

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 <i>Hennrich A. Berthiaume</i>		Printed Name		License Number

**MANISTEE COUNTY
ROAD COMMISSION**

Bear Lake, Michigan

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

September 30, 2007

MANISTEE COUNTY ROAD COMMISSION

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INDEPENDENT AUDITORS' REPORT

Honorable Chairman
Members of County Road Commission
County of Manistee
Bear Lake, Michigan

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

The management's discussion and analysis and the required supplemental information 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. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express an opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information listed in the table of contents 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.

Berthiaume & Co.

January 23, 2008

MANISTEE COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION & ANALYSIS

USING THIS ANNUAL REPORT

The Manistee County Road Commission's 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 deviation 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 road 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 the cash is received or paid. 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 the individual funds, reporting the operations in more detail than the government-wide financial statements.

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.

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.

MANISTEE COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION & ANALYSIS

REPORT ON THE COMMISSION'S MAJOR FUND

The fund financial statements begin on page eleven and provide detailed information about the major fund. The Road Commission currently has one fund, the County Road Fund, in which all of the Road Commission's activities are accounted. The County Road 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 that are 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 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 9.27% or \$1,760,119 from \$18,991,964 to \$20,752,083 for the year ended September 30, 2007. The net assets and change in net assets are summarized below.

Restricted net assets, those restricted mainly for Act 51 purposes, increased \$1,005,407. The investment in capital assets-net of related debt increased by \$754,712, this increase reflects an investment in new capital assets, i.e. road improvements and equipment purchases greater than the expenses associated with capital assets such as depreciation as well as an increase in related debt for the year.

CONDENSED FINANCIAL STATEMENTS

The following are condensed government-wide financial statements for Manistee County Road Commission.

MANISTEE COUNTY ROAD COMMISSION

CONDENSED STATEMENT OF NET ASSETS

September 30, 2007 and 2006

	<i>Governmental Activities 2007</i>	<i>Governmental Activities 2006</i>
ASSETS:		
Current and other assets	\$ 2,422,572	\$ 1,267,308
Capital assets	<u>23,166,476</u>	<u>22,563,861</u>
Total assets	<u>25,589,048</u>	<u>23,831,169</u>
LIABILITIES:		
Current Liabilities	405,524	372,583
Non-Current Liabilities	<u>4,431,441</u>	<u>4,466,622</u>
Total liabilities	<u>4,836,965</u>	<u>4,839,205</u>
NET ASSETS:		
Invested in capital assets, net of related debt	18,851,951	18,097,239
Restricted for County Roads	<u>1,900,132</u>	<u>894,725</u>
Total net assets	<u>\$ 20,752,083</u>	<u>\$ 18,991,964</u>

MANISTEE COUNTY ROAD COMMISSION

CONDENSED STATEMENT OF ACTIVITIES

For the years ended September 30, 2007 and 2006

	<i>Governmental Activities 2007</i>	<i>Governmental Activities 2006</i>
REVENUE:		
<i>Program Revenue:</i>		
Licenses and permits	\$ 49,625	\$ 53,993
Federal grants	23,588	48,167
State grants	4,255,777	3,806,569
Contributions from Local Units	574,888	870,098
Charges for services	981,037	1,029,695
Rents/Royalties	57,388	
Other revenues	19,704	42,741
	<u>5,962,007</u>	<u>5,851,263</u>
 General Revenue:		
Investment earnings	32,935	67,289
Gain on disposal of assets	221,810	81,221
	<u>6,216,752</u>	<u>5,999,773</u>
 EXPENSES:		
Primary road maintenance	930,373	1,079,654
Local road maintenance	1,498,559	1,308,711
State trunkline maintenance	978,500	888,050
Net equipment expense	357,136	458,052
Net administrative expense	299,980	362,546
Infrastructure depreciation	238,567	1,135,730
Compensated absences	(22,900)	42,968
Interest expense	176,418	113,441
	<u>4,456,633</u>	<u>5,389,152</u>
Change in Net Assets	1,760,119	610,621
Net assets, beginning of year	<u>18,991,964</u>	<u>18,381,343</u>
Net assets, end of year	<u>\$ 20,752,083</u>	<u>\$ 18,991,964</u>

MANISTEE COUNTY ROAD COMMISSION

THE ROAD COMMISSION'S FUND

The Road Commission's County Road 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 County Road Fund increased by \$752,349 which is primarily due to the sale of property.

Management believes that the Net Assets balance provides sufficient work capital to support future operations of Manistee County Road Commission.

