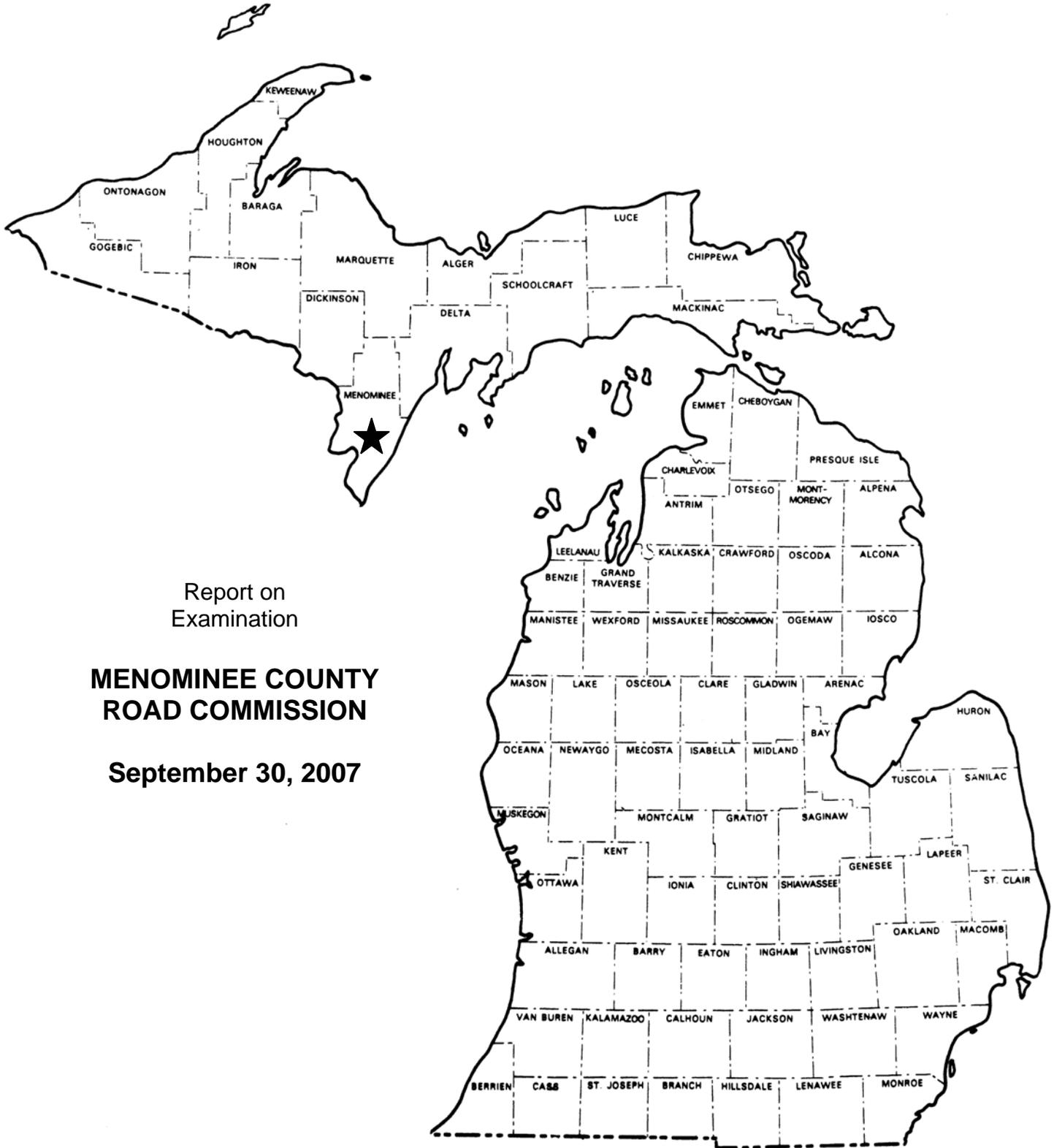


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



Report on
Examination

**MENOMINEE COUNTY
ROAD COMMISSION**

September 30, 2007

MENOMINEE COUNTY ROAD COMMISSION
BOARD OF COUNTY ROAD COMMISSIONERS

William Anderson
Chairperson

Roger Betzinger
Vice Chairperson

Judy A. Nerat
Member

Darrell W. Moilanen, P.E.
Engineer/Manager

June Kirschner
Clerk/Office Manager

COUNTY POPULATION--2000
25,326

STATE EQUALIZED VALUATION-2007
\$853,709,018



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

December 20, 2007

Menominee County Road Commission
Board of County Road Commissioners
W5416 Belgiumtown Road
P.O. Box 527
Stephenson, Michigan 49887

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying basic financial statements of the Menominee County Road Commission, a component unit of Menominee 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 Menominee 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 December 20, 2007 on our consideration of the Menominee County Road Commission's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

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

The Management's Discussion and Analysis on pages 1 through 7 and the budget comparison information in Exhibits I and J are not part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



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

MENOMINEE COUNTY ROAD COMMISSION

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MENOMINEE COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Menominee 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.

