

**ROAD FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
YEAR ENDED DECEMBER 31, 1977**

	Original Budget	Budget Amended	Actual	Over (under) Amended Budget
<b>REVENUES</b>				
State aid — Act 51	\$16,510,000	\$16,510,000	\$17,211,162	\$ 701,162
Other State and Federal aid	3,619,500	3,619,500	4,524,094	904,594
Revenue from local government	1,714,000	1,940,000	2,574,595	634,595
Fees and other revenue	766,500	766,500	1,316,489	549,989
Special Assessment District (Note 2)	—	—	1,031,798	1,031,798
Total revenues	22,610,000	22,836,000	26,658,138	3,822,138
Appropriation of fund balance	—	2,381,392	—	—
Total budget	\$22,610,000	\$25,217,392	—	—
<b>EXPENDITURES</b>				
Board of County Road Commissioners	\$ 54,500	\$ 67,500	\$ 62,961	(\$ 4,539)
Managing director	329,238	178,673	168,352	(10,321)
Office of public information	—	15,275	12,744	(2,531)
Clerk of the Board	116,539	129,640	122,541	(7,099)
Finance department	372,754	347,254	334,185	(13,069)
Legal department	99,850	99,850	93,592	(6,258)
Purchasing department	172,846	172,846	163,199	(9,647)
Personnel department	122,006	146,807	150,703	3,896
County highway engineer	79,765	82,132	66,999	(15,133)
Engineering department	1,679,363	1,703,829	1,638,238	(65,591)
Transportation planning and environmental concerns	218,740	301,029	261,397	(39,632)
Traffic department	2,322,675	2,392,003	2,235,480	(156,523)
Permits and special uses	431,881	431,881	422,616	(9,265)
Maintenance department	7,432,562	7,886,956	7,802,810	(84,146)
Nondepartmental	5,055,781	5,386,717	6,109,560	722,843
Construction expenditures (Note 5):				
Other than special assessment districts	4,121,500	5,875,000	5,345,168	(529,832)
Special assessment districts (Note 2)	—	—	908,473	908,473
Total expenditures	\$22,610,000	\$25,217,392	\$25,899,018	\$681,626

**ROAD FUND  
STATEMENT OF CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 1977**

FUND BALANCE — January 1, 1977		\$13,016,633
EXCESS REVENUES OVER EXPENDITURES		
Revenues	\$26,658,138	
Expenditures	25,899,018	759,120
FUND BALANCE — December 31, 1977		\$13,775,753

**Notes to Financial Statements**

(Continued from Page 10)

follows:

- Revenues that are both measurable and available for use to finance operations of the Road Commission are recorded as revenue when earned. Under this policy, certain revenues, including: State-shared revenue, are recorded even though funds are not received until after year-end.
- Interest revenue on investments is recorded on the accrual basis. Interest revenue from construction deposits with State of Michigan is recorded when received. Interest revenue on special assessment receivable is not accrued until its due date.
- Interest on long-term debt is not recorded as an expenditure until its due date.
- Normally, expenditures are not divided between years by the recording of prepaid expenses.

**Long-term Debt**—Long-term debt is recorded in the Long-Term Debt Group of Accounts. Principal and interest payments on long-term debt are recorded as expenditures in the Road Fund on their due dates.

Accounting policies relative to recording investments and inventories are indicated in the captions on the Road Fund balance sheet. Information as to the accounting policies for Special Assessment Districts, pension costs, general notes to financial statements.

**NOTE 2 — BUDGET FOR SPECIAL ASSESSMENT PROGRAM**—The Road Commission considers the accounting aspects of the special assessment program as separate and distinct from those of the normal road con-

struction program. For this reason, the budget of the Road Commission does not provide for revenues from the confirmation of special assessment rolls or for expenditures of construction and debt retirement of the special assessment program. Actual revenue and expenditures amounts presented in the financial statements are, therefore, reported against zero budget amounts for these classifications.

