

MONROE COUNTY ROAD COMMISSION
A Component Unit of Monroe County, Michigan

ANNUAL FINANCIAL REPORT
with Supplementary Information

FOR THE YEAR ENDED
SEPTEMBER 30, 2016



MONROE COUNTY ROAD COMMISSION
A Component Unit of Monroe County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the Board of County Road Commissioners
of Monroe County
Monroe, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the Other Postemployment Trust Fund of the Monroe County Road Commission (the "Road Commission"), a component unit of Monroe County, Michigan, as of and for the year ended September 30, 2016 and the related notes to the financial statements, 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 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 from 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 General Fund, and the Other Postemployment Trust Fund of the Road Commission as of September 30, 2016, 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

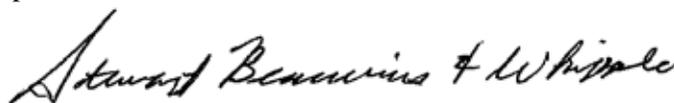
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and defined benefit pension schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Road Commission's basic financial statements. The accompanying supplementary information as listed in the table of contents and presented is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is 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 generally accepted in the United States of America. In our opinion, the supplementary information is 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 March 21, 2017 on our consideration of the Road Commission's internal control over financial reporting and on 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 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 Monroe County Road Commission's internal control over financial reporting and compliance.



Certified Public Accountants

March 21, 2017

MONROE COUNTY ROAD COMMISSION

A Component Unit of Monroe County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Monroe County Road Commission (the "Road Commission"), we offer readers of these financial statements this narrative, overview and analysis of the financial activities of the Road Commission for the year ended September 30, 2016. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to provide a basis of understanding of the Road Commission's basic financial statements. These basic financial statements comprise three components: (1) government-wide financial statements, (2) general and fiduciary fund financial statements, and (3) notes to the financial statements. Required supplementary and other supplementary financial information is also provided for additional information purposes.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Road Commission finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Road Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Road Commission is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

General Fund Financial Statements

Unlike the government-wide financial statements, General Fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the year. Such information may be useful in evaluating the Road Commission's near term financing requirements.

Because the focus of the General Fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for General Fund financial statements with similar information presented for the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Road Commission's near-term financing decisions.

Both the General Fund balance sheet and the statement of revenues, expenditures, and changes in fund balance provide reconciliation to the government-wide financial statements to facilitate this comparison.

The Road Commission adopted a budget for the General Fund for the year ended September 30, 2016. A budgetary comparison statement has been provided to demonstrate compliance with this budget. This budget to actual statement can be found as required supplementary financial information on page 34 of this report.

Fiduciary Fund Financial Statements

The Other Postemployment Benefits Trust Fund (fiduciary fund) is used to account for resources held in trust to provide for the funding of healthcare benefits for retirees of the Road Commission. The fiduciary fund activity is not reflected in the government-wide financial statements because the resources are not available to support the Road Commission's own programs. The Road Commission's Other Postemployment Benefits Trust Fund is reported in the statements of fiduciary net position and changes in fiduciary net position. The accounting used for fiduciary funds is much like that used for the government-wide presentation. The Road Commission is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide, general fund, and fiduciary fund financial statements. The notes to the financial statements can be found on pages 10 through 33 of this report.

FINANCIAL HIGHLIGHTS

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As shown on the chart below, the Road Commission's assets and deferred outflows of resources exceeded liabilities by \$106,984,402 at the end of the year.

Net position is separated into two major components, net investment in capital assets, which amounted to \$110,605,797 or 103% of net position, and unrestricted deficit of \$(3,621,395) or (3)%. The net investment in capital assets of the Road Commission reflects its investment in capital assets (i.e. land, buildings, vehicles, equipment, and infrastructure) less any related debt. The Road Commission uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Road Commission's combined net position increased \$5,869,703 from a year ago.

The following table presents a comparison of the statement of net position at September 30, 2016 and 2015 in a condensed format:

Condensed Statement of Net Position

	<u>2016</u>	<u>2015</u>
Assets:		
Current and other non-capital assets	\$ 16,637,401	\$ 15,020,315
Capital Assets	112,565,778	109,318,046
Total Assets	<u>129,203,179</u>	<u>124,338,361</u>
Deferred Outflows of Resources	<u>2,812,883</u>	<u>1,218,051</u>
Liabilities:		
Long-term liabilities outstanding	20,540,389	20,007,539
Other liabilities	<u>3,537,798</u>	<u>4,434,174</u>
Total Liabilities	<u>24,078,187</u>	<u>24,441,713</u>
Deferred Inflows of Resources	<u>953,473</u>	-
Net Position:		
Net investment in capital assets	110,605,797	106,609,818
Unrestricted (deficit)	<u>(3,621,395)</u>	<u>(5,495,119)</u>
Total Net Position	<u>\$ 106,984,402</u>	<u>\$ 101,114,699</u>

The following table presents a comparison of the statement of activities for the years ended September 30, 2016 and 2015 in a condensed format:

Condensed Statement of Activities

	<u>2016</u>	<u>2015</u>
Revenues		
Intergovernmental -		
Federal Sources	\$ 4,839,307	\$ 3,055,840
State Sources	14,884,050	13,829,468
Local Sources	5,623,913	5,641,656
Charges for Services, Permits, Interest, and Other	<u>4,162,889</u>	<u>4,335,445</u>
	<u>29,510,159</u>	<u>26,862,409</u>
Expenses		
Maintenance	12,802,293	12,587,582
Administration	1,672,019	1,634,278
Equipment (net)	(848,470)	(944,142)
Interest and Other	634,444	831,522
Depreciation	<u>9,380,170</u>	<u>9,569,044</u>
	<u>23,640,456</u>	<u>23,678,284</u>
Change in Net Position	5,869,703	3,184,125
Net Position - Beginning of Year	<u>101,114,699</u>	<u>97,930,574</u>
Net Position - End of Year	<u>\$ 106,984,402</u>	<u>\$ 101,114,699</u>

General Fund Financial Analysis

As noted earlier, the focus of the General Fund financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Road Commission’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for future spending.

As of September 30, 2016, the Road Commission reported an ending fund balance of \$10,449,311, an increase of \$4,045,801 from the prior fiscal year. A portion of fund balance in the amount of \$1,570,377 is classified as nonspendable at September 30, 2016, including \$1,218,781 as inventory, \$150,000 as land held for resale, and \$201,596 as prepaid expenditures. The remainder of the fund balance of \$8,878,934 is unassigned and available for spending at the Road Commission’s discretion.

BUDGETARY HIGHLIGHTS

The Road Commission amended its 2016 budget primarily to reflect additional road project agreements with various townships. Final budgeted revenue increased 38% and expenditures increased 35% over the original adopted budget. Total actual expenditures were less than the final budget by \$7,458,210, due primarily to the carryover of projects into fiscal 2017 and the deferral of capital outlay purchases for winter maintenance trucks. This resulted in an increase in actual fund balance of \$4,045,801, which was \$5,349,112 more than the final budget amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At September 30, 2016, the Road Commission had \$112,565,778 in capital assets (net of accumulated depreciation), representing an increase of \$3,247,732. The increase was related to general infrastructure additions, outfitting three single-axle dump trucks, five new vehicles, a new patcher, and a new data system.

Additional information on the Road Commission’s capital assets can be found in Note 8 to the financial statements.

Long-term Liabilities - At September 30, 2016 and 2015, the Road Commission had \$2,470,240 and \$3,309,522 in outstanding long-term liabilities, respectively.

