

# **Road Commission for Oakland County**

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**Financial Report  
with Supplemental Information  
September 30, 2009**

# Road Commission for Oakland County

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## Independent Auditor's Report

To the Board of Road Commissioners  
Road Commission for Oakland County

We have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Road Commission for Oakland County, Michigan (the "Road Commission") as of and for the year ended September 30, 2009, which collectively comprise the Road Commission's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Road Commission's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In addition, all portions of the audit were conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except for the retirement system and the retiree healthcare trust.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, major fund, and the aggregate remaining fund information of the Road Commission for Oakland County, Michigan at September 30, 2009 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the Road Fund budgetary comparison schedule as identified in the table of contents are not required parts of the basic financial statements but are supplemental information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Road Commissioners  
Road Commission for Oakland County

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Road Commission's basic financial statements. The accompanying other supplemental information listed 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 has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2010 on our consideration of the Road Commission for Oakland County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

February 19, 2010

# Road Commission for Oakland County

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## Management's Discussion and Analysis

Our discussion and analysis of the financial performance of the Road Commission for Oakland County (the "Road Commission") provides an overview of the Road Commission's financial activities for the fiscal year ended September 30, 2009. Please read this in conjunction with the financial statements.

### Using this Annual Report

This annual report consists of a series of financial statements. The governmental funds balance sheet/statement of net assets presents all governmental activities of the Road Commission, presented first by fund on a modified-accrual basis, and then in total on a full-accrual basis. The modified-accrual fund-based columns present a short-term view of the Road Commission; they tell us how much is available for future spending. The total full-accrual column is intended to present a longer-term view, and tells us whether taxpayers have funded the full cost of providing services to date.

The statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities also presents all governmental activities of the Road Commission, presented first by fund on a modified-accrual basis, and then in total on a full-accrual basis. The modified-accrual fund-based columns tell us how the motoring public's money was spent during the year, while the total full-accrual column tells us the cost of providing services this year, as well as whether the motoring public has paid the full cost of providing services this year.

These two statements are followed by the fiduciary funds (the Retirement System and the Retiree Health Care Trust) statement of plan net assets and statement of changes in plan net assets. These statements provide information about the Retirement System and the Retiree Health Care Trust for which the Road Commission acts solely as trustee for the benefit of current and future retirees.

### Financial Analysis of the Road Commission as a Whole

The following tables provide condensed information about the total full-accrual finances of the Road Commission as of September 30, 2009 and 2008 and for the years then ended. As discussed above, the total full-accrual columns report the Road Commission's net assets and how they have changed. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) 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 assets may be one indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Road Commission, the reader also needs to consider additional non-financial factors such as changes in the condition of the Road Commission's roads and changes in the laws related to gas taxes and their distribution.

# Road Commission for Oakland County

## Management's Discussion and Analysis (Continued)

	September 30	
	2009	2008
<b>Assets</b>		
Current and other assets	\$ 72,463,098	\$ 74,285,996
Capital assets	678,307,038	668,800,580
Total assets	750,770,136	743,086,576
<b>Liabilities</b>		
Current liabilities	23,846,421	25,159,246
Long-term liabilities	15,607,172	12,955,441
Total liabilities	39,453,593	38,114,687
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	672,807,038	660,825,580
Unrestricted	38,509,505	44,146,309
Total net assets	<b>\$ 711,316,543</b>	<b>\$ 704,971,889</b>
	Year Ended September 30	
	2009	2008
<b>Revenues</b>		
State aid - Act 51	\$ 57,664,585	\$ 59,886,097
Other state sources	17,758,461	17,896,515
Federal sources	13,400,839	24,577,324
Revenue from county and local governments	9,484,833	9,078,454
Other	6,031,586	9,314,270
Total revenue	104,340,304	120,752,660
<b>Expenses</b>		
General administration	4,195,282	4,551,404
Departmental operations and maintenance	33,438,207	37,202,733
Nondepartmental	22,198,064	21,573,996
Interest	302,298	405,931
Depreciation	37,861,799	37,180,166
Total expenses	97,995,650	100,914,230
Change in net assets	<b>\$ 6,344,654</b>	<b>\$ 19,838,430</b>

# Road Commission for Oakland County

## Management's Discussion and Analysis (Continued)

The Road Commission's net assets increased approximately 0.9 percent, from \$704,971,889 to \$711,316,543 for the year ended September 30, 2009. This increase was primarily because capital grants were provided in the current year for capital expenditures that will be recognized in future years as depreciation expense. The investment in capital assets, net of accumulated depreciation and disposals, increased by \$9,506,458 and \$24,498,811 for the years ended September 30, 2009 and 2008, respectively.

The Road Commission's revenue for the year ended September 30, 2009 decreased approximately 13.6 percent from the prior year total. This decrease was due principally to decreased federal revenue representing participation in road construction projects. Road construction activity for the current year decreased 33.4 percent from that of the preceding year. Total expenses for the fiscal year ended September 30, 2009 were approximately 2.9 percent less than the preceding year's total.

### Financial Analysis of Individual Funds of the Road Commission

The Road Commission currently has two operating funds: the Subdivision Improvement Fund, which accounts for the activity of special assessment districts, and the Road Fund, which accounts for all of the other operating activity of the Road Commission. The reporting of the individual governmental funds focuses on the inflows and outflows of money and the balances left at year end that are available for spending. These funds report using an accounting method called modified-accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The individual fund columns provide a detailed short-term view of the Road Commission's general operations and the basic services it provides. Individual fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services.

The Road Fund is used to account for the general operations of the Road Commission. It is used to control the expenditures of Michigan Transportation Fund (MTF) monies distributed to the Road Commission, which are earmarked by law for road and highway purposes. For the year ended September 30, 2009, the fund balance of the Road Fund decreased by \$433,099. Total revenues were \$99,130,077, and total expenditures were \$99,563,176, which represented a decrease in revenues from the prior year of 11.4 percent and a decrease in expenditures from the prior year of 17.5 percent. The decrease in revenue was due principally to a decrease in federal participation in road construction projects. The size of next year's construction program anticipates the use of MTF funds collected in the current and prior years and is expected to result in a decrease in next year's fund balance.

# Road Commission for Oakland County

## Management's Discussion and Analysis (Continued)

### Budgetary Highlights

Prior to beginning each year, the Road Commission's budget is prepared based upon certain assumptions and facts available at that time. During the year, the Road Commission board amends its budget to reflect changes in these original assumptions, facts, and/or economic conditions that were unknown at the time the original budget was adopted. In addition, by policy, the board reviews and authorizes large expenditures throughout the year.

The amended Road Fund revenue budget for the year ended September 30, 2009 was \$24,229,920 higher than the original budget, due primarily to the budget adjustments to reflect more participation from federal sources and other units of government in the Road Improvement Program (RIP). Several times during the year, the RIP budget is amended to more accurately reflect construction activity. These amendments include the related revenue adjustments. The actual revenue recognized during the year ended September 30, 2009 was less than the amended budget by \$19,949,151.

The amended Road Fund expenditure budget for the year ended September 30, 2009 was \$21,832,032 higher than the original budget, due primarily to budget adjustments to reflect increased RIP expenditures as well as increased signal and maintenance expenditures. Each year, the original budget is amended for the prior year's capital outlay, contracted services, and RIP expenditures that were committed to in the prior year but where the goods were not received or services were not performed until the subsequent year. The actual expenditures recognized during the year ended September 30, 2009 were less than the amended budget by \$19,879,796, due principally to this type of expenditure timing difference.

