

GENERAL FIXED ASSETS GROUP OF ACCOUNTS STATEMENT OF GENERAL FIXED ASSETS

| | BALANCE JANUARY 1, 1974 | ADDITIONS | DISPOSALS | BALANCE DECEMBER 31, 1974 |
|--|-------------------------------|------------|-----------|---------------------------------|
| Land and land improvements | \$ 830,176 | \$ - | \$ - | \$ 830,176 |
| Buildings | 2,195,505 | 326,664 | - | 2,522,169 |
| Road equipment | 4,876,685 | 885,002 | 437,223 | 5,324,464 |
| Shop equipment | 165,486 | 6,338 | 2,198 | 169,626 |
| Office equipment | 188,270 | 14,764 | 8,444 | 194,590 |
| Engineering equipment | 45,421 | 6,627 | - | 52,048 |
| Brine wells | 58,441 | 3,140 | - | 61,581 |
| Gravel pits | 75,965 | - | - | 75,965 |
| Yard and storage equipment | 26,386 | 119,410 | - | 145,796 |
| Total general fixed assets | 8,462,335 | 1,361,945 | 447,865 | 9,376,415 |
| Less accumulated depreciation (Note 9) | 3,961,742 | 791,782 | 440,129 | 4,313,395 |
| General fixed assets - Net of depreciation | \$4,500,593 | \$ 570,163 | \$ 7,736 | \$5,063,020 |

See Notes to Financial Statements.

Notes to Financial Statements

December 31, 1974

1. ACCOUNTING POLICIES:

The books and records of the Road Commission are maintained on the modified accrual basis of accounting.

Expenses, except for interest on long-term debt, and wages payable at year-end are accrued. Revenues, if measurable and available, are accrued. Other revenues, such as gas and weight tax from the Motor Vehicle Highway Funds, are recorded when received. Proceeds from the issuance of long-term debt are recorded as a revenue when received and payments of principal and interest are recorded as expenditures when paid.

Expenditures for construction are recognized as the work progresses except for work orders and certain inspection projects. Costs and billings related to the work orders and the inspection projects are recorded as assets or liabilities until completion of the work, at which time costs are recorded as expenditures and the related billings are recorded as revenue.

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, allocation of equipment charges, general fixed assets and depreciation are included in the other notes to financial statements.

2. COMBINATION OF FUNDS:

In the prior year, the special assessment activity was reported as a Special Assessment Fund rather than as a part of the Road Fund. It has been subsequently concluded that the special assessment activity is directly related to the other activities of the Road Fund and should be included therein. Therefore, the fund balance of the Road Fund as of January 1, 1974, has been restated to reflect the combination of the two funds into one. The resulting fund balance at January 1, 1974, of \$6,276,404 is the sum of the Road Fund balance of \$3,397,798 and the Special Assessment Fund balance of \$2,878,606. The Special Assessment Fund balance has been reduced by \$595,918 from the amount previously reported. Of that amount, \$309,008 is the result of a deferral of 1973 revenue equal to construction costs not yet incurred as of January 1, 1974. (See Note 4.) In addition, the Special Assessment Fund balance has been reduced by \$286,910 which

represents the Road Commission share of construction costs which should have been recognized in 1973.

3. BUDGET:

The Road Commission is in the process of revising its record-keeping system and installing budgetary accounting and reporting, which will provide necessary information for reporting both in conformity with generally accepted accounting principles and in State reports as prescribed by Public Act 51 of 1951. In 1974, while the revision process was developing, the Road Commission adopted a cash basis budget classified by departments. This budget has not been presented in the financial statements since it was not practicable to present the budget information on a basis consistent with the accounting methods and classifications used in the financial statements. Any comparison of the budget with the financial statements would not provide meaningful information.

4. 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 1974, revenue was recognized in the amount of \$1,190,558, which excludes a deferred amount of \$90,715. Expenditures for construction totaled \$1,548,720 for the year. Expenditures exceeded revenues by the portion of construction costs which is borne by the Road Commission.

Because the assessments can be paid in ten 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 the Road Fund-fund balance equal to the assessments receivable is intended to be used to retire these notes.

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

December 31, 1974

| | |
|---|--------------|
| Amounts to be provided for the retirement of Act 51 bonds | \$ 6,280,000 |
| Amounts to be provided for the retirement of Act 143 notes | 5,900,000 |
| Amounts to be provided for the payment of contractual obligation | 202,500 |
| Total amount to be provided for long-term debt | \$12,382,500 |
| Bonds payable: | |
| 1962 issue | \$ 2,955,000 |
| 1968 issue | 3,325,000 |
| Total bonds payable | 6,280,000 |
| Notes payable (Note 4): | |
| 1970 issue | 900,000 |
| 1971 issue | 1,400,000 |
| 1973 issue - Series I | 1,800,000 |
| 1973 issue - Series II | 1,800,000 |
| Total notes payable | 5,900,000 |
| Contractual obligation - Department of State Highways to retire 1957 limited access highway bonds | 202,500 |
| Total long-term debt | \$12,382,500 |

See Notes to Financial Statements.



PATIENCE REWARDED - Pavement and curbs for Kensington road, in Bloomfield township, were one constructive use of road and township funds.

Project started in 1974, reached completion in mid-year of 1975. Tree removal for project did not mar final appearance, as had been feared by alarmed residents.

5. RETIREMENT PLAN

The Road Commission has a retirement plan covering all employees. The contribution to the plan for the current year totaled \$831,938. This contribution includes a provision for funding accrued prior service costs of \$7,032,925 over 37 years from December 31, 1973, the date of the most recent actuarial report.

PROGRESS:

As of December 31, 1974, 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 amounts needed to complete the projects that were in process as of December 31, 1974, total \$1,980,000 for general road improvements. Approximately

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6. CONSTRUCTION IN