

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Christina M. Kostink</i>	Printed Name		License Number	

Road Commission for Oakland County

**Financial Report
with Supplemental Information
September 30, 2007**

Road Commission for Oakland County

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Independent Auditor's Report

To the Board of Road Commissioners
Road Commission for Oakland County

We have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Road Commission for Oakland County, Michigan (the "Road Commission") as of and for the year ended September 30, 2007, which collectively comprise the Road Commission's basic financial statements, as listed in the table of contents. These basic 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. 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 opinions.

In addition, all portions of the audit were conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except for the retirement system and the retiree healthcare trust.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, major fund, and the aggregate remaining fund information of the Road Commission for Oakland County, Michigan at September 30, 2007 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the Road Fund budgetary comparison schedule as identified in the table of contents are not required parts of the basic financial statements but are supplemental information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Road Commissioners
Road Commission for Oakland County

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Road Commission's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2008 on our consideration of the Road Commission for Oakland County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions 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.

Plante & Moran, PLLC

February 14, 2008

Road Commission for Oakland County

Management's Discussion and Analysis

Our discussion and analysis of the financial performance of the Road Commission for Oakland County (the "Road Commission") provides an overview of the Road Commission's financial activities for the fiscal year ended September 30, 2007. Please read this in conjunction with the financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The governmental funds balance sheet/statement of net assets presents all governmental activities of the Road Commission, presented first by fund on a modified-accrual basis, and then in total on a full-accrual basis. The modified-accrual fund-based columns present a short-term view of the Road Commission; they tell us how much is available for future spending. The total full-accrual column is intended to present a longer-term view, and tells us whether taxpayers have funded the full cost of providing services to date.

The statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities also presents all governmental activities of the Road Commission, presented first by fund on a modified-accrual basis, and then in total on a full-accrual basis. The modified-accrual fund-based columns tell us how the motoring public's money was spent during the year, while the total full-accrual column tells us the cost of providing services this year, as well as whether the motoring public has paid the full cost of providing services this year.

These two statements are followed by the Fiduciary Funds (the Retirement System and the Retiree Healthcare Trust) statement of plan net assets and statement of changes in plan net assets. These statements provide information about the Retirement System and the Retiree Healthcare Trust for which the Road Commission acts solely as trustee for the benefit of current and future retirees.

Financial Analysis of the Road Commission as a Whole

The following table provides condensed information about the total full-accrual finances of the Road Commission as of September 30, 2007 and 2006 and for the years then ended. As discussed above, the total full-accrual columns report the Road Commission's net assets and how they have changed. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net assets may be one indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Road Commission, the reader also needs to consider additional non-financial factors such as changes in the condition of the Road Commission's roads and changes in the laws related to gas taxes and their distribution.

Road Commission for Oakland County

Management's Discussion and Analysis (Continued)

	September 30	
	2007	2006
Assets		
Current and other assets	\$ 81,300,947	\$ 85,025,954
Capital assets	644,301,769	606,092,780
Total assets	725,602,716	691,118,734
Liabilities		
Current liabilities	27,108,678	34,533,199
Long-term liabilities	13,360,579	11,317,245
Total liabilities	40,469,257	45,850,444
Net Assets		
Invested in capital assets - Net of related debt	633,851,769	598,167,780
Unrestricted	51,281,690	47,100,510
Total net assets	\$ 685,133,459	\$ 645,268,290
	Year Ended September 30	
	2007	2006
Statement of Activities		
Revenues:		
State aid - Act 51	\$ 61,682,104	\$ 61,703,568
Other state sources	20,383,056	20,602,088
Federal sources	25,788,986	17,961,797
Revenue from county and local governments	12,014,855	8,574,454
Other	8,320,225	10,459,317
Total revenue	128,189,226	119,301,224
Expenses:		
General administration	4,152,113	4,047,224
Departmental operations and maintenance	32,543,010	34,443,239
Nondepartmental	15,875,811	19,768,265
Interest	458,356	394,411
Depreciation	35,294,767	35,316,913
Total expenses	88,324,057	93,970,052
Change in net assets - Before extraordinary item	39,865,169	25,331,172
Extraordinary item	-	54,336
Change in net assets	\$ 39,865,169	\$ 25,385,508

Road Commission for Oakland County

Management's Discussion and Analysis (Continued)

The Road Commission's net assets increased approximately 6.2 percent, from \$645,268,290 to \$685,133,459 for the year ended September 30, 2007. This was primarily because capital grants and donations were provided in the current year for capital expenditures that will be recognized in future years as depreciation expense. The investment in capital assets, net of accumulated depreciation and disposals, increased by \$38,208,989 and \$31,925,629 for the years ended September 30, 2007 and 2006, respectively.

The Road Commission's revenue for the year ended September 30, 2007 increased approximately 7.5 percent from the prior year total. This increase was due principally to increased federal revenue representing participation in road construction projects. Road construction activity of the current year was slightly greater than that of the preceding year. Total expenses for the fiscal year ended September 30, 2007 were approximately 6.0 percent less than the preceding year's total. This decrease is primarily due to the Road Commission establishing the Retiree Healthcare Trust in the prior year.

Financial Analysis of Individual Funds of the Road Commission

The Road Commission currently has two operating funds: the Subdivision Improvement Fund, which accounts for the activity of special assessment districts, and the Road Fund, which accounts for all of the other operating activity of the Road Commission. The reporting of the individual governmental funds focuses on the inflows and outflows of money and the balances left at year end that are available for spending. These funds report using an accounting method called modified-accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The individual fund columns provide a detailed short-term view of the Road Commission's general operations and the basic services it provides. Individual fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services.

The Road Fund is used to account for the general operations of the Road Commission. It is used to control the expenditures of Michigan Transportation Fund (MTF) monies distributed to the Road Commission, which are earmarked by law for road and highway purposes. For the year ended September 30, 2007, the fund balance of the Road Fund increased by \$781,455. Total revenues were \$124,268,231, and total expenditures were \$123,486,776, which represented an increase in revenues from the prior year (exclusive of the prior year's extraordinary item) of 9.9 percent and an increase in expenditures from the prior year of 0.9 percent. The increase in revenue was due principally to an increase in federal participation in road construction projects. The size of next year's construction program anticipates the use of MTF funds collected in the current and prior years and is expected to result in a decrease in next year's fund balance.

Road Commission for Oakland County

Management's Discussion and Analysis (Continued)

Budgetary Highlights

Prior to beginning each year, the Road Commission's budget is prepared based upon certain assumptions and facts available at that time. During the year, the Road Commission board amends its budget to reflect changes in these original assumptions, facts, and/or economic conditions that were unknown at the time the original budget was adopted. In addition, by policy, the board reviews and authorizes large expenditures throughout the year.

The amended Road Fund revenue budget for the year ended September 30, 2007 was \$27,323,139 higher than the original budget, due primarily to the budget adjustments to reflect more participation from federal sources and other units of government in the Road Improvement Program (RIP). Several times during the year, the RIP budget is amended to more accurately reflect construction activity. These amendments include the related revenue adjustments. The actual revenue recognized during the year ended September 30, 2007 was less than the amended budget by \$11,357,823.

The amended Road Fund expenditure budget for the year ended September 30, 2007 was \$45,080,570 higher than the original budget, due primarily to RIP expenditures as well as capital outlay and contracted services expenditures. Each year, the original budget is amended for the prior year's capital outlay, contracted services, and RIP expenditures that were committed to in the prior year but where the goods were not received or services were not performed until the subsequent year. The actual expenditures recognized during the year ended September 30, 2007 were less than the amended budget by \$30,659,873, due principally to this type of expenditure timing difference.

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2007 and 2006, the Road Commission had invested \$644,301,769 and \$606,092,780, respectively, in net capital assets. This year's amount represents a net increase (including additions, deletions, and depreciation) of \$38,208,989, or approximately 6.3 percent. The Road Commission added \$74,617,343 to its investment in capital assets during the current year, including \$68,787,036 of infrastructure additions. Depreciation of capital assets is provided for annually over estimated future lives. Infrastructure construction is funded by federal, state, and local contributions, as well as by Road Commission revenues.

Road Commission for Oakland County

Management's Discussion and Analysis (Continued)

Capital asset additions for the current and prior year include the following:

	<u>2007</u>	<u>2006</u>
Buildings and storage bins - Including land and construction in progress	\$ 1,281,074	\$ 1,910,952
Road equipment	4,483,100	2,672,820
Other equipment	66,133	312,335
Infrastructure - Including land	<u>68,787,036</u>	<u>62,402,209</u>
Total additions	<u>\$ 74,617,343</u>	<u>\$ 67,298,316</u>

Debt Administration

At September 30, 2007 and 2006, the Road Commission had \$10,450,000 and \$7,925,000, respectively, in outstanding notes payable.

Other long-term obligations include accrued vacation pay and sick leave, as well as reserves for various losses. More detailed information about the Road Commission's long-term liabilities is presented in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

In what appears to be a single-state recession, Michigan continues its longest sustained economic downturn since the Great Depression. With high unemployment levels (around 7.7 percent) and record high gas prices (over \$3.00 per gallon), gasoline usage is down. That means the gas tax revenue, the Road Commission's largest source of operating revenue, has also decreased. Unfortunately, this only compounds the problem of the gas tax revenue increases not keeping up with the inflation rate for many, many years. Each year, the Road Commission's revenues fall further and further behind its expenses, many of which actually exceed the inflation rate.