BUDGET

The Manistee County Road Commission's budget is prepared in accordance with state law using the modified accrual accounting basis. This is the same accounting basis used for the governmental fund.

ANALYSIS OF FUND BALANCES

ORIGINAL BUDGET VERSUS AMENDED BUDGET:

The fiscal year 2007 budget was adopted on September 20, 2006. The budget is reviewed periodically and amended as information becomes available or management's plans change. The amended budgeted revenue was increased by approximately \$1,400,000. The increase comes primarily from additional Township construction projects not foreseen at the beginning of the budget season. The remaining increase was from adjustments made to several individual revenue accounts, none of which management considers significant.

Total budgeted expenditures increased from the original budget to the amended budget by approximately \$669,000. The majority of this increase is also due to the additional Township construction activities. The balance of the increase was from adjustments made to several individual expenditures items, none of which management considers significant.

AMENDED BUDGET VERSUS ACTUAL:

In accordance with the Budget Resolution adopted by the Road Commission on September 29, 2007, the Finance Director has modified the budget to various revenue and expenditures accounts which cannot be accurately projected prior to year end. As a result, the Final Adopted Budget of the Manistee County Road Commission has been amended to equal a closer estimate of the actual revenue, expenditures, and fund balance for the year ended September 30, 2007.

MANISTEE COUNTY ROAD COMMISSION

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS:

Manistee County Road Commission has capital assets for full accrual accounting purposes, net of accumulated depreciation, in the amount of \$23,166,476. This information, which includes infrastructure, is summarized below.

	<u>September 30, 2007</u>
Land and improvements - infrastructure	\$ 13,017,246
Land and Improvements-other	25,236
Land and Improvements - depreciable	379,376
Depletable Assets	24,065
Buildings	5,776,744
Road equipment	6,657,387
Shop equipment	467,426
Engineers equipment	81,042
Yard and storage equipment	359,669
Office equipmenet	61,855
Infrastructure	<u>17,707,825</u>
Total capital assets	44,557,871
Accumulated depreciation	<u>21,391,395</u>
Net capital assets	<u>\$ 23,166,476</u>

Additional information regarding capital assets is located in the Notes to the Financial Statements.

LONG-TERM DEBT:

The Road Commission currently has long-term debt in the amount of \$ 4,379,279, a decrease of \$174,997 from the prior year. The majority on this decrease due to scheduled debt payments. The debt consists primarily of Michigan Transportation Fund Bonds, these bonds were used to fund the construction of the road commissions buildings and associated land improvements. The remainder of the long-term debt consists of one installment purchase contract and compensated absences payable at September 30, 2007.

OTHER

Management is not aware of any currently known facts, decisions, or conditions expected to have a significant effect on Manistee County Road Commission's financial condition next year and beyond.

CONTACTING THE ROAD COMMISSION'S FINANCIAL MANAGEMENT

This 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 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 Manistee County Road Commission's administrative offices at 8946 Chippewa Highway, Bear Lake, MI 49614.

BASIC FINANCIAL STATEMENTS

MANISTEE COUNTY ROAD COMMISSION

STATEMENT OF NET ASSETS

September 30, 2007

ASSETS:

<i>Cash and cash equivalents</i>	\$ 715,973
<i>Accounts Receivable:</i>	
Motor vehicle highway funds	616,358
State trunkline maintenance	45,263
State - other	260,000
Federal Safety Funds	14,588
County road agreements	161,106
Cities and Villages	1,562
Sundry accounts receivable	31,558
Interest receivable	12,267
<i>Inventories:</i>	
Equipment materials and parts	284,396
Road materials	174,875
<i>Other Assets:</i>	
Prepaid insurance	104,626
<i>Capital assets:</i>	
Nondepreciable capital assets	13,042,482
Depreciable capital assets, net	<u>10,123,994</u>
Total assets	<u>25,589,048</u>

LIABILITIES:

<i>Current Liabilities:</i>	
Accounts payable	208,089
Accrued liabilities	55,247
Due to townships	13,063
Performance bond payable	5,000
Current Portion:	
Compensated absences	9,600
Installment purchase contract	14,525
Bonds payable	<u>100,000</u>
Total current liabilities	<u>405,524</u>
<i>Non-Current Liabilities:</i>	
Advance from State	176,287
Compensated absences	55,154
Bonds payable	<u>4,200,000</u>
Total non-current liabilities	<u>4,431,441</u>
Total liabilities	<u>4,836,965</u>

NET ASSETS:

Invested in capital assets, net of related debt	18,851,951
Restricted for County Roads	<u>1,900,132</u>
Total net assets	<u>\$ 20,752,083</u>