### Capital Asset and Debt Administration

#### *Capital Assets*

As of September 30, 2009 and 2008, the Road Commission had invested \$678,307,038 and \$668,800,580, respectively, in net capital assets. This year's amount represents a net increase (including additions, deletions, and depreciation) of \$9,506,458, or approximately 1.4 percent. The Road Commission added \$47,371,169 to its investment in capital assets during the current year, including \$46,373,050 of infrastructure additions. Depreciation of capital assets is provided for annually over estimated future lives. Infrastructure construction is funded by federal, state, and local contributions, as well as by Road Commission revenues.

# Road Commission for Oakland County

## Management's Discussion and Analysis (Continued)

Capital asset additions for the current and prior year include the following:

	<u>2009</u>	<u>2008</u>
Buildings, storage bins, and related - Including land and construction in progress	\$ 516,907	\$ 467,679
Road equipment	440,289	2,722,370
Other equipment	40,923	132,765
Infrastructure - Including land	<u>46,373,050</u>	<u>58,360,411</u>
Total additions	<u>\$ 47,371,169</u>	<u>\$ 61,683,225</u>

### Debt Administration

At September 30, 2009 and 2008, the Road Commission had \$5,500,000 and \$7,975,000, respectively, in outstanding notes payable.

Other long-term obligations include accrued vacation pay and sick leave, accrued postemployment benefit obligations, and reserves for various losses. More detailed information about the Road Commission's long-term liabilities is presented in Note 5 to the financial statements.

### Economic Factors and Next Year's Budget

The Road Commission is, of course, negatively impacted by state-wide events. Michigan, which has been battered by the collapse of the auto industry and the housing crisis, has had the highest unemployment rate in the nation for over 12 months in a row. By mid-2011, it is expected that the Michigan economy will be missing 20 percent of the jobs it had in 2000 and about 75 percent of the automotive jobs it had then. With high unemployment levels (climbing to 15.3 percent) and with continued high gas prices, gasoline usage is down. As a result, the Road Commission's largest source of operating revenue, the gas tax, has also decreased. Unfortunately, this only compounds the problem of the gas tax revenue increases not keeping up with the rate of inflation for many years. Each year, the Road Commission's revenues fall further and further behind its expenses, many of which actually exceed the inflation rate.

In addition to the U.S. market's credit-crunch, Michigan's continued high unemployment levels have negatively impacted auto sales, resulting in a significant decrease in the State's vehicle registration fees. The vehicle registration fees are the second highest source of operating revenue for the Road Commission. The combination of dramatic decline in both the gas tax revenue and the vehicle registration fees has resulted in a 3.7 percent reduction in the Road Commission's fiscal year 2009 Michigan Transportation Fund (MTF) revenue. In addition, the most recent annual revenue forecast by the State Treasury Department projected that the State's transportation revenues (MTF) would decrease by another 1.0 percent in the upcoming fiscal year. This revenue forecast is used as the basis for the fiscal year 2010 budget of the State and the Road Commission.

# Road Commission for Oakland County

## Management's Discussion and Analysis (Continued)

Beginning with its fiscal year 2011, the Michigan Department of Transportation (MDOT) has publicly stated that MDOT will not be able to provide the local match to its federal aid. Soon, many other Michigan road agencies will not be able to provide this local match, which will mean that another state would receive those federal funds. Michigan already receives only 92 percent of its federal gas tax collections that it sends to Washington. It would be a catastrophe for the state if it were not even able to use the 92 percent that Michigan is eligible to receive.

Other events that adversely affect the Road Commission are the State's continued annual transfer of approximately \$10 million from the MTF to the Secretary of State and the ongoing Inter-Departmental Grants (IDGs) to various other state departments. In addition, in its ongoing effort to balance its budget, the Michigan state government continues to evaluate various alternatives for shifting state-wide financial resources, and this evaluation may include reallocating current resources from transportation purposes to other uses.

Due to the grave state of affairs, the Road Commission is forced to conservatively forecast its MTF revenues for its fiscal year 2010 budget. Overall, the fiscal year 2010 budget reflects that the Road Commission's primary revenue source (MTF) is expected to be less than the fiscal year 2009 amount and is not keeping up with the inflationary increases of its normal operating costs. As a result, next year's budget requires reduced expenditures for road improvement projects and maintenance activities (exclusive of items carried over from fiscal year 2009). Without adequate increases in its MTF revenue, the Road Commission will continue to experience diminishing resources for road improvement and maintenance activities in next year's budget.

In addition, during its three-year financial planning (FP) process, the Road Commission continued to deal with the dilemma of its stagnant revenues and its rising costs of doing business activities. The FP process included balancing road maintenance efforts, appropriate staffing levels, and adequate fleet level readiness. One of the recommendations resulting from the FP process is for the Road Commission to continue to reduce its staffing levels by 86 positions for its fiscal year 2011 budget. To help focus public attention to Michigan's inadequate road funding, the Road Commission has been advising its customers:

"Take a close look at the roads you drive. Unless we receive additional funding, this is the best they will look for a long time. We no longer have funds to repair the roads, to eliminate potholes on our paved roads, or to add more gravel to our gravel roads. The roads will get worse, and that will impact our ability to attract new employers and developers and retain the jobs we have. It also means you will pay more to repair the damage to your car caused by rough roads."

### **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 Road Commission for Oakland County administrative offices at 31001 Lahser Road, Beverly Hills, Michigan 48025.

# Road Commission for Oakland County

## Governmental Funds Balance Sheet/Statement of Net Assets September 30, 2009

	Major Fund - Road	Nonmajor Fund - Subdivision Improvements	Total Governmental Funds	Adjustments (Note 2)	Statement of Net Assets
<b>Assets</b>					
Cash and cash equivalents (Note 3)	\$ 23,784,737	\$ 4,387,058	\$ 28,171,795	\$ -	\$ 28,171,795
Investments (Note 3)	11,316,792	-	11,316,792	-	11,316,792
Receivables:					
Accounts	17,335,158	-	17,335,158	-	17,335,158
Investment income	21,686	-	21,686	-	21,686
Special assessments	-	10,801,726	10,801,726	-	10,801,726
Internal receivables	1,124,164	(1,124,164)	-	-	-
Inventory	3,989,000	-	3,989,000	-	3,989,000
Deposits, prepaid expenses, and other assets	826,941	-	826,941	-	826,941
Capital assets - Net (Note 4):					
Assets being depreciated	-	-	-	512,821,152	512,821,152
Assets not being depreciated - Land and other	-	-	-	165,485,886	165,485,886
<b>Total assets</b>	<b>\$ 58,398,478</b>	<b>\$ 14,064,620</b>	<b>\$ 72,463,098</b>	<b>\$ 678,307,038</b>	<b>\$ 750,770,136</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 7,114,833	\$ 76,631	\$ 7,191,464	\$ -	\$ 7,191,464
Advances and deferred revenue	16,850,036	9,655,249	26,505,285	(14,907,984)	11,597,301
Deposits	760,691	-	760,691	-	760,691
Accrued liabilities	2,760,297	-	2,760,297	36,668	2,796,965
Notes payable - Due within one year (Note 5)	-	-	-	1,500,000	1,500,000
Notes payable - Due in more than one year (Note 5)	-	-	-	4,000,000	4,000,000
Other long-term liabilities (Notes 5 and 7)	-	-	-	11,607,172	11,607,172
<b>Total liabilities</b>	<b>27,485,857</b>	<b>9,731,880</b>	<b>37,217,737</b>	<b>2,235,856</b>	<b>39,453,593</b>
<b>Fund Balances</b>					
Reserved (Note 8)	13,099,561	-	13,099,561	(13,099,561)	-
Unreserved - Designated (Note 9)	17,813,060	4,332,740	22,145,800	(22,145,800)	-
<b>Total fund balances</b>	<b>30,912,621</b>	<b>4,332,740</b>	<b>35,245,361</b>	<b>(35,245,361)</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 58,398,478</b>	<b>\$ 14,064,620</b>	<b>\$ 72,463,098</b>		
<b>Net Assets</b>					
Investment in capital assets - Net of related debt				672,807,038	672,807,038
Unrestricted				38,509,505	38,509,505
<b>Total net assets</b>				<b>\$ 711,316,543</b>	<b>\$ 711,316,543</b>