Recently, as a result of the State's difficulty to balance its own fiscal year 2008 budget, Michigan's governor has publicly stated that she will not allow any other tax increases in the remaining three years of her administration, specifically including the State's gas tax. The gas tax was last increased in 1997. Also, in its most recent annual revenue forecast, the State Treasury Department projected the State's transportation revenues (MTF) would increase by only 0.07 percent in the upcoming fiscal year. This is the revenue forecast that is used as the basis for the State's and the Road Commission's fiscal year 2008 budgets.

Road Commission for Oakland County

Management's Discussion and Analysis (Continued)

Due to the above mentioned reasons, the Road Commission is forced to conservatively forecast its MTF revenues for its fiscal year 2008 budget. Overall, the fiscal year 2008 budget reflects that the Road Commission's primary revenue source (MTF) is not keeping up with the inflationary increases of its normal operating costs. As a result, next year's budget must include reduced expenditures for road improvement projects and maintenance activities (exclusive of items carried over from fiscal year 2007). Implicit in next year's budget is the fact that without adequate increases in its MTF revenue, the Road Commission will continue to have diminishing resources for road improvement and maintenance activities.

In addition, during its three-year financial planning (FP) process, the Road Commission continued to deal with the dilemma of its stagnant revenues and its rising costs of doing business activities. The FP process included balancing road maintenance efforts, appropriate staffing levels, and adequate fleet level readiness. One of the recommendations resulting from the FP process is for the Road Commission to reduce its staffing levels by 18 positions for its fiscal year 2009 budget. To help focus public attention to Michigan's inadequate road funding, the Road Commission has been advising its customers:

"Take a close look at the roads you drive. Unless we receive additional funding, this is the best they will look for a long time. We no longer have funds to repair the roads to eliminate potholes on our paved roads or to add more gravel to our gravel roads. The roads will get worse, and that will impact our ability to attract new employers and developers and retain the jobs we have. It also means you'll pay more to repair the damage to your car caused by rough roads."

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 the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Road Commission for Oakland County administrative offices at 31001 Lahser Road, Beverly Hills, Michigan 48025.

Road Commission for Oakland County

Governmental Funds Balance Sheet/Statement of Net Assets September 30, 2007

	Major Fund - Road	Nonmajor Fund - Subdivision Improvements	Total Governmental Funds	Adjustments (Note 2)	Statement of Net Assets
Assets					
Cash and cash equivalents (Note 3)	\$ 11,366,448	\$ 6,359,055	\$ 17,725,503	\$ -	\$ 17,725,503
Investments (Note 3)	29,490,300	-	29,490,300	-	29,490,300
Receivables:					
Accounts	19,944,926	-	19,944,926	-	19,944,926
Investment income	384,448	-	384,448	-	384,448
Special assessments	-	9,419,589	9,419,589	-	9,419,589
Internal receivables	376,828	(376,828)	-	-	-
Inventory	3,502,828	-	3,502,828	-	3,502,828
Deposits, prepaid expenses, and other assets	833,353	-	833,353	-	833,353
Capital assets - Net (Note 4):					
Assets being depreciated	-	-	-	495,703,561	495,703,561
Assets not being depreciated - Land and other	-	-	-	148,598,208	148,598,208
Total assets	\$ 65,899,131	\$ 15,401,816	\$ 81,300,947	\$ 644,301,769	\$ 725,602,716
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 7,607,696	\$ 107,839	\$ 7,715,535	\$ -	\$ 7,715,535
Advances and deferred revenue	13,957,849	8,475,948	22,433,797	(9,720,083)	12,713,714
Deposits	1,893,059	-	1,893,059	-	1,893,059
Accrued liabilities	2,240,260	-	2,240,260	71,110	2,311,370
Notes payable - Due within one year (Note 5)	-	-	-	2,475,000	2,475,000
Notes payable - Due in more than one year (Note 5)	-	-	-	7,975,000	7,975,000
Other long-term liabilities (Notes 5 and 7)	-	-	-	5,385,579	5,385,579
Total liabilities	25,698,864	8,583,787	34,282,651	6,186,606	40,469,257
Fund Balances					
Reserved (Note 8)	13,225,258	-	13,225,258	(13,225,258)	-
Unreserved - Designated (Note 9)	26,975,009	6,818,029	33,793,038	(33,793,038)	-
Total fund balances	40,200,267	6,818,029	47,018,296	(47,018,296)	-
Total liabilities and fund balances	\$ 65,899,131	\$ 15,401,816	\$ 81,300,947		
Net Assets					
Investment in capital assets - Net of related debt				633,851,769	633,851,769
Unrestricted				51,281,690	51,281,690
Total net assets				\$ 685,133,459	\$ 685,133,459

Road Commission for Oakland County

Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities Year Ended September 30, 2007

	Major Fund - Road	Nonmajor Fund - Subdivision Improvements	Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
Revenue					
State aid - Act 51	\$ 61,682,104	\$ -	\$ 61,682,104	\$ -	\$ 61,682,104
Other state sources	21,346,060	-	21,346,060	(963,004)	20,383,056
Federal sources	25,544,866	-	25,544,866	244,120	25,788,986
Revenue from county and local governments	11,366,299	-	11,366,299	648,556	12,014,855
Special assessment revenue	-	3,117,145	3,117,145	(504,984)	2,612,161
Interest	2,202,394	604,512	2,806,906	-	2,806,906
Fees and other revenue	2,126,508	-	2,126,508	774,650	2,901,158
Total revenue	124,268,231	3,721,657	127,989,888	199,338	128,189,226
Expenditures					
General administration	4,520,762	-	4,520,762	(368,649)	4,152,113
Central operations	9,802,933	-	9,802,933	(2,182,153)	7,620,780
Engineering department	5,264,072	-	5,264,072	(5,074,610)	189,462
Traffic department	10,178,977	-	10,178,977	(3,985,302)	6,193,675
Permits and environmental concerns	1,119,086	-	1,119,086	(1,119,086)	-
Maintenance department	22,011,154	-	22,011,154	(3,472,061)	18,539,093
Nondepartmental	19,980,301	-	19,980,301	(4,104,490)	15,875,811
Debt service:					
Principal payments	1,241,509	1,233,491	2,475,000	(2,475,000)	-
Interest and other	226,539	215,459	441,998	16,358	458,356
Depreciation expense	-	-	-	35,294,767	35,294,767
Project expenditures:					
Road improvement program and construction	42,934,701	3,322,573	46,257,274	(46,257,274)	-
Southeast Michigan snow and ice management	1,288,101	-	1,288,101	(1,288,101)	-
Signals	4,614,344	-	4,614,344	(4,614,344)	-
Intelligent transportation systems	304,297	-	304,297	(304,297)	-
Total expenditures	123,486,776	4,771,523	128,258,299	(39,934,242)	88,324,057
Excess of Revenue Over (Under) Expenditures/Change in Net Assets - Before other financing sources					
	781,455	(1,049,866)	(268,411)	40,133,580	39,865,169
Other Financing Sources - Proceeds from the issuance of bonds					
	-	5,000,000	5,000,000	(5,000,000)	-
Change in Fund Balances/Net Assets					
	781,455	3,950,134	4,731,589	35,133,580	39,865,169
Fund Balances/Net Assets - October 1, 2006					
	39,418,812	2,867,895	42,286,707	602,981,583	645,268,290
Fund Balances/Net Assets - September 30, 2007					
	<u>\$ 40,200,267</u>	<u>\$ 6,818,029</u>	<u>\$ 47,018,296</u>	<u>\$ 638,115,163</u>	<u>\$ 685,133,459</u>

Road Commission for Oakland County

Fiduciary Funds Statement of Plan Net Assets December 31, 2006 (Note 1)

	Retirement System	Retiree Healthcare Trust
Assets		
Cash and short-term investments (Note 3)	\$ 17,779,804	\$ -
Receivables - Interest and dividends	567,159	-
Investments (Note 3):		
U.S. government debt obligations	7,542,191	-
U.S. agencies debt obligations	29,841,805	-
Corporate debt obligations	27,327,491	-
Corporate equities	118,724,092	-
Mutual funds and other investments	888,077	-
Interest in investment pools	<u>32,808,728</u>	<u>9,944,823</u>
Total investments	<u>217,132,384</u>	<u>9,944,823</u>
Total assets	235,479,347	9,944,823
Liabilities		
Accounts payable - Brokers and other - Net	24,959,870	-
Securities lending collateral payable	<u>32,808,728</u>	<u>-</u>
Total liabilities	<u>57,768,598</u>	<u>-</u>
Net Assets Held in Trust for Retiree Benefits	<u>\$ 177,710,749</u>	<u>\$ 9,944,823</u>

Road Commission for Oakland County

Fiduciary Funds Statement of Changes in Plan Net Assets Year Ended December 31, 2006 (Note 1)

	Retirement System	Retiree Healthcare Trust
Additions		
Investment income:		
Interest and dividends	\$ 5,064,686	\$ 341,596
Net appreciation in fair value of investments	16,075,990	301,643
Less investment expenses	(953,705)	(23,416)
Net investment income	20,186,971	619,823
Employer contributions	2,939,800	9,325,000
Refunds	21,374	-
Securities lending:		
Interest and fees income	1,324,871	-
Less borrower rebates and bank fees	(1,285,799)	-
Net securities lending	39,072	-
Total net additions	23,187,217	9,944,823
Deductions - Benefit payments	8,118,517	-
Net Increase	15,068,700	9,944,823
Net Assets Held in Trust for Retiree Benefits		
Beginning of year	162,642,049	-
End of year	\$ 177,710,749	\$ 9,944,823

Road Commission for Oakland County

Notes to Financial Statements September 30, 2007

Note I - Significant Accounting Policies

The Road Commission for Oakland County, Michigan (the "Road Commission") is a governmental agency, legally titled the Board of County Road Commissioners of the County of Oakland, which is responsible for the maintenance and construction of the county road system in the county. The Road Commission's financial statements will be included in the basic financial statements of the County of Oakland, Michigan.