MENOMINEE 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 eight and provide detailed information about the major fund. The Road Commission currently 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 1.67% or \$525,301 from \$31,508,664 to \$32,033,965 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 net capital assets-net of related debt, increased by \$623,529 primarily as a result of the infrastructure asset additions being more than the related depreciation. The restricted net assets decreased by \$98,228 or 4.46%.

MENOMINEE 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
Current and Other Assets	\$ 3,986,557	\$ 3,001,378	\$(985,179)
Net Capital Assets	<u>29,304,882</u>	<u>29,928,411</u>	<u>623,529</u>
Total Assets	<u>33,291,439</u>	<u>32,929,789</u>	<u>(361,650)</u>
Current Liabilities	1,329,974	460,584	(869,390)
Long-Term Liabilities	<u>452,800</u>	<u>435,240</u>	<u>(17,560)</u>
Total Liabilities	<u>1,782,774</u>	<u>895,824</u>	<u>(886,950)</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	29,304,882	29,928,411	623,529
Restricted	<u>2,203,782</u>	<u>2,105,554</u>	<u>(98,228)</u>
Total Net Assets	<u>\$31,508,664</u>	<u>\$32,033,965</u>	<u>\$ 525,301</u>

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

	2006	2007	Difference	Percent
Program Revenue				
Charges for Services	\$ 705,571	\$ 630,137	\$ (75,434)	-10.69%
Operating Grants and Contributions	3,532,663	3,519,197	(13,466)	-0.38%
Capital Grants and Contributions	2,199,530	1,977,818	(221,712)	-10.08%
General Revenue				
Gain on Equipment Disposal	<u>(805)</u>	<u>12,998</u>	<u>13,803</u>	<u>-1714.66%</u>
Total Revenue	<u>6,436,959</u>	<u>6,140,150</u>	<u>(296,809)</u>	<u>-4.61%</u>
Expenses				
Primary Routine and Preventive Maintenance	1,245,834	1,258,604	12,770	1.03%
Local Routine and Preventive Maintenance	1,216,708	1,184,051	(32,657)	-2.68%
State Trunkline Maintenance	641,284	596,528	(44,756)	-6.98%
Private Driveway Plowing	1,500	2,714	1,214	80.93%
Net Equipment Expense	162,339	(113,463)	(275,802)	-169.89%
Net Administrative Expense	354,819	338,256	(16,563)	-4.67%
Maintenance for Other Units	992	(992)	(992)	-100.00%
Infrastructure Depreciation Expense	2,325,745	2,385,104	59,359	2.55%
Compensated Absences	12,949	(37,065)	(50,014)	-386.24%
Interest Expense	<u>120</u>	<u>120</u>	<u>120</u>	<u>100.00%</u>
Total Expenses	<u>5,962,170</u>	<u>5,614,849</u>	<u>(347,321)</u>	<u>-5.83%</u>
Increase in Net Assets	<u>\$ 474,789</u>	<u>\$ 525,301</u>	<u>\$ 50,512</u>	<u>10.64%</u>
Ending Net Assets	<u>\$31,508,664</u>	<u>\$32,033,965</u>	<u>\$ 525,301</u>	<u>1.67%</u>

MENOMINEE COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

The total revenue decreased by 4.61 percent from 2006 to 2007 mostly due to a significant decrease in township contributions during 2007.

The expenses decreased by 5.83 percent or \$347,321 from 2006 to 2007. The most significant change in the expenditures were related to the net equipment expense, which decreased by \$275,802. The remainder of the expenses fluctuated and offset each other.

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 decreased by \$135,173 compared to a decrease of \$120,259 in the fund balance for the fiscal year ended September 30, 2006. Total operating revenues were \$6,140,150, a decrease of \$296,809 as compared to last year. This change in revenues resulted from a decrease in township contributions for local projects for the year.

Total expenditures were \$6,275,323, a decrease of \$281,895 in comparison to last year. This change in expenditures is primarily the result of a decrease in the number of Federal, State and local projects.