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

MANISTEE COUNTY ROAD COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2007

PROGRAM EXPENSES:

Primary road maintenance	\$ 930,373
Local road maintenance	1,498,559
State trunkline maintenance	978,500
Net equipment expense	357,136
Net administrative expense	299,980
Infrastructure depreciation	238,567
Compensated absences	(22,900)
Interest expense	176,418
	<hr/>
Total program expenses	4,456,633

PROGRAM REVENUE:

Licenses and permits	49,625
Federal grants	23,588
State grants	4,255,777
Contributions from Local Units	574,888
Charges for services	981,037
Rents/Oil leases	57,388
Other revenues	19,704
	<hr/>
Total program revenue	5,962,007

Net program revenue 1,505,374

GENERAL REVENUE:

Investment earnings	32,935
Gain on disposal of assets	221,810
	<hr/>
Total general revenue	254,745

Change in Net Assets 1,760,119

Net assets, beginning of year 18,991,964

Net assets, end of year \$ 20,752,083

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

MANISTEE COUNTY ROAD COMMISSION

COUNTY ROAD FUND GOVERNMENTAL FUND BALANCE SHEET

For the Year Ended September 30, 2007

ASSETS:

Cash and cash equivalents:

Imprest cash	\$	100
Checking and money market savings		215,873
Certificates of deposit		500,000

Accounts Receivable:

Motor vehicle highway funds		616,358
State trunkline maintenance		45,263
State Transportation Department - Other		260,000
Federal Safety Funds		14,588
County road agreements		161,106
Cities and Villages		1,562
Sundry accounts receivable		31,558
Interest receivable		12,267

Inventories:

Equipment materials and parts		284,396
Road materials		174,875

Other assets:

Prepaid expenses		104,626
Total assets		<u>2,422,572</u>

LIABILITIES:

Current Liabilities:

Accounts payable		208,089
Accrued liabilities		55,247
Due to townships		13,063
Advances payable		176,287
Performance bond payable		5,000
Total liabilities		<u>457,686</u>

FUND EQUITY:

Motor Vehicle Highway Funds:

Unreserved:		
Designated for:		
Primary roads		1,164,562

County Road Commission Funds:

Unreserved:		
Undesignated		800,324
Total fund equity		<u>1,964,886</u>
Total liabilities and fund equity	\$	<u>2,422,572</u>

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

MANISTEE COUNTY ROAD COMMISSION

RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO THE STATEMENT OF NET ASSETS

For the Year Ended September 30, 2007

Total governmental fund balance			\$ 1,964,886
Total net assets reported for governmental activities in the statement of of net assets is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.			
Governmental capital assets	44,557,871		
Less accumulated depreciation	<u>(21,391,395)</u>	23,166,476	
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:			
Bonds payable	(4,300,000)		
Installment purchase contract payable	(14,525)		
Compensated absences payable	<u>(64,754)</u>	<u>(4,379,279)</u>	
Net assets of governmental activities			<u>\$ 20,752,083</u>

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

MANISTEE COUNTY ROAD COMMISSION

COUNTY ROAD FUND

GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended September 30, 2007

REVENUES:

Licenses and permits	\$ 49,625
Federal grants	23,588
State grants	4,255,777
Contributions from other units	574,888
Charges for services	981,037
Interest and rents	59,938
Other revenue	<u>780,698</u>
Total revenues	<u>6,725,551</u>

EXPENDITURES:

Public works	5,755,342
Capital outlay, net of depreciation credits	(340,813)
Debt service	<u>328,515</u>
Total expenditures	<u>5,743,044</u>
Excess of revenues over expenditures	982,507
Fund balance, beginning of year	<u>982,379</u>
Fund balance, end of year	<u>\$ 1,964,886</u>

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

MANISTEE 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

Net change in fund balances - total governmental funds \$ 982,507

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,025,804	
Less depreciation expense	<u>(914,390)</u>	1,111,414

Governmental funds report the proceeds from the sale of capital asset as revenue. However, in the statement of activities, the proceeds are reduced by the depreciated cost of those assets.

Depreciated cost of assets sold		(508,799)
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Repayments of principal on long-term obligations are expenditures in governmental funds, but the payments reduce long-term liabilities in the statement of net assets.

Installment purchase contract	52,097	
Bonds Payable	<u>100,000</u>	152,097

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.