# Road Commission for Oakland County

## Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities Year Ended September 30, 2009

	Major Fund - Road	Nonmajor Fund - Subdivision Improvements	Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
<b>Revenue</b>					
State aid - Act 51	\$ 57,664,585	\$ -	\$ 57,664,585	\$ -	\$ 57,664,585
Other state sources	17,323,779	-	17,323,779	434,682	17,758,461
Federal sources	12,625,963	-	12,625,963	774,876	13,400,839
Revenue from county and local governments	9,548,047	-	9,548,047	(63,214)	9,484,833
Special assessment revenue	-	3,428,943	3,428,943	(634,367)	2,794,576
Interest	201,868	530,668	732,536	-	732,536
Fees and other revenue	1,765,835	-	1,765,835	738,639	2,504,474
<b>Total revenue</b>	<b>99,130,077</b>	<b>3,959,611</b>	<b>103,089,688</b>	<b>1,250,616</b>	<b>104,340,304</b>
<b>Expenditures</b>					
General administration	4,449,290	-	4,449,290	(254,008)	4,195,282
Central operations	9,400,512	-	9,400,512	(2,107,238)	7,293,274
Engineering department	4,826,291	-	4,826,291	(4,591,190)	235,101
Traffic department	9,594,937	-	9,594,937	(2,865,923)	6,729,014
Permits and environmental concerns	1,036,256	-	1,036,256	(1,036,256)	-
Maintenance department	19,591,205	-	19,591,205	(410,387)	19,180,818
Nondepartmental	20,564,293	-	20,564,293	1,633,771	22,198,064
Debt service:					
Principal payments	1,241,508	1,233,492	2,475,000	(2,475,000)	-
Interest and other	129,184	190,414	319,598	(17,300)	302,298
Depreciation expense	-	-	-	37,861,799	37,861,799
Project expenditures:					
Road improvement program and construction	25,384,723	4,260,042	29,644,765	(29,644,765)	-
Southeast Michigan snow and ice management	388,611	-	388,611	(388,611)	-
Signals	2,694,415	-	2,694,415	(2,694,415)	-
Intelligent transportation systems	261,951	-	261,951	(261,951)	-
<b>Total expenditures</b>	<b>99,563,176</b>	<b>5,683,948</b>	<b>105,247,124</b>	<b>(7,251,474)</b>	<b>97,995,650</b>
<b>Excess of Revenue Over (Under) Expenditures/ Change in Net Assets</b>	<b>(433,099)</b>	<b>(1,724,337)</b>	<b>(2,157,436)</b>	<b>8,502,090</b>	<b>6,344,654</b>
<b>Fund Balances/Net Assets - October 1, 2008</b>	<b>31,345,720</b>	<b>6,057,077</b>	<b>37,402,797</b>	<b>667,569,092</b>	<b>704,971,889</b>
<b>Fund Balances/Net Assets - September 30, 2009</b>	<b>\$ 30,912,621</b>	<b>\$ 4,332,740</b>	<b>\$ 35,245,361</b>	<b>\$ 676,071,182</b>	<b>\$ 711,316,543</b>

# Road Commission for Oakland County

## Fiduciary Funds Statement of Plan Net Assets December 31, 2008 (Notes 1 and 3)

	Retirement System	Retiree Healthcare Trust
<b>Assets</b>		
Cash and short-term investments (Note 3)	\$ 6,394,537	\$ -
Receivables - Interest and dividends	676,104	-
Investments (Note 3):		
U.S. government debt obligations	2,784,447	-
U.S. agencies debt obligations	11,161,869	-
Corporate debt obligations	25,346,378	-
Municipal debt obligations	6,614,868	-
Corporate equities	80,230,016	-
Interest in investment pools	14,179,249	10,368,617
Total investments	140,316,827	10,368,617
Total assets	147,387,468	10,368,617
<b>Liabilities</b>		
Accounts payable - Brokers and other - Net	150,335	-
Securities lending collateral payable	14,179,249	-
Total liabilities	14,329,584	-
<b>Net Assets Held in Trust for Retiree Benefits</b>	<b>\$ 133,057,884</b>	<b>\$ 10,368,617</b>

# Road Commission for Oakland County

## Fiduciary Funds Statement of Changes in Plan Net Assets Year Ended December 31, 2008 (Notes 1 and 3)

	Retirement System	Retiree Healthcare Trust
<b>Additions</b>		
Investment income:		
Interest and dividends	\$ 5,436,789	\$ -
Net depreciation in fair value of investments	(48,019,283)	(3,280,679)
Less investment expenses	(825,272)	(56,007)
Net investment loss	(43,407,766)	(3,336,686)
Employer contributions	3,378,100	2,968,755
Securities lending:		
Interest and fees income	543,752	-
Less borrower rebates and bank fees	(408,493)	-
Net securities lending	135,259	-
Total additions - Net	(39,894,407)	(367,931)
<b>Deductions - Benefit payments</b>	9,050,952	-
<b>Net Decrease</b>	(48,945,359)	(367,931)
<b>Net Assets Held in Trust for Retiree Benefits</b>		
Beginning of year	182,003,243	10,736,548
End of year	<b>\$ 133,057,884</b>	<b>\$ 10,368,617</b>

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2009

### Note I - Significant Accounting Policies

The Road Commission for Oakland County, Michigan (the "Road Commission") is a governmental agency, legally titled the Board of County Road Commissioners of the County of Oakland, which is responsible for the maintenance and construction of the county road system in the county. The Road Commission's financial statements will be included in the basic financial statements of the County of Oakland, Michigan.

All funds of the Road Commission have a September 30 year end except the Retirement System and the Retiree Health Care Trust, which are fiduciary funds maintained on a calendar year reporting basis. The September 30, 2009 financial statements of the Road Commission include certain Retirement System and Retiree Health Care Trust financial data as previously reported at December 31, 2008, the latest available financial statements of the Retirement System and the Retiree Health Care Trust.

The accounting policies of the Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

In accordance with GASB No. 34 definitions, the Road Commission has summarized its September 30, 2009 revenue into the following program revenue categories:

Charges for services	\$ 19,405,446
Operating grants and contributions	58,073,149
Capital grants and contributions	<u>26,861,709</u>
Total revenue	<u>\$ 104,340,304</u>

### **Basic Financial Statements - Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary 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 fund is reported as a separate column in the fund financial statements.

# Road Commission for Oakland County

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**Notes to Financial Statements  
September 30, 2009**

## **Note I - 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 revenues to be available if they are 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.

Noncurrent receivables, such as special assessments, are recorded at full value and deferred revenue is recorded for the portion not available for use to finance operations as of year end.

Interest earned on investments is recorded on the accrual basis. Interest revenue on special assessment receivables is not accrued until its due date.