The activity associated with long-term liabilities in 2016 was principal payments on existing bonds and lease purchase agreements, normal activity relative to compensated absences and the provision for workers' compensation claims.

Additional information on the Road Commission's long-term liabilities may be found in Note 11 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

On November 10, 2015, the Governor signed a package of bills that will increase road funding throughout the state. The passage of these bills is estimated to provide \$600 million more of constitutionally-protected revenue that will be deposited into the Michigan Transportation Fund (Act 51) beginning January 1, 2017. Another \$600 million from the general fund will be phased in over fiscal years 2019 through 2021. It is estimated that the Road Commission will receive approximately \$2.7 million more in fiscal year 2017 and \$7.8 million more once fully phased-in during fiscal year 2021.

While this increase in road funding is a welcome relief, it will not be enough to repair all of the infrastructure damage due to decades of insufficient funding and escalating costs. The Road Commission continues to pursue all viable funding through federal, state, and local entities. These sources are unpredictable at best, which makes planning somewhat problematic, but we continue to apply for resources as they become available.

The 2016/2017 budget was prepared to provide similar services, as was done in 2015/2016 at similar staffing levels. The Road Commission will continue to partner with townships on construction/preservation projects and will share in the costs up to \$1.5 million in primary road projects and \$500,000 in local road projects. Allocation of these funds to the townships is based on miles (65%) and population (35%), as is used in the Michigan Transportation Fund formula.

CONTACTING THE ROAD COMMISSION MANAGEMENT

This financial report is designed to provide a general overview of the Monroe County Road Commission's finances and to show accountability. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Monroe County Road Commission, 840 S. Telegraph Road, Monroe, Michigan, 48161.

MONROE COUNTY ROAD COMMISSION
A Component Unit of Monroe County, Michigan

BALANCE SHEET / STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	General Fund	Adjustments (Note 2)	Governmental Activities
Assets:			
Cash and cash equivalents	\$ 5,904,389	\$ -	\$ 5,904,389
Investments	2,500,000	-	2,500,000
Land held for sale	150,000	-	150,000
Due from other governmental units	6,516,312	-	6,516,312
Accounts receivable, net of allowance of \$15,241	146,323	-	146,323
Prepaid items	201,596	-	201,596
Inventory	1,218,781	-	1,218,781
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	-	10,823,076	10,823,076
Assets being depreciated - net	-	101,742,702	101,742,702
Total Assets	16,637,401	112,565,778	129,203,179
Deferred Outflows of Resources:			
Related to pension plan	-	2,812,883	2,812,883
Total Assets and Deferred Outflows of Resources	\$ 16,637,401		
Liabilities:			
Accounts payable	\$ 1,427,871	-	1,427,871
Accrued liabilities	166,985	-	166,985
Accrued interest payable	-	14,013	14,013
Due to other governmental units	567,041	-	567,041
Advances and deposits	1,361,888	-	1,361,888
Non-Current Liabilities -			
Due within one year	-	1,218,948	1,218,948
Due in more than one year	-	1,251,292	1,251,292
Net pension liability	-	10,152,498	10,152,498
Net OPEB obligation	-	7,917,651	7,917,651
Total Liabilities	3,523,785	20,554,402	24,078,187
Deferred Inflows of Resources:			
Unavailable revenue	2,664,305	(2,664,305)	-
Related to pension plan	-	953,473	953,473
Total Deferred Inflows of Resources	2,664,305	(1,710,832)	953,473
Fund Balance:			
Nonspendable	1,570,377	(1,570,377)	-
Unassigned	8,878,934	(8,878,934)	-
Total Fund Balance	10,449,311	(10,449,311)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,637,401		
Net Position:			
Net investment in capital assets		110,605,797	110,605,797
Unrestricted (Deficit)		(3,621,395)	(3,621,395)
Total Net Position		\$ 106,984,402	\$ 106,984,402

The accompanying notes are an integral part of these financial statements.

MONROE COUNTY ROAD COMMISSION
A Component Unit of Monroe County, Michigan

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE / STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	General Fund	Adjustments (Note 2)	Governmental Activities
Revenues:			
Permits	\$ 172,958	\$ -	\$ 172,958
Intergovernmental -			
Federal sources	4,839,307	-	4,839,307
State sources	15,086,648	(202,598)	14,884,050
Local sources	7,115,228	(1,491,315)	5,623,913
Charges for services	3,670,012	156,492	3,826,504
Interest and rents	47,577	-	47,577
Other	115,850	-	115,850
Total Revenues	31,047,580	(1,537,421)	29,510,159
Expenditures/Expenses:			
Current -			
Primary preservation - structural improvements	8,782,645	(8,782,645)	-
Local preservation - structural improvements	3,122,368	(3,122,368)	-
Primary maintenance	4,430,696	145,469	4,576,165
Local maintenance	5,382,817	194,797	5,577,614
State maintenance	2,648,514	-	2,648,514
Administrative	1,515,971	156,048	1,672,019
Equipment operations	3,301,303	(1,201,292)	2,100,011
Less: equipment rental			
charged to other activities	(2,948,481)	-	(2,948,481)
Other services	557,512	-	557,512
Depreciation	-	9,380,170	9,380,170
Capital Outlay	726,269	(726,269)	-
Less: depreciation credit			
and retirements	(1,348,096)	1,348,096	-
Debt Service -			
Principal	743,778	(743,778)	-
Interest	86,483	(9,551)	76,932
Total Expenditures/Expenses	27,001,779	(3,361,323)	23,640,456
Change in Fund Balance/Net Position	4,045,801	1,823,902	5,869,703
Fund Balance/Net Position at October 1, 2015	6,403,510	94,711,189	101,114,699
Fund Balance/Net Position at September 30, 2016	\$ 10,449,311	\$ 96,535,091	\$ 106,984,402

The accompanying notes are an integral part of these financial statements.

MONROE COUNTY ROAD COMMISSION
A Component Unit of Monroe County, Michigan

STATEMENT OF FIDUCIARY NET POSITION
OTHER POSTEMPLOYMENT BENEFITS TRUST FUND
SEPTEMBER 30, 2016

Assets:

Investments, at fair value -	
Cash with broker	\$ 188,593
Mutual Funds	1,082,432
Stocks	<u>1,542,776</u>
Total Assets	<u><u>\$ 2,813,801</u></u>

Net Position - Restricted for Other Postemployment Benefits

\$ 2,813,801

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OTHER POSTEMPLOYMENT BENEFITS TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Additions:

Employer contributions	
	<u>\$ 784,647</u>
Investment income -	
Net appreciation in fair value of investments	113,396
Interest and dividends	68,911
Less investment and advisory fees	(18,177)
Total investment income	<u>164,130</u>
Net increase	948,777

Net Position - Restricted for Other Postemployment Benefits:

Beginning of year	<u>1,865,024</u>
End of year	<u><u>\$ 2,813,801</u></u>

The accompanying notes are an integral part of these financial statements.

MONROE COUNTY ROAD COMMISSION
A Component Unit of Monroe County, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Monroe County Road Commission (the “Road Commission”), a component unit of Monroe County, Michigan have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities including the following accounting policies specific to road commissions: allocation of depreciation/depletion and equipment rental, the recording of handling and overhead credits and the recording of equipment retirements with the related gain or loss on disposal of equipment. The more significant accounting policies are described as follows:

A. Description of Road Commission Operations -

The Road Commission is a component unit of Monroe County, Michigan, and is used to control the expenditure of revenues from the State of Michigan (the “State”) distribution of gas and weight taxes, federal awards, reimbursements from the Michigan Department of Transportation (“MDOT”) for work performed within the County on State trunklines and contributions from other local units of government (townships) for work performed by the Road Commission. The General Fund is the operating fund of the Road Commission.

