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

ANNUAL FINANCIAL REPORT
with Supplementary Information

FOR THE YEAR ENDED
SEPTEMBER 30, 2017

Stewart, Beauvais & Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2017 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, 2017, 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.

1979 Holland Avenue, Port Huron, Michigan 48060 (810) 984-3829 Fax (810) 984-8943

Change in Accounting Principal

The Road Commission adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. As a result, note disclosures were enhanced and required supplementary information has been added relative to the retiree healthcare plan in anticipation of the adoption of GASB Statement No 75. Our opinion is not modified with respect to this matter.

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 and retiree health 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, 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 16, 2018 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.

Stewart Beauvais & Whipple

Certified Public Accountants

March 16, 2018

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, 2017. 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, 2017. 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 38 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 37 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 and deferred inflows of resources by $109,494,730 at the end of the year.

Net position is separated into two major components, net investment in capital assets, which amounted to $111,562,520 or 102% of net position, and unrestricted deficit of $(2,067,790) or (2)%. 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 $2,510,328 from a year ago.

The following table presents a comparison of the statement of net position at September 30, 2017 and 2016 in a condensed format:

Condensed Statement of Net Position

	2017	2016
Assets:		
Current and other non-capital assets	$ 18,317,162	$ 16,637,401
Capital Assets	117,717,121	112,565,778
Total Assets	136,034,283	129,303,179
Deferred Outflows of Resources	2,416,896	2,812,883
Liabilities:		
Long-term liabilities	25,247,804	20,540,389
Other liabilities	2,738,490	3,537,798
Total Liabilities	27,986,294	24,078,187
Deferred Inflows of Resources	970,155	953,473
Net Position:		
Net investment in capital assets	111,562,520	110,605,797
Unrestricted (deficit)	(2,067,790)	(3,621,395)
Total Net Position	$ 109,494,730	$ 106,984,402

The following table presents a comparison of the statement of activities for the years ended September 30, 2017 and 2016 in a condensed format:

Condensed Statement of Activities

	2017	2016
Revenues:		
Intergovernmental -		
Federal Sources	$ 2,658,932	$ 4,839,307
State Sources	15,463,077	14,884,050
Local Sources	5,685,652	5,623,913
Charges for Services, Permits, Interest, and Other	3,307,204	4,162,889
	27,114,865	29,510,159
Expenses:		
Maintenance	13,531,261	12,802,293
Administration	1,694,900	1,672,019
Equipment (net)	(1,056,261)	(848,470)
Interest and Other	651,189	634,444
Depreciation	9,783,448	9,380,170
	24,604,537	23,640,456
Change in Net Position	2,510,328	5,869,703
Net Position - Beginning of Year	106,984,402	101,114,699
Net Position - End of Year	$ 109,494,730	$ 106,984,402

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, 2017, the Road Commission reported an ending fund balance of $14,565,450, an increase of $4,116,139 from the prior fiscal year. A portion of fund balance in the amount of $1,521,592 is classified as nonspendable at September 30, 2017, including $996,417 as inventory, $158,245 as land held for resale, $203,209 as prepaid expenditures, and $163,721 as deposits. The remainder of the fund balance of $13,043,858 is unassigned and available for spending at the Road Commission's discretion.

BUDGETARY HIGHLIGHTS

The Road Commission amended its 2017 budget twice primarily to reflect additional road project agreements with various townships and the issuance of $5,000,000 Series 2017 Act 143 MTF Notes. Final budgeted revenue and other financing sources increased 41% and expenditures increased 42% over the original adopted budget. Total actual expenditures were less than the final budget by $5,473,293, due primarily to the carryover of projects into fiscal 2018 and the deferral of capital outlay purchases for winter maintenance trucks. Total actual revenue was less than the final budget by $1,249,077. This resulted in an actual fund balance of $4,043,285, which was $4,224,216 more than the final budget amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At September 30, 2017, the Road Commission had $117,717,121 in capital assets (net of accumulated depreciation), representing an increase of $5,151,343. The increase was related to general infrastructure additions, outfitting three single-axle dump trucks, five new vehicles, a new patcher truck, and a new data system, net of depreciation for the current year.

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, 2017 and 2016, the Road Commission had $6,756,982 and $2,470,240 in outstanding long-term liabilities, respectively.

The activity associated with long-term liabilities in 2017 was a new $5,000,000 MTF Note issuance, principal payments on existing bonds and lease purchase agreements, and normal activity relative to compensated absences and the provision for workers' compensation claims. Effective January 2017, the Road Commission became self-insured for healthcare claims, resulting in a provision for healthcare claims in the amount of $60,601 at year-end.

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) that began 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 $1.1 million more in fiscal year 2018.

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 2017/2018 budget was prepared to provide similar services, as was done in 2016/2017 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, 2017

	General Fund	Adjustments (Note 2)	Governmental Activities
Assets:			
Cash and cash equivalents	$ 7,722,474	$ -	$ 7,722,474
Investments	5,000,000	-	5,000,000
Land held for sale	158,245	-	158,245
Due from other governmental units	3,827,340	-	3,827,340
Accounts receivable, net	245,756	-	245,756
Prepaid items	203,209	-	203,209
Deposits - insurance	163,721	-	163,721
Inventory	996,417	-	996,417
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	-	10,999,336	10,999,336
Assets being depreciated - net	-	106,717,785	106,717,785
Total Assets	18,317,162	117,717,121	136,034,283
Deferred Outflows of Resources:			
Related to pension plan	-	2,416,896	2,416,896
Total Assets and Deferred Outflows of Resources	$ 18,317,162		
Liabilities:			
Accounts payable	$ 1,217,703	-	1,217,703
Accrued liabilities	232,948	-	232,948
Accrued interest payable	-	29,589	29,589
Due to other governmental units	110,481	-	110,481
Advances and deposits	1,147,769	-	1,147,769
Non-Current Liabilities -			
Due within one year	-	1,503,826	1,503,826
Due in more than one year	-	5,253,156	5,253,156
Net pension liability	-	10,259,192	10,259,192
Net OPEB obligation	-	8,231,630	8,231,630
Total Liabilities	2,708,901	25,277,393	27,986,294
Deferred Inflows of Resources:			
Unavailable revenue	1,042,811	(1,042,811)	-
Related to pension plan	-	970,155	970,155
Total Deferred Inflows of Resources	1,042,811	(72,656)	970,155
Fund Balance:			
Nonspendable	1,521,592	(1,521,592)	-
Unassigned	13,043,858	(13,043,858)	-
Total Fund Balance	14,565,450	(14,565,450)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 18,317,162		
Net Position:			
Net investment in capital assets		111,562,520	111,562,520
Unrestricted (deficit)		(2,067,790)	(2,067,790)
Total Net Position		$ 109,494,730	$ 109,494,730