Change in compensated absences payable		<u>22,900</u>
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Change in net assets of governmental activities \$ 1,760,119

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

MANISTEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Manistee County Road Commission is an independent governmental agency operated under the jurisdiction of the State of Michigan and Manistee County established pursuant to the *County Road Law MCL 224.1*. The Commission is charged with the responsibility of maintaining all primary and local road systems in Manistee County. The Road Commission is governed by a three member board appointed by the County Board of Commissioners.

In accordance with the provisions of GASB 14, the Manistee County Road Commission is considered a component unit of Manistee County for financial reporting purposes. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships.

The Road Commission Operating Fund (County Road Fund) is used to control the expenditures of Michigan Transportation Fund moneys 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 County Road Fund. The Road Commission may not issue debt without the County's approval and property tax levies are subject to County Board of Commissioners' approval.

B. GOVERNMENT-WIDE AND FUND 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 Manistee 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 as invested in fixed 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers of 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 of segment. Other items not properly included among program revenues are reported instead as general revenue.

MANISTEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2007

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

Separate financial statements are provided for the County Road Fund (governmental fund). The County Road 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. Major individual governmental funds are reported in separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty 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 the payment is due.

Michigan transportation funds, grants, permits, township contributions, charges for services and sales, 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 items are considered to be available only when cash is received.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Cash Equivalents:

The Road Commission's cash and cash equivalents are considered to be cash on hand, demand deposits including certificates of deposit, and short-term investments with original maturities of three months or less from date of acquisition.

State statutes authorize the Road Commission to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, banker's acceptances, and with some restrictions, mutual funds.

All investments, if any, are stated at fair value.

MANISTEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2007

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

Inventories:

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventory consists of road materials, fuel, road signs, repair parts, and supplies to be used by the Road Commission.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and similar items) are reported in the government-wide financial statements. The Manistee County Road Commission defines capital assets as either; an asset with an initial individual cost of more than \$200 and an estimated useful life in excess of two years, or assets of any cost that are assigned a Schedule C rate. Such assets are recorded at historical cost or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

GASB No. 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. The Manistee County Road Commission has retroactively capitalized all of its assets as required effective October 1, 2002.

Depreciation and Depletion:

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

Buildings	15 to 50 years
Road Equipment	5 to 10 years
Shop Equipment	8 to 10 years
Engineering Department	8 to 10 years
Yard and Storage Equipment	8 to 10 years
Office Equipment	5 to 10 years
Infrastructure	5 to 50 years

Depletion is determined by allocating the purchase cost of the total years available. As materials are used, the proportionate share of cost is charged to depletion.

Compensated Absences (Vacation and Sick Leave):

The total accumulated unpaid vacation and sick pay liability of the Road Commission at September 30, 2007, was \$64,754. Of this amount, \$9,600 was estimated to be a current liability and is reflected as a liability on the government-wide statement of net assets. The remaining \$55,154 was determined to be a long-term liability and is therefore reflected as a non-current liability on the government-wide statements. A liability for these amounts is only reported in the governmental funds for known employee terminations as of year-end.

MANISTEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2007

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

The employee policies regarding the accumulation and payment of vacation and sick leave time are as follows:

VACATION TIME - Maximum carry-forward is one year of earned vacation. Unused vacation pay will be paid at current rates at date of employment separation.

SICK LEAVE - Sick leave can not be accumulated. Unused sick leave will be paid at current rates on December 1 each year up to a maximum of 32 hours; any addition hours are lost at that time.

Long-Term Obligations:

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

Fund Equity:

The Road Commission reserves those portions of fund equity which are legally segregated for a specific future use of which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves have been established for inventories.

Snow Removal Revenue:

Snow removal revenue was allocated 100% to local roads. This allocation is in accordance with provisions made by the State Highway Department allowing each Road Commission to make its own allocation of total snow removal revenue.

Interest Income Allocation:

Interest income for the year was allocated 100% to County Road Commission Funds.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions 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 revenue and expenses during the period. Actual results could differ from those estimates.

MANISTEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2007

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGET AND BUDGETARY ACCOUNTING

The Road Commission follows these procedures in establishing the budget as reflected in these financial statements:

1. In September the manager submits, to the Commission, a proposed operating budget for the year commencing on October 1.
2. Prior to September 30, the budget is legally enacted through passage of a resolution.
3. For purposes of meeting emergency needs of the Road Commission, transfer of appropriations may be made by the authorization of the manager. Such transfers of appropriations must be approved by the Commission at its next regularly scheduled meeting.
4. The manager is charged with general supervision of the budget.
5. During the year the budget is monitored and amendments to the budget resolution are made as deemed necessary.
6. The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

B. BUDGET COMPLIANCE

Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. For the year ended September 30, 2007 the Road Commission incurred no expenditures in excess of budget appropriations.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Deposits are carried at cost. Deposits of the County Road Fund are in five banks in the name of the Road Commission and the County Treasurer. Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended), authorizes the Road Commission to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase, and which involves no more than 50% of any one fund; and obligations of the State of Michigan or its political subdivisions which are rated as investment grade. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Road Commission has adopted the County's investment policy, which is in accordance with the provisions of *Public Act 20 of 1943*, as amended by Public Act 196 of 1997.

MANISTEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2007

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

At year end the Road Commission did not have any investments; all the cash deposits and \$100 in imprest cash were reported as Cash and cash equivalents in the basic financial statements.

The Road Commission's deposits are subject to custodial credit risk, which is reported in more detail as follows:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned to it. The Road Commission does not have a deposit policy for custodial credit risk. At year end, the Road Commission had \$723,117 of bank deposits (checking, savings, certificates of deposit and money market savings accounts), of which \$308,881 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

NOTE 4 – CAPITAL ASSETS

Non-infrastructure depreciation expense for the year was charged to programs of the Manistee County Road Commission as follows:

Public Works:

Primary Road:	
Preservation	\$ 31,051
Maintenance	121,174
Local Road:	
Preservation	82,725
Maintenance	249,980
State Trunkline Maintenance	153,733
Administrative Expense	<u>37,160</u>
Total non-infrastructure depreciation expense	<u>\$ 675,823</u>

MANISTEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2007

NOTE 5 – CAPITAL ASSETS, continued

Capital asset activity of the Manistee County Road Commission for the current year was as follows:

	<i>Balance October 1, 2006</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance September 30, 2007</i>
Capital Assets Not Being Depreciated				
Land and Improvements-Infrastructure	\$ 12,681,250	\$ 335,996	\$ -	\$ 13,017,246
Land and Improvements-Other	<u>31,181</u>	<u>-</u>	<u>5,945</u>	<u>25,236</u>
Subtotal	<u>12,712,431</u>	<u>335,996</u>	<u>5,945</u>	<u>13,042,482</u>
Capital Assets Being Depreciated				
Land Improvements	568,937		189,561	379,376
Depletable Assets	24,065			24,065
Buildings	6,639,299		862,555	5,776,744
Road Equipment	6,406,966	334,014	83,593	6,657,387
Shop Equipment	585,505	995	119,074	467,426
Engineers Equipment	113,446		32,404	81,042
Yard and Storage Equipment	823,699		464,030	359,669
Office Equipment	109,938		48,083	61,855
Infrastructure	<u>16,353,026</u>	<u>1,354,799</u>	<u>-</u>	<u>17,707,825</u>
Subtotal	<u>31,624,881</u>	<u>1,689,808</u>	<u>1,799,300</u>	<u>31,515,389</u>
Less Accumulated Depreciation				
Land Improvements	62,021	34,860	43,350	53,531
Depletable Assets	-	-	-	-
Buildings	1,207,010	212,522	594,175	825,357
Road Equipment	5,859,727	324,297	79,958	6,104,066
Shop Equipment	175,904	54,768	84,136	146,536
Engineers Equipment	96,577	1,861	32,404	66,034
Yard and Storage Equipment	533,101	44,528	414,340	163,289
Office Equipment	84,082	2,987	48,083	38,986
Infrastructure	<u>13,755,029</u>	<u>238,567</u>	<u>-</u>	<u>13,993,596</u>
Subtotal	<u>21,773,451</u>	<u>914,390</u>	<u>1,296,446</u>	<u>21,391,395</u>
Net Capital Assets Being Depreciated	<u>9,851,430</u>	<u>775,418</u>	<u>502,854</u>	<u>10,123,994</u>
Total Net Capital Assets	<u>\$ 22,563,861</u>	<u>\$ 1,111,414</u>	<u>\$ 508,799</u>	<u>\$ 23,166,476</u>

MANISTEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2007

NOTE 5 – LONG-TERM DEBT

The following is a summary of the long-term debt transactions for the Road Commission for the year ended September 30, 2007:

	<i>Balance</i>		<i>Balance</i>	<i>Portion Due</i>
	<i>October 1,</i>	<i>Additions</i>	<i>September 30,</i>	<i>Within One</i>
	<i>2006</i>	<i>(Reductions)</i>	<i>2007</i>	<i>Year</i>
GOVERNMENTAL ACTIVITIES:				
<i>Installation Purchase Contracts:</i>				
Excavator – original issue of \$60,000 due in monthly installments of \$2,885 through February 20, 2008, bearing interest at 4.40%.	\$ 66,622	\$ -	\$ (52,097)	\$ 14,525
			\$ 14,525	\$ 14,525
<i>Bonds Payable:</i>				
Bonds Payable - Michigan Transportation Fund – Original issue of \$4,500,000 due in annual installments of \$100,000-\$400,000 through August 1, 2024, plus interest, due semi-annually at 3.5% to 4.85%	4,400,000	-	(100,000)	100,000
Compensated Absences Payable	87,654	-	(22,900)	9,600
Total Long-Term Debt	<u>\$ 4,554,276</u>	<u>\$ -</u>	<u>\$ (174,997)</u>	<u>\$ 4,379,279</u>

The annual requirements (principal and interest) to amortize all debts (except vacation and sick) outstanding as of September 30, 2007, are as follows:

<i>Year Ending</i> <i>September 30,</i>	<i>Installment</i> <i>Purchase</i> <i>Contracts</i>	<i>Bonds</i> <i>Payable</i>
2008	\$ 14,683	\$ 289,775
2009	-	336,275
2010	-	380,650
2011	-	373,150
2012	-	365,150
2013-2017	-	1,888,000
2018-2022	-	1,900,800
2023-2024	-	805,600
Totals	<u>\$ 14,683</u>	<u>\$ 6,339,400</u>

The accumulated vacation and sick leave is not subject to an annual amortization calculation because it will become due and payable in varying amounts from year to year as employees terminate their employment with the Manistee County Road Commission.

MANISTEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2007

NOTE 6 – PENSION PLAN

Description of Plan and Plan Assets

The 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 postretirement 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 2.5 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2005.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 [MSA 5.333(a); MCLA 46.12 (a)], as amended, State of Michigan. MERS is regulated under Act No. 220 of the Public Acts of 1996, as amended, 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 447 North Canal Street, Lansing, Michigan 48917-9755.

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 does not require employees to contribute to the plan. The Road Commission was required to contribute at an actuarially determined rate; the current rate was 19.15 percent for general employees, 13.81 percent for non-union employees and a flat \$11,983 a month for senior administrators.

Annual Pension Cost

During the fiscal year ended September 30, 2007, the Road Commission's contributions totaling \$398,096 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2005. The employer contribution rate has been determined based on the entry age normal cost method. Under the entry age normal cost 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 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

MANISTEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2007

NOTE 6 – PENSION PLAN, continued

Three Year Trend Information for GASB Statement No. 25

<i>Year Ended September 31</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2007	398,096	100%	\$0
2006	413,701	100	0
2005	265,876	100	0

NOTE 7 – DEFERRED COMPENSATION PLAN

The Commission offers its employees three deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The Road Commission does not contribute to the Plan.

NOTE 8 – POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the Road Commission makes available health care benefits to all retired employees with the Commission paying a fixed amount of \$40, \$60, or \$80 a month depending on the terms of the contract on the date of retirement. Currently, twelve (12) retirees of the Road Commission are participating in this benefit program. During the fiscal year ending September 30, 2007 the Road Commission paid approximately \$10,750 for health insurance premiums for its retirees under this program. The Road Commission also pays \$100 a month to those retirees that opt out of the health care benefits. Currently there are two (2) employees receiving this benefit for a total cost to the Commission of \$2,400. The Road Commission's policy is to finance these benefits on a pay-as-you-go basis.

NOTE 9 – UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than the time the health care benefits are paid. The new pronouncement is effective for the year beginning October 1, 2009.

MANISTEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2007

NOTE 10 – FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended September 30, 2007, the Federal grants received and expended by the Road Commission was \$0 for contracted projects and \$23,588 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. Negotiated projects are projects where the Road Commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended \$ 500,000 or more for negotiated projects.

NOTE 11 – CONTINGENCIES

The Manistee County Road Commission contracts with the State of Michigan to perform state highway maintenance functions for the State. The cost of the maintenance is then billed to the State of Michigan who reimburses the Manistee County Road Commission for the costs incurred. These cost reimbursement contract expenditures are subject to audit at some future date by the State of Michigan. The amount, if any, of expenditures that may be disallowed by the State of Michigan cannot be determined until the State completes its annual audit of its maintenance agreement with the Manistee County Road Commission. The audit adjustment is accounted for as an adjustment of the current year's expenditures.

The Manistee County Road Commission is party to various legal proceedings incidental to its operations. Certain claims, suits and complaints arising in the ordinary course of operations have been filed against the Road Commission. In the opinion of management and legal counsel, all such matters are adequately covered by insurance or, if not so covered, are without merit or are in a very preliminary state, and it is not possible to currently assess the probability of an unfavorable outcome.