The Road Commission, which is established pursuant to the County Road Law (MCL224.1), operates under a Board of five (5) County Road Commissioners of which, at September 30, 2016, three members were appointed by the Monroe County Board of Commissioners and two members were elected. At December 31, 2016, one elected member’s term will expire and the other elected member’s term is to expire on December 31, 2018. As elected members’ terms expire, the positions will be appointed by the Monroe County Board of Commissioners. The Board of County Road Commissioners establishes policies and reviews operations of the Road Commission. The Road Commission provides services to fifteen (15) Townships in Monroe County and maintains over 1,500 centerline miles of state, local and primary roads.

B. Government-wide and Fund Financial Statements -

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on the nonfiduciary activities of the Road Commission.

Separate financial statements are provided for the General Fund and the Other Postemployment Benefits Trust Fund, even though the latter is excluded from the government-wide financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation -

The government-wide financial statement columns (i.e., statement of net position and statement of activities) and the Other Postemployment Benefits Trust Fund 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. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

MONROE COUNTY ROAD COMMISSION
A Component Unit of Monroe County, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The General Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized when 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 year. The major revenues susceptible to accrual are the motor vehicle highway funds and township contributions. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, pension expenses, and claims and judgements are recorded only when payment is due.

The Road Commission reports the following fund types -

Governmental Fund Type -

The General Fund is the Road Commission's primary operating fund.

Fiduciary Fund Type -

The Other Postemployment Benefits Trust Fund is used to account for the accumulation and investment of funds to provide for the funding of health care benefits for retirees of the Road Commission.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Balance or Net Position -

Cash and Cash Equivalents - Cash equivalents are short-term investments that are readily convertible to cash or have a maturity date of ninety days or less from the date of purchase.

Investments - Investments are stated at fair value, which is determined as follows: (a) short-term investments are recorded at cost which approximates fair value; (b) securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates; and (c) cash deposits are reported at carrying amount which reasonably approximates fair value.

Accounts Receivable - Accounts receivable consist of billable accident claims for damage to Road Commission property and infrastructure, permits, retiree insurance copays, various billable services, and other miscellaneous receivables. The allowance for doubtful accounts at September 30, 2016 is \$15,241.

Inventories - Inventories of road materials and equipment parts are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are stated at average cost, which approximates market.

Prepaid Items - Certain payments to vendors (particularly for insurance coverage) reflect costs that are applicable to a future period and are recorded as prepaid items in the government-wide and General Fund financial statements.

MONROE COUNTY ROAD COMMISSION
A Component Unit of Monroe County, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure, are reported in the government-wide financial statements (statement of net position). Capital assets for land, buildings and improvements and equipment are defined by the Road Commission as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. This dollar value may be superseded for equipment that appears on the State equipment list (Schedule C), whereby the piece of equipment must be reported as a capital asset without consideration of minimum cost. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the sum-of-the-year digits method for road equipment and straight-line method for all other capital assets over the estimated useful life of the related asset.

The estimated useful lives are as follows:

Buildings and Improvements	10 - 50 years
Equipment	5- 10 years
Roads and Bridges	8-50 years
Traffic Signals	15 years

Infrastructure is reported retrospectively from 1980, except for right-of-ways, bridges, and traffic signals, which are required to be reported despite the date of purchase. The Uniform Accounting Procedures Manual for Michigan County Road Commissions (the "Manual") provides for removing roads from capital assets at the time the group of individually recorded roads have been fully depreciated.

The Manual also provides for recording depreciation and depletion in the General Fund financial statements as a charge to various expenditure accounts, and a credit to a depreciation/depletion credit account that is off set against capital outlay. Accordingly, the annual depreciation/depletion expenditures do not affect the available operating equity (fund balance) of the General Fund financial statements

The Manual also provides for the net book value of road equipment that is retired to be reported as an equipment retirement in an equipment retirement credit account that is offset against capital outlay. The net of any proceeds received for the retirement (sale, abandonment, or trade-in) is reported as a gain or loss on disposal of equipment. As a result, fund balance of the General Fund is not affected.

MONROE COUNTY ROAD COMMISSION
A Component Unit of Monroe County, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Road Commission has the following items that qualify for reporting in this category: Pension payments made subsequent to the measurement date, pension related changes in assumptions, and the net difference between expected and actual plan investment earnings related to the Road Commission's pension, which are reported on the government-wide statement of net position. The contributions made subsequent to the measurement date are recognized in the following plan year. The net difference between expected and actual plan investment earnings is amortized over five (5) years. The pension related changes in assumptions are amortized over the expected remaining service lives of the participants.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) so will not be recognized as an inflow of resources until that time. The Road Commission has the following items that qualify for reporting in this category: unavailable revenue due to reimbursements that were not collected within the availability period, which are reported on the General Fund balance sheet (modified accrual basis of accounting), and pension related differences between expected and actual experience and changes in proportionate share, which are reported on the government-wide statement of net position. The unavailable revenue is recognized as an inflow of resources in the period collected. The pension related deferred inflows of resources are amortized over the expected remaining service lives of the participants.

Advances From The State Of Michigan - The State advances funds on a maintenance agreement it has with the Road Commission for specified maintenance, which the Road Commission will perform during the year, and for equipment purchased and used in performance of the specified maintenance. These advances are considered current liabilities because they are subject to repayment annually upon audit by the State.

Compensated Absences (vacation and sick leave) - In accordance with contracts negotiated with the various employee groups, individual employees have vested rights upon termination of employment to receive payments for unused vacation leave and sick under formulas and conditions specified in the contracts. All amounts vested are accrued in the government-wide financial statements (statement of net position).

Equipment Rental - The Manual provides that the cost of operating equipment, including depreciation, be charged (allocated) to the various activities. The credit of this allocation is an offset to equipment expenditures/expenses. As a result, the available fund balance of the General Fund is not affected.

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Handling and Overhead Credits - The Manual provides that the charging of handling and overhead based on a calculation related to a specific project's cost, particularly the State Trunkline agreements, be reported as an expenditure/expense under the appropriate activity and a credit to a handling or overhead credit account that is offset against the Administrative activity. As a result, the available operating fund balance of the General Fund is not affected.

Long-term Obligations - In the government-wide statement of net position, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds and notes payable are reported net of the applicable premium or discount. Bond issuance costs are expensed as incurred.

In the General Fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issued are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Balance - In the financial statements, the General Fund can present fund balance in one or more of the following classifications:

Nonspendable fund balance - the portion of fund balance that cannot be spent because of its form or because it must be maintained intact.

Restricted fund balance - the portion of fund balance that has limitations imposed on use by external sources.

Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action via board resolution (e.g., to establish, modify or rescind), of the highest level of decision-making authority (Board of County Road Commissioners).

Assigned fund balance - the portion of fund balance that reflects the Road Commission's intended use of resources. Such intent currently must be determined by the Managing Director or designee as provided via resolution of the Board of County Road Commissioners.

Unassigned fund balance - the portion of a fund balance in the General Fund that cannot be classified into one of the four categories above.

