

ACKNOWLEDGMENTS

We wish to express our appreciation for the dedicated efforts of the staff members of the Local Audit and Finance Division, Department of Treasury, who devoted many hours to writing, rewriting and reviewing this material prior to submission to the Michigan Committee on Governmental Accounting and Auditing.

The following are members of the Michigan Committee on Governmental Accounting and Auditing:

Richard L. Baldermann, CPA, CGFM, Department of Treasury; Chairman

Larry J. Allen, CPA, Stewart, Beauvais & Whipple; Jim Baker, CPA, Siegfried, Crandall, Vos & Lewis; Robert C. Bendzinski, Bendzinski & Company; John Bengel, CFE, CGFM, Department of Treasury; Donald R. Breadon, CPA, MBA, Gaudette & Company; James G. Buckley, CPA, PricewaterhouseCoopers; Patsy K. Cantrell, City of Farmington; Barbara Cerda, Wayne County; John Cubba, Redford Township; Robert J. Daddow, CPA, Oakland County; Gerald J. Desloover, CPA, Rehmann, Robson & Company; George Elworth, Assistant Attorney General; Rana M. Emmons, CPA, Post, Smythe, Lutz & Ziel; Michael J. Frawley, CPA, Yeo & Yeo; Michael T. Gaffney, CPA, Abraham & Gaffney, PC; Bridget Grandsden, Midland County; Denise Hammond, West Bloomfield Charter Township; Joseph C. Heffernan, CPA, Plante & Moran; Marvin Henderson, CPA, Anderson, Tackman & Company; Susan G. Hendricks, Independence Charter Township; Ernest L. Hodgers, MPA, CGFM, Department of Treasury; Peg Jury, CPA, Dupuis & Ryden; Janet L. Lazar, Michigan Municipal League/Benefit Evaluation; Ann Marie Moe-Dennis, Department of Transportation; Phillip J. Moore, City of Alma; Patrick L. Mutchler, CPA, Brickley Delong; John H. Ogden, CPA, City of Port Huron; Kenneth D. Parrish, CPA, Kent County; Rick J. Sanborn, City of Sterling Heights; Susan D. Sanford, CPA, Department of Treasury; Joseph Siedenstrang, Muskegon County; Timothy J. Soave, Oakland County; Robert J. Skrobola, Pittsfield Charter Township; Aaron M. Stevens, CPA, Abraham & Gaffney, PC; Michael Styczenski, CPA, Deloitte & Touche, LLP; Cary Jay Vaughn, CPA, Department of Treasury; Ross J. Wilson, CPA, Maner, Costerisan & Ellis; Patricia E. Wysong, Clinton County Road Commission; Brent Yeager, BDO Seidman.

BULLETIN FOR AUDITS OF COUNTY ROAD COMMISSIONS

TABLE OF CONTENTS

[Introduction](#) 3

[Auditing Standards](#) 4

Reporting Requirements

[Statute](#) 5

[Audits](#) 5

[Comments and Recommendations](#) 7

[Reports on Suspected Fraud and/or Embezzlement](#) 8

[Single Audit Act](#) 8

[Auditing Procedures](#) 9

[Miscellaneous](#) 11

[Filing Requirements](#) 11

[APPENDIX A--PA 283 of 1909](#), as amended, Public Highways and Private Roads,
Chapter IV, County Road Law, ([MCL 224.26 - 224.32](#), audit related excerpts) 14

[APPENDIX B](#)--Michigan Department of Treasury and Department of Transportation
Letter #7, June 27, 1986, Revised June 6, 2002--Compliance
Requirements and Suggested Audit Procedures to be used in the
Audit of Local Public Agencies Receiving Federal Highway Funds 16

[APPENDIX C](#)--Confirmation of State Payments 19

APPENDIX D--Compliance Audit Requirements

[Planning the Compliance Portion of a Road Commission Audit](#) 22

[Compliance Checklist](#) 28

APPENDIX E--Sample Financial Statements

[Management's Discussion and Analysis](#) 33

[Exhibit A](#)--Statement of Net Assets 41

[Exhibit B](#)--Statement of Activities 42

[Exhibit C](#)--Balance Sheet 43

[Exhibit D](#)--Reconciliation of the Balance Sheet Fund Balance to the Statement
 of Net Assets 44

[Exhibit E](#)--Statement of Revenues, Expenditures and Changes in Fund Balance 45

[Exhibit F](#)--Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities 46

[Notes to Financial Statements](#) 47

[Exhibit G](#)--Statement of Revenues and Other Financing Sources--Budgetary
 Comparison Schedule 58

[Exhibit H](#)--Statement of Expenditures--Budget and Actual--Budgetary
 Comparison Schedule 59

[Exhibit I](#)--Analysis of Changes in Fund Balances 60

[Exhibit J](#)--Analysis of Revenues and Other Financing Sources 61

[Exhibit K](#)--Analysis of Expenditures 63

[APPENDIX F](#)--Alternative Presentation Sample Financial Statements 65

INTRODUCTION

The Local Audit and Finance Division of the Department of Treasury has been given the responsibility of implementing the requirements of [PA 283 of 1909](#), as amended, ([MCL 224.26 through 224.32](#)) and [PA 71 of 1919](#), as amended, ([MCL 21.41 through 21.55](#)). The requirements of these Acts are twofold:

First, the State Treasurer is required to prescribe uniform accounting and reporting standards for all county road commissions within the State of Michigan.

Second, the acts deal with the requirements for audits of county road commissions. These requirements are covered in this bulletin. The laws provide, among other things, that county road commissions will have the first option of selecting an independent certified public accountant (CPA). If the county road commission does not select an independent CPA, the State Treasurer must perform the audit or select an independent CPA. In all cases, the entire cost is to be paid by the county road commission. The act, as it relates to audits, is contained in [Appendix A](#).

The audit is intended to be an annual audit except that, in the instance of counties of less than 50,000 population, the minimum requirement will be an annual audit not less frequently than every two years. This does not mean that the smaller counties cannot have an audit every year; the Department of Treasury strongly recommends an audit every year.

The purpose of this bulletin is to establish standards and suggest procedures to assist the independent CPA in the conduct of the audit. The bulletin is not intended to set forth minimum procedures. Neither does it guarantee that by use of all the suggested procedures a satisfactory audit will result. In the final analysis, there is no substitute for the knowledge and experience that the individual independent CPA brings to the engagement. It is only through the use of these skills that an audit plan can be tailored to fit the terms of the engagement.

The primary purpose for the auditing and reporting requirements of PA 283 of 1909, as amended, is to maintain the citizens' confidence in their government and the integrity of the financial reporting by that government. The independent CPA can provide the local unit with constructive recommendations which, when adopted, will enhance fiscal control and make budgets more easily understood so they become workable "tools of management." The audit will help to ensure compliance with legal requirements and maintenance of fiscal responsibility.

The independent CPAs should be aware at all times, that while their client relationship may be with the county road commission, their responsibility is to the citizenry. Local government, as we know it, can exist only through the upholding of the individual citizen's trust in that government.

It should be kept in mind, by all concerned, that an audit will only assure that the financial representations of the county road commissions are reasonably accurate. It cannot guarantee that the figures are absolutely correct. Nor can an independent CPA guarantee that any shortage or misappropriation that might exist will be found. An audit consists of a series of tests and procedures, which the independent CPA feels are necessary in order to express an opinion that the financial statements are free of material misstatements. The opinion expresses whether the financial statements are fairly presented in accordance with accounting principles generally accepted in the United States of America. The cost to perform a complete review of every transaction would be prohibitive and would still not guarantee that a shortage would be uncovered. An adequate system of internal control, coupled with periodic audits, will minimize the possibilities of fiscal irregularities or dishonesty. The independent auditor should follow the guidance of **Statement on Auditing Standards (SAS) No. 99**, which relates to the independent auditor's responsibility as it relates to fraud in the audit of financial statements conducted in accordance with generally accepted auditing standards. Also, the auditor is referred to **SAS No. 54**, which relates to illegal acts of clients.

INTRODUCTION (Continued)

Note: This Bulletin repeatedly refers to the term "independent certified public accountant(s)" and it is hereby acknowledged and understood that the term "employees of the Michigan Department of Treasury" may be substituted therefore.

AUDITING STANDARDS

The audit must be performed by an independent certified public accountant registered with the Michigan State Board of Accountancy to practice in Michigan or by an employee of the Department of Treasury.

The audit of the financial records, accounts and procedures of all county road commissions shall be made in accordance with auditing standards generally accepted in the United States of America as approved and adopted by the membership of the American Institute of Certified Public Accountants in its Statements on Auditing Standards. However, if the county road commission requires a single audit, the financial records must be audited 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.

Auditing standards, as differentiated from auditing procedures that relate to acts to be performed, deal with the quality of the performance of those procedural acts. These standards are outlined as follows:

General Standards

1. The audit is to be performed by a person or persons having adequate technical training and proficiency as an auditor.
2. In all matters relating to the assignment, independence in mental attitude is to be maintained by the auditor or auditors.
3. Due professional care is to be exercised in the planning and performance of the audit and the preparation of the report.

Standards of Field Work

1. The work is to be adequately planned and assistants, if any, are to be properly supervised.
2. A sufficient understanding of internal control is to be obtained to plan the audit and to determine the nature, timing and extent of tests to be performed.
3. Sufficient competent evidential matter is to be obtained through inspection, observation, inquiries and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit.

Standards of Reporting

1. The report shall state whether the financial statements are presented in accordance with generally accepted accounting principles.
2. The report shall identify those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period.
3. Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.

AUDITING STANDARDS (Continued)

4. The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefore should be stated. In all cases where an auditor's name is associated with financial statements, the report should contain a clear-cut indication of the character of the auditor's audit, if any, and the degree of responsibility the auditor is taking.

Department of Treasury Audit Procedure Requirements

Statutory compliance procedures are a required part of the audit of county road commissions in Michigan as indicated in [Section 8\(b\) of PA 2 of 1968](#), as amended; [section 12\(21\) of PA 51 of 1951](#), as amended; and [Appendices A and D](#) of this bulletin. [Appendix D](#) also discusses the professional and statutory requirements for compliance procedures.

Local unit compliance with Department of Treasury manuals and the requirements in the manuals is to be included in the procedures of the auditor.

REPORTING REQUIREMENTS

[PA 283 of 1909](#), as amended, (County Road Law)

[MCL 224.28](#) reads in part as follows:

An audit shall:

- (a) State that the audit was conducted in accordance with generally accepted auditing standards and with the standards as provided in [Public Act 71 of 1919](#), as amended, being section [21.41 of the Michigan Compiled Laws](#).
- (b) State that the financial statements in the reports were prepared in accordance with generally accepted accounting principles applied on a consistent basis and with applicable rules of a state department or agency. Deviations from the principles or rules shall be described.
- (c) Disclose material deviations by the county road commission from generally accepted accounting practices or from applicable rules of a state department or agency.
- (d) Disclose fiscal irregularities, defalcations, misfeasance, nonfeasance, or malfeasance which came to the auditors' attention.

[MCL 224.30](#) reads in part as follows:

- (1) If an audit or investigation conducted under this act discloses statutory violations on the part of an officer, employee, or board of a county road commission, a copy of the report shall be filed with the attorney general who shall review the report and cause to be instituted a proceeding against the officer, employee, or board as the attorney general deems necessary.

Audits of County Road Commissions in Michigan

In June 1999, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments." This statement changed the reporting model for all state and local governments.

REPORTING REQUIREMENTS (Continued)

All governmental entities must adopt the financial statement reporting model and prospective reporting of infrastructure for periods beginning after June 15, of either year 2001, 2002, or 2003. Depending upon the size of the primary government's revenues for the base year, with the larger entities (based on revenues) adopting first (2001). Revenues include all revenues (not other financing sources) of the primary government's governmental and enterprise funds, except for extraordinary items. **If a primary government (county) chooses early implementation, all of its component units (which includes the county road commission) also should implement this standard early** to provide the financial information required for the government-wide financial statements.

The audited financial statements of county road commissions in Michigan must contain the financial statements and related data outlined in this section and in [Appendix E](#). Separately issued road commission audit reports are to follow the guidelines for special purpose governments set forth in GASB 34, paragraphs 134-141. The county road commission should include the following information in their annual audited financial statements:

(Note: GASB 34 allows a special purpose government, that engages only in a single type of activity (i.e., only in governmental activities or only business-type activities), to issue a simplified version of the statements. An alternative presentation is noted in [Appendix F](#).)