All funds of the Road Commission have a September 30 year end except the Retirement System and the Retiree Healthcare Trust, which are fiduciary funds maintained on a calendar year reporting basis. The September 30, 2007 financial statements of the Road Commission include certain Retirement System and Retiree Healthcare Trust financial data as previously reported at December 31, 2006, the latest available financial statements of the Retirement System and the Retiree Healthcare Trust.

The accounting policies of the 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:

In accordance with GASB No. 34 definitions, the Road Commission has summarized its September 30, 2007 revenue into the following program revenue categories:

Charges for services	\$ 19,268,946
Operating grants and contributions	63,928,870
Capital grants and contributions	<u>44,991,410</u>
Total revenue	<u>\$ 128,189,226</u>

Basic Financial Statements - Government-wide and Fund 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 nonfiduciary activities of the Road Commission. The Road Commission consists solely of governmental-type activities; no business-type activities exist.

The fund financial statements are provided for governmental funds and have been stated in conjunction with the government-wide financial statements.

The major individual governmental fund is reported as a separate column in the fund financial statements.

Road Commission for Oakland County

**Notes to Financial Statements
September 30, 2007**

Note I - Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 Road Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue related to construction projects and inspection work orders is recognized as the related costs are incurred, subject to the availability criterion. Other revenue is recorded when received.

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 generally recorded only when payment is due.

Noncurrent receivables, such as special assessments, are recorded at full value and deferred revenue is recorded for the portion not available for use to finance operations as of year end.

Interest earned on investments is recorded on the accrual basis. Interest revenue on special assessment receivables is not accrued until its due date.

The Road Commission reports the following major governmental fund:

Road Fund - The Road Fund is used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Road Commission for Oakland County

Notes to Financial Statements
September 30, 2007

Note I - Significant Accounting Policies (Continued)

The Road Commission also reports the following additional funds:

Subdivision Improvement Fund - The Subdivision Improvement Fund (a nonmajor governmental fund) is used to account for the construction and financing of public improvements provided in benefiting districts that are to be paid, at least in part, from an assessment against the benefited property.

Retirement System - The Retirement System (the "System") is a Pension Trust Fund used to account for assets held by the Road Commission in a trustee capacity that will be used to fund future retirement benefits for eligible beneficiaries.

Retiree Healthcare Trust - The Retiree Healthcare Trust (the "Trust") is used to account for assets held by the Road Commission in a trustee capacity that will be used to fund future payment of medical benefits for eligible retirees and their spouses and dependents. The Trust is a single-employer Retiree Healthcare Trust that is administered by the Road Commission's board of trustees.

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 reported at fair value, based on quoted market prices.

Accounts Receivable and Deferred Revenue - Accounts receivable are primarily amounts due from other units of government. Accounts receivable at September 30, 2007 are recorded net of approximately \$96,000 of allowances.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of advances and deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Advances and deposits	\$ -	\$ 12,713,714
Federal, state, local, and other receivables	1,244,135	-
Special assessments receivable	<u>8,475,948</u>	<u>-</u>
Total	<u>\$ 9,720,083</u>	<u>\$ 12,713,714</u>

Road Commission for Oakland County

Notes to Financial Statements
September 30, 2007

Note I - Significant Accounting Policies (Continued)

Inventory and Prepaid Expenses - Inventory consists principally of road material, salt, signs, and equipment maintenance materials and is valued at average cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses or deposits in both governmental-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation charges in 2007 totaled \$35,294,767 based on the following methods and useful lives:

	Methods	Useful Lives - Years
Buildings	Straight-line	25-50
Salt storage bins	Units of production	Various
Road equipment	Sum of years - Digits	5-8
Other equipment	Sum of years - Digits and straight-line	4-10
Brine wells and gravel pits	Straight-line and units of production	Various
Infrastructure:		
Roads	Straight-line	5-30
Other	Straight-line	10-50

Compensated Absences (Vacation and Sick Leave) - It is the Road Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Road Commission for Oakland County

**Notes to Financial Statements
September 30, 2007**

Note I - Significant Accounting Policies (Continued)

Long-term Obligations - Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements. Bond premiums and discounts, as well as issuance costs, are generally deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable recorded bond premium or discount. Bond issuance costs are generally reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report designations of fund balance for amounts that represent tentative management plans that are subject to change.

Other accounting policies are disclosed in other notes to the financial statements.

Road Commission for Oakland County

Notes to Financial Statements September 30, 2007

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Amounts reported in the government-wide financial statements are different from amounts reported in the governmental funds because of the following:

Governmental Funds Fund Balance	\$ 47,018,296
Capital assets used in governmental activities are not financial resources and are not reported in the funds	644,301,769
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	8,475,948
Federal, state, local, and other receivables not collected within 60 days of year end are not available to pay for current year expenditures	1,244,135
Long-term notes payable that are not due and payable in the current period and are not reported in the funds	(10,450,000)
Long-term portion of compensated absences liability and provision for uninsured workers' compensation and general liability losses that are not reported in the funds	(5,385,579)
Accrued interest payable is not reported in the funds	<u>(71,110)</u>
Government-wide Net Assets	<u><u>\$ 685,133,459</u></u>

Road Commission for Oakland County

Notes to Financial Statements
September 30, 2007

Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

Net Change in Fund Balances - Total governmental funds	\$ 4,731,589
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	38,208,989
Special assessment revenues are recorded in the statement of activities when the assessment is made; they are not reported in the funds until collected or collectible within 60 days of year end	(504,984)
In the governmental funds, federal, state, and local revenues (including insurance claims receivable) not collected within 60 days of year end are not available to pay for current year expenditures, whereas in the statement of activities, revenue is recognized when earned	(10,733)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,475,000
Proceeds on the issuance of bonds are recorded as an other financing source in the governmental funds, but not in the statement of activities (where it increases long-term debt)	(5,000,000)
Changes in accumulated sick and vacation pay, as well as estimated general liability and workers' compensation claims, are recorded when earned in the statement of activities	(18,334)
Interest expense is recorded in the statement of activities when a liability is incurred; it is reported in the funds only when payment is due	(16,358)
Change in Net Assets of Governmental Activities	<u>\$ 39,865,169</u>

Road Commission for Oakland County

**Notes to Financial Statements
September 30, 2007**

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures 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 that are legal for direct investment by local units of government in Michigan.

The Road Commission has designated 12 banks for the deposit of its funds. The investment policy adopted by the Road Commission in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Road Commission's deposits and investment policies are in accordance with statutory authority.

The Road Commission's cash and investments are subject to several types of risk, which, for other than its Retirement System and Retiree Healthcare Trust assets, are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned to it. The Road Commission does not have a deposit policy for custodial credit risk. At year end, the Road Commission had \$40,358,893 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The book balance for these deposits has been reported on the governmental funds balance sheet/statement of net assets as cash and cash equivalents of \$17,725,503 and investments of \$21,350,000. The remainder of the investments balance is described below.

The Road Commission believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Road Commission evaluates each financial institution with which it deposits funds, and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Road Commission for Oakland County

**Notes to Financial Statements
September 30, 2007**

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. In the current year, the Road Commission has no investments in commercial paper. The Road Commission has no investment policy that would further limit its investment choices.

As of year end, the credit quality ratings of its debt security investments were as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan Government Operating Fund	\$ 2,969,989	AAA	S&P
Fidelity Institutional Money Market Fund - Government Portfolio Class II	5,170,311	AAA	S&P

Concentration of Credit Risk

The Road Commission places no limit on the amount in which it may invest in any one issuer. The Road Commission has approximately \$3 million invested in Michigan Government Operating Fund at JP Morgan and \$5 million invested in Fidelity Institutional Money Market Fund - Government Portfolio Class II at LaSalle Bank at September 30, 2007. These investments represent approximately 10.1 percent and 17.0 percent, respectively, of total investments reported on the governmental funds balance sheet/statement of net assets at September 30, 2007.

Retirement System Deposits and Investments (as of December 31, 2006)

The Retirement System (the "System") is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The Act places percentage limitations on certain investments.

The System has designated two banks for the deposit of its funds. The System's deposits and investment policies are compliant with statutory authority.

Road Commission for Oakland County

Notes to Financial Statements
September 30, 2007

Note 3 - Deposits and Investments (Continued)

The System's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk.

At December 31, 2006, the System had \$600,248 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. Each of the accounts of the System's six investment managers is insured by the Securities Investors Protection Act up to \$500,000 to replace cash (up to \$100,000), stocks, or bonds held by the broker-dealer. The System believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The System's investment policy does not restrict investment maturities other than commercial paper which, under state law, can only be purchased with no more than a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment Type	Fair Value	Maturity (Years)			
		< 1	1 - 5	6 - 10	> 10
U.S. Treasury	\$ 7,542,191	\$ -	\$ 596,067	\$ 1,984,348	\$ 4,961,776
U.S. agency	29,841,805	813,300	383,103	1,782,913	26,862,489
Corporate bonds	27,327,491	1,082,172	4,826,356	4,769,794	16,649,169

Credit Risk

As of December 31, 2006, the System's debt securities, other than the U.S. government and agency obligations, were comprised substantially of corporate bonds and collateralized mortgage obligations.

