

# Auditing Procedures Report

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

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

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

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

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

**WEXFORD COUNTY  
ROAD COMMISSION**

**Boon, Michigan**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**Year Ended December 31, 2007**

# WEXFORD COUNTY ROAD COMMISSION

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## INDEPENDENT AUDITORS' REPORT

Honorable Chairman  
Members of County Road Commission  
County of Wexford  
Boon, Michigan

We have audited the accompanying basic financial statements of the Wexford County Road Commission, a component unit of Wexford County, Michigan, as of and for the year ended December 31, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Road Commission. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of the Wexford County Road Commission as of December 31, 2007, and the budgetary comparisons of the County Road Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, schedule of pension plan funding progress and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Berthiaume & Co.*

February 20, 2008

# **WEXFORD COUNTY ROAD COMMISSION**

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## **MANAGEMENT'S DISCUSSION & ANALYSIS**

### **USING THIS ANNUAL REPORT**

The Wexford County Road Commission's discussion and analysis is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the Road Commission's financial activity; c) identify changes in the Road Commission's financial position (its ability to address the next and subsequent year challenges); d) identify any material deviation from the approved budget; and e) identify any issues or concerns.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when the cash is received or paid. The two government-wide statements report the Road Commission's net assets and how they have changed.

The remaining statements are fund financial statements that focus on the individual funds, reporting the operations in more detail than the government-wide financial statements.

### **REPORTING THE ROAD COMMISSION AS A WHOLE**

The statement of Net Assets and the Statement of Activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the Road Commission's net assets and changes in them. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the road commission's financial health or financial position. Over time, increases and decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating.

# **WEXFORD COUNTY ROAD COMMISSION**

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## **MANAGEMENT'S DISCUSSION & ANALYSIS**

### **REPORT ON THE COMMISSION'S MAJOR FUND**

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

#### **Governmental Fund:**

The governmental fund focuses on how money flows into and out of this fund and the balances that are left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

### **THE ROAD COMMISSION AS A WHOLE**

The Road Commission's net assets increased approximately 13.85% or \$3,593,249 from \$25,939,055 to \$ 29,532,304 for the year ended December 31, 2007. The changes in net assets are summarized below.

Restricted net assets, those restricted mainly for Act 51 purposes, increased \$ 591,134. The investment in capital assets-net of related debt increased by \$ 3,002,115, this increase primarily reflects the acceptance during the year of M-42, a state trunkline, as county road No. 16. The remainder of the increase represents payments on related debt and investments in new capital assets, i.e. road improvements and equipment purchases for the year in excess of expenses associated with capital assets such as depreciation.

### **CONDENSED FINANCIAL STATEMENTS**

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

# WEXFORD COUNTY ROAD COMMISSION

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## CONDENSED STATEMENT OF NET ASSETS

December 31, 2007 and 2006

	<i>Governmental Activities 2007</i>	<i>Governmental Activities 2006</i>
	<u>2007</u>	<u>2006</u>
<b>ASSETS:</b>		
Current and other assets	\$ 3,147,460	\$ 2,395,432
Capital assets	<u>27,809,169</u>	<u>24,910,155</u>
Total assets	<u>30,956,629</u>	<u>27,305,587</u>
<b>LIABILITIES:</b>		
Current Liabilities	507,722	380,494
Non-Current Liabilities	<u>916,603</u>	<u>986,038</u>
Total liabilities	<u>1,424,325</u>	<u>1,366,532</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	27,509,169	24,507,054
Restricted for County Roads	<u>2,023,135</u>	<u>1,432,001</u>
Total net assets	<u>\$ 29,532,304</u>	<u>\$ 25,939,055</u>

# WEXFORD COUNTY ROAD COMMISSION

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## CONDENSED STATEMENT OF ACTIVITIES