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, 2017

	General Fund	Adjustments (Note 2)	Governmental Activities
Revenues:			
Permits	$ 156,636	$ -	$ 156,636
Intergovernmental -			
Federal sources	2,658,932	-	2,658,932
State sources	15,461,038	2,039	15,463,077
Local sources	7,244,260	(1,558,608)	5,685,652
Charges for services	2,910,349	(64,925)	2,845,424
Interest and rents	90,807	-	90,807
Other	214,337	-	214,337
Total Revenues	28,736,359	(1,621,494)	27,114,865
Expenditures/Expenses:			
Current -			
Primary preservation - structural improvements	10,131,638	(10,131,638)	-
Local preservation - structural improvements	3,893,430	(3,893,430)	-
Primary maintenance	4,899,486	261,110	5,160,596
Local maintenance	5,672,326	289,021	5,961,347
State maintenance	2,409,318	-	2,409,318
Administrative	1,501,648	193,252	1,694,900
Equipment operations	3,245,961	(1,085,790)	2,160,171
Less: equipment rental charged to other activities	(3,216,432)	-	(3,216,432)
Other services	559,200	-	559,200
Depreciation	-	9,783,448	9,783,448
Capital Outlay	909,975	(909,975)	-
Less: depreciation credit and retirements	(1,268,123)	1,268,123	-
Debt Service -			
Principal	800,908	(800,908)	-
Interest	80,885	11,104	91,989
Total Expenditures/Expenses	29,620,220	(5,015,683)	24,604,537
Revenues over (under) expenditures/expenses	(883,861)	3,394,189	2,510,328
Other Financing Sources			
Note proceeds	5,000,000	(5,000,000)	-
Change in Fund Balance/Net Position	4,116,139	(1,605,811)	2,510,328
Fund Balance/Net Position at beginning of year	10,449,311	96,535,091	106,984,402
Fund Balance/Net Position at end of year	$ 14,565,450	$ 94,929,280	$ 109,494,730

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, 2017

Assets:	
Investments, at fair value -	
Cash with broker	$ 259,700
Mutual Funds	1,401,281
Stocks	2,303,693
Total Assets	3,964,674
Net Position - Restricted for Other Postemployment Benefits	$ 3,964,674

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OTHER POSTEMPLOYMENT BENEFITS TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Additions:	
Employer contributions	$ 797,864
Investment income -	
Net appreciation in fair value of investments	318,334
Interest and dividends	63,206
Less: Investment and advisory fees	(28,531)
Total investment income	353,009
Net increase	1,150,873
Net Position - Restricted for Other Postemployment Benefits:	
Beginning of year	2,813,801
End of year	$ 3,964,674

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

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, 2017, three members were appointed by the Monroe County Board of Commissioners and two members were elected. At December 31, 2018, one elected member's term is to expire. 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 (statement of net position and 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 (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.

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, other postemployment benefit 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 healthcare 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, 2017 is $66,845.

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.

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 acquisition 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 offset 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.

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, pension related differences between expected and actual experience, and the net difference between expected and actual plan investment earnings related to the Road Commission’s pension, which are all 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 and difference between expected and actual experience 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.

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.

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 annual OPEB cost, regardless of when it is paid.

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. 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.

GASB Statement No. 87, *Leases,* was issued in June 2017 and will become effective for the Road Commission's September 30, 2021 fiscal year. The objective of the statement is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use of an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities.

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	$	14,565,450
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		228,268,926
Deduct - accumulated depreciation	(	110,551,805)
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		2,416,896
Deferred inflows of resources	(	970,155)
Long-term liabilities that are not due in the current period and therefore not reported in the General Fund financial statements		
Notes/Capital lease payable	(	6,154,601)
Compensated absences	(	502,463)
Net pension liability	(	10,259,192)
Net OPEB obligation	(	8,231,630)
Accrued interest payable on long-term liabilities is not reported in the General Fund financial statements	(	29,589)
Long-term provision for uninsured workers' compensation is not reported in the General Fund financial statements	(	39,317)
Long-term provision for healthcare claims is not reported in the General Fund financial statements.	(	60,601)
Revenues that have been deferred in the General Fund financial statements because they are not considered "available"		1,042,811
Net Position - Governmental Activities	$	109,494,730

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	$	4,116,139
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		
Add - capital outlay and infrastructure		14,935,043
Deduct - depreciation	(	9,783,448)
Deduct - retirement	(	252)
Revenues deferred in the General Fund because they do not provide current financial resources that are reported in the government-wide Statement of Activities	(	1,621,494)
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.		
Note proceeds	(	5,000,000)
Principal payments on long-term liabilities		800,908
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)		4,472
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.	(	15,576)
Changes in estimated workers' compensation claims are recorded when incurred in the Statement of Activities.	(	14,695)
Changes in estimated healthcare claims are recorded when incurred in the Statement of Activities.	(	60,601)
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 -		
Increase in net OPEB obligation	(	313,979)
Change in pension expense related to deferred Items related to pension plan	(	412,669)
Increase in net pension liability	(	106,694)
Increase in compensated absences	(	16,826)
Change in Net Position - Governmental Activities	$	2,510,328

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.

