	(3,202)
Primary Road Structure				
Preservation/Structural Improvements	367,000	367,000	366,884	116
Routine and Preventive Maintenance	5,000	5,000	4,895	105
Local Road Structure				
Preservation/Structural Improvements	30,500	30,500	30,416	84
Routine and Preventive Maintenance	8,200	8,200	8,152	48
State Trunkline				
Maintenance	900,000	1,010,000	1,003,870	6,130
Non-Maintenance	125,000	29,000	28,863	137
Private Road Plowing	-	3,800	3,754	46
Maintenance for Other Units	30,000	28,000	27,812	188
Equipment Expense--Net	290,000	327,712		
Direct			\$ 929,318	
Indirect			610,740	
Operating			277,031	
Less: Equipment Rentals			<u>(1,510,069)</u>	
			307,020	20,692
Distributive Expense	1,020,000	-	-	-
Administrative Expense--Net				
Administrative Expense	221,000	359,452	497,042	364,922
Less: Overhead--State Trunkline			(127,754)	(5,470)
Overhead--Other			(4,366)	
Capital Outlay--Net	(501,000)	(351,000)		
Capital Outlay			365,790	
Less: Depreciation Credits			(672,270)	
Equipment Retirements			<u>(41,275)</u>	
			(347,755)	(3,245)
Debt Service				
Principal	115,000	115,000	115,000	-
Interest	250,280	250,180	250,179	1
Refunding--Insurance and Related Costs	-	-	111,307	(111,307)
Total Operating Expenditures	7,965,480	7,020,215	7,002,606	17,609
Other Financing Uses				
Payment to Refunding Agent	-	-	4,717,242	(4,717,242)
Total Expenditures and Other Uses	7,965,480	7,020,215	<u>\$ 11,719,848</u>	<u>\$(4,699,633)</u>
Fund Balance--September 30, 2007	<u>1,835,898</u>	<u>2,096,925</u>		
Total Budget	<u>\$ 9,801,378</u>	<u>\$9,117,140</u>		

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

**DELTA COUNTY ROAD COMMISSION
ANALYSIS OF CHANGES IN FUND BALANCES
For the Year Ended September 30, 2007**

EXHIBIT I

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$ 4,271,026	\$ 1,819,763	\$ 1,263,221	\$ 7,354,010
Total Expenditures	4,012,399	1,891,813	1,098,394	7,002,606
Excess of Revenues Over (Under) Expenditures	258,627	(72,050)	164,827	351,404
Other Financing Sources and (Uses)				
Proceeds From Refunding Bonds	4,800,000			4,800,000
Payment to Refunding Agent	(4,717,242)			(4,717,242)
Interfund Adjustment	(120,000)	120,000		-
Total Other Financing Sources	(37,242)	120,000	-	82,758
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	221,385	47,950	164,827	434,162
Fund Balance--October 1, 2006	1,308,602	115,549	404,207	1,828,358
Fund Balance--September 30, 2007	<u>\$ 1,529,987</u>	<u>\$ 163,499</u>	<u>\$ 569,034</u>	<u>\$ 2,262,520</u>

**DELTA COUNTY ROAD COMMISSION
ANALYSIS OF REVENUES
For the Year Ended September 30, 2007**

EXHIBIT J

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Licenses and Permits				
Permits			\$ 12,025	\$ 12,025
Federal Grants				
Contracted				
Hazard Elimination Funds	\$ 167,657			167,657
Surface Transportation Program	326,612			326,612
Economic Development D Funds	249,151			249,151
High Priority	390,344			390,344
Negotiated				
Forest Highway Funds	26,531		23,908	50,439
State Grants				
Michigan Transportation Fund				
Engineering	6,930	\$ 3,070		10,000
Allocation	2,506,541	1,108,733		3,615,274
Urban	145,260	62,358		207,618
Snow Removal	-	34,406		34,406
Economic Development Fund				
Rural Primary (D)	16,622	-		16,622
Forest Road (E)	88,868	98,614		187,482
Target Industries (A)	217,523	-	-	217,523
TRP (DEQ) Funds			12,410	12,410
Contributions From Local Units				
Townships	-	384,660	-	384,660
Charges for Services				
State Trunkline Maintenance			1,155,414	1,155,414
State Trunkline Non-Maintenance			28,863	28,863
Subdivision and Road Abandonment Fees		6,128	3,833	9,961
Private Road Plowing			3,754	3,754
Salvage Sales			3,379	3,379
Interest and Rents				
Interest Earned	42,222	3,728	13,042	58,992
Other Revenue				
Private Contributions		118,066		118,066
Gain on Equipment Disposal	67,977		6,581	74,558
Land and Building Sales	18,788		-	18,788
Sundry Refunds			12	12
Total Operating Revenue	4,271,026	1,819,763	1,263,221	7,354,010
Other Financing Sources				
Proceeds From Refunding Bonds	4,800,000		-	4,800,000
Total Revenues and Other Sources	\$ 9,071,026	\$ 1,819,763	\$ 1,263,221	\$ 12,154,010