For the years ended December 31, 2007 and 2006

	<i>Governmental Activities 2007</i>	<i>Governmental Activities 2006</i>
<b>REVENUE:</b>		
<i>Program Revenue:</i>		
Licenses and permits	\$ 10,328	\$ 8,182
Federal grants	390,444	363,580
State grants	4,317,788	4,097,536
Contribution from State	2,973,955	-
Contributions from local units	148,279	45,984
Charges for services	1,902,430	1,561,428
Contractor developments	15,000	
Other revenues	<u>103,727</u>	<u>53,851</u>
	9,861,951	6,130,561
<b>General Revenue:</b>		
Investment earnings	69,988	49,029
Gain on disposal of assets	<u>10,110</u>	<u>9,702</u>
Total revenue	<u>9,942,049</u>	<u>6,189,292</u>
<b>EXPENSES:</b>		
Primary road maintenance	925,700	656,368
Local road maintenance	2,014,639	2,500,525
State trunkline maintenance	1,582,963	1,400,425
Net equipment expense	114,978	307,068
Net administrative expense	257,633	310,309
Infrastructure depreciation	1,441,067	1,404,218
Interest expense	<u>11,820</u>	<u>15,893</u>
Total expenses	<u>6,348,800</u>	<u>6,594,806</u>
Change in Net Assets	3,593,249	(405,514)
Net assets, beginning of year	<u>25,939,055</u>	<u>26,344,569</u>
Net assets, end of year	<u>\$ 29,532,304</u>	<u>\$ 25,939,055</u>

# **WEXFORD COUNTY ROAD COMMISSION**

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## **THE ROAD COMMISSION'S FUND**

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

During 2007, the total fund balance of the fund statements increased by \$ 591,134. The primary cause of the increase includes the funding associated with the primary mileage transfer of No. 16 Road, completion of the 2004 and 2005 trunkline maintenance audits, as well as the balance of timber sales proceeds. The remaining change in fund balance, management considers reasonable compared to the original budget, which projected a decrease of \$100,000 of the year.

Management believes that the Net Assets balance provides sufficient working capital to support future operations of WCRC.

## **BUDGET**

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

## **ANALYSIS OF FUND BALANCES**

### **ORIGINAL BUDGET VERSUS AMENDED BUDGET:**

The 2007 budget was adopted on December 20, 2006. The budget is reviewed periodically and amended as information becomes available or management's plans change. The amended budgeted revenue was increased by approximately \$381,000. The increase was derived primarily from additional revenues incurred in maintenance of state trunklines of \$ 222,000, completion and payment of the 2004 and 2005 trunkline audits of \$ 159,000 and from several individual revenue items, none of which management considers significant.

Total budgeted expenditures decreased from the original budget to the amended budget by approximately \$310,000. The decrease was from adjustments made to several individual expenditures items, none of which management considers significant.

### **AMENDED BUDGET VERSUS ACTUAL:**

In accordance with the Budget Resolution adopted by the Road Commission on December 20, 2006, the Finance Director has modified the budget to various revenue and expenditures accounts which cannot be accurately projected prior to year end. As a result, the Final Adopted Budget of the Wexford County Road Commission has been amended to equal the actual revenue, expenditures, and fund balance for the year ended December 31, 2007.

# WEXFORD COUNTY ROAD COMMISSION

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## CAPITAL ASSETS AND LONG-TERM DEBT

### **CAPITAL ASSETS:**

WCRC has capital assets for full accrual accounting purposes, net of accumulated depreciation, in the amount of \$ 27,809,167. This information, which includes infrastructure, is summarized below.

	<u>2007</u>	<u>2006</u>
Land	\$ 34,795	\$ 34,795
Land improvements	248,029	248,029
Buildings and improvements	2,444,091	2,444,091
Road equipment	7,091,277	6,741,757
Other equipment	490,794	462,705
Infrastructure and improvements	<u>38,249,046</u>	<u>33,856,839</u>
Total capital assets	48,558,032	43,788,216
Accumulated depreciation	<u>(20,748,863)</u>	<u>(18,878,061)</u>
Net capital assets	<u>\$ 27,809,169</u>	<u>\$ 24,910,155</u>

Additional information regarding capital assets is located in the Notes to the Financial Statements. The increase in infrastructure and improvements of approximately \$4,400,000 includes the contribution of a State road to the Road Commission. The road was valued at \$ 2,973,955.

### **LONG-TERM DEBT:**

The Road Commission currently has long-term debt, not including compensated absences payable, in the amount of \$ 300,000, a decrease of \$103,101 from the prior year. The decrease is due to scheduled debt payments. The debt consists of Michigan Transportation Fund notes; these notes were used to fund road improvement projects within the county and are to be retired with local unit contributions. The associated receivable on township road agreements at December 31, 2007 is approximately \$269,000.