When different classifications of fund balance are present, it is the Road Commission's policy that expenditures are to be spent from restricted fund balance first, if appropriate, followed in order by committed fund balance, then assigned, and lastly unassigned.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Other Postemployment Benefits (OPEB) - The Road Commission offers retiree healthcare benefits to eligible employees. The Road Commission receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the General Fund, OPEB costs are recognized as contributions occur. For the government-wide statements, the Road Commission reports the full accrual cost equal to the current year required contribution, adjusted for interest and “adjustment to the ARC” on the beginning of year underpaid amount, if any.

Estimates - In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements - Recently the GASB issued the following statements that may have an impact on the Road Commission’s financial statements when adopted. The Road Commission is currently evaluating the implications of these pronouncements.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was issued in June 2015 and will become effective for the Road Commission’s September 30, 2017 fiscal year. The statement establishes accounting and financial reporting as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The statement builds upon the existing framework for financial reports of defined benefit postemployment benefit plans and enhances note disclosures and required supplementary information for both defined benefit and defined contribution plans. The statement also requires the presentation of new information about annual rates of return in the notes to financial statements and in the ten-year required supplementary information.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was issued in June 2015 and will become effective for the Road Commission’s September 30, 2018 fiscal year. The statement requires governments providing defined benefit plans to report the net OPEB liability in their statement of net position. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets accumulated in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The plan will also improve the comparability and consistency of how governments calculate the OPEB liabilities and expenses.

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND GENERAL FUND FINANCIAL STATEMENTS:

A. Explanation of differences between the Balance Sheet and the Statement of Net Position (Page 7).

Fund Balance - General Fund	\$ 10,449,311
Capital assets used in General Fund activities are not current financial resources and therefore not reported in the General Fund financial statements	
Add - capital assets	217,987,024
Deduct - accumulated depreciation	(105,421,246)
Certain pension contributions and changes in pension plan liabilities are reported as deferred outflows (inflows) of resources in the statement of net position, but are reported as expenditures in the General Fund financial statements.	
Deferred outflows of resources	2,812,883
Deferred inflows of resources	(953,473)
Long-term liabilities that are not due in the current period and therefore not reported in the General Fund financial statements	
Bonds/Notes/Capital lease payable	(1,959,981)
Compensated absences	(485,637)
Net pension liability	(10,152,498)
Net OPEB obligation	(7,917,651)
Accrued interest payable on long-term liabilities is not reported in the General Fund financial statements	(14,013)
Long-term provision for uninsured workers' compensation is not reported in the General Fund financial statements	(24,622)
Revenues that have been deferred in the General Fund financial statements because they are not considered "available"	<u>2,664,305</u>
Net Position - Governmental Activities	<u>\$ 106,984,402</u>

MONROE COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND GENERAL FUND FINANCIAL STATEMENTS - (cont'd):

B. Explanation of differences between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities (Page 8).

Change in Fund Balance - General Fund	\$	4,045,801
<p>The General Fund reports capital outlay as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense</p>		
Add - capital outlay and infrastructure		12,631,282
Deduct - depreciation	(9,380,170)
Deduct - retirement	(3,380)
<p>Revenues deferred in the General Fund because they do not provide current financial resources that are reported in the government-wide Statement of Activities</p>		
	(1,537,421)
<p>The issuance of long-term debt provides current financial resources to the General Fund, while the repayment of the principal of long-term debt consumes the current financial resources of the General Fund. Neither transaction, however, has any effect on net position.</p>		
Principal payments on long-term liabilities		743,778
<p>Premiums paid on issuance of debt are expensed when incurred in the General Fund, but not in the Statement of Activities (where they are amortized over the life of the debt)</p>		
		4,469
<p>Interest expense adjustment for accrual reported in the Statement of Activities when the liability is incurred and reported in the General Fund only when payment is due.</p>		
		5,082
<p>Changes in estimated workers' compensation claims are recorded when earned in the Statement of Activities.</p>		
		71,775
<p>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 the General Fund -</p>		
Increase in net OPEB obligation	(310,853)
Change in pension expense related to deferred items related to pension plan		641,359
Increase in net pension liability	(1,061,279)
Decrease in compensated absences		<u>19,260</u>
Change in Net Position - Governmental Activities	\$	<u><u>5,869,703</u></u>

MONROE COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Compliance -

Budgetary procedures are established pursuant to Public Act 2 of 1968, *Michigan Compiled Laws* (MCL) 141.421, which requires the Board of County Road Commissioners to approve a budget for the General Fund.

The Road Commission Managing Director prepares from data submitted by the administrative staff a proposed operating budget for the year commencing October 1. The operating budget includes proposed expenditures and resources to finance them.

The budget for the General Fund is adopted on the modified accrual basis, which is consistent with accounting principles generally accepted in the United States of America.

In September, the proposed budget is presented to the Board of County Road Commissioners. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through passage of a Board of County Road Commissioners' resolution. After the budget is adopted, the Managing Director is authorized to transfer budgeted amounts between line items within department category, exclusive of certain exceptions, which require the approval of the Board of County Road Commissioners. These accepted items and any revisions that alter the total expenditures of any budgeted category must be approved by the Board of County Road Commissioners.

The Road Commission does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at fiscal year-end.

NOTE 4 - DEPOSITS AND INVESTMENTS:

As of September 30, 2016, the carrying amount of deposits and investments is as follows:

	General Fund	Fiduciary Fund	Reporting Entity
Cash and Cash Equivalents:			
Petty Cash	\$ 400	\$ -	\$ 400
Deposits with Financial Institutions	5,903,989	-	5,903,989
	5,904,389	-	5,904,389
Investments:			
Long-term Certificates of Deposits	2,500,000	-	2,500,000
Investment Pool -			
Cash with Broker	-	188,593	188,593
Mutual Funds	-	1,082,432	1,082,432
Stocks	-	1,542,776	1,542,776
	2,500,000	2,813,801	5,313,801
	\$ 8,404,389	\$ 2,813,801	\$ 11,218,190

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (cont'd):

The Manual provides that the County Treasurer maintain the cash of the Road Commission. All Road Commission receipts are deposited with the Monroe County Treasurer's Office, and in order to make disbursements, the Road Commission coordinates with the County Treasurer a bank transfer between County Road and vendor/payroll accounts. The investing of cash is performed by the County Treasurer. The Road Commission has adopted and follows the investment policy adopted by Monroe County. The investment policy does not apply to the deposits and investments held in the Other Postemployment Trust Fund.

Michigan Compiled Laws Section 129.921 (Public Act 20 of 1994, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Pension trust and other postemployment benefit trust funds are 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 (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Deposits -

General Fund:

The Road Commission's deposits consist of demand accounts, money market funds, savings accounts, and certificates of deposit.

Custodial Credit Risk - Deposits - is the risk that in the event of bank failure, the Road Commission's deposits may not be returned to it. The Road Commission does not have a deposit policy for custodial credit risk. The bank balance of these deposits at September 30, 2016 was \$9,521,356. At year-end, the Road Commission's General Fund had \$7,521,356 of bank deposits that were uninsured and uncollateralized.

Investments -

Credit Risk - Investments - is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Road Commission's investment policy does not address credit risk to the Other Postemployment Benefits Trust Fund. The Road Commission's investments are exclusively mutual funds and common stock at September 30, 2016. The Road Commission has \$585,589 invested in bond mutual funds.

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (cont'd):

Custodial Credit Risk - Investments - is the risk that in the event of the failure of the counterparty, the Road Commission will not be able to recover the value of its investments that are in the possession of another party. The Road Commission's investments policy does not address custodial credit risk in regards to the Other Postemployment Benefits Trust Fund.