**DELTA COUNTY ROAD COMMISSION
ANALYSIS OF EXPENDITURES
For the Year Ended September 30, 2007**

EXHIBIT K

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Preservation/Structural Improvements	\$ 1,766,763			\$ 1,766,763
Routine and Preventive Maintenance	1,331,007			1,331,007
Local Road				
Construction/Capacity Improvements		\$ 114,366		114,366
Preservation/Structural Improvements		499,609		499,609
Routine and Preventive Maintenance		1,015,542		1,015,542
Primary Road Structures				
Preservation/Structural Improvements	366,884			366,884
Routine and Preventive Maintenance	4,895			4,895
Local Road Structures				
Preservation/Structural Improvements		30,416		30,416
Routine and Preventive Maintenance		8,152		8,152
State Trunkline				
Maintenance			\$ 1,003,870	1,003,870
Non-Maintenance			28,863	28,863
Private Road Plowing			3,754	3,754
Maintenance for Other Units			27,812	27,812
Equipment Expense--Net (Per Exhibit H)	117,374	105,246	84,400	307,020
Administrative Expense--Net (Per Exhibit H)	246,440	118,482		364,922
Capital Outlay--Net (Per Exhibit H)	(297,450)		(50,305)	(347,755)
Debt Service				
Principal	115,000			115,000
Interest	250,179			250,179
Refunding--Insurance and Related Costs	111,307			111,307
Total Operating Expenditures	4,012,399	1,891,813	1,098,394	7,002,606
Other Financing Uses				
Payment to Refunding Agent	4,717,242			4,717,242
Total Expenditures and Other Uses	\$ 8,729,641	\$ 1,891,813	\$ 1,098,394	\$ 11,719,848



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

February 20, 2008

Board of County Road Commissioners
Delta County Road Commission
3000 32nd Avenue North
Escanaba, Michigan 49829-9315

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

Dear Board Members:

We have audited the financial statements of the Delta County Road Commission, a component unit of Delta County, as of and for the year ended September 30, 2007, and have issued our report thereon dated February 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Delta County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Delta County Road Commission's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all matters in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we noted certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 could adversely affect the Delta 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 Delta County Road Commission's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Comments and Recommendations to be significant deficiencies in internal control over financial reporting listed as Finding 07-1.

A material weakness is a significant deficiency or combination of significant deficiencies, which results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Delta County Road Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily identify all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delta County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying Comments and Recommendations as Findings 07-3 and 07-4.

We also noted other matters that we reported to management of Delta County Road Commission's in the accompanying Comments and Recommendations as Finding 07-2.

This report is intended solely for the information of the Delta County Board of Road Commissioners, the Road Commission's management and others within the Road Commission, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



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

DELTA COUNTY ROAD COMMISSION

SCHEDULE OF FINDINGS

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 could adversely affect the Delta 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 Delta County Road Commission's financial statements that is more than inconsequential will not be prevented or detected by the Road Commission's internal control. Listed below are significant deficiencies in the internal control.

SIGNIFICANT DEFICIENCIES

Inventory

Finding 07-1

Condition: We randomly selected 25 various stock items from the 110 inventory account and 1 from the Sign Inventory. We compared the inventory status report with the actual counts to determine the accuracy of the inventory status reports. We also compared the distribution report with the inventory status report at September 30, 2007.

Criteria: All assets must be safeguarded and detailed records must be reconciled to control totals.

Findings: Counts of blades and tires had significant variations from the inventory status report. The discrepancies are the result of weaknesses over the internal control for these types of inventory items. There was also one item where the inventory status report did not reconcile into the general ledger control accounts for inventory.

Recommendation: We recommend that physical inventory be performed on the faster moving parts as well as high priced inventory (culverts/signs) on a more frequent basis. We also recommend that the inventory stock status report reconcile to the general ledger at least on a monthly basis.

OTHER MATTERS

Investment Policy

Finding 07-2

Condition: The Road Commission does not have an updated investment policy that contains credit risk assessments and disclosures for investments.

Criteria: For years beginning after June 30, 2004, GASB Statement No. 40 requires governmental units to have an investment policy that contains investment risk assessments and additional disclosure requirements for investments.

DELTA COUNTY ROAD COMMISSION

SCHEDULE OF FINDINGS

Recommendation: We recommend that the Road Commission contact the county treasurer’s office and formulate an updated investment policy that includes the requirements for GASB Statement No. 40 and have the board adopt the new policy.

NONCOMPLIANCE WITH STATE STATUTES

Our review and study for compliance with State statutes and regulations revealed the following noncompliance procedures:

Violation of Public Act 2 of 1968, as Amended

Finding 07-3

Condition: During the fiscal year ended September 30, 2007, expenditures were incurred in excess of amounts appropriated in the amended budgets as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Local Road Routine and Preventive Maintenance	\$ 1,012,340	\$ 1,015,542	\$ (3,202)
Net Administrative Expenditures	359,452	364,922	(5,470)
Net Capital Outlay	(351,000)	(347,755)	(3,245)
Refunding Bond Insurance and Related Costs		111,307	(111,307)
Payment to Refunding Agent		4,717,242	(4,717,242)

Direction: We direct that the Road Commission develop budgetary control procedures which will ensure that expenditures will not exceed amounts authorized in the General Appropriations Act or amendments thereof.

Credit Cards

Finding 07-4

Condition: We noted that slips turned in for credit cards did not always include the purpose of the charges.

Criteria: According to MCL 129.243, “An officer or employee using credit cards issued by the local unit shall submit to the local unit documentation described in the credit card policy detailing the goods and services purchased, the cost of the goods or services, the date of the purchase, and the official business for which purchased.”

Direction: We direct that all officers or employees using the credit cards indicate on the receipt the purpose for the purchase or travel. They should also include their name on the slip, if not already indicated.