### **OTHER**

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

## **CONTACTING THE ROAD COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Wexford County Road Commission administrative offices at 85 W. Highway M-15, Boon, MI 49618.

# WEXFORD COUNTY ROAD COMMISSION

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## STATEMENT OF NET ASSETS

December 31, 2007

### ASSETS:

<i>Cash and cash equivalents</i>	\$ 1,131,556
<i>Accounts Receivable:</i>	
Motor vehicle highway funds	579,917
State trunkline maintenance	207,501
State - other	-
Federal Safety Funds	56,080
County road agreements	389,855
Sundry accounts receivable	67,033
<i>Inventories:</i>	
Equipment materials and parts	257,993
Road materials	457,525
<i>Capital assets:</i>	
Nondepreciable capital assets	7,757,243
Depreciable capital assets, net	<u>20,051,926</u>
Total assets	<u>30,956,629</u>

### LIABILITIES:

<i>Current Liabilities:</i>	
Accounts payable	156,238
Accrued liabilities	92,143
Contracts payable	256
Deferred Revenue	159,085
Current Portion:	
Bonds payable	<u>100,000</u>
Total current liabilities	<u>507,722</u>
<i>Non-Current Liabilities:</i>	
Advance from State	455,164
Compensated absences	261,439
Bonds payable	<u>200,000</u>
Total non-current liabilities	<u>916,603</u>
Total liabilities	<u>1,424,325</u>

### NET ASSETS:

Invested in capital assets, net of related debt	27,509,169
Restricted for County Roads	<u>2,023,135</u>
Total net assets	<u>\$ 29,532,304</u>

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

# WEXFORD COUNTY ROAD COMMISSION

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## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2007

### PROGRAM EXPENSES:

Primary road maintenance	\$ 925,700
Local road maintenance	2,014,639
State trunkline maintenance	1,582,963
Net equipment expense	114,978
Net administrative expense	257,633
Infrastructure depreciation	1,441,067
Compensated absences	-
Capital Outlay (Net)	-
Principal paid	-
Interest expense	<u>11,820</u>
Total program expenses	<u>6,348,800</u>

### PROGRAM REVENUE:

Licenses and permits	10,328
Federal grants	390,444
State grants	4,317,788
Contribution of infrastructure asset from State	2,973,955
Contributions from Local Units	148,279
Charges for services	1,902,430
Contractor developments	15,000
Other revenues	<u>103,727</u>
Total program revenue	<u>9,861,951</u>

Net program revenue 3,513,151

### GENERAL REVENUE:

Investment earnings	69,988
Gain on disposal of assets	<u>10,110</u>
Total general revenue	<u>80,098</u>

Change in Net Assets 3,593,249

Net assets, beginning of year 25,939,055

Net assets, end of year \$ 29,532,304

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

# WEXFORD COUNTY ROAD COMMISSION

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## COUNTY ROAD FUND

### BALANCE SHEET

For the Year Ended December 31, 2007

#### ASSETS:

##### *Cash and cash equivalents:*

Imprest cash	\$ 400
Checking and money market savings	1,131,156

##### *Accounts Receivable:*

Motor vehicle highway funds	579,917
State trunkline maintenance	207,501
Federal Safety Funds	56,080
County road agreements	389,855
Sundry accounts receivable	67,033

##### *Inventories:*

Equipment materials and parts	257,993
Road materials	<u>457,525</u>

Total assets 3,147,460

#### LIABILITIES:

Accounts payable	156,238
Accrued liabilities	92,143
Contracts payable	256
Deferred Revenue - Forest Road Funds	159,085
Advances payable	455,164
Accrued vacation and sick leave	<u>261,439</u>
Total liabilities	<u>1,124,325</u>

#### FUND EQUITY:

##### *Motor Vehicle Highway Funds:*

Unreserved:	
Designated for:	
Primary roads	822,619

##### *County Road Commission Funds:*

Unreserved:	
Undesignated	<u>1,200,516</u>
Total fund equity	<u>2,023,135</u>

Total liabilities and fund equity \$ 3,147,460

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

# WEXFORD COUNTY ROAD COMMISSION

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

For the Year Ended December 31, 2007

<b>Total governmental fund balance</b>		\$ 2,023,135
Total net assets reported for governmental activities in the statement of of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.		
Governmental capital assets	48,558,032	
Less accumulated depreciation	<u>(20,748,863)</u>	27,809,169
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Notes payable		<u>(300,000)</u>
<b>Net assets of governmental activities</b>		<u>\$ 29,532,304</u>