The Road Commission reports the following major governmental fund:

**Road Fund** - The Road Fund is used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2009

### Note I - Significant Accounting Policies (Continued)

The Road Commission also reports the following additional funds:

**Subdivision Improvement Fund** - The Subdivision Improvement Fund (a nonmajor governmental fund) is used to account for the construction and financing of public improvements provided in benefiting districts that are to be paid, at least in part, from an assessment against the benefited property.

**Retirement System** - The Retirement System (the "System") is a Pension Trust Fund used to account for assets held by the Road Commission in a trustee capacity that will be used to fund future retirement benefits for eligible beneficiaries.

**Retiree Health Care Trust** - The Retiree Health Care Trust (the "Trust") is used to account for assets held by the Road Commission in a trustee capacity that will be used to fund future payment of medical benefits for eligible retirees and their spouses and dependents. The Trust is a single-employer retiree healthcare trust that is administered by the Road Commission's board of trustees.

**Cash and Investments** - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are reported at fair value, based on quoted market prices.

**Accounts Receivable and Deferred Revenue** - Accounts receivable are primarily amounts due from other units of government. Accounts receivable at September 30, 2009 are recorded net of approximately \$96,000 of allowances.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of advances and deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Advances and deposits	\$ -	\$ 11,597,301
Federal, state, local, and other receivables	5,252,735	-
Special assessments receivable	<u>9,655,249</u>	<u>-</u>
Total	<u>\$ 14,907,984</u>	<u>\$ 11,597,301</u>

# Road Commission for Oakland County

Notes to Financial Statements  
September 30, 2009

## Note I - Significant Accounting Policies (Continued)

**Inventory and Prepaid Expenses** - Inventory consists principally of road material, salt, signs, and equipment maintenance materials and is valued at average cost. 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 expenses or deposits in both government-wide and fund financial statements.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported 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 four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation charges in 2009 totaled \$37,861,799 based on the following methods and useful lives:

	Methods	Useful Lives - Years
Buildings	Straight-line	25-50
Salt storage bins	Units of production	Various
Road equipment	Sum of years - Digits	5-8
Other equipment	Sum of years - Digits and straight-line	4-10
Brine wells and gravel pits	Straight-line and units of production	Various
Infrastructure:		
Roads	Straight-line	5-30
Other	Straight-line	10-50

**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.

# Road Commission for Oakland County

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**Notes to Financial Statements  
September 30, 2009**

## **Note I - Significant Accounting Policies (Continued)**

**Pension and Other Postemployment Benefit Costs** - The Road Commission offers both pension and 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 Road Fund, pension and 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.

**Long-term Obligations** - Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements. Bond premiums and discounts, as well as issuance costs, are generally deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable recorded bond premium or discount. Bond issuance costs are generally reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report designations of fund balance for amounts that represent tentative management plans that are subject to change.

**Upcoming Reporting Change** - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The Road Commission is currently evaluating the impact this standard will have on the financial statements when adopted. The Road Commission will implement GASB Statement No. 54 beginning with the fiscal year ending September 30, 2011.

Other accounting policies are disclosed in other notes to the financial statements.

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2009

### Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Amounts reported in the government-wide financial statements are different from amounts reported in the governmental funds because of the following:

<b>Governmental Funds Fund Balance</b>	\$ 35,245,361
Capital assets used in governmental activities are not financial resources and are not reported in the funds	678,307,038
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	9,655,249
Federal, state, local, and other receivables not collected within 60 days of year end are not available to pay for current year expenditures	5,252,735
Long-term notes payable are not due and payable in the current period and are not reported in the funds	(5,500,000)
Long-term portion of compensated absences liability, other postemployment obligations, and provision for uninsured workers' compensation and general liability losses are not reported in the funds	(11,607,172)
Accrued interest payable is not reported in the funds	<u>(36,668)</u>
<b>Government-wide Net Assets</b>	<u><u>\$ 711,316,543</u></u>

# Road Commission for Oakland County

Notes to Financial Statements  
September 30, 2009

## Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

<b>Net Change in Fund Balances - Total governmental funds</b>	<b>\$ (2,157,436)</b>
Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	47,371,169
Depreciation	(37,861,799)
Net book value of assets disposed	(2,912)
Special assessment revenues are recorded in the statement of activities when the assessment is made; they are not reported in the funds until collected or collectible within 60 days of year end	(634,367)
In the governmental funds, federal, state, and local revenues (including insurance claims receivable) not collected within 60 days of year end are not available to pay for current year expenditures, whereas in the statement of activities, revenue is recognized when earned	1,289,430
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,475,000
Changes in accumulated sick and vacation pay, other postemployment obligations, and estimated general liability and workers' compensation claims are recorded when earned in the statement of activities	(4,151,731)
Interest expense is recorded in the statement of activities when a liability is incurred; it is reported in the funds only when payment is due	<u>17,300</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 6,344,654</u></b>

# Road Commission for Oakland County

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**Notes to Financial Statements  
September 30, 2009**

## **Note 3 - 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 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 11 banks for the deposit of its funds. The investment policy adopted by the Road Commission 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, for other than its Retirement System and Retiree Health Care Trust assets, 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 \$4,672,952 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The book balance for these deposits has been reported on the governmental funds balance sheet/statement of net assets as cash and cash equivalents of \$28,171,795 and investments of \$6,100,000. The remainder of the investments balance is described below.

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.

# Road Commission for Oakland County

Notes to Financial Statements  
September 30, 2009

## Note 3 - Deposits and Investments (Continued)

### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. In the current year, the Road Commission has no investments in commercial paper. The Road Commission has no investment policy that would further limit its investment choices.

As of year end, the credit quality ratings of its debt security investments were as follows:

Investment	Fair Value	Rating	Rating Organization
Michigan Government Operating Fund	\$ 785,594	Aaa	Moody's
Government Obligations Fund IS	4,431,198	Aaa	Moody's

### Concentration of Credit Risk

The Road Commission places no limit on the amount in which it may invest in any one issuer. The Road Commission has approximately \$800,000 invested in the Michigan Government Operating Fund at JP Morgan and \$4.4 million invested in the Government Obligations Fund IS at Federated Bank at September 30, 2009. These investments represent approximately 6.9 percent and 39.2 percent, respectively, of total investments reported on the governmental funds balance sheet/statement of net assets at September 30, 2009.

### Retirement System Deposits and Investments (as of December 31, 2008)

The Retirement System (the "System") is authorized by Michigan Public Act 314 (the "Act") 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, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The Act places percentage limitations on certain investments.

The System has designated two banks for the deposit of its funds. The System's deposits and investment policies are compliant with statutory authority.

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2009

### Note 3 - Deposits and Investments (Continued)

The System'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 System's deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk.

At December 31, 2008, the System had \$521,477 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. Each of the accounts of the System's six investment managers is insured by the Securities Investors Protection Act up to \$500,000 to replace cash (up to \$100,000), stocks, or bonds held by the broker-dealer. The System 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 System 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.

#### 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 System's investment policy does not restrict investment maturities other than commercial paper which, under state law, can only be purchased with no more than a 270-day maturity. At December 31, 2008, the average maturities of investments are as follows:

Investment Type	Fair Value	Maturity (Years)			
		< 1	1 - 5	6 - 10	> 10
U.S. Treasury	\$ 2,784,447	\$ -	\$ 427,120	\$ 338,450	\$ 2,018,877
U.S. agency	11,161,869	2,358,506	1,576,000	1,087,868	6,139,495
Municipal debt obligations	6,614,868	407,992	1,119,987	725,317	4,361,572
Corporate bonds	25,346,378	2,366,737	4,154,793	6,482,082	12,342,766

#### Credit Risk

As of December 31, 2008, the System's debt securities, other than the U.S. government and agency obligations, were comprised substantially of corporate bonds and collateralized mortgage obligations.

