

Genesee County Road Commission
(a component unit of Genesee County, Michigan)

Financial Report
with Supplemental Information
September 30, 2016

Genesee County Road Commission

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Independent Auditor's Report

To the Board of County Road Commissioners
Genesee County Road Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Genesee County Road Commission (the "Road Commission"), a component unit of Genesee County, Michigan as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Genesee County 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 an opinion 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. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of Genesee County Road Commission as of September 30, 2016 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of County Road Commissioners
Genesee County Road Commission

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified 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 which 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 supplemental 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 nor 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Genesee County Road Commission's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, 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 other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

February 8, 2017

Genesee County Road Commission

Management's Discussion and Analysis

Our discussion and analysis of Genesee County Road Commission's (the "Road Commission") financial performance provides an overview of the Road Commission's financial activities for the fiscal year ended September 30, 2016. This annual report consists of a series of financial statements. The statement of net position/governmental funds balance sheet and the statement of activities/governmental fund revenue, expenditures, and changes in fund balances provide information about the activities of the Road Commission and present a long-term view of the Road Commission's finances. Fund statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

Overview of the Financial Statements

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplemental information, and an additional section that presents the operating fund broken down between primary, local, and county funds. The basic financial statements include two kinds of statements that present different views of the Road Commission:

- The first two statements include both the fund financial statements and the government-wide financial statements. The fund financial statements focus on individual funds; reporting the operations in more detail than the government-wide statements. The government-wide financial statements provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission as a whole using accounting methods similar to those used by private-sector companies. The statement of net position/governmental funds balance sheet includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities/governmental fund revenue, expenditures, and changes in fund balances regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net position and how they have changed. "Net position" is the difference between the assets and liabilities - this is one way to measure the Road Commission's financial health or position. Note that the government-wide and fund statements are combined for financial statement presentation.

Reporting the Road Commission as a Whole

Government-wide Statements

The statement of net position/governmental funds balance sheet and the statement of activities/governmental fund revenue, expenditures, and changes in fund balances report information about the Road Commission as a whole and about its activities in a way that helps answer the question of whether the Road Commission as a whole, is better off or worse off as a result of the year's activities. The statement of net position/governmental funds balance sheet includes all of the Road Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenue and expenses are accounted for in the statement of activities/governmental fund revenue, expenditures, and changes in fund balances regardless of when cash is received or paid.

Genesee County Road Commission

Management's Discussion and Analysis (Continued)

The two statements mentioned above report Road Commission's net position and the changes in it. The reader can think of the Road Commission's net position (the difference between assets and deferred outflows and liabilities and deferred inflows) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net position are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Road Commission, additional nonfinancial factors such as changes in the county's property tax base, the condition of the Road Commission's roads, and changes in the law related to the gas taxes and its distribution need to be considered.

Fund Financial Statements

The General Operating Fund is the Road Commission's primary operating fund. The General Operating Fund is a governmental fund type and accounts for all financial resources of the Road Commission, except those required to be accounted for in another fund.

Governmental funds focus on how current financial resources flow into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the statement of net position/governmental funds balance sheet and the statement of activities/governmental fund revenue, expenditures, and changes in fund balances) and the governmental fund in a reconciliation following the fund financial statements.

Financial Analysis of the Road Commission as a Whole

The Road Commission's net position decreased \$9,183,863, or 4.73 percent, as a result of current year operations; net position decreased from \$194,015,618 to \$184,831,755 for the year ended September 30, 2016. The net position and change in net position are summarized below.

Net Position

Restricted net position is those amounts that have had constraints placed on them by either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorized the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. The only restriction reported relates to special assessments collected that will be used to pay future debt payments.

Genesee County Road Commission

Management's Discussion and Analysis (Continued)

The current year balance in net investment in capital assets increased by \$3,204,856 from the prior year. The increase is primarily the result of capitalizing over \$14 million of infrastructure improvements and \$1.4 million of road equipment purchases made during the year less depreciation of \$17.2 million. The capital asset activity, along with repayment of \$2.2 million in long-term debt, resulted in the overall increase in the balance of the net investment in capital assets.

Net Position

	<u>2016</u>	<u>2015</u>
Assets		
Current and other assets	\$ 42,466,775	\$ 37,758,780
Capital assets	<u>182,788,271</u>	<u>181,778,415</u>
Total assets	225,255,046	219,537,195
Deferred Outflows of Resources	23,782,684	12,644,581
Liabilities		
Long-term debt outstanding	5,175,000	7,370,000
Net pension liability	39,251,425	24,065,922
Other liabilities	<u>17,159,957</u>	<u>6,730,236</u>
Total liabilities	61,586,382	38,166,158
Deferred Inflows of Resources	<u>2,619,593</u>	<u>-</u>
Net Position		
Net investment in capital assets	177,613,271	174,408,415
Restricted-debt service	894,951	-
Unrestricted	<u>6,323,533</u>	<u>19,607,203</u>
Total net position	<u>\$ 184,831,755</u>	<u>\$ 194,015,618</u>

Genesee County Road Commission

Management's Discussion and Analysis (Continued)

Changes in Net Position

	<u>2016</u>	<u>2015</u>
Program Revenue		
Charges for services	\$ 6,387,986	\$ 8,907,823
State-shared revenue and grants	31,058,672	22,587,831
Federal grants	5,310,764	8,164,918
General Revenue		
Interest income	227,027	241,267
Miscellaneous	-	1,218,978
Gain on disposal of capital assets	122,824	286,113
Total revenue	<u>43,107,243</u>	<u>41,406,930</u>
Expenses		
Maintenance	46,348,834	45,861,731
Equipment - Net	1,072,014	(1,481,677)
Administrative	3,012,239	3,389,000
Other	1,580,921	3,344,192
Interest	277,098	358,323
Total expenses	<u>52,291,106</u>	<u>51,471,569</u>
Change in Net Position	<u>\$ (9,183,863)</u>	<u>\$ (10,064,639)</u>

Road Fund Highlights

The Road Commission's General Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for road and highway purposes.

For the year ended September 30, 2016, the fund balance of the General Operating Fund decreased \$8,608,069 as compared to a decrease of \$3,451,578 in the fund balance for the year ended September 30, 2015. Total revenue and other sources were \$42,222,953, a decrease of \$255,394 as compared to the previous year. Total expenditures were \$50,831,022, an increase of \$4,901,097 as compared to the previous year. The change in expenditures was mainly the result of increased expenditures due to a more harsh winter than the previous year and the capital expenditure for salt barns.