- A. **Auditors' Report**--If the accountant's report on financial statements contains an opinion other than an unqualified opinion, the county road commission is required to make whatever changes are recommended by the independent certified public accountant, so that an unqualified opinion can be included in the next report on financial statements.
- B. **Management's Discussion and Analysis**
- C. **Basic Financial Statements**
 - 1. **Government-Wide Financial Statements**
Accrual Basis of Accounting including Infrastructure Assets
 - Statement of Net Assets ([Exhibit A](#))
 - Statement of Activities ([Exhibit B](#))
 - 2. **Governmental Funds** --Modified Accrual Basis of Accounting
 - Balance Sheet ([Exhibit C](#))
 - Statement of Revenues, Expenditures and Changes in Fund Balance ([Exhibit E](#))
 - Reconciliation between the Government-Wide and Fund Financial Statements ([Exhibits D and F](#))
 - 3. **Fiduciary Funds** --Accrual Basis of Accounting with a column for each fiduciary fund type [agency funds, pension trust funds (and other employee benefit trust funds), private purpose trust funds]
 - Statement of Fiduciary Net Assets
 - Statement of Changes in Fiduciary Net Assets
- D. **Notes to the Financial Statements**
- E. **Required Supplemental Information (RSI)**
 - 1. Budgetary Comparison Schedules including the original and final amended budget. ([Exhibits G and H](#))
 - 2. Infrastructure Assets--Modified Approach
 - 3. Other RSI as required by GASB 25 and 27

REPORTING REQUIREMENTS (Continued)

- F. **Supplemental Financial Information**--Must be audited at least to the extent necessary to state that in the auditor's opinion, the supplemental data is fairly stated in all material respects in relation to the financial statements.
1. Analysis of Changes in Fund Balances ([Exhibit I](#))
 2. Analysis of Revenues and Other Financing Sources ([Exhibit J](#))
 3. Analysis of Expenditures ([Exhibit K](#))

G. **Other Required Reports**

1. Report on Compliance and Internal Control; Management Letter; or Report of Comments and Recommendations--The report of comments and recommendations shall include a description of any improper, illegal or other actions disclosed by the independent certified public accountant in the course of their tests and reviews in connection with their report on the financial statements.

Examples of the types of actions, which should be considered in the preparation of this report, are:

- (a) Lack of action of the local unit on previous reports of comments and recommendations by the independent CPA;
 - (b) Unaudited funds and/or operations;
 - (c) Expenditures not made in accordance with legislative appropriations and other State fiscal requirements and restrictions. The independent CPA should be guided by [PA 2 of 1968](#), as amended, and appropriate reporting guidelines issued by the State Treasurer;
 - (d) Improper accounting for revenues;
 - (e) Inadequate or ineffective internal controls or procedures;
 - (f) Records and reports which could not be reconciled to those of the various State fiscal offices;
 - (g) Noncompliance with statutes, laws, rules and regulations as outlined in the "Auditing Procedures" section of this bulletin (or any others known to the independent CPA) under which the funds and/or operations of the county road commission were created and are functioning;
 - (h) Indication of possible fraud or dishonesty (Also see number 3, page 8, under Other Required Reports);
 - (i) Indication of a need for review of financial operations and/or financial management;
 - (j) Indication of a lack of current review by government officials of insurance coverage and bonding requirements;
 - (k) Noncompliance with Federal financial assistance requirements;
 - (l) Noncompliance with the State Uniform Chart of Accounts; and
 - (m) Departures from accounting principles generally accepted in the United States of America.
- (2) Auditing Procedures Report--A report shall be made to the State Treasurer, with a copy to the county road commission, pertaining to the adherence to the minimum requirements outlined in this bulletin and shall include such other information as the State Treasurer shall require. The prescribed form is located at the Treasury web-site: http://www.michigan.gov/documents/496_2996_7.pdf.

REPORTING REQUIREMENTS (Continued)

- (3) Report on Findings of Suspected Fraud and/or Embezzlement--During the course of an audit, the independent certified public accountant should be constantly aware of the possibility of fraud and/or embezzlement. Statements 54 and 99 on Auditing Standards should be followed where applicable. **If the possibility of any fiscal irregularities, defalcation, misfeasance, nonfeasance or malfeasance comes to the auditor's attention, an "oral report" should be immediately made to the Local Audit and Finance Division of the Michigan Department of Treasury.** Materiality should not be considered when notifying Local Audit and Finance Division about a potential problem. This oral report should be promptly followed up by a written report to the Local Audit and Finance Division of the Michigan Department of Treasury, disclosing the independent CPAs findings.

The State, acting through the Attorney General's Office, is responsible for prosecution of fraud, if warranted. The Local Audit and Finance Division shall determine what further action should be taken. If it is determined that further investigation is necessary, Treasury personnel specially trained in developing evidence for possible prosecution shall perform the investigation.

Meanwhile, the independent CPA, unless otherwise directed in writing by the Deputy State Treasurer, should complete their normal audit. The independent CPA may be requested, under a separate engagement, to assist the State in developing evidence for possible prosecution. The State may desire to have a representative directing the compilation of evidence pertaining to the suspected fraud and/or embezzlement.

To avoid any possible conflict with the professional ethics of the independent CPA, pertaining to the client relationship, the county road commission should give written permission to the independent certified public accountant to make the disclosures required by these reports, prior to commencing the audit. The independent CPA should not discuss any suspected fraud and/or embezzlement with any representative of the county road commission without first contacting the Local Audit and Finance Division. Similarly, the report of "comments and recommendations" should not refer to suspected fraud or embezzlement. However, the report can refer to the matter in "general" terms by stating that such a situation has been referred to the Michigan Department of Treasury.

SINGLE AUDIT ACT AMENDMENTS of 1996

Under the Single Audit Act, a governmental unit that **expends \$300,000 or more in Federal funds** from all Federal programs in any fiscal year is required to have a **single audit**. The audit is to be performed in accordance with OMB Circular A-133 and the Single Audit Act.

A governmental unit that **expends less than \$300,000 in the total amount of Federal assistance has no OMB Circular A-133** audit requirements.

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During any given year, it's possible for a road commission to have Federal aid received and expended for both contracted projects and negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT (they are included in MDOT's single audit). 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 \$300,000 or more for negotiated projects.

All governmental units, which have a single audit, must have a financial audit in accordance with Generally Accepted Governmental Auditing Standards (GAGAS).

NOTE: The above thresholds are subject to change and must be verified with the Single Audit Act by the auditor. For further guidance see OMB Circular A-133, Section 300.

SINGLE AUDIT ACT AMENDMENTS of 1996 (Continued)

For more specific audit guidance, the certified public accountant is referred to the following materials:

- (1) Single Audit Act of 1984 and Single Audit Amendments of 1996, established by Federal legislation and regulations, Public Law 98-502
- (2) OMB Circular A-133 and compliance supplement issued by the Office of Management of Budget
Web-site: www.whitehouse.gov/omb/
- (3) AICPA Guidance related to OMB Circular A-133 "Audits of State, Local Governments and Non-Profit Organizations." Web-site: www.aicpa.org/belt/a133.htm
- (4) Statement of Position (SOP) 98-3: Audits of State, Local Governments and Not-for-Profit Organizations Receiving Federal Awards issued by the AICPA
- (5) Government Auditing Standards (GAS), issued by the Comptroller General of the United States. This publication may be obtained from Superintendent of Documents, US Government Printing Office, Washington DC 20401. Web-site: www.gao.gov
- (6) Department of Treasury Letter #7, June 27, 1986
Revised June 6, 2002 ([See Appendix B](#))

AUDITING PROCEDURES

Since procedures relate to acts to be performed, the following aids are presented as guidelines for the independent certified public accountant in developing audit procedures for the audit of any county road commission.

1. Generally Accepted Auditing Standards promulgated by the American Institute of Certified Public Accountants (AICPA).
2. Statements on Auditing Standards (SAS), Industry Audit and Accounting Guides and Statements of Position issued by the AICPA.
3. AICPA Audit and Accounting Guide, Audits of State and Local Governmental Units, revised. This publication is available from the American Institute of Certified Public Accountants, P.O. Box 2209, Jersey City, New Jersey 07303-2209. Web-site: www.aicpa.org
4. The publication, Governmental Accounting, Auditing and Financial Reporting, by the Government Finance Officers Association, 180 North Michigan Avenue, Suite 800, Chicago, Illinois, 60601 for municipal accounting.
5. Codification of Governmental Accounting and Financial Reporting Standards. This publication may be ordered from Governmental Accounting Standards Board, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856-5116, Telephone (203) 847-0700. Web-site: www.gasb.org
6. The independent certified public accountant must be familiar with the provisions of the following as they relate to financial operations and compliance requirements:
 - (a) Uniform Accounting Procedures Manual for County Road Commissions--This publication may be obtained from Local Audit and Finance Division, Michigan Department of Treasury web-site: www.michigan.gov/treasury.

AUDITING PROCEDURES (Continued)

- (b) The Constitution of the State of Michigan--1963 (except Articles I through V and Article IX, Section 24). Web-site: www.loc.gov/law/guide/us-mi.html
 - (c) The Laws Pertaining to Highways--PA 283 of 1909, as amended, [MCL 224.26 to 224.32](#) and [MCL 224.1 to 244.10](#), and PA 51 of 1951, as amended, [MCL 247.651 to 247.675](#)). Web-site: www.michiganlegislature.org. Any questions pertaining to accounting, payment of claims, salaries and benefits of board members, and similar questions may be referred to Michigan Department of Treasury, Local Audit and Finance Division, P.O. Box 30728, Lansing, Michigan 48909-8228, (517) 373-3227, E-Mail: Treas_LAFD@Michigan.gov. All other questions relating to statutory provisions pertaining to highways or financial reporting relating to the Act 51 report should be directed to Michigan Department of Transportation, Financial Operations Division, P.O. Box 30050, Lansing, Michigan 48909, (517) 241-3178.
 - (d) The Laws Pertaining to Revenue Bonds--(PA 94 of 1933, as amended, [MCL 141.101 to 141.140](#)). Web-site: www.michiganlegislature.org
 - (e) The Laws Pertaining to County Road Notes--(PA 143 of 1943, as amended, [MCL 141.251-141.254](#)). Web-site: www.michiganlegislature.org
 - (f) The Laws Pertaining to the Revised Municipal Finance Act--(PA 34 of 2001, [MCL 141.2101 to 141.2821](#)). Web-site: www.michiganlegislature.org
 - (g) The Bond Ordinances and/or Resolutions--pertaining to the handling of residual funds and to any and all bonded debt authorized and/or outstanding during the audit period. This will be obtained from the clerk of the county road commission.
 - (h) Open Meetings Act (PA 267 of 1976) ([MCL 15.261 - 15.275](#)) The official minutes of the county road commission. This will be obtained from the secretary of the county road commission.
 - (i) Attorney General's Opinions relating to highways. These are contained in the Road Commission Accounting Procedures Manual.
 - (j) MCGAA Statement 9 on Revenue Recognition of Property Taxes
MCGAA Statement 11 on Infrastructure Reporting for County Road Commissions
These publications may be obtained from Local Audit and Finance Division, Michigan Department of Treasury web-site: www.michigan.gov/treasury.
 - (k) Uniform Budgeting and Accounting Act (PA 2 of 1968, as amended) ([MCL 141.421a - 141.422d](#) and [MCL 141.434 - 141.440a](#)) The budget documents, including amendments, should be examined for each fund.
 - (l) Glen Steil State Revenue Sharing Act, PA 140 of 1971 ([MCL 141.921\(2\)](#))
 - (m) Investment of Surplus Funds, PA 20 of 1943, as amended ([MCL 129.91 - 129.96](#))
 - (n) Laws pertaining to Credit Card Transactions, PA 266 of 1995, as amended, ([MCL 129.241 - 129.247](#))
 - (o) Electronic Transactions of Public Funds, PA 738 of 2002 ([MCL 124.301 - 124.305](#))
7. The independent certified public accountant should ascertain the funds that are in existence during the audit period and verify the enabling authority for such funds to determine if more or fewer funds should be maintained.

AUDITING PROCEDURES (Continued)

8. Written audit programs and plans should be included in the independent certified public accountant's working papers.

The aforementioned subjects are not intended to be all-inclusive, but rather to give the independent certified public accountant guidelines that will enable them to develop comprehensive audit procedures. Also available as a reference is Appendix D of this manual, regarding planning and performing the compliance portion of the audit. **Please note that the use of Appendix D is required;** as well as the disclosure of noncompliance with any other statutory provisions necessary in the auditor's professional judgement.

MISCELLANEOUS

Responsibility for Audit Fees

[MCL 224.27](#) (PA 283 of 1909) states in part: "...The cost of any audit required by this act shall be paid by the county road commission audited..."

This has reference to all audits, whether by a county road commission selected CPA, a State Treasurer selected CPA, or a Department of Treasury audit. All financial arrangements are between the CPA and the county road commission, even where the State Treasurer has selected the CPA. The state has no desire to disrupt the normal client relationship once it is established, nor does it have any intention of acting as a collection agency for the independent CPA.

Confirmations of State Payments to Local Units

The State Treasurer does not directly provide confirmation of state payments to units. [Appendix C](#) suggests certain alternative auditing procedures for testing the revenues or receipt accounts for these items.

Filing Requirements

The reports to be rendered on financial statements and comments and recommendations as provided in this bulletin under the section entitled, "Reporting Requirements" shall be filed with the State Treasurer. One copy of the county road commission report shall be sent directly to the Local Audit and Finance Division. The independent CPA may file the report at the request of his client, however, the responsibility of filing the audit report timely lies with the county road commission.