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2009

### Note 3 - Deposits and Investments (Continued)

The System's investment policy provides the fixed-income investment portfolio may be invested in quality fixed instruments with a Moody's rating of A or better, or a comparable rating. With the exception of U.S. government and/or federal agency securities, no issuer commitment, on a market value basis, should exceed 10 percent of the total portfolio at the time of the initial security purchase or subsequently exceed 20 percent of the total portfolio.

The credit ratings of these securities at December 31, 2008 are as follows:

Rating	Fair Value	Rating Agency
AAA	\$ 9,997,752	S&P
AA+	2,894,813	S&P
AA	2,364,732	S&P
AA-	1,313,239	S&P
A+	2,273,024	S&P
A	4,646,732	S&P
A-	1,170,107	S&P
A-E	70,120	S&P
BBB+	1,477,231	S&P
BBB	1,034,587	S&P
BBB-	1,177,633	S&P
BB+	182,300	S&P
BB	360,729	S&P
BB-	470,137	S&P
B+	15,875	S&P
B	193,783	S&P
B-	750	S&P
CCC+	744,669	S&P
CCC	155,856	S&P
CCC-	70,990	S&P
CC	7,600	S&P
D	78,330	S&P
Not rated	<u>12,422,126</u>	N/A
Total	<u>\$43,123,115</u>	

# Road Commission for Oakland County

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## Notes to Financial Statements September 30, 2009

### Note 3 - Deposits and Investments (Continued)

**Securities Lending Transactions** - State statutes and board of trustees' investment policies permit participation of the System in securities lending transactions, loans of securities to broker-dealers, and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The System, via a securities lending authorization agreement, authorized the custodial bank to lend the System's securities to broker-dealers and banks pursuant to a form of loan agreement.

During the year ended December 31, 2008, the custodial bank, at the direction of the System, lent securities and received United States currency as collateral. Borrowers were required to deliver collateral for each loan equal to at least 100 percent of the market value of the loaned securities. At December 31, 2008, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. Contracts with the lending agents require them to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan.

The System did not impose any restrictions during the year ended December 31, 2008 on the amount of the loans the custodial bank made on its behalf. There were no failures by any of the borrowers to return loaned securities or pay distributions thereon during the year ended December 31, 2008. There were no losses to the System or the custodial bank during the year ended December 31, 2008 resulting from default of the borrowers.

During the year ended December 31, 2008, the System and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in a pool. The average duration of such investment pool as of December 31, 2008 was 65 days. Because the loans could be terminated on demand, their duration did not generally match the duration of the investments made with cash collateral. The collateral held and the fair values of the underlying securities on loan as of December 31, 2008 were \$14,179,249 and \$13,875,264, respectively.

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2009

### Note 3 - Deposits and Investments (Continued)

The following represents the balances relating to the securities lending transactions as of December 31, 2008. Investments are reported at fair value:

Securities Lent	Underlying Securities	Collateral Received	Collateral Investment Value	Type of Collateral
U.S. government and agencies obligations	\$ 21,397	\$ 22,138	\$ 22,138	Custodian's short-term investment pool
U.S. equities	<u>13,853,867</u>	<u>14,157,111</u>	<u>14,157,111</u>	Custodian's short-term investment pool
Total	<u>\$ 13,875,264</u>	<u>\$ 14,179,249</u>	<u>\$ 14,179,249</u>	

### Retiree Health Care Trust Deposits and Investments (As of December 31, 2008)

The Retiree Health Care Trust (the "Trust") is 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, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The Act places percentage limitations on certain investments.

The Trust has designated one bank for the deposit of its funds. The Trust's deposits and investment policies are in accordance with statutory authority.

At December 31, 2008, the Trust's assets were invested in the Investment Services Program (ISP) of the Municipal Employees' Retirement System (MERS) of Michigan. Using the ISP pooled investment product, the Trust's assets are pooled with the other investments managed by MERS and are allocated according to the MERS ISP investment policy statement, which is consistent with the statutory authority described above.

# Road Commission for Oakland County

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**Notes to Financial Statements  
September 30, 2009**

## **Note 3 - Deposits and Investments (Continued)**

### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Trust. The Trust has no investment policy that would limit its investment choices beyond what is allowed by state law. The Trust's funds are invested solely in a pooled investment fund administered by the MERS retirement board. The investment pool administered by MERS is not rated as to credit quality.

Subsequent to December 31, 2008, the Retiree Health Care Trust changed investment managers; therefore, when the December 31, 2009 financial statements are issued, the risks associated with the Trust's investments are expected to be different than those reported above.

### **Risks and Uncertainties**

The Road Commission invests in various securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2009

### Note 4 - General Fixed Assets and Depreciation

A summary of changes in general fixed assets follows:

	Balance October 1, 2008	Increases	Decreases	Balance September 30, 2009
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land:				
Infrastructure	\$ 154,100,190	\$ 9,240,833	\$ -	\$ 163,341,023
Land and other	1,881,474	5,985	-	1,887,459
Construction in progress	328,845	100,743	172,184	257,404
Subtotal	156,310,509	9,347,561	172,184	165,485,886
Capital assets being depreciated:				
Buildings and storage bins	17,899,380	582,363	-	18,481,743
Road equipment	51,906,885	440,289	4,940,802	47,406,372
Other equipment	5,739,444	40,923	223,680	5,556,687
Infrastructure	858,708,662	37,132,217	-	895,840,879
Brine wells and gravel pits	1,389,028	-	-	1,389,028
Subtotal	935,643,399	38,195,792	5,164,482	968,674,709
Less accumulated depreciation for:				
Buildings and storage bins	(9,011,705)	(432,107)	-	(9,443,812)
Road equipment	(43,741,463)	(3,382,865)	(4,937,890)	(42,186,438)
Other equipment	(4,466,301)	(397,356)	(223,680)	(4,639,977)
Infrastructure	(364,872,735)	(33,594,862)	-	(398,467,597)
Brine wells and gravel pits	(1,061,124)	(54,609)	-	(1,115,733)
Subtotal	(423,153,328)	(37,861,799)	(5,161,570)	(455,853,557)
Net capital assets being depreciated	512,490,071	333,993	2,912	512,821,152
Net capital assets	<u>\$ 668,800,580</u>	<u>\$ 9,681,554</u>	<u>\$ 175,096</u>	<u>\$ 678,307,038</u>

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2009

### Note 5 - Long-term Debt

#### Outstanding Debt

The following is a summary of the debt outstanding of the Road Commission as of September 30, 2009:

	<u>Number of Issues</u>	<u>Interest Rate (Percent)</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
<b>Notes Payable</b>				
2001 Michigan Transportation Fund revenue note	1	3.75-4.00	2011	\$ 2,000,000
2007 Michigan Transportation Fund revenue note*	1	4.00	2016	<u>3,500,000</u>
Total notes payable				5,500,000
<b>Other Long-term Liabilities</b>				
Provision for uninsured losses				2,100,000
Employee compensated absences liability				3,083,032
Net other postemployment benefits obligation				<u>6,424,140</u>
Total other long-term liabilities				<u>11,607,172</u>
Total long-term debt				<u>\$ 17,107,172</u>

\* While these notes will be paid by the Road Fund, it is intended that the Subdivision Improvements Fund will provide the Road Fund with the required debt service funding.