Budgetary Highlights

Genesee County Road Commission's budget is a dynamic document. Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the road commission board acts to amend its budget to reflect changes in these original assumptions, facts, and/or economic conditions that were unknown at the time the original budget was compiled. In addition, the board reviews and authorizes large expenditures when requested throughout the year.

Genesee County Road Commission

Management's Discussion and Analysis (Continued)

The final amended revenue budget for 2016 was \$1,585,975 higher than the original budget primarily due to the anticipation of MTF state supplemental transportation funding. The actual revenue recognized during 2016 was less than the final amended budget by \$9,514,506 due to unfinished state and federal road projects.

The final amended expenditure budget for 2016 was \$6,531,456 higher than the original budget primarily due to the carryforward amount for unfinished projects from the previous year budget. The actual expenditures recognized during 2016 were less than the final amended budget by \$9,953,167. This variance was due to road projects as well as capital projects budgeted but not completed during the fiscal year and savings in road contracted services.

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2016, the Road Commission had \$182,788,271 invested in capital assets as follows:

	2016	2015
Land and improvements	\$ 2,902,684	\$ 2,846,659
Buildings and improvements	11,922,157	10,752,623
Road equipment	29,136,254	28,184,605
Other equipment	2,956,413	2,798,296
Infrastructure	441,660,596	426,959,925
Construction in progress	1,101,170	361,413
Depletable assets	1,210	1,210
Total capital assets	489,680,484	471,904,731
Accumulated depreciation	(306,892,213)	(290,126,316)
Net capital assets	<u>\$ 182,788,271</u>	<u>\$ 181,778,415</u>

Current year's major capital asset additions included the following:

Road equipment	\$ 1,438,120
Infrastructure - Roads	14,700,671

Debt Highlights

At year end, the Road Commission had \$5,175,000 in bonds and installment purchase agreements versus \$7,370,000 in the previous year, a decrease of 30 percent.

The Road Commission paid all of its normally scheduled debt service requirements. The Road Commission did not issue additional bonded debt, nor did it enter into any additional purchase agreements during the year.

Genesee County Road Commission

Management's Discussion and Analysis (Continued)

Other obligations include accrued compensated absences in the amount of \$1,135,775 and a net pension obligation in the amount of \$39,251,425. More detailed information about the Road Commission's long-term liabilities is presented in the notes to the financial statements.

Economic Factors and Next Year's Budget

The board of county road commissioners considered many factors when setting the fiscal year 2017 budget. One of the factors is the economy. Unfavorable economic conditions may continue to affect crude oil prices, which impact the Road Commission's cost of fuel as well as material costs for maintenance projects. The Road Commission derives approximately 50 percent of its revenue from the fuel tax collected. Using Michigan Department of Transportation projections, it is estimated that the Road Commission will receive an increase in revenue from gas and registration taxes mid-year in 2017 due to legislation passed that increases those taxes. That increase is reflected in the 2017 budget. Continued reductions in revenue sharing will directly affect local units of government, which will in turn affect the amount of funds local units will have available to participate in road projects. The Road Commission continues to aggressively fund its unfunded liabilities for the Pension and Retirement Healthcare Funding Vehicle funds. There have been increases in healthcare costs due to the enactment of the Affordable Care Act.

The board realizes, and the reader should understand, that there are not sufficient funds available to repair and/or rebuild every road in Genesee County, Michigan's transportation system. Therefore, the board attempts to spend the public's money wisely and equitable, and in the best interest of the motoring public and the citizens of Genesee County, Michigan.

Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens, and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the director of finance, Genesee County Road Commission, at 211 W. Oakley St., Flint, Michigan 48503 or visit us on the Internet at www.gcrc.org.

Genesee County Road Commission

Statement of Net Position/Governmental Funds Balance Sheet September 30, 2016

	Modified Accrual Basis General Fund	Adjustments (Note 2)	Statement of Net Position
Assets			
Cash and cash equivalents (Note 4)	\$ 9,826,217	\$ -	\$ 9,826,217
Investments (Note 4)	5,726,020	-	5,726,020
Receivables:			
Special assessments receivable	1,537,713	-	1,537,713
Accounts receivable	1,434,524	-	1,434,524
Accrued interest receivable	58,438	-	58,438
Other receivables	65,624	-	65,624
Due from other governmental units	5,062,547	-	5,062,547
Inventory	674,433	-	674,433
Prepaid expenses and other current assets	989,925	-	989,925
Restricted cash (Note 5)	10,366,276	-	10,366,276
Capital assets (Note 7):			
Assets not subject to depreciation	-	1,581,196	1,581,196
Assets subject to depreciation	-	181,207,075	181,207,075
Net OPEB asset (Note 12)	-	6,725,058	6,725,058
Total assets	<u>\$ 35,741,717</u>	189,513,329	225,255,046
Deferred Outflows of Resources (Note 9)		<u>23,782,684</u>	<u>23,782,684</u>
Total assets and deferred outflows		213,296,013	249,037,730
Liabilities			
Accounts payable	\$ 1,777,415	-	1,777,415
Due to other governmental units	1,145,804	-	1,145,804
Accrued liabilities and other	428,817	426,328	855,145
Payable from restricted assets - Deposits - Escrow (Note 5)	784,897	-	784,897
Advances - State of Michigan	1,837,879	-	1,837,879
Unearned revenue	9,623,042	-	9,623,042
Noncurrent liabilities:			
Due within one year:			
Compensated absences (Note 8)	-	134,883	134,883
Current portion of long-term debt (Note 8)	-	1,975,000	1,975,000
Due in more than one year:			
Compensated absences (Note 8)	-	1,000,892	1,000,892
Net pension liability (Note 9)	-	39,251,425	39,251,425
Long-term debt (Note 8)	-	3,200,000	3,200,000
Total liabilities	15,597,854	45,988,528	61,586,382
Deferred Inflows of Resources			
Unavailable revenue (Note 6)	3,355,267	(3,355,267)	-
Pension-related amounts (Note 9)	-	2,619,593	2,619,593
Total deferred inflows of resources	3,355,267	(735,674)	2,619,593
Fund Balance			
Nonspendable:			
Inventory	674,433	(674,433)	-
Prepays	989,925	(989,925)	-
Restricted - Debt service	894,951	(894,951)	-
Assigned - Subsequent year's budget	2,000,000	(2,000,000)	-
Unassigned	12,229,287	(12,229,287)	-
Total fund balance	16,788,596	(16,788,596)	-
Total liabilities, deferred inflows, and fund balance	<u>\$ 35,741,717</u>		
Net Position			
Net investment in capital assets		177,613,271	177,613,271
Restricted - Debt service		894,951	894,951
Unrestricted		6,323,533	6,323,533
Total net position		<u>\$ 184,831,755</u>	<u>\$ 184,831,755</u>

