

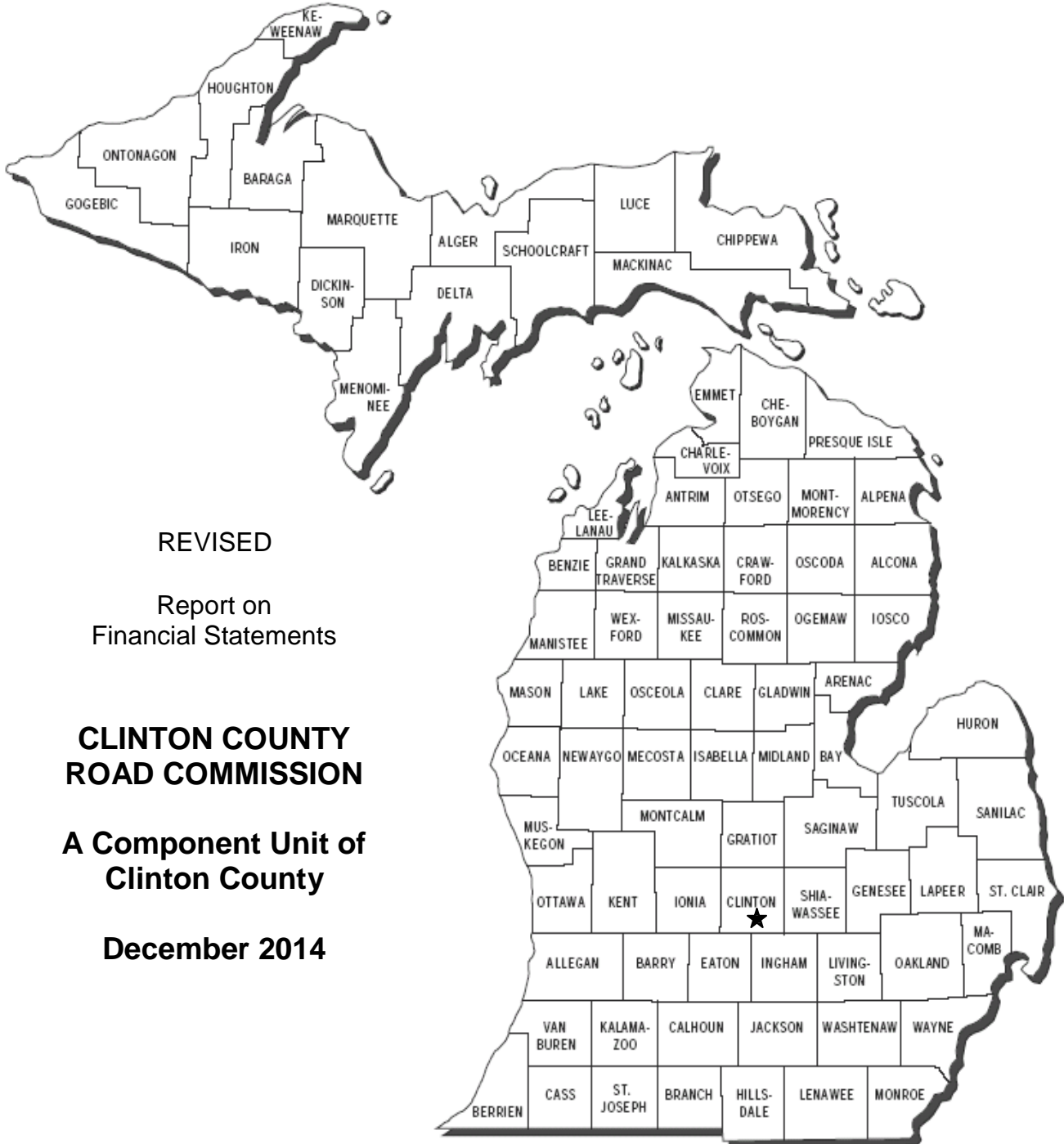
STATE OF MICHIGAN

Rick Snyder, Governor

DEPARTMENT OF TREASURY

NICK A KHOURI

State Treasurer



REVISED

Report on
Financial Statements

CLINTON COUNTY ROAD COMMISSION

A Component Unit of
Clinton County

December 2014

CLINTON COUNTY ROAD COMMISSION
BOARD OF COUNTY ROAD COMMISSIONERS

Donald J. Sisung
Chairman

Peter B. Blauwiel
Vice Chairman

Gail A. Watkins
Member

Joseph D. Pulver, P.E.
Managing Director

Daniel R. Armentrout
County Highway Engineer

Jill A. Rey
Director of Finance/Clerk

COUNTY POPULATION--2010
75,382

STATE EQUALIZED VALUATION--2014
\$2,872,396,368



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

May 21, 2015

Board of County Road Commissioners
Clinton County Road Commission
3536 South BR 127
St. Johns, Michigan 48879

Independent Auditor's Report

Dear Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Clinton County Road Commission, a component unit of Clinton County, Michigan, as of and for the year ended December 31, 2014, which collectively comprise the Road Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, standards prescribed by the state treasurer, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Clinton County Road Commission, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 10 and the budgetary comparison information in Exhibits I and J and the schedule of funding progress for employee retirement systems (pensions) and other post-employee benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clinton County Road Commission's basic financial statements. The accompanying supplementary and related information presented as Exhibits K, L and M are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Exhibits K, L and M are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the Exhibits listed above are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2015, on our consideration of the Clinton County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clinton County Road Commission's internal control over financial reporting and compliance.



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

CLINTON COUNTY ROAD COMMISSION

TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS	1
<u>BASIC FINANCIAL STATEMENTS</u>	
EXHIBIT A--Statement of Net Position.....	11
EXHIBIT B--Statement of Activities	12
EXHIBIT C--Balance Sheet--Governmental Fund.....	13
EXHIBIT D--Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position.....	14
EXHIBIT E--Statement of Revenues, Expenditures and Changes in Fund Balance--Governmental Fund	15
EXHIBIT F--Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities.....	16
EXHIBIT G--Statement of Net Position--Fiduciary Fund	17
EXHIBIT H--Statement of Changes in Net Position--Fiduciary Fund.....	18
NOTES TO FINANCIAL STATEMENTS	19
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Funding Progress--Employees Retirement System (Pension) and Other Post-Employment Benefits	37
EXHIBIT I--General Operating Fund--Schedule of Revenues Budgetary Comparison Schedule.....	38
EXHIBIT J--General Operating Fund--Schedule of Expenditures Budgetary Comparison Schedule	39
<u>SUPPLEMENTARY SCHEDULES</u>	
EXHIBIT K--General Operating Fund--Analysis of Changes in Fund Balances	40
EXHIBIT L--General Operating Fund--Analysis of Revenues	41
EXHIBIT M--General Operating Fund--Analysis of Expenditures	42
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	43
Report to Those Charged With Governance	45

CLINTON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2014

Using this Annual Report

Our discussion and analysis of Clinton County Road Commission's financial performance provides an overview of the road commission's financial activities for the calendar year ended December 31, 2014. This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the road commission and present a longer-term view of the road commission's finances. 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 Position 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 position and how it has changed. "Net position" is the difference between the assets (deferred outflows) and liabilities (deferred inflows)—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.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

CLINTON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2014

Reporting the Road Commission as a Whole

Government-Wide Statements

The Statement of Net Position 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 Position 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 position and how it has changed. The reader can think of the road commission's net position (the difference between assets (deferred outflows) and liabilities (deferred inflows) 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 position are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the road commission you need to consider additional non-financial 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.

Fund Financial Statements

The road commission has only one fund, the General Operations Fund, which is a governmental fund type.