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated at the legally enacted level. The Michigan Department of Treasury requires the reporting of any significant overages at the legal level of budgetary control (any overages at the legal level of budgetary control greater than 10% of total expenditures and the overage itself is larger than 10%). For the fiscal year ended September 30, 2017, the Road Commission did not have any overages that exceeded this threshold.

NOTE 4 - DEPOSITS AND INVESTMENTS:

Carrying Amount -

As of September 30, 2017, the carrying amount of the Road Commission's deposits and investments is as follows:

	General Fund Primary Government	Fiduciary Fund	Reporting Entity
Cash on Hand	$ 400	$ -	$ 400
Deposits with Financial Institutions	9,699,486	-	9,699,486
Investments:			
Investment Pool -			
Cash with Broker	-	259,700	259,700
Mutual Funds	-	1,401,281	1,401,281
Stocks	-	2,303,693	2,303,693
Investment Trust Funds	3,022,588	-	3,022,588
Total Investments	3,022,588	3,964,674	6,987,262
Grand Total	$ 12,722,474	$ 3,964,674	$ 16,686,748

Reconciliation to Financial Statements -

	General Fund Primary Government	Fiduciary Fund	Reporting Entity
Reported as Cash and Cash Equivalents:			
Cash on Hand	$ 400	$ -	$ 400
Deposits with Financial Institutions	4,699,486	-	4,699,486
Investment Trust Funds	3,022,588	-	3,022,588
Total Cash and Cash Equivalents	7,722,474	-	7,722,474
Reported as Investments:			
Deposits with Financial Institutions	5,000,000	-	5,000,000
Investment Pool -			
Cash with Broker	-	259,700	259,700
Mutual Funds	-	1,401,281	1,401,281
Stocks	-	2,303,693	2,303,693
Total Investments	5,000,000	3,964,674	8,964,674
Grand Total	$ 12,722,474	$ 3,964,674	$ 16,687,148

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 Benefits Trust Fund.

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

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 -

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 that addresses custodial credit risk. The bank balance of deposits at September 30, 2017 was $10,868,534. At year-end, the Road Commission's General Fund had $8,618,534 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 has $3,022,588 invested with the Michigan Cooperative Liquid Assets Security System (Michigan CLASS). Michigan CLASS is a participant-controlled trust created in accordance with Section 5 of Act 7 of the Urban Cooperation Act of 1967 and the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150. Michigan CLASS funds are authorized to invest in U.S. Treasuries, U.S. Agencies, commercial paper, bankers' acceptances, repurchase agreements, certificates of deposit, and mutual funds. Michigan CLASS is not subject to regulatory oversight and is not registered with the SEC, however, does issue a separate audited financial statement, which can be obtained at www.michiganclass.org. Michigan CLASS operates like a money market mutual fund, with each share valued at $1.00. Fair value of the Road Commission's position in the government investment pool is the same as the value of the Michigan CLASS pool shares. The average days to maturity is 71 days. Michigan CLASS is rated AAAm by Standard and Poors.

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, 2017:

	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 1,401,281	$ -	$ -	$ 1,401,281
Stocks	2,303,693	-	-	2,303,693
	$ 3,704,974	$ -	$ -	3,704,974
Cash with Broker				259,700
Investment Trust Fund at Amortized Cost				3,022,588
				$ 6,987,262

Michigan CLASS (money market mutual fund) is recorded at amortized cost, which approximates fair value, and these funds are not subject to the fair value disclosures under GASB Statement No. 72. The funds do not require notice of redemption.

The Road Commission also has a non-reoccurring fair value measurement as of September 30, 2017 for property held for sale. The property is valued within a range of recent offer prices made by third parties at $158,245 and is considered Level 3.

NOTE 6 - DUE FROM OTHER GOVERNMENTAL UNITS:

Due from other governmental units as of September 30, 2017 consists of the following:

State -		
Motor Vehicle Highway Funds	$	1,405,999
Trunkline Maintenance		57,526
Other		6,039
	$	1,469,564
Local -		
Township Road Agreements	$	1,682,776
Bond Debt Agreements		675,000
		2,357,776
	$	3,827,340

The Bond Debt Agreements represent the amounts that townships and private sources are participating in for the 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 $996,417 at September 30, 2017 consisted of $774,132 of road materials and $222,285 of equipment parts and materials.

NOTE 8 - CAPITAL ASSETS:

Capital assets activity for the year ended September 30, 2017 was as follows:

	Balance Oct. 1, 2016	Additions	Deletions/ Adjustments	Balance Sept. 30, 2017
Capital Assets, not being depreciated -				
Land	$ 407,412	$ -	$ -	$ 407,412
Land Improvements-Infrastructure	10,415,664	176,260	-	10,591,924
Total Capital Assets, not being depreciated	10,823,076	176,260	-	10,999,336
Capital Assets, being depreciated -				
Building and Improvements	5,240,555	29,138	-	5,269,693
Road Equipment	10,679,889	833,181	149,438	11,363,632
Shop Equipment	274,259	-	-	274,259
Office Equipment	866,201	47,656	-	913,857
Engineering Equipment	50,154	-	-	50,154
Yard/Storage Equipment	3,216,562	-	-	3,216,562
Infrastructure -				
Roads	159,283,892	12,531,661	4,503,703	167,311,850
Bridges	26,356,977	1,306,005	-	27,662,982
Traffic Signals	1,195,459	11,142	-	1,206,601
	207,163,948	14,758,783	4,653,141	217,269,590
Less - Accumulated Depreciation for -				
Buildings and Improvements	3,516,050	120,069	-	3,636,119
Road Equipment	8,287,489	923,134	149,186	9,061,437
Shop Equipment	262,008	6,218	-	268,226
Office Equipment	789,622	34,914	-	824,536
Engineering Equipment	49,007	688	-	49,695
Yard/Storage Equipment	1,370,504	182,848	-	1,553,352
Infrastructure -				
Roads	82,491,567	7,906,277	4,503,703	85,894,140
Bridges	7,890,121	561,436	-	8,451,557
Traffic Signals	764,878	47,864	-	812,742
	105,421,246	9,783,448	4,652,889	110,551,805
Total Capital Assets, being depreciated, net	101,742,702	4,975,335	252	106,717,785
Governmental Activities Capital Assets, net	$ 112,565,778	$ 5,151,595	$ 252	$ 117,717,121

Total depreciation for the year ended September 30, 2017 was $9,783,448.