The audit reports, comments and recommendations letter, and the auditing procedures report are to be filed with the state treasurer within 6 months after the end of the fiscal year of the county road commission. Extensions of time for filing all reports may be granted upon written request for reasonable cause to the State Treasurer by the county road commission. Such application shall set forth the circumstances necessitating the extension per Treasury (policy) [numbered letter 2001-1](#) issued January 12, 2001 located at: www.michigan.gov/treasury.

Single Audit Act

Ideally, the reports required by the Single Audit Act and OMB Circular A-133 should be dated the same as the other reports. However, they often carry a later date because some of the audit work that is done to satisfy the single audit requirements may be done subsequent to the work on the basic financial statements.

The auditor has additional audit standards that must be met in accordance with *Government Auditing Standards* issued by the U.S. General Accounting Office. The auditor is required to perform additional fieldwork concerning the road commission's internal controls and compliance (as indicated in the OMB Compliance Supplement) as they specifically relate to major Federal programs.

MISCELLANEOUS (Continued)

The following additional reports are required:

Reference in the financial statement report to GAS and a paragraph that discusses supplemental information containing a reference to the Schedule of Expenditure of Federal Awards (or other acceptable references).

Auditor's Report on Internal Control and Compliance Performed as part of the Audit of the Financial Statements Report Required by *Government Auditing Standards* (the Yellow Book). Any reportable conditions or material weaknesses found during the course of the audit should be referenced to the Schedule of Findings and Questioned Costs.

Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133. Any reportable conditions or material weaknesses found during the course of the audit should be referenced to the Schedule of Findings and Questioned Costs.

Schedule of Expenditures of Federal Awards (additional reporting requirements are contained in Appendix B).

Schedule of Findings and Questioned Costs.

In addition to the above items, both the road commission and CPA must prepare a Data Collection Form. A copy of the data collection report, financial audit/single audit and summary Schedule of Prior Audit Findings (if applicable) must be sent to the agencies indicated in the data collection form and grant agreements. Data Collection Form web-site:

<http://harvester.census.gov/fac/collect/ddeindex.html>

Noncompliance With Constitutional and Statutory Provisions

For **guidance** in preparing proper disclosure **relating to noncompliance**, the independent CPA is referred to **Appendices A and D**. The independent CPA should also make the appropriate recommendations concerning these matters in their report of comments and recommendations.

Counties With Population Under 50,000

For counties under 50,000 population, an annual (one year) audit is required every two years.

The condition may exist which precludes the independent CPA from forming an opinion as to the consistent application of accounting principles and/or the reasonable accuracy of the account balances at the beginning of the current year. Where such amounts could materially affect current results, the independent CPA should state in their report the reasons which prevent them from expressing an unqualified opinion.

Noncompliance With Provisions of This Bulletin

Where the Department of Treasury feels that the conditions of this bulletin have not been met, the State Treasurer or his delegate shall review the independent CPA's audit programs and discuss the audit with the independent CPA. After this review, the State Treasurer or his delegate may inspect all workpapers of the independent CPA in an attempt to resolve differences. This can be done voluntarily with permission of the county road commission or by subpoena as provided for by law.

MISCELLANEOUS (Continued)

Should differences of opinion still exist regarding the audit, the entire matter may be turned over to the Michigan State Board of Accountancy. The county road commission should be aware of the subpoena provisions. The independent CPA should obtain written permission to permit the review of the audit programs and the inspection of the workpapers by the State. (This written permission should be obtained to protect the CPA from any future legal implications as a result of their voluntary action.)

Failure to Follow Standards and/or Procedures or Other Requirements in Governmental Audits

The Michigan Department of Treasury has prepared this Bulletin with the advice and cooperation of the Michigan Committee on Governmental Accounting and Auditing. Audits of local units of government in Michigan are to be performed in compliance with the provisions of the bulletin, in addition to generally accepted auditing standards.

The independent CPA should be aware that they are obligated to follow the provisions in the bulletin. Failure to do so is an act discreditable to the profession in violation of Rule 501; unless the member discloses in their report the fact that such requirements were not followed and reasons therefore.*

*Source--Interpretation 501-3

American Institute of Certified Public Accountants
Professional Ethics Division

PUBLIC ACT [283 OF 1909](#), AS AMENDED

Public Highways and Private Roads, Chapter IV

County Road Law

The following are excerpts taken from the County Road Law which pertain to the audits of County Road Commissions.

224.26 Audit Required; Frequency

- (1) Every county road commission in counties of more than 50,000 population shall have an annual audit of its financial records, accounts, and procedures, including those required by law governing the disposition of any State funding.
- (2) In counties of less than 50,000 population, the audit shall be required not less frequently than biennially.

224.27 Audit; Contract with Certified Public Accountant; Audit as Public Record; Certain Persons to Receive Copies; Failure to Provide Audit; Cost; Powers, Duties, and Functions of State Agencies not Affected.

Each county road commission shall contract with a certified public accountant to perform the audit. The proposed contract with the certified public accountant shall be confirmed by the county board of commissioners. Such audit shall be a public record and copies shall be sent to the county road commission, the county treasurer and the state treasurer. If a county road commission fails to provide for an audit, the Department of Treasury shall conduct the audit or cause it to be conducted by a certified public accountant. The cost of any audit required by this act shall be paid by the county road commission audited.

Nothing in this act shall increase or decrease the powers, duties, and functions, including the authority to audit, of any state agency, department, board or commission relative to the boards of county road commissions as provided by any other law.

224.28 Audit Reports; Contents

An audit report shall:

- (a) State that the audit was conducted in accordance with generally accepted auditing standards and with the standards as provided in Act No. 71 of the Public Acts of 1919, being section 21.41 of the Michigan Compiled Laws.
- (b) State that the financial statements in the reports were prepared in accordance with generally accepted accounting principles applied on a consistent basis and with applicable rules of a state department or agency. Deviations from the principles or rules shall be described.
- (c) Disclose material deviations by the county road commission from generally accepted accounting practices or from applicable rules of a set department or agency.
- (d) Disclose fiscal irregularities, defalcations, misfeasance, nonfeasance, or malfeasance which came to the auditors' attention.

PUBLIC ACT [283 OF 1909](#), AS AMENDED

Public Highways and Private Roads, Chapter IV

County Road Law (Continued)

224.29 Audit Report; Public Inspection

The audit reports submitted under this act shall be made available for public inspection.

224.30 Statutory Violations; Institution of Proceedings

- (1) If an audit or investigation conducted under this act discloses statutory violations on the part of an officer, employee, or board of a county road commission, a copy of the report shall be filed with the attorney general who shall review the report and cause to be instituted a proceeding against the officer, employee, or board as the attorney general deems necessary.
- (2) The attorney general, within 60 days after receipt of the report, may institute criminal proceedings as he deems necessary against the officer or employee, or direct that the criminal proceedings be instituted by the prosecuting attorney of the county in which the offense was committed.
- (3) The attorney general or the prosecuting attorney shall institute civil action in a court of competent jurisdiction for the recovery of public moneys disclosed by an examination to have been illegally expended or collected and not accounted for and for the recovery of public property disclosed to have been converted and misappropriated.

224.31 Verification of Transactions; Immunity of Bank, Contractor, or Other Persons Providing Information

- (1) For purposes of verifying transactions disclosed by an audit or investigation, a person or firm authorized to conduct an audit under this act may ascertain the deposits, payments, withdrawals, and balances on deposit in a bank account or with a contractor or with any other person having dealings with the county road commission.
- (2) A bank, contractor, or person shall not be held liable for making available any of the information required under this act.

224.32 Access to Records; Examination of, or Production of Records or Property

- (1) An authorized employee of any state agency, department, board or commission, certified public accountant, or firm of certified public accountants conducting an audit under this act shall have access to, and may examine, all books, accounts, reports, vouchers, correspondence files, and other records, as well as bank accounts, moneys, or other property of a road commission.
- (2) An officer of a county road commission, upon demand of persons authorized under this act, shall produce all books, accounts, reports, vouchers, correspondence files, and other records, as well as bank accounts, moneys, or other property of the county road commission under audit or investigation, and shall truthfully answer all questions related thereto.

MICHIGAN DEPARTMENT OF TREASURY
LETTER NO. 7, JUNE 27, 1986
(Revised June 6, 2002)

TO: County Road Commissions, County Treasurers, City and Village Treasurers

FROM: Richard L. Baldermann, CPA, Administrator
Local Audit and Finance Division and

Jerry J. Jones, CPA, Commission Auditor
Office of Commission Audits

Compliance Requirements and Suggested Audit Procedures to be used in the Audit of Local Public
Agencies Receiving Federal Highway Funds

The Michigan Department of Transportation (MDOT) is normally responsible for the administration of Federal Highway Administration (FHWA) funds provided for the improvement of road systems of Local Public Agencies (LPA) located in Michigan.

Audit Responsibilities

Although these funds are provided for the improvement of the LPA's road systems, MDOT is responsible for the administration of the funds. In this capacity, MDOT may award construction contracts, and in some instances, contract for other services or perform related work with MDOT forces. The LPA normally receives final accountings of project receipts and disbursements from MDOT. The final accountings are reflected in the LPA's accounting records. Federal compliance testing of these funds will normally be included in the audit of MDOT.

On the other hand, under the provisions of governing agreements between MDOT and LPA's, primarily county road commissions and municipalities, the LPA's may receive FHWA funds for work performed by the LPA's employees or work contracted by the LPA. To be eligible for Federal reimbursement, prior authorization is required for the various phases of the work performed by the LPA's. Agreements with third parties to perform work are subject to prior Department and/or FHWA approval. The LPA's may, with their employees, provide preliminary engineering, acquisition of right-of-way, construction engineering or construction related work such as pavement marking, the installation of signs and signals, etc. The local units may also secure the services of consultants, railroads, utility companies or other parties under the terms of the governing agreement with MDOT. Federal compliance testing of these funds will be included in the audit of the LPA.

Federal Grants--Accounting Requirements

Because of Federal Single Audit requirements, Federal highway grant revenue must be classified in either of the following accounts:

#510---Federal Grants--Highways (MDOT--Private Contractors)

#511---Federal Grants--Highways (Negotiated Contracts)

Account 510 and applicable subaccounts are to be used to account for Federal grant revenue where private contractors are paid by the Michigan Department of Transportation to perform the work.

Account 511 and applicable subaccounts are to be used to record Federal revenue where the work is performed or contracted by the LPA.

Audit Requirements

The principal compliance requirements for the audits of the Federal Highway Funds are contained in the OMB Circular A-133, Compliance Supplement, issued by the United States Office of Management and Budget.

Reporting Requirements

The Single Audit Act requires a Schedule of Expenditures of Federal Awards to be included in the auditor's report showing the total expenditures for each Federal assistance program. For the highway programs, this schedule must be expanded or a supplemental schedule prepared showing the required information by individual grant (agreement) with columns added for grant number and period. The schedule must also identify those grant moneys administered by the State and those administered by the LPA.

**SAMPLE COUNTY ROAD COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 20XX**

SCHEDULE 1

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>
US Department of Transportation Passed Through Michigan Department of Transportation Highway Research, Planning and Construction	20.205				
Contracted Projects: (1)					
Critical Bridge		RR1225 (40020A)	(10/1998 thru 6/2000)	\$ -	\$ -
Surface Transportation Program		BB0004 (48374A)	(10/1999 thru 6/2001)	-	-
				<hr/>	<hr/>
Total US Department of Transportation				<hr/>	<hr/>
US Federal Emergency Management Agency Passed Through Michigan Department of State Police					
Snow Emergency (2)	83.544	FEMA-3137-EM- -123-02ACB		-	-
				<hr/>	<hr/>
Total US Federal Emergency Management Agency				<hr/>	<hr/>
Total Federal Awards				<hr/> <hr/>	<hr/> <hr/>

- (1) These contracts are administered by the Michigan Department of Transportation and will be included in their Single Audit.
- (2) This project was performed by the Road Commission based on a force account basis and is subject to single audit requirements.
- (3) This schedule is prepared on a modified accrual basis, see Note ___ for more significant accounting policies in the Notes to the Financial Statements.

CONFIRMATION OF STATE PAYMENTS TO INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

The Michigan Department of Treasury, Local Audit and Finance Division **does not provide** independent certified public accountants with **confirmations of state payments to local units of government**.

The following suggestions are offered as **an alternative** to the regular confirmation for the verification of State payments made to local units of government:

- (1) **Warrant Stub**--Each State warrant is accompanied with a stub or in some cases with a special remittance advice. The information listed on the warrant stubs or remittance advice should aid in determining that State moneys received have been properly classified to the appropriate funds and accounts of the local unit.
- (2) **Detailed Bank Deposit Tickets**--for subsequent tracing to the cash receipt books.
- (3) **Directing Confirmation Requests**--to State agencies that authorize payments to local units of government.

Attached is a listing of Michigan Department of Transportation personnel who authorize payments to county road commissions.

Copies of computerized listings or vouchers of State payments will be available in the Department of Treasury, Local Audit and Finance Division in Lansing.

A member of your staff may come to either office to prepare schedules of these payments. By using this alternative, it would be possible to obtain information for a number of audits at the same time.

If you have any questions, please contact the Local Audit and Finance Division, Michigan Department of Treasury at (517) 373-3227.