At September 30, 2009, approximately \$10,800,000 of special assessment receivables was recorded in the Subdivision Improvements Fund.

**Compensated Absences** - It is the Road Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation 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.

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2009

### Note 5 - Long-term Debt (Continued)

#### Changes in Long-term Debt

The following is a summary of long-term debt transactions of the Road Commission for the year ended September 30, 2009:

	Balance October 1, 2008	Increase	Reduction	Balance September 30, 2009	Due Within One Year
1999 Michigan Transportation Fund revenue note	\$ 975,000	\$ -	\$ (975,000)	\$ -	\$ -
2001 Michigan Transportation Fund revenue note	3,000,000	-	(1,000,000)	2,000,000	1,000,000
2007 Michigan Transportation Fund revenue note	4,000,000	-	(500,000)	3,500,000	500,000
Total notes payable	7,975,000	-	(2,475,000)	5,500,000	1,500,000
Provision for uninsured losses	1,900,000	200,000	-	2,100,000	-
Employee compensated absences	3,295,222	-	(212,190)	3,083,032	-
Net other postemployment benefits	2,260,219	4,163,921	-	6,424,140	-
Total other long-term liabilities	7,455,441	4,363,921	(212,190)	11,607,172	-
Total long-term debt	\$ 15,430,441	\$ 4,363,921	\$ (2,687,190)	\$ 17,107,172	\$ 1,500,000

#### Debt Service Requirements

The annual principal and interest requirements for the years ending September 30 through maturity for all debt outstanding (excluding the liabilities for compensated absences, uninsured losses, and net other postemployment benefits) are as follows:

Years Ending September 30	Principal	Interest	Total
2010	\$ 1,500,000	\$ 220,000	\$ 1,720,000
2011	1,500,000	160,000	1,660,000
2012	500,000	100,000	600,000
2013	500,000	80,000	580,000
2014	500,000	60,000	560,000
2015-2016	1,000,000	60,000	1,060,000
Total	\$ 5,500,000	\$ 680,000	\$ 6,180,000

#### Interest

Gross interest expense of the Road Commission for the year ended September 30, 2009 approximated \$319,000, of which approximately \$190,000 related to the Subdivision Improvements Fund and the balance to the Road Fund.

# Road Commission for Oakland County

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**Notes to Financial Statements  
September 30, 2009**

## **Note 6 - Contingent Liabilities**

The Road Commission has been named as a defendant in numerous accident claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. Insurance coverage related to these claims and lawsuits, if any, is categorized under the general liability insurance program (see Note 7). It is the opinion of management and legal counsel that reasonable estimates of the Road Commission's current liability for these matters have been recorded as a liability at September 30, 2009. The government-wide statements include for both the current and long-term portions of the estimated liability.

There are also several non-accident liability and condemnation lawsuits currently pending against the Road Commission claiming amounts for damages and relief without stated limitations. It is the opinion of management and legal counsel that reasonable estimates of the Road Commission's current liability for these matters have been recorded in the Road Fund at September 30, 2009. The government-wide statements include both the current and long-term portions of the estimated liability.

The Road Commission has received and is receiving federal highway grants through the Michigan Department of Transportation for its Integrated Transportation System (ITS) project. These federal grants have certain compliance provisions including a requirement for nonfederal participation in project costs (matching requirement) and a responsibility for the Road Commission to eventually audit the finalized third-party costs for goods and services that have either been charged to certain project contracts or contributed to the project.

The effect on the recorded revenue and expenditures of the ITS projects, if any, that may result from the Road Commission's future audits of final third-party contract and contribution costs cannot be determined at this time. However, it is the opinion of the management of the Road Commission that such amounts and the resultant effects on fund balance, if any, would not be material.

## **Note 7 - Insurance Programs**

The Road Commission is exposed to various risks of loss related to general liability claims, property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Road Commission is uninsured for these claims within certain limits. The details for certain of these risks are discussed below.

# Road Commission for Oakland County

**Notes to Financial Statements  
September 30, 2009**

## **Note 7 - Insurance Programs (Continued)**

### General Liability Claims

The Road Commission is partially uninsured for general liability claims. Under the plan, the Road Commission is liable for losses up to a retention amount and for the losses in excess of the maximum insurance coverage. Information for the last 10 years is as follows:

Contract Years Ended September 30	Retention		Maximum Insurance Coverage (Per Occurrence and in Aggregate Per Fiscal Year)
	Limit Per Occurrence	Aggregate Limit Per Year (All Cases)	
2000	\$ 1,000,000	\$ 4,000,000	\$ 9,000,000
2001-2007	1,000,000	4,000,000	15,000,000
2008-2009	1,000,000	4,000,000	20,000,000

### Workers' Compensation Claims

The Road Commission is partially uninsured for workers' compensation claims. Under the plan, the Road Commission is liable for losses up to a retention amount and for losses in excess of the maximum insurance coverage. Information for the last 10 years is as follows:

Fiscal Year of Occurrence	Retention		Coverage (Per Occurrence and in Aggregate)
	Limit Per Occurrence	Approximate Aggregate Limit Per Year	
2000	\$ 350,000	No aggregate coverage	Statutory limitation
2001-2005	500,000	No aggregate coverage	Statutory limitation
2006-2007	750,000	No aggregate coverage	Statutory limitation
2008-2009	500,000	No aggregate coverage	Statutory limitation

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2009

### Note 7 - Insurance Programs (Continued)

#### Medical Claims

The Road Commission is partially uninsured for healthcare coverage provided to employees (including dependents and retired employees and their spouses). Under the program, the Road Commission is liable for claims up to a retention amount per employee. For the last 13 annual contract periods (September 1, 1997 through August 31, 2009), the retention limit per employee is \$75,000 with no aggregate limitation.

#### Estimated Liabilities

Management has established estimates of the liability for the asserted claims and lawsuits and the unasserted claims related to all of the above-mentioned matters and has recorded the estimated liability at September 30, 2009. However, with respect to unasserted claims, it is not currently possible for management or legal counsel to determine that the ultimate liability, if any, related to these matters will not differ materially from the amounts currently provided.

Changes in the estimated liability for the years ended September 30, 2008 and 2009 are as follows:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Medical</u>	<u>Total</u>
Estimated liability - October 1, 2007	\$ 2,000,000	\$ 1,210,000	\$ 300,000	\$ 3,510,000
Estimated claims incurred, including changes in estimates	440,359	839,283	10,371,768	11,651,410
Claim payments, including related legal and administrative expenses	<u>(440,359)</u>	<u>(999,283)</u>	<u>(10,071,768)</u>	<u>(11,511,410)</u>
Estimated liability - September 30, 2008	2,000,000	1,050,000	600,000	3,650,000
Estimated claims incurred, including changes in estimates	381,068	1,202,492	11,857,495	13,441,055
Claim payments, including related legal and administrative expenses	<u>(381,068)</u>	<u>(852,492)</u>	<u>(11,657,495)</u>	<u>(12,891,055)</u>
Estimated liability - September 30, 2009	<u>\$ 2,000,000</u>	<u>\$ 1,400,000</u>	<u>\$ 800,000</u>	<u>\$ 4,200,000</u>
Estimated current portion - Included in accrued liabilities in the Road Fund	\$ 700,000	\$ 600,000	\$ 800,000	\$ 2,100,000
Estimated long-term portion	<u>1,300,000</u>	<u>800,000</u>	<u>-</u>	<u>2,100,000</u>
Total estimated liability	<u>\$ 2,000,000</u>	<u>\$ 1,400,000</u>	<u>\$ 800,000</u>	<u>\$ 4,200,000</u>

# Road Commission for Oakland County

**Notes to Financial Statements  
September 30, 2009**

## Note 7 - Insurance Programs (Continued)

During 2009, the expenditures recorded in the Road Fund under the general liability (including nonaccident claims and approximately \$400,000 of insurance costs), workers' compensation (including claims and approximately \$140,000 of insurance costs), and healthcare plans (including healthcare administrative expenses) were \$781,068, \$1,142,492, and \$1,857,495, respectively.