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.

NOTE 9 - FEDERAL AWARDS - (cont'd):

During the year ended September 30, 2017, the Road Commission had less than $750,000 of force account and other 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 $1,147,769 at September 30, 2017 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	$ 204,645
Equipment	436,028
	640,673
Local -	
Township advances	23,488
Contractors and individuals	483,608
	$ 1,147,769

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, 2017:

	Balance October 1, 2016	Additions	Reductions	Balance September 30, 2017	Due Within One Year
2005 MTF-Bonds, Series 2005	$ 250,000	$ -	$ 250,000	$ -	$ -
2008 MTF-Notes, Series 2008	290,000	-	290,000	-	-
2011 MTF-Notes, Series 2011	395,000	-	95,000	300,000	95,000
2012 MTF-Notes, Series 2012	450,000	-	75,000	375,000	75,000
2017 MTF-Notes, Series 2017	-	5,000,000	-	5,000,000	715,000
Premium on notes	4,472	-	4,472	-	-
Installment lease purchase agreements	570,509	-	90,908	479,601	93,091
Compensated absences	485,637	429,441	412,615	502,463	425,817
Provision for workers' compensation claims	24,622	79,332	64,637	39,317	39,317
Provision for healthcare claims	-	781,360	720,759	60,601	60,601
Total	$ 2,470,240	$ 6,290,133	$ 2,003,391	$ 6,756,982	$ 1,503,826

NOTE 11 - LONG-TERM LIABILITIES - (cont'd):

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

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, 2017, the outstanding balance is $300,000.

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, 2017, the outstanding balance is $375,000.

2017 MTF Notes - Series 2017 -

The Road Commission is obligated for Michigan Transportation Fund Notes, Series 2017, dated May 31, 2017, in the original amount of $5,000,000. Principal payments are due in annual installments on August 1 ranging from $710,000 to $715,000 through 2024, with interest of 2.47% also due on August 1 of each year. At September 30, 2017, the outstanding balance is $5,000,000.

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, 2017, the outstanding principal balance was $166,059.

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, 2017, the outstanding principal balance was $313,542.

At September 30, 2017, the original cost basis for the capital items identified above is $965,744 with accumulated depreciation of $647,229, leaving a net book value of $318,515.

NOTE 11 - LONG-TERM LIABILITIES - (cont'd):

Annual Debt Requirements -

The annual principal and interest requirements to service the MTF notes and installment purchase agreement liabilities outstanding as of September 30, 2017 are as follows:

Fiscal Years Ending September 30,	Principal	Interest	Total
2018	$ 978,091	$ 154,678	$ 1,132,769
2019	1,276,511	130,317	1,406,828
2020	895,000	96,748	991,748
2021	790,000	75,094	865,094
2022	790,000	55,146	845,146
2023-2024	1,425,000	52,735	1,477,735
Total	$ 6,154,601	$ 564,716	$ 6,719,317

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 $502,463 at September 30, 2017.

Provision for Workers' Compensation Claims -

The provision for uninsured workers' compensation claims at September 30, 2017 was $39,317, and the summarized activity for claims for 2017 is provided in Note 14.

Provision for Healthcare Claims -

The provision for healthcare claims at September 30, 2017 was $60,601, and the summarized activity for claims for 2017 is provided in Note 14.

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.

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

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 when due and payable in accordance with the terms of the System.

The membership at December 31, 2016 was comprised of 77 active participants, 77 retirees and beneficiaries, and 10 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 "13^{th} check." The 13^{th} check amount is capped at $50,000 per Board policy.

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.

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, 2017 was 20.13% of covered payroll.

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

Net Pension Liability -

The net pension liability of the Road Commission has been measured as of December 31, 2016. The Road Commission's net pension liability is 11.2019% (compared to 11.818% at December 31, 2015) of the Plan's liability and is composed of the following:

Total pension liability	$ 31,432,016
Plan fiduciary net position	21,172,824
Net pension liability	$ 10,259,192
Plan fiduciary net position as a percentage of the total pension liability	67.36%

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

For the year ended September 30, 2017, the Road Commission recognized pension expense of $1,435,497 in the government-wide financial statements. At September 30, 2017, the Road Commission reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 256,558	$ -
Net difference between projected and actual earnings on investments	1,209,228	-
Contributions made subsequent to the measurement date	585,496	-
Difference between expected and actual experience	365,614	104,170
Changes in proportionate share	-	865,985
Total	$ 2,416,896	$ 970,155

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:

2018	$ 335,794
2019	335,794
2020	191,367
2021	(1,710)
	$ 861,245

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

Actuarial Valuations and Assumptions -

The total pension liability was determined by an actuarial valuation as of December 31, 2016. 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 and were applied to all periods included in the measurement.

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, 2016 was 7.00 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.

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, 2016 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, 2016 financial statements, are summarized in the following table:

Asset Class	Target Allocation Percentage	Long-term Expected Real Rate of Return
Equities	60.00 %	5.63 %
Fixed income	28.00	1.81
Real estate	5.00	5.06
Alternatives	5.00	7.60
Cash or cash equivalents	2.00	1.00

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

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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	$ 14,135,868	$ 10,259,192	$ 7,018,775

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.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS:

Plan Description -

In addition to the pension benefits described in Note 12, 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. Benefit provisions are established through negotiations between the Road Commission's management and Board of County Road Commissioners and the employees' unions. The Retiree Health Plan is audited within the scope of the audit of the basic financial statements; separate audited financial statements are not issued.