Road Commission for Oakland County

Notes to Financial Statements
September 30, 2007

Note 3 - Deposits and Investments (Continued)

The System's investment policy provides that up to 25 percent of the fixed-income investment portfolio may be invested in noninvestment grade securities (BB to CCC rated) with at least 80 percent of the noninvestment grade portfolio consisting of BB or B rated securities. The System may invest up to 15 percent of the fixed-income portfolio in non-U.S. dollar denominated fixed-income securities. The minimum credit rating for international fixed income securities is single B at the time of purchase.

The credit ratings of these securities at December 31, 2006 are as follows:

Rating	Fair Value	Rating Agency
AAA	\$ 8,403,135	S&P
AA	1,010,530	S&P
AA-	1,414,807	S&P
A+	1,001,120	S&P
A	803,294	S&P
A-	1,131,075	S&P
BBB+	1,918,663	S&P
BBB	2,858,961	S&P
BBB-	1,149,569	S&P
BB+	496,790	S&P
BB	52,413	S&P
BB-	112,163	S&P
B+	50,600	S&P
B	788,755	S&P
B-	11,088	S&P
CCC+	216,350	S&P
Not rated	<u>5,908,178</u>	N/A
	<u>\$27,327,491</u>	

Securities Lending Transactions - State statutes and board of trustees' investment policies permit participation of the System in securities lending transactions, loans of securities to broker-dealers, and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

The System, via a securities lending authorization agreement, authorized the custodial bank to lend the System's securities to broker-dealers and banks pursuant to a form of loan agreement.

Road Commission for Oakland County

**Notes to Financial Statements
September 30, 2007**

Note 3 - Deposits and Investments (Continued)

During the year ended December 31, 2006, the custodial bank, at the direction of the System, lent securities and received United States currency as collateral. Borrowers were required to deliver collateral for each loan equal to at least 100 percent of the market value of the loaned securities.

At December 31, 2006, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. Contracts with the lending agents require them to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan.

The System did not impose any restrictions during the year ended December 31, 2006 on the amount of the loans the custodial bank made on its behalf. There were no failures by any of the borrowers to return loaned securities or pay distributions thereon during the year ended December 31, 2006. There were no losses to the System or the custodial bank during the year ended December 31, 2006 resulting from default of the borrowers.

During the year ended December 31, 2006, the System and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in a pool. The average duration of such investment pool as of December 31, 2006 was 105 days. Because the loans could be terminated on demand, their duration did not generally match the duration of the investments made with cash collateral. The collateral held and the fair values of the underlying securities on loan as of December 31, 2006 were \$32,808,728 and \$31,756,821, respectively.

Road Commission for Oakland County

Notes to Financial Statements September 30, 2007

Note 3 - Deposits and Investments (Continued)

The following represents the balances relating to the securities lending transactions as of December 31, 2006; investments are reported at fair value:

Securities Lent	Underlying Securities	Collateral Received	Collateral Investment Value	Type of Collateral
U.S. government and agencies obligations	\$ 7,413,010	\$ 7,600,206	\$ 7,600,206	Custodian's short-term investment pool
U.S. corporate fixed-income obligations	1,101,870	1,127,450	1,127,450	Custodian's short-term investment pool
U.S. equities	<u>23,241,941</u>	<u>24,081,072</u>	<u>24,081,072</u>	Custodian's short-term investment pool
Total	<u>\$ 31,756,821</u>	<u>\$ 32,808,728</u>	<u>\$ 32,808,728</u>	

Retiree Healthcare Trust Deposits and Investments (as of December 31, 2006)

The Retiree Healthcare Trust (the "Trust") is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The Act places percentage limitations on certain investments. The Trust has designated one bank for the deposit of its funds. The Trust's deposits and investment policies are in accordance with statutory authority.

At December 31, 2006, the Trust's assets were invested in the Investment Services Program (ISP) of the Municipal Employees' Retirement System (MERS) of Michigan. Using the ISP pooled investment product, the Trust's assets are pooled with the other investments managed by MERS and are allocated according to the MERS ISP investment policy statement, which is consistent with the statutory authority described above.

Road Commission for Oakland County

Notes to Financial Statements September 30, 2007

Note 3 - Deposits and Investments (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Trust. The Trust has no investment policy that would limit its obligation to the Trust. The Trust has no investment policy that would limit its investment choices other than what is allowed by state law. The Trust's funds are invested solely in a pooled investment fund administered by the MERS Retirement Board. The investment pool administered by MERS is not rated as to credit quality.

Note 4 - General Fixed Assets and Depreciation

A summary of changes in general fixed assets follows:

	Balance October 1, 2006	Increases	Decreases	Balance September 30, 2007
Governmental Activities				
Capital assets not being depreciated:				
Land:				
Infrastructure	\$ 136,979,666	\$ 9,765,645	\$ -	\$ 146,745,311
Land and other	1,832,397	-	-	1,832,397
Construction in progress	1,134,087	-	1,113,587	20,500
Subtotal	139,946,150	9,765,645	1,113,587	148,598,208
Capital assets being depreciated:				
Buildings and storage bins	16,536,829	1,281,074	-	17,817,903
Road equipment	45,568,987	4,483,100	378,114	49,673,973
Other equipment	5,847,970	66,133	126,700	5,787,403
Infrastructure	748,681,739	59,021,391	-	807,703,130
Brine wells and gravel pits	1,364,232	-	-	1,364,232
Subtotal	817,999,757	64,851,698	504,814	882,346,641
Less accumulated depreciation for:				
Buildings and storage bins	(8,204,515)	(371,447)	-	(8,575,962)
Road equipment	(36,597,543)	(3,877,802)	(378,114)	(40,097,231)
Other equipment	(3,858,137)	(470,933)	(126,700)	(4,202,370)
Infrastructure	(302,304,621)	(30,486,875)	-	(332,791,496)
Brine wells and gravel pits	(888,311)	(87,710)	-	(976,021)
Subtotal	(351,853,127)	(35,294,767)	(504,814)	(386,643,080)
Net capital assets being depreciated	466,146,630	29,556,931	-	495,703,561
Net capital assets	\$ 606,092,780	\$ 39,322,576	\$ 1,113,587	\$ 644,301,769

Road Commission for Oakland County

Notes to Financial Statements September 30, 2007

Note 5 - Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the Road Commission as of September 30, 2007:

	Number of Issues	Interest Rate (Percent)	Maturing Through	Principal Outstanding
Notes Payable				
1999 Michigan Transportation Fund revenue note*	1	4.65-4.75	2009	\$ 1,950,000
2001 Michigan Transportation Fund revenue note	1	3.75-4.00	2011	4,000,000
2007 Michigan Transportation Fund revenue note**	1	4.00	2016	<u>4,500,000</u>
Total notes payable				10,450,000
Other Long-term Liabilities				
Long-term portion of provision for uninsured losses				2,000,000
Long-term portion of compensated absences liability				<u>3,385,579</u>
Total other long-term liabilities				<u>5,385,579</u>
Total long-term debt				<u>\$ 15,835,579</u>

* While these notes will be paid by the Road Fund, it is intended that the Subdivision Improvements Fund will provide the Road Fund with approximately 75 percent of the required debt service funding.

** While these notes will be paid by the Road Fund, it is intended that the Subdivision Improvements Fund will provide the Road Fund with the required debt service funding.

At September 30, 2007, approximately \$9,420,000 of special assessment receivables were recorded in the Subdivision Improvements Fund.

Compensated Absences - It is the Road Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Road Commission for Oakland County

Notes to Financial Statements September 30, 2007

Note 5 - Long-term Debt (Continued)

Changes in Long-term Debt

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

	Balance October 1, 2006	Increase	Reduction	Balance September 30, 2007	Due Within One Year
1999 Michigan Transportation Fund revenue note	\$ 2,925,000	\$ -	\$ (975,000)	\$ 1,950,000	\$ 975,000
2001 Michigan Transportation Fund revenue note	5,000,000	-	(1,000,000)	4,000,000	1,000,000
2007 Michigan Transportation Fund revenue note	-	5,000,000	(500,000)	4,500,000	500,000
Total note payable	7,925,000	5,000,000	(2,475,000)	10,450,000	2,475,000
Long-term portion of provision for uninsured losses	2,150,000	-	(150,000)	2,000,000	-
Long-term portion of compensated absences	3,217,245	168,334	-	3,385,579	-
Total other long-term liabilities	5,367,245	168,334	(150,000)	5,385,579	-
Total long-term debt	<u>\$ 13,292,245</u>	<u>\$ 5,168,334</u>	<u>\$ (2,625,000)</u>	<u>\$ 15,835,579</u>	<u>\$ 2,475,000</u>

Debt Service Requirements

The annual principal and interest requirements for the years ending September 30 through maturity for all debt outstanding (excluding the liabilities for compensated absences and uninsured losses) are as follows:

Years Ending September 30	Principal	Interest	Total
2008	\$ 2,475,000	\$ 426,650	\$ 2,901,650
2009	2,475,000	323,813	2,798,813
2010	1,500,000	220,000	1,720,000
2011	1,500,000	160,000	1,660,000
2012	500,000	100,000	600,000
2013-2016	2,000,000	200,000	2,200,000
Total	<u>\$ 10,450,000</u>	<u>\$ 1,430,463</u>	<u>\$ 11,880,463</u>

Interest

Gross interest expense of the Road Commission for the year ended September 30, 2007 approximated \$384,000, of which approximately \$158,000 related to the Subdivision Improvements Fund and the balance to the Road Fund.

