

Here's Where The Money Came From And How We Put It To Use

Another first was scored by the Board of Oakland County Road Commissioners with the 1976 financial statement, which was examined by an independent auditing firm.

Actual revenues and expenditures are compared to budgeted amounts. Thus, the public can see plainly, for example, that revenues fell almost \$2 million (\$1,994,199) short of the appended budget and what was expected when programs were planned. You can also see that almost every department of the Road Commission underspent its budget during 1976.

Who says government always spends willy-nilly?

Some of the departmental underspending was forced, to be sure, by the shortage of revenues. Other causes of underspending include contractor bids that are lower than expected and factors which prevent some programs from being completed as planned, such as adverse weather. In a large part, however, underspending was the happy result of proper cost control.

During 1976, steps taken to improve the budgeting and accounting system included computerization of two important processes: Accounts Payable-Payable Distribution System; and the accounting for distribution from inventory, said Finance Director James Dane.

The Board has been steadily improving the budgeting, spending and accounting process since 1973. In this way, your Board of Oakland County Road Commissioners seeks to continue to deserve your trust in its use of your money.

After all, it is your gasoline and weight tax money in the revenues column called "State Aid-Act 51" and "Other State and Federal Aid." And it is your property tax money (usually) that is called "Revenue from local government."

Your road commission uses the money to plan, engineer, construct, sign, maintain and otherwise oversee roads and transportation concerns that are "yours" as shown in the expenditures column.

AUDITOR'S REPORT

Board of Road Commissioners
Oakland County Road Commission
Oakland County, Michigan

We have examined the financial statements of Oakland County Road Commission for the year ended December 31, 1976, listed in the table of contents. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of the Oakland County Road Commission Retirement System have not been included in the accompanying financial report.

The retirement system financial statements were examined by another independent auditor who issued a report dated April 3, 1977.

As disclosed in Note 6 of the notes to financial statements, the Oakland County Road Commission has been named defendant in several lawsuits. In some of the suits, the amount of damages claimed exceeds insurance coverage by a material amount. It is not possible to determine the outcome of these lawsuits at this time.

In our opinion, subject to the effects, if any, on the financial statements of the ultimate resolution of the lawsuits discussed in the preceding paragraph, the aforementioned financial statements present fairly the financial position of the Road Fund, the General Fixed Assets Group of Accounts, and the Long-term Debt Group of Accounts of Oakland County Road Commission at December 31, 1976, and the results of the Road Fund operations for the year ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Plante & Moran
Certified Public Accountants
Southfield, Michigan
April 20, 1977

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1976

NOTE 1 — ACCOUNTING POLICIES The books and records of the Road Commission are maintained on the modified accrual basis of accounting.

Revenues, if measurable and available, are accrued. Proceeds from issuance of long-term debt are recorded as revenue when received and payments of principal and interest are recorded as expenditures when due. Liabilities for long-term debt are recorded in the Long-term Debt Group of Accounts. Interest revenue on certificates of deposit is recorded on the accrual basis. Interest revenue from construction deposits with the State of Michigan is recorded when received.

Expenses, except for interest on long-term debt and vacation and sick pay are accrued at year-end. Expenditures for construction, work orders and certain inspection projects are recognized as the work progresses.

Revenues for work orders and inspection projects are recorded as earned. Amounts billed to other governmental units for participation in construction or for work orders include equipment usage charges based on predetermined rates designed to cover direct equipment operating costs and depreciation which is recorded in the General Fixed Assets Group of Accounts, but not in the Road Fund.

Accounting policies relative to recording investments and inventories

ROAD FUND BALANCE SHEET DECEMBER 31, 1976

ASSETS

Cash	\$ 962,065
Investments	
Certificates of deposit - At cost	6,100,050
Accounts receivable:	
Special assessments (Note 3)	\$ 2,488,768
County road agreements	612,130
State Highway Department (Note 6)	4,379,416
Work orders	37,907
Other	97,099
Accrued interest receivable	7,615,320
Deposits:	37,300
With State on Federal construction projects	535,710
Bond paying agents	44,490
Inventory - At average cost	106,478
Total assets	\$16,172,716

LIABILITIES, DEFERRED REVENUE AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 1,199,318
Advances of deposits:	
Escrow deposits	\$ 1,186,265
Township matching funds	44,490
Inspection projects	40,175
Others	2,650
Accrued payroll and other	1,223,580
Total liabilities	2,666,769

DEFERRED REVENUE

Work Orders	209,814
Special Assessment Districts (Note 3)	89,500
	299,314

COMMITMENTS AND CONTINGENCIES

(Notes 4, 5 and 6)

FUND BALANCE

Total liabilities, deferred revenue and fund balance	\$16,172,716
--	--------------

are indicated in the captions on the Road Fund balance sheet. Information as to the accounting policies for special assessment districts, pension costs, general fixed assets and depreciation is included in the other notes to financial statements.

NOTE 2 — BUDGET In 1976, the Road Commission modified its accounting procedures to facilitate recording of revenues and expenditures by budget classifications, as well as by functions, as required by Michigan Public Act 51 of 1961. The financial statements present a comparison between budget and actual amounts in accordance with generally accepted accounting principles. The debt retirement aspects of the special assessment program were in-

cluded in the revenues and expenditures of the Road Fund but were not included in the budget.

NOTE 3 — SPECIAL ASSESSMENT DISTRICTS Certain types of road improvement projects are financed by assessments upon the properties receiving benefit. Revenue is recognized on these special assessments when they are levied, except for the portion attributed to construction not completed, which is deferred until completion. In 1976, revenue was recognized in the amount of approximately \$417,000. Expenditures exceeded revenues by the portion of construction costs which is borne by the Road Commission. Revenues de-

(continued on next page)

ROAD FUND STATEMENT OF CHANGES IN FUND BALANCE YEAR ENDED DECEMBER 31, 1976

FUND BALANCE - January 1, 1976	\$11,726,306
EXCESS REVENUES OVER EXPENDITURES	
Revenues	\$25,703,509
Expenditures	24,413,184
	1,290,325
FUND BALANCE - December 31, 1976	\$13,016,633