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

# WEXFORD COUNTY ROAD COMMISSION

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## COUNTY ROAD FUND

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

For the Year Ended December 31, 2007

#### REVENUES:

Licenses and permits	\$ 10,328
Federal grants	390,444
State grants	4,317,788
Contributions from other units	148,279
Charges for services	1,902,430
Interest and rents	69,988
Other revenue	<u>113,837</u>
Total revenues	<u>6,953,094</u>

#### EXPENDITURES:

Public works	6,299,165
Capital outlay, net of depreciation credits	(52,126)
Debt service	<u>114,921</u>
Total expenditures	<u>6,361,960</u>
Excess of revenues over expenditures	591,134
Fund balance, beginning of year	<u>1,432,001</u>
Fund balance, end of year	<u><u>\$ 2,023,135</u></u>

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

# WEXFORD COUNTY ROAD COMMISSION

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## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2007

**Net change in fund balances - total governmental funds** \$ 591,134

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

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

Capital outlay	5,035,786	
Less depreciation expense	<u>(2,136,772)</u>	2,899,014

Repayments of principal on long-term obligations are expenditures in governmental funds, but the payments reduce long-term liabilities in the statement of net assets.

Installment purchase contract	3,101	
Notes Payable	<u>100,000</u>	<u>103,101</u>

**Change in net assets of governmental activities** \$ 3,593,249

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

# WEXFORD COUNTY ROAD COMMISSION

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

#### A. REPORTING ENTITY

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

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

The Road Commission Operating Fund (County Road Fund) is used to control the expenditures of Michigan Transportation Fund moneys distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the County Road Fund. The Road Commission may not issue debt without the County's approval and property tax levies are subject to County Board of Commissioners' approval.

#### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the Wexford County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported either as invested in fixed assets, net of related debt, or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers of applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenue.

# WEXFORD COUNTY ROAD COMMISSION

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## NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

Amounts reported as program revenue include: charges to customers or applicants for goods or services or privileges provided, Michigan Transportation Funds (MTF), State and Federal contracts, contributions from local units and others.

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

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

#### D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

##### Cash and Cash Equivalents:

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

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

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

# WEXFORD COUNTY ROAD COMMISSION

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## NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

#### **Inventories:**

Inventories are valued at the lower of average cost or market. Inventory consists of road materials, road signs, repair parts, and supplies to be used by the Road Commission.

#### **Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and similar items) are reported in the government-wide financial statements. The Wexford County Road Commission defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

GASB No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized. The Wexford County Road Commission has retroactively capitalized all of its assets as required effective January 1, 2003.

#### **Depreciation and Depletion:**

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

Buildings	10 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Department	10 years
Office Equipment	5 to 10 years
Infrastructure – Roads	5 to 20 years
Infrastructure – Bridges	25 to 50 years

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

#### **Long-Term Obligations:**

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

#### **Compensated Absences (Vacation and Sick Leave):**

The total accumulated unpaid vacation and sick pay liability of the Road Commission at December 31, 2007, was \$ 261,439. All of this amount was determined to be a long-term liability and is therefore reflected as a non-current liability on the government-wide statements. A liability for these amounts is only reported in the governmental funds for known employee terminations as of year-end.

# WEXFORD COUNTY ROAD COMMISSION

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## NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

#### **Fund Equity:**

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

#### **Snow Removal Revenue:**

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

#### **Interest Income Allocation:**

Interest income for the year was allocated 56.58% to County Road Commission Funds and 43.42% to Primary Road Funds based on beginning fund balance (before restatement) allocated to each sub-account.

#### **Use of Estimates:**

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

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## NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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### A. BUDGET AND BUDGETARY ACCOUNTING

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

1. In December the clerk-finance director submits, to the Commission, a proposed operating budget for the year commencing on January 1.
2. Prior to December 31, the budget is legally enacted through passage of a resolution.
3. For purposes of meeting emergency needs of the Road Commission, transfer of appropriations may be made by the authorization of the clerk. Such transfers of appropriations must be approved by the Commission at its next regularly scheduled meeting.
4. The clerk is charged with general supervision of the budget.
5. During the year the budget is monitored and amendments to the budget resolution are made as deemed necessary.
6. The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# WEXFORD COUNTY ROAD COMMISSION

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## NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

### NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, continued

#### B. BUDGET COMPLIANCE

Public Act 2 of 1968, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. For the year ended December 31, 2007 the Road Commission incurred no expenditures in excess of budget appropriations.