Road Commission for Oakland County

**Notes to Financial Statements
September 30, 2007**

Note 6 - Contingent Liabilities

The Road Commission has been named defendant in numerous accident claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. Insurance coverage related to these claims and lawsuits, if any, is categorized under the general liability insurance program (see Note 7). It is the opinion of management and legal counsel that reasonable estimates of the Road Commission's liability for these matters have been recorded as a liability in the Road Fund at September 30, 2007.

There are also several non-accident liability and condemnation lawsuits currently pending against the Road Commission claiming amounts for damages and relief without stated limitations. It is the opinion of management and legal counsel that reasonable estimates of the Road Commission's liability for these matters have been recorded in the Road Fund at September 30, 2007.

The Road Commission has received and is receiving federal highway grants through the Michigan Department of Transportation for its Integrated Transportation System (ITS) project. These federal grants have certain compliance provisions including a requirement for nonfederal participation in project costs (matching requirement) and a responsibility for the Road Commission to eventually audit the finalized third-party costs for goods and services that have either been charged to certain project contracts or contributed to the project.

The effect on the recorded revenue and expenditures of the ITS projects, if any, that may result from the Road Commission's future audits of final third-party contract and contribution costs cannot be determined at this time. However, it is the opinion of the management of the Road Commission that such amounts and the resultant effects on fund balance, if any, would not be material.

Note 7 - Insurance Programs

The Road Commission is exposed to various risks of loss related to general liability claims, property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Road Commission is uninsured for these claims within certain limits. The details for certain of these risks are discussed below.

Road Commission for Oakland County

**Notes to Financial Statements
September 30, 2007**

Note 7 - Insurance Programs (Continued)

General Liability Claims

The Road Commission is partially uninsured for general liability claims. Under the plan, the Road Commission is liable for losses up to a retention amount and for the losses in excess of the maximum insurance coverage. Information for the last 10 years is as follows:

Contract Years Ended September 30	Retention		Aggregate Limit Per Year (All Cases)	Maximum Insurance Coverage (Per Occurrence and in Aggregate Per Fiscal Year)
	Limit Per Occurrence			
1998-2000	\$ 1,000,000	\$	4,000,000	\$ 9,000,000
2001-2007	1,000,000		4,000,000	15,000,000

Workers' Compensation Claims

The Road Commission is partially uninsured for workers' compensation claims. Under the plan, the Road Commission is liable for losses up to a retention amount and for losses in excess of the maximum insurance coverage. Information for the last 10 years is as follows:

Fiscal Year of Occurrence	Retention		Approximate Aggregate Limit Per Year	Coverage (Per Occurrence and in Aggregate)
	Limit Per Occurrence			
1998-2000	\$ 350,000		No aggregate coverage	Statutory limitation
2001-2005	500,000		No aggregate coverage	Statutory limitation
2006-2007	750,000		No aggregate coverage	Statutory limitation

Road Commission for Oakland County

**Notes to Financial Statements
September 30, 2007**

Note 7 - Insurance Programs (Continued)

Medical Claims

The Road Commission is partially uninsured for healthcare coverage provided to employees (including dependents and retired employees and their spouses). Under the program, the Road Commission is liable for claims up to a retention amount per employee. For the last 12 annual contract periods (September 1, 1996 through August 31, 2008), the retention limit per employee is \$75,000 with no aggregate limitation.

Estimated Liabilities

Management has established estimates of the liability for the asserted claims and lawsuits and the unasserted claims related to all of the above-mentioned matters and has recorded the estimated liability at September 30, 2007. However, with respect to unasserted claims, it is not currently possible for management or legal counsel to determine that the ultimate liability, if any, related to these matters will not differ materially from the amounts currently provided.

Changes in the estimated liability for the years ended September 30, 2006 and 2007 are as follows:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Medical</u>	<u>Total</u>
Estimated liability - October 1, 2005	\$ 2,400,000	\$ 1,210,000	\$ 400,000	\$ 4,010,000
Estimated claims incurred, including changes in estimates	26,563	1,056,680	9,575,965	10,659,208
Claim payments, including related legal and administrative expenses	<u>(426,563)</u>	<u>(906,680)</u>	<u>(9,575,965)</u>	<u>(10,909,208)</u>
Estimated liability - September 30, 2006	2,000,000	1,360,000	400,000	3,760,000
Estimated claims incurred, including changes in estimates	401,806	1,018,390	10,225,227	11,645,423
Claim payments, including related legal and administrative expenses	<u>(401,806)</u>	<u>(1,168,390)</u>	<u>(10,325,227)</u>	<u>(11,895,423)</u>
Estimated liability - September 30, 2007	<u>\$ 2,000,000</u>	<u>\$ 1,210,000</u>	<u>\$ 300,000</u>	<u>\$ 3,510,000</u>
Estimated current portion - Included in accrued liabilities in the Road Fund	\$ 700,000	\$ 510,000	\$ 300,000	\$ 1,510,000
Estimated long-term portion	<u>1,300,000</u>	<u>700,000</u>	<u>-</u>	<u>2,000,000</u>
Total estimated liability	<u>\$ 2,000,000</u>	<u>\$ 1,210,000</u>	<u>\$ 300,000</u>	<u>\$ 3,510,000</u>

Road Commission for Oakland County

Notes to Financial Statements September 30, 2007

Note 7 - Insurance Programs (Continued)

During 2007, the expenditures recorded in the Road Fund under the general liability (including nonaccident claims and approximately \$500,000 of insurance costs), workers' compensation (including claims and approximately \$100,000 of insurance costs), and healthcare plans (including healthcare administrative expenses) were \$901,613, \$1,118,390, and \$10,225,227, respectively.

The total cost of risk management for the year was \$12,095,230, consisting of the amounts recorded in the Road Fund totaling \$12,245,230 as detailed in the preceding paragraph less \$150,000 recorded as a decrease of long-term debt obligations (see Note 5).

Note 8 - Reserved Fund Balances

Fund balances have been reserved for the following purposes:

	Governmental Fund - Road Fund	Fiduciary Funds	
		Retirement System	Retiree Healthcare Trust
Construction	\$ 8,620,994	\$ -	\$ -
Capital outlay and contracted services	4,604,264	-	-
Retiree benefits	-	177,710,749	9,944,823
Total	<u>\$ 13,225,258</u>	<u>\$ 177,710,749</u>	<u>\$ 9,944,823</u>

Road Commission for Oakland County

**Notes to Financial Statements
September 30, 2007**

Note 9 - Designated Fund Balances

Fund balances of the Road Commission's governmental funds have been designated for the following purposes:

	Road Fund	Subdivision Improvement Fund	Total
Subsequent year's budget	\$ 4,963,500	\$ 2,408,441	\$ 7,371,941
Future years' capital acquisitions and maintenance projects	4,376,000	-	4,376,000
Future years' tri-party construction participation	5,872,084	-	5,872,084
Construction and signal projects	6,377,846	-	6,377,846
Long-term portion of provision for:			
Uninsured losses	2,000,000	-	2,000,000
Compensated absences	3,385,579	-	3,385,579
Special assessment construction	-	4,409,588	4,409,588
Total	<u>\$26,975,009</u>	<u>\$ 6,818,029</u>	<u>\$ 33,793,038</u>

Note 10 - Stewardship, Compliance, and Accountability

The Road Commission is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this Act according to the State Treasurer's *Bulletin for Audits of Local Units of Government in Michigan*, dated April 1982 as amended by P.A. 493 of 2000:

- a. Budgets must be adopted for the Special Revenue Funds. The Road Fund and the Subdivision Improvements Fund are Special Revenue Funds.
- b. Budgeted expenditures cannot exceed budgeted revenues and fund balance.
- c. The budgets must be amended when necessary.
- d. Public hearings must be held before budget adoptions.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget before being incurred.

Road Commission for Oakland County

**Notes to Financial Statements
September 30, 2007**

Note 10 - Stewardship, Compliance, and Accountability (Continued)

The Road Commission's budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the Road Fund and Subdivision Improvement Fund budgets as adopted by the Board of Road Commissioners is included in the supplementary information.

The Road Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In July, the managing director of the Road Commission submits to the Board of County Road Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain citizen comments.
3. Prior to September 30, the budget is legally enacted by the passage of a resolution.
4. The managing director is authorized to transfer budgeted amounts between line items within an activity category, exclusive of certain exceptions, which require the approval of the Board of County Road Commissioners. These excepted items and any revisions that alter the total expenditures of any budgeted activity must be approved by the board.

Unexpended appropriations lapse at year end and encumbrances are not included as expenditures. The amount of encumbrances outstanding at September 30, 2007 is approximately \$13,225,000. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

Road Commission for Oakland County

**Notes to Financial Statements
September 30, 2007**

Note 11 - Retiree Healthcare Benefits

Plan Description

The Road Commission contributes to the Road Commission for Oakland County Retiree Healthcare Trust (the "Trust"). The Trust, which was established by the Road Commission on January 26, 2006, provides for future payment of medical benefits for eligible retirees, their spouses, and their dependents. The obligation to provide benefits to employees was established by negotiation with various collective bargaining units or other actions of the Oakland County Board of Road Commissioners. At December 31, 2006, the date of the most recent actuarial valuation, membership consisted of 441 retirees and beneficiaries currently receiving benefits, 341 vested active employees, and 194 nonvested active employees.