The Governmental Fund focuses on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the road commission's general governmental operations and the basic services 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 Position and the Statement of Activities) and the Governmental Fund in a reconciliation following the Fund Financial Statements.

CLINTON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2014

Financial Analysis of the Road Commission as a Whole

The Road Commission's net position in total increased by 4.23% or \$2,425,643 (\$57,391,554 compared to \$59,817,197) for the year ended December 31, 2014. The net position and change in net position are summarized below:

Net Position

Restricted net position is those amounts 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, and 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 net investment in capital assets) are considered restricted.

The increase of \$416,053 in current assets was due to a decrease in cash and investments of \$281,757; an increase in accounts receivables of \$507,823 due to special State of Michigan allocations related to PA 252 of 2014; and an increase in inventory of \$189,987 as a result of stockpile balances on hand at year end.

The decrease in current liabilities of \$66,859 was due mainly to a decrease in due to State for federal aid projects of \$16,711; a decrease in accounts payable of \$20,730; a decrease of \$6,694 in accrued liabilities payable and a decrease in performance bonds payable of \$22,724.

The decrease of \$343,500 in non-current liabilities was due mainly to a \$342,182 decrease in other post-employment benefits payable as a result of the Road Commission's continuing efforts to manage and reduce its other post-employment benefit (OPEB) liability.

CLINTON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2014

Net position as of year ended December 31, 2014 compared to the prior year follows:

	2013	2014	Variance Increase (Decrease)	Variance %
Current and Other Assets	\$ 4,899,326	\$ 5,315,379	\$ 416,053	8.49%
Net Capital Assets	<u>56,112,880</u>	<u>57,712,111</u>	<u>1,599,231</u>	<u>2.85%</u>
Total Assets	<u>61,012,206</u>	<u>63,027,490</u>	<u>2,015,284</u>	<u>3.30%</u>
Current Liabilities	317,675	250,816	(66,859)	-21.05%
Non-Current Liabilities	<u>3,302,977</u>	<u>2,959,477</u>	<u>(343,500)</u>	<u>-10.40%</u>
Total Liabilities	<u>3,620,652</u>	<u>3,210,293</u>	<u>(410,359)</u>	<u>-11.33%</u>
Net Position				
Net Investment in Capital Assets	56,112,880	57,712,111	1,599,231	2.85%
Restricted	<u>1,278,674</u>	<u>2,105,086</u>	<u>826,412</u>	<u>64.63%</u>
Total Net Position	<u>\$ 57,391,554</u>	<u>\$ 59,817,197</u>	<u>\$ 2,425,643</u>	<u>4.23%</u>

Changes in Net Position

The net increase in total revenues of \$1,413,027 was primarily due to increases in federal grants of \$589,934 and state grants of \$654,164 due to increased funding available for improvements to qualified roads/bridges, and charges for service of \$112,243 as the Road Commission performed non road related contractual services for others.

The net increase of \$367,708 in total expenses was due mainly to increases in expenses associated with infrastructure depreciation of \$200,715, primary road maintenance of \$104,151, state trunkline maintenance of \$167,038, and net equipment expense of \$103,036 due to an aging fleet.

A summary of changes in net position for the year ended December 31, 2014 compared to the prior year follows:

CLINTON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2014

	2013	2014	Favorable (Unfavorable) Variance	Variance %
Program Revenue				
License and Permits	\$ 56,460	\$ 66,290	\$ 9,830	17.41%
Federal Grants	1,780,576	2,370,510	589,934	33.13%
State Grants	6,728,702	7,382,866	654,164	9.72%
Contributions From Local Units	2,615,307	2,513,047	(102,260)	-3.91%
Charges for Services	859,392	971,635	112,243	13.06%
Investment Earnings	20,214	20,054	(160)	-0.79%
Public Contributions	53,462	7,309	(46,153)	-86.33%
Other	275,770	397,714	121,944	44.22%
General Revenue				
Gain on Equipment Disposal	314	73,799	73,485	23402.87%
Total Revenue	12,390,197	13,803,224	1,413,027	11.40%
Expenses				
Primary Road Maintenance	2,254,122	2,358,273	(104,151)	-4.62%
Local Road Maintenance	3,902,330	3,949,799	(47,469)	-1.22%
State Trunkline Maintenance	813,659	980,697	(167,038)	-20.53%
Net Equipment Expense	125,243	228,279	(103,036)	-82.27%
Net Administrative Expense	662,869	670,604	(7,735)	-1.17%
Infrastructure Depreciation	3,166,223	3,366,938	(200,715)	-6.34%
Work for Other Agencies	106,379	80,513	25,866	24.31%
Drainage District	42,283	47,126	(4,843)	-11.45%
Compensated Absences	(28,022)	37,534	(65,556)	233.94%
Other Postemployment Benefits	(35,213)	(342,182)	306,969	-871.75%
Total Expenses	11,009,873	11,377,581	(367,708)	-3.34%
Increase in Net Position	1,380,324	2,425,643	1,045,319	75.73%
Ending Net Position	\$ 57,391,554	\$ 59,817,197	\$ 2,425,643	4.23%

CLINTON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2014

The Road Commission's Fund

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

For the year ended December 31, 2014, revenues exceeded expenditures by \$236,449 mainly as a result of an increase in Federal and State Grants as well as private contributions on public works projects for primary and local road preservation and structural improvements. Total revenue exceeded the prior years by \$1,127,709, whereas expenditures exceeded the prior year in the amount of \$620,232.

A summary of changes in the general operating fund is as follows:

	2013	2014	Favorable (Unfavorable) Variance	Variance %
Revenues				
License and Permits	\$ 56,460	\$ 66,289	\$ 9,829	17.41%
Federal Grants	1,780,576	2,370,510	589,934	33.13%
State Grants	6,728,702	7,097,551	368,849	5.48%
Contributions From Local Units	2,615,307	2,513,047	(102,260)	-3.91%
Charges for Services	859,392	971,636	112,244	13.06%
Investment Earnings	20,214	20,053	(161)	-0.80%
Other Revenue	329,547	478,822	149,275	45.30%
Total Revenue	<u>12,390,198</u>	<u>13,517,908</u>	<u>1,127,710</u>	<u>9.10%</u>
Expenditures				
Public Works	12,474,581	13,103,826	(629,245)	-5.04%
Capital Outlay	186,646	177,633	9,013	4.83%
Total Expenditures	<u>12,661,227</u>	<u>13,281,459</u>	<u>(620,232)</u>	<u>-4.90%</u>
Excess of Revenues Over (Under) Expenditures	(271,029)	236,449	507,478	187.24%
Beginning Fund Balance	<u>4,609,551</u>	<u>4,338,522</u>	<u>(271,029)</u>	<u>-5.88%</u>
Ending Fund Balance	<u>\$ 4,338,522</u>	<u>\$ 4,574,971</u>	<u>\$ 236,449</u>	<u>5.45%</u>

CLINTON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2014

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 utilizing 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 actual revenue recognized during 2014 was more than the final amended budget by \$2,263,200 with \$732,601 of this amount as a result of Michigan Transportation Funds being more than the final budget amendment projection and \$347,727 for state trunkline due to winter maintenance during the later months of 2014 and \$675,870 in unanticipated state grants.

The actual expenditures recognized during 2014 were less than the final amended budget by \$711,889. This deficit of expenditures over budgeted projections was due primarily to primary routine and preventative maintenance, local routine and preventative maintenance, net equipment expenses, and a decreased net capital outlay in 2014.