NOTE 12 – EQUIPMENT AND TRUNKLINE MAINTENANCE ADVANCE

The State of Michigan has advanced funds to the Manistee County Road Commission for the purchase of equipment and for trunkline maintenance. Each advance is an annual advance with appropriate adjustments made each year to reflect the current balance based on applicable formula developed by the Michigan Department of Transportation. Because the transaction is an annual advance, the transaction is classified as a liability in the Special Revenue Fund, rather than an item included in Long-Term Debt, in accordance with the instructions of the Local Audit Division of the Michigan Department of Treasury.

MANISTEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS (continued)

September 30, 2007

NOTE 13 – RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The Road Commission manages its liability and property risk by participating in Michigan County Road Commission Self Insurance Pool and the County Road Association Self Insurance Fund (for workers compensation). These insurance providers are public entity risk pools providing coverage to its members. The Road Commission pays an annual premium to these providers for its insurance coverage. These providers are self-sustaining through member premiums and provide, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based on property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

MANISTEE COUNTY ROAD COMMISSION

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

September 30, 2007

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>12/31/05</u>	<u>12/31/04</u>	<u>12/31/03</u>
Actuarial Value of Assets	\$ 4,056,018	\$ 3,855,814	\$ 3,721,561
Actuarial Accrued Liability (AAL)	9,037,120	8,915,083	7,989,189
Unfunded AAL (UAAL)	4,981,102	5,059,269	4,267,628
Funded Ratio	45%	43%	47%
Covered Payroll	1,528,567	1,595,479	1,526,988
UAAL as a percentage of covered payroll	326%	317%	279%

MANISTEE COUNTY ROAD COMMISSION

COUNTY ROAD FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL

For the Year Ended September 30, 2007

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
Revenues:				
Licenses and permits	\$ 50,000	\$ 50,000	\$ 49,625	\$ (375)
Federal grants:				
Surface Transportation Program	40,000	16,000	14,588	(1,412)
Homeland Security Funds	-	9,000	9,000	-
State grants:				
Michigan Transportation Funds	3,785,590	3,754,260	3,711,277	(42,983)
Other State Funds	-	-	28,740	28,740
Economic Development Funds	442,000	442,000	515,760	73,760
Contributions from other units	255,000	829,768	574,888	(254,880)
Charges for services				
State trunkline maintenance	600,000	753,600	718,075	(35,525)
State trunkline non-maintenance	300,000	275,000	260,425	(14,575)
Other	-	-	2,537	2,537
Interest and rents	29,000	47,000	59,938	12,938
Other revenue	36,300	761,331	780,698	19,367
Total revenues	<u>5,537,890</u>	<u>6,937,959</u>	<u>6,725,551</u>	<u>(212,408)</u>
Expenditures:				
Public works:				
Primary road:				
Preservation	832,000	615,000	614,914	(86)
Maintenance	870,500	451,605	447,259	(4,346)
Winter Maintenance	437,000	483,500	482,569	(931)
Local road:				
Construction	-	92,000	91,282	(718)
Preservation	430,000	995,000	993,970	(1,030)
Maintenance	887,000	1,168,500	1,165,485	(3,015)
Winter Maintenance	264,000	325,200	324,247	(953)
State trunkline maintenance	567,000	719,000	718,075	(925)
State trunkline non-maintenance	275,000	260,500	260,425	(75)
Equipment expense, net	387,900	409,500	357,136	(52,364)
Administrative expense, net	265,000	291,200	299,980	8,780
Capital outlay, net	255,000	331,000	(340,813)	(671,813)
Debt service:				
Principal	132,000	134,000	133,605	(395)
Interest and fees	200,000	195,030	194,910	(120)
Total expenditures	<u>5,802,400</u>	<u>6,471,035</u>	<u>5,743,044</u>	<u>(727,991)</u>
Excess of revenues over expenditures	(264,510)	466,924	982,507	515,583
Fund balance, beginning of year	982,379	982,379	982,379	-
Fund balance, end of year	<u>\$ 717,869</u>	<u>\$ 1,449,303</u>	<u>\$ 1,964,886</u>	<u>\$ 515,583</u>

