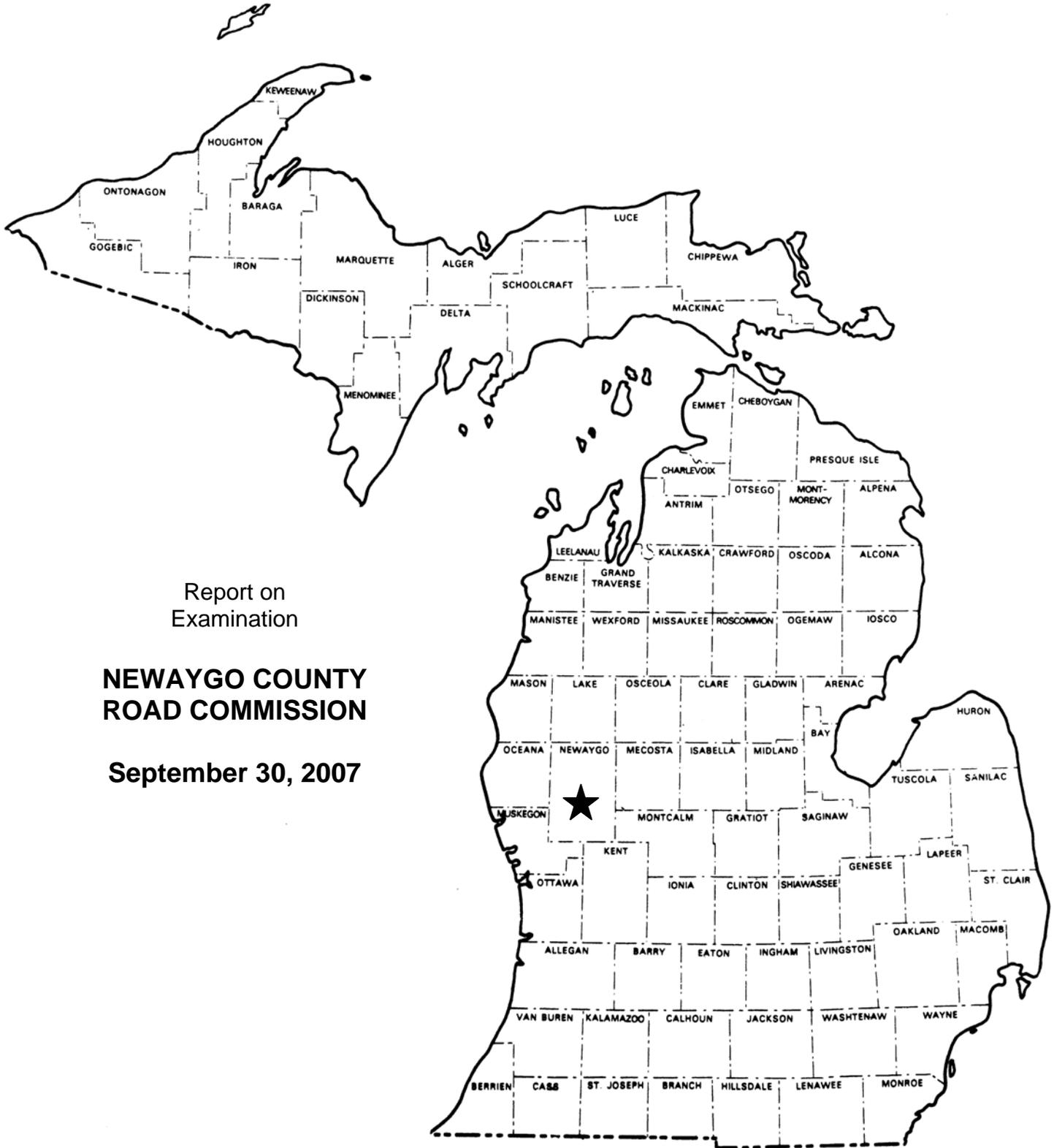


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



Report on
Examination

**NEWAYGO COUNTY
ROAD COMMISSION**

September 30, 2007

NEWAYGO COUNTY ROAD COMMISSION
BOARD OF COUNTY ROAD COMMISSIONERS

Louis Meeuwenberg
Chairman

Dale E. Twing
Vice-Chairman

William Gonyon
Member

Kelly Smith
Manager

Kristin Luchies
Clerk

COUNTY POPULATION—2000

47,874

STATE EQUALIZED VALUATION—2007

1,976,049,797



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

December 18, 2007

Newaygo County Road Commission
Board of County Road Commissioners
935 One Mile Road
White Cloud, Michigan 49849

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying basic financial statements of the Newaygo County Road Commission, a component unit of Newaygo 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 basic 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 Newaygo 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.

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2007 on our consideration of the Road Commission's internal control over financial reporting and our test 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, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 9 and the budgetary 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 and generally accepted accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



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

NEWAYGO COUNTY ROAD COMMISSION

TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS	1
BASIC FINANCIAL STATEMENTS--GOVERNMENT-WIDE/GOVERNMENTAL FUND FINANCIAL STATEMENTS:	
EXHIBIT A--Statement of Net Assets	10
EXHIBIT B--Statement of Activities	11
EXHIBIT C--Balance Sheet	12
EXHIBIT D--Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets.....	13
EXHIBIT E--Statement of Revenues, Expenditures and Changes in Fund Balance.....	14
EXHIBIT F--Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	15
EXHIBIT G--Statement of Net Assets--Fiduciary Fund	16
EXHIBIT H--Statement of Changes in Net Assets--Fiduciary Funds.....	17
NOTES TO FINANCIAL STATEMENTS	18
REQUIRED SUPPLEMENTARY INFORMATION	
EXHIBIT I--Schedule of Revenues--Budget and Actual	34
EXHIBIT J--Schedule of Expenditures--Budget and Actual	35
SUPPLEMENTAL SCHEDULES	
EXHIBIT K--Analysis of Changes in Fund Balances	36
EXHIBIT L--Analysis of Revenues.....	37
EXHIBIT M--Analysis of Expenditures.....	38
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 <u>Government Auditing Standards</u>	39

NEWAYGO COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Newaygo 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.

NEWAYGO 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 the Road Commission's Major Fund

The financial statements begin on page 10 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 8.03% or \$2,476,609 from \$30,851,712 to \$33,328,321 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, were \$2,743,929 during 2007, an increase of \$829,268 from the prior year.

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.