CLINTON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2014

Capital Assets

As of December 31, 2014, the road commission had \$57,712,111 invested in capital assets as follows:

	2013	2014	Variance Favorable (Unfavorable)	Variance %
Capital Assets Not being Depreciated				
Land	\$ 283,750	\$ 283,750	\$ -	0.00%
Land Improvements	6,177,253	6,319,701	142,448	2.31%
Right-of-Way Easements	1,315,246	1,335,246	20,000	1.52%
Subtotal	<u>7,776,249</u>	<u>7,938,697</u>	<u>162,448</u>	<u>2.09%</u>
Capital Assets Being Depreciated				
Buildings	1,877,652	1,920,262	42,610	2.27%
Depletable Assets	75,448	75,448	-	0.00%
Equipment	7,047,135	7,225,804	178,669	2.54%
Infrastructure	83,810,453	87,276,841	3,466,388	4.14%
Subtotal	<u>92,810,688</u>	<u>96,498,355</u>	<u>3,687,667</u>	<u>3.97%</u>
Total Capital Assets	100,586,937	104,437,052	3,850,115	3.83%
Total Accumulated Depreciation	<u>44,474,057</u>	<u>46,724,941</u>	<u>2,250,884</u>	<u>5.06%</u>
Total Net Capital Assets	<u>\$ 56,112,880</u>	<u>\$ 57,712,111</u>	<u>\$ 1,599,231</u>	<u>2.85%</u>

During the current year the road commission invested \$4,568,985 in infrastructure capital assets. In addition, \$585,681 was invested in other depreciable capital assets. The infrastructure recorded during 2014 will be depreciated in the following year. The infrastructure is financed through Federal, State and local contributions.

CLINTON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2014

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

Various Resurfacing Projects and Related ROW	\$ 3,815,835
Bridges	772,816
Traffic Signals	334
Trucks/Equipment	518,010
Office/Shop Equipment	20,384
Engineering Equipment	1,112
Shop Equipment	3,565
Yard Equipment	-
Building & Additions	42,610
Land Improvement	<u>142,448</u>
 Total Additions	 <u><u>\$ 5,317,114</u></u>

During 2014, the road commission traded in and/or disposed of equipment with a purchase amount of \$364,402 and related depreciation of \$358,899 with a net book value of \$5,503. A total of \$1,102,597, of infrastructure assets was removed from the capital asset accounts.

In 2015 the road commission has budgeted for the purchase of a one ton dump pickup truck with sander at a cost of \$50,000.

Debt

Obligations include accrued vacation, sick leave, and longevity in the amount of \$605,112 at the end of 2014, an increase of \$37,537 as compared to 2013.

CLINTON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2014

Economic Factors and Next Year's Budget

The Road Commission derives approximately 45% of its revenues from the fuel tax and license plate fees collected. Using Michigan Department of Transportation projections, it is estimated that the Road Commission will receive approximately the same or less Michigan Transportation Fund revenue in 2015. The Road Commission derived approximately 46.29% of its revenues from the fuel tax collected in 2014 and approximately 17.6% of its revenues from township contributions during 2014. The amount of township contribution fluctuates annually with the level of township participation in approved road projects. During 2015, we expect to receive \$2,208,200 in federal and state aid for road projects if they are completed during the 2015 construction season. In 2012, the Board of Clinton County Road Commissioners authorized the use of the alternative valuation method for all other post-employment benefits (other than pensions). The actuarial determined that the Road Commission had an Unfunded Accrued Liability (UAL) of \$10,210,136 as of December 31, 2012 for employer financed retiree health care. The Board of Clinton County Road Commissioners has established a trust fund through Municipal Employees Retirement System of Michigan for other post-employment benefits (OPEB) with \$545,000 contributed in 2014 in addition to the monthly retiree health insurance premiums of \$480,503; the Road Commission exceeded the Annual Required Contribution (ARC) of \$728,014. The MERS OPEB Trust Fund had a balance of \$1,800,882 at the end of 2014. The Road Commission continues its commitment to reduce this liability.

The above items were considered when adopting the budget for 2015. The amount available for appropriation in the 2015 budget is \$13,043,163. The budget is a financial tool that can be amended quarterly to adjust to actual revenue/expenditures dependent upon Michigan Transportation Fund revenue.

Contacting the Commission's Financial Management

The financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the commission's finances and to show the commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Clinton County Road Commission Director of Finance at 3536 S. BR-127, St. Johns, MI 48879.

**CLINTON COUNTY ROAD COMMISSION
STATEMENT OF NET POSITION
December 31, 2014**

EXHIBIT A

ASSETS

Cash	\$ 2,731,514
Accounts Receivable	
State--Trunkline Maintenance	85,582
Michigan Transportation Fund	980,455
Due on County Road Agreements	263,925
Due from State-Other	428,344
Sundry Accounts	10,572
Inventories	
Road Materials	571,012
Equipment Parts and Materials	243,975
Capital Assets -Depreciating	49,773,414
Capital Assets--Nondepreciating	<u>7,938,697</u>
 Total Assets	 <u>63,027,490</u>

LIABILITIES

Current Liabilities	
Accounts Payable	106,464
Accrued Liabilities	67,352
Due to State of Michigan	(29,282)
Performance Bonds Payable	106,282
Non-Current Liabilities	
State Trunkline Advances	204,277
Vested Employee Benefits Payable	605,112
Other Post-employment Benefits Payable	<u>2,150,088</u>
 Total Liabilities	 <u>3,210,293</u>

NET POSITION

Net Investment in Capital Assets	57,712,111
Restricted for County Roads	<u>2,105,086</u>
 Total Net Position	 <u>\$ 59,817,197</u>

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

**CLINTON COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014**

EXHIBIT B

Program Expenses	
Primary Road Maintenance	\$ 2,358,273
Local Road Maintenance	3,949,799
State Trunkline Maintenance	980,697
Net Equipment Expense	228,279
Net Administrative Expense	670,604
Work for Other Agencies and Non Road Projects	80,513
Infrastructure Depreciation	3,366,938
Drainage District	47,126
Compensated Absences	37,534
Other Post-employment Benefits Expense	(342,182)
Total Program Expenses	<u>11,377,581</u>
Program Revenue	
Charges for Services	
Licenses and Permits	66,290
Charges for Services	971,635
Operating Grants and Contributions	
Michigan Transportation Funds	6,257,601
Investment Earnings	20,054
Capital Grants and Contributions	
Federal Grants	2,370,510
State Grants	1,125,265
Contributions From Local Units	2,513,047
Private Contributions	397,714
Public Contributions	7,309
Total Program Revenue	<u>13,729,425</u>
Net Program Revenue	<u>2,351,844</u>
General Revenue	
Gain on Disposal of Capital Assets	73,799
Total General Revenues	<u>73,799</u>
Change in Net Position	2,425,643
Net Position	
Beginning of Year	<u>57,391,554</u>
End of Year	<u>\$ 59,817,197</u>

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

**CLINTON COUNTY ROAD COMMISSION
BALANCE SHEET--GOVERNMENTAL FUND
December 31, 2014**

EXHIBIT C

	General Operating Fund
<u>ASSETS</u>	
Cash	\$ 2,731,514
Accounts Receivable	
State Trunkline Maintenance	85,582
Michigan Transportation Fund	980,455
Due from State-Other	428,344
Due on County Road Agreements	263,925
Sundry Accounts	10,572
Inventories	
Road Materials	571,012
Equipment Parts and Materials	243,975
	<hr/>
Total Assets	\$ 5,315,379
	<hr/> <hr/>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY</u>	
Liabilities	
Accounts Payable	\$ 106,464
Accrued Liabilities	67,352
Due to State of Michigan	(29,282)
Performance Bonds Payable	106,282
Advances From State	204,277
	<hr/>
Total Liabilities	455,093
	<hr/>
Deferred Inflows of Resources	
Unavailable Revenues	285,315
	<hr/>
Fund Equities	
Fund Balance	
Nonspendable for Inventory	814,987
Restricted for Road Operations	3,759,984
	<hr/>
Total Fund Equities	4,574,971
	<hr/>
Total Liabilities, Deferred Inflows of Resources, and Fund Equities	\$ 5,315,379
	<hr/> <hr/>