Genesee County Road Commission

Statement of Activities/Governmental Fund Revenue, Expenditures, and Changes in Fund Balances

	Modified Accrual Basis		Statement of Activities
	Major Funds	Adjustments (Note 2)	
	General Fund		
Revenue			
Federal grants	\$ 5,310,764	\$ -	\$ 5,310,764
State-shared revenue and grants	31,058,672	-	31,058,672
Charges for services	4,570,401	1,817,555	6,387,956
Special assessment revenue	933,265	(933,265)	-
Investment income	227,027	-	227,027
Total revenue	42,100,129	884,290	42,984,419
Expenditures/Expenses			
Heavy maintenance	14,702,316	3,835,205	18,537,521
Maintenance	23,098,047	(180,424)	22,917,623
State trunkline	4,893,690	-	4,893,690
Repairs and maintenance	829,419	-	829,419
Equipment - Net	160,214	82,381	242,595
Administrative	3,080,218	(67,979)	3,012,239
Other	1,580,921	-	1,580,921
Debt service	2,486,197	(2,209,099)	277,098
Total expenditures/expenses	50,831,022	1,460,084	52,291,106
Deficiency of revenue over expenditures	(8,730,893)	(575,794)	(9,306,687)
Other Financing Sources - Proceeds from sale of capital assets	122,824	-	122,824
Net Change in Fund Balances - Net position	(8,608,069)	(575,794)	(9,183,863)
Fund Balances - Net Position - Beginning of year	25,396,665	168,618,953	194,015,618
Fund Balances - Net Position - End of year	\$ 16,788,596	\$ 168,043,159	\$ 184,831,755

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by Genesee County Road Commission (the "Road Commission"):

Reporting Entity

Genesee County Road Commission, which is established pursuant to the County Road Law (MCL224.1), is governed by a five-member board as appointed by the Genesee County Board of Commissioners.

The Road Commission does not report any component units; however, the Road Commission is a discretely presented component unit of Genesee County, Michigan. Therefore, the Road Commission is required by Public Act 51 of 1951 of the State of Michigan to have a separate audit performed of its operations.

The Road Commission is used to control the expenditure of revenue from the state distribution of gas and weight taxes, reimbursements from the Michigan Department of Transportation for work done by the county on state trunklines, federal transportation funds, and contributions from other local units of government for work performed by the Road Commission.

Accounting and Reporting Principles

The Road Commission follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

Basic Financial Statements - Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Road Commission. The Road Commission consists solely of governmental-type activities; no business-type activities exist.

The fund financial statements are provided for governmental funds and have been stated in conjunction with the government-wide financial statements.

The major individual governmental funds are reported in separate columns in the fund financial statements.

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as 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 Road Commission considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Revenue related to construction projects and inspection work orders is recognized as the related costs are incurred, subject to the availability criterion. Other revenue is recorded when received.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are generally recorded only when payment is due.

When an expense is incurred for the purpose for which both restricted and unrestricted net position or fund balance is available, the Road Commission's policy is to first apply restricted resources. When an expense is incurred for the purpose for which amounts in any of the unrestricted fund balance classifications could be used, it is the Road Commission's policy to spend funds in this order: committed, assigned, and unassigned.

The Road Commission reports the following major governmental fund:

General Operating Fund: The General Operating Fund is the Road Commission's primary operating fund. It accounts for all financial resources of the Road Commission.

Previously, the Road Commission reported a fiduciary fund for the Employee Healthcare Benefits Trust Fund. During the current year, it was concluded that the Road Commission does not administer this trust; thus, the fiduciary fund has not been reported.

Specific Balances and Transactions

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note I - Summary of Significant Accounting Policies (Continued)

Investments - Investments are reported at fair value or estimated fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value as determined by the Road Commission's management.

Restricted Cash and Cash Equivalents - Certain resources are set aside for performance/escrow deposits and assets set aside for a specific road project in accordance with contractual agreement.

Receivables - All trade receivables are shown net of allowances for uncollectible accounts, if any.

Inventories and Prepaid Items - Inventories are valued at cost, on an average unit cost method, and consist of road material, salt, signs, and equipment maintenance materials. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such 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.

Infrastructure assets are reported retrospectively, from 1980, except for right-of-ways, bridges, and traffic signals which are required to be reported, despite the date of purchase.

Road equipment is depreciated using the sum-of-years digits method while intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Lives (Years)
Buildings, building improvements, and land improvements	10-50
Road equipment	5-8
Shop equipment	10
Office, engineering yard, and storage equipment	4-10
Infrastructure - Bridges	12-50
Infrastructure - Roads	5-30

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to the defined benefit pension plan are reported in the government-wide financial statements. The deferred outflows of resources result from several transaction all related to the defined benefit pension plans: contributions to the defined benefit pension plan subsequent to the measurement date, difference between expected and actual experience, changes in assumptions, and net difference between projected and actual earnings on pension plan investments.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources related to the difference between expected and actual experience related to the defined benefit pension plan, along with special assessment and other receivables that were not received within the 60-day period of availability.

Unearned Revenue - Funding received by the State of Michigan that has been received prior to September 30, 2016 but has not yet been spent by September 30, 2016 has been reported as unearned revenue as not all contingencies were met as of September 30, 2016 in order to qualify for revenue recognition under GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note I - Summary of Significant Accounting Policies (Continued)

Pension - Genesee County Road Commission offers a defined benefit pension plan to its employees. The Road Commission records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Genesee County Employees' Retirement System and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs - The Road Commission offers retiree healthcare benefits to retirees. 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 governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements, the Road Commission reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Compensated Absences (Vacation and Sick Leave) - It is the Road Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the board of road commissioners for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board.
- **Assigned:** Intent to spend resources on specific purposes expressed by the governing body or manager-director and his designee, who is authorized by resolution approved by the board to make assignments.