Interest Rate Risk - Investments - is the risk that the value of the investments will decrease as a result of a rise in interest rates. The Road Commission's investment policy does not address interest rate risk in regards to the Other Postemployment Benefits Trust Fund.

Concentration of Credit Risk - Investments - is the risk of loss attributed to the magnitude of the Road Commission's investment in a single issuer. The Road Commission's investment policy does not address concentration of credit risk in regard to the Other Postemployment Benefits Trust Fund.

NOTE 5 - FAIR VALUE MEASUREMENTS:

The Road Commission categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, inputs other than quoted prices that are observable, or market-corroborated inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, the fair value measurements are categorized based on the lowest level input that is significant to valuation. The Road Commission's assessment of the significance of particular inputs used requires judgement and consideration of factors specific to each asset.

The Road Commission has the following recurring fair value measurements as of September 30, 2016:

	Level 1	Level 2	Level 3	Total
Stocks	\$ 1,542,776	\$ -	\$ -	\$ 1,542,776
Mutual Funds	1,082,432	-	-	1,082,432
	\$ 2,625,208	\$ -	\$ -	\$ 2,625,208

The Road Commission also has a non-reoccurring fair value measurement as of September 30, 2016 for property held for sale. The property is valued within a range of recent offer prices made by third parties (Level 3).

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6 - DUE FROM OTHER GOVERNMENTAL UNITS:

Due from other governmental units as of September 30, 2016 consists of the following:

State -		
Motor Vehicle Highway Funds	\$	2,011,753
Trunkline Maintenance		382,387
Other		<u>188</u>
	\$	<u>2,394,328</u>
Local -		
Township Road Agreements	\$	2,989,759
Bond Debt Agreements		<u>1,132,225</u>
		<u>4,121,984</u>
	\$	<u>6,516,312</u>

The Bond Debt Agreements represent the amounts that the townships and private sources are participating in repayment of various bond and note issuances. A corresponding amount less any amounts deemed available has been recorded as deferred inflows of resources in the General Fund financial statements and will be recognized as revenue as payments become available.

NOTE 7 - INVENTORIES:

The inventory balance of \$1,218,781 at September 30, 2016 consisted of \$1,030,869 of road materials and \$187,912 of equipment parts and materials.

MONROE COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 - CAPITAL ASSETS:

Capital assets activity for the year ended September 30, 2016 was as follows:

	<u>Balance</u> <u>Oct. 1, 2015</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2016</u>
Capital Assets, not being depreciated -				
Land	\$ 367,162	\$ 40,250	\$ -	\$ 407,412
Land Improvements-Infrastructure	<u>10,175,579</u>	<u>240,085</u>	<u>-</u>	<u>10,415,664</u>
Total Capital Assets, not being depreciated	<u>10,542,741</u>	<u>280,335</u>	<u>-</u>	<u>10,823,076</u>
Capital Assets, being depreciated -				
Building and Improvements	5,240,555	-	-	5,240,555
Road Equipment	10,760,230	686,019	766,360	10,679,889
Shop Equipment	274,259	-	-	274,259
Office Equipment	866,201	-	-	866,201
Engineering Equipment	50,154	-	-	50,154
Yard/Storage Equipment	3,216,562	-	-	3,216,562
Infrastructure -				
Roads	152,200,451	10,667,052	3,583,611	159,283,892
Bridges	25,501,939	855,038	-	26,356,977
Traffic Signals	<u>1,085,621</u>	<u>142,838</u>	<u>33,000</u>	<u>1,195,459</u>
	<u>199,195,972</u>	<u>12,350,947</u>	<u>4,382,971</u>	<u>207,163,948</u>
Less - Accumulated Depreciation for -				
Buildings and Improvements	3,393,814	122,236	-	3,516,050
Road Equipment	8,066,070	984,399	762,980	8,287,489
Shop Equipment	254,466	7,542	-	262,008
Office Equipment	742,618	47,004	-	789,622
Engineering Equipment	48,319	688	-	49,007
Yard/Storage Equipment	1,187,657	182,847	-	1,370,504
Infrastructure -				
Roads	78,623,063	7,452,115	3,583,611	82,491,567
Bridges	7,354,525	535,596	-	7,890,121
Traffic Signals	<u>750,135</u>	<u>47,743</u>	<u>33,000</u>	<u>764,878</u>
	<u>100,420,667</u>	<u>9,380,170</u>	<u>4,379,591</u>	<u>105,421,246</u>
Total Capital Assets, being depreciated, net	<u>98,775,305</u>	<u>2,970,777</u>	<u>3,380</u>	<u>101,742,702</u>
Governmental Activities Capital Assets, net	<u>\$ 109,318,046</u>	<u>\$ 3,251,112</u>	<u>\$ 3,380</u>	<u>\$ 112,565,778</u>

Total depreciation for the year ended September 30, 2016 was \$9,380,170.

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 9 - FEDERAL AWARDS:

It is required by MDOT that Road Commissions report total federal awards for Highway Research, Planning and Construction pertaining to their County. However, only the federal awards applicable to force account expenditures are required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account portion while the balance is administered by MDOT.

During the year ended September 30, 2016, the Road Commission had less than \$750,000 of force account and other contract expenditures applicable to federal awards. As a result, an audit for compliance under the Single Audit Act has not been performed.

NOTE 10 - ADVANCES AND DEPOSITS:

Advances and deposits of \$1,361,888 at September 30, 2016 includes money advanced by the State under the maintenance contract the Road Commission has with the State for specified maintenance and for equipment purchased and used to provide this specified maintenance. The State advance is adjusted annually by the State, and must be repaid if the maintenance contract is cancelled. The liability also includes advances and deposits from Townships, contractors and individuals for various projects. The following is a summary of the balance by source and use:

State -		
Trunkline maintenance	\$	262,314
Equipment		<u>510,426</u>
		772,740
Local -		
Township advances		3,134
Contractors and individuals		<u>586,014</u>
	<u>\$</u>	<u>1,361,888</u>

NOTE 11 - LONG-TERM LIABILITIES:

The following is a summary of the changes in long-term liabilities of the Road Commission for the year ended September 30, 2016:

	Balance October 1, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2016</u>	Due Within <u>One Year</u>
2005 MTF-Bonds, Series 2005	\$ 450,000	\$ -	\$ 200,000	\$ 250,000	\$ 250,000
2008 MTF-Notes, Series 2008	580,000	-	290,000	290,000	290,000
2011 MTF-Notes, Series 2011	485,000	-	90,000	395,000	95,000
2012 MTF-Notes, Series 2012	525,000	-	75,000	450,000	75,000
Premium on notes	8,941	-	4,469	4,472	4,472
Installment lease purchase agreements	659,287	-	88,778	570,509	90,908
Compensated absences	504,897	410,174	429,434	485,637	413,568
Provision for workers' compensation losses	<u>96,397</u>	<u>5,367</u>	<u>77,142</u>	<u>24,622</u>	<u>-</u>
Total long-term debt	<u>\$ 3,309,522</u>	<u>\$ 415,541</u>	<u>\$ 1,254,823</u>	<u>\$ 2,470,240</u>	<u>\$ 1,218,948</u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 11 - LONG-TERM LIABILITIES - (cont'd):

Significant details regarding outstanding long-term liabilities are presented below:

2005 MTF Bonds - Series 2005 -

The Road Commission is obligated for Michigan Transportation Fund Bonds, Series 2005, dated June 1, 2005, in the original amount of \$2,200,000. The final annual principal installment of \$250,000 is due August 1, with interest of 3.85% due on February 1 and August 1, 2017. Through agreements with Monroe County, Bedford Township, and Erie Township, the principal and related interest payment participation percentages are 36.15%, 16.90% and 46.95%, respectively. At September 30, 2016, the outstanding balance is \$250,000.