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

**CLINTON COUNTY ROAD COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2014**

EXHIBIT D

Total Governmental Fund Balance	\$ 4,574,971
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.	57,712,111
Amounts that do not provide current financial resources are deferred in the fund financial statements, but are reported as revenues in the statement of activities	285,315
Long-term liabilities are not due and payable in the current period and are not reported in the fund statements.	<u>(2,755,200)</u>
Net Position of Governmental Activities	<u><u>\$ 59,817,197</u></u>

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

**CLINTON COUNTY ROAD COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE--GOVERNMENTAL FUND
For the Year Ended December 31, 2014**

EXHIBIT E

	<u>General Operating Fund</u>
Revenues	
License and Permits	\$ 66,289
Federal Grants	2,370,510
State Grants	7,097,551
Contributions From Local Units	2,513,047
Charges for Services	971,636
Interest and Rents	20,053
Other Revenue	478,822
	<hr/>
Total Revenues	13,517,908
	<hr/>
Expenditures	
Public Works	13,103,826
Capital Outlay	177,633
	<hr/>
Total Expenditures	13,281,459
	<hr/>
Excess of Revenues Over (Under) Expenditures	236,449
	<hr/>
Fund Balance--January 1, 2014	4,338,522
	<hr/>
Fund Balance--December 31, 2014	<u>\$ 4,574,971</u>

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

**CLINTON COUNTY ROAD COMMISSION
 RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO
 THE STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 2014**

EXHIBIT F

Net Change in Fund Balance--Total Governmental Funds \$ 236,449

Amounts reported for governmental activities in the statement 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. 1,599,231

Amounts that do not provide current financial resources are deferred in the fund
 financial statements but are reported as revenues in the statement of activities 285,315

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 vested employee benefits and decrease in
 other postemployment benefits expense). 304,648

Change in Net Position of Governmental Activities \$ 2,425,643

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

**CLINTON COUNTY ROAD COMMISSION
STATEMENT OF NET POSITION
FIDUCIARY FUND
December 31, 2014**

EXHIBIT G

	Health Care Savings Program	Retiree Health Care Trust	Total
<u>ASSETS</u>			
Investments at Fair Market Value			
MERS Total Market Funds	\$ 13,163	\$ 1,787,719	\$ 1,800,882
Total Assets	<u>13,163</u>	<u>1,787,719</u>	<u>1,800,882</u>
<u>LIABILITIES</u>			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET POSITION</u>			
Held in Trust for Retiree Health Care Benefits	<u>\$ 13,163</u>	<u>\$ 1,787,719</u>	<u>\$ 1,800,882</u>

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

**CLINTON COUNTY ROAD COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended December 31, 2014**

EXHIBIT H

	Health Care Savings Program	Retiree Health Care Trust	Total
Additions			
Contributions			
Employer	\$ 13,353	\$ 545,000	\$ 558,353
Total Contributions	<u>13,353</u>	<u>545,000</u>	<u>558,353</u>
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	(190)	86,938	86,748
Net Investment Income (Loss)	<u>(190)</u>	<u>86,938</u>	<u>86,748</u>
Total Additions	<u>13,163</u>	<u>631,938</u>	<u>645,101</u>
Benefit Payments	-	-	-
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>13,163</u>	<u>631,938</u>	<u>645,101</u>
Net Position- Restricted for Other Postemployment Benefits Care Benefits - January 1, 2014	-	1,155,781	-
Net Position- Restricted for Other Postemployment Benefits Care Benefits - December 31, 2014	<u>\$ 13,163</u>	<u>\$ 1,787,719</u>	<u>\$ 1,800,882</u>

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

CLINTON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Clinton County Road Commission conform to generally accepted accounting principles 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 Clinton County Road Commission.

Reporting Entity

The Clinton County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a 3-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 for road purposes are subject to county board of commissioners' approval.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 61, "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 Clinton County Road Commission, a discretely presented component unit of Clinton County.

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

Basis of Presentation – Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the Clinton County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Position presents the road commission's assets and liabilities with the difference being reported as either net investment in capital assets or restricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers 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.

CLINTON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Fund Financial Statements

Separate financial statements are provided for the General Operating Fund (governmental fund). The General 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.

The road commission also reports the following fund:

Retiree Health Care Trust – The Retiree Health Care Trust (the “Trust”) is used to account for assets held by the Municipal Employees Retirement System (MERS) in a trustee capacity that will be used to fund future payment of medical benefits for eligible retirees and their spouses and dependents. The Trust is a single-employer retiree healthcare trust. All assets placed in the Trust Fund are administered by MERS, which acts as investment fiduciary and trustee. The road commission’s Director of Finance shall direct payment of fund monies for the benefit of eligible employees under the road commission’s retiree health care benefit program.

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

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

Amounts reported as program revenue include: 1) charges to customers or applicants for goods or services or privileges provided; and 2) MTF, State/Federal contracts and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the road commission’s policy to use restricted resources first, then unrestricted resources as needed.

Measurement Focus/Basis of Accounting – Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability

CLINTON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Bank Deposits and Investments

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

Inventories

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges and traffic signals) are reported in the General Operating Fund in the government-wide financial statements. Capital assets are defined by the Clinton County Road Commission as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of three years except for Schedule 'C' equipment which has no minimum cost. Assets are recorded at historical cost or estimated historical cost of purchase or construction. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation

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

Buildings	25 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	10 years
Office Equipment	4 to 10 years
Infrastructure – Roads	8 to 30 years
Infrastructure – Bridges	12 to 50 years
Infrastructure – Signals	15 years

CLINTON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Long-Term Obligations

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

Other Financing Sources (Uses)

In the fund financial statements, the transfers of cash between the various county funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case they are carried as assets and liabilities of the advancing or borrowing funds.

Fund Balance Classifications

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Road Commission classifies its fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. For the Road Commission, the non-spendable balance reflects the inventory on hand in the amount of \$814,987.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The remaining Road Commission Funds are restricted as they can only be used in accordance with Public Act 51 of 1951.

The Road Commission has not adopted a Fund Balance policy as of December 31, 2014 setting a minimum balance.

CLINTON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2014

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Procedures

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, (MCL 141.421) which requires the board of county road commissioners to approve a budget for the County Road Fund. The road commission's chief fiscal administrative officer (Director of Finance) prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board conducts a public budget hearing and, subsequently, adopts an operating budget. Amendments to the budget are made only with board approval. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the fund financial statements. The budget adopted complies with all requirements established by Public Act 2 of 1968, as amended.

NOTE C – CASH AND INVESTMENTS

Deposits are carried at cost. Deposits of the County Road Fund are made in six banks in the name of the Clinton County Treasurer. Public Act 20 of 1943, as amended, authorizes the county treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; and obligations of the State of Michigan or its political subdivisions which are rated investment grade. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The board of county road commissioners has adopted an investment policy similar to the county's policy in accordance with investment provisions in Public Act 20 of 1943.

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 GASB Statement No. 40, are as follows:

At year end (and during the year), the road commission did not have any County Road Fund investments other than long-term certificates of deposits. The deposits of the County Road Fund were reported in the basic financial statements as cash in the following categories:

CLINTON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2014

NOTE C – CASH AND INVESTMENTS (Continued)

Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$2,731,414
Petty Cash	<u>100</u>
Total Cash	<u><u>\$2,731,514</u></u>

Non-negotiable certificates of deposit that are placed by the depositors directly with financial institutions and that are subject to a penalty if redeemed before maturity are treated as bank deposits. Because non-negotiable certificates of deposits are deposits, no interest rate risk or credit risk disclosures are required for them, which are limited to investments.