A complete analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability is reported in the Road Commission's Retiree Healthcare Trust financial report as of December 31, 2006. A copy of this report may be obtained from the Road Commission's administrative office, located at 31001 Lahser Road, Beverly Hills, MI 48025.

Summary of Significant Accounting Policies

The Trust is included in the Road Commission's financial statements as a Retiree Healthcare Trust. At December 31, 2006, the assets of the Trust included no securities of or loans to the Road Commission or any other related party. The Trust's assets are managed by the Municipal Employees' Retirement System (MERS) of Michigan. Please refer to Notes 1 and 3 for further significant accounting policies.

Funding Policy - The Road Commission has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the Road Commission has made contributions to pre-fund these benefits, as determined by the Oakland County Board of Road Commissioners through annual budget resolutions.

Road Commission for Oakland County

**Notes to Financial Statements
September 30, 2007**

Note 11 - Retiree Healthcare Benefits (Continued)

Annual Retiree Healthcare Cost - Based on the actuarial valuation as of December 31, 2006, the Road Commission's future annual required contributions to the Trust are computed at \$10,288,941. The annual required contribution was determined as part of actuarial valuations at December 31, 2006, using the individual entry age normal cost method. Significant actuarial assumptions used include (a) a 6.5 percent investment rate of return, (b) projected salary increases of 6.0 percent to 8.0 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2006 was 30 years.

In addition to the Road Fund's \$9,325,000 of contributions made to the Trust in calendar year 2006, the Road Fund paid \$4,227,428 directly toward insurance premiums and medical costs for retirees during the fiscal year ended September 30, 2007.

Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. The pronouncement is effective for the year ending September 30, 2008.

Road Commission for Oakland County

**Notes to Financial Statements
September 30, 2007**

Note 12 - Defined Benefit Pension Plan

Plan Description

The Road Commission contributes to the Road Commission for Oakland County Retirement System (the "System"), which is the administrator of a single-employer public employees' retirement system that covers substantially all employees of the Road Commission. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The System currently requires no employee contribution. The obligation of the Road Commission to contribute to and maintain the System for these employees was established by negotiation with various collective bargaining units or other actions of the Oakland County Board of Road Commissioners. At December 31, 2006, the date of the most recent actuarial valuation, membership consisted of 489 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 535 current active employees.

A complete analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability is reported in the Road Commission's Retirement System financial report as of December 31, 2006. A copy of this report may be obtained from the Road Commission's administrative office, located at 31001 Lahser Road, Beverly Hills, MI 48025.

Significant Accounting Policies

The System is included in the Road Commission's financial statements as a Retirement System. At December 31, 2006, the assets of the Retirement System included no securities of or loans to the Road Commission or any other related party and there were no investments in any one organization (other than the U.S. government and U.S. government guaranteed obligations) in excess of 5 percent of net assets available for benefits. Please refer to Note 1 for further significant accounting policies.

Annual Pension Cost - For the year ended December 31, 2006, the Road Commission's annual pension cost of \$2,939,800 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of actuarial valuations at December 31, 2004 and 2005, using the individual entry age normal cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4.5 percent to 8.0 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2005 was 15 years.

Road Commission for Oakland County

Notes to Financial Statements September 30, 2007

Note 12 - Defined Benefit Pension Plan (Continued)

Reserves - As of December 31, 2006, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 66,665
Reserve for retired benefit payments	84,184,306

Three-year Trend Information

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension cost (APC)	\$ 2,494,941	\$ 2,819,103	\$ 2,939,800
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 13 - Construction in Progress

Estimated future contract cost obligations related to completion of Road Fund construction projects in progress at September 30, 2007, net of estimated revenue from federal aid and contributions from participating communities, total approximately \$8,621,000. The total remaining cost of these uncompleted projects will exceed the above estimated future contract costs due to inspection costs and other noncontracted services. It is anticipated that a significant portion of such additional costs will be shared with other governmental units and that the Road Commission's share of these costs will not be material in amount.

Supplemental Information

Road Commission for Oakland County

Required Supplemental Information Budgetary Comparison Schedule - Road Fund Year Ended September 30, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
State aid - Act 51	\$ 62,881,120	\$ 61,481,120	\$ 61,682,104	\$ 200,984
Other state sources	22,071,464	15,312,711	21,346,060	6,033,349
Federal sources	9,682,000	42,534,275	25,544,866	(16,989,409)
Revenue from county and local governments	11,156,331	12,272,948	11,366,299	(906,649)
Interest on investments	500,000	2,013,000	2,202,394	189,394
Fees and other revenue	2,012,000	2,012,000	2,126,508	114,508
Total revenue	108,302,915	135,626,054	124,268,231	(11,357,823)
Expenditures				
General administration:				
Board of County Road Commissioners	150,009	150,009	143,359	6,650
Managing director	862,344	995,203	705,187	290,016
Planning and development	1,220,823	1,345,214	1,128,668	216,546
Citizens' services	379,396	387,700	316,071	71,629
Finance department	940,159	964,478	946,950	17,528
Legal department	725,614	735,543	721,759	13,784
Human resources department	593,447	646,452	558,769	87,683
Total general administration	4,871,792	5,224,599	4,520,763	703,836
Central operations	9,901,371	11,546,549	9,802,933	1,743,616
Engineering department	5,439,587	5,581,353	5,264,072	317,281
Traffic department	12,669,453	11,870,471	10,178,977	1,691,494
Permits and environmental concerns	1,181,329	1,206,847	1,119,086	87,761
Maintenance department	21,276,932	25,688,962	22,011,154	3,677,808
Nondepartmental	19,547,269	20,160,599	19,980,301	180,298
Debt service	1,468,698	1,468,698	1,468,047	651
Total expenditures before project expenditures	76,356,431	82,748,078	74,345,333	8,402,745
Project expenditures:				
Road improvement program and construction	30,809,648	63,683,641	42,934,701	20,748,940
Southeast Michigan snow and ice management	-	1,450,000	1,288,101	161,899
Signals	1,900,000	5,833,233	4,614,344	1,218,889
Intelligent transportation systems	-	431,697	304,297	127,400
Total project expenditures	32,709,648	71,398,571	49,141,443	22,257,128
Total expenditures	109,066,079	154,146,649	123,486,776	30,659,873
Excess of Revenue Over (Under) Expenditures	(763,164)	(18,520,595)	781,455	\$ 19,302,050
Fund Balance - October 1, 2006	39,418,812	39,418,812	39,418,812	
Fund Balance - September 30, 2007	\$ 38,655,648	\$ 20,898,217	\$ 40,200,267	

Road Commission for Oakland County

Other Supplemental Information Budgetary Comparison Schedule - Subdivision Improvement Fund Year Ended September 30, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Special assessment revenue	\$ 2,175,000	\$ 2,175,000	\$ 3,117,145	\$ 942,145
Interest	350,000	395,000	604,512	209,512
Total revenue	2,525,000	2,570,000	3,721,657	1,151,657
Expenditures				
Debt service	1,434,147	1,479,147	1,448,950	30,197
Project expenditures - Road improvement program and construction	5,540,000	5,540,000	3,322,573	2,217,427
Total expenditures	6,974,147	7,019,147	4,771,523	2,247,624
Excess of Expenditures Over Revenue -				
Before other financing sources	(4,449,147)	(4,449,147)	(1,049,866)	3,399,281
Other Financing Sources - Proceeds from the issuance of bonds	5,000,000	5,000,000	5,000,000	-
Change in Fund Balance	550,853	550,853	3,950,134	<u>\$ 3,399,281</u>
Fund Balance - October 1, 2006	2,867,895	2,867,895	2,867,895	
Fund Balance - September 30, 2007	<u>\$ 3,418,748</u>	<u>\$ 3,418,748</u>	<u>\$ 6,818,029</u>	

Road Commission for Oakland County

**Federal Awards
Supplemental Information
September 30, 2007**

Road Commission for Oakland County

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Independent Auditor's Report

To the Board of Commissioners
Road Commission for Oakland County

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Road Commission for Oakland County for the year ended September 30, 2007, which collectively comprise the Road Commission for Oakland County's basic financial statements, and have issued our report thereon dated February 14, 2008. Those basic financial statements are the responsibility of the management of the Road Commission for Oakland County. Our responsibility was to express opinions on those 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Road Commission for Oakland County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule 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.

Plante & Moran, PLLC

February 14, 2008



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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Commissioners
Road Commission for Oakland County

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Road Commission for Oakland County as of and for the year ended September 30, 2007, which collectively comprise the Road Commission for Oakland County's basic financial statements, and have issued our report thereon dated February 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Road Commission for Oakland County'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 the Road Commission for Oakland County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Road Commission for Oakland County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-1 and 07-2 to be significant deficiencies in internal control over financial reporting.

To the Board of Commissioners
Road Commission for Oakland County

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 entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe neither of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Road Commission for Oakland County'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*.

The Road Commission for Oakland County's response to the significant deficiencies and findings relating to compliance and other matters identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

February 14, 2008

Report on Compliance with Requirements Applicable to Each Major
Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133

To the Board of Commissioners
Road Commission of Oakland County

Compliance

We have audited the compliance of the Road Commission for Oakland County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended September 30, 2007. The major federal program of the Road Commission for Oakland County is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Road Commission for Oakland County's management. Our responsibility is to express an opinion on the Road Commission for Oakland County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Road Commission for Oakland County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Road Commission for Oakland County's compliance with those requirements.