NEWAYGO COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

The investment in capital assets for 2007, net of related debt, was \$30,584,392, an increase of \$1,647,341 from the prior year. The increase was primarily the result of reporting infrastructure in the amount of \$4,501,981 for the year 2007.

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

	09/30/06 Governmental Activities	09/30/07 Governmental Activities	Variance	Percentage
Current and Other Assets	\$ 3,076,079	\$ 3,711,514	\$ 635,435	20.66%
Net Capital Assets	<u>29,874,889</u>	<u>31,320,558</u>	<u>1,445,669</u>	<u>4.84%</u>
Total Assets	<u>32,950,968</u>	<u>35,032,072</u>	<u>2,081,104</u>	<u>6.32%</u>
Current Liabilities	734,072	459,110	(274,962)	-59.89%
Noncurrent Liabilities	<u>1,365,184</u>	<u>1,244,641</u>	<u>(120,543)</u>	<u>-9.68%</u>
Total Liabilities	<u>2,099,256</u>	<u>1,703,751</u>	<u>(395,505)</u>	<u>-18.84%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	28,937,051	30,584,392	1,647,341	5.69%
Restricted	<u>1,914,661</u>	<u>2,743,929</u>	<u>829,268</u>	<u>43.31%</u>
Total Net Assets	<u><u>\$30,851,712</u></u>	<u><u>\$33,328,321</u></u>	<u><u>\$ 2,476,609</u></u>	<u><u>8.03%</u></u>

NEWAYGO COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Assets

A summary of changes in Net Assets is as follows:

	<u>2006</u>	<u>2007</u>	<u>Difference</u>	<u>Percent</u>
Program Revenue				
Licenses and Permits	\$ 15,155	\$ 10,400	\$ (4,755)	-45.72%
Federal Grants	588,427	1,011,254	422,827	41.81%
State Grants	6,083,345	7,003,205	919,860	13.13%
Contributions From Local Units	1,772,474	1,253,520	(518,954)	-41.40%
Charges for Services	798,794	951,753	152,959	16.07%
Investment Earnings	41,319	63,068	21,749	34.49%
Reimbursements	9,029	23,143	14,114	60.99%
General Revenue				
Gain on Equipment Disposal	295,477	255,412	(40,065)	-15.69%
Total Revenue	<u>9,604,020</u>	<u>10,571,755</u>	<u>967,735</u>	<u>9.15%</u>
Expenses				
Primary Road Maintenance	1,348,050	1,222,024	126,026	9.35%
Local Road Maintenance	2,189,798	2,193,837	(4,039)	-0.18%
Nonroad Project	80,176	-	80,176	0.00%
State Trunkline Maintenance	787,165	911,834	(124,669)	-15.84%
Net Equipment Expense	527,131	395,845	131,286	24.91%
Net Administrative Expense	644,436	595,379	49,057	7.61%
Infrastructure Depreciation Expense	489,284	2,732,166	(2,242,882)	-458.40%
Compensated Absences	5,624	12,766	(7,142)	-126.99%
Interest Expense	64,043	31,295	32,748	51.13%
Total Expenses	<u>6,135,707</u>	<u>8,095,146</u>	<u>(1,959,439)</u>	<u>-31.94%</u>
Increase in Net Assets	<u>3,468,313</u>	<u>2,476,609</u>	<u>\$ (991,704)</u>	<u>-28.59%</u>
Ending Net Assets	<u>\$ 30,851,712</u>	<u>\$ 33,328,321</u>		

The net assets increased by \$2,476,609 for the year ended September 30, 2007 as a result of the following factors. We received an increase in Federal and State grant revenue, where the related expenses were recorded as infrastructure capital assets; our investment revenue also increased. We took conservative measures during 2006 and 2007 to become more efficient, reduce our expenditures and reduce maintenance due to the projected decrease in Motor Vehicle Fund Revenue. The results can be seen with a decrease in the Net Equipment Expense. Administrative Expenses decreased as a result of these efficiencies also. The large difference in the infrastructure depreciation is due to recording the 20 years of additional infrastructure required by GASB 34.

NEWAYGO COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Road Commission's Fund

The Road Commission's General Operations Fund is used to control the expenditures of Michigan Transportation Fund monies, distributed to the county, which are earmarked by law for road and highway purposes.

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

	09/30/06 Operating Fund	09/30/07 Operating Fund	Favorable (Unfavorable) Variance	Variance Percent %
Revenue				
Permits	\$ 15,155	\$ 10,400	\$ (4,755)	-31.38%
Federal Grants	588,427	1,011,254	422,827	71.86%
State Grants	6,083,345	7,003,205	919,860	15.12%
Contributions From Local Units	1,772,474	1,253,520	(518,954)	-29.28%
Charges for Services	795,514	951,753	156,239	19.64%
Interest and Rents	41,319	63,068	21,749	52.64%
Other Revenue	307,786	278,556	(29,230)	-9.50%
Total Program Revenues	9,604,020	10,571,756	967,736	10.08%
Expenditures				
Public Works (Road)	8,827,444	9,820,900	(993,456)	-11.25%
Net Capital Outlay	(36,121)	(324,146)	288,025	-797.39%
Debt Service	433,959	232,967	200,992	46.32%
Total Expenditures	9,225,282	9,729,721	(504,439)	-5.47%
Excess of Revenue Over (Under) Expenditures	378,738	842,035	463,297	122.33%
Other Financing Sources				
Installment Purchase Proceeds	125,400	-	(125,400)	100.00%
Total Other Financing Sources	125,400	-	(125,400)	-100.00%
Excess of Revenues Over (Under) Expenditures and Other Financing Sources and (Uses)	504,138	842,035	337,897	67.02%
Fund Balance--Beginning	1,667,910	2,172,047	504,137	30.23%
Fund Balance--Ending	<u>\$2,172,047</u>	<u>\$3,014,082</u>	<u>\$842,035</u>	<u>38.77%</u>

NEWAYGO COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended September 30, 2007, the fund balance of the General Operations Fund increased by \$842,035 as compared to the prior year. This change was a result of taking certain measures to reduce expenditures, due to decreasing revenues, and increasing costs of doing business.

Total operating revenues were \$10,571,756, an increase of \$967,736 as compared to last year. This change in revenues resulted from an increase in Federal and State Grants to assist in road preservation.

Total expenditures were \$9,729,721, an increase of \$504,439, in comparison to last year. This change in expenditures is a result of the Road Commission receiving the grants and performing more preservation projects.