The bank balance of the road commission's deposits is \$2,816,674 of which \$1,112,974 is covered by Federal depository insurance. The remaining \$1,703,700 is uncollateralized.

Investments Authorized by the Road Commission's Investment Policy

The road commission's investment policy authorizes investment in all those that are authorized by law. As stated above, the road commission did not have any investments in the fiscal year ended December 31, 2014.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The road commission's investment policy contains specific provisions to limit their exposure to credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The road commission's investment policy contains specific provisions to limit their exposure to interest rate risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer where the investment is 5% or greater.

The road commission's investment policy requires assets to be diversified to eliminate the risk of loss resulting from over concentration in a specific maturity, individual financial institution(s) or a specific class of securities.

CLINTON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2014

NOTE C – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law does not contain requirements that would limit the exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the road commission's investment policy would limit, to some extent, exposure to custodial credit risk for deposits.

Retiree Health Care Trust Investments

The investments of the Retiree Health Care Trust Funds were reported in the basic financial statements in the following category:

Investments at Fair Market Value	<u>\$1,800,883</u>
----------------------------------	--------------------

The Retiree Health Care Trust (the "Trust") is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The Act places percentage limitations on certain investments. The Trust's deposits and investment policies are in accordance with statutory authority. On December 31, 2009, the Trust's assets were invested in the MERS Total Market Fund administered by the Municipal Employees' Retirement System (MERS) of Michigan. The Trust's assets are pooled as a sub-fund within all pooled Health Care Savings Program (HCSP) Trust Funds with MERS, which is consistent with the statutory authority described above.

Credit Risk

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

Risks and Uncertainties

The Road Commission's Retiree Health Care Trust invests in various securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported on the balance sheet.

CLINTON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2014

NOTE D- CAPITAL ASSETS

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

	Account Balances 1/1/2014	Additions	Deductions	Account Balances 12/31/2014
Capital Assets Not Being Depreciated				
Land	\$ 283,750	\$ -	\$ -	\$ 283,750
Infrastructure--Land/Right-of-Way	1,315,246	20,000	-	1,335,246
Infrastructure--Land Improvements	6,177,253	142,448	-	6,319,701
Subtotal	<u>7,776,249</u>	<u>162,448</u>	<u>-</u>	<u>7,938,697</u>
Capital Assets Being Depreciated				
Buildings	1,877,652	42,610	-	1,920,262
Road Equipment	6,649,855	518,010	364,402	6,803,463
Shop Equipment	160,858	3,565	-	164,423
Office Equipment	142,899	20,384	-	163,283
Engineers' Equipment	23,368	1,112	-	24,480
Yard Equipment	70,155	-	-	70,155
Depletable Assets	75,448	-	-	75,448
Infrastructure--Bridges	31,258,698	772,816	-	32,031,514
Infrastructure--Roads	51,451,950	3,795,835	1,102,263	54,145,522
Infrastructure--Traffic Signals	1,099,805	334	334	1,099,805
Total	<u>92,810,688</u>	<u>5,154,666</u>	<u>1,466,999</u>	<u>96,498,355</u>
Less Accumulated Depreciation				
Buildings	1,229,587	56,191	-	1,285,778
Road Equipment	5,776,648	321,763	358,899	5,739,512
Shop Equipment	110,202	9,981	-	120,183
Office Equipment	124,126	8,045	-	132,171
Engineer's Equipment	22,860	314	-	23,174
Yard Equipment	31,927	6,250	-	38,177
Reserve for Depletable Assets	52,806	-	-	52,806
Infrastructure--Bridges	14,877,172	499,297	-	15,376,469
Infrastructure--Roads	21,856,874	2,794,427	1,159,699	23,491,602
Infrastructure--Traffic Signals	391,855	73,214	-	465,069
Total	<u>44,474,057</u>	<u>3,769,482</u>	<u>1,518,598</u>	<u>46,724,941</u>
Net Capital Assets Being Depreciated	<u>48,336,631</u>	<u>1,385,184</u>	<u>(51,599)</u>	<u>49,773,414</u>
Total Net Capital Assets	<u>\$ 56,112,880</u>	<u>\$ 1,547,632</u>	<u>\$ (51,599)</u>	<u>\$ 57,712,111</u>

CLINTON COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 Year Ended December 31, 2014

NOTE D – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following activities:

	<u>Amount</u>
Net Equipment Expense	
Direct Equipment	\$ 321,763
Indirect Equipment	
Buildings	41,007
Shop Equipment	9,981
Yard Equipment	6,250
Distributive Expense	
Buildings	-
Net Administrative Expense	
Buildings	15,184
Engineers Equipment	314
Office Equipment and Furniture	8,045
Infrastructure	<u>3,366,938</u>
Total Depreciation Expense	<u>\$ 3,769,482</u>

NOTE E – LONG-TERM DEBT

The long-term debt of the road commission may be summarized as follows:

	<u>Balance</u> <u>1/1/2014</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>12/31/2014</u>	<u>Due Within</u> <u>One Year</u>
Vested Employee Benefits					
Vacation, Sick Leave and Longevity	<u>\$ 567,575</u>	<u>\$ 267,515</u>	<u>\$ (229,978)</u>	<u>\$ 605,112</u>	<u>\$ 229,978</u>
Totals	<u>\$ 567,575</u>	<u>\$ 267,515</u>	<u>\$ (229,978)</u>	<u>\$ 605,112</u>	<u>\$ 229,978</u>

Vested Employee Benefits Payable

	<u>Balances</u> <u>1/1/2014</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balances</u> <u>12/31/2014</u>	<u>Due Within</u> <u>One Year</u>
Vested Employee Benefits					
Vacation Benefits	\$ 143,704	\$ 160,218	\$(150,568)	\$ 153,354	\$ 150,568
Sick Leave Benefits	308,208	91,106	(76,498)	322,816	76,498
Longevity	<u>115,663</u>	<u>16,191</u>	<u>(2,912)</u>	<u>128,942</u>	<u>2,912</u>
Total	<u>\$ 567,575</u>	<u>\$ 267,515</u>	<u>\$(229,978)</u>	<u>\$ 605,112</u>	<u>\$ 229,978</u>

CLINTON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2014

NOTE E – LONG-TERM DEBT (Continued)

Vacation Benefits

Road commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of an employee and the employee group to which they belong. Benefits earned by each employee are credited annually to his or her account on the anniversary date of employment. The maximum allowable accumulation is 248 hours for administrative salaried employees and 240 hours for road and office union employees. For administrative salaried and office union employees, up to one-half of their accumulated vacation hours may be converted to cash within 6 months of their anniversary date. Road union employees may convert vacation hours to cash in the week after their anniversary date. All employees are eligible to receive 100% of accumulated vacation time upon retirement, death, or resignation if they leave providing a 2 week notice.

Sick Leave Benefits

The road commission's employment policies provide that every full-time employee shall earn sick leave at the rate of 2 hours per week, not to exceed 104 hours per year, with a maximum accumulation of 1,000 hours for all employees. Note: Upon retirement or death, employees shall be paid for all unused sick leave. One-half of accumulated sick leave is paid upon resignation of an employee provided they give a 2 week notice. Union employees are allowed to sell up to 80 hours in the first check of December, annually, with a minimum balance requirement of 240 hours after the sale of hours. Administrative salaried employees receive an additional 32 hours of sick leave on January 1, annually, and may sell up to 96 hours in the first check of December, annually, with a minimum balance requirement of 240 hours after the sale of hours.