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note I - Summary of Significant Accounting Policies (Continued)

When the Road Commission incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Road Commission's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Advances from the State of Michigan - The State of Michigan advances funds on a state maintenance agreement it has with the Road Commission for specific maintenance performed by the Road Commission during the year and for equipment purchases. The funds from this exchange transaction are reported as an advance until the exchange occurs.

Equipment Rental - The Michigan Department of Transportation requires that the cost of operating equipment, including depreciation, be allocated to the various activities. The effect of this allocation is to offset equipment expenditures.

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 2 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities

Net position reported in the statement of net position column is different than the fund balance reported in the individual fund columns because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Fund Balance Reported in Governmental Funds	\$ 16,788,596
Amounts reported for governmental activities in the statement of net position/governmental funds balance sheet are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	182,788,271
Net other postemployment benefit assets are not current financial resources and are not reported in the funds	6,725,058
Deferred outflows of resources - Changes in assumptions, net difference between projected and actual earnings on pension plan investments, and contributions made to the plan after the measurement date	23,782,684
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	1,537,712
Other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	1,817,555
Notes payable are not due and payable in the current period and are not reported in the funds	(5,175,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(34,435)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(1,135,775)
Other long-term liabilities, such as self-insurance liabilities, do not present a claim on current financial resources and are not reported as fund liabilities	(391,893)
Deferred inflows of resources - Pension experience differences	(2,619,593)
Net pension liability does not present a claim on current financial resources and is not reported as a fund liability	(39,251,425)
Net Position of Governmental Activities	<u>\$ 184,831,755</u>

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 2 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities (Continued)

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the individual fund columns because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Net Change in Fund Balances - Total Governmental Funds \$ (8,608,069)

Amounts reported for governmental activities in the statement of activities/governmental fund revenue, expenditures, and changes in fund balances are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities/governmental fund revenue, expenditures, and changes in fund balances, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	18,252,398
Depreciation expense	(17,242,542)

Revenue is recorded in the statement of activities/governmental fund revenue, expenditures, and changes in fund balances when earned; it is not reported in the funds until collected or collectible within 60 days of year end	884,290
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Increase in other postemployment benefit asset	2,109,404
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities/governmental fund revenue, expenditures, and changes in fund balances (where it reduces long-term debt)	2,195,000
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Change in accrued interest payable	14,099
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Change in self-insurance liability	(108,386)
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Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities/governmental fund revenue, expenditures, and changes in fund balances do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	(13,064)
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Change in the net pension liability and related deferred outflows and inflows is recorded when incurred in the statement of activities/governmental fund revenue, expenditures, and changes in fund balances	(6,666,993)
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Change in Net Position of Governmental Activities	\$ (9,183,863)
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Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Data - The Road Commission manager/director prepares a proposed operating budget for the fiscal year commencing on October 1 using data submitted by the administrative staff. The operating budget includes proposed expenditures and resources to finance them.

The Road Commission's approved budget was adopted by department for expenditures. This is the legally enacted level under the State of Michigan Uniform Budgeting and Accounting Act.

The departmental budget does not recognize revenue or expenditures in the accounting reporting format recommended by the Uniform Accounting Procedure Manual for Michigan County Road Commissions, in that bond proceeds are not classified separately from revenue as other financing sources and expenditures are not classified separately as current capital outlay and debt service. Also, the departmental budget does not recognize revenue credit as offsets against expenditures, but recognizes the amounts as revenue. Neither depreciation expense nor depreciation credits are recognized in the departmental budget.

Michigan Public Act 621 of 1978, Section 18(l), as amended, provides that a governmental unit shall not incur expenditures in excess of the amount appropriated.

Budget violations:

Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. There was one budget violation for the year ended September 30, 2016: administration department expenditure budget was \$320,692 and actual expenditures were \$335,650 resulting from an increase in travel and training expenditures and increased dues and subscription costs.

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Fund Balance</u>
Balance per budgetary comparison schedules	\$ 50,153,258	\$ 58,761,327	\$ 16,788,596
Sale of capital assets	(122,824)	-	-
Revenue credits	<u>(7,930,305)</u>	<u>(7,930,305)</u>	-
Balance per fund-based statements	<u>\$ 42,100,129</u>	<u>\$ 50,831,022</u>	<u>\$ 16,788,596</u>

Noncompliance - Public Act 213 of 2007 requires that the road commission board of commissioners be updated on investment activity on at least a quarterly basis. The Road Commission was not in compliance with this requirement during the year.

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 4 - Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, 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 law also allows investments outside the state of Michigan when fully insured. 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.

The Road Commission has designated two banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Road Commission's deposits and investment policies are in accordance with statutory authority.

The Road Commission's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned to it. The Road Commission does not have a deposit policy for custodial credit risk. At year end, the Road Commission had \$21,671,331 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Road Commission believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Road Commission evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk 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 or collateral securities that are in the possession of an outside party. State law does not require a policy for investment custodial risk. The Road Commission's investment policy does not address custodial credit risk for investments. However, while uninsured and unregistered, the Road Commission's funds are not exposed to custodial credit risk since the securities are held in the counterparty's trust department in the Road Commission's name.

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 4 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Road Commission's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

At year end, the Road Commission had the following investments:

Investment	Fair Value	Weighted Average Maturity (Years)
Primary Government		
U.S. government agency securities	\$ 2,977,841	.84
U.S. government agency securities	<u>2,731,268</u>	.69
Total	<u>\$ 5,709,109</u>	

The Road Commission categorizes 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 significant other observable inputs; 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 below.

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

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

Assets Measured at Fair Value on a Recurring Basis

	Fair Value Measurement Using			
	Balance at September 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities - U.S. government bonds	\$ 5,709,109	\$ -	\$ 5,709,109	\$ -

Debt securities classified in Level 2 are valued using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 5 - Restricted Assets

Cash and cash equivalents are restricted for escrow deposits in the amount of \$743,234 and for Priority Roads Investment Program of \$9,623,042. The Priority Roads Investment Program funds are monies received in advance of expenditures that are restricted for specific projects based on contract language. Therefore, they are reported as restricted assets and unearned revenue at year end.