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### NOTE 3 – CASH AND CASH EQUIVALENTS

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

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

At year end the Road Commission did not have any investments, all the cash deposits and \$400 in petty cash were reported as Cash and Equivalents in the basic financial statements.

The Road Commission's deposits are subject to custodial credit risk, which is 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 \$ 1,142,711 of bank deposits (checking, and money market savings accounts), of which \$190,569 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

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### NOTE 4 – DEFERRED COMPENSATION PLAN

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

# WEXFORD COUNTY ROAD COMMISSION

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## NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

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### NOTE 5 – CAPITAL ASSETS

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

	<i>Balance January 1, 2007</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance December 31, 2007</i>
<b>Capital Assets Not Being Depreciated</b>				
Land and Improvements-Infrastructure	\$ 7,557,174	\$ 165,274	\$ -	\$ 7,722,448
Land and Improvements-Other	34,795	-	-	34,795
Subtotal	<u>7,591,969</u>	<u>165,274</u>	<u>-</u>	<u>7,757,243</u>
<b>Capital Assets Being Depreciated</b>				
Land Improvements	177,637	-	-	177,637
Depletable Assets	70,392	-	-	70,392
Buildings	2,444,091	-	-	2,444,091
Road Equipment	6,741,757	593,088	243,568	7,091,277
Shop Equipment	344,329	50,491	4,259	390,561
Engineers Equipment	39,930	-	7,887	32,043
Office Equipment	78,446	-	10,256	68,190
Infrastructure - Bridges	3,991,197	-	-	3,991,197
Infrastructure - Roads	22,308,468	4,226,933	-	26,535,401
Subtotal	<u>36,196,247</u>	<u>4,870,512</u>	<u>265,970</u>	<u>40,800,789</u>
<b>Less Accumulated Depreciation</b>				
Land Improvements	111,459	5,966	-	117,425
Depletable Assets	60,518	-	-	60,518
Buildings	1,219,609	70,377	-	1,289,986
Road Equipment	5,435,298	597,323	243,568	5,789,053
Shop Equipment	294,287	15,379	4,259	305,407
Engineers Equipment	36,845	1,776	7,887	30,734
Office Equipment	64,997	4,884	10,256	59,625
Infrastructure - Bridges	1,230,235	102,861	-	1,333,096
Infrastructure - Roads	10,424,813	1,338,206	-	11,763,019
Subtotal	<u>18,878,061</u>	<u>2,136,772</u>	<u>265,970</u>	<u>20,748,863</u>
Net Capital Assets Being Depreciated	<u>17,318,186</u>	<u>2,733,740</u>	<u>-</u>	<u>20,051,926</u>
Total Net Capital Assets	<u>\$ 24,910,155</u>	<u>\$ 2,899,014</u>	<u>\$ -</u>	<u>\$ 27,809,169</u>

# WEXFORD COUNTY ROAD COMMISSION

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## NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

### NOTE 5 – CAPITAL ASSETS, continued

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

**Public Works:**

Primary Road:	
Preservation	\$ 6,918
Maintenance	98,809
Local Road:	
Preservation	4,718
Maintenance	409,896
State Trunkline Maintenance	165,145
Administrative Expense	<u>10,219</u>
Total non-infrastructure depreciation expense	<u>\$ 695,705</u>

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### NOTE 6 – PENSION PLAN

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**Description of Plan and Plan Assets**

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The Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.5 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 [MSA 5.333(a); MCLA 46.12 (a)], as amended, State of Michigan. MERS is regulated under Act No. 220 of the Public Acts of 1996, as amended, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

# WEXFORD COUNTY ROAD COMMISSION

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## NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

### Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which requires both non-administrative employees and administrative employees to contribute at a rate of 2 percent. The Road Commission is required to contribute at an actuarially determined rate; the current rate was 19.21 percent of total pay for non-administrative and 25.41 percent for administrative employees.