In our opinion, the Road Commission for Oakland County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, which are described in the accompanying schedule of findings and questioned costs as items 07-03 and 07-04.

To the Board of Commissioners
Road Commission of Oakland County

Internal Control Over Compliance

The management of the Road Commission for Oakland County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Road Commission for Oakland County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-03 and 07-04 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider either of the deficiencies described above to be a material weakness. The Road Commission for Oakland County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Road Commission for Oakland County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

February 14, 2008

Road Commission for Oakland County

Schedule of Expenditures of Federal Awards Year Ended September 30, 2007

<u>Federal Agency/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation - Federal Highway Administration - Passed through the Michigan Department of Transportation	20.205	\$ 89,649,983	\$ 26,107,001

Road Commission for Oakland County

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended September 30, 2007

Revenue from federal sources - As reported on fund level financial statements	\$ 25,544,866
Plus deferred federal revenue related to current year expenditures	667,083
Less recovery of Medicare Part D payments reported as federal revenue on the fund-level financial statements	<u>(104,948)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 26,107,001</u>

Road Commission for Oakland County

Note to Schedule of Expenditures of Federal Awards Year Ended September 30, 2007

Note - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Road Commission for Oakland County (RCOC) and is presented on the same basis of accounting as the basic financial statements (modified accrual basis.) The information in this schedule is also presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Road Commission for Oakland County

Schedule of Findings and Questioned Costs Year Ended September 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? Yes No
- Significant deficiency identified that is not considered to be material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

- Material weakness identified? Yes No
- Significant deficiency identified that is not considered to be material weakness? Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major program(s):

CFDA Number	Name of Federal Program or Cluster
20.205	U.S. Department of Transportation - Federal Highway Administration - Passed through Michigan Department of Transportation

Dollar threshold used to distinguish between type A and type B programs: \$783,210

Auditee qualified as low-risk auditee? Yes No

Road Commission for Oakland County

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2007

Section II - Financial Statement Audit Findings

Reference Number	Findings
07-01	<p>Finding Type - Significant deficiency</p> <p>Definition of Significant Deficiency - This is a new communication beginning with this year's audit for the fiscal year ended September 30, 2007. As defined on page 2 of this report, auditors are now required to communicate any internal control deficiency that represents more than a remote likelihood that a misstatement could occur that is more than inconsequential.</p> <p>Criteria - Receivables (billed or unbilled) from state, local, and federal sources should be recorded when revenue is earned in accordance with accounting principles generally accepted in the United States of America. On a full-accrual basis (government-wide), revenue should be recognized when earned. On a modified-accrual basis (fund level), revenue should be recognized when it is measurable and available. When revenue is earned, but is currently unavailable, deferred revenue should be recorded.</p> <p>Condition - The following receivable and revenue issues were noted during our testing of construction projects:</p> <ul style="list-style-type: none">• We noted instances where the Road Commission of Oakland County (the "Road Commission") did not record unbilled receivables for revenue that was earned as of year end. These instances included projects 48041 and 47111 with related unrecorded full-accrual basis revenue of \$92,031 and \$90,442, respectively. In addition, deferred revenue was not recorded for earned revenue that was unavailable as of year end (fund level). Also, earned revenue was not recognized at the government-wide level. We also noted a project where the recognition of federal revenue, while ultimately recorded as a current year event, was not recorded on a timely basis because of a desire to take a conservative position until certain matters were clarified and additionally documented.• Also related to revenue recognition, we noted one project (47971) where revenue from local units was billed and recorded for a phase of the project at the percentage rates that were applicable to a prior phase of the work. Utilization of the appropriate percentages resulted in an adjustment to increase current year revenue from local governmental units by \$460,712.• Lastly, another project recognized federal revenue that was billed in excess of the contract amount (see finding 07-03 for more details.)

Road Commission for Oakland County

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2007

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
07-01 (Cont'd)	<p>Context - The instances noted relate to the Road Commission's construction activity and include the related receivables and revenue from other participating entities.</p> <p>Cause and Effect - The Road Commission's practice for recording construction receivables and related revenue is largely based upon when amounts are invoiced to the other participating entities, which may not reflect the amount that has been earned as of the billing date, based on the percentage of completion of the project. The timing of invoice preparation is often based on contractual terms related to the timing of billing or on the length of time required to clarify unusual circumstances. Generally, the Road Commission's approach does not affect the aggregate amount of revenue recorded related to the contract overall, but rather the timing of this revenue recognition. The process results in an understatement of receivables at year end as well as deferred revenue for amounts not received within 60 days of year end on the modified-accrual (fund) level and revenue on the full-accrual (government-wide) level.</p> <p>Recommendation - We encourage the Road Commission to review the existing accounting and control procedures related to construction. Given the complexity of construction accounting, its importance to the accuracy of the Road Commission's financial statements, and its impact on entities outside the Road Commission that participate in projects, we believe that significant benefits can be derived from additional attention to the area. We believe that a monthly determination of the funding source of each month's construction expenditures might help ensure that the appropriate revenue is timely recorded. Additionally, in light of the personnel change taking place in construction accounting, we believe a regular periodic review of revenue recognition would be helpful both as a learning and as a control tool. Finally, consideration might be given to altering the invoicing terms in contracts with third parties to provide for more flexibility in the timing of billings to more closely match billings with expenditures.</p> <p>Views of Responsible Officials and Planned Corrective Actions - In conjunction with the personnel transition in the construction accounting area, the Road Commission intends to consider the above recommendations in its review of procedures and practices to refine the controls over construction revenue recognition.</p>

Road Commission for Oakland County

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2007

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
07-02	<p>Finding Type - Significant deficiency (see page 10)</p> <p>Criteria - Governmental Accounting Statements Board Statement No. 34 requires the use of full-accrual accounting in the preparation of the government-wide financial statements. Certain accrual adjustments are necessary to prepare the government-wide financial statements as well as to reconcile the fund level and the government-wide statements.</p> <p>Condition - The Road Commission's auditors assist in the preparation of reconciling entries in conjunction with the preparation of the government-wide financial statements. Reconciling entries adjust modified accrual balances to full-accrual and relate to capital assets (including infrastructure), long-term debt, deferred revenue, etc. The entries are based on information maintained and provided by the Road Commission.</p> <p>Context - The largest adjustments between the fund level and government-wide statements, related to capital assets and debt, for example, are material to the government-wide statements.</p> <p>Cause and Effect - The auditors provide assistance with identifying and proposing accrual adjustments to prepare the government-wide statements. When the auditors assist in an accounting process, they are required to communicate their part in completing the Road Commission's accounting records, which is not an audit function.</p> <p>Recommendation - We have discussed with management the additional work that would be necessary for the Road Commission's staff to provide a full reconciliation. We recommend that the Road Commission should evaluate the most effective approach of preparing the government-wide statements.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Road Commission has concluded to take on the responsibility for preparation of all reconciling items between the modified-accrual and the full-accrual financial statements, and will work with the auditors to accomplish this goal.</p>

Road Commission for Oakland County

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2007

Section III - Federal Program Audit Findings

Reference Number	Findings
07-03	<p>Program Name - U.S. Department of Transportation - Federal Highway Administration, CFDA# 20.205</p> <p>Pass-through Entity - Michigan Department of Transportation (MDOT)</p> <p>Finding Type - Noncompliance/Significant deficiency (see page 10)</p> <p>Criteria - In order to comply with federal requirements, the Road Commission for Oakland County should only recognize federal revenue for amounts in accordance with contractual limitations.</p> <p>Condition - The current year maximum amount of federal funds for MDOT project #88339 (Rochester Rd.) was \$2,764,000, which included construction engineering (CE) and force amounts. MDOT applied the entire \$2,764,000 against direct construction expenses. However, the Road Commission also requested and received reimbursement from MDOT for CE and force expenditures in the amount of \$87,732. This amount was recorded as federal revenue by the Road Commission, which exceeded the contractual amount. Also, see finding 07-01 related to revenue recognition.</p> <p>Questioned Costs - \$87,732</p> <p>Context - Many projects that included federal participation were tested on a sample basis.</p> <p>Cause and Effect - The Road Commission inadvertently requested reimbursement for CE and force work related to this project in excess of authorized amounts. Subsequent to year end, MDOT notified the Road Commission and the Road Commission reimbursed MDOT for the overpayment of \$87,732.</p> <p>Recommendation - We encourage the Road Commission to review the accounting and control procedures related to construction. See finding 07-01 for further details.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Road Commission has refunded the questioned costs to MDOT. Additionally, the Road Commission has devoted time to additionally familiarize its staff with federal procedures, and has re-examined control procedures to ensure that reimbursements related to MDOT projects are calculated so that the appropriate amount of revenue is requested.</p>

Road Commission for Oakland County

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2007

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
07-04	<p>Program Name - U.S Department of Transportation - Federal Highway Administration, CFDA# 20.205</p> <p>Pass-through Entity - Michigan Department of Transportation (MDOT)</p> <p>Finding Type - Noncompliance/Significant deficiency (see page 10)</p> <p>Criteria - In order to comply with federal requirements, the Road Commission for Oakland County should review contractor payroll submissions and certifications on a timely basis, ascertain that the employees were paid prevailing wage rates, and reconcile job site interviews performed to the certified payroll list. If the Road Commission identifies instances where employees are paid less than the prevailing wage rates, the Road Commission should follow up with the contractor in a timely manner to resolve the issue.</p> <p>Condition - Per review of payroll information on interview form and payroll information provided by a contractor related to project number 88004A, there was an employee who was paid a wage below the prevailing rate. Based on documentation in the file, it appears that the Road Commission performed a timely review of the payroll submission along with timely field interview of employees; however, the Road Commission had not as yet taken any action to follow up with the contractor prior to the project being selected as an audit sample.</p> <p>Questioned Costs - \$3,392</p> <p>Context - Several projects that included federal participation contracts were tested on a sample basis.</p> <p>Cause and Effect - If the noncompliance is not corrected, all federal reimbursement received on the contract may have to be reimbursed to MDOT.</p> <p>Recommendation - We encourage the Road Commission to review the accounting and control procedures related to compliance with federal prevailing wage rates, and to perform its review and testing procedures on a timely basis.</p>

Road Commission for Oakland County

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2007

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
07-04 (Cont'd)	Views of Responsible Officials and Planned Corrective Actions - The Road Commission has initiated actions with the contractor to resolve the questioned costs. It has also re-reviewed its practices to help ensure that its testing and review procedures are performed on as timely a basis as is deemed practicable.