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2007, the Road Commission had \$31,320,558 invested in capital assets as follows:

	09/30/06	09/30/07	Total Percentage Change
Capital Assets Not Being Depreciated			
Land and Improvements	\$ 207,582	\$ 208,560	0.47%
Infrastructure--Land and Improvements	2,033,407	2,091,978	2.80%
Subtotal	2,240,989	2,300,538	2.59%
Capital Assets Being Depreciated			
Buildings	1,144,275	1,153,299	0.78%
Road Equipment	5,678,605	5,377,217	-5.60%
Shop Equipment	215,919	221,894	2.69%
Office Equipment	94,942	96,732	1.85%
Engineer's Equipment	100,285	101,735	1.43%
Administration Car	29,795	29,795	0.00%
Infrastructure--Bridges	8,406,667	9,602,000	12.45%
Infrastructure--Roads	34,184,162	37,432,239	8.68%
Subtotal	49,854,650	54,014,911	7.70%
Total Capital Assets	52,095,639	56,315,449	7.49%
Total Accumulated Depreciation	(22,220,750)	(24,994,891)	11.10%
Total Net Capital Assets	\$ 29,874,889	\$ 31,320,558	4.62%

NEWAYGO COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Road Commission reported the infrastructure and related assets during the current year in the amount of \$4,501,981. The infrastructure recorded in 2007 was depreciated in 2008. The infrastructure is financed through Federal, State and local contributions.

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

Reconstruction of Bridges (by Location)	\$1,195,333
Various Resurfacing Projects and Related Land/Right-of-Way	3,306,648
Road and Shop Equipment	228,645
Buildings	9,024
Land	979
Administrative, Office and Engineering Equipment	<u>3,240</u>
 Total Additions	 <u><u>\$4,743,869</u></u>

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

During 2007, the Road Commission traded in and/or disposed of road and shop equipment with a purchase amount of \$524,059 and related depreciation of \$487,474.

Debt

At the year end, the Road Commission had \$736,166 in installment purchase agreements versus \$937,838 last period, a decrease of \$201,672 or 21.50% as shown below:

	<u>2006</u>	<u>2007</u>	<u>Variance</u>	<u>% of Variance</u>
Installment Purchase Agreements	<u>\$ 937,838</u>	<u>\$ 736,166</u>	<u>\$ 201,672</u>	<u>21.50%</u>
Total	<u><u>\$ 937,838</u></u>	<u><u>\$ 736,166</u></u>	<u><u>\$ 201,672</u></u>	<u><u>21.50%</u></u>

More detailed information about the Road Commission's long-term liabilities is presented in Note F to the financial statements.

During 2007, the Road Commission made the final balloon payment on one installment purchase agreement.

NEWAYGO 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 authorized large expenditures when requested throughout the year.

The original revenue budget for 2007 was projected at \$11,239,818 and was amended to \$10,942,740 due to the fact that we received fewer contributions from local units than originally anticipated resulting from a layoff that pushed township construction projects back late in the season. We also received less buyout dollars than originally budgeted.

The Road Commission's original expenditures were projected at \$11,239,818 and then were amended to \$10,942,740. Actual expenditures were \$9,729,721 resulting in actual expenditures being less than budgeted by \$1,213,019. This was primarily due to increased efficiencies and working hard to keep expenditures related to construction projects under control and in line with the budgeted revenues.

Economic Factors and Next Year's Budget

The Road Commission derived approximately 55% of its revenue from the fuel tax collected in 2007. The recent economic downturn and high gas prices has resulted in less consumption of fuel and consequently less Michigan Transportation Fund tax to be distributed. The Road Commission received approximately 12% of its revenues from township contributions during 2007. This amount fluctuates with the approved road projects and depends on what and how much the townships can afford to participate.

The Board of County Road Commissioners considered many factors when setting the fiscal year 2008 budget. One of the factors considered is the economy and the increase cost in maintaining the road system. The main factors that were considered were the rising cost of fuel prices, increase in equipment costs, and the cost of supplies and parts from vendors. The board factored in the estimated 2% to 3% reduction in Motor Vehicle Fund Revenues for the 2008 Fiscal Year. The board also factored in the amount of projected Township Projects, Federal Aid Projects and Local Bridge Projects accepted for the 2008 fiscal year.

Amounts available for appropriation in the 2008 fiscal year budget are \$12,715,756.

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

NEWAYGO 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 Newaygo County administrative offices at: 935 One Mile Road, White Cloud, Michigan 49349.

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

EXHIBIT A

ASSETS

Cash	\$ 1,925,263
Accounts Receivable	
Sundry Accounts	203
State--Trunkline Maintenance	162,814
Michigan Transportation Fund	885,286
Due on County Road Agreements	80,446
Inventories	
Road Materials	385,495
Equipment Parts and Materials	272,007
Capital Assets (Net of Accumulated Depreciation)	<u>31,320,558</u>
Total Assets	<u>35,032,072</u>

LIABILITIES

Current Liabilities	
Accounts Payable	327,639
Due to State of Michigan	52,691
Accrued Liabilities	78,780
Noncurrent Liabilities	
Advance From State	238,322
Installment Purchase Agreements Payable	
Due Within One Year	101,448
Due in More Than One Year	634,718
Vested Employee Benefits Payable	<u>270,153</u>
Total Liabilities	<u>1,703,751</u>

NET ASSETS

Investment in Capital Assets	
Net of Related Debt	30,584,392
Restricted for County Roads	<u>2,743,929</u>
Total Net Assets	<u><u>\$33,328,321</u></u>

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

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

EXHIBIT B

Program Expenses	
Primary Road Maintenance	\$ 1,222,024
Local Road Maintenance	2,193,837
State Trunkline Maintenance	911,834
Net Equipment Expense	395,845
Net Administrative Expense	595,379
Infrastructure Depreciation	2,732,166
Compensated Absences	12,766
Interest Expense	31,295
	<hr/>
Total Program Expenses	8,095,146
	<hr/>
Program Revenue	
Charges for Services	
License and Permits	10,400
Charges for Services	951,753
Reimbursements	23,143
Operating Grants and Contributions	
Michigan Transportation Funds	5,651,740
Investment Earnings	63,068
Capital Grants and Contributions	
Federal Grants	1,011,254
State Grants	1,351,465
Contributions From Local Units	1,253,520
	<hr/>
Total Program Revenue	10,316,343
	<hr/>
Net Program Revenue	2,221,197
	<hr/>
General Revenue	
Gain on Equipment Disposal	255,412
	<hr/>
Total General Revenues	255,412
	<hr/>
Change in Net Assets	2,476,609
	<hr/>
Net Assets	
Beginning of Year	18,055,473
	<hr/>
Restatement to Net Assets	12,796,239
	<hr/>
Restated Net Assets--Beginning of Year	30,851,712
	<hr/>
End of Year	\$33,328,321
	<hr/>