STATE DEPARTMENTS TO CONTACT FOR CONFIRMATION
OF PAYMENTS MADE TO LOCAL UNITS OF GOVERNMENT

<u>Type of Payment</u>	<u>Recipients</u>	<u>When Paid</u>	<u>Department</u>	<u>Phone Number</u>	<u>Contact</u>
Trunkline Maintenance	Cities, Villages & Counties	Monthly	Michigan Department of Transportation Financial Operations Division P.O. Box 30050 Lansing, MI 48909	(517)335-2503	Accounts Payable Unit, Supervisor
Michigan Transportation Funds	Counties, Cities & Villages	Monthly	Michigan Department of Transportation Financial Operations Division P.O. Box 30050 Lansing, MI 48909	(517)373-0417	Budget and Reports Unit, Supervisor

APPENDIX D

COMPLIANCE AUDIT REQUIREMENTS

COUNTY ROAD COMMISSIONS

PLANNING THE COMPLIANCE PORTION OF AN AUDIT

**AICPA Audit and Accounting Guide
Audits of State and Local Governmental Units, September 1, 2002**

Chapter 4, paragraph 4.31, summarizes background information useful in planning an audit of a local unit of government. Background information that may be useful to planning can be obtained from authorizing statutes, charters, budget documents, recent official statements, prior period annual financial reports, the request for proposal for audit services, other documents, and discussions with key members of management. The following are selected items from the list that relate to statutory authority and that are necessary to perform the compliance portion of the audit:

- The form of government
- Laws, statutes, and regulations governing the general operations of the governmental unit
- The nature of any joint ventures
- Primary sources of revenue
- The nature of any compliance auditing requirements
- Economic, legislative, regulatory, accounting and auditing developments that affect the governmental industry in general and the auditee in particular

Paragraph 4.44 states, in part, that the auditor is to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements arising from illegal acts that have a direct and material effect on the determination of financial statement amounts. The following types of compliance requirements may have such an effect on the financial statement amounts:

GAAP Requirements (subject to legal or contractual provisions)

Federal and State Taxes

Legal Authority for Transactions (Governments should have legal authority to execute transactions. Often they cannot exercise powers or conduct activities unless authorized by law.)

Establishment of Funds (Legal and contractual provisions may require the establishment of individual funds to account for and report on particular activities.)

Other Legal and Contract-Based Compliance Requirements

Budgets

Tax and Debt Limitations

There may be types of compliance requirements other than those included here for which noncompliance could have a direct and material effect on the determination of the financial statements.

PLANNING THE COMPLIANCE PORTION OF AN AUDIT

Government Audit Standards by the Comptroller General of the United States, as Amended

Chapter 5, paragraphs 5.15 through 5.28, provides the reporting standards for the statutory portion of a financial audit.

Paragraph 5.15 states:

The second additional reporting standard for financial statement audits is:

The report on the financial statements should either: (1) describe the scope of the auditors' testing of compliance with laws and regulations, and internal control over financial reporting and present the results of those tests; or (2) refer to the separate report(s) containing that information. In presenting the results of those tests, auditors should report fraud, illegal acts, other material noncompliance, and reportable conditions in internal control over financial reporting³. In some circumstances, auditors should report fraud and illegal acts directly to parties external to the audited entity.

NOTE 3: These responsibilities are in addition to and do not modify auditors' responsibilities under AICPA standards to: (1) address the effect fraud or illegal acts may have on the report on the financial statements; and (2) determine that the audit committee or others with equivalent authority and responsibility are adequately informed about fraud, illegal acts, and reportable conditions.

PA 199 of 1975, as Amended

Bulletin For Audits of County Road Commissions in Michigan by the Michigan Department of Treasury

[MCL 224.28](#) reads in part as follows:

An audit shall:

- (a) State that the audit was conducted in accordance with generally accepted auditing standards and with the standards as provided in PA 71 of 1919, being section 21.41 of the Michigan Compiled Laws.
- (b) State that the financial statements in the reports were prepared in accordance with generally accepted accounting principles applied on a consistent basis and with applicable rules of a state department or agency. Deviations from the principles or rules shall be described.
- (c) Disclose material deviations by the county road commission from generally accepted accounting practices or from applicable rules of a state department or agency.
- (d) Disclose fiscal irregularities, defalcations, misfeasance, nonfeasance, or malfeasance which came to the auditors' attention.

[MCL 224.30](#) reads in part as follows:

- (1) If an audit or investigation conducted under this act discloses statutory violations on the part of an officer, employee, or board of a county road commission, a copy of the report shall be filed with the attorney general who shall review the report and cause to be instituted a proceeding against the officer, employee, or board as the attorney general deems necessary.

PLANNING THE COMPLIANCE PORTION OF AN AUDIT

BASIC PREMISE OF LOCAL GOVERNMENT

Constitutional and statutory provisions specify that a local governmental unit and the officials of the local governmental unit have only those duties specifically granted to them by the Michigan Constitution and applicable statutes. Those provisions highlight the basic restrictive authority granted to Michigan's local units of government. If the action to be taken is not specifically authorized by the Constitution, a statute, a court decision, or an Attorney General's opinion, that action can not be legally executed.

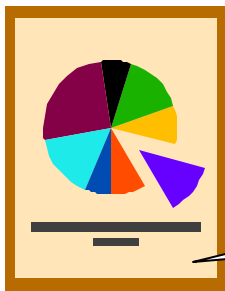
Provisions specified in a local unit's charter or ordinance, legally adopted by vote of the electorate or approved by the legislative body after publication, must be followed when those procedures are more restrictive than the general statute.

Constitutional Provisions, Michigan Constitution of 1963

Each organized county shall be a body corporate with powers and immunities provided by law. (Art 7, Sec 1)

Note: The road commission is part (a component unit) of the county.

INVESTMENT PROVISIONS



Separate Bank and Investment Accounts REQUIRED

Act 51 of 1951

Funds returned to a county shall be expended by the county road commission for the purposes provided in this section and **shall be deposited** by the county treasurer **in a designated county depository, in a separate account to the credit of the county road fund**, and shall be paid out only upon the order of the county road commission, and interest accruing on the money shall become a part of, and be deposited with the county road fund. **(emphasis added)** ([MCL 247.662, Sec. 12\(12\)](#))

CREDIT CARD PROVISIONS

General Statutory Provisions (PA 266 of 1995, as amended--Credit Card Transactions)

The governing body of a county, city, village, township, **county road commission** and an organization of government may enter a credit card agreement and then must adopt a written policy. **(emphasis added)** ([MCL 129.242\(1\)](#))

PLANNING THE COMPLIANCE PORTION OF AN AUDIT

The written credit card policy must include [\(MCL 129.243\)](#):

- (a) That an officer or employee designated by the credit card policy is responsible for the local unit's credit card issuance, accounting, monitoring, and retrieval and generally for overseeing compliance with the credit card policy.
- (b) That a credit card may be used only by an officer or employee of the local unit for the purchase of goods or services for the official business of the local unit. In addition, the credit card policy may limit the specific official business for which credit cards may be used.
- (c) That an officer or employee using credit cards issued by the local unit shall submit to the local unit documentation described in the credit card policy detailing the goods or services purchased, the cost of the goods or services, the date of the purchase, and the official business for which purchased.
- (d) That an officer or employee issued a credit card is responsible for its protection and custody and shall immediately notify the local unit if the credit card is lost or stolen.
- (e) That an officer or employee issued a credit card shall return the credit card upon the termination of his or her employment or service in office with the local unit.
- (f) For a system of internal accounting controls to monitor the use of credit cards issued by the local unit.
- (g) For the approval of credit card invoices before payment.
- (h) That the balance including interest due on an extension of credit under the credit card arrangement shall be paid for within not more than 60 days of the initial statement date. The local unit shall comply with this provision of the credit card policy.
- (i) For disciplinary measures consistent with law for the unauthorized use of a credit card by an officer or employee of the local unit.
- (j) Any other matters the governing body considers advisable.

The total combined authorized credit limit of all credit cards by a local unit shall not exceed 5% of the total budget of the local unit for the current fiscal year. [\(MCL 129.244\)](#)

Department of Treasury may issue an order limiting or suspending the authority of a local unit to issue and use credit cards for failure to comply with the requirements of the Act or local unit policy. [\(MCL 129.245\)](#)

REQUIREMENTS FOR BUDGETING

Constitutional Provisions, Michigan Constitution of 1963

Article 7, Section 32 provides as follows: Any county, township, city, village, authority or school district empowered by the legislature or by this constitution to prepare budgets of estimated expenditures and revenues shall adopt such budgets, only after a public hearing, in a manner prescribed by law.

General Statutory Provisions ([PA 2 of 1968](#), as Amended--Uniform Budgeting and Accounting Act)

Requires that a public hearing be held on the proposed budget prior to the legislative body formally adopting the budget. The time, date and location of the public hearing must be published at least six days prior to the hearing. Copies of the proposed budget must be available for public inspection from the date the notice of the public hearing is published and thereafter. [\(MCL 141.412\)](#)

The "Uniform Budgeting and Accounting Act" requires a local unit governing body to adopt a General Appropriations Act after a public hearing. [\(MCL 141.434\(5\)\)](#)

The "Chief Administrative Officer" must prepare a recommended budget for the general fund and all special revenue funds for the ensuing fiscal year. [\(MCL 141.434\)](#)

PLANNING THE COMPLIANCE PORTION OF AN AUDIT

The recommended budget must at least include [\(MCL 141.435\(1\)\)](#):

- (a) Expenditure data for the most recently completed fiscal year and estimated expenditures for the current fiscal year.
- (b) An estimate of the expenditure amounts required to conduct, in the ensuing fiscal year, the government of the local unit, including its budgetary centers.
- (c) Revenue data for the most recently completed fiscal year and estimated revenues for the current fiscal year.
- (d) An estimate of the revenues, by source of revenue, to be raised or received by the local unit in the ensuing fiscal year.
- (e) The amount of surplus or deficit that has accumulated from prior fiscal years, together with an estimate of the amount of surplus or deficit expected in the current fiscal year. The inclusion of the amount of an authorized debt obligation to fund a deficit shall be sufficient to satisfy the requirement of funding the amount of a deficit estimated under this subdivision.
- (f) An estimate of the amounts needed for deficiency, contingent, or emergency purposes.
- (g) Other data relating to fiscal conditions that the chief administrative officer considers to be useful in considering the financial needs of the local unit.

The “Chief Administrative Officer” must transmit the recommended budget to the legislative body in accordance with a timetable sufficient to allow review and approval prior to the beginning of the next fiscal year. [\(MCL 141.434\(3\)\)](#)

The legislative body shall not adopt a General Appropriations Act or an amendment which causes estimated expenditures, including an accrued deficit, to exceed estimated revenue, including an accrued surplus. [\(MCL 141.436\)](#)

Expenditures can not exceed the amount authorized in the Appropriation Act unless the local Appropriation Act is amended. Expenditures can not be authorized unless they are provided for in the Appropriation Act. [\(MCL 141.437\)](#)

Expenditures can not be authorized that exceed the amount appropriated or in excess of the available funds as that action creates a debt against the unit or a deficit within the fund. [\(MCL 141.438\)](#)

The General Appropriation Act may include a narrative authorizing the chief administrative officer to make transfers between activities, cost of personnel, capital outlay or other budgetary action authorized by the legislative body. [\(MCL 141.439\(2\)\)](#)

Authorized expenditures in excess of or contrary to the Appropriation Act (budget) can be recovered by civil proceedings brought by the Attorney General or prosecuting attorney. [\(MCL 141.440\)](#)

Any budgetary procedure specified in a charter or ordinance of a local unit that is more restrictive than the general statute must be followed.

PLANNING THE COMPLIANCE PORTION OF AN AUDIT

REQUIREMENTS FOR DEFICITS

General Statutory Provisions ([PA 140 of 1971](#), as Amended--Glenn Steil State Revenue Sharing Act)

For a fiscal year of a unit of local government ending on or after October 1, 1980 or any year thereafter, if a local unit of government ends its fiscal year in a deficit condition, the local unit of government shall formulate and file a financial plan within 90 days after the beginning of the fiscal year to correct this condition. Upon request of a local unit of government, the department of treasury may assist that local unit in the formulation of the financial plan to correct the deficit condition. The local unit of government shall file the financial plan with the department of treasury for evaluation and certification that the plan ensures that the deficit condition is correct. Upon certification by the department of treasury, the local unit of government shall institute the plan. An amount equal to 25% of each payment to a local unit of government entitled to payments under this act may be withheld until requirements of this subsection are met. ([MCL 141.921\(2\)](#))

REQUIREMENTS FOR BORROWING

Constitutional Provisions, Michigan Constitution of 1963

No county shall incur any indebtedness, which shall increase its total debt beyond 10 percent of its assessed value. (Art. 7, Sec. 11)

General Statutory Provisions ([PA 34 of 2001](#)--Revised Municipal Finance Act)

Revised Municipal Finance Act. After March 1, 2002, a municipality shall not borrow money and issue municipal securities except in accordance with this act. Generally, a municipality may qualify to issue municipal securities without Treasury approval. Municipalities that do not qualify under the provisions of the act must obtain prior approval from Treasury before issuing municipal securities. ([MCL 141.2101](#))

Installment Purchases ([PA 283 of 1909](#), as Amended--Public Highways and Private Roads)

ROAD COMMISSIONS (COUNTY) may enter into a contract or agreement for the purchase of machines, tools, appliances and materials (excludes buildings and land) to be used for public purposes that are paid for in installments over a period not to exceed 5 years or the useful life of the property acquired, whichever is less. ([MCL 224.10](#))

Please refer to the “Uniform Accounting Procedures Manual for County Road Commissions” legal compliance section for other statutory provisions related to borrowing.