2008 MTF Notes - Series 2008 -

The Road Commission is obligated for Michigan Transportation Fund Notes, Series 2008, dated April 28, 2008, in the original amount of \$2,590,000. The final annual principal installment of \$290,000 is due August 1, with interest of 4.00% due February 1 and August 1, 2017. Through agreements with Monroe County, Monroe Township, and private sources, the principal and related interest payment participation percentages are 56%, 32% and 12%, respectively. At September 30, 2016, the outstanding balance is \$290,000.

2011 MTF Notes - Series 2011 -

The Road Commission is obligated for Michigan Transportation Fund Notes, Series 2011, dated March 29, 2011, in the original amount of \$815,000. Principal payments are due in annual installments on August 1 ranging from \$90,000 to \$105,000 through 2020, with interest of 3.25% due on February 1 and August 1 of each year. Through agreements with Whiteford Township and Summerville Township, the principal and related interest payment participation percentages are 26.75% and 73.25%, respectively. At September 30, 2016, the outstanding balance is \$395,000.

2012 MTF Notes - Series 2012 -

The Road Commission is obligated for Michigan Transportation Fund Notes, Series 2012, dated May 31, 2012, in the original amount of \$700,000. Principal payments are due in annual installments on August 1 of \$75,000 through 2022, with interest of 3.05% due on February 1 and August 1 of each year. Through an agreement with Whiteford Township, the principal and related interest payments are the responsibility of Whiteford Township. At September 30, 2016, the outstanding balance is \$450,000.

Installment Lease Purchase Agreements -

The Road Commission entered into an installment purchase agreement in connection with the purchase of 2 CAT loaders, dated February 13, 2014, in the original amount of \$302,275. The payments are due in annual installments of \$38,246 through 2018, which includes interest of 2.4%. The installment purchase agreement also requires a lump sum pay-off in 2019 of \$136,000. At September 30, 2016, the outstanding principal balance was \$199,493.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 11 - LONG-TERM LIABILITIES - (cont'd):

The Road Commission entered into two identical installment purchase agreements in connection with the purchase of 2 CAT graders, dated June 19, 2014, in the combined original amount of \$548,334. The payments are due in annual installments of \$33,189 each through 2018, which includes interest of 2.4%. The installment purchase agreements also require a lump sum pay-off in 2019 of \$130,400 each. At September 30, 2016, the outstanding principal balance was \$371,016.

At September 30, 2016, the original cost basis for the capital items identified above is \$965,744 with accumulated depreciation of \$501,718, leaving a net book value of \$464,026.

Annual Debt Requirements -

The annual principal and interest requirements to service the MTF bonds, notes, and installment purchase agreement liabilities outstanding as of September 30, 2016, are as follows:

Fiscal Years Ending September 30	Principal	Interest	Total
2017	\$ 800,908	\$ 59,959	\$ 860,867
2018	263,091	31,178	294,269
2019	561,510	24,478	585,988
2020	180,000	8,569	188,569
2021	75,000	4,575	79,575
2022	75,000	2,288	77,288
Total	<u>\$ 1,955,509</u>	<u>\$ 131,047</u>	<u>\$ 2,086,556</u>

Compensated Absences (Vacation and Sick Leave) -

In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination to receive compensation for unused accumulated vacation and sick under formulas and conditions specified in the contracts. The dollar amount of these vested rights, which has been accrued on the government-wide financial statements amounts to \$485,637 at September 30, 2016.

Provision for Workers' Compensation Losses -

The provision for uninsured workers' compensation claims at September 30, 2016 was \$24,622, and the summarized activity for claims for 2016 is provided in Note 14.

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 12 - EMPLOYEE PENSION PLANS:

Defined Benefit Plan:

Plan Description -

The Road Commission participates in the Monroe County Employees' Retirement System (the "System"); a single-employer defined benefit contributory pension plan that covers all employees. The System was adopted by Monroe County (the "County") pursuant to Michigan Compiled Laws, Section 46.12a. The Road Commission shares its experience risks and benefits with the County and as such, it is reported as a cost sharing multiple employer plan. Benefit provisions are established and may be amended by the Board of Trustees of the System as permitted by county ordinances. The System issues a publicly available financial report that includes financial statements and required supplementary information and may be obtained by writing Monroe County at 106 East First Street, Monroe, Michigan, 48161.

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension and pension expense have been determined on the same basis as they are reported by the System. The System uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Employee contributions are recognized in the period in which the contributions are due. Road Commission contributions to the System are recognized when due pursuant to legal requirements. Benefit payments and refunds are recognized as expense when due and payable in accordance with the terms of the System.

The membership at December 31, 2015 was comprised of 74 active participants, 80 retirees and beneficiaries, and 9 other vested inactive participants.

Benefits Provided -

Retirement benefits are calculated as 2.25% of the employee's highest consecutive three-year average salary out of the last ten years times the employee's years of service for all employee groups, except non-union part-time. Non-union part-time employees use a 2.00% multiplier and the employee's highest consecutive five-year average salary to calculate the retirement benefit. The maximum benefit is 75% of final average earnings. Employees are vested after 8 years of service. Normal retirement age is 60 or at 55 with 30 years of service. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. An employee who leaves service may withdraw his or her contributions, plus accumulated interest. Post-retirement benefit increases have been provided using a discretionary annual increase program providing a "13th check." The 13th check is based upon investment earnings that are in excess of the assumed level of assets to cover retiree liabilities.

Benefit terms, within the parameters established by the System are established and amended by authority of Board of Commissioners of the Road Commission and ratification by the collective bargaining units.

MONROE COUNTY ROAD COMMISSION
A Component Unit of Monroe County, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 12 - EMPLOYEE PENSION PLANS - (cont'd):

Member and Employer Contributions -

Participants of the System contribute between 3.10-3.25% of compensation with the remaining amount contributed by the Road Commission based on actuarially determined amounts. The Road Commission pays the actuarially determined amount which for the year ended September 30, 2016 was 19.94% of covered payroll.

Net Pension Liability -

The net pension liability of the Road Commission has been measured as of December 31, 2015. The Road Commission's net pension liability is 11.818% (compared to 13.190% at December 31, 2014) of the Plan's liability and is composed of the following:

Total pension liability	\$	31,831,700
Plan fiduciary net position		<u>21,679,202</u>
Net pension liability	\$	<u>10,152,498</u>
Plan fiduciary net position as a percentage of the total pension liability		68.11%

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions -

For the year ended September 30, 2016, the Road Commission recognized pension expense of \$1,327,339 in the government-wide financial statements. At September 30, 2016, the Road Commission reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 377,653	\$ -
Net difference between projected and actual earnings on investments	1,717,601	-
Contributions made subsequent to the measurement date	717,629	-
Difference between expected and actual experience	-	153,338
Changes in proportionate share	<u>-</u>	<u>800,135</u>
Total	<u>\$ 2,812,883</u>	<u>\$ 953,473</u>

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 12 - EMPLOYEE PENSION PLANS - (cont'd):

The amounts of deferred outflows/inflows of resources related to pension, excluding contributions to the Plan subsequent to the measurement date which will be recognized by the Plan in the next measurement period, will be recognized in pension expense as follows:

2017	\$ 324,036
2018	324,036
2019	324,036
2020	171,668
2021	(1,995)
	<u>\$ 1,141,781</u>

Actuarial Valuations and Assumptions -

The total pension liability was determined by an actuarial valuation as of December 31, 2015. The valuation used the following actuarial assumptions based on the most recent study of System experience covering the period from January 1, 2009 through December 31, 2014.