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

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

EXHIBIT C

**GOVERNMENTAL
FUND TYPE**

	<u>General Operating Fund</u>
<u>ASSETS</u>	
Cash	\$ 1,925,263
Accounts Receivable--Sundry	203
Due From State	
Trunkline Maintenance	162,814
Michigan Transportation Fund	885,286
Due on County Road Agreements	80,446
Inventories	
Road Materials	385,495
Equipment Parts and Materials	<u>272,007</u>
Total Assets	<u><u>\$ 3,711,514</u></u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities	
Accounts Payable	\$ 327,639
Due to State	52,691
Accrued Liabilities	78,780
Advances	
State Trunkline Equipment Purchase	<u>238,322</u>
Total Liabilities	<u>697,432</u>
Fund Equities	
Fund Balance	
Reserved for Inventory	657,502
Unreserved and Undesignated	<u>2,356,580</u>
Total Fund Equities	<u>3,014,082</u>
Total Liabilities and Fund Equities	<u><u>\$ 3,711,514</u></u>

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

**NEWAYGO 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 \$ 3,014,082

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. 31,320,558

Other long-term assets are not available to pay for current period expenditures
and, therefore, are not reported in the funds. (1,006,319)

Net Assets of Governmental Activities \$33,328,321

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

**NEWAYGO 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	
Permits	\$ 10,400
Federal Grants	1,011,254
State Grants	7,003,205
Contributions From Local Units	1,253,520
Charges for Services	951,753
Interest and Rents	63,068
Other Revenue	<u>278,556</u>
 Total Revenues	 <u>10,571,756</u>
 Expenditures	
Public Works	9,820,900
Capital Outlay	(324,146)
Debt Service	<u>232,967</u>
 Total Expenditures	 <u>9,729,721</u>
 Excess of Revenues Over (Under) Expenditures	 842,035
 Fund Balance--October 1, 2006	 <u>2,172,047</u>
 Fund Balance--September 30, 2007	 <u><u>\$ 3,014,082</u></u>

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

**NEWAYGO 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 \$ 842,034

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 1,445,669
Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the Statement of Activities.

Lease proceeds provide current financial resources to governmental funds, but entering into lease agreements increases long-term liabilities in the Statement of Net Assets. Repayment of notes/leases payable is an expenditure in governmental funds, but reduces the long-term liabilities in the Statement of Net Assets. 201,672

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) (12,766)

Change in Net Assets of Governmental Activities \$2,476,609

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

**NEWAYGO COUNTY ROAD COMMISSION
STATEMENT OF NET ASSETS
FIDUCIARY FUND
September 30, 2007**

EXHIBIT G

	<u>Pension Trust</u>
<u>ASSETS</u>	
Total Assets	\$ <u> -</u>
<u>LIABILITIES</u>	
Total Liabilities	<u> -</u>
<u>NET ASSETS</u>	
Held in Trust for Pension Benefits	<u><u> -</u></u>

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

**NEWAYGO COUNTY ROAD COMMISSION
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2007**

EXHIBIT H

	<u>Pension Trust</u>
Additions	
Contributions	
Employer	\$ 180,000
Other Receipts	<u>51,144</u>
Total Contributions	<u>231,144</u>
Investment Income	
Interest and Dividends	137,959
Realized Gain (Loss) From Sale of Investments	475,545
Net Appreciation (Depreciation) in Fair Value of Investments	<u>(370,042)</u>
Net Investment Income (Loss)	<u>243,462</u>
Total Additions	<u>474,606</u>
Deductions	
Benefit Payments	221,614
Administrative and Other Expenses	<u>29,678</u>
Total Deductions	<u>251,292</u>
Transfer to Municipal Employees Retirement System (MERS)	(5,407,026)
Change in Net Assets	(5,183,712)
Net Assets--October 1, 2006	<u>5,183,712</u>
Net Assets--September 30, 2007	<u><u>\$ -</u></u>

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

NEWAYGO COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

NOTE A--REPORTING ENTITY

The Newaygo County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an appointed 3 member board of county road commissioners. The Road Commission may not issue debt without the approval of the county board of Commissioners. 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 Newaygo County Road Commission, a component unit of Newaygo County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund money 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 Newaygo 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 segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

NEWAYGO 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; and (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.

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.

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.

Cash 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, based on quoted market prices.

NEWAYGO COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

Inventories

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

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 Newaygo County Road Commission as assets with an initial individual cost of more \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation

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

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

Long-Term Obligations

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

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.

NEWAYGO COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE C--BUDGETARY PROCEDURES

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended (MCL 141.421) which requires the board of county road commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Road Commission's chief administrative officer (manager) prepares and submits a proposed operating budget to the board for its review and consideration. The board of county road commissioners conducts a public budget hearing and, subsequently, adopts the operating budget. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

NOTE D--CASH DEPOSITS AND INVESTMENTS

Deposits are carried at cost. Deposits of the County Road Fund are made in banks in the name of the Newaygo County Treasurer. Michigan Compiled Laws, Section 129.91, as amended by Public Act 196 of 1997, authorizes the county treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' 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 by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; and obligations of the State of Michigan or its political subdivisions which are rated investment grade. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Road Commission has designated one bank 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 were reported in the basic financial statements in the following category:

	<u>Operating Fund</u>
Cash	<u>\$ 1,925,263</u>
Total	<u><u>\$ 1,925,263</u></u>

NEWAYGO COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits is as follows:

Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 1,925,163
Petty Cash and Cash on Hand	<u>100</u>
Total	<u>\$ 1,925,263</u>

The bank balance of the Road Commission's deposits is \$1,948,231, of which \$100,000 is covered by Federal depository insurance.

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. The longer the maturity of an investment, generally, 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.

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 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.