Audits should determine that money returned from the Michigan Transportation Fund (MTF) is accounted for in accordance with [Public Act 51 of 1951](#), as amended, (Act 51) section 14 ([MCL 247.664](#)).

Auditors need to be aware of and report on compliance with Act 51, including, but not limited to specific requirements of section 12 ([MCL 247.662](#)) for counties.

COMPLIANCE CHECKLIST

NOTE: To assist users of this checklist, Michigan Compiled Laws information can be accessed at the Michigan Legislature web-site: <http://www.michiganlegislature.org/>

	<u>YES</u>	<u>NO</u>
1. Are the records and accounts of the road commission maintained in accordance with the uniform accounting procedures established by the state treasury department? (MCL 21.41)	_____	_____
<u>County Road Law</u>		
2. Is the compensation of the county road commissioners fixed by the county board of commissioners? (MCL 224.8(2))	_____	_____
3. If the county road commissioners are participating in an insurance or retirement program established under section 224.10a, is their participation authorized by the county board of commissioners? (MCL 224.8(3))	_____	_____
4. Is the business which the board of county road commissioners performs conducted at public meetings of the board held in compliance with the Open Meetings Act? (MCL 15.261 - 15.275)	_____	_____
5. In cases involving the expenditures of an amount greater than \$10,000 for the purchase of machines, tools, appliances, and materials, does the board of county road commissioners advertise for sealed proposals for the machines, tools, appliances, and materials proposed to be purchased; except under emergency conditions, does the limit not exceed \$20,000? (MCL 224.10(3))	_____	_____
6. Does the board give approval on all purchases made under this section? (MCL 224.10(3))	_____	_____
7. Does the board advertise for sealed proposals for the purchase of passenger vehicles and trucks weighing less than 5,000 pounds? (MCL 224.10(3))	_____	_____
NOTE: The board may purchase surplus properties from the state and federal governments without advertising for sealed proposals.		
8. If the board enters into a contract or agreement for the purchase of machines, tools, appliances, or materials to be used for public purposes and to be paid for in installments, does the installment period not exceed 5 years or the useful life of the property acquired, whichever is less? (MCL 224.10(4))	_____	_____
9. Whenever the board of county road commissioners decides to build or rebuild a road or bridge by any method other than by employment of day labor and purchase of necessary materials, does the board advertise for sealed bids for the work if the work involves an expenditure of an amount greater than \$20,000? (MCL 224.19(5))	_____	_____
<u>County Road Property Taxes</u>		
10. If the county road commission receives property tax revenues for county road purposes: (MCL 224.20, 20a and 20b)		
Does the tax levied not exceed tax rate limitations specified by MCL 224.20 and 224.20a?	_____	_____
Is the tax revenue distributed to the road commission in accordance with the provisions of MCL 224.20, 20a and 20b?	_____	_____

COMPLIANCE CHECKLIST

	<u>YES</u>	<u>NO</u>
11. Are accurate accounts kept of all money received and disbursed by the road commission and is a complete financial report together with a detailed statement of all work done, right-of-way acquired, and roads constructed by the road commission made to the county board of commissioners annually? (MCL 224.25)	_____	_____
12. Are the Michigan Transportation Funds (MTF) distributed to the county road commission sent or deposited with the county treasurer of the respective county road commission as required by MCL 247.662(1) ?	_____	_____
13. Is the road commission reimbursed from the State of Michigan in an amount up to \$10,000 per year for the sum paid to a registered professional engineer employed or retained by the road commission in the previous year? (MCL 247.662(2))	_____	_____
14. Is not more than 30% per year of MTFs returned to the county for use on the county primary road system expended, with or without matching, on the county local road system? (MCL 247.662(9))	_____	_____
15. Is not more than 15% per year of MTFs returned to the county for use on the county local road system expended, with or without matching, on the county primary road system? (MCL 247.662(9))	_____	_____
16. In case of emergency or with the approval of the state transportation department, is not more than an additional 15% per year of MTFs returned to the county for use on the county local road system expended, with or without matching, on the county primary road system? (MCL 247.662(9))	_____	_____
17. If the amount of MTFs returned to the county for county local roads exceeds total township contributions for the year for and on account of county local roads, is the excess transferred to and expended on the county primary road system? Note: This transfer is allowed, but not required. (MCL 247.662(9))	_____	_____
18. Is 20% or more per year of the MTFs returned to the county by this section expended for snow and ice removal, the construction or reconstruction of a new highway or existing highway, or for the servicing of bonds issued by the county for these purposes? (MCL 247.662(10))	_____	_____
19. Are surplus funds expended for the development, construction, or repair of an off-street parking facility? Note: This transfer is allowed, but not required. (MCL 247.662(10))	_____	_____
20. Is not more than 5% per year of the MTFs returned to the county for the county primary road system and the county local road system expended for the maintenance, improvement, or acquisition of roadside parks and motor parkways? (MCL 247.662(11))	_____	_____
21. Are MTFs returned to the county deposited by the county treasurer in a designated county depository, in a separate account to the credit of the county road fund, and paid out only upon the order of the county road commission? (MCL 247.662(12))	_____	_____
22. Is interest earned on deposits of MTFs credited to the county road fund? (MCL 247.662(12))	_____	_____

COMPLIANCE CHECKLIST

	<u>YES</u>	<u>NO</u>
23. Is at least 50% of the cost of local road construction paid from money received from sources other than MTFs? (MCL 247.662(15))	_____	_____
24. Does the amount of MTFs expended for local road bridge construction not exceed 75% of the cost of the construction of the local road bridges? Note: This question does not apply to bridges financed with state critical bridge program funds. (MCL 247.662(15))	_____	_____
25. Is not more than 10% per year of all of the funds received by and returned to a county from any source for the purposes of this section expended for administrative expenses. (MCL 247.662(20))	_____	_____
26. Is 90 % of funds returned to the county road commission from MTFs expended annually by the county road commission for the preservation of highways, roads, streets and bridges, and for the payment of contractual contributions pledged for the payment of bonds or portions of bonds, debt service requirements? (MCL 247.662(16))	_____	_____
27. If the county is entitled to a MTF distribution for snow removal purposes: (MCL 247.662a)		
Did it receive, before December 15 of the current fiscal year, a payment from the state for MVH snow removal funds? (MCL 247.662a(2))	_____	_____
Did the county treasurer deposit the snow removal payment to the credit of the county road fund? (MCL 247.662a(2))	_____	_____
28. Before May 2 of each year, does the county road commission file (on forms provided by the state department of transportation) with the director of the state department of transportation, the county clerk, and each township in the county a report showing the disposition of county road commission funds appropriated, apportioned, or allocated under this act? (MCL 247.665(1))	_____	_____
29. Is the road commission a party to any Automated Clearing House (ACH) arrangements regarding electronic transactions? (MCL 124.301 and .302)	_____	_____
If yes, is there a written ACH Policy? (MCL 124.303)	_____	_____
Are all required provisions included in the policy? (MCL 124.303)	_____	_____
30. Does the road commission use credit cards? (MCL 129.242(1))	_____	_____
If yes, is there a policy for the use of the credit cards? (MCL 129.243)	_____	_____
Are all required provisions included in the policy? (MCL 129.243)	_____	_____

COMPLIANCE CHECKLIST

	<u>YES</u>	<u>NO</u>
31. Has the “Chief Administrative Officer” transmitted a recommended budget to the legislative body? (MCL 141.434)	_____	_____
Does the recommended budget include all items required by the Budget Act? (MCL 141.435)	_____	_____
If not, what items are missing? _____		
Has a general appropriations act been adopted prior to the beginning of the road commission’s fiscal year? (MCL 141.436)	_____	_____
Do actual expenditures not exceed final amended budget appropriations at the level the budget is controlled (e.g., function, activity, line-item)? (MCL 141.437)	_____	_____
32. Has the road commission borrowed money or issued bonds or notes?	_____	_____
If yes, have the procedures required by the Municipal Finance Act or the Revised Municipal Finance Act been adhered to? (MCL 141.2101)	_____	_____
If the borrowing is authorized in other statutes, what statutes? MCL _____ MCL _____		
33. Are there any other statutory violations noted during the tests of transactions?	_____	_____
If yes, what are the violations? _____		

NOTE: Number 33 does not require additional testing to be performed by the auditor unless a matter comes to the auditor’s attention and in the auditor’s professional judgement, additional testing is needed. The attributes included in the auditor’s testing should include statutory considerations.

Materiality should not be a consideration in reporting violations to the Department of Treasury , however, materiality should be used to determine the effect on the financial statements.

APPENDIX E

SAMPLE FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Sample County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the calendar year ended December 31, 20X1. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Road Commission and present a long-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

Overview of the Financial Statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities--this is one way to measure the Road Commission's financial health or position.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements.

Reporting the Commission as a Whole

Government-Wide Statements

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. The statement of net assets includes all of the Road Commission's 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 current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two statements, mentioned above, 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 are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Road Commission, additional nonfinancial factors such as changes in the county's property tax base, the condition of the Road Commission's roads, and changes in the law related to the gas taxes and its distribution need to be considered.

Fund Financial Statements

The Road Commission currently has only one fund, the general operations fund. All of the Road Commission's activities are accounted for in this fund. The general operations fund is a governmental fund type. Our analysis of the Road Commission's major fund begins on page __. The fund financial statements begin on page __ and provide detailed information about the major fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**Reporting the Commission as a Whole (Continued)**

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

Financial Analysis of the Road Commission as a Whole

The Road Commission's net assets increased approximately ___%, or \$_____, from \$_____ to \$_____ for the year ended December 31, 20X1. The net assets and change in net assets are summarized below.

Net Assets

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets, net of related debt) are considered restricted.

The restricted net assets decreased by \$_____ during 20X1. The primary reason for the decrease was a decline in federal support for road projects. Declining interest rates and gasoline tax revenue also negatively impacted net assets.

The investment in capital assets, net of related debt increased by \$_____. The increase in net assets is primarily the result of the reporting infrastructure (\$_____) for the year 20X1. The depreciation for the current year's infrastructure will be depreciated in the subsequent year. The Road Commission will retroactively report infrastructure assets (assets acquired after 1980) in a subsequent year as permitted by GASB 34.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis of the Road Commission as a Whole (Continued)

Net assets as of year ended December 31, 20X1 follows:

	<u>20X1</u>	<u>20X0</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$ -	\$ -	\$ -	%
Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>	%
Total Assets	<u>-</u>	<u>-</u>	<u>-</u>	%
Long-Term Debt Outstanding	-	-	-	%
Other Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	%
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	%
Net Assets				
Invested in Capital Assets				
Net of Debt	-	-	-	%
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	%
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	%

Changes in Net Assets

Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following table presents only current year data. In future years, when prior year information is available, comparative analysis of Road Commission data will be presented.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis of the Road Commission as a Whole (Continued)

A summary of changes in net assets for the year ended December 31, 20X1 follows:

	<u>Governmental Activities</u>
Program Revenue	
License and Permits	\$ -
Federal Grants	-
State Grants	-
Contributions From Local Units	-
Charges for Services	-
Investment Earnings	-
Reimbursements	-
General Revenue	
Taxes	-
Gain on Equipment Disposal	-
	<u>-</u>
Total Revenue	<u>-</u>
Expenses	
Public Works	-
Interest Expense	-
	<u>-</u>
Total Expenses	<u>-</u>
Excess Before Transfers	-
Transfers In--Primary Government	-
	<u>-</u>
Increase in Net Assets	<u>\$ -</u>

The Road Commission's Fund

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

For the year ended December 31, 20X1, the fund balance of the general operations fund decreased \$_____ as compared to an increase of \$_____ in the fund balance for the year ended December 31, 20X0. Total operating revenues were \$_____, an increase of \$_____ as compared to last year. This change in revenues resulted primarily from an increase in township contributions of \$_____, there was also a decrease in federal surface transportation funds due to fewer Federal projects in the amount of \$(_____). Total expenditures were \$_____, an increase of \$_____ as compared to last year. This change in expenditures is due primarily to an increase in local road heavy maintenance projects of \$_____. There was also a decrease of \$(_____) in local road structures for a bridge project that was completed during 20X0 and a decrease in net capital outlay in the amount of \$(_____) from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis of the Road Commission as a Whole (Continued)

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

	12/31/20X1 Operating Fund	12/31/20X0 Operating Fund	Favorable (Unfavorable) Variance	Variance %
Revenues				
Taxes	\$ -	\$ -	\$ -	%
License and Permits	-	-	-	%
Federal Grants	-	-	(-)	%
State Grants	-	-	-	%
Contributions From Local Units	-	-	-	%
Charges for Services	-	-	-	%
Interest and Rents	-	-	(-)	%
Other Revenue	-	-	(-)	%
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	%
Expenditures				
Public Works	-	-	(-)	%
Net Capital Outlay	-	-	-	%
Debt Service	-	-	(-)	%
Total Expenditures	<u>-</u>	<u>-</u>	<u>(-)</u>	%
Excess of Expenditures Over Revenues	<u>(-)</u>	<u>(-)</u>	<u>(-)</u>	%
Other Financing Sources				
Proceeds From Lease	-	-	-	%
Transfers In--Primary Government	-	-	(-)	%
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>(-)</u>	%
Excess of Revenues and Other Financing Sources Over Expenditures	<u>(-)</u>	<u>-</u>	<u>(-)</u>	%
Fund Balance--Beginning	<u>-</u>	<u>-</u>	<u>-</u>	%
Fund Balance--Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Budgetary Highlights

Prior to the beginning of any year, the Road Commission’s budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The final amended revenue budget for 20X1 was \$_____, lower than the original budget primarily due to the Road Commission not receiving certain federal aid projects during the year as originally planned. There was also an increase in township contributions. The actual revenue recognized during 20X1 was greater than the final amended budget by \$_____, there were immaterial unfavorable variances in all revenue line-items. (See Exhibit G for details)

The final amended expenditure budget for 20X1 was \$_____, lower than the original budget primarily due to the Road Commission not receiving a certain federal aid project in the amount of \$_____ during the year as originally planned. There was also an increase in local road heavy maintenance expenditures as a result of an increase in township contributions. The actual expenditures recognized during 20X1 were less than the final amended budget by \$_____. There were no unfavorable variances in any expenditure line-items.