### Annual Pension Cost

During the fiscal year ended December 31, 2007, the Road Commission's contributions totaling \$323,804 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2005. The employer contribution rate has been determined based on the entry age normal cost method. Under the entry age normal cost method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 25 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

### Three Year Trend Information for GASB Statement No. 25

<i>Year Ended December 31</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2007	\$ 323,804	100%	\$0
2006	326,646	100	0
2005	313,542	100	0

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### NOTE 7 – FEDERAL GRANTS

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The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2007, the Federal grants received and expended by the Road Commission was \$ 286,328 for contracted projects and \$ 104,116 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. Negotiated projects are projects where the Road Commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended \$ 500,000 or more for negotiated projects.

# WEXFORD COUNTY ROAD COMMISSION

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## NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

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### NOTE 8 – POST-EMPLOYMENT BENEFITS

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In addition to the pension benefits described in Note 6, the Road Commission makes available health care benefits and prescription coverage to all retired employees who have attained the age of 62. The Road Commission is paying for health insurance for the retired employee only. Health insurance coverage for spouses and/or family members is paid for by the retired employee. The prescription coverage is self-funded with a 10/20/40 deductible plan. Currently, twenty-seven retirees of the Road Commission are participating in this benefit program. During 2007 the Road Commission paid approximately \$123,820 for health insurance premiums and prescriptions for its retirees under this program. The Road Commission's policy is to finance these benefits on a pay-as-you-go basis.

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### NOTE 9 – UPCOMING REPORTING CHANGE

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

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### NOTE 10 – CONTINGENCIES

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

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

# WEXFORD COUNTY ROAD COMMISSION

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## NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

### NOTE 11 – LONG-TERM DEBT

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The following is a summary of the long-term debt transactions for the Road Commission for the year ended December 31, 2007:

	<i>Principal Maturity Ranges</i>	<i>January 1, 2007</i>	<i>Additions (Reductions)</i>	<i>December 31, 2007</i>	<i>Due Within One Year</i>
<b>GOVERNMENTAL ACTIVITIES:</b>					
<i>Installment Purchase Contracts:</i>					
Dura Patch Machine - original issue of \$80,050 due in monthly installments of \$1,560.39 through February 15, 2007, bearing interest at 5.292%.	\$3,101	\$ 3,101	\$ (3,101)	\$ -	\$ -
<i>Notes Payable:</i>					
Note payable - Michigan Transportation Fund - original issue of \$500,000 due in annual installments on \$100,000 through July 2010, plus interest, due semi-annually at 3.1% to 3.5%	100,000	400,000	(100,000)	300,000	100,000
Compensated absences		<u>244,093</u>	<u>17,346</u>	<u>261,439</u>	<u>-</u>
Total Governmental Activities		<u>\$ 647,194</u>	<u>\$ (85,755)</u>	<u>\$ 561,439</u>	<u>\$ 100,000</u>

The annual requirements (principal and interest) to amortize all debts (except vacation and sick) outstanding as of December 31, 2007, are as follows:

<i>Year Ended December 31,</i>	<i>Notes Payable</i>		
<u>                    </u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 100,000	\$ 10,200	\$ 110,200
2009	100,000	6,900	106,900
2010	<u>100,000</u>	<u>3,500</u>	<u>103,500</u>
	<u>\$ 300,000</u>	<u>\$ 20,600</u>	<u>\$ 320,600</u>

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

# WEXFORD COUNTY ROAD COMMISSION

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## NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

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### NOTE 12 – RISK MANAGEMENT

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The Road Commission is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, employee health insurance and natural disasters. The Road Commission manages its liability and property risk by participating in Michigan County Road Commission Self Insurance Pool and the County Road Association Self Insurance Fund (for workers compensation). These insurance providers are public entity risk pools providing coverage to its members. The Road Commission pays an annual premium to these providers for its insurance coverage. These providers are self-sustaining through member premiums and provide, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based on property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place responsibility for small charges with the insured. The Road Commission manages its health insurance coverage with a policy with Blue Cross/Blue Shield and is self-funding its prescription coverage using a 10/20/40 deductible plan. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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### NOTE 13 – DEFERRED REVENUES

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EDF Forest Road revenues	\$ 159,084
Total	<u>\$ 159,084</u>

This is revenue received from the State of Michigan that is required to be spent on roads that benefit the forestry/lumbering industry.