Note 6 - Deferred Inflows/Outflows of Resources

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	Governmental Funds
Special assessments - Unavailable	\$ 1,537,712
Due from other governmental units and other receivables - Unavailable	<u>1,817,555</u>
Total deferred inflows	<u>\$ 3,355,267</u>

Note 7 - Capital Assets

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

	Balance October 1, 2015	Adjustments	Additions	Disposals	Balance September 30, 2016
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 478,816	\$ -	\$ -	\$ -	\$ 478,816
Construction in progress	361,413	(295,254)	1,051,248	(16,237)	1,101,170
Other nondepreciable assets	1,210	-	-	-	1,210
Subtotal	841,439	(295,254)	1,051,248	(16,237)	1,581,196
Capital assets being depreciated:					
Infrastructure - Roads	392,826,411	-	9,517,034	-	402,343,445
Infrastructure - Bridges	34,133,514	-	5,183,637	-	39,317,151
Buildings and improvements	10,752,623	321,315	848,219	-	11,922,157
Road equipment	28,184,605	-	1,438,121	(486,472)	29,136,254
Shop equipment	631,145	-	50,052	-	681,197
Office equipment	1,391,244	-	108,062	-	1,499,306
Engineering equipment	170,869	-	-	-	170,869
Land improvements	2,367,843	-	56,025	-	2,423,868
Yard and storage equipment	605,038	3	-	-	605,041
Subtotal	471,063,292	321,318	17,201,150	(486,472)	488,099,288
Accumulated depreciation:					
Infrastructure - Roads	247,161,473	-	13,426,660	-	260,588,133
Infrastructure - Bridges	10,048,701	-	1,015,403	-	11,064,104
Buildings and improvements	7,483,341	-	480,805	-	7,964,146
Road equipment	22,353,166	-	2,018,110	(476,646)	23,894,630
Shop equipment	433,019	-	30,634	-	463,653
Office equipment	1,133,008	-	132,433	-	1,265,441
Engineering equipment	102,472	-	9,448	-	111,920
Land improvements	882,176	-	118,442	-	1,000,618
Yard and storage equipment	528,961	-	10,607	-	539,568
Subtotal	290,126,317	-	17,242,542	(476,646)	306,892,213
Net capital assets being depreciated	<u>180,936,975</u>	<u>321,318</u>	<u>(41,392)</u>	<u>(9,826)</u>	<u>181,207,075</u>
Net capital assets	<u>\$ 181,778,414</u>	<u>\$ 26,064</u>	<u>\$ 1,009,856</u>	<u>\$ (26,063)</u>	<u>\$ 182,788,271</u>

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 7 - Capital Assets (Continued)

Depreciation was allocated to governmental functions as follows:

Primary road maintenance	\$ 13,688,781
Local road maintenance	3,381,245
Equipment	40,083
Administrative	<u>132,433</u>
Total governmental activities	<u>\$ 17,242,542</u>

Construction Commitments - The Road Commission has active construction projects at year end. At year end, the Road Commission's commitment estimate is \$1,444,743.

Note 8 - Long-term Debt

The Road Commission had the following long-term debt outstanding at September 30, 2016:

	Interest Rate (Percent)	Maturing Through	Balance October 1, 2015	Additions	Reductions	Balance September 30, 2016	Due Within One Year
Governmental Activities							
2006 Michigan Transportation Fund Revenue Note	4.00	8/1/2016	\$ 295,000	\$ -	\$ (295,000)	\$ -	\$ -
2007 Michigan Transportation Fund Revenue Note	4.00	9/30/2017	1,025,000	-	(500,000)	525,000	525,000
2008 Michigan Transportation Fund Revenue Note	3.75 - 4.00	8/1/2018	1,460,000	-	(460,000)	1,000,000	485,000
2009 Michigan Transportation Fund Revenue Note	2.50 - 3.30	8/1/2019	1,435,000	-	(340,000)	1,095,000	350,000
Recovery Zone Bond	4.34	8/1/2020	<u>3,155,000</u>	<u>-</u>	<u>(600,000)</u>	<u>2,555,000</u>	<u>615,000</u>
Total bonds payable			<u>\$ 7,370,000</u>	<u>\$ -</u>	<u>\$ (2,195,000)</u>	<u>\$ 5,175,000</u>	<u>\$ 1,975,000</u>
Employee compensated absences			<u>\$ 1,122,711</u>	<u>\$ 492,118</u>	<u>\$ (479,054)</u>	<u>\$ 1,135,775</u>	<u>\$ 134,883</u>

General Obligations Bonds and Loans Payable - The outstanding bonds and notes payable at September 30, 2016, and matured thereon, are payable to the State of Michigan from the proceeds of state-collected taxes returned to the Road Commission as Act 51 monies. In the case of default, the state treasurer is authorized to withhold future disbursements of Act 51 monies due to the Road Commission until the defaulted payments are recovered by the State.

For the Michigan Transportation Fund notes, special assessments have also been levied on specific properties abutting certain road improvements. The collection of the assessments has been pledged as additional security for the payment of the bonds.

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 8 - Long-term Debt (Continued)

Future debt service requirements on bonds and notes are as follows:

Years Ending September 30	Principal	Interest	Total
2017	\$ 1,975,000	\$ 206,607	\$ 2,181,607
2018	1,510,000	129,016	1,639,016
2019	1,025,000	69,394	1,094,394
2020	665,000	28,861	693,861
Total	<u>\$ 5,175,000</u>	<u>\$ 433,878</u>	<u>\$ 5,608,878</u>

Interest is payable on all obligations semiannually. Principal is paid on an annual basis.

Act 143, Public Acts of State 1943, provides that total bonds and notes outstanding under this act cannot exceed 40 percent of the sum of the revenue derived from state-collected taxes returned to the county for county road purposes for the last preceding five calendar years and not specifically allocated for other purposes. As of September 30, 2016, the Road Commission was within the statutory limit of Act 143.

Future Revenue Pledged for Debt Payment - The Road Commission board has irrevocably appropriated and pledged the money received and to be received by the County from the Michigan Transportation Fund (the "Transportation Fund") for highway and road purposes pursuant to Act 51, Public Acts of Michigan, 1951, as amended (Act 51) to the extent necessary to pay the above principal of and interest on the Michigan Transportation notes. Proceeds from the bonds provided financing for the construction of the road projects. During the current year, Act 51 revenue was \$22,339,480 compared to the annual debt service requirements of \$2,329,863.

Note 9 - Agent Defined Benefit Pension Plan

Plan Description - The Road Commission participates in an agent multiple-employer defined benefit pension plan administered by the Genesee County Employees' Retirement System (GCERS), that covers all employees of the Road Commission. GCERS was organized pursuant to Section 12A of Act 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12a), as amended, State of Michigan and is administered by a nine-member retirement board. GCERS issues a publicly available annual financial statement that includes financial statements and required supplemental information of this defined benefit plan. Copies of this report can be obtained by writing to the Genesee County Employees' Retirement System, 1101 Beach Street, Flint, Michigan 48502.