	<u>2006</u>	<u>2007</u>	<u>Variance</u>	<u>%</u>
Revenues				
Licenses and Permits	\$ 6,825	\$ 6,950	\$ 125	1.83%
Federal Grants	602,124	686,914	84,790	14.08%
State Grants	4,082,721	4,520,768	438,047	10.73%
Contributions From Local Units	963,480	215,202	(748,278)	-77.66%
Charges for Services	647,620	623,187	(24,433)	-3.77%
Interest and Rents	83,868	74,131	(9,737)	-11.61%
Other Revenue	<u>50,321</u>	<u>12,998</u>	<u>(37,323)</u>	<u>-74.17%</u>
Total Revenues	<u>6,436,959</u>	<u>6,140,150</u>	<u>(296,809)</u>	<u>-4.61%</u>
Expenditures				
Public Works	6,542,634	6,116,480	(426,154)	-6.51%
Capital Outlay	<u>14,584</u>	<u>158,843</u>	<u>144,259</u>	<u>989.16%</u>
Total Expenditures	<u>6,557,218</u>	<u>6,275,323</u>	<u>(281,895)</u>	<u>-4.30%</u>
Excess of Expenditures Over Revenues	(120,259)	(135,173)	(14,914)	-12.40%
Fund Balance--Beginning	<u>2,624,227</u>	<u>2,503,968</u>	<u>(120,259)</u>	<u>-4.58%</u>
Fund Balance--Ending	<u>\$2,503,968</u>	<u>\$2,368,795</u>	<u>\$ (135,173)</u>	<u>-5.40%</u>

MENOMINEE COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Highlights

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission'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.

The original revenue budget for 2007 was \$6,410,545, which was \$270,395 less than the actual revenue received for the year. This was due, in large part, to the Road Commission receiving less township contributions during the year than originally planned.

The Road Commission's original expenditure budget was projected at \$6,410,545, while actual expenditures were \$6,275,443 resulting in actual expenditures being less than budgeted by \$135,102. This was primarily due to the Road Commission having more costs associated with maintenance and projects on the local and primary county road system.

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2007 the Road Commission had \$29,928,411 invested in capital assets as follows:

	<u>09/30/06</u>	<u>09/30/07</u>	<u>Total Percentage Change</u>
Capital Assets Not Being Depreciated			
Land and Improvements	\$ 18,100	\$ 18,100	0.00%
Subtotal	<u>18,100</u>	<u>18,100</u>	<u>0.00%</u>
Capital Assets Being Depreciated			
Buildings	1,104,470	1,125,320	1.85%
Road Equipment	6,730,868	6,630,035	-1.52%
Shop Equipment	174,891	205,414	14.86%
Fuel Distribution Equipment	122,693	122,693	0.00%
Office Equipment	102,981	92,114	-11.80%
Engineer's Equipment	78,371	79,110	0.93%
Infrastructure--Bridges	7,813,565	8,626,557	9.42%
Infrastructure--Roads	<u>40,002,711</u>	<u>41,125,516</u>	<u>2.73%</u>
Subtotal	<u>56,130,550</u>	<u>58,006,759</u>	<u>3.23%</u>
Total Capital Assets	56,148,650	58,024,859	3.23%
Total Accumulated Depreciation	<u>(26,843,768)</u>	<u>(28,096,448)</u>	<u>4.46%</u>
Total Net Capital Assets	<u>\$29,304,882</u>	<u>\$29,928,411</u>	<u>2.08%</u>

MENOMINEE COUNTY ROAD COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS

The Road Commission reported the infrastructure during the current year in the amount of \$3,255,959. The infrastructure recorded, during 2007, will be depreciated in the following year. The infrastructure is financed through Federal, State and local contributions. The Road Commission has retroactively reported infrastructure assets (assets acquired after 1980) as recommended by GASB No. 34.

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

Construction and Reconstruction of Bridges	\$ 812,992
Various Resurfacing Projects and Related Land/Right-of-Way	2,442,967
Road Equipment	104,981
Building	20,850
Other Various Equipment	<u>33,012</u>
Total Additions	<u><u>\$3,414,802</u></u>

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

Debt

At the year end, the Road Commission had no installment agreement purchases.

More detailed information about the Road Commission’s long-term liabilities for vested employee benefits is presented in Note G 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 2007 budget. One of the factors is the economy. The Road Commission derives approximately 56% 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 18% of its revenues from Federal and State grants during 2007. This amount fluctuates with the approved road projects and depends on what and how much is available in Federal and State funds. During 2008, we expect to receive \$1,352,116 in Federal and State aid for road projects.

The above items were considered when adopting the budget for 2008. Amounts available for appropriation in the 2008 budget are \$6,383,000.