Summary of Significant Accounting Policies -

The Retiree Health Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Employee contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to legal, statutory, and contractual requirements. Benefit payments and refunds of employee contributions are recognized as expenses when due and payable in accordance with the terms of the Retiree Health Plan.

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

Benefits Provided -

Benefits provided by the Retiree Health Plan consist of healthcare, vision allowance, dental, and prescription drug coverage. The Road Commission pays $300 toward annual dental and vision premiums of retirees. Benefit eligibility is based on the employees' union agreement. For bargaining unit Local #543, normal retirement is at age 55 with 30 years of service or at age 60 with 8 years of service. Benefits received are 100% of premiums for the retiree and spouse. Effective for those hired after December 1, 2014, spouses of retirees no longer have access to the Retiree Health Plan. For bargaining unit Local #839, normal retirement is obtained at age 60 with 8 years of service. Benefits received are 100% of premiums for the retiree and spouse. Effective for those hired after December 1, 2014, spouses of retirees no longer have access to the Retiree Health Plan. For management, normal retirement is obtained at age 55 with 30 years of service or at age 60 with 8 years of service. Benefits received are 100% of premiums for the retiree, and the spouse is dependent on the individual employment agreements.

Plan Membership -

At September 30, 2017, Retiree Health Plan membership consisted of 76 active members and 65 inactive members or beneficiaries receiving benefits.

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, 2017, employer contributions of $1,729,158 were made, including a $797,864 contribution to the Other Postemployment Benefits Trust Fund.

The Retiree Health Plan was established by, and is being funded under, the authority of the Road Commission and under agreements with unions representing various classes of employees.

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 calculation.

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

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 in accordance with the parameters of GASB Statement No. 45. 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-seven (27) 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	$ 1,973,766
Interest on net OPEB obligation	554,236
Adjustment to annual required contribution	(484,865)
Annual OPEB cost (expense)	2,043,137
Contributions made	(1,729,158)
Increase in net OPEB obligation	313,979
NET OPEB obligation - beginning of year	7,917,651
NET OPEB obligation - end of year	$ 8,231,630

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.

Schedule of Funding Progress -

The Schedule of Funding Progress of the Retiree Health Plan as of December 31, 2012, 2014, and 2016, 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]
12/31/2012	$ 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
12/31/2016	2,999,315	26,883,901	23,884,586	11.2	4,031,648	592

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

Schedule of Employer Contributions

Year Ended September 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	$ 1,970,697	84.12 %	$ 7,606,798
2016	1,973,821	84.25	7,917,651
2017	2,043,137	84.63	8,231,630

The assumptions and determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions -

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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, presented above, presents multi-year trend information about whether the actuarial value of Retiree Health Plan's assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive Retiree Health Plan (the Retiree Health Plan as understood by the employer and Retiree Health Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Retiree Health Plan members to that point. The actuarial 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 cost calculation was developed using the individual entry-age actuarial cost method. The assumptions included: (a) 7% investment rate of return; (b) 7% discount rate; (c) projected healthcare premium increases of 9%, gradually decreasing to 4% after 10 years; (d) life expectancies are based on RP-2014 Employee Generational Mortality Tables, RP-2014 Healthy Annuitant Generational Mortality Tables, and RP-2014 Disable Mortality Tables; and (e) assumed retirement at the first subsequent year in which the member would qualify for benefits. The unfunded actuarial liability is being amortized as a level percent of payroll over 28 years on a closed period.

Investment Policy -

The Retiree Health Plan's policy in regards to the allocation of invested assets is established and may be amended by the Board of County Road Commissioners by a majority of its members.

The long-term expected rate of return on Retiree Health Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of Retiree Health Plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Large Cap Equity	30.00 %	6.90 %
Domestic Mid Cap Equity	12.00	7.50
Domestic Small Cap Equity	3.00	8.00
International Equity	11.00	6.70
Emerging Markets Equity	4.00	8.50
Domestic Fixed Income	21.00	2.90
Global Fixed Income	7.00	2.50
Real Estate & Alternatives	5.00	5.50
Alternatives	5.00	3.70
Cash	2.00	1.70
Total	100.00 %	

* Real rates of return are based on the investment manager's inflation assumption of 2.00%.

Rate of Return -

For the year ended September 30, 2017, the annual money-weighted rate of return on Retiree Health Plan investments, net of investment expense, is 11.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability (Unfunded Accrued Liability) of the Road Commission -

For 2017, the Road Commission reports OPEB expense based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the Road Commission will adopt GASB Statement No. 75, which will require measurement of OPEB expense as it is earned, rather than as it is funded. The components of the net OPEB liability of the Road Commission as measured at September 30, 2017 (determined by an actuarial valuation rolled forward from December 31, 2016) are as follows:

Total OPEB liability	$ 27,862,174
Retiree Health Plan fiduciary net position	3,964,674
Net OPEB liability	$ 23,897,500
Retiree Health Plan fiduciary net position as a percentage of total OPEB liability	14.23%

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

Single Discount Rate -

A single discount rate of 7.00% was used to measure the total OPEB liability. The single discount rate was based on a combination of the expected rate of return on Retiree Health Plan investments of 7.00% and the municipal bond rate of 3.50%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made when the projected benefit payments come due and that the Road Commission will make an additional contribution equal to the historical average of excess contributions over actual benefit payments as reported in the Road Commission's financial statements from December 31, 2012 through September 30, 2017. Based on these assumptions, the Retiree Health Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Retiree Health Plan members. Therefore, the long-term expected rate of return on Retiree Health Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Actuarial Assumptions -

The total OPEB liability was determined by an actuarial valuation at December 31, 2016, rolled forward to September 30, 2017. The valuation used the following assumptions included in the measurement:

Salary Increases - 2.00%

Investment Rate of Return - 7.00%

Mortality Rates - Healthy Pre-retirement – RP-2014 Employee Generational Mortality Tables with blue-collar adjustments and extended via cubic spline; Healthy Post-retirement – RP-2014 Healthy Annuitant Generational Mortality Tables with blue-collar adjustments and extend via cubic spline; Disabled Post-Retirement Mortality – RP-2014 Disabled Mortality Tables extended via cubic spline. The base year is 2014 and future mortality improvements are assumed each year using scale MP-2014 for all types of mortality.