Benefits Provided - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in GCERS.

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 9 - Agent Defined Benefit Pension Plan (Continued)

The GCERS plan covers union and nonunion employees.

Retirement benefits for employees are calculated as 2.4 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 years. Vesting period is eight years for all groups. All employees are eligible for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance after one year of retirement for exempt employees and after three years for other employees. The maximum noncompounding five-year adjustment is 3 percent for exempt employees and 4 percent for other employees.

Benefit terms, within the parameters established by GCERS, are generally established and amended by authority of the Genesee County board of county road commissioners, generally after negotiations of these terms with the affected unions.

Employees Covered by Benefit Terms - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	207
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	<u>132</u>
Total employees covered by MERS	<u>345</u>

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, GCERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the GCERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended September 30, 2016, the Road Commission's actuarially determined contributions rate was 23.79 percent of annual covered payroll. Road Commission employees are required to contribute 1 to 6 percent of their annual covered payroll.

Net Pension Liability

The net pension liability reported at September 30, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 81,821,659	\$ 57,755,737	\$ 24,065,922
Service cost	1,111,576	-	1,111,576
Interest	5,486,784	-	5,486,784
Differences between expected and actual experience	(3,291,283)	-	(3,291,283)
Changes in assumptions	14,468,705	-	14,468,705
Contributions - Employer	-	1,892,843	(1,892,843)
Contributions - Employee	-	301,510	(301,510)
Net investment income	-	697,985	(697,985)
Benefit payments	(5,735,010)	(5,735,010)	-
Administrative expenses	-	(62,232)	62,232
Miscellaneous other charges	239,827	-	239,827
Net changes	12,280,599	(2,904,904)	15,185,503
Balance at December 31, 2015	\$ 94,102,258	\$ 54,850,833	\$ 39,251,425

Assumption Changes - For the December 31, 2015 actuarial valuation, there were assumption changes that resulted in an increase in the calculated total pension liability. The assumptions changed during the year related to the discount rate and mortality tables; see below for the assumption used.

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

For the year ended September 30, 2016, the Road Commission recognized pension expense of \$9,399,409. At September 30, 2016, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,885,121	\$ (2,619,593)
Changes in assumptions	14,642,304	-
Net difference between projected and actual earnings on pension plan investments	2,864,705	-
Employer contributions to the plan subsequent to the measurement date	1,390,554	-
Total	\$ 23,782,684	\$ (2,619,593)

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date of \$1,390,554 which will impact the net pension liability in fiscal year 2016, rather than pension expense.

Years Ending June 30	Amount
2017	\$ 5,887,153
2018	5,887,153
2019	5,314,902
2020	2,683,329

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 %	
Salary increases	3-7.03 %	Across the board increases along with merit and longevity increases that range from .17 percent up to 4.03 percent
Investment rate of return	7.00 %	Net of administrative and investment expenses

Mortality rates were based on the RP 2000 Combined Healthy Mortality Table projected to 2014.

Discount Rate - The discount rate used to measure the total pension liability was 5.56 percent. The projection of cash flows used to determine the discount rate assumes 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 actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees; therefore, the discount rate incorporates a municipal bond rate which was 3.15 percent. The source of that bond rate was S&P Municipal Bond 20 Year High Grade Index.

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 9 - Agent Defined Benefit Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a model 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The nominal long-term expected rate of return for the plan as a whole was 8.00 percent. The target allocation by class is as follows:

Asset Class	Target Allocation
U.S. equities active or passive	32 %
Non-U.S. equities	18
Global fixed income	20
Commercial real estate	20
Alternative investment hedge funds	10

The annual money-weighted rate of return on pension plan investments is calculated as the internal rate of return on pension plan investments, net of investment expenses, not including inflation. This expresses investment performance, adjusted for the changing amounts actually invested throughout the year, measured on monthly inputs with expenses measured on an accrual basis. At December 31, 2015, the annual money-weighted rate of return, net of investment expenses, was 1.03 percent.

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 5.56 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 (4.56 percent) or 1 percentage point higher (6.56 percent) than the current rate:

	1 Percent Decrease (4.56%)	Current Discount Rate (5.56%)	1 Percent Increase (6.56%)
Net pension liability of the Road Commission	\$ 50,412,636	\$ 39,251,425	\$ 29,812,926

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows or resources related to pension, and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position has been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 10 - Contingent Liabilities

The Road Commission participates in a number of agreements with the State of Michigan, by which the Road Commission receives advances and reimbursements per the agreements. These advances and reimbursements are subject to audit by the State of Michigan. 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 11 - Risk Management

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

The Michigan County Road Commission Self-insurance Pool program 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 pool provides loss protection for automobile liability, errors and omissions liability, and all other bodily injury, property damage, and personal injury liability. The Road Commission's exposure is limited to \$25,000 per claim.

The Road Commission is a member of the County Road Association Self-Insurance Fund for workers' compensation claims. As a member of the County Road Association Self-Insurance Fund for workers' compensation claims. As a member of the fund, the Road Commission is fully insured for workers' compensation claims incurred.

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 11 - Risk Management (Continued)

The Road Commission is self-insured for health insurance that it provides to all of its active employees and retirees. An independent administrator (Blue Cross Blue Shield or BCBS) is contracted to process the daily claims. The Road Commission is responsible for individual claims up to \$75,000 (stop loss level) and BCBS is responsible for paying claims above that amount on a per contract/family basis. The Road Commission pays fixed administrative fees and also stop loss fees for the additional insurance of the \$75,000 per contract. During the year ended September 30, 2016, the Road Commission received claims reimbursement of \$490,182 over stop loss. No annuity contracts have been purchased to satisfy claims liabilities. The Road Commission receives an annual BCBS savings settlement and the most recent one received for the 2016 plan was \$188,509.

Claims and expenditures are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The liability is the Road Commission's best estimate based on claims already incurred and reported related to medical, dental, and prescription benefits. Changes in the reported liability for the years ended September 30, 2016 and 2015 are as follows:

	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2014-2015	\$ 339,574	\$ 3,500,920	\$ (3,556,987)	\$ 283,507
2015-2016	283,507	4,301,027	(4,192,641)	391,893

At year end, \$391,893 is included as other accrued liabilities in the statement of net position/governmental funds balance sheet.