The board realizes, and the reader should understand, that there are not sufficient funds available to repair and/or rebuild every road in Menominee 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 Menominee County.

MENOMINEE COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Menominee County administrative offices at: P.O. Box 527, Stephenson, MI, 49887.

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

EXHIBIT A

ASSETS

Cash	\$ 894,703
Investments	559,149
Accounts Receivable	
State--Trunkline Maintenance	106,372
Michigan Transportation Fund	597,288
Due on County Road Agreements	214,379
Sundry Accounts	14,612
Inventories	
Road Materials	464,345
Equipment Parts and Materials	150,530
Capital Assets (Net of Accumulated Depreciation)	<u>29,928,411</u>
Total Assets	<u>32,929,789</u>

LIABILITIES

Current Liabilities	
Accounts Payable	216,919
Due to State of Michigan	153,694
Accrued Liabilities	79,080
Permit Fees	1,475
Driveway Snow Plowing Deposits	9,416
Noncurrent Liabilities	
Advance From State	115,542
Deferred Revenue--Twp Road Bonds	
Advance From Townships	6,577
Advance From Hannahville 2% Funds	50,000
Vested Employee Benefits Payable	<u>263,121</u>
Total Liabilities	<u>895,824</u>

NET ASSETS

Investment in Capital Assets	
Net of Related Debt	29,928,411
Restricted for County Roads	<u>2,105,554</u>
Total Net Assets	<u><u>\$ 32,033,965</u></u>

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

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

EXHIBIT B

Program Expenses	
Primary Road Routine and Preventive Maintenance	\$ 1,258,604
Local Road Routine and Preventive Maintenance	1,184,051
State Trunkline Maintenance	596,528
Private Driveway Plowing	2,714
Net Equipment Expense	(113,463)
Net Administrative Expense	338,256
Infrastructure Depreciation	2,385,104
Compensated Absences	(37,065)
Interest Expense	120
	<hr/>
Total Program Expenses	5,614,849
	<hr/>
Program Revenue	
Charges for Services	
License and Permits	6,950
Charges for Services	623,187
Operating Grants and Contributions	
Michigan Transportation Funds	3,445,066
Investment Earnings	74,131
Capital Grants and Contributions	
Federal Grants	686,914
State Grants	1,075,702
Contributions	215,202
	<hr/>
Total Program Revenue	6,127,152
	<hr/>
Net Program Revenue	512,303
	<hr/>
General Revenue	
Loss on Equipment Disposal	12,998
	<hr/>
Total General Revenues	12,998
	<hr/>
Change in Net Assets	525,301
	<hr/>
Net Assets	
Beginning of Year	31,508,664
	<hr/>
End of Year	\$ 32,033,965
	<hr/>

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

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

EXHIBIT C

	GOVERNMENTAL FUND TYPE
	<u>General Operating Fund</u>
<u>ASSETS</u>	
Cash	\$ 894,703
Investments	559,149
Accounts Receivable	
State Trunkline Maintenance	106,372
Michigan Transportation Fund	597,288
Sundry Accounts	14,612
Due on County Road Agreements	214,379
Inventories	
Road Materials	464,345
Equipment Parts and Materials	<u>150,530</u>
Total Assets	<u><u>\$ 3,001,378</u></u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities	
Accounts Payable	\$ 216,919
Due to State	153,694
Accrued Liabilities	79,080
Escrow Payable	
Advances	
Townships	6,577
Permit Fees	1,475
Private Driveway Plowing	9,416
State Trunkline Equipment Purchase	66,338
State Trunkline Maintenance	49,204
Hannahville 2% Funds	<u>50,000</u>
Total Liabilities	<u>632,703</u>
Fund Equities	
Fund Balance	
Reserved for	
Inventory	614,875
Long-Term Receivables	167,000
Unreserved and Undesignated	<u>1,586,800</u>
Total Fund Equities	<u>2,368,675</u>
Total Liabilities and Fund Equities	<u><u>\$ 3,001,378</u></u>

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

**MENOMINEE 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 \$ 2,368,675

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

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds. 29,928,411

Other long-term assets are not available to pay for current period expenditures
and, therefore, are not reported in the funds. (263,121)

Net Assets of Governmental Activities \$ 32,033,965

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

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

EXHIBIT E

	<u>Operating Fund</u>
Revenues	
Licenses and Permits	\$ 6,950
Federal Grants	686,914
State Grants	4,520,768
Contributions From Local Units	215,202
Charges for Services	623,187
Interest and Rents	74,131
Other Revenue	<u>12,998</u>
Total Revenues	<u>6,140,150</u>
Expenditures	
Public Works	6,116,480
Capital Outlay	<u>158,843</u>
Total Expenditures	<u>6,275,443</u>
Excess of Revenues Over Expenditures	<u>(135,293)</u>
Fund Balance--October 1, 2006	<u>2,503,968</u>
Fund Balance--September 30, 2007	<u><u>\$ 2,368,675</u></u>

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

**MENOMINEE 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 \$(135,293)

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. 623,529
Equipment retirement is recorded as an expenditure credit in governmental
funds, but not recorded as an expense in the Statement of Activities.