Longevity Benefits

Administrative salaried employees accumulate longevity of 24 to 48 hours per year, not to exceed 1,440 hours maximum. Payment can be made after a minimum of 5 years of administrative service. Longevity is recorded at 100% of maximum payable, is earned on the employees' administrative anniversary date, and can be sold at any time. Administrative salaried employees hired after January 1, 2007 receive 24 hours of longevity pay, annually, in the last check issued for the year.

CLINTON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2014

NOTE F– DEFERRED COMPENSATION PLAN

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

NOTE G – EMPLOYEES' RETIREMENT SYSTEM

Description of Plan and Plan Assets

The Clinton County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty-connected death, duty-connected death, and post-retirement adjustments to plan members and their beneficiaries. The service requirement for all qualified employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.5% times the final average compensation (FAC) with 5-year averaging for office and road union and 3-year averaging for administrative salaries, with a maximum benefit of 80% of the FAC. Administrative salaried retirees have a benefit 'E-1 and E-2' plan allowing for a 2.5% annual increase. This defined benefit plan includes all employees except for administrative salaried employees hired after January 1, 2007, clerical union and road union employees hired after January 1, 2010.

Administrative salaried employees hired after January 1, 2007 and Office and Road Union employees hired after January 1, 2010 are in a MERS Hybrid Retirement Plan with the road commission contributing 1.5% multiplier into the defined benefit portion and 1% of the employee's applicable salary into the defined contribution portion. The defined contribution portion is a 401 Qualified Plan utilizing ICMA-RC (the International City Management Association Retirement Corporation) as the third-party administrator. The MERS Hybrid Retirement Plan has a six year vesting requirement, a three year FAC, and is payable at age 60.

CLINTON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2014

NOTE G – EMPLOYEES’ RETIREMENT SYSTEM (Continued)

MERS was established in 1946 under Public Act 135 of 1945 and granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS is administered under the provisions of Public Act 427 of 1984, as amended. 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 MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The road commission is required to contribute at an actuarially determined rate for the defined benefit plans. The general-union/AFL/CIO employees hired before January 1, 2011, administrative salary hired before January 1, 2007 and administrative hourly pension plans, have been closed to new hires. The Road Commission is charge a fixed amount for the actuarial determined rate for these employee groups. Based on the 2013 actuarial valuation, the 2014 rates for, administrative salary hired after January 1, 2007 (hybrid plan) and AFL/CIO employees hired after January 1, 2011 (hybrid plan) were 7.96%, and 7.15% respectively. Each member is required to contribute 3% (AFL/CIO employees) or 5% (administrative employees) of his or her annual compensation. These amounts were contributed by employees to each respective plan aside from the hybrid plans. The Hybrid Plans do not require an employee contribution on the defined benefit portion; however, the employee may elect to contribute into the defined contribution portion of the plan.

Annual Pension Cost

During the year ended December 31, 2014, the road commission’s contributions totaled \$492,722 and the employee contributions totaled \$56,502. Payments were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2013, and 3% employee share. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member’s retirement to pay for his or her projected benefit.

Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 1.0% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

CLINTON COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 Year Ended December 31, 2014

NOTE G – EMPLOYEES’ RETIREMENT SYSTEM (Continued)

Three Year Trend Information

Year Ended December 31	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2011	\$ 483,984	100%	\$ -
2012	507,960	100%	-
2013	555,360	100%	-

The most recent period for which actuarial data was available was for the year ended December 31, 2013.

Valuation Date	Value of Assets	Liability (AAL)	Unfunded Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2013	\$ 12,561,810	\$ 18,778,268	\$ 6,216,458	67%	\$ 2,024,974	307%

The schedule of funding progress immediately following the notes to the financial statements presents trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE H – OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note G, the Road Commission administered a single employer defined benefit healthcare plan. The Road Commission provides post-employment healthcare benefits through the Road Commission group health insurance plan in accordance with the respective bargaining agreements and personal policy.

Funding Policy

The Road Commission agrees to pay the full premium for hospitalization medical coverage for the retired road union and office union employees and their spouses, in accordance with the agreements between the Road Commission management and the employee unions affiliated with the American Federation of State, County and Municipal employees, AFL-CIO with the stipulation that they retire under the MERS Retirement Plan with full retirement benefits. Retired employees and/or spouses under the age of 65 are covered with McLaren Health Plan with the employer paying 81.1% of the deductible expense and co-insurance. For union retired employees and/or spouses over age 65, coverage includes a United Healthcare supplemental insurance with a \$ 500 deductible and \$10/\$40 prescription drug plan. If an office union employee dies with 20 years of service time, the spouse is covered.

CLINTON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2014

NOTE H – OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

In addition, the Road Commission agrees to pay the full premium for hospitalization medical coverage for retired administrative salaried employees and their spouses. Retired employees and/or spouses under the age of 65 are covered with a McLaren Health Plan with the employer paying 81.1% of the deductible and co-insurance. For administrative retired employees and/or

spouses over age 65, coverage includes a United Healthcare supplemental insurance with a \$500 deductible and \$10/\$40 prescription drug plan with no reimbursement of prescription drugs. If an administrative employee dies with 20 years of service time, the spouse is covered. Administrative salaried employees hired after January 1, 2007 and office and road union employees hired after January 1, 2010 will have health insurance benefits provided for the retiree only.

Expenditures for health care benefits are recognized on a pay as you go basis as premiums come due. During 2014, 64 retirees and/or spouses were eligible for benefits, and \$480,503 was recognized for post-employment health insurance expenditures in the Road Commission Operating Fund.

The Road Commission also provides dental and vision coverage for retirees and their spouses. The cost of dental, vision, and Medicare supplemental insurance coverage is included in total health insurance expenditures reported in the preceding paragraphs.

Contributions made to the Retiree Health Care Trust Fund are recognized as expenditures in the Road Commission Operating Fund at the time the contribution is made. During the year, post-employment expenditures were \$545,000 for contributions made to the Retiree Health Care Trust Fund.

Summary of Significant Accounting Policies

Effective January 1, 2006 the road commission adopted, by resolution on October 20, 2005, the MERS HCSP-Defined Benefit Program Plan 3, as a trust, to administer funds set aside for the payment of health, vision and dental benefits. The trust is part of a single-employer retiree healthcare savings plan that is administered by MERS. The plan covers substantially all retirees and future retirees of the road commission.

See Note G for additional information about MERS.

Plan Description

The trust provides for future payment of health, vision, and dental benefits for retirees and their spouses and dependents. Salaried Administrative staff hired after January 1, 2007, Office Union and Road Union staff hired after January 1, 2010 will receive benefits for the retiree only and must pay the premium, in full, for any dependents.

CLINTON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2014

NOTE H – OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The obligation to provide benefits to employees was established by negotiation with collective bargaining units or other actions of the Clinton County Board of Road Commissioners. Per the actuarial valuation as of December 31, 2014 there were 46 retirees eligible for benefits.

Significant actuarial assumptions used include a long-term investment yield rate of 6% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases. Actuarial calculations reflect a long-term perspective that is designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Contributions

The road commission may partially or fully fund the liability of the trust by periodically making contributions to the trust. The road commissions funding policy is to pay all premiums as they come due from the road fund. The amount set aside in the trust may be adjusted by the board from time to time as it deems appropriate. In 2014, the Road Commission met its Annual Required Contribution (ARC) for the OPEB Liability of \$728,014. Employees are not required to contribute to the plan.