Note 12 - Other Postemployment Benefits

Plan Description - The Road Commission provides retiree healthcare benefits to eligible employees and their spouses. This is an agent multiple-employer defined benefit plan administered by Municipal Employees Retirement System of Michigan (MERS). MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this plan. This report can be obtained at www.mersofmichigan.com or by writing to MERS at 1134 Municipal Way, Lansing, Michigan, 48917. The benefits are provided under and may be amended by collective bargaining agreements.

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 12 - Other Postemployment Benefits (Continued)

Funding Policy - The collective bargaining agreements require the Road Commission to pay the insurance premium/claim costs of the retiree and spouse until death. Actively employed plan members and retirees are currently not obligated to make contributions to the plan. The Road Commission obtains healthcare coverage for retirees through private insurers. Upon eligibility for Medicare, the Road Commission pays the difference between the plan costs and the amount covered by Medicare. The Road Commission has no obligation to make contributions in advance of when the insurance premiums or claims are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). The Road Commission, at its discretion, contributes amounts that are determined annually using the actuarially determined amount necessary to fund the plan as a reference but not as a definitive requirement. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums come due, which amounted to \$2,380,957 in the current year. In addition, the Road Commission made contributions of \$2,000,000 to advance-fund these benefits.

Funding Progress - For the year ended September 30, 2016, the Road Commission has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of September 30, 2016. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 2,213,323
Interest on the prior year's net OPEB obligation	(346,174)
Less adjustment to the annual required contribution	<u>404,404</u>
Annual OPEB cost	2,271,553
Amounts contributed:	
Payments of current premiums	(2,380,957)
Advance funding	<u>(2,000,000)</u>
Decrease in net OPEB obligation	(2,109,404)
OPEB Asset - Beginning of year	<u>(4,615,654)</u>
OPEB Asset - End of year	<u>\$ (6,725,058)</u>

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 12 - Other Postemployment Benefits (Continued)

Employer contributions and annual OPEB cost data for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Costs	Employer Contributions	
				Percentage OPEB Costs Contributed	Net OPEB Asset
9/30/16	9/30/16	\$ 2,213,323	\$ 2,271,553	192.9 %	\$ (6,725,058)
9/30/15	9/30/14	2,633,346	2,659,054	200.0 %	(4,615,654)
9/30/14	9/30/14	2,633,346	2,824,004	181.0 %	(2,320,297)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
9/30/16	\$ 30,753,116	\$ 47,421,605	\$ 16,668,489	64.9	\$ 8,346,912	199.7
9/30/14	24,519,778	48,473,274	23,953,496	50.6	8,866,075	270.2
9/30/12	14,074,339	56,659,252	42,584,913	24.8	8,713,876	488.7

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 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 multiyear trend information about whether the actuarial value of plan 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 plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and 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.

Genesee County Road Commission

Notes to Financial Statements September 30, 2016

Note 12 - Other Postemployment Benefits (Continued)

In the September 30, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2016 was 22 years.

Note 13 - Upcoming Accounting Pronouncement

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Road Commission to recognize on the face of the financial statements its net OPEB liability related to its participation in the OPEB plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Road Commission is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Road Commission's financial statements for the year ending September 30, 2018.

Note 14 - Change in Accounting

During the year, the Road Commission adopted GASB Statement No. 72, *Fair Value Measurement and Application*. As a result, the notes to the financial statements now include enhanced disclosures about fair value measurement, the level of fair value hierarchy, and valuation techniques.

Required Supplemental Information

Genesee County Road Commission

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Federal grant revenue	\$ 9,455,108	\$ 8,877,179	\$ 5,335,859	\$ (3,541,320)
Michigan transportation fund	21,510,000	23,510,000	22,339,479	(1,170,521)
State highway funds	4,617,877	4,617,877	3,824,813	(793,064)
State grant revenue	5,461,482	5,633,510	5,407,610	(225,900)
County-raised revenue	7,346,241	7,338,117	3,869,925	(3,468,192)
Other revenue	9,591,081	9,591,081	9,241,062	(350,019)
Miscellaneous	100,000	100,000	134,510	34,510
Total revenue	58,081,789	59,667,764	50,153,258	(9,514,506)
Expenditures - Current				
Department:				
Engineering	1,710,266	1,723,045	1,512,122	210,923
Maintenance	19,736,384	22,729,532	21,606,446	1,123,086
Equipment	7,239,770	8,930,378	7,719,238	1,211,140
Personnel	378,112	399,859	398,018	1,841
Finance	1,061,468	969,865	864,210	105,655
Commissioners	33,200	33,200	32,462	738
Administration	235,978	320,692	335,650	(14,958)
Total department	30,395,178	35,106,571	32,468,146	2,638,425
Nondepartmental	13,507,806	13,422,372	12,794,454	627,918
Road construction	18,280,054	20,185,551	13,498,727	6,686,824
Total expenditures	62,183,038	68,714,494	58,761,327	9,953,167
Net Change in Fund Balance	(4,101,249)	(9,046,730)	(8,608,069)	438,661
Fund Balance - Beginning of year	25,396,665	25,396,665	25,396,665	-
Fund Balance - End of year	\$ 21,295,416	\$ 16,349,935	\$ 16,788,596	\$ 438,661

Genesee County Road Commission

Required Supplemental Information Schedule of Changes in the Road Commission's Net Pension Liability and Related Ratios Years Ended September 30

	2016	2015
Total Pension Liability		
Service cost	\$ 1,111,576	\$ 1,066,416
Interest	5,486,784	5,180,093
Changes in benefit terms	-	-
Differences between expected and actual experience	(3,291,283)	1,414,322
Changes in assumptions	14,468,705	2,209,936
Benefit payments, including refunds	(5,735,010)	(5,615,902)
Miscellaneous other	239,827	-
	12,280,599	4,254,865
Net Change in Total Pension Liability		
Total Pension Liability - Beginning of year	81,821,659	77,566,794
Total Pension Liability - End of year	\$ 94,102,258	\$ 81,821,659
Plan Fiduciary Net Position		
Contributions - Employer	\$ 1,892,843	\$ 1,963,904
Contributions - Member	301,510	337,372
Net investment income	697,985	3,873,404
Administrative expenses	(62,232)	(62,829)
Benefit payments, including refunds	(5,735,010)	(5,615,902)
	(2,904,904)	495,949
Net Change in Plan Fiduciary Net Position		
Plan Fiduciary Net Position - Beginning of year	57,755,737	57,259,788
Plan Fiduciary Net Position - End of year	\$ 54,850,833	\$ 57,755,737
Road Commission's Net Pension Liability - Ending	\$ 39,251,425	\$ 24,065,922
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	58.29 %	70.59 %
Covered Employee Payroll	\$ 7,956,940	\$ 7,718,326
Road Commission's Net Pension Liability as a Percentage of Covered Employee Payroll	493.3 %	311.8 %