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### NOTE 14 – EQUIPMENT AND TRUNKLINE MAINTENANCE ADVANCE

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

***REQUIRED SUPPLEMENTAL INFORMATION***

# WEXFORD COUNTY ROAD COMMISSION

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## SCHEDULE OF PENSION PLAN FUNDING PROGRESS

For the Year Ended December 31, 2007

### Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>12/31/06</u>	<u>12/31/05</u>	<u>12/31/04</u>
Actuarial Value of Assets	\$ 6,570,833	\$ 6,261,397	\$ 6,092,059
Actuarial Accrued Liability (AAL)	9,977,111	9,466,122	9,026,952
Unfunded AAL (UAAL)	3,406,278	3,204,725	2,934,893
Funded Ratio	66%	66%	67%
Covered Payroll	1,585,172	1,622,748	1,579,967
UAAL as a percentage of covered payroll	215%	197%	186%

# WEXFORD COUNTY ROAD COMMISSION

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## COUNTY ROAD FUND

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

For the Year Ended December 31, 2007

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
<b>Revenues:</b>				
Licenses and permits	\$ 10,302	\$ 10,328	\$ 10,328	\$ -
Federal grants:				
Surface Transportation Program	223,538	262,155	262,155	-
Category D Funds	62,790	62,790	62,790	-
Safety Funds	105,958	56,080	56,080	-
National Forest Reserve	1,640	9,419	9,419	-
State grants:				
Michigan Transportation Funds	4,119,555	4,134,552	4,134,552	-
Economic Development Funds	186,047	183,236	183,236	-
Contributions from other units	150,231	148,279	148,279	-
Charges for services				
State trunkline maintenance	1,525,330	1,562,880	1,562,880	-
State trunkline non-maintenance	179,579	179,579	179,579	-
Other	165,327	159,971	159,971	-
Interest and rents	66,002	69,988	69,988	-
Other revenue	112,964	113,837	113,837	-
Total revenues	6,909,263	6,953,094	6,953,094	-

# WEXFORD COUNTY ROAD COMMISSION

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## COUNTY ROAD FUND

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

For the Year Ended December 31, 2007

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i> <i>Final Budget</i>
<b>Expenditures:</b>				
Public works:				
Primary road:				
Preservation	474,634	597,213	597,213	-
Maintenance	973,529	979,975	979,975	-
Winter Maintenance	347,874	420,415	420,415	-
Local road:				
Preservation	413,207	284,194	284,194	-
Maintenance	1,562,912	1,468,598	1,468,598	-
Winter Maintenance	563,385	593,196	593,196	-
State trunkline maintenance	1,365,613	1,403,384	1,403,384	-
State trunkline non-maintenance	179,579	179,579	179,579	-
Equipment expense, net	110,791	114,978	114,978	-
Administrative expense, net	258,915	257,633	257,633	-
Capital outlay, net	(97,759)	(52,126)	(52,126)	-
Debt service:				
Principal	103,101	103,101	103,101	-
Interest and fees	11,820	11,820	11,820	-
Total expenditures	6,267,601	6,361,960	6,361,960	-
Excess of revenues over expenditures	641,662	591,134	591,134	-
Fund balance, beginning of year	1,432,001	1,432,001	1,432,001	-
Fund balance, end of year	\$ 2,073,663	\$ 2,023,135	\$ 2,023,135	\$ -

***OTHER SUPPLEMENTAL INFORMATION***

# WEXFORD COUNTY ROAD COMMISSION

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## COUNTY ROAD FUND

### ANALYSIS OF CHANGES IN FUND BALANCES

For the Year Ended December 31, 2007

	<i>Primary Road Funds</i>	<i>Local Road Funds</i>	<i>County Road Commission Funds</i>	<i>Total</i>
<b>Total operating revenues</b>	\$ 2,868,098	\$ 2,016,033	\$ 2,068,963	\$ 6,953,094
<b>Total expenditures</b>	<u>2,136,887</u>	<u>2,546,800</u>	<u>1,678,273</u>	<u>6,361,960</u>
Excess of revenues over expenditures	<u>731,211</u>	<u>(530,767)</u>	<u>390,690</u>	<u>591,134</u>
<b>Other financing sources (uses):</b>				
Optional transfers in (out)				
Primary Road to Local Road	<u>(530,767)</u>	<u>530,767</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(530,767)</u>	<u>530,767</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	200,444	-	390,690	591,134
Fund balance, beginning of year	<u>622,175</u>	<u>-</u>	<u>809,826</u>	<u>1,432,001</u>
Fund balance, end of year	<u>\$ 822,619</u>	<u>\$ -</u>	<u>\$ 1,200,516</u>	<u>\$ 2,023,135</u>