**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 1977, revenue was recognized in the amount of approximately \$1,032,000. Expenditures exceeded revenues by the portion of construction costs which is borne by the Road Commission. Revenues deferred at December 31, 1977 on uncompleted construction totaled \$299,063.

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 originally 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. The balance of the notes payable at December 31, 1977 is \$2,450,000. 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 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 \$1,133,103. This contribution includes a provision for funding unfunded accrued service costs of \$6,647,903 over 34 years from December 31, 1976, the date of the most recent actuarial report.

**NOTE 5 — CONSTRUCTION IN PROCESS**—As of December 31, 1977, 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, 1977, totals approximately \$1,200,000 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 noncontracted 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.

**NOTE 6 — EMPLOYEE BENEFITS**—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 value of these vested rights, which is not recorded on the financial statements, is approximately \$990,000 at December 31, 1977.

**NOTE 7 — CONTINGENT LIABILITIES**—The Road Commission has been named defendant in several lawsuits in which plaintiffs are seeking damages of various amounts. Among these are ten lawsuits with claims which exceed insurance coverage by approximately \$45,000,000. 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 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 1977 totaled \$869,-

**LONG-TERM DEBT GROUP OF ACCOUNTS**

**STATEMENT OF LONG-TERM DEBT DECEMBER 31, 1977**

Amounts to be provided for the retirement of Act 51 Bonds	\$4,645,000
Amounts to be provided for the retirement of Act 143 notes	3,650,000
Amounts to be provided for the payment of contractual obligation	146,262
Total amount to be provided for long-term debt	\$8,441,262
Revenue bonds payable:	
1962 issue	\$1,945,000
1968 issue	2,700,000
Total revenue bonds payable	4,645,000
Revenue notes payable (Note 3):	
1970 issue	450,000
1971 issue	800,000
1973 issue—Series I	1,200,000
1973 issue—Series II	1,200,000
Total revenue notes payable	3,650,000
Contractual obligation—Computer installment purchases	146,262
Total long-term debt	\$8,441,262

998, 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-digit 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

**NOTE 9 — DEFERRED COMPENSATION PLAN**—During 1976, the Road Commission adopted a deferred compensation plan. Under the plan, employees may make contributions, through payroll withholdings, to the plan. The assets of the deferred compensation plan are administered by an insurance carrier and are not available to employees until termination of employment.

**NOTE 10 — SUBSEQUENT EVENTS**—On February 21, 1978, the Michigan Municipal Finance Commission approved the Road Commission's application for permission to issue Motor Vehicle Highway Fund revenue notes totaling \$2,500,000. Annual principal payments of \$250,000 begin August 1, 1979 and continue through 1988. At the date of this report, the date of issuance of these notes and the interest rates have not been determined.

Effective January 1, 1978, the Road Commission adopted an insurance program for its general liability coverage under which the Road Commission is responsible for payment of losses incurred of \$100,000 or less per occurrence, up to a total of \$1,000,000 for a policy year.

**GENERAL FIXED ASSETS GROUP OF ACCOUNTS  
STATEMENT OF GENERAL FIXED ASSETS**

	Balance January 1, 1977	Additions	Disposals	Balance December 31, 1977
Land and land improvements	\$ 964,813	\$ 57,878	\$ —	\$ 1,022,691
Buildings and storage bins	3,413,184	74,347	133,673	3,353,858
Road equipment	5,884,202	1,021,181	580,278	6,325,105
Shop equipment	204,532	12,238	274	216,496
Office equipment	390,690	24,177	1,775	413,092
Engineering equipment	55,000	2,286	235	57,053
Brine wells	83,669	—	—	83,669
Gravel pits	75,965	—	7,680	68,285
Yard and storage equipment	350,248	21,960	—	372,208
Total general fixed assets	11,422,305	1,214,067	723,915	11,912,457
Less accumulated depreciation (Note 8)	5,374,284	869,998	608,574	5,635,708
General fixed assets—Net of depreciation	\$ 6,048,021	\$ 344,069	115,341	\$ 6,276,749