Genesee County Road Commission

Required Supplemental Information Schedule of Funding Progress Other Postemployment Benefit Plan Year Ended September 30, 2016

The schedule of funding progress for the other postemployment benefit plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
9/30/16	\$ 30,753,116	\$ 47,421,605	\$ 16,668,489	64.9	\$ 8,346,912	199.7
9/30/14	24,519,778	48,473,274	23,953,496	50.6	8,866,075	270.2
9/30/12	14,074,339	56,659,252	42,584,913	24.8	8,713,876	488.7

The schedule of employer contributions for the other postemployment benefit plan is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
9/30/16	9/30/16	\$ 2,213,323	203.3
9/30/15	9/30/14	2,633,346	200.0
9/30/14	9/30/14	2,633,346	181.0

Other Supplemental Information

Genesee County Road Commission

Other Supplemental Information Statement of Revenue, Expenditures, and Changes in Fund Balance General Operating Fund (by Road Fund) Year Ended September 30, 2016

	Primary Road Fund	Local Road Fund	County Road Fund	Totals
Revenue				
Permits	\$ -	\$ 140,033	\$ -	\$ 140,033
Intergovernmental:				
Federal sources	4,515,274	820,585	-	5,335,859
State sources	20,933,315	6,813,774	-	27,747,089
Local sources	(1,559)	3,623,154	248,330	3,869,925
Special assessments	-	933,265	-	933,265
Charges for services	3,824,813	-	11,592	3,836,405
Interest and rents	59,641	131,516	31,335	222,492
Other	-	-	2,734	2,734
	<u>29,331,484</u>	<u>12,462,327</u>	<u>293,991</u>	<u>42,087,802</u>
Expenditures				
Heavy maintenance	11,139,002	3,563,428	-	14,702,430
Maintenance	10,931,249	12,166,782	-	23,098,031
State trunkline	4,893,687	-	-	4,893,687
Equipment - Net	85,922	68,561	5,649	160,132
Administrative	1,791,224	1,276,666	-	3,067,890
Other	66,841	965,553	548,526	1,580,920
Capital outlay - Net	829,409	-	-	829,409
Principal retirement	302,725	1,892,275	-	2,195,000
Interest and fiscal charges	69,085	222,112	-	291,197
	<u>30,109,144</u>	<u>20,155,377</u>	<u>554,175</u>	<u>50,818,696</u>
Deficiency of revenue over expenditures	(777,660)	(7,693,050)	(260,184)	(8,730,894)
Other Financing Sources (Uses)				
Sale of capital assets	122,824	-	-	122,824
Optional transfers	(2,026,510)	2,026,510	-	-
	<u>(1,903,686)</u>	<u>2,026,510</u>	<u>-</u>	<u>122,824</u>
Deficiency) of revenue and other sources over expenditures and other (uses) sources	(2,681,346)	(5,666,540)	(260,184)	(8,608,070)
Fund Balances - Beginning of year	<u>16,694,278</u>	<u>7,496,650</u>	<u>1,205,737</u>	<u>25,396,665</u>
Fund Balances - End of year	<u><u>\$ 14,012,933</u></u>	<u><u>\$ 1,830,110</u></u>	<u><u>\$ 945,553</u></u>	<u><u>\$ 16,788,596</u></u>

Genesee County Road Commission

Other Supplemental Information Statement of Revenue and Other Sources General Operating Fund Year Ended September 30, 2016

Revenue	
Permits	\$ 140,033
Federal sources - Federal aid:	
Urban including STP	2,928,825
Bridge	1,473,912
Other	933,122
Total federal sources	5,335,859
State sources - Michigan Transportation Fund:	
Engineering	10,000
Urban roads	3,859,038
Allocation	18,470,441
Critical Bridge	-
Other	5,407,610
Total state sources	27,747,089
Local sources:	
City and village contributions	133,275
Township contributions	3,625,380
Special assessments	933,265
Other contributions	111,270
Total local sources	4,803,190
Charges for services:	
Trunkline maintenance	3,311,581
Trunkline non-maintenance	513,232
Salvage sales	11,522
Other	70
Total charges for services	3,836,405
Interest and rents:	
Interest earned on deposits	91,810
Interest earned on special assessments	103,657
Rentals	27,025
Total interest and rents	222,492
Other - Miscellaneous revenue	2,734
Total revenues	42,087,802
Other Financing Sources - Sale of capital assets	122,824
Total Revenue and Other Sources	\$ 42,210,626

Genesee County Road Commission

Other Supplemental Information Statement of Expenditures General Operating Fund Year Ended September 30, 2016

Expenditures

Heavy maintenance:	
Primary roads and structures	\$ 11,139,002
Local roads and structures	3,563,428
Special assessments	-
Total heavy maintenance	<u>14,702,430</u>
Maintenance:	
Primary roads and structures, winter, and traffic control	10,931,249
Local roads and structures, winter, and traffic control	<u>12,166,782</u>
Total maintenance	23,098,031
State trunkline:	
Trunkline maintenance	4,380,455
Trunkline nonmaintenance	<u>513,232</u>
Total state trunkline	4,893,687
Equipment:	
Direct	4,344,669
Indirect	2,952,810
Operating	792,957
Less - Equipment rental	<u>(7,930,304)</u>
Total equipment	160,132
Administrative:	
Administration	3,532,020
Less:	(10,525)
Handling charges	
State maintenance overhead	(451,804)
Purchase discounts	<u>(1,801)</u>
Total administrative	3,067,890
Other	1,580,920
Capital outlay:	
Land improvements, building, and equipment	3,584,565
Less - Depreciation/depletion	<u>(2,755,156)</u>
Total capital outlay	829,409
Debt service:	
Principal retirement	2,195,000
Interest and fiscal charges	<u>291,197</u>
Total debt service	<u>2,486,197</u>
Total Expenditures	<u><u>\$ 50,818,696</u></u>