OTHER SUPPLEMENTAL INFORMATION

MANISTEE COUNTY ROAD COMMISSION

COUNTY ROAD FUND

ANALYSIS OF CHANGES IN FUND BALANCES

For the Year Ended September 30, 2007

	<u>Primary Road Funds</u>	<u>Local Road Funds</u>	<u>County Road Commission Funds</u>	<u>Total</u>
Total operating revenues	\$ 2,632,487	\$ 2,228,786	\$ 1,864,278	\$ 6,725,551
Total expenditures	<u>1,902,329</u>	<u>3,078,515</u>	<u>762,200</u>	<u>5,743,044</u>
Excess of revenues over expenditures	<u>730,158</u>	<u>(849,729)</u>	<u>1,102,078</u>	<u>982,507</u>
Other financing sources (uses):				
Optional transfers in (out)				
Primary Road to Local Road	(500,000)	500,000	-	-
County Road Commission to Local Road	<u>-</u>	<u>349,729</u>	<u>(349,729)</u>	<u>-</u>
Total other financing sources (uses)	<u>(500,000)</u>	<u>849,729</u>	<u>(349,729)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	230,158	-	752,349	982,507
Fund balance, beginning of year	<u>934,404</u>	<u>-</u>	<u>47,975</u>	<u>982,379</u>
Fund balance, end of year	<u>\$ 1,164,562</u>	<u>\$ -</u>	<u>\$ 800,324</u>	<u>\$ 1,964,886</u>

MANISTEE COUNTY ROAD COMMISSION

COUNTY ROAD FUND

ANALYSIS OF REVENUES

For the Year Ended September 30, 2007

	<i>Primary Road Funds</i>	<i>Local Road Funds</i>	<i>County Road Commission Funds</i>	<i>Total</i>
REVENUES:				
<i>Licenses and Permits</i>				
Permits	\$ -	\$ -	\$ 49,625	\$ 49,625
<i>Federal Grants:</i>				
Surface Transportation Program	14,588	-	-	14,588
Homeland Security Grant	9,000	-	-	9,000
<i>State Grants:</i>				
<i>Michigan Transportation Funds:</i>				
Engineering	5,673	4,327	-	10,000
Snow removal	-	146,003	-	146,003
Primary road	2,058,726	-	-	2,058,726
Local road	-	1,496,548	-	1,496,548
<i>Other State Funds</i>				
Local mileage transfer	28,740	-	-	28,740
<i>Economic Development Funds</i>				
Rural primary (D funds)	442,170	-	-	442,170
Forest road	73,590	-	-	73,590
<i>Contributions from Other Units</i>				
<i>County raised funds:</i>				
Township contributions	-	574,888	-	574,888
<i>Charges for Services</i>				
<i>State revenue:</i>				
State trunkline maintenance	-	-	718,075	718,075
State trunkline non-maintenance	-	-	260,425	260,425
Other revenue:	-	-	2,537	2,537
<i>Interest and Rents:</i>				
Interest earned	-	-	32,935	32,935
Rent	-	-	27,003	27,003
<i>Other revenue:</i>				
Royalties	-	-	30,385	30,385
Contribution	-	-	10,000	10,000
Gain on sale of assets	-	-	730,609	730,609
Miscellaneous	-	7,020	2,684	9,704
Total revenues	\$ 2,632,487	\$ 2,228,786	\$ 1,864,278	\$ 6,725,551

MANISTEE COUNTY ROAD COMMISSION

COUNTY ROAD FUND

ANALYSIS OF EXPENDITURES

For the Year Ended September 30, 2007

	<i>Primary Road Funds</i>	<i>Local Road Funds</i>	<i>County Road Commission Funds</i>	<i>Total</i>
EXPENDITURES:				
<i>Public Works:</i>				
Primary road:				
Preservation	\$ 614,914	\$ -	\$ -	\$ 614,914
Maintenance	447,259	-	-	447,259
Winter Maintenance	482,569	-	-	482,569
Local road:				
Construction	-	91,282	-	91,282
Preservation	-	993,970	-	993,970
Maintenance	-	1,165,485	-	1,165,485
Winter Maintenance	-	324,247	-	324,247
State trunkline maintenance	-	-	718,075	718,075
State trunkline non-maintenance	-	-	260,425	260,425
Equipment expense, net	85,106	186,032	85,998	357,136
Administrative expense, net	112,481	187,499		299,980
<i>Capital Outlay:</i>				
Capital outlay, net	-	-	(340,813)	(340,813)
<i>Debt Service:</i>				
Principal	55,000	45,000	33,605	133,605
Interest and fees	105,000	85,000	4,910	194,910
 Total expenditures	<u>\$ 1,902,329</u>	<u>\$ 3,078,515</u>	<u>\$ 762,200</u>	<u>\$ 5,743,044</u>