Salary Increases - 3.50% - 5.50% Vary by Employee Group

Investment Rate of Return - 7.00 %, net of pension plan investment expense including inflation.

Inflation Assumption - 3.00%

Mortality Rates - Fully Generational RP-2014 Blue Collar Mortality Table for males and females, using Projection Scale MP-2014.

Discount Rate - The discount rate used to measure the total pension liability as of December 31, 2015 was 7 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarial determined contribution rates and the employee rate.

Projected Cash Flows - Based on the assumptions above, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MONROE COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 12 - EMPLOYEE PENSION PLANS - (cont'd):

The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2015 for each major asset class included in the System's target asset allocation, as disclosed in the investment footnote of the System's December 31, 2015 financial statements, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equities	60.00 %	5.46 %
Fixed income	28.00	4.50
Hedge funds real estate	5.00	7.60
Real estate alternatives	5.00	4.50
Cash or cash equivalents	2.00	1.00

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Road Commission, calculated using the discount rate of 7.00 percent, as well as what the Road Commission's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net pension liability	\$ <u>14,115,157</u>	\$ <u>10,152,498</u>	\$ <u>6,843,518</u>

Deferred Compensation Plan:

The Road Commission offers a deferred compensation plan, created in accordance with the Internal Revenue Code Section 457, which covers nearly all of its employees. The assets of the deferred compensation plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The custodian (Nationwide Benefit Solutions) thereof holds the custodial account for the beneficiaries of this deferred compensation plan, and the assets may not be diverted to any other use. The administrators are agents of the Road Commission for purposes of providing direction to the custodian of the custodial account from time to time for the investment of 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, deferred compensation plan balances and activities are not reflected in the Road Commission's financial statements.

MONROE COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS:

Plan Description -

In addition to the pension benefits described in Note 11, the Road Commission provides postemployment benefits through a single-employer defined benefit healthcare plan (the “Retiree Health Plan”) to eligible employees who retire from the Road Commission on or after attaining retirement age with at least eight years of service. As of December 31, 2014, the date of the most recent actuarial valuation, there were 69 retirees and/or surviving spouses and 73 active members participating in the Retiree Health Plan. Benefits provided consist of medical, prescriptions, and dental and vision benefits. The Road Commission pays \$300 towards annual dental and vision premiums of retirees. Benefit provisions are established through negotiations between the Road Commission’s management and Board of County Road Commissioners and the employees’ unions. Effective for those hired after December 1, 2014, spouses of retirees no longer have access to the Retiree Health Plan.

The Retiree Health Plan is audited within the scope of the audit of the basic financial statements; separate audited financial statements are not issued.

Funding Policy -

The Road Commission has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). However, the Road Commission has made contributions to advance-fund these benefits, as determined by the Board of County Road Commissioners through annual budget resolutions. Administrative costs of the Retiree Health Plan are paid for by the General Fund. During the year ended September 30, 2016, employer contributions of \$1,662,968 were made, including a \$784,647 contribution to the Other Postemployment Benefits Trust Fund.

Annual OPEB Cost and Net OPEB Obligation -

The Road Commission’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC) determined as part of an actuarial valuation at December 31, 2014. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period not to exceed twenty-eight years. The Road Commission’s annual OPEB cost for the year, the amount actually contributed, and changes in the net OPEB obligation are as follows:

Annual required contribution	\$ 1,897,852
Interest on net OPEB obligation	532,476
Adjustment to annual required contribution	(456,507)
Annual OPEB cost (expense)	1,973,821
Contributions made	(1,662,968)
Increase in net OPEB obligation	310,853
NET OPEB obligation - beginning of year	<u>7,606,798</u>
NET OPEB obligation - end of year	<u>\$ 7,917,651</u>

MONROE COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):

The annual OPEB cost, the percentage contributed to the Retiree Health Plan, and the net OPEB obligation for the last three fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	\$ 1,624,197	77.82 %	\$ 7,293,928
2015	1,970,697	84.12	7,606,798
2016	1,973,821	84.25	7,917,651

Funded Status and Funding Progress -

The projection of future benefit payments for the Retiree Health Plan involves estimates for the value of reported amounts and assumptions about the probability or occurrence of events far into the future. Amounts determined regarding the funded status of the Retiree Health Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress of the Retiree Health Plan as of December 31, 2010, 2012, and 2014, the three most recent valuation dates are as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cover Payroll [(b-a)/c]
12/31/2010	\$ 366,474	\$32,524,685	\$32,158,211	1.1 %	\$ 4,280,204	751 %
12/31/2012	522,783	39,971,819	39,449,036	1.3	3,925,930	1005
12/31/2014	1,387,100	26,232,840	24,845,740	5.3	4,282,053	580

Methods and Assumptions -

Projections of benefits for financial reporting purposes are based on the substantive plan (the Retiree Health Plan as understood by the employer and the Retiree Health Plan members) and include the types of benefits provided at the times of each valuation and the historical pattern of the sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The benefit costs were developed using the individual entry-age cost method. The assumptions included (a) 7.0% investment rate of return (net of administrative expenses, which are the expected long-term investment return on plan assets, and a payroll growth rate of 4.5% to 6.0%. Both rates include a 4% inflation assumption), (b) projected health care cost trend rates of 4.0% to 9.0% per year, (c) life expectancies for males and females based on RP-2014 Mortality Tables, and (d) assumed retirement age of 55, or at the first subsequent year in which the member would qualify for benefits. The Retiree Health Plan's unfunded actuarial accrued liability is being amortized as a level percent of payroll over 28 years on a closed period.

MONROE COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 14 - SUMMARY OF DISCLOSURE OF SIGNIFICANT CONTINGENCIES:

In the normal course of its operations, the Road Commission often becomes a party to various claims and lawsuits. In the opinion of the Road Commission’s legal counsel, if any of these claims should result in an unfavorable resolution to the Road Commission, the Road Commission’s liability would be limited to its deductible under insurance policies. The insurer would pay the losses, and there should be no material effect on the financial position of the Road Commission.

The Road Commission participates in a number of federal and state assisted grant programs, which are subject to compliance audits. The periodic program compliance monitoring of many of the federal and state programs have not yet been conducted or completed. Accordingly, the Road Commission's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Road Commission expects such amounts, if any, to be immaterial.

Also as a part of its trunkline maintenance agreement with the State, the Road Commission’s costs charged to the State are subject to audit. The amounts, if any, which may have to be paid back to the State, cannot be determined at this time, although the Road Commission expects such amounts, if any, to be immaterial.

NOTE 15 - RISK MANAGEMENT:

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers’ compensation), as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for healthcare claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Road Commission also participates in the Michigan County Road Commission Self-Insurance Pool (the “Pool”) for claims relating to property loss, torts, and errors and omissions. The Pool operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Road Commission is partially uninsured for workers’ compensation claims. Under the plan, the Road Commission is liable for losses up to a limit per occurrence of \$1,000,000 as of September 30, 2016. The Road Commission has recorded a liability for estimated losses incurred up to the limit per occurrence at the time of occurrence.