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February 14, 2008

To the Board of County Road
Commissioners
Road Commission for Oakland County
31001 Lahser Road
Beverly Hills, MI 48025

Dear Board Members:

We recently completed our audit of the basic financial statements of the Road Commission for Oakland County (the "Road Commission") for the year ended September 30, 2007. As a result of our audit, we offer the following comments and recommendations for your review and consideration as the policy-making body of the Road Commission:

New Auditing Pronouncements Impacting the Current Audit

Major and comprehensive changes were made to auditing rules in 2006. These new Statements on Auditing Standards (SAS) require significant changes in how audits are performed and how the results of the auditor's work are communicated to clients, bringing auditing rules for governmental units into closer alignment with the standards imposed on audits of public companies under Sarbanes-Oxley.

Some of these new standards were effective for the Road Commission's audit this year. As a result, we were required to comply with very specific rules related to the form, content, and extent of audit documentation, including more thorough documentation of auditing procedures and results as described in SAS 103. Other new guidelines in SAS 103 affected the audit evidence that we needed to obtain before we could consider the audit complete, which affects the date of our audit opinion.

Another new rule effective for the Road Commission's current year audit, SAS 112, requires auditors to more formally communicate matters they observe about their clients' accounting procedures and internal controls. Specifically, it requires us to report internal control issues to you that may be relatively minor, in order to allow you to evaluate their significance and make any changes you may deem appropriate. The purpose of these new standards is to allow you an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. SAS 112 significantly lowered the threshold of matters that must be reported.

Our observations and comments regarding the Road Commission's internal controls, including any significant deficiencies or material weaknesses that we identified in accordance with SAS 112, have been reported to you in the accompanying report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This report is included in the federal awards supplemental information (the single audit report). We recommend the matters we have noted there for your consideration. We hope this new report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

New, Upcoming Auditing Pronouncements Impacting Future Audits

The remainder of the new rules (SAS 104-111) will become effective for the Road Commission's September 30, 2008 audit. SAS 104-111, which are known collectively as the Risk Assessment Standards, significantly change the procedures auditors must perform in all financial statement audits. Under these new rules, auditors will be required to:

- More thoroughly examine and evaluate clients' accounting processes and controls, including the overall control environment, key controls over significant transactions, and the quality of internal oversight of the financial reporting process
- More thoroughly assess and document conditions in clients' systems and processes that create risks of material misstatement in their financial statements, and perform additional testing in response to these risks
- Design and perform more analytical tests of accounting and financial data
- Apply more stringent standards in identifying, assessing, and communicating internal control deficiencies
- Communicate more information about the results of the auditor's work to individuals involved in overseeing strategic direction and accountability for operations

As a practical effect of these new rules, auditors will need to make more detailed and specific requests for information from clients, particularly about processes and controls, and clients will need to do more work to be well prepared for their audits. The Risk Assessment Standards also require increased audit testing and more thorough auditing procedures, and will increase the amount of related documentation that auditors must prepare and maintain.

Plante & Moran began analyzing these new standards and incorporating the necessary changes into our audit process and tools more than a year ago. It is clear that the new rules will require us to perform more audit procedures than we have in the past.

As we move forward, we will continue to communicate with you regularly about matters that will affect your next financial statement audit. We have previously provided the finance department with various questionnaires that will help in implementing the necessary changes next year. In addition, we will continue to work with the finance department during the upcoming months in a number of areas, including review and documentation of your internal accounting procedures and controls, to ensure a smooth transition to these new standards.

The primary objective of the Risk Assessment Standards is to strengthen and enhance the independent audit of financial statements, including more thorough evaluation of and expanded information regarding your internal accounting and financial reporting processes and controls. We believe that these new rules, and the additional communications you will receive from us about the results of our audit work, will enhance the value you receive from your financial statement audit.

Reporting Change - Other Postemployment Benefits

As you are aware, Governmental Accounting Standards Board (GASB) Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, is effective for the fiscal year ending September 30, 2008. This pronouncement provides guidance for local units of government in recognizing the cost of retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. These new rules will apply to the government-wide financial statements, rather than to the individual fund level statements. As a result, the Road Commission will need to continue to budget only its expected cash payments, whether directly for health insurance premiums or for contributions to your retiree healthcare trust.

We again commend the Road Commission for establishing this trust, obtaining an IRS ruling, and continuing to set aside monies to prefund your postemployment benefit obligation. As a result, the Road Commission is ahead of many governmental units in addressing this obligation, which for most entities, is one of the most significant financial challenges they will face in the coming years.

Other Matters

Other accounting and procedural matters have been discussed with members of the Road Commission staff.

We express our appreciation for the courtesy and cooperation extended to us by the Road Commission finance department as well as by all the personnel with whom we interacted during the course of the audit.

To the Board of County Road
Commissioners
Road Commission for Oakland County

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February 14, 2008

We sincerely thank the commissioners for the opportunity to serve as auditors for the Road Commission, and we welcome and appreciate your feedback. As always, we would be happy to answer any questions you may have regarding the annual financial statements, the federal awards report, the above comments, or any other matters at your convenience.

Very truly yours,

Plante & Moran, PLLC



Mark E. Chmielewski



Christina M. Kostiuk



Jenny L. Cederstrom

cc: Mr. Brent O. Bair, Managing Director
Mr. Dennis A. Lockhart, Finance Director

Independent Auditor's Report

To the Board of Road Commissioners
Road Commission for Oakland County

We have audited the governmental activities, major fund, and the aggregate remaining fund information of the Road Commission for Oakland County, Michigan (the "Road Commission") as of and for the year ended September 30, 2007, which collectively comprise the Road Commission's basic financial statements and have issued our report thereon dated February 14, 2008. These basic 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. 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 opinions.

In addition, all portions of the audit were conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except for the retirement system and the retiree healthcare trust.

Our audit was made for the purpose of forming opinions on the basic financial statements that collectively comprise the Road Commission's basic financial statements. The accompanying analysis of changes in Road Fund balances for the year ended September 30, 2007 is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Road Commission for Oakland County. Such information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Plante & Moran, PLLC

February 14, 2008

Road Commission for Oakland County

Analysis of Changes in Road Fund Balances Year Ended September 30, 2007

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Revenue				
Federal sources	\$ 25,544,866	\$ -	\$ -	\$ 25,544,866
State sources	59,163,385	10,539,410	-	69,702,795
Contributions from local units	8,273,371	1,128,026	-	9,401,397
Licenses and permits	965,785	256,728	-	1,222,513
Charges for services	1,892,136	849,644	11,670,437	14,412,217
Interest and rents	2,217,455	589,450	-	2,806,905
Special assessments	-	3,114,396	-	3,114,396
Gain on equipment disposition and other - Net	36,434	16,570	9,397	62,401
Total revenue	98,093,432	16,494,224	11,679,834	126,267,490
Expenditures				
Road construction	20,553,964	-	-	20,553,964
Heavy maintenance	36,414,648	7,187,029	-	43,601,677
Routine maintenance	27,483,615	14,011,381	-	41,494,996
Trunkline maintenance	-	-	10,117,349	10,117,349
Trunkline nonmaintenance	-	-	184,789	184,789
Administrative	6,095,545	1,530,047	-	7,625,592
Excess of equipment rentals (over) under related equipment costs and capital outlay - Net	(2,142,166)	(1,799,913)	2,448,302	(1,493,777)
Debt service:				
Principal	1,241,509	1,233,491	-	2,475,000
Interest	226,190	157,724	-	383,914
ITS and SEMSIM	1,592,397	-	-	1,592,397
Total expenditures	91,465,702	22,319,759	12,750,440	126,535,901
Excess of Revenue Over (Under) Expenditures	6,627,730	(5,825,535)	(1,070,606)	(268,411)
Other Financing Sources - Proceeds from the issuance of bonds	-	5,000,000	-	5,000,000
Fund Balances - October 1, 2006	38,044,667	585,110	3,656,930	42,286,707
Optional Transfer	(1,000,000)	1,000,000	-	-
Fund Balances - September 30, 2007	\$43,672,397	\$ 759,575	\$2,586,324	\$47,018,296