Healthcare Cost Trend Rate - 9.00%, gradually decreasing to an ultimate trend rate of 4.00% in year 10.

Projected Cash Flows - The Retiree Health Plan's fiduciary net position as projected to cover projected future benefit payments of current and active members.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate -

The following presents the net OPEB liability of the Road Commission, calculated using the discount rate of 7.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 27,912,202	$ 23,897,500	$ 20,622,192

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

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates -

The following presents the net OPEB liability of the Road Commission, calculated using the healthcare cost trend rate of 9.00%, graded down to 4.00% over 10 years, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage-point lower or one percentage-point higher than the current rate.

	1% Decrease (8.00-3.00%)	Current Healthcare Cost Trend Rate (9.00-4.00%)	1% Increase (10.00-5.00%)
Net OPEB Liability	$ 20,275,150	$ 23,897,500	$ 28,389,931

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 purchased commercial insurance for healthcare benefits for the period October-December 2016. Effective January 2017, the Road Commission is self-insured for healthcare benefits. The administrative services for the self-insured program are performed on a contractual basis by a third party. The Road Commission makes monthly payments, based on estimated claims and a stop-loss provision (up to $75,000 per contract per year), which are adjusted quarterly. The Road Commission has accrued an estimate for claims incurred but not reported (IBNR) based on past history and current available data of $60,601 at September 30, 2017.

NOTE 15 - RISK MANAGEMENT - (cont'd):

Changes in the balance of the provision for healthcare claims for the nine-month period ended September 30, 2017 are as follows:

Provision at beginning of period	$ -
Incurred claims, including IBNR's	1,431,386
Claims paid	(1,370,785)
Provision at end of period	$ 60,601

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, 2017. 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 provision for workers' compensation claims for the years ended September 30, 2017 and 2016 are as follows:

	2017	2016
Provision, beginning of year	$ 24,622	$ 96,397
Claims incurred, including IBNR's	79,332	5,367
Claims paid	(64,637)	(77,142)
Provision, end of year	$ 39,317	$ 24,622

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	$ 158,245
Prepaids	203,209
Inventory	996,417
Deposits	163,721
	$ 1,521,592

REQUIRED SUPPLEMENTARY INFORMATION

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

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Permits	$ 150,000	$ 150,000	$ 156,636	$ 6,636
Intergovernmental -				
Federal sources	3,433,378	4,728,677	2,658,932	(2,069,745)
State sources	14,732,950	15,330,494	15,461,038	130,544
Local sources	3,830,551	6,833,382	7,244,260	410,878
Charges for services	2,591,800	2,656,800	2,910,349	253,549
Interest and rents	41,400	86,400	90,807	4,407
Other	60,100	199,683	214,337	14,654
Total Revenues	24,840,179	29,985,436	28,736,359	(1,249,077)
Expenditures:				
Non-departmental	7,597,286	7,174,769	6,427,455	747,314
Customer Service	48,944	44,917	38,521	6,396
Executive Division	203,320	203,320	176,247	27,073
Finance	264,310	311,810	297,526	14,284
Human Resource	121,170	145,820	140,856	4,964
Facilities	171,400	184,400	143,644	40,756
Legislative	46,250	46,250	39,575	6,675
Information Systems	164,400	164,400	157,460	6,940
Design and Construction	664,840	700,640	648,374	52,266
Maintenance Operations	78,600	78,825	73,563	5,262
Projects Division	3,134,250	11,803,313	10,825,742	977,571
East District	2,088,655	1,966,964	1,754,780	212,184
West District	1,558,625	1,625,235	1,500,056	125,179
Specialty Crews	566,470	419,970	324,675	95,295
Bridge Crew	387,700	192,900	184,135	8,765
Sign Shop	679,590	669,335	525,578	143,757
Mechanics and Fleet	756,550	830,400	813,325	17,075
Master Projects	5,190,000	7,603,099	4,823,569	2,779,530
State Maintenance	1,000,000	1,000,000	797,993	202,007
Total Expenditures	24,722,360	35,166,367	29,693,074	5,473,293
Revenues over (under) expenditures	117,819	(5,180,931)	(956,715)	4,224,216
Other Financing Sources:				
Note proceeds	-	5,000,000	5,000,000	-
Net change in fund balance	117,819	(180,931)	4,043,285	4,224,216
Fund Balance at beginning of year	10,449,311	10,449,311	10,449,311	-
Fund Balance at end of year	$ 10,567,130	$ 10,268,380	$ 14,492,596	$ 4,224,216

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 December 31,			
	2016	2015	2014	2013-2007*
Proportion of net pension liability	11.20%	11.82%	13.19%	0.00%
Proportionate share of net pension liability	$ 10,259,192	$ 10,152,498	$ 9,091,219	$ -
Covered Payroll	$ 4,058,972	$ 4,129,323	$ 4,067,235	$ -
Proportionate share of net pension liability as a percentage of covered payroll	252.75%	245.86%	223.52%	0.00%
Plan fiduciary net position as a percentage of total pension liability	67.36%	68.11%	73.49%	0.00%

* GASB Statement No. 68 was implemented for fiscal year ended September 30, 2015; the Road Commission did not elect retroactive implementation.