Capital Asset and Debt Administration

Capital Assets

As of December 31, 20X1, the Road Commission had invested \$_____ in capital assets. This amount represents a net increase (including additions and deductions) of \$_____ or ___% as follows:

	<u>20X1</u>	<u>20X0</u>	<u>Total Percentage Change 20X0/20X1</u>
Capital Assets Not Being Depreciated			
Land and Improvements	\$ -	\$ -	%
Land/Right-of-Way	-		N/A
Construction in Progress	-		N/A
Subtotal	<u>-</u>	<u>-</u>	%
Capital Assets Being Depreciated			
Buildings	-	-	%
Equipment	-	-	%
Yard and Storage	-	-	%
Infrastructure	<u>-</u>	<u>-</u>	N/A
Subtotal	<u>-</u>	<u>-</u>	%
Total Capital Assets	-	-	%
Total Accumulated Depreciation	<u>(-)</u>	<u>(-)</u>	%
Total Net Capital Assets	<u>\$ -</u>	<u>\$ -</u>	%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Asset and Debt Administration (Continued)

The Road Commission reported the infrastructure and related assets during the current year in the amount of \$_____ and an additional \$_____ in construction in progress related to the infrastructure. The infrastructure recorded, during 20X1, will be depreciated in the following year. The infrastructure is financed through federal, state and local contributions. The Road Commission will retroactively report infrastructure assets (assets acquired after 1980) in a subsequent year as permitted by GASB 34.

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

Reconstruction of Bridges (by Location)	\$	-
Various Resurfacing Projects and Related Land/Right-of-Way		-
Construction in Progress (Various Resurfacing Projects)		-
Trucks/Equipment		-
Yard and Storage		-
		<u> -</u>
Total Additions	<u>\$</u>	<u> -</u>

There was an installment purchase agreement entered into during December 20X1 in the amount of \$_____ for two motor graders, the remaining equipment was acquired with Road Commission funds.

During 20X1, the Road Commission traded in and/or disposed of equipment (road, shop, office and engineer) with a purchase amount of \$_____, related depreciation of \$_____, and net book value of \$_____.

Debt

At the year end, the Road Commission had \$_____ in bonds and installment purchase agreements versus \$_____ last year, a decrease of __% as shown below:

	<u>20X1</u>	<u>20X0</u>	<u>Variance</u>	<u>% of Variance</u>
Bonds Payable	\$ -	\$ -	\$ -	%
Installment Purchase Agreements	<u>-</u>	<u>-</u>	<u>-</u>	%
Total	<u>\$</u>	<u>\$</u>	<u>\$</u>	%

During 20X1, the only new debt was an installment purchase agreement for two motor graders in the amount of \$_____. The Road Commission paid off three of the eight installment purchase agreements during 20X1.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Road Commission's long-term liabilities is presented in Note __ to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**Economic Factors and Next Year's Budget**

The board of county road commissioners considered many factors when setting the fiscal year 20X2 budget. One of the factors is the economy. The Road Commission derives approximately __% of its revenues from the fuel tax collected. Using Michigan Department of Transportation projections, it is estimated that the Road Commission will receive \$_____ (___%) less Michigan Transportation Fund revenues in 20X2. The Road Commission received approximately __% of its revenues from township contributions during 20X1, this amount fluctuates with the approved road projects and depends on what and how much the townships can afford to participate. During 20X2, we expect to receive at least \$_____ in federal and state aid for road projects, some of which was deferred from 20X1. Some of these projects were released late in the year after the construction season.

The above items were considered when adopting the budget for 20X2. Amounts available for appropriation in the budget are \$_____, an increase of __% over the 20X1 budget of \$_____.

Contacting the 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 Sample County Road Commission's administrative offices at _____.

Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following table presents only current year data. In future years, when prior year information is available, comparative analysis of Road Commission data will be presented.

A Summary of changes in net assets for the year ended December 31, 20X1 follows:

SAMPLE COUNTY ROAD COMMISSION
STATEMENT OF NET ASSETS
12/31/20X1

EXHIBIT A

APPENDIX E

ASSETS

Cash	\$	-
Investments		-
Accounts Receivable		
Taxes		-
Michigan Transportation Fund		-
State Highway--Other		-
Due From Primary Government		-
Due on County Road Agreements		-
Sundry Accounts		-
Inventories		
Road Materials		-
Equipment Parts and Materials		-
Prepaid Expenses		-
Deferred Expenses		-
Capital Assets (Net of Accumulated Depreciation)		-
		<hr/>
Total Assets		<hr/>

LIABILITIES

Current Liabilities		
Accounts Payable		-
Due to State of Michigan		-
Accrued Liabilities		-
Performance Bonds Payable		-
Due to Townships		-
Interest Payable		-
Noncurrent Liabilities		
Bonds Payable--Due Within One Year		-
Installment Purchase Agreements Payable--Due Within One Year		-
Bonds Payable--Due After One Year		-
Installment Purchase Agreements Payable--Due After One Year		-
Vested Employee Benefits Payable--Due After One Year		-
		<hr/>
Total Liabilities		<hr/>

NET ASSETS

Investment in Capital Fixed Assets		
Net of Related Debt		-
Restricted for County Road		-
		<hr/>
Total Net Assets	\$	<hr/> <hr/>

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

SAMPLE COUNTY ROAD COMMISSION
 STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 20X1

EXHIBIT B

Program Expenses	
Primary Road Maintenance	\$ -
Local Road Maintenance	-
Net Equipment Expense	-
Net Administrative Expense	-
Compensated Absences	-
Infrastructure Depreciation	-
Interest Expense	-
	<hr/>
Total Program Expenses	-
	<hr/>
Program Revenues	
License and Permits	-
Federal Aid	-
State Aid	-
Contributions From Local Units	-
Charges for Services	-
Investment Earnings	-
Reimbursements	-
	<hr/>
Total Program Revenues	-
	<hr/>
Net Program Revenues	-
	<hr/>
General Revenue	
Taxes	-
Gain on Equipment Disposal	-
Transfers In--Primary Government	-
	<hr/>
Total General Revenues and Transfers In	-
	<hr/>
Change in Net Assets	-
	<hr/>
Net Assets	
Beginning of Year	-
	<hr/>
End of Year	\$ -
	<hr/> <hr/>

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

SAMPLE COUNTY ROAD COMMISSIONS
BALANCE SHEET
December 31, 20X1

EXHIBIT C

APPENDIX E

	GOVERNMENTAL FUND TYPE
	<u>General Operating Fund</u>
<u>ASSETS</u>	
Cash	\$ -
Investments	-
Taxes Receivable	-
Accounts Receivable	
Michigan Transportation Fund	-
State Highway--Other	-
Due From Primary Government	-
Due on County Road Agreements	-
Sundry Accounts	-
Inventories	
Road Materials	-
Equipment Parts and Materials	-
Prepaid Expense	-
Deferred Expense	-
	<hr/>
Total Assets	<hr/> -
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities	
Accounts Payable	-
Due to State of Michigan	-
Accrued Liabilities	-
Due to Townships	-
Performance Bonds Payable	-
Deferred Revenue--Property Taxes	-
	<hr/>
Total Liabilities	<hr/> -
Fund Equities	
Fund Balance	
Unreserved and Undesignated	-
	<hr/>
Total Fund Equities	<hr/> -
Total Liabilities and Fund Equities	<hr/> <hr/> \$ -

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

SAMPLE COUNTY ROAD COMMISSION
 RECONCILIATION OF THE BALANCE SHEET FUND
 BALANCE TO THE STATEMENT OF NET ASSETS
 For the Year Ended December 31, 20X1

EXHIBIT D

Total Governmental Fund Balance	\$ -
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	-
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.	-
The 20X1 tax levy is not considered "available" in governmental funds, but is considered earned and is recognized as revenue in the Statement of Activities.	-
Net Assets of Governmental Activities	<u>\$ -</u>

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

SAMPLE COUNTY ROAD COMMISSION
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 For the Year Ended December 31, 20X1

	<u>General Operating Fund</u>
Revenues	
Taxes	\$ -
License and Permits	-
Federal Aid	-
State Aid	-
Contributions From Local Units	-
Charges for Services	-
Interest and Rents	-
Other Revenue	-
	<u>-</u>
Total Revenues	<u>-</u>
Expenditures	
Public Works	-
Net Capital Outlay	-
Debt Service	-
	<u>-</u>
Total Expenditures	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>
Other Financing Sources	
Proceeds From Lease Purchase Agreements	-
Transfers In--Primary Government	-
	<u>-</u>
Total Other Financing Sources	<u>-</u>
Excess of Revenues and Other Financing Sources Over Expenditures	<u>-</u>
Fund Balance--January 1, 20X1	<u>-</u>
Fund Balance--December 31, 20X1	<u><u>\$ -</u></u>

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

SAMPLE COUNTY ROAD COMMISSION
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 20X1

Net Change in Fund Balance--Total Governmental Funds \$ -

Amounts reported for governmental activities in the statements are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. -

Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the Statement of Activities.
 (\$XX,XXX,XXX.XX+\$X,XXX,XXX.XX-\$X,XXX,XXX.XX-\$XX,XXX.XX) -

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

Net increase in revenue between the 20X1 tax levy (\$X,XXX,XXX.XX) and the 20X0 tax levy collected during 20X1 (\$X,XXX,XXX.XX) -

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Increase in compensated absences and decrease in interest expense) -

Change in Net Assets of Governmental Activities \$ -

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

NOTES TO FINANCIAL STATEMENTS

The following sample notes are not intended to be all-inclusive. The Road Commission and CPA should review GASB and AICPA publications to determine if additional disclosures are necessary.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Effective January 1, 2001, the Road Commission implemented the provisions of GASB Statement No. 34 (GASB 34), *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Certain significant changes in the statements include the following:

- ❑ A Management Discussion and Analysis (MD&A) section providing an analysis of the Road Commission's overall financial position and results of operations has been included in the financial statements.
- ❑ Financial statements prepared using full accrual accounting for all of the Road Commission's activities, including infrastructure (roads, bridges, etc.).
- ❑ A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

A. Reporting Entity

The Sample County Road Commission, which is established pursuant to the County Road Law ([MCL 224.1](#)), is governed by a three member Board of County Road Commissioners appointed by the County Board of Commissioners. The Road Commission may not issue debt without the County's approval and property tax levies are subject to County Board of Commissioners' approval.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Sample County Road Commission, a discretely presented component unit of Sample County.

The Road Commission Operating 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 Road Commission Operating Fund.

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 Sample County Road Commission. There is only one fund reported in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Major individual governmental funds are reported as 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, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

D. Assets, Liabilities, and Net Assets or Equity**Cash, Cash Equivalents and Investments**

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

NOTES TO FINANCIAL STATEMENTS (Continued)Property Taxes Receivable

The property tax is levied on each December 1st on the taxable valuation of property located in the county as of the preceding December 31st. The 20X1 taxable valuation of the Sample County Road Commission amounted to \$_____ less \$_____ for cities and villages, on which ad valorem taxes of .9591 mills were levied for the Road Commission for road construction purposes for a total of \$_____.

In the government-wide financial statements, the property taxes receivable is recorded as revenue when the tax is levied in the current year.

Although the county's 20X1 ad valorem tax is levied and collectible on December 1, 20X1, it is the Road Commission's policy to recognize revenues from the current tax levy in the subsequent year. When the proceeds of this levy are budgeted and made available for the financing of the Road Commission's operations in the governmental fund financial statements, the tax receivable is offset to deferred revenue

Inventories

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

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the operating fund in the government-wide financial statements. Capital assets are defined by Sample County Road Commission as assets with an initial individual cost of more \$_____ 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 market value at the date of donation.