Investment gains and administrative costs of \$86,938 were incurred during the current year. Future investment and administrative costs will be financed by the trust. As of December 31, 2014 the plan's reserves for benefits were \$1,844,719.

CLINTON COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 Year Ended December 31, 2014

NOTE H – OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Funding Status and Funding Progress

For the year ended December 31, 2014, the Road Commission has estimated the cost of providing retiree healthcare benefits using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The alternative measurement method computes the annual required contribution. The computed required contribution and actual funding are summarized as follows:

Annual Required Contribution	\$ 728,014
Interest on Beginning of Year Net OPEB Obligation	149,536
ARC Adjustment	<u>(194,229)</u>
 Annual OPEB Cost	 683,321
 Amounts Contributed	
Payments of Current Premiums	(480,503)
Contributions	<u>(545,000)</u>
 Decrease in Net OPEB Obligation	 (342,182)
 Net OPEB Obligation--Beginning of Year	 <u>2,492,270</u>
 Net OPEB Obligation--End of Year	 <u><u>\$ 2,150,088</u></u>

The voluntary contribution to the trust for year ending December 31, 2014 was taken into account when determining the annual required contribution.

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the year ended December 31, 2014 were as follows:

	2012	2013	2014
Annual OPEB Costs	\$ 793,576	\$ 843,560	\$ 683,321
Percentage Contributed	55%	104%	150%
Net OPEB Obligation	\$ 2,527,483	\$ 2,492,270	\$ 2,150,088

CLINTON COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 Year Ended December 31, 2014

NOTE H – OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The funding status of the trust as of December 31, 2014, the most recent actuarial valuation date is as follows:

Valuation Date	Value of Assets	Liability (AAL)	Unfunded Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2014	\$ 1,155,781	\$ 9,378,719	\$ 8,222,938	12%	n/a	n/a

The schedule of funding progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Three years are presented by the road commission which expects to have an actuarial valuation performed every three years.

NOTE I – RISK MANAGEMENT

The road commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The road commission has purchased commercial insurance for medical benefits' claims and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents), crime, and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (MCRCSIP) pursuant to the provisions of PA 138 of 1982. The MCRCSIP is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities within the State.

The MCRCSIP operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

If for any reason the MCRCSIP's resources available to pay losses are depleted, the payment of all unpaid losses of the member is the sole obligation of the member.

The road commission, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The road commission's insurance carrier estimates that the potential claims against the road commission, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the road commission.

CLINTON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2014

NOTE J – FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the calendar year ended December 31, 2014, Federal grants received and expended by the road commission was \$2,370,510 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit.

During the calendar year ended December 31, 2014, the road commission received \$0.00 in Federal grants for negotiated projects. Negotiated projects are projects that are performed by the road commission and are subject to single audit requirements, if the amount expended is \$500,000 or more. A single audit was not performed during the calendar year ended December 31, 2014.

NOTE K – STATE TRUNKLINE MAINTENANCE REVENUE

The difference between the State Trunkline Maintenance revenues of \$957,727 and expenditures of \$980,697 is the result of the following: 1) MDOT Trunkline Maintenance audit for the 2012 calendar year which resulted in an additional expenditure from MDOT of \$22,970.

NOTE L – UPCOMING REPORTING CHANGE

In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The provisions of this statement are effective for financial statements for the year ending December 31, 2015.

NOTE M – PRIOR PERIOD ADJUSTMENT

Licenses and Permit revenues were distributed to the Primary, Local, and Road Commission funds in a different manner than was the audit report. The prior period adjustment decreases the Primary Road fund balance by \$47,652, increases the Local Road fund balance by \$4,184, and increases the County Road Commission fund balance by \$43,468. The overall fund balance remains the same netting out to zero adjustment.

CLINTON COUNTY ROAD COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended December 31, 2014

Employee Pension Plan

Required Supplementary Information-Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/11	\$ 12,285,972	\$ 17,539,047	\$ 5,253,075	70%	\$ 2,260,723	232%
12/31/12	12,336,437	17,942,373	5,605,936	69%	2,131,939	263%
12/31/13	12,561,810	18,778,268	6,216,458	67%	2,024,974	307%

Other Post-Employment Benefits

Required Supplementary Information-Schedule of Funding Progress

The funded status of the Plan was as of December 31, 2014, the most recent actuarial valuation of the assets was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/11	\$ 405,258	\$ 11,559,005	\$ 11,153,747	4%	\$ 2,421,559	461%
12/31/12	510,467	10,720,603	10,210,136	5%	2,199,406	464%
12/31/13	1,155,781	9,378,719	8,222,938	12%	n/a	n/a

**CLINTON COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL OPERATING FUND--SCHEDULE OF REVENUES
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2014**

EXHIBIT I

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
License and Permits				
Permits	\$ 45,000	\$ 55,500	\$ 66,289	\$ 10,789
Federal Grants				
Surface Transportation Program	804,906	1,028,050	1,554,331	526,281
Hazard Elimination Safety	274,200	146,152	97	(146,055)
Critical Bridge	1,174,800	593,664	516,793	(76,871)
Economic Development D Funds	180,000	3,916	41,844	37,928
Federal Enhancement Funds	12,100	-	-	-
TAP			247,405	247,405
High Risk Rural	25,100	312	10,040	9,728
American Recovery and Reinvestment Act	-	-	-	-
Congestion Mitigation	100	-	-	-
State Grants				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Primary Road	3,265,000	3,265,000	3,631,339	366,339
Local Road	1,750,000	1,700,000	1,978,310	278,310
Primary Urban Road	450,000	400,000	457,214	57,214
Local Urban Road	160,000	150,000	180,738	30,738
Critical Bridge	193,200	112,832	95,831	(17,001)
Economic Development Funds				
Rural Primary D Funds	590,000	453,071	68,249	(384,822)
Urban Area F Funds	250	-	-	-
Other State Grants	-	-	675,870	675,870
Contributions--Local Units				
Cities and Villages	1,000	575	-	(575)
Townships	1,550,000	2,604,012	2,379,824	(224,188)
Other	-	-	133,223	133,223
Charges for Services				
State Trunkline Maintenance	800,000	610,000	957,727	347,727
Salvage Sales	5,000	11,240	15,138	3,898
Service Charges	44,800	46,728	(1,229)	(47,957)
Interest and Rents				
Interest Earned	30,000	6,500	6,724	224
Property Rentals	13,500	13,329	13,329	-
Other Revenue				
Private Contributions	10,000	3,000	397,714	394,714
Public Contributions	30,000	40,515	7,309	(33,206)
Gain on Equipment Disposal	17,000	(81)	73,799	73,880
Gain(Loss) on Return of Inv. Items	-	393	-	(393)
Other Contributions	30,000	-	-	-
Total Operating Revenue	11,465,956	11,254,708	<u>\$ 13,517,908</u>	<u>\$ 2,263,200</u>
Fund Balance--January 1, 2014	<u>4,338,522</u>	<u>4,338,522</u>		
Total Budget	<u>\$ 15,804,478</u>	<u>\$ 15,593,230</u>		

**CLINTON COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL OPERATING FUND--SCHEDULE OF
EXPENDITURES--BUDGETARY COMPARSION SCHEDULE
For the Year Ended December 31, 2014**