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) 37,065

Change in Net Assets of Governmental Activities \$ 525,301

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

**MENOMINEE COUNTY ROAD COMMISSION
FIDUCIARY FUND--STATEMENT OF NET ASSETS
For the Fiscal Year Ended September 30, 2006
(Most Current Information Available)**

EXHIBIT G

	<u>Pension Trust</u>
<u>ASSETS</u>	
Investments at Fair Market Value	
American Express Simplified Plan	<u>\$ 896,236</u>
Total Assets	<u>896,236</u>
<u>LIABILITIES</u>	
Total Liabilities	<u>-</u>
<u>NET ASSETS</u>	
Held in Trust for Pension Benefits	<u><u>\$ 896,236</u></u>

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

**MENOMINEE COUNTY ROAD COMMISSION
STATEMENT OF CHANGES IN NET ASSETS
PROFIT SHARING PLAN
For the Fiscal Year Ended September 30, 2006
(Most Current Information Available)**

EXHIBIT H

ADDITIONS

Contributions	
Employer Contributions	<u>\$ 163,310</u>
Total Contributions	<u>163,310</u>
Investment Earnings	
Capital Gain (Loss)	<u>72,165</u>
Total Investment Earnings	<u>72,165</u>
Net Investment Earnings	<u>72,165</u>
Total Additions	<u>235,475</u>

DEDUCTIONS

Benefits Paid to Participants and Beneficiaries	<u>(29,930)</u>
Total Deductions	<u>(29,930)</u>

CHANGES IN NET ASSETS

	205,545
Net Assets Held in Trust for Profit Sharing Plan	
Beginning of Year	<u>690,691</u>
End of Year	<u>\$ 896,236</u>

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

MENOMINEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE A--REPORTING ENTITY

The Menominee County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an elected 3 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 Menominee County Road Commission, a discretely presented component unit of Menominee County.

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

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation--Government-Wide Financial Statements

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

MENOMINEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

Basis of Presentation--Fund Financial Statements

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

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

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

Amounts reported as program revenue include: (1) charges to 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.

Bank Deposits and Investments

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

MENOMINEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

Inventories and Prepaid Items

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. 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 Menominee County Road Commission as assets with an initial individual cost of more than \$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

Compensated Absences (Vacation and Sick Leave)

It is the Road Commission's policy to permit employees to accumulate unused sick and vacation pay benefits. Employees hired prior to 1982 are paid 100% of their sick leave up to 480 hours. For employees hired after 1982 there is a policy to pay 50% of the employee's unpaid accumulated sick leave up to 120 hours when employees separate from service with the government. All vacation pay and sick leave payable is accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

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.

MENOMINEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

Use of Estimates

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

Deferred Revenue

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

Profit Sharing Plan Trust Fund

The Profit Sharing Plan Trust Fund is accounted for on the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements present increases and decreases in net total assets. This fund follows the accrual basis of accounting. Revenues are recorded when they are measurable and earned, and expenditures when the related liability 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 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 20% 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.

MENOMINEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

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 five banks 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>	<u>Pension Trust</u>	<u>Total</u>
Cash	\$ 894,703		\$ 894,703
Investments	<u>559,149</u>	<u>\$ 896,236</u>	<u>1,455,385</u>
Total	<u><u>\$1,453,852</u></u>	<u><u>\$ 896,236</u></u>	<u><u>\$ 2,350,088</u></u>

The bank balance of the Road Commission's deposits is \$905,197, of which \$500,000 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.

MENOMINEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE D--DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2007, the Road Commission had the following investments (which are not subject to categorization):

	<u>Reported Amount (Fair Value)</u>
Investments	
Government Portfolio Class II Mutual Funds	\$ 559,149
American Express Financial Simplified Plan	<u>896,236</u>
Total Primary Government	<u><u>\$1,455,385</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 and pension trust funds do not have a rating provided by a nationally recognized statistical rating organization. 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--RESERVE FOR LONG-TERM RECEIVABLES

An estimated \$167,000 of the amount recorded as "Due on County Road Agreements" is not expected to be received within 60 days and, accordingly, is reserved from the fund balance available for current operations.

MENOMINEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE F--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	\$ 18,100			\$ 18,100
Subtotal	<u>18,100</u>	\$ -	\$ -	<u>18,100</u>
Capital Assets Being Depreciated				
Buildings	1,104,470	20,850		1,125,320
Road Equipment	6,730,868	104,981	205,814	6,630,035
Shop Equipment	174,891	30,523		205,414
Fuel Distribution Equipment	122,693			122,693
Office Equipment	102,981	1,750	12,617	92,114
Engineers' Equipment	78,371	739		79,110
Infrastructure--Bridges	7,813,565	812,992		8,626,557
Infrastructure--Roads	<u>40,002,711</u>	<u>2,442,967</u>	<u>1,320,162</u>	<u>41,125,516</u>
Total	<u>56,130,550</u>	<u>3,414,802</u>	<u>1,538,593</u>	<u>58,006,759</u>
Less Accumulated Depreciation				
Buildings	511,844	26,237	(29,419)	567,500
Road Equipment	6,066,520	247,019	137,913	6,175,626
Shop Equipment	164,592	5,254	7,586	162,260
Fuel Distribution Equipment	110,276	12,269	(148)	122,693
Office Equipment	70,472	10,700	(2,664)	83,836
Engineers' Equipment	71,509	2,982	3,455	71,036
Infrastructure--Bridges	2,215,707	211,204		2,426,911
Infrastructure--Roads	<u>17,632,848</u>	<u>2,173,900</u>	<u>1,320,162</u>	<u>18,486,586</u>
Total	<u>26,843,768</u>	<u>2,689,565</u>	<u>1,436,885</u>	<u>28,096,448</u>
Net Capital Assets Being Depreciated	<u>29,286,782</u>	<u>3,414,802</u>	<u>2,791,273</u>	<u>29,910,311</u>
Total Net Capital Assets	<u>\$29,304,882</u>	<u>\$ 3,414,802</u>	<u>\$2,791,273</u>	<u>\$29,928,411</u>

MENOMINEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Net Equipment Expense	
Direct Equipment	\$ 247,019
Indirect Equipment	
Shop Building	16,257
Salt Sheds	6,768
Shop Equipment	17,523
Net Administrative Expenses	
Office Building	3,212
Office Equipment	10,700
Engineer's Equipment	2,982
Infrastructure Depreciation Expense	<u>2,385,104</u>
Total Depreciation Expense	<u><u>\$2,689,565</u></u>

NOTE G--LONG-TERM DEBT

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

	<u>Balances</u> <u>09/30/06</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balances</u> <u>09/30/07</u>
Employee Benefits Payable			
Vacation Benefits	\$ 167,946	\$ (9,332)	\$ 158,614
Sick Leave Benefits	112,329	(26,613)	85,716
Personal and Floating Holiday Leave	<u>19,911</u>	<u>(1,120)</u>	<u>18,791</u>
Total	<u><u>\$ 300,186</u></u>	<u><u>\$ (37,065)</u></u>	<u><u>\$ 263,121</u></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 the vacation benefits earned in the current calendar year are to be paid to the employee in the subsequent calendar year.

Sick Leave Benefits

Effective January 1, 2005, each regular full-time employee receives 56 hours of sick leave. There is no limitation on the accumulation of unused sick leave time. Upon retirement or voluntary termination with 20 years of service and proper notice, employees who were hired before September 1, 1982 shall be paid 100% of their accumulated unused sick leave, up to a maximum of 480 hours. Employees hired after September 1, 1982, shall be paid 50% of their accumulated sick leave, up to a maximum of 120 hours.

MENOMINEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE H--EMPLOYEE PENSION PLANS

The Menominee County Road Commission has two pension plans: the American Express Financial Simplified Employee Pension Plan for its full-time union employees, and the Michigan Employees' Retirement System for its full-time nonunion employees.

Union Employees' Plan--Profit Sharing Plan

All union employees were covered under a defined contribution pension plan with the American Express Financial Simplified Employee Pension Plan (effective January 1, 2000). The plan administrator is the Road Commission, who has established a trust fund administered by American Express Financial Advisors, Inc. During the fiscal year ended September 30, 2007, the Menominee County Road Commission's required and actual contributions amounted to \$138,810. Pension Fund contributions are based on a fixed weekly rate for each employee covered by the collective bargaining agreement. The Road Commission's weekly contribution for each union employee was \$70. There were 38 union employees covered under this plan during 2007. The most recent period for which the value of the plan assets were available was for the fiscal year ended September 30, 2006.