The total cost of risk management for the year was \$13,981,055, consisting of the amounts recorded in the Road Fund totaling \$13,781,055 as detailed in the preceding paragraph plus \$200,000 recorded as an increase of long-term debt obligations (see Note 5).

## Note 8 - Reserved Fund Balances

Fund balances have been reserved for the following purposes:

	Governmental	Fiduciary Funds	
	Fund -	Retirement	Retiree
	Road Fund	System	Healthcare Trust
Construction	\$ 9,247,909	\$ -	\$ -
Capital outlay and contracted services	3,851,652	-	-
Retiree benefits	-	133,057,884	10,368,617
Total	\$ 13,099,561	\$ 133,057,884	\$ 10,368,617

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2009

### Note 9 - Designated Fund Balances

Fund balances of the Road Commission's governmental funds have been designated for the following purposes:

	Road Fund	Subdivision Improvement Fund	Total
Subsequent year's budget	\$ 2,580,249	\$ 1,156,000	\$ 3,736,249
Future years' capital acquisitions and maintenance projects	2,400,000	-	2,400,000
Future years' tri-party construction participation	6,433,839	-	6,433,839
Long-term portion of provision for:			
Uninsured losses	2,100,000	-	2,100,000
Compensated absences	3,083,032	-	3,083,032
Postemployment benefits	1,215,940	-	1,215,940
Special assessment construction	-	3,176,740	3,176,740
Total	<u>\$17,813,060</u>	<u>\$ 4,332,740</u>	<u>\$ 22,145,800</u>

### Note 10 - Stewardship, Compliance, and Accountability

The Road Commission is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this Act according to the State Treasurer's *Bulletin for Audits of Local Units of Government in Michigan*, dated April 1982 as amended by P.A. 493 of 2000:

- a. Budgets must be adopted for the Special Revenue Funds. The Road Fund and the Subdivision Improvements Fund are Special Revenue Funds.
- b. Budgeted expenditures cannot exceed budgeted revenues and fund balance.
- c. The budgets must be amended when necessary.
- d. Public hearings must be held before budget adoptions.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget before being incurred.

# Road Commission for Oakland County

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**Notes to Financial Statements  
September 30, 2009**

## **Note 10 - Stewardship, Compliance, and Accountability (Continued)**

The Road Commission's budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the Road Fund and Subdivision Improvement Fund budgets as adopted by the Board of Road Commissioners is included in the supplementary information.

The Road Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In July, the managing director of the Road Commission submits to the Board of County Road Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain citizen comments.
3. Prior to September 30, the budget is legally enacted by the passage of a resolution.
4. The managing director is authorized to transfer budgeted amounts between line items within an activity category, exclusive of certain exceptions, which require the approval of the Board of County Road Commissioners. These excepted items and any revisions that alter the total expenditures of any budgeted activity must be approved by the board.

Unexpended appropriations lapse at year end and encumbrances are not included as expenditures. The amount of encumbrances outstanding at September 30, 2009 is approximately \$13,100,000. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

# Road Commission for Oakland County

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**Notes to Financial Statements  
September 30, 2009**

## **Note 11 - Retiree Healthcare Benefits**

### **Plan Description**

The Road Commission contributes to the Road Commission for Oakland County Retiree Health Care Trust (the "Trust"). The Trust, which was established by the Road Commission on January 26, 2006, provides for future payment of medical benefits for eligible retirees, their spouses, and their dependents. The obligation to provide benefits to employees was established by negotiation with various collective bargaining units or other actions of the Oakland County Board of Road Commissioners. At December 31, 2008, the date of the most recent actuarial valuation, membership consisted of 583 retirees and beneficiaries currently receiving benefits, 353 vested active employees, and 171 nonvested active employees.

A complete analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability is reported in the Road Commission's Retiree Health Care Trust financial report as of December 31, 2008. A copy of this report may be obtained from the Road Commission's administrative office, located at 31001 Lahser Road, Beverly Hills, MI 48025.

### **Summary of Significant Accounting Policies**

The Trust is included in the Road Commission's financial statements as a Retiree Health Care Trust. At December 31, 2008, the assets of the Trust included no securities of or loans to the Road Commission or any other related party. The Trust's assets are managed by the Municipal Employees' Retirement System (MERS) of Michigan. Please refer to Notes 1 and 3 for further significant accounting policies.

**Funding Policy** - The Road Commission may partially or fully fund the liability of the Trust by periodically making contributions to the Trust. The Road Commission's funding policy is to pay all premiums as they come due from the Road Fund; in addition, the Road Commission intends to set aside funding in the Trust from time to time as it deems appropriate.

# Road Commission for Oakland County

Notes to Financial Statements  
September 30, 2009

## Note 11 - Retiree Healthcare Benefits (Continued)

**Funding Progress** - For the year ended September 30, 2009, the Road Commission has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2006. 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	\$ 9,903,929
Interest on prior year net OPEB obligation	162,894
Adjustment to the ARC	<u>-</u>
Annual OPEB cost	10,066,823
Amounts contributed:	
Payment of current premiums and other adjustments	4,903,461
Advance funding contributions	<u>999,441</u>
Total payments toward ARC	5,902,902
Increase in net OPEB obligation	4,163,921
Net OPEB obligation - Beginning of year	<u>2,260,219</u>
Net OPEB obligation - End of year	<u>\$ 6,424,140</u>

In addition to the Road Fund's \$999,441 of contributions made to the Trust during the year, the Road Fund paid \$5,149,311 directly toward insurance premiums and medical costs for retirees during the fiscal year ended September 30, 2009.

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2009

### Note 11 - Retiree Healthcare Benefits (Continued)

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the two most recent years are as follows:

	Fiscal Year Ended September 30	
	2008	2009
Annual OPEB cost	\$ 10,288,941	\$ 10,066,823
Percentage contributed	78.0%	58.6%
Net other postemployment benefits obligation	\$ 2,260,219	\$ 6,424,140

The funding progress of the plan as of the two most recent valuation dates is as follows:

	Actuarial Valuation as of	
	December 31	
	2007	2008
Actuarial value of assets	\$ 9,944,823	\$ 10,368,617
Actuarial accrued liability (AAL)	141,756,532	127,455,270
Unfunded AAL (UAAL)	131,811,709	117,086,653
Funded ratio	7.02%	8.14%
Annual covered payroll	27,791,451	29,242,273
Ratio of UAAL to covered payroll	474.29%	400.40%

**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.

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.

# Road Commission for Oakland County

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## Notes to Financial Statements September 30, 2009

### **Note 11 - Retiree Healthcare Benefits (Continued)**

In the December 31, 2006 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions used include (a) a 6.5 percent investment rate of return, (b) projected salary increases of 4.5 percent to 8.0 percent per year, and (c) projected health care increases of 5.0 percent to 10 percent. All of (a), (b), and (c) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2006 was 30 years.

In the December 31, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 6.0 percent to 8.0 percent per year, and (c) projected health care increases of 4.5 percent to 9.0 percent. All of (a), (b), and (c) include an inflation component of 4.5 percent. The actuarial value of assets is the reported market value of the Trust's assets. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2008 was 28 years.