NEWAYGO COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE E--CAPITAL ASSETS

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

	Restated Account Balances 10/01/06	Additions	Deductions	Account Balances 09/30/07
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 118,044			\$ 118,044
Infrastructure Land Improvements	2,033,407	\$ 58,571		2,091,978
Subtotal	<u>2,151,451</u>	<u>58,571</u>	<u>\$ -</u>	<u>2,210,022</u>
Capital Assets Being Depreciated				
Land Improvements	89,538	979		90,517
Buildings	1,144,275	9,024		1,153,299
Road Equipment	5,678,605	202,642	504,031	5,377,216
Shop Equipment	215,919	26,003	20,028	221,894
Office Equipment	94,942	1,450	(340)	96,732
Engineers' Equipment	100,285	1,790	340	101,735
Administration Car	29,795			29,795
Infrastructure--Bridges	8,406,667	1,195,333		9,602,000
Infrastructure--Roads	34,184,162	3,248,077		37,432,239
Total	<u>49,944,188</u>	<u>4,685,298</u>	<u>524,059</u>	<u>54,105,427</u>
Less Accumulated Depreciation				
Land Improvements	1,838	8,648		10,486
Buildings	823,618	28,714		852,332
Road Equipment	4,199,648	464,692	473,455	4,190,885
Shop Equipment	186,303	13,473	14,020	185,756
Office Equipment	75,243	6,616		81,859
Engineers' Equipment	80,750	4,492		85,242
Administration Car	26,153	2,814		28,967
Infrastructure--Bridges	4,657,428	194,580		4,852,008
Infrastructure--Roads	12,169,770	2,537,586		14,707,356
Total	<u>22,220,751</u>	<u>3,261,615</u>	<u>487,475</u>	<u>24,994,891</u>
Net Capital Assets Being Depreciated	<u>27,723,437</u>	<u>4,685,298</u>	<u>3,298,199</u>	<u>29,110,536</u>
Total Net Capital Assets	<u>\$ 29,874,888</u>	<u>\$ 4,743,869</u>	<u>\$ 3,298,199</u>	<u>\$ 31,320,558</u>

NEWAYGO COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE E--CAPITAL ASSETS (Continued)

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

Net Equipment Expense	
Direct Equipment	\$ 473,455
Indirect Equipment	31,341
Net Administrative Expenses	
Administrative	20,089
Engineering	4,564
Infrastructure Depreciation Expense	<u>2,732,166</u>
Total Depreciation Expense	<u><u>\$ 3,261,615</u></u>

NOTE F--LONG-TERM DEBT

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

	<u>Balance</u> <u>09/30/06</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance</u> <u>09/30/07</u>	<u>Due Within</u> <u>One Year</u>
Komatsu Excavator Model PC270LC-6L \$171,800 Capital Lease Dated November 13, 2001	\$ 104,707	\$ (104,707)	-	
Caterpillar Financial Services Lease for 1 Motor Grader 143H, Serial #APN00674	164,434	(18,835)	\$ 145,599	\$ 19,645
Caterpillar Financial Services Lease for 1 Motor Grader 143H, Serial #APN00685	164,434	(18,835)	145,599	19,645
Caterpillar Financial Services Lease for 1 Motor Grader 143H, Serial #APN00672	142,561	(15,677)	126,884	16,350
Caterpillar Financial Services Lease for 1 Motor Grader 143H, Serial #APN00687	142,561	(15,677)	126,884	16,350
Leasing 2, Inc. Installment Purchase Agreement for 1 Volvo L110E Wheel Loader	112,618	(13,645)	98,973	14,547
Leasing 2, Inc. Installment Purchase Agreement for 1 Volvo L110E Wheel Loader	106,523	(14,296)	92,227	14,911
Vested Employee Benefits Vacation and Sick Leave	<u>257,387</u>	<u>12,766</u>	<u>270,153</u>	
Totals	<u><u>\$ 1,195,225</u></u>	<u><u>\$ (188,906)</u></u>	<u><u>\$ 1,006,319</u></u>	<u><u>\$ 101,448</u></u>

NEWAYGO COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE F--LONG-TERM DEBT (Continued)

The annual interest and principal requirements of the Road Commission's long-term borrowing may be summarized as follows:

Caterpillar Motor Grader 143h Model #APN00674 was purchased in July 2005 under a lease purchase agreement through Caterpillar Financial Services Corporation. The original purchase price was \$208,398, with 5 annual payments of \$25,905.42 and a \$110,000 balloon payment due in July 2010 at an implied interest rate of 4.3%.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Outstanding 09/30/07</u>	<u>Interest Payable if Held to Maturity</u>
07/05/05	\$208,398	4.30%	2008	\$ 19,645	\$ 6,260
			2009	20,489	5,416
			2010	<u>105,465</u>	<u>4,535</u>
Total				<u>\$ 145,599</u>	<u>\$ 16,211</u>

Caterpillar Motor Grader 143h Model #APN00685 was purchased in July 2005 under a lease purchase agreement through Caterpillar Financial Services Corporation. The original purchase price was \$208,397, with 5 annual payments of \$25,905.42 and a \$110,000 balloon payment due in July 2010 at an implied interest rate of 4.3%.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Outstanding 09/30/07</u>	<u>Interest Payable if Held to Maturity</u>
07/05/05	\$ 208,397	4.30%	2008	\$ 19,645	\$ 6,260
			2009	20,489	5,416
			2010	<u>105,465</u>	<u>4,535</u>
Total				<u>\$145,599</u>	<u>\$ 16,211</u>

NEWAYGO COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE F--LONG-TERM DEBT (Continued)

Caterpillar Motor Grader 143h Model #APN00672 was purchased in July 2005 under a lease purchase agreement through Caterpillar Financial Services Corporation. The original purchase price was \$179,398, with 5 annual payments of \$21,806.53 and a \$97,500 balloon payment due in July 2010 at an implied interest rate of 4.3%.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Outstanding 09/30/07</u>	<u>Interest Payable if Held to Maturity</u>
07/05/05	\$ 179,398	4.30%	2008	\$ 16,351	\$ 5,456
			2009	17,054	4,753
			2010	<u>93,479</u>	<u>4,020</u>
Total				<u>\$ 126,884</u>	<u>\$ 14,229</u>

Caterpillar Motor Grader 143h Model #APN00687 was purchased in July 2005 under a lease purchase agreement through Caterpillar Financial Services Corporation. The original purchase price was \$179,397, with 5 annual payments of \$21,806.53 and a \$97,500 balloon payment due in July 2010 at an implied interest rate of 4.3%.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Outstanding 09/30/07</u>	<u>Interest Payable if Held to Maturity</u>
07/05/05	\$179,397	4.30%	2008	\$ 16,351	\$ 5,456
			2009	17,054	4,753
			2010	<u>93,479</u>	<u>4,020</u>
Total				<u>\$126,884</u>	<u>\$ 14,229</u>