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

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

	Year Ended September 30,			
	2017	2016	2015	2014-2008*
Actuarially determined contributions	$ 809,440	$ 819,159	$ 904,198	$ -
Contributions in relation to the actuarially determined contribution	809,440	860,940	974,198	-
Contribution Excess	$ -	$(41,781)	$(70,000)	$ -
Covered Payroll	$ 4,021,063	$ 3,964,867	$ 4,007,654	$ -
Contributions as a Percentage of Covered Employee Payroll	20.13%	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 Statement No. 68 was implemented for fiscal year ended September 30, 2015; the Road Commission did not elect retroactive implementation.

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

DEFINED BENEFIT OPEB PLAN
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	2017	2016-2008*
Total OPEB Liability		
Service Cost	$ 487,240	$ -
Interest	1,817,164	-
Differences between expected and actual experience	709,792	-
Benefit payments, including refunds	(1,735,767)	-
Change in total OPEB liability	1,278,429	-
Total OPEB liability, beginning of year	26,583,745	-
Total OPEB liability, end of year	$ 27,862,174	$ -
Plan Fiduciary Net Position		
Employer contributions -		
Retiree healthcare premiums	$ 1,735,767	$ -
OPEB Trust Fund	797,864	-
Net investment income	353,009	-
Benefit payments, including refunds	(1,735,767)	-
Net change in plan fiduciary net position	1,150,873	-
Plan fiduciary net position, beginning of year	2,813,801	-
Plan fiduciary net position, end of year	$ 3,964,674	$ -
Road Commission's Net OPEB Liability - Ending	$ 23,897,500	$ -
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	14.23%	0.00%
Covered Employee Payroll	$ 4,031,648	$ -
Road Commission's Net OPEB Liability as a Percentage of Covered Employee Payroll	592.75%	0.00%

* GASB Statement No. 74 was implemented for fiscal year ended September 30, 2017 and does not require retroactive implementation.

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

DEFINED BENEFIT OPEB PLAN
SCHEDULE OF ROAD COMMISSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2017	2016-2008*
Actuarially determined contributions	$ 1,973,766	$ -
Contributions in relation to the actuarially determined contribution	1,729,158	-
Contribution Deficiency (Excess)	$ 244,608	$ -
Covered Payroll	$ 4,031,648	$ -
Contributions as a Percentage of Covered Employee Payroll	42.89%	- %

Valuation Date	December 31, 2014

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	28 years, Closed
Asset Valuation Method	Market Value of Assets
Price Inflation	3.00%
Wage Inflation	4.00%
Salary Increases	4.50% to 6.00%, including wage inflation
Investment Rate of Return	7.00%, net of OPEB plan investment expense
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Healthy Pre-Retirement: RP-2014 Employee Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline Healthy Post-Retirement: RP-2014 Healthy Annuitant Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline Disabled Post-Retirement Mortality: RP-2014 Disabled Mortality Tables extended via cubic spline The base year is 2014 and future mortality improvements are assumed each year using scale MP-2014 for all types of mortality
Health Care Trend Rates	Initial trend of 9.00% gradually decreasing to an ultimate trend rate of 4.00% in year 10
Excise Tax	A 2.1% load was applied in connection with the "Cadillac" tax
Aging Factors	Based on an internal GRS study using several pricing manuals from National Health Care Consultant groups and incorporating analysis and data from a SOA survey regarding aging practices used in health care valuations

* GASB Statement No. 74 was implemented for fiscal year ended June 30, 2017 and does not require retroactive implementation.

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

DEFINED BENEFIT OPEB PLAN
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS

	2017	2016-2008*
Annual money-weighted rate of return, net of investment expenses	11.10%	0.00%

* GASB Statement No. 74 was implemented for fiscal year ended September 30, 2017 and does not require retroactive implementation.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BY FUND BALANCE SUB-ACCOUNTS
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Primary	Local	County	Total
Revenues:				
Permits	$ -	$ -	$ 156,636	$ 156,636
Intergovernmental -				
Federal Sources	2,233,337	425,595	-	2,658,932
State Sources	11,032,218	4,428,820	-	15,461,038
Local Sources	2,046,441	5,188,300	9,519	7,244,260
Charges for services	-	53,890	2,856,459	2,910,349
Interest and rents	36,895	-	53,912	90,807
Other	155,236	40,880	18,221	214,337
Total Revenues	15,504,127	10,137,485	3,094,747	28,736,359
Expenditures:				
Preservation/ structural improvements	10,131,638	3,893,430	-	14,025,068
Maintenance	4,899,486	5,672,326	-	10,571,812
State maintenance	-	-	2,409,318	2,409,318
Administrative - net	917,655	583,993	-	1,501,648
Equipment - net	8,977	14,527	6,025	29,529
Capital outlay - net	(329,366)	-	(28,782)	(358,148)
Debt Service -				
Principal	460,000	250,000	90,908	800,908
Interest and issuance costs	57,544	9,625	13,716	80,885
Other Services	49,810	101,612	407,778	559,200
Total Expenditures	16,195,744	10,525,513	2,898,963	29,620,220
Other Financing Sources:				
Note proceeds	5,000,000	-	-	5,000,000
Revenues over (under) expenditures before optional transfers	4,308,383	(388,028)	195,784	4,116,139
Optional transfers	(388,028)	388,028	-	-
Net Changes in Fund Balance Sub Accounts	3,920,355	-	195,784	4,116,139
Fund Balance at beginning of year	5,742,583	-	4,706,728	10,449,311
Fund Balance at end of year	$ 9,662,938	$ -	$ 4,902,512	$ 14,565,450

Stewart, Beauvais & Whipple P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of the Monroe County Road Commission (the "Road Commission") as of and for the year ended September 30, 2017 and the related notes to the financial statements, which collectively comprise the Road Commission's basic financial statements, and have issued our report thereon dated March 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Road Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Road Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Road Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, as described in the accompanying schedule of findings and responses and referenced as item 2017-001, that we consider to be a significant deficiency in internal control over financial reporting.

