

(Continued)

ferred at December 31, 1976 on uncompleted construction totaled \$89,500.

Because the assessments can be paid in 10 annual installments, at the option of the property owner, the Road Commission had to advance funds to the projects to pay for construction. To provide these funds, the Road Commission issued revenue notes in the amount of \$5,500,000. While future gas and weight tax receipts are pledged for the repayment of these notes, special assessment collections are used for this purpose. Because these notes are long-term debts, they are recorded in the General Long-term Debt Group of Accounts rather than as a liability of the Road Fund. Thus, a portion of Road Fund balance equal to the assessments receivable is intended to be used to retire these notes.

**NOTE 4 — RETIREMENT PLAN** The Road Commission has a retirement plan covering all employees. The contribution to the plan for the current year totaled \$1,028,982. This contribution includes a provision for funding accrued prior service costs of \$6,783,557 over 35 years from December 31, 1975, the date of the most recent actuarial report.

**NOTE 5 — CONSTRUCTION IN PROCESS** As of December 31, 1976, various construction projects were in process. Payments had been made to the contractor or a liability recorded for the amount of work done as of that date. It is estimated that the Road Commission contribution for construction, net of revenue from Federal aid and contributions from participating communities, needed to complete the projects that were in process as of December 31, 1976, totals approximately \$270,000 for general road improvements. The total amount needed to complete these projects will be greater than the contract amounts due to inspection costs and other non-contracted services that will be required. Determination of the total of such other costs is not possible, though it is anticipated that a significant part of such costs will be shared with other governmental units.

### ROAD FUND STATEMENT OF REVENUES AND EXPENDITURES YEAR ENDED DECEMBER 31, 1976

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
<b>REVENUES</b>				
State aid - Act 51	\$15,280,000	\$15,560,000	\$16,145,748	\$ 585,748
Other State and Federal aid	6,781,000	6,781,000	5,734,201	( 1,046,799)
Revenue from local government	4,385,000	4,385,000	2,419,003	( 1,965,997)
Fees and other revenue	832,000	991,708	1,404,557	412,849
Total revenues	27,238,000	27,697,708	\$26,703,509	(\$ 994,199)
Appropriation of fund balance		1,528,094		
Total budget	\$27,238,000	\$29,225,802		
<b>EXPENDITURES</b>				
Board of County Road Commissioners	54,750	55,066	55,545	\$ 479
Managing Director	318,552	109,650	107,735	( 1,915)
Clerk of the Board	80,127	86,059	81,572	( 4,487)
Finance department	301,094	472,802	481,673	( 11,129)
Legal department	118,052	118,052	89,055	( 28,997)
Purchasing department	149,227	151,738	153,727	889
Personnel department	101,629	130,417	128,260	( 2,157)
Office of public assistance	27,185	27,185	26,345	( 840)
County highway engineer	83,493	84,232	76,375	( 7,857)
Engineering department	1,630,674	1,636,906	1,632,078	( 4,828)
Transportation planning and environmental concerns	205,536	295,536	225,803	( 69,733)
Traffic department	2,247,326	2,348,615	2,026,667	( 321,948)
Permits and special uses	427,190	427,190	421,032	( 6,158)
Maintenance department	6,934,584	7,336,639	6,957,091	( 379,548)
Nondepartmental	4,419,581	4,914,121	5,348,948	433,927
Construction expenditures	10,089,006	10,969,594	6,622,318	( 4,346,276)
Total expenditures	\$27,238,000	\$29,225,802	\$24,413,184	(\$ 4,812,618)

**NOTE 6 — CONTINGENT LIABILITIES** Under contracts negotiated with employee groups or under Board policy, individual employees have a vested right to receive payment for unused sick leave, accumulated vacation pay, and certain other benefits upon termination of employment or retirement. The maximum value of these vested rights, which is not recorded on the financial statements, is approximately \$867,000 at December 31, 1976.

The Road Commission has contracted with the Michigan Department of State Highways & Transportation to provide maintenance service for State trunklines. The State has audited the program through

1974 and has tentatively disallowed certain expenses, totaling approximately \$103,000 for 1972, \$158,000 for 1973, and \$46,000 for 1974. The Road Commission is contesting these claims and accordingly has not paid these amounts. An amount approximating \$185,000 has been withheld by the Michigan Department of State Highways & Transportation from the monthly maintenance reimbursement to cover these items. The Road Commission has included such amount as an account receivable at December 31, 1976.