Caterpillar Motor Grader 143h Model #APN00672 was purchased in March 2005 under a lease purchase agreement through Leasing 2 Financial Services Corporation. The original purchase price was \$146,500, with 4 annual payments of \$21,081.13 and a \$90,000 balloon payment due in July 2009 at an implied interest rate of 4.66%.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Outstanding 09/30/07</u>	<u>Interest Payable if Held to Maturity</u>
07/05/05	\$146,500	4.66%	2008	\$ 14,547	\$ 6,534
			2009	<u>84,426</u>	<u>5,574</u>
Total				<u>\$ 98,973</u>	<u>\$12,108</u>

NEWAYGO COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE F--LONG-TERM DEBT (Continued)

Caterpillar 446D Backhoe Loader was purchased in October 2005 under a lease purchase agreement through Caterpillar Financial Services Corporation. The original purchase price was \$124,500, with 5 annual payments of \$18,877 and a \$47,500 balloon payment due in October 2010 at an implied interest rate of 4.3%.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Outstanding 09/30/07</u>	<u>Interest Payable if Held to Maturity</u>
10/10/05	\$124,500	4.30%	2007	\$ 14,911	\$ 3,966
			2008	15,552	3,325
			2009	16,221	2,656
			2010	<u>45,543</u>	<u>1,958</u>
Total				<u>\$ 92,227</u>	<u>\$ 11,905</u>

Vested Employee Benefits

Vacation leave is earned in varying amounts depending on the number of years of service of an employee and is made available to the employee on his or her anniversary date. Union employees must generally use vacation leave within 1 year after being earned. If a union employee has less than 1 day unused, he/she will be paid for that time. A union employee, however, may request carryover of 10 unused vacation days into the next year under special circumstances. Foremen and management employees may carry forward 50% of vacation leave earned to the following year but may not extend it beyond 1 year. Upon termination of employment, vacation leave is payable at 100%. The liability recorded in long-term debt for vacation earned, but not used as of September 30, 2007, totaled \$92,168 based on 100% of the vacation leave balances.

Prior to October 1, 2006, sick leave was accumulated at the rate of 1 day per month by union employees and ½ day per month for management and administrative employees not to exceed 1200 hours or 150 days. Sick leave is payable at 50% to the maximum of 75 days when an employee retires or dies. This policy has been discontinued effective October 1, 2006. The sick leave benefits recorded in long-term debt consists of 50% of the remaining accumulated sick leave, which amounted to \$141,083.

Beginning October 1, 2006, all employees are granted 48 hours of personal time each year in the first full pay period following their anniversary date. Employees may only accumulate up to a maximum of 96 hours of personal leave time. Any hours earned in excess of 96 hours shall be paid off at the employee's current hourly rate of pay in the first pay period following the anniversary date. The liability recorded in the long-term debt for personal time benefits earned, but not used as of September 30, 2007, totaled \$36,902.

NEWAYGO COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--EMPLOYEES' RETIREMENT SYSTEM

In May 2007, the Newaygo County Road Commission changed pension plans from a single employer-defined benefit plan administered through Fifth Third Bank to an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. During the fiscal year, the Road Commission transferred \$5,407,026 in plan assets as shown in Exhibit H to the Municipal Employees' Retirement System (MERS) administered by the State of Michigan.

The following note discloses the information broken into two sections: 1) the single employer-defined benefit plan administered through Fifth Third Bank prior to May 2007; and 2) the multiple employer defined benefit pension plan with MERS beginning May 2007.

Plan Description--Prior to May 2007--The Newaygo County Road Commission pension plan is a single employer-defined benefit plan administered through Fifth Third Bank. The information disclosed as of September 30, 2007, is based on information provided by Fifth Third Bank. The Fifth Third Bank plan had 47 active participants and 32 retirees as of January 1, 2006, the most recent period for which actuarial data was available. The plan administrator, Fifth Third Bank, did not issue a separate report for the year 2006.

The system provides retirement, disability and death benefits to plan members and their beneficiaries, in accordance with the Road Commission labor agreements and personnel policies.

Funding Policy--Prior to May 2007--The board of county road commissioners had established a payment of \$30,000 per month to fund the plan. During the January 28, 1998 meeting, the board authorized the investment of future contributions in a stock fund. Fifth Third Bank separately identifies and reports on the contributions and earnings in a "Defined Benefit Pension Plan Account." During 2007, contributions were invested in money market investments, stocks, and bonds.

Contributions--Prior to May 2007--Employees are not required to or able to contribute any funds after June 4, 1991; except, effective February 27, 2002, management staff employees may purchase up to five years of service under the plan for covered military service. Prior employee accumulations receive 3% interest. The Road Commission usually makes contributions in accordance with the minimum recommended employer contribution required by the actuary plan. During the plan year ended December 31, 2006, the Road Commission contributed \$180,000. The required recommended contribution and the minimum recommended contribution was not available due to the change in the retirement plans.

Summary of Significant Accounting Policies and Plan Asset Matters--Prior to May 2007--The assets of the pension plan consist of money market investments, stocks, and bonds purchased under the control of Fifth Third Bank. The company currently provides monthly "statement highlights" providing a summary of balances, which provides the income and expense data accounting for the monthly changes in the Group Annuity Contract value for the General Account only. These statements provided for in the audit report are effective through December 31 each year.

NEWAYGO COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Schedule of Funding Progress (2)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Percent Funded</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
01/01/06	\$ 5,042,437	\$ 4,566,338	110%	\$ 476,099	\$ 1,935,687	-25%
01/01/05	4,873,724	4,318,871	113%	554,853	1,974,310	-28%
01/01/04	4,519,745	3,813,034	119%	706,711	1,939,501	-36%
01/01/03*	3,935,638	3,667,795	107%	267,843	1,864,260	-14%
05/01/02	4,135,792	3,519,773	118%	616,019	1,663,528	-37%
05/01/01	4,165,895	3,354,031	124%	811,864	1,631,206	-50%
05/01/00	5,106,455	4,514,850	113%	591,605	1,473,654	-40%
05/01/99	4,239,124	4,638,018	91%	(398,894)	1,309,680	30%
05/01/98	3,973,188	4,200,658	95%	(227,470)	1,240,481	18%
05/01/97	3,766,554	4,365,812	86%	(599,258)	1,069,693	56%
05/01/96	3,627,282	4,570,908	79%	(943,626)	1,115,510	85%

Schedule of Employer Contributions

<u>Year Ending</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
12/31/05	\$258,715	\$245,000	95%
12/31/04	244,140	271,200	111%
12/31/03	267,087	258,342	97%
12/31/02 *	134,405	145,363	108%
04/30/02	190,618	274,160	144%
04/30/01	183,205	184,000	100%
04/30/00	235,781	276,000	117%
04/30/99	223,655	276,000	123%
04/30/98	255,557	276,000	108%

*8 month plan year ending December 31, 2002

NEWAYGO COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

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

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Percent, Closed
Remaining Amortization Period	(1)
Asset Valuation Method	(1)
Actuarial Assumptions	
Investment Rate of Return	8%
Projected Salary Increases*	5%
*Includes Inflation at	4%
Cost of Living Adjustments	None

(1) Information not provided in actuarial report.