EXHIBIT J

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Preservation/Structural Improvements	\$ 2,432,150	\$ 2,163,150	\$ 2,114,927	\$ 48,223
Routine and Preventive Maintenance	2,123,500	2,368,505	2,345,930	22,575
Local Road				
Constuction	-	382,907	382,906	1.00
Preservation/Structural Improvements	-	1,545,884	1,517,886	27,998.00
Routine and Preventive Maintenance	3,013,000	4,039,519	3,933,919	105,600
Primary Road Structures				
Preservation/Structural Improvements	460,000	179,000	163,747	15,253
Routine and Preventive Maintenance	5,000	12,383	12,343	40
Local Road Structures				
Preservation/Structural Improvements	592,200	619,200	609,069	10,131
Routine and Preventive Maintenance	5,000	15,886	15,881	5
State Trunkline Maintenance	800,000	1,000,000	980,697	19,303
Equipment Expense--Net	2,912,761	535,169		
Direct			\$1,044,392	
Indirect			708,683	
Operating			468,816	
Less: Equipment Rentals			<u>(1,993,613)</u>	306,891
Distributive Expense	3,020,961	-	-	-
Administrative Expense--Net	387,570	728,911		
Administrative Expense			765,697	
Less: Handling Charges			(1,028)	
Overhead--State			(90,734)	
Purchase Discounts			<u>(3,331)</u>	58,307
Non-Road Projects	32,500	51,900	54,973	(3,073)
Work for Other Agencies	15,500	55,500	25,540	29,960
Capital Outlay--Net	(51,343)	246,839		
Capital Outlay			585,681	
Less: Depreciation Credits			(402,545)	
Equipment Retirements			<u>(5,503)</u>	69,206
Drainage District	<u>48,596</u>	<u>48,596</u>	<u>47,126</u>	<u>1,470</u>
Total Expenditures	15,797,395	13,993,349	<u>\$ 13,281,459</u>	<u>\$ 711,890</u>
Fund Balance--December 31, 2014	<u>7,083</u>	<u>1,599,881</u>		
Total Budget	<u>\$ 15,804,478</u>	<u>\$ 15,593,230</u>		

**CLINTON COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF CHANGES IN FUND BALANCES
For the Year Ended December 31, 2014**

EXHIBIT K

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$ 6,817,723	\$ 5,167,765	\$ 1,532,420	\$ 13,517,908
Total Expenditures	<u>4,972,069</u>	<u>6,981,854</u>	<u>1,327,536</u>	<u>13,281,459</u>
Excess of Revenues Over (Under) Expenditures	<u>1,845,654</u>	<u>(1,814,089)</u>	<u>204,884</u>	<u>236,449</u>
Other Financing Sources (Uses) Optional Transfers	<u>(2,044,277)</u>	<u>2,044,277</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(2,044,277)</u>	<u>2,044,277</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures and Other Financing Sources and (Uses)	(198,623)	230,188	204,884	236,449
Fund Balance--January 1, 2014	<u>292,227</u>	<u>15,245</u>	<u>4,031,050</u>	<u>4,338,522</u>
Prior Period Adjustment (Note M)	(47,652)	4,184	43,468	-
Restated Fund Balance--January 1, 2014	<u>244,575</u>	<u>19,429</u>	<u>4,074,518</u>	<u>4,338,522</u>
Fund Balance--December 31, 2014	<u>\$ 45,952</u>	<u>\$ 249,617</u>	<u>\$ 4,279,402</u>	<u>\$ 4,574,971</u>

**CLINTON COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF REVENUES
For the Year Ended December 31, 2014**

EXHIBIT L

	Primary Road Fund	Local Road Fund	County Road Commission	Total
License and Permits				
Permits	\$ 3,712	\$ 265	\$ 62,312	\$ 66,289
Federal Grants				
Surface Transportation Program	1,554,331	-	-	1,554,331
Hazard Elimination Safety	97	-	-	97
Critical Bridge	101,704	415,089	-	516,793
Economic Development D Funds	41,844	-	-	41,844
Federal Enhancement Funds	-	-	-	-
Rural Transportation Assistance Program (RTAP)	247,405	-	-	247,405
High Risk Rural	10,040	-	-	10,040
State Grants				
Michigan Transportation Fund				
Engineering	6,473	3,527	-	10,000
Allocation	3,631,339	1,978,310	-	5,609,649
Urban Roads	457,214	180,738	-	637,952
Critical Bridge	19,069	76,762	-	95,831
Economic Development Funds				
D Funds	68,249	-	-	68,249
Other State Grants	675,870			675,870
Contributions--Local Units				
Cities and Villages	-	-	-	-
Townships	-	2,379,824	-	2,379,824
Other	-	133,223	-	133,223
Charges for Services				
State Trunkline Maintenance	-	-	957,727	957,727
Salvage Sales	-	-	15,138	15,138
Service Charges	-	-	(1,229)	(1,229)
Interest and Rents				
Interest Earned	376	27	6,321	6,724
Property Rentals	-	-	13,329	13,329
Other Revenue				
Private Contributions	-	-	397,714	397,714
Public Contributions	-	-	7,309	7,309
Gain on Equipment Disposal	-	-	73,799	73,799
Total Revenues	\$ 6,817,723	\$5,167,765	\$1,532,420	\$13,517,908

**CLINTON COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF EXPENDITURES
For the Year Ended December 31, 2014**

EXHIBIT M

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Preservation/Structural Improvements	\$ 2,114,927	\$ -	\$ -	\$ 2,114,927
Routine and Preventive Maintenance	2,345,930	-	-	2,345,930
Local Road				
Preservation/Structural Improvements	-	1,517,886	-	1,517,886
Routine and Preventive Maintenance	-	3,933,919	-	3,933,919
Primary Road Structures				
Preservation/Structural Improvements	163,747	-	-	163,747
Routine and Preventive Maintenance	12,343	-	-	12,343
Local Road Structures				
Preservation/Structural Improvements	-	609,069	-	609,069
Routine and Preventive Maintenance	-	15,881	-	15,881
Construction/Capacity Improvements	-	382,906	-	382,906
State Trunkline Maintenance	-	-	980,697	980,697
Equipment Expense--Net (Per Exhibit J)	54,896	131,815	41,567	228,278
Administrative Expense--Net (Per Exhibit J)	280,226	390,378	-	670,604
Non Road Projects	-	-	54,973	54,973
Work for Other Agencies	-	-	25,540	25,540
Capital Outlay--Net (Per Exhibit J)	-	-	177,633	177,633
Drainage District	-	-	47,126	47,126
Total Expenditures	<u>\$ 4,972,069</u>	<u>\$ 6,981,854</u>	<u>\$ 1,327,536</u>	<u>\$ 13,281,459</u>



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

May 21, 2015

Board of County Road Commissioners
Clinton County Road Commission
3536 South BR127
St. Johns, Michigan 48879

RE: Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

Dear Commissioners:

We have audited, in accordance with the 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, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Clinton County Road Commission, a component unit of Clinton County, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Road Commission's basic financial statements, and have issued our report thereon dated May 21, 2015.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Clinton County Road Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Road Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clinton County Road Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Clinton County Road Commission's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Road Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

May 21, 2015

Board of County Road Commissioners
Clinton County Road Commission
3536 South BR 127
St. Johns, Michigan 48879

RE: Report to Those Charged With Governance

Dear Commissioners:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Clinton County Road Commission, a component unit of Clinton County, Michigan, for the year ended December 31, 2014, and have issued our report thereon dated May 21, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in the engagement letter dated April 21, 2014, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Clinton County Road Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Clinton County Road Commission's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Other information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described in professional standards, is to evaluate the presentation of supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a

whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters with management.

Significant Results of the Audit

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Clinton County Road Commission are described in Note A to the financial statements. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of the depreciation is based on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. We evaluated the key factors and assumptions used to develop the purchase costs, life of the asset and salvage value, if any, in determining that it is reasonable in the relation to the financial statements as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the uncorrected misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction,

that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 21, 2015.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Clinton County Road Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Clinton County Road Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Clinton County Board of Road Commissioners and management of the Clinton County Road Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



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