The Road Commission has computed costs under the 1975 and 1976 contracts in the same manner as in prior years. Therefore, the possibility exists that the State will seek to disallow certain expenses relating to the 1975 and 1976 contracts in an amount that cannot be determined at this time. Due to the uncertainty as to the outcome of these disputed claims, no liability has been recorded as of December 31, 1976.

The Road Commission has been named defendant in several lawsuits in which plaintiffs are seeking damages of various amounts. Among these are eight lawsuits with claims which exceed insurance coverage by approximately \$19,000,000. In the opinion of legal counsel, it is not possible to forecast the result of any one of these lawsuits at this time. In addition, there are several lawsuits pending in which plaintiffs do not specifically seek damages but rather injunctive or mandatory relief. While these lawsuits may involve a cost to the Road Commission, it is estimated to be of an immaterial amount.

**NOTE 7 — BONDS, NOTES AND CONTRACTS PAYABLE** The long-term debt consists of bonds, notes and contracts maturing through July 1, 1988. Principal and interest payments for the succeeding three years are as follows:

	PRINCIPAL	INTEREST	TOTAL
1977	\$1,387,427	\$ 430,746	\$1,818,173
1978	1,379,877	344,078	1,723,955
1979	1,395,927	388,142	1,784,069
	\$4,163,231	\$1,162,966	\$5,326,197

The interest on the bonds and notes accrues at annual rates of 3.0 percent to 5.6 percent.

### NOTE 8 — GENERAL FIXED ASSETS AND DEPRECIATION

General fixed assets purchased are recorded as expenditures in the Road Fund at the time of purchase. Such assets are capitalized at cost in the General Fixed Assets Group of Accounts, except for certain improvements including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

Provision is made for depreciation in the General Fixed Assets Group of Accounts. Depreciation charges in 1976 totaled \$821,265, based upon the following methods and useful lives:

	METHOD	USEFUL LIVES
Buildings	Straight-line	50 years
Road equipment	Sum of years-digits	5-8 years
Shop equipment	Straight-line	10 years
Office equipment	Sum of years-digits and straight-line	8-10 years
Engineering equipment	Straight-line	10 years
Brine wells	Straight-line	Various
Gravel pits	Units of production	Various
Salt storage bins	Units of production	Various
Yard and storage equipment	Straight-line	10 years

### SPECIAL REVENUE LONG-TERM DEBT GROUP OF ACCOUNTS STATEMENT OF LONG-TERM DEBT

DECEMBER 31, 1976

Amounts to be provided for the retirement of Act 51 bonds	\$5,220,000
Amounts to be provided for the retirement of Act 143 notes	4,400,000
Amounts to be provided for the payment of contractual obligation	182,208
Total amount to be provided for long-term debt	\$9,802,208
Revenue bonds payable:	
1962 issue	\$2,295,000
1968 issue	2,925,000
Total revenue bonds payable	5,220,000
Revenue notes payable (Note 3):	
1970 issue	600,000
1971 issue	1,000,000
1973 issue - Series I	1,400,000
1973 issue - Series II	1,400,000
Total revenue notes payable	4,400,000
Contractual obligation:	
Michigan Department of State Highways to retire 1957 limited access highway bonds	22,500
Computer installment purchase	139,708
Total contractual obligation	182,208
Total long-term debt	\$9,802,208

### GENERAL FIXED ASSETS GROUP OF ACCOUNTS STATEMENT OF GENERAL FIXED ASSETS

	BALANCE JANUARY 1, 1976	ADDITIONS	DISPOSALS	BALANCE DECEMBER 31, 1976
Land and land improvements	\$ 974,893	\$ -	\$ 10,000	964,813
Buildings	3,359,981	73,982	20,779	3,413,184
Road equipment	5,502,718	673,650	232,186	5,944,202
Shop equipment	191,641	12,891	-	204,532
Office equipment	218,310	175,210	2,830	390,690
Engineering equipment	52,449	2,553	-	55,002
Brine wells	61,581	22,088	-	83,669
Gravel pits	75,965	-	-	75,965
Yard and storage equipment	242,601	107,647	-	350,248
Total general fixed assets	10,680,139	1,068,021	325,855	11,422,305
Less accumulated depreciation (Note 8)	4,855,694	821,265	302,675	5,374,284
General fixed assets - Net of depreciation	\$5,824,445	\$ 246,756	\$ 22,180	\$ 6,048,021