Nonunion Employees Plan--Description of Plan and Plan Assets

The Menominee 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 2.25% time the final average compensation (FAC) for all general employees and 2.5% of the FAC for the manager and supervisors. 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). 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 does not require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined rate; the rate was 18.62% for general employees 23.33% for supervisors and 23.47% for the manager for the calendar year ending December 31, 2006.

MENOMINEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE H-EMPLOYEE PENSION PLANS (Continued)

Annual Pension Cost

During the calendar year ended December 31, 2006, the Road Commission's contributions totaling \$125,150 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 30 years. The employer's 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, 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>Ended Dec 31</u>	<u>Pension Cost (APC)</u>	<u>of APC Contributed</u>	<u>Pension Obligation</u>
2004	\$116,273	100%	\$0
2005	115,220	100%	0
2006	125,150	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	\$1,999,441	\$3,095,555	\$ 1,096,114	65%	\$ 602,077	182%
12/31/05	2,148,580	3,089,813	941,233	70%	595,930	158%
12/31/06	2,350,619	3,370,265	1,019,646	70%	601,186	170%

MENOMINEE COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE I--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 Menominee County Road Commission became a member of the pool on March 1, 1986.

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 J--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 \$677,448 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 \$9,466 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.

NOTE K--STATE TRUNKLINE MAINTENANCE REVENUE

The \$18,599 difference between the State trunkline maintenance revenues of \$597,467 and expenditures of \$578,868 is due to a refund resulting from the Michigan Department of Transportation (MDOT) trunkline maintenance audits for the period of October 1, 2002 through September 30, 2004.

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

EXHIBIT I

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Licenses and Permits				
Permits			\$ 6,950	\$ 6,950
Federal Grants				
Contracted				
Surface Transportation Program	\$ 636,480	\$ 684,000	677,448	(6,552)
Negotiated				
Bureau of Indian Affairs	83,000	24,000	9,466	(14,534)
State Grants				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Primary Road	2,031,600	2,077,050	2,090,119	13,069
Local Road	1,231,750	1,265,330	1,274,210	8,880
Urban Primary	58,630	59,685	59,967	282
Urban Local	6,350	8,526	8,148	(378)
Snow Removal	2,740	2,622	2,622	-
Critical Bridge	620,920	680,000	675,073	(4,927)
Economic Development Fund				
Forest Road	161,017	161,017	161,016	(1)
Jobs Today Program	74,200	108,600	91,495	(17,105)
Other State Contributions	148,338	150,000	148,118	(1,882)
Contributions--Local Units				
Townships	665,520	215,000	215,202	202
Charges for Services				
State Trunkline Maintenance	600,000	580,000	597,467	17,467
State Trunkline Non-Maintenance	20,000	18,000	17,660	(340)
Private Driveway Plowing	4,000	5,000	2,714	(2,286)
Salvage Sales	6,000	10,000	5,346	(4,654)
Interest and Rents				
Interest Earned	50,000	70,000	74,131	4,131
Other Revenue				
Gain on Equipment Disposals	-	4,000	12,998	8,998
Total Revenues	6,410,545	6,132,830	<u>\$ 6,140,150</u>	<u>\$ 7,320</u>
Fund Balance--October 1, 2006	<u>2,503,969</u>	<u>2,503,969</u>		
Total Budget	<u>\$ 8,914,514</u>	<u>\$ 8,636,799</u>		

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

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

EXHIBIT J

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Preservation/Structural Improvements	\$ 1,050,000	\$ 1,509,792	\$ 1,430,904	\$ 78,888
Routine and Preventive Maintenance	1,300,000	1,274,233	1,248,877	25,356
Local Road				
Preservation/Structural Improvements	1,006,320	1,033,151	1,012,063	21,088
Routine and Preventive Maintenance	1,200,000	1,203,147	1,178,919	24,228
Primary Road Structure				
Preservation/Structural Improvements	677,600	825,522	807,229	18,293
Routine and Preventive Maintenance	10,000	10,462	9,727	735
Local Road Structure				
Preservation/Structural Improvements	-	6,466	5,763	703
Routine and Preventive Maintenance	10,000	10,291	5,132	5,159
State Trunkline				
Maintenance	600,000	580,000	578,868	1,132
Non-Maintenance	20,000	18,000	17,660	340
Driveway Plowing	3,000	3,883	2,714	1,169
Equipment Expense--Net	380,000	(7,979)		
Direct			\$ 835,376	
Indirect			342,116	
Operating			280,068	
Less: Equipment Rentals			<u>(1,577,791)</u>	112,252
Administrative Expense--Net	412,000	380,860		
Administrative Expense			396,203	
Less: Handling Charges			(1,685)	
Overhead--State Trunkline			<u>(56,262)</u>	42,604
Capital Outlay--Net	(298,375)	(240,228)		
Capital Outlay			158,843	
Less: Depreciation Credits			(297,694)	
Equipment Retirements			<u>(101,707)</u>	330
Debt Service				
Interest		500	120	380
Contingencies	40,000	-		-
Total Expenditures	6,410,545	6,608,100	<u>\$ 6,275,443</u>	<u>\$ 332,657</u>
Fund Balance--September 30, 2007	<u>2,503,969</u>	<u>2,028,699</u>		
Total Budget	<u>\$ 8,914,514</u>	<u>\$ 8,636,799</u>		