# WEXFORD COUNTY ROAD COMMISSION

## COUNTY ROAD FUND

### ANALYSIS OF REVENUES

For the Year Ended December 31, 2007

	<i>Primary Road Funds</i>	<i>Local Road Funds</i>	<i>County Road Commission Funds</i>	<i>Total</i>
<b>REVENUES:</b>				
<i>Licenses and Permits</i>				
Permits	\$ -	\$ -	\$ 10,328	\$ 10,328
<i>Federal Grants:</i>				
Surface Transportation Program	262,155	-	-	262,155
Category D Funds	62,790	-	-	62,790
Safety Funds	56,080	-	-	56,080
National Forest Reserve	-	-	9,419	9,419
<i>State Grants:</i>				
<i>Michigan Transportation Funds:</i>				
Engineering	5,712	4,288	-	10,000
Snow removal	-	165,341	-	165,341
Primary road	2,357,736	-	-	2,357,736
Local road	-	1,601,475	-	1,601,475
<i>Economic Development Funds</i>				
Rural primary (D funds)	83,582	-	-	83,582
Forest road	-	90,000	-	90,000
Other - Local Jobs Today	9,654	-	-	9,654
<i>Contributions from Other Units</i>				
<i>County raised funds:</i>				
Township contributions	-	120,766	-	120,766
Conservation Reserve Alliance	-	27,513	-	27,513
<i>Charges for Services</i>				
<i>State revenue:</i>				
State trunkline maintenance	-	-	1,562,880	1,562,880
State trunkline non-maintenance	-	-	179,579	179,579
Other revenue:	-	-	159,971	159,971
<i>Interest and Rents:</i>				
Interest earned	30,389	-	39,599	69,988
<i>Other revenue:</i>				
Timber Sales	-	-	95,701	95,701
Gain on sale of assets	-	-	10,110	10,110
Miscellaneous	-	6,650	1,376	8,026
Total revenues	<u>\$ 2,868,098</u>	<u>\$ 2,016,033</u>	<u>\$ 2,068,963</u>	<u>\$ 6,953,094</u>

# WEXFORD COUNTY ROAD COMMISSION

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## COUNTY ROAD FUND

### ANALYSIS OF EXPENDITURES

For the Year Ended December 31, 2007

	<i>Primary Road Funds</i>	<i>Local Road Funds</i>	<i>County Road Commission Funds</i>	<i>Total</i>
<b>EXPENDITURES:</b>				
<i>Public Works:</i>				
Primary road:				
Preservation	\$ 597,213	\$ -	\$ -	\$ 597,213
Maintenance	979,975	-	-	979,975
Winter Maintenance	420,415	-	-	420,415
Local road:				
Preservation	-	284,194	-	284,194
Maintenance	-	1,468,598	-	1,468,598
Winter Maintenance	-	593,196	-	593,196
State trunkline maintenance	-	-	1,403,384	1,403,384
State trunkline non-maintenance	-	-	179,579	179,579
Equipment expense, net	20,799	61,664	32,515	114,978
Administrative expense, net	118,485	139,148		257,633
<i>Capital Outlay:</i>				
Capital outlay, net	-	-	(52,126)	(52,126)
<i>Debt Service:</i>				
Principal	-	-	103,101	103,101
Interest and fees	-	-	11,820	11,820
<b>Total expenditures</b>	<b>\$ 2,136,887</b>	<b>\$ 2,546,800</b>	<b>\$ 1,678,273</b>	<b>\$ 6,361,960</b>



## **INTERNAL CONTROL COMMUNICATIONS**

To The Board  
Wexford County Road Commission

In planning and performing our audit of the financial statements of the Wexford County Road Commission as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Wexford County Road Commission's internal control over financial reporting (internal control) 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 Organization'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 misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above. We found no deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the Board, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants

February 20, 2008