GASB 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 by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. The Sample County Road Commission has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the Statement of Net Assets. The Road Commission will retroactively capitalize the major infrastructure assets on or before December 31, 2006, as permitted by GASB 34.

NOTES TO FINANCIAL STATEMENTS (Continued)

Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and 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:

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

Long-Term Obligations

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

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. There is no liability for unpaid accumulated sick leave since the Road Commission does not have a policy to pay any amounts when employees separate from service with the government. All 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.

NOTE 2--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Procedures

Budgetary procedures are established pursuant to PA 621 of 1978, as amended, ([MCL 141.421](#)) which requires the county board of road commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Road Commission's chief financial officer prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board does not conduct a public budget hearing, the budget is submitted to the county and included in its public hearing. The budget is amended as necessary during the year, and is approved by the board. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

Budget Violations

Public Act 2 of 1968, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

NOTES TO FINANCIAL STATEMENTS (Continued)

Expenditures that exceeded appropriations by material amounts are as follows:

	Final Budget	Actual	Variance
Local Road Maintenance	\$ -	\$ -	\$ -
Primary Road Structures			
Heavy Maintenance	-	-	-
Local Road Structures			
Heavy Maintenance	-	-	-
Maintenance	-	-	-
State Trunkline Maintenance	-	-	-
Net Administrative Expense	-	-	-
Net Capital Outlay	-	-	-
Debt Service			
Debt Principal Payments	-	-	-
Interest Expense	-	-	-

Deficit Fund Balance

A deficit of \$_____ existed in the Local Road Fund unreserved fund balance at December 31, 20X1. [\(MCL 141.921\)](#) requires the Road Commission to file a deficit elimination plan within 90 days after the fiscal year end. A deficit elimination plan must be filed with the Michigan Department of Treasury showing how the deficit will be eliminated.

NOTE 3--CASH DEPOSITS AND INVESTMENTS

The cash and investments are classified by GASB Statement No. 3 in the following categories:

Bank Deposits (Checking Accounts, Savings Accounts, and Certificates of Deposit)	\$ -
Investments in Securities, Mutual Funds and Similar Vehicles	-
Petty Cash and Cash on Hand	<u>\$ -</u>

[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 direct 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; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTES TO FINANCIAL STATEMENTS (Continued)

The Road Commission has adopted the County’s investment policy, which is in accordance with the provisions of [Public Act 20 of 1943](#).

The risk disclosures for the Road Commission deposits, as required by the Governmental Accounting Standards Board (GASB) Statement No. 3, are as follow:

	Carrying Amount	Financial Institution Balance
	<u> </u>	<u> </u>
Petty Cash and Cash on Hand	\$ -	\$ -
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	-	-
Investments in Securities, Mutual Funds and Similar Vehicles	-	-
	<u> </u>	<u> </u>
Total	<u>\$ -</u>	<u>\$ -</u>

The Road Commission's insured deposit amount results from the County Road Fund meeting certain specified criteria under FDIC regulations.

The Road Commission's insured deposit amount results from the County Road Fund meeting certain specified criteria under FDIC regulations. The risk disclosures for the Road Commission deposits, as required by the Governmental Accounting Standards Board (GASB) Statement No. 3, are as follows:

	Carrying Amount	Financial Institution Balance
	<u> </u>	<u> </u>
Deposits and Imprest Cash		
Insured (FDIC)	\$ -	\$ -
Uninsured		-
Imprest Cash	-	-
	<u> </u>	<u> </u>
Total Deposits and Imprest Cash	<u>\$ -</u>	<u>\$ -</u>

The Road Commission's investments are categorized below to give an indication of the level of risk assumed by the entity. Risk-category 1 includes those investments that meet any one of the following criteria: insured, registered or held by the Road Commission or its agent.

NOTES TO FINANCIAL STATEMENTS (Continued)

The GASB Statement No. 3 risk disclosures for the Road Commission's investments are as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
U.S. Government Securities	\$ -	\$ -	\$ -	\$ -
Commercial Paper	-	-	-	-
Repurchase Agreements	-	-	-	-
Subtotal	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-
Investments Not Subject to Categorization				
Mutual Funds				-
Bank Investment Pools				-
Total Investments Not Subject to Categorization				<u>\$ -</u>

NOTE 4--DEFERRED COMPENSATION PLAN

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

(Informational Note: GASB issued Statement No. 32 entitled Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, dated October 1997 (effective for financial statements for periods beginning after December 31, 1998. If a government complies with the requirements of subsection (g) of IRC Section 457 in an earlier period, application of this statement is required for the financial reporting period in which compliance occurs). Paragraph 1 of Statement No. 32 indicates that new plans beyond August 20, 1996 will not be considered to be eligible plans under IRC 457 "unless all assets and income of the plan described in subsection (b)(6) are held in trust for the exclusive benefit of the participants and their beneficiaries."

Plans which meet the criteria in GASB Codification Section 1300.104 (c) for inclusion in fiduciary funds of a government should be reported as an expendable trust fund in the financial statements of that government--GASB No. 32, paragraph 4. The note must include identification and description of the plan, accounting policy, asset valuation, and reporting in the cash and investment note for the plan assets.)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5--CAPITAL ASSETS

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

	Beginning Balances <u>01/01/X1</u>	<u>Additions</u>	<u>Deductions</u>	Ending Balances <u>12/31/X1</u>
Capital Assets Not Being Depreciated				
Land and Improvements	\$ -	\$ -	\$ -	\$ -
Land/Right-of-Way	-	-	-	-
Construction in Progress	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets Being Depreciated				
Buildings	-	-	-	-
Road Equipment	-	-	-	-
Shop Equipment	-	-	-	-
Office Equipment	-	-	-	-
Engineers' Equipment	-	-	-	-
Yard and Storage	-	-	-	-
Infrastructure--Bridges	-	-	-	-
Infrastructure--Roads	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less Accumulated Depreciation				
Buildings	-	-	-	-
Road Equipment	-	-	-	-
Shop Equipment	-	-	-	-
Office Equipment	-	-	-	-
Engineers' Equipment	-	-	-	-
Yard and Storage	-	-	-	-
Infrastructure--Bridges	-	-	-	-
Infrastructure--Roads	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Capital Assets Being Depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

Depreciation expense was charged to programs of the Sample County Road Commission as follows:

Primary Road		
Heavy Maintenance	\$	-
Maintenance		-
Local Road		
Heavy Maintenance		-
Maintenance		-
State Trunkline		
Maintenance		-
Nonmaintenance		-
Administrative		-
		<hr/>
Total Depreciation Expense	\$	<u><u>-</u></u>

NOTE 6--EMPLOYEE RETIREMENT AND BENEFIT

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)

Plan Description--The Sample County Road Commission participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Road Commission. The system provides retirement, disability and death benefits to plan members and their beneficiaries. 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 System at: (insert address).

Funding Policy--The obligation to contribute to and maintain the system for these employees was established by negotiation with the Sample County Road Commission's competitive bargaining units and requires a contribution from the employees of ___ percent of gross wages for County Road Commission.

Annual Pension Costs--For year ended, 20X1, the Sample County Road Commission's annual pension cost of \$___ for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 20X1, using the ___ (cite the cost method, such as entry actual age) cost method. Significant actuarial assumptions used include: (i) a ___ investment rate of return; (ii) projected salary increases of ___ percent per year; and (iii) ___ percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is ___ years.

NOTES TO FINANCIAL STATEMENTS (Continued)

Three year trend information as of December 31 (should be as of the date of the actuaries report) follows:

	20X1	20X2	20X3
Annual Pension Cost (APC)	\$ -	\$ -	\$ -
Percentage of APC Contributed	-	-	-
Net Pension Obligation	-	-	-
Actuarial Value of Assets	-	-	-
Actuarial Accrued Liability (AAL)	-	-	-
Unfunded AAL (UAAL)	-	-	-
Funded Ratio	-	-	-
Covered Payroll	-	-	-
UAAL as a Percentage of Covered Payroll	-	-	-

(Informational Note: Alternatively, the above three-year trend information could be presented in a required supplementary information schedule).

Defined Contribution Pension Plan

The Sample County Road Commission provides pension benefits to all of its full-time employees (or specific employee group, if applicable) through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment (or other date). As established by _____ (authority under which the pension obligation is established), the Sample County Road Commission contributes ____ percent of employees' gross earnings and employee contributions for each employee) plus interest allocated to the employee's account) are fully vested after ____ years of service.

The Sample County Road Commission's total payroll during the current year was \$_____. The current year contribution was calculated based on covered payroll of \$_____, resulting in an employer contribution of \$_____ and employee contributions of \$_____.

NOTE 7--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 20X1, the Federal aid received and expended by the Road Commission was \$_____ for contracted projects and \$_____ for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT (they are included in MDOT's single audit). 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 \$300,000 or more for negotiated projects. This threshold has been increased to \$500,000 effective for fiscal years ending after December 31, 2003.

NOTE 8--POST-EMPLOYMENT BENEFITS OTHER THAN PENSION

The Road Commission provides post-retirement health care benefits, in accordance with labor contracts and personnel policy, to all employees who retire from the Road Commission. Full premium of medical benefits for the retired employees only, between 60 and 65 years old are paid by the Road Commission. When the retired employee attains the age of 65 years, the employer's contribution shall end under the contracts. Currently, ___ retirees meet those eligibility requirements. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due. During the year, net expenditures of \$_____ were recognized for post-retirement health care.

NOTES TO FINANCIAL STATEMENTS (Continued)**NOTE 9--COMMITMENTS**

At December 31, 20X1, the Road Commission had commitments for equipment in the amount of \$_____. The equipment commitments consist of four tandem trucks at \$_____ per truck along with four truck boxes at \$_____ a piece. The trucks were delivered in April and the truck boxes were received and paid for in March 20X3. The trucks will be paid for out of Road Commission funds.

NOTE 10--CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2001, the Road Commission implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenue, which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires a significant change in the financial reporting model used by local governments, eliminating account groups and utilizing the full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have a significant effect on the financial position or results of operations.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement 34.

SAMPLE COUNTY ROAD COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended December 31, 20X1

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Taxes				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits				
Permits	-	-	-	-
Federal Aid				
Surface Transportation Program	-	-	-	-
Economic Development "D" Funds	-	-	-	-
Federal Critical Bridge	-	-	-	-
FEMA	-	-	-	-
State Aid				
Michigan Transportation Fund				
Engineering	-	-	-	-
Primary Road	-	-	-	-
Primary Urban Road	-	-	-	-
Local Road	-	-	-	-
Local Urban Road	-	-	-	-
Snow Removal	-	-	-	-
Critical Bridge	-	-	-	-
Economic Development Fund				
Target Industries "A" Funds	-	-	-	-
Rural Primary "D" Funds	-	-	-	-
Contributions From Local Units				
Cities and Villages	-	-	-	-
Townships	-	-	-	-
Charges for Services				
State Trunkline Maintenance	-	-	-	-
Salvage Sales	-	-	-	-
Interest and Rents	-	-	-	-
Interest	-	-	-	-
Other Revenue				
Reimbursements	-	-	-	-
Gain on Equipment Disposal(s)	-	-	-	-
Total Operating Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources				
Proceeds From Lease Purchase Agreements	-	-	-	-
Transfers In--Primary Government	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance--January 1, 20X1	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Total Budget	<u>\$ -</u>	<u>\$ -</u>		

SAMPLE COUNTY ROAD COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 STATEMENT OF EXPENDITURES--BUDGET AND ACTUAL
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended December 31, 20X1

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Construction	\$ -	\$ -	\$ -	\$ -
Heavy Maintenance	-	-	-	-
Maintenance	-	-	-	-
Local Road				
Heavy Maintenance	-	-	-	-
Maintenance	-	-	-	-
Primary Road Structure				
Heavy Maintenance	-	-	-	-
Maintenance	-	-	-	-
Local Road Structure				
Heavy Maintenance	-	-	-	-
Maintenance	-	-	-	-
State Trunkline Maintenance				
Equipment Expense--Net	-	-		
Direct			-	-
Indirect			-	-
Operating			-	-
Less: Equipment Rentals			-	-
Administrative Expense--Net	-	-		
Administrative Expense			-	-
Engineering Expense			-	-
Less: Overhead--State Trunkline Purchase Discounts			-	-
Capital Outlay--Net	-	-		
Capital Outlay			-	-
Less: Depreciation Credits Equipment Retirements			-	-
Debt Service				
Principal Payments	-	-	-	-
Interest Expense	-	-	-	-
Total Expenditures	-	-	\$ -	\$ -
Fund Balance--December 31, 20X1	-	-		
Total Budget	\$ -	\$ -		

SAMPLE COUNTY ROAD COMMISSION
 ANALYSIS OF CHANGES IN FUND BALANCES
 For the Year Ended December 31, 20X1