(2) GASB Statements No. 25 and No. 27 require 10 years of information. Information is not available to complete table per GASB Statement No. 25 and GASB Statement No. 27.

Description of Plan and Plan Assets--Beginning May 2007--The Newaygo 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. There are three groups of employees defined as management pre 1999, management post 1999, and union. The service requirement for these three groups is computed using credited service at the time of termination of membership multiplied by the sum of 2.0% times the final average compensation. No actuarial data was available for the fiscal year due to the change in plans.

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

Funding Policy--Beginning May 2007--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 requires members, except for the manager, to contribute 3% of the first \$4,200 of annual compensation and 4.7% of portions over \$4,200. Through September 30, 2007, the employees' contributions totaled \$0. The Road Commission is required to contribute at an actuarially determined rate which was 16.01% of the annual payroll for management pre 1999, 14.36% for management post 1999, and 15.14% for union based on the initial actuarial valuation performed April 1, 2007.

NEWAYGO COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Annual Pension Cost--Beginning May 2007--During the period May through September 2007, the Road Commission's contributions were \$98,809 in accordance with the contribution requirement determined by an actuarial valuation of the plan as of April 1, 2007. The Road Commission paid the required contribution of \$98,809. 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 normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the members' retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27 and Required Supplementary Information for GASB Statement No. 27

Information will not be available until future audits due to change in pension plans.

NOTE H--DEFERRED COMPENSATION PLAN

The Newaygo County Board of Road Commissioners offers all Road Commission employees deferred compensation plans created in accordance with the Internal Revenue Code (IRC), Section 457. The assets of the plans are held in annuity contracts described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of the Section 457 plans and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32 requirements, plan balances and activities are not reflected in the Road Commission's financial statements.

NEWAYGO COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE I--POST-EMPLOYMENT BENEFITS

Newaygo County Road Commission provides post-employment health care benefits, in accordance with the labor contract and personnel policy, to all employees who retire from the Road Commission. The Road Commission pays all costs for health insurance premiums, including spouse, for management employees who retire at age 55 with 30 years service, but not later than 62 and continuing until the retiree reaches age 65, or from early optional retirement date of age 55 with 10 years or more of service and continuing until the retiree and his spouse reach age 65. After age 65, retirees must reimburse the employer for the cost of insurance. The Road Commission continues to pay the premiums for union employees, including spouse, who retire at age 62 with 10 years service, or from early optional retirement date of age 55 with 10 years or more of service, and continuing until the retiree and their spouse reach age 65. Effective June 1, 1999, the Road Commission shall pay for the Medicare Supplemental available to continue coverage at the rate of 25% of the premium for Medicare Supplemental Coverage for union employees. Prior to June 1, 1999, after age 65, retirees must reimburse the employer for the cost of insurance.

Employees who retire before the respective age limits do not qualify for health insurance even though they may have the required years of service.

Currently, 7 retirees met those eligibility requirements. Expenditures for post-employment health care benefits are recognized when insurance premiums are paid. Net premiums paid by the Road Commission for retirees during 2007 totaled \$62,214. There were no retirees that qualified for the Medicare Supplemental Coverage.

NOTE J--RISK MANAGEMENT

The Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, trunkline liability, errors and omissions and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board. Commercial insurance was purchased for health care benefits.

The Road Commission also has self-insurance for workers' compensation as a member of the County Road Association Self-Insurance Fund.

At September 30, 2007, there were no claims which exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years. Settled claims for the Road Commission have not exceeded the amount of insurance coverage in any of the past 3 years.

NEWAYGO COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE K--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2007, the Federal Aid received and expended by the Road Commission was \$1,011,254 for contracted projects and \$0 for negotiated 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. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission.

NOTE L--COMMITMENT

On September 24, 2007, the Board approved the purchase of a Crawler Dozer LPG from Michigan Cat for the Model CAT D4GLGP. The cost of the dozer was \$84,480 to be paid in full with Road Commission funds on November 2, 2007, the delivery date of the dozer.

NOTE M--STATE TRUNKLINE

In February 2006, the Michigan Department of Transportation (MDOT) issued auditor's report 2006-18 for the 2000 and 2003 state trunkline maintenance contracts. The report included adjustments for employee leave and benefits, trunkline auto liability insurance, equipment rental, and overhead. The net results of the audit report was an increased payment of \$8,386 for the 2000 contract year and \$21,643 for the 2003 contract year for an additional total of \$30,029 to the Road Commission during the 2007 fiscal year.

NOTE N--RESTATEMENT TO BEGINNING NET ASSETS

Beginning Net Capital Asset Restatement

The Newaygo County Road Commission has recorded the infrastructure of the county roads and bridges in accordance with the Governmental Accounting Standards Board Statement No. 34 (GASB 34). The Road Commission had recorded the infrastructure on annual basis beginning in 2003. The restatement is to retroactively capitalize the assets prior to 2003 as required by GASB 34.