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

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

EXHIBIT K

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$ 3,608,854	\$ 1,814,252	\$ 717,044	\$ 6,140,150
Total Expenditures	3,662,923	2,276,319	336,201	6,275,443
Excess of Revenues Over (Under) Expenditures	(54,069)	(462,067)	380,843	(135,293)
Other Financing Sources Transfer	45,510	462,067	(507,577)	-
Total Other Financing Sources	45,510	462,067	(507,577)	-
Excess of Revenues and Other Sources Over (Under) Expenditures	(8,559)	-	(126,734)	(135,293)
Fund Balance--October 1, 2006	8,559	1	2,495,408	2,503,968
Fund Balance--September 30, 2007	\$ -	\$ 1	\$ 2,368,674	\$ 2,368,675

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

EXHIBIT L

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Licenses and Permits				
Permits			\$ 6,950	\$ 6,950
Federal Grants				
Contracted				
Surface Transportation Program	\$ 677,448			677,448
Negotiated				
Bureau of Indian Affairs	9,466			9,466
State Grants				
Michigan Transportation Fund				
Engineering	6,213	\$ 3,787		10,000
Allocation	2,090,119	1,274,210		3,364,329
Urban	59,967	8,148		68,115
Snow Removal	2,622			2,622
Critical Bridge Funds	671,302	3,771		675,073
Economic Development Fund				
Forest Road (E)	-	161,016		161,016
Jobs Today Program	91,495			91,495
Other State Contributions		148,118		148,118
Contributions From Local Units				
Townships	-	215,202	-	215,202
Charges for Services				
State Trunkline Maintenance			597,467	597,467
State Trunkline Non-Maintenance			17,660	17,660
Private Driveway Fees			2,714	2,714
Salvage Sales			5,346	5,346
Interest and Rents				
Interest Earned	222		73,909	74,131
Other Revenue				
Gain on Equipment Disposal			12,998	12,998
Total Revenues	<u>\$ 3,608,854</u>	<u>\$ 1,814,252</u>	<u>\$ 717,044</u>	<u>\$ 6,140,150</u>

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

EXHIBIT M

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Preservation/Structural Improvements	\$ 1,430,904			\$ 1,430,904
Routine and Preventive Maintenance	1,248,877			1,248,877
Local Road				
Preservation/Structural Improvements		\$ 1,012,063		1,012,063
Routine and Preventive Maintenance		1,178,919		1,178,919
Primary Road Structures				
Preservation/Structural Improvements	807,229			807,229
Routine and Preventive Maintenance	9,727			9,727
Local Road Structures				
Preservation/Structural Improvements		5,763		5,763
Routine and Preventive Maintenance		5,132		5,132
State Trunkline				
Maintenance			\$ 578,868	578,868
Non-Maintenance			17,660	17,660
Driveway Plowing			2,714	2,714
Equipment Expense--Net (Per Exhibit J)	(41,492)	(56,256)	(22,483)	(120,231)
Administrative Expense--Net (Per Exhibit J)	207,558	130,698		338,256
Capital Outlay--Net (Per Exhibit J)			(240,558)	(240,558)
Debt Service				
Interest	120		-	120
Total Expenditures	<u>\$ 3,662,923</u>	<u>\$ 2,276,319</u>	<u>\$ 336,201</u>	<u>\$ 6,275,443</u>



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

December 20, 2007

Menominee County Road Commission
Board of County Road Commissioners
W5416 Belgiumtown Road
P.O. Box 527
Stephenson, Michigan 49887

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Menominee County Road Commission's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Menominee County Road Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Menominee County Road Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Road Commission's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Road Commission's financial statements that is more than inconsequential will not be prevented or detected by the Road Commission's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Menominee County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Menominee County Board of Road Commissioners, the Road Commission's management and others within the Road Commission and 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