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Total Operating Revenues	\$ -	\$ -	\$ -	\$ -
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Proceeds From Lease Purchase Agreements	-	-	-	-
Transfers In--Primary Government	-	-	-	-
Optional Transfers In (Out)	-	-	-	-
Interfund Transfers In (Out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-
Fund Balance--January 1, 20X1	-	-	-	-
Fund Balance--December 31, 20X1	\$ -	\$ -	\$ -	\$ -

SAMPLE COUNTY ROAD COMMISSION
 ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES
 For the Year Ended December 31, 20X1

EXHIBIT J

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Taxes				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits				
Permits	-	-	-	-
Federal Aid				
Surface Transportation Program	-	-	-	-
Economic Development "D" Funds	-	-	-	-
Critical Bridge	-	-	-	-
FEMA	-	-	-	-
State Aid				
Michigan Transportation Fund				
Engineering	-	-	-	-
Primary Road	-	-	-	-
Primary Urban Road	-	-	-	-
Local Road	-	-	-	-
Local Urban Road	-	-	-	-
Snow Removal	-	-	-	-
Critical Bridge	-	-	-	-
Economic Development Fund				
Target Industries (A)	-	-	-	-
Rural Primary (D)	-	-	-	-
Contributions From Local Units				
Cities and Villages	-	-	-	-
Townships	-	-	-	-
Charges for Services				
State Trunkline Maintenance	-	-	-	-
Salvage Sales	-	-	-	-
Interest and Rents				
Interest	-	-	-	-

SAMPLE COUNTY ROAD COMMISSION
 ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES
 For the Year Ended December 31, 20X1

EXHIBIT J
 (CONTINUED)

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Other Revenue				
Reimbursements	\$ -	\$ -	\$ -	\$ -
Gain on Equipment Disposals	-	-	-	-
Total Operating Revenue	-	-	-	-
Other Financing Sources				
Proceeds From Lease Purchase Agreements	-	-	-	-
Transfers In--Primary Government	-	-	-	-
Total Other Financing Sources	-	-	-	-
Total Revenue and Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SAMPLE COUNTY ROAD COMMISSION
 ANALYSIS OF EXPENDITURES
 For the Year Ended December 31, 20X1

EXHIBIT K

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Primary Road				
Construction	\$ -	\$ -	\$ -	\$ -
Heavy Maintenance	-	-	-	-
Maintenance	-	-	-	-
Local Road				
Heavy Maintenance	-	-	-	-
Maintenance	-	-	-	-
Primary Road Structure				
Heavy Maintenance	-	-	-	-
Maintenance	-	-	-	-
Local Road Structure				
Heavy Maintenance	-	-	-	-
Maintenance	-	-	-	-
State Trunkline Maintenance	-	-	-	-
Equipment Expense--Net (Per Exhibit H)	-	-	-	-
Administrative Expense--Net (Per Exhibit H)	-	-	-	-
Capital Outlay--Net (Per Exhibit H)	-	-	-	-
Debt Service				
Principal Payments	-	-	-	-
Interest Expense	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

APPENDIX F

ALTERNATIVE PRESENTATION
SAMPLE

FINANCIAL STATEMENTS

Alternative Presentation Sample Financial Statements

A special purpose government that engages only in a single type of activity (i.e., only in governmental activities or only business-type activities) can issue a simplified version of the statements. This would apply to entities such as a county road commission. The following statements are an alternative presentation that is allowed for a special purpose government that engages only in governmental activities:

- MD&A (Example Follows)
- Governmental Funds Balance Sheet/Statement of Net Assets (Example Follows)
- Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities (Example Follows)
- Notes ([Appendix E](#))

Required Supplemental Information

1. Budgetary Comparison Schedules include original and final amended budget. ([Exhibits G and H, Appendix E](#))
2. Infrastructure Assets--Modified Approach
3. Other RSI as required GASB 25 and 27

Supplemental Financial Information--Must be audited at least to the extent necessary to state that, in the auditor's opinion, the supplemental data is fairly stated in all material respects in relation to the financial statements.

1. Analysis of Changes in Fund Balances ([Exhibit I, Appendix E](#))
2. Analysis of Revenues and Other Financing Sources ([Exhibit J, Appendix E](#))
3. Analysis of Expenditures ([Exhibit K, Appendix E](#))

The following examples present a county road commission's Governmental Funds Balance Sheet/Statement of Net Assets and Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities:

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report

The _____ 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 deviations from the approved budget; and (e) identify any issues or concerns.

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 the 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 or decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating.

Reporting the Road Commission's Major Fund

Our analysis of the Road Commission's major fund begins on page __. The fund financial statements begin on page __ and provide detailed information about the major fund. The Road Commission currently has only one fund, the General Operations Fund, in which all of the Road Commission's activities are accounted. The General Operations Fund is a governmental fund type.

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

The Road Commission as a Whole

The Road Commission's net assets increased approximately ___% from \$_____ to \$_____ for the year ended _____ 31, 20___. The net assets and change in net assets are summarized below.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased \$_____. Restricted net assets, those restricted mainly for Act 51 purposes, decreased \$_____. The primary reason for the decreases was a decline in Federal support for road projects. Declining interest rates and gasoline tax revenue also negatively impacted net assets. The investment in the capital assets category increased \$_____.

It is important for the reader to realize that the increase in net assets is largely a result of the Road Commission electing to retroactively report infrastructure assets (assets acquired prior to _____) in a subsequent year as allowed by GASB Statement No. 34 (GASB 34). If the retroactive infrastructure provisions of GASB 34 had been implemented in the current year, depreciation expense would have been higher, resulting in a smaller increase in net assets or even a decrease.

Net assets as of year ended _____ follows:

	<u>Governmental Activities</u>
Current and Other Assets	\$ -
Capital Assets	-
	<hr/>
Total Assets	-
	<hr/>
Other Liabilities	-
	<hr/>
Net Assets	
Invested in Capital Assets	-
Restricted	-
Unrestricted	-
	<hr/>
Total Net Assets	<u>\$ -</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following table presents only current year data. In future years, when prior year information is available, comparative analysis of Road Commission data will be presented. A summary of changes in net assets for the year ended _____ follows:

	<u>Governmental Activities</u>
Program Revenues	
Charges for Services	\$ -
Operating Grants and Contributions	-
Capital Grants and Contributions	-
General Revenues	
Interest Income	-
Property Rentals	-
Gain on Disposal of Equipment	-
Other General Revenues	-
	<hr/>
Total Revenues	-
	<hr/>
Program Expenses	
Primary Roads	
Heavy Maintenance	-
Maintenance	-
Local Roads	
Heavy Maintenance	-
Maintenance	-
State Trunkline	
Maintenance	-
Nonmaintenance	-
Reimbursable Services	-
Administrative	-
	<hr/>
Total Expenses	-
	<hr/>
Increase in Net Assets	<u><u>\$ -</u></u>

The Road Commission’s Fund

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

For the year ended _____, the fund balance of the General Operations Fund decreased \$_____ as compared to a decrease of \$_____ in the fund balance for the year ended _____(last year). Total revenues were \$_____, a decrease of \$_____ as compared to last year. This change in revenues resulted primarily from a decrease in Federal Surface Transportation Funds due to fewer Federal projects.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Total expenditures were \$ _____, a decrease of \$ _____ as compared to last year. This change in expenditures is primarily the decrease in capital outlay in the current year. The Road Commission incurred an increase to capital outlay last year due to significant renovations and repairs to its building.

Budgetary Highlights

Prior to the beginning of any year, the Road Commission’s budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorized large expenditures when requested throughout the year.

The revenue budget for 20X1 was higher than the actual receipts by \$ _____. This was due, in large part, to the projection of local road participation by townships. Expenditures for construction on local roads are limited to 50% of the contract costs. The Road Commission budgets for the receipt of funds from townships for projects on local roads. This year, the revenue from township contributions was lower than projected in the amount of \$ _____.

Road Commission expenditures were projected at \$ _____ while actual expenditures were \$ _____. This resulted in total expenditures being under budget by \$ _____. There were three items that account for most of the variance in the projection of the budget. The largest share of the variance is in the area of local road heavy maintenance. As mentioned earlier, expenditures for construction on local roads by statute is limited to 50% of the contract costs. Therefore, when revenues are not realized, corresponding expenditures are not required. Consequently, the projected budget amount for local road heavy maintenance should have decreased by \$ _____. Expenditures for primary road heavy maintenance and routine maintenance were over budget by \$ _____ and \$ _____, respectively. Our engineering and maintenance departments projected that work in these two areas would be completed; however, weather and other factors combined to limit the amount of work that could be completed prior to year-end.

Capital Asset and Debt Administration

Capital Assets

As of _____ (year end), the Road Commission had \$ _____ invested in capital assets as follows:

Capital Assets Not Being Depreciated	
Land and Improvements	\$ -
Other Capital Assets	
Buildings and Improvements	-
Road Equipment	-
Other Equipment	-
Infrastructure and Improvements	-
Total Capital Assets at Historic Cost	<u>-</u>
Total Accumulated Depreciation	<u>-</u>
Total Net Capital Assets	<u><u>\$ -</u></u>

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Current year's major additions included the following:

Reconstruction of Bridges (by Location)	\$	-
Intersection Improvements/Construction	\$	-
Various Resurfacing Projects	\$	-
Trucks/Equipment	\$	-

Debt

The Road Commission currently experiences a relatively debt free status. Bonds issued in prior years have been paid off and retired. The Road Commission currently has long-term debt in the amount of \$_____ which represents compensated absences payable.

Economic Factors and Next Year’s Budget

The Board of County Road Commissioners considered many factors when setting the fiscal year 20__ budget. One of the factors is the economy. The Road Commission derives approximately __% of its revenues from the fuel tax collected. The recent economic downturn has resulted in less consumption of fuel and consequently less Michigan Transportation Funds to be distributed. Investment income on the cash in our fund balance will decline by approximately __% or approximately \$_____.

The board realizes, and the reader should understand, that there are not sufficient funds available to repair and/or rebuild every road in _____ County’s transportation system. Therefore, the board attempts to spend the public’s money wisely and equitably, and in the best interest of the motoring public and the citizens of _____ County.

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 _____ County Road Commission administrative offices at _____.

Special Purpose Governments Engaged Only in Governmental Activities

**SAMPLE COUNTY ROAD COMMISSION FINANCIAL STATEMENT
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS**

	<u>Modified Accrual Basis</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
	\$	\$	\$
Cash and Cash Equivalents			
Investments			
Accounts Receivable			
Inventories			
Prepaid Expenses			
Deferred Expenses			
Capital Assets (Net of Accumulated Depreciation)	_____	_____	_____
Total Assets	<u>\$</u>	<u>\$</u>	<u>\$</u>
LIABILITIES			
Current Liabilities			
Accounts Payable/Accrued Liabilities	\$	\$	\$
Due to State of Michigan			
Performance Bonds Payable			
Due to Townships			
Interest Payable			
Deferred Revenue			
Non-Current Liabilities			
Bonds Payable--Due Within One Year			
Bonds Payable--Due After One Year			
Accumulated Employee Benefits	_____	_____	_____
Total Liabilities	_____	_____	_____
FUND BALANCE/NET ASSETS			
Fund Balances--Unreserved	_____	_____	_____
Total Fund Equities	_____	_____	_____
Total Liabilities and Fund Balance	<u>\$</u>		
Net Assets			
Invested in Capital Assets--Net of Related Debt			
Restricted			
Unrestricted		_____	_____
Total Net Assets		<u>\$</u>	<u>\$</u>

Special Purpose Governments Engaged Only in Governmental Activities

**SAMPLE COUNTY ROAD COMMISSION FINANCIAL STATEMENT
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES**

	<u>Modified Accrual Basis</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Revenue			
Property Taxes	\$	\$	\$
License and Permits			
Federal Grants			
State Grants			
Contributions From Local Units			
Charges for Services			
Interest and Rents			
Other Revenues			
	_____	_____	_____
Total Revenue	_____	_____	_____
Expenditures			
Current			
Primary Road Construction			
Primary Road Heavy Maintenance			
Primary Road Maintenance			
Local Road Construction			
Local Road Heavy Maintenance			
Local Road Maintenance			
State Trunkline Maintenance			
State Trunkline Non-Maintenance			
Equipment Expense--Net			
Administrative Expense--Net			
Compensated Absences			
Capital Outlay--Net			
Capital Outlay			
Less: Depreciation and Depletion			
Equipment Retirements			
Infrastructure Depreciation			
Debt Service			
Principal			
Interest			
	_____	_____	_____
Total Expenditures	_____	_____	_____

Special Purpose Governments Engaged Only in Governmental Activities

SAMPLE COUNTY ROAD COMMISSION FINANCIAL STATEMENT (CONTINUED)
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

	<u>Modified Accrual Basis</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Excess of Revenue Over (Under) Expenditures	_____	_____	_____
Other Financing Sources			
Proceeds From Lease Purchase Agreements			
Transfers In--Primary Government	_____	_____	_____
Total Other Financing Sources	_____	_____	_____
Excess of Revenues and Other Financing Sources Over Expenditures	_____	_____	_____
Change in Net Assets			
Fund Balance/Net Assets--Beginning of Year	_____	_____	_____
Fund Balance/Net Assets--End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>