Beginning Net Assets		\$ 18,055,473
Adjustment to Investment in Capital Assets		
Increase in Capital Assets	\$ 28,707,276	
Decreased by Accumulated Depreciation	<u>(15,911,037)</u>	<u>12,796,239</u>
Restated Net Assets at October 1, 2006		<u><u>\$ 30,851,712</u></u>

**NEWAYGO 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				
Weight Permits	-	\$ 10,400	\$ 10,400	-
Federal Grants				
Surface Transportation Program	\$ 945,100	722,983	722,983	-
Critical Bridge	1,274,240	288,271	288,271	-
State Grants				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Primary Road	3,014,325	3,096,024	3,096,024	-
Local Road	2,311,444	2,376,663	2,376,663	-
Primary Urban Road	86,360	88,327	88,327	-
Local Urban Road	42,262	43,224	43,224	-
Snow Removal	30,000	37,502	37,502	-
Critical Bridge	238,920	709,680	709,680	-
Economic Development Funds				
Forest Funds (E)	101,167	162,575	162,575	-
STP Buy Out	515,000	479,210	479,210	-
Other State Grants			-	-
Contributions--Local Units				
Cities	-	5,073	5,073	-
Townships	2,000,000	1,248,448	1,248,447	\$ (1)
Charges for Services				
State Trunkline Maintenance	600,000	847,283	847,283	-
State Trunkline Nonmaintenance	-	94,580	94,580	-
Salvage Sales	-	9,890	9,890	-
Interest and Rents				
Interest Earned	20,000	61,668	61,668	-
Rents and Royalties	-	1,400	1,400	-
Other Revenue				
Contributions From Private Sources	-	-	-	-
Refunds	51,000	23,143	23,144	1
Gain on Equipment Disposal	-	255,412	255,412	-
Total Revenue	11,239,818	10,571,756	\$ 10,571,756	\$ -
Fund Balance--October 1, 2006	2,172,047	2,172,047		
Total Budget	\$ 13,411,865	\$ 12,743,803		

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

**NEWAYGO 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	\$ 2,234,679	\$ 2,083,574	\$2,083,574	-
Routine and Preventive Maintenance	976,250	1,198,198	1,222,024	\$ (23,826)
Local Road				
Preservation/Structural Improvements	1,475,000	1,246,900	1,223,074	23,826
Routine and Preventive Maintenance	1,699,901	2,193,837	2,193,837	-
Primary Road Structure				
Preservation/Structural Improvements	1,742,971	1,171,507	1,171,507	-
Local Road Structure				
Preservation/Structural Improvements	25,000	23,826	23,826	-
State Trunkline Maintenance	600,000	817,254	817,254	-
State Trunkline Nonmaintenance	-	94,580	94,580	-
Equipment Expense--Net	1,547,350	395,845		
Direct			\$ 1,151,854	
Indirect			245,216	
Operating			460,082	
Less: Equipment Rentals			<u>(1,461,307)</u>	
			395,845	-
Distributive Expense	65,000			-
Administrative Expense--Net	645,000	595,379		
Administrative Expense			679,147	
Less: Overhead--State			<u>(83,768)</u>	
			595,379	-
Capital Outlay--Net	10,000	(324,146)		
Capital Outlay			241,888	
Less: Depreciation Credits			(529,450)	
Equipment Retirements			<u>(36,584)</u>	
			(324,146)	-
Debt Service				
Principal Payments	170,250	201,672	201,672	-
Interest Expense	<u>48,417</u>	<u>31,295</u>	<u>31,295</u>	-
Total Expenditures	11,239,818	9,729,721	<u>\$9,729,721</u>	\$ -
Fund Balance--September 30, 2007	<u>2,172,047</u>	<u>3,014,082</u>		
Total Budget	<u>\$ 13,411,865</u>	<u>\$ 12,743,803</u>		

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

**NEWAYGO 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	\$4,915,436	\$ 4,387,430	\$ 1,268,890	\$10,571,756
Total Expenditures	4,920,993	3,910,606	898,122	9,729,721
Excess of Revenues Over (Under) Expenditures	(5,557)	476,824	370,768	842,035
Fund Balance--October 1, 2006	1,139,387	-	1,032,660	2,172,047
Fund Balance--September 30, 2007	<u>\$ 1,133,830</u>	<u>\$ 476,824</u>	<u>\$ 1,403,428</u>	<u>\$ 3,014,082</u>

**NEWAYGO 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				
Weight Permits			\$ 10,400	\$ 10,400
Federal Grants				
Surface Transportation Program	\$ 722,983			722,983
Critical Bridge	288,271			288,271
State Grants				
Michigan Transportation Fund				
Engineering	5,657	\$ 4,343		10,000
Allocation	3,096,024	2,376,663		5,472,687
Urban	88,327	43,224		131,551
Snow Removal	37,502			37,502
Critical Bridge		709,680		709,680
Economic Development Fund				
Forest Funds (E)	162,575			162,575
STP Buy Out	479,210			479,210
Contributions--Local Units				
Cities		5,073		5,073
Townships		1,248,447		1,248,447
Charges for Services				
State Trunkline Maintenance			847,283	847,283
State Trunkline Nonmaintenance			94,580	94,580
Salvage Sales			9,890	9,890
Interest and Rents				
Interest Earned	34,887		26,781	61,668
Rents and Royalties			1,400	1,400
Other Revenue				
Refunds			23,144	23,144
Gain on Equipment Disposal			255,412	255,412
Total Revenue	\$ 4,915,436	\$ 4,387,430	\$ 1,268,890	\$ 10,571,756

**NEWAYGO 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	\$ 2,083,574			\$ 2,083,574
Routine and Preventive Maintenance	1,222,024			1,222,024
Local Road				
Preservation/Structural Improvements		\$ 1,223,074		1,223,074
Routine and Preventive Maintenance		2,193,837		2,193,837
Primary Road Structures				
Preservation/Structural Improvements	1,171,507			1,171,507
Local Road Structures				
Preservation/Structural Improvements		23,826		23,826
State Trunkline Maintenance			\$ 817,254	817,254
State Trunkline Nonmaintenance			94,580	94,580
Equipment Expense--Net (Per Exhibit J)	107,234	211,144	77,467	395,845
Administrative Expense--Net (Per Exhibit J)	336,654	258,725		595,379
Capital Outlay--Net (Per Exhibit J)			(324,146)	(324,146)
Debt Service				
Principal Payments			201,672	201,672
Interest Payments			31,295	31,295
Total Expenditures	\$ 4,920,993	\$ 3,910,606	\$ 898,122	\$ 9,729,721



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

December 18, 2007

Newaygo County Road Commission
Board of County Road Commissioners
935 One Mile Road
White Cloud, Michigan 49849

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 governmental activities of Newaygo County Road Commission, a component unit of Newaygo County, as of and for the year ended September 30, 2007, which collectively comprise Newaygo County Road Commission's basic financial statements and have issued our report thereon dated December 18, 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 Newaygo County Road Commission's internal control over financial reporting as a basis for designing our auditing 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 Newaygo County Road Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Newaygo 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 township'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 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 Newaygo 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 Newaygo County Road Commissioners, management, Federal 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