1979 Holland Avenue, Port Huron, Michigan 48060 (810) 984-3829 Fax (810) 984-8943

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Road Commission's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Monroe County Road Commission’s Response to Finding

The Road Commission’s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Road Commission’s response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Road Commission’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Road Commission’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stewart Beauvais & Whipple

Certified Public Accountants

March 16, 2018

SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2017

2017-001: Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP).

The Road Commission prepares various financial information to assess operations and the financial condition of the Road Commission, including the completion of the MDOT Act 51 Report at year end. However, that information is not required to be a complete presentation in accordance with generally accepted accounting principles. As a result, the Road Commission relies on the audit firm to assist in preparing the annual financial report in accordance with generally accepted accounting principles.

The Road Commission has individuals on staff to review and determine that the financial report is accurate, however, has not elected to review and determine that the financial report is a complete presentation in accordance with generally accepted accounting principles. As a result, the Road Commission, under Statement on Auditing Standards No. 115, is considered to have a significant control deficiency, since reporting errors or omissions could occur in the presentation of the annual financial report that would be departures from generally accepted accounting principles and the Road Commission may not be in a position to detect the errors or omissions.

Client's Response: The Road Commission has evaluated the cost versus the benefit of expanding internal controls over the preparation of the annual financial statements to include reporting in accordance with GAAP, and has determined that it is in the best interest of the Road Commission to outsource this responsibility to the external auditors. The Road Commission will continue to carefully review the draft financial statements and notes prior to approving and accepting responsibility for their content and presentation.

Stewart,
Beauvais
& Whipple P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

AUDIT COMMUNICATION LETTER

March 16, 2018

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

We have audited the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of the Monroe County Road Commission (the "Road Commission"), a component unit of Monroe County, Michigan, for the year ended September 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 8, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Road Commission are described in Note 1 to the financial statements. During 2017, the Road Commission implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Other than Pension Plans*, as described in Note 13 to the financial statements. As a result, note disclosures and additional supplementary information are reported to better inform the reader on the postemployment benefit plan and on the net OPEB liability of the Road Commission. We noted no transactions entered into by the Road Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> As part of the implementation of GASB Statement No. 34, the Road Commission was required to record infrastructure as a capital asset. As a result, the original cost of roads, bridges, traffic signals, land improvements, and right-of-ways had to be determined. Because the supporting data for original cost was not always available, estimates were required to be made based on available data. We evaluated the key factors and assumptions used to develop the cost estimates for infrastructure and determined that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of depreciation is based on Michigan Department of Transportation guidelines. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for the Road Commission's portion of the Monroe County Employees' Retirement System net pension liability, which is based on the pension plan's audit, actuarial valuation, and the proportionate share percentages determined by the Plan's actuary.

Management's estimates for the provision for workers' compensation claims and provision for healthcare claims, including claims incurred but not reported (IBNR), which is based on the third-party administrator's reserve for known claims and evaluation of subsequent period claim reserve estimates and claim payment activity. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the other postemployment benefit cost and actuarial accrued liability for the OPEB plan, which is based on an actuarial valuation conducted by a contracted actuary. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Other Postemployment Benefits in Note 13 to the financial statements describes the benefits provided to retirees other than pensions. This disclosure is particularly sensitive to financial statement users because of the dollar amount of the Net OPEB obligation at year-end and the future impact this number will have if the annual required contribution is not met in future years.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We proposed and management accepted a number of immaterial closing entries.

Assistance with GASB Statement No. 34 Presentation

As a result of our assistance with GASB Statement No. 34 presentation, we proposed several entries to the September 30, 2017 account balances to reflect the difference between the General Fund and the Governmental Activities' financial statements. The entries and the resulting presentation were reviewed and accepted by management. The entries are described in Note 2 to the financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 16, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Road Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, but did identify one matter considered to be a significant deficiency.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Road Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison schedule, and the pension system schedules, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of revenues, expenditures, and changes in fund balances by fund balance sub-accounts, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of County Road Commissioners and management of the Monroe County Road Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Board of County Road Commissioners of Monroe County.

Stewart Beauvais & Whipple

Certified Public Accountants

UNADJUSTED AUDIT DIFFERENCES

Client Name: Monroe County Road Commission

Financial Statement Date: September 30, 2017

Opinion Unit: Governmental Activities

Description of Misstatement	Assets	Liabilities	Net Position	Revenues	Expenses	Change in Net Position
	Financial Statements Effect Amount of Over (Under) Statement of					
Unrecorded prepaid/deferral for Trunkline liability insurance	(10,508)	(10,508)	-	10,508	10,508	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
Total Current Year Unadjusted Amount	(10,508)	(10,508)	-	10,508	10,508	-
Unadjusted Amount From Prior Year				(33,188)	(53,778)	104,642
Total Unadjusted Amount	(10,508)	(10,508)	-	(22,680)	(43,270)	104,642

We believe the unrecorded possible adjustments listed above are immaterial to the municipality's financial statements, both individually and in the aggregate.

Managing Director

Finance Director

UNADJUSTED AUDIT DIFFERENCES

Client Name: Monroe County Road Commission

Financial Statement Date: September 30, 2017

Opinion Unit: General Fund

Description of Misstatement	Assets	Liabilities	Fund Balance	Revenues	Expenditures	Change in Fund Balance
	Financial Statements Effect Amount of Over (Under) Statement of					
Unrecorded prepaid/deferral for Trunkline liability insurance	(10,508)	(10,508)	-	10,508	10,508	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
Total Current Year Unadjusted Amount	(10,508)	(10,508)	-	10,508	10,508	-
Unadjusted Amount From Prior Year				(33,188)	(114,081)	80,893
Total Unadjusted Amount	(10,508)	(10,508)	-	(22,680)	(103,573)	80,893

We believe the unrecorded ~~possible~~ adjustments listed above are immaterial to the municipality's financial statements, both individually and in the aggregate.

Managing Director

Finance Director