### **Note 12 - Defined Benefit Pension Plan**

#### **Plan Description**

The Road Commission contributes to the Road Commission for Oakland County Retirement System (the "System"), which is the administrator of a single-employer public employees' retirement system that covers substantially all employees of the Road Commission. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The System currently requires no employee contribution. The obligation of the Road Commission to contribute to and maintain the System for these employees was established by negotiation with various collective bargaining units or other actions of the Oakland County Board of Road Commissioners. At December 31, 2008, the date of the most recent actuarial valuation, membership consisted of 456 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 524 current active employees.

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2009

### Note 12 - Defined Benefit Pension Plan (Continued)

A complete analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability is reported in the Road Commission's Retirement System financial report as of December 31, 2008. A copy of this report may be obtained from the Road Commission's administrative office, located at 31001 Lahser Road, Beverly Hills, MI 48025.

#### Significant Accounting Policies

The System is included in the Road Commission's financial statements as a Retirement System. At December 31, 2008, the assets of the Retirement System included no securities of or loans to the Road Commission or any other related party and there were no investments in any one organization (other than the U.S. government and U.S. government guaranteed obligations) in excess of 5 percent of net assets available for benefits. Please refer to Note 1 for further significant accounting policies.

**Annual Pension Cost** - For the year ended September 30, 2009, the Road Commission's annual pension cost of \$2,864,200 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of actuarial valuation at December 31, 2007, using the individual entry age normal cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4.5 percent to 6.0 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis, over a 15-year period.

**Reserves** - As of December 31, 2008, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 37,858
Reserve for retired benefit payments	92,176,833

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2009

### Note 12 - Defined Benefit Pension Plan (Continued)

#### Three-year Trend Information

The pension cost for the three most recent years is as follows:

	Fiscal Year Ended September 30		
	2007	2008	2009
Annual pension cost (APC)	\$ 3,360,100	\$ 2,929,400	\$ 2,864,200
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

The funded status and funding progress for the three most recent actuarial valuations is as follows:

	Actuarial Valuation as of December 31		
	2006	2007	2008
Actuarial value of assets	\$ 170,697,799	\$ 180,887,856	\$ 166,322,355
Actuarial accrued liability (AAL)	\$ 159,048,368	\$ 168,066,985	\$ 172,479,911
Overfunded AAL	\$ (11,649,431)	\$ (12,820,871)	\$ 6,157,556
Funded ratio (percent)	107.3%	107.6%	96.4%
Valuation payroll	\$ 27,791,451	\$ 30,002,247	\$ 29,242,273
(Overfunded) underfunded AAL as a percentage of valuation payroll	(41.9)	(42.7)	21.1

### Note 13 - Construction in Progress

Estimated future contract cost obligations related to completion of Road Fund construction projects in progress at September 30, 2009, net of estimated revenue from federal aid and contributions from participating communities, total approximately \$9,248,000. The total remaining cost of these uncompleted projects will exceed the above estimated future contract costs due to inspection costs and other non-contracted services. It is anticipated that a significant portion of such additional costs will be shared with other governmental units and that the Road Commission's share of these costs will not be material in amount.

## **Supplemental Information**

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# Road Commission for Oakland County

## Required Supplemental Information Budgetary Comparison Schedule - Road Fund Year Ended September 30, 2009

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>				
State aid - Act 51	\$ 58,915,000	\$ 58,565,000	\$ 57,664,585	\$ (900,415)
Other state sources	11,200,000	16,485,312	17,323,779	838,467
Federal sources	13,637,308	26,512,962	12,625,963	(13,886,999)
Revenue from county and local governments	8,185,000	14,753,954	9,548,047	(5,205,907)
Interest on investments	900,000	400,000	201,868	(198,132)
Fees and other revenue	2,012,000	2,362,000	1,765,835	(596,165)
<b>Total revenue</b>	<b>94,849,308</b>	<b>119,079,228</b>	<b>99,130,077</b>	<b>(19,949,151)</b>
<b>Expenditures</b>				
General administration:				
Board of County Road Commissioners	172,410	172,410	168,826	3,584
Managing director	737,100	883,500	717,523	165,977
Planning and development	1,228,929	1,331,929	1,083,415	248,514
Citizens' services	347,809	347,809	311,252	36,557
Finance department	923,034	934,234	928,822	5,412
Legal department	738,983	736,483	675,822	60,661
Human resources department	605,978	607,478	563,630	43,848
<b>Total general administration</b>	<b>4,754,243</b>	<b>5,013,843</b>	<b>4,449,290</b>	<b>564,553</b>
Central operations	10,461,924	10,376,089	9,400,512	975,577
Engineering department	5,155,047	5,155,047	4,826,291	328,756
Traffic department	10,770,648	11,450,003	9,594,937	1,855,066
Permits and environmental concerns	1,165,951	1,170,891	1,036,256	134,635
Maintenance department	20,431,499	23,896,818	19,591,205	4,305,613
Nondepartmental	19,926,408	21,285,568	20,564,293	721,275
Debt service	1,370,979	1,370,979	1,370,692	287
<b>Total expenditures before project expenditures</b>	<b>74,036,699</b>	<b>79,719,238</b>	<b>70,833,476</b>	<b>8,885,762</b>
Project expenditures:				
Road improvement program and construction	20,939,625	34,449,145	25,384,723	9,064,422
Southeast Michigan snow and ice management	125,000	555,382	388,611	166,771
Signals	2,509,616	4,413,501	2,694,415	1,719,086
Intelligent transportation systems	-	305,706	261,951	43,755
<b>Total project expenditures</b>	<b>23,574,241</b>	<b>39,723,734</b>	<b>28,729,700</b>	<b>10,994,034</b>
<b>Total expenditures</b>	<b>97,610,940</b>	<b>119,442,972</b>	<b>99,563,176</b>	<b>19,879,796</b>
<b>Excess of Expenditures Over Revenue</b>	<b>(2,761,632)</b>	<b>(363,744)</b>	<b>(433,099)</b>	<b>\$ (69,355)</b>
<b>Fund Balance - October 1, 2008</b>	<b>31,345,720</b>	<b>31,345,720</b>	<b>31,345,720</b>	
<b>Fund Balance - September 30, 2009</b>	<b>\$ 28,584,088</b>	<b>\$ 30,981,976</b>	<b>\$ 30,912,621</b>	

# Road Commission for Oakland County

## Other Supplemental Information Budgetary Comparison Schedule - Subdivision Improvement Fund Year Ended September 30, 2009

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>				
Special assessment revenue	\$ 2,462,000	\$ 2,512,000	\$ 3,428,943	\$ 916,943
Interest	350,000	440,000	530,668	90,668
Total revenue	2,812,000	2,952,000	3,959,611	1,007,611
<b>Expenditures</b>				
Debt service	1,429,333	1,429,333	1,423,906	5,427
Project expenditures - Road improvement program and construction	4,256,000	4,856,000	4,260,042	595,958
Total expenditures	5,685,333	6,285,333	5,683,948	601,385
<b>Change in Fund Balance</b>	(2,873,333)	(3,333,333)	(1,724,337)	<b>\$ 1,608,996</b>
<b>Fund Balance - October 1, 2008</b>	6,057,077	6,057,077	6,057,077	
<b>Fund Balance - September 30, 2009</b>	<b>\$ 3,183,744</b>	<b>\$ 2,723,744</b>	<b>\$ 4,332,740</b>	