Changes in the balance of the uninsured workers’ compensation claims provision for the years ended September 30, 2016 and 2015 are as follows:

	2016	2015
Provision, beginning of year	\$ 96,397	\$ 82,221
Estimated claims, including changes in estimates	5,367	198,437
Claims paid	(77,142)	(184,261)
Long-term provision, end of year	\$ 24,622	\$ 96,397

MONROE COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 16 - FUND BALANCE:

Nonspendable fund balance has been classified in the General Fund based on assets that are not in spendable form as follows:

Land held for resale	\$	150,000
Prepays		201,596
Inventory		<u>1,218,781</u>
	\$	<u>1,570,377</u>

REQUIRED SUPPLEMENTARY INFORMATION

MONROE COUNTY ROAD COMMISSION
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BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Permits	\$ 100,000	\$ 150,000	\$ 172,958	\$ 22,958
Intergovernmental -				
Federal sources	5,304,300	6,952,951	4,839,307	(2,113,644)
State sources	14,610,700	15,163,423	15,086,648	(76,775)
Local sources	434,000	7,916,754	7,115,228	(801,526)
Charges for services	3,429,300	2,783,050	3,670,012	886,962
Interest and rents	34,000	42,900	47,577	4,677
Other	87,500	147,600	115,850	(31,750)
Total Revenues	<u>23,999,800</u>	<u>33,156,678</u>	<u>31,047,580</u>	<u>(2,109,098)</u>
Expenditures:				
Non-Departmental	8,364,928	7,767,616	5,985,285	1,782,331
Customer Service	47,622	42,002	38,785	3,217
Executive Division	206,817	204,190	191,721	12,469
Finance	297,464	282,890	273,760	9,130
Human Resource	97,000	114,321	99,775	14,546
Facilities	199,000	199,000	151,875	47,125
Legislative	40,253	40,253	39,906	347
Information Systems	133,000	162,300	150,935	11,365
Design and Construction	619,848	625,603	576,909	48,694
Maintenance Operations	77,500	40,365	30,252	10,113
Projects Division	724,420	7,640,862	5,578,991	2,061,871
East District	2,183,682	2,028,813	1,709,334	319,479
West District	1,656,748	1,663,642	1,430,505	233,137
Specialty Crews	519,720	459,843	483,159	(23,316)
Bridge Crew	-	87,852	68,142	19,710
Sign Shop	543,980	619,480	596,792	22,688
Mechanics and Fleet	754,008	754,008	718,243	35,765
Master Projects	8,094,802	10,862,223	7,951,735	2,910,488
State Maintenance	1,043,000	864,726	925,675	(60,949)
Total Expenditures	<u>25,603,792</u>	<u>34,459,989</u>	<u>27,001,779</u>	<u>7,458,210</u>
Revenues over (under) expenditures	(1,603,992)	(1,303,311)	4,045,801	5,349,112
Fund Balance at October 1, 2015	<u>6,403,510</u>	<u>6,403,510</u>	<u>6,403,510</u>	<u>-</u>
Fund Balance at September 30, 2016	<u>\$ 4,799,518</u>	<u>\$ 5,100,199</u>	<u>\$ 10,449,311</u>	<u>\$ 5,349,112</u>

MONROE COUNTY ROAD COMMISSION
A Component Unit of Monroe County, Michigan

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS
(PLAN YEAR END)

	Year Ended September 30,		
	2015	2014	2013-2005*
Proportion of net pension liability	11.82%	13.19%	0.00%
Proportionate share of net pension liability	\$ 10,152,498	\$ 9,091,219	\$ -
Covered Payroll	\$ 4,129,323	\$ 4,067,235	\$ -
Proportionate share of net pension liability as a percentage of covered payroll	245.86%	223.52%	0.00%
Plan fiduciary net position as a percentage of total pension liability	68.11%	73.49%	0.00%

* GASB 68 was implemented for fiscal year ended September 30, 2015; the Road Commission did not elect retroactive implementation.

MONROE COUNTY ROAD COMMISSION
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EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF ROAD COMMISSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

	Year Ended September 30,		
	2016	2015	2014-2006*
Actuarially determined contributions	\$ 819,159	\$ 904,198	\$ -
Contributions in relation to the actuarially determined contribution	860,940	974,198	-
Contribution Deficiency (Excess)	<u><u>\$ (41,781)</u></u>	<u><u>\$ (70,000)</u></u>	<u><u>\$ -</u></u>
Covered Payroll	\$ 3,964,867	\$ 4,007,654	\$ -
Contributions as a Percentage of Covered Employee Payroll	21.71%	24.31%	0.00%

Valuation Date December 31, two years prior of the end of the fiscal year

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll, closed
Remaining amortization period	25 years
Asset valuation method	7-year adjusted market value
Inflation	3.0%
Salary increases	3.5%-5.5%, vary by Employee Group
Investment rate of return	7.0%
Retirement age	Replacement Index up to age 65, then 100%
Mortality	Fully Generational RP-2014 Blue Collar Mortality Table, using Projection Scale MP-2014

*GASB 68 was implemented for fiscal year ended September 30, 2015, and the Road Commission did not elect retroactive implementation.

SUPPLEMENTARY INFORMATION

MONROE COUNTY ROAD COMMISSION
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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BY FUND BALANCE SUB-ACCOUNTS
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Primary</u>	<u>Local</u>	<u>County</u>	<u>Total</u>
Revenues:				
Permits	\$ -	\$ -	\$ 172,958	\$ 172,958
Intergovernmental -				
Federal Sources	4,263,872	575,435	-	4,839,307
State Sources	11,526,782	3,559,866	-	15,086,648
Local Sources	2,823,151	4,190,213	101,864	7,115,228
Charges for services	-	-	3,670,012	3,670,012
Interest and rents	9,095	-	38,482	47,577
Other	49,173	4,361	62,316	115,850
Total Revenues	<u>18,672,073</u>	<u>8,329,875</u>	<u>4,045,632</u>	<u>31,047,580</u>
Expenditures:				
Preservation/ structural improvements	8,782,645	3,122,368	-	11,905,013
Maintenance	4,430,696	5,382,817	-	9,813,513
State maintenance	-	-	2,648,514	2,648,514
Administrative - net	922,302	593,669	-	1,515,971
Equipment - net	105,709	168,532	78,581	352,822
Capital outlay - net	(394,485)	-	(227,342)	(621,827)
Debt Service -				
Principal	455,000	200,000	88,778	743,778
Interest and issuance costs	53,511	17,125	15,847	86,483
Other Services	54,551	111,281	391,680	557,512
Total Expenditures	<u>14,409,929</u>	<u>9,595,792</u>	<u>2,996,058</u>	<u>27,001,779</u>
Revenues over (under) expenditures				
before optional transfers	4,262,144	(1,265,917)	1,049,574	4,045,801
Optional transfers	(1,265,917)	1,265,917	-	-
Net Changes in Fund Balance Sub Accounts	2,996,227	-	1,049,574	4,045,801
Fund Balance at October 1, 2015	<u>2,746,356</u>	<u>-</u>	<u>3,657,154</u>	<u>6,403,510</u>
Fund Balance at September 30, 2016	<u>\$ 5,742,583</u>	<u>\$ -</u>	<u>\$ 4,706,728</u>	<u>\$ 10,449,311</u>