

Road Commission for Oakland County

**Financial Report
with Supplemental Information
September 30, 2012**

Road Commission for Oakland County

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Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

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, the major funds, 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, 2012, 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, the major funds, and the aggregate remaining fund information of the Road Commission for Oakland County, Michigan at September 30, 2012 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.

To the Board of Road Commissioners
Road Commission for Oakland County

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Road Fund budgetary comparison schedule, 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 management's discussion and analysis and the Road Fund budgetary comparison schedule in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Road Commission for Oakland County's basic financial statements. The Subdivision Improvement Fund budgetary comparison schedule, as identified in the table of contents as other supplemental information, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2013 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 12, 2013

Road Commission for Oakland County

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, 2012. 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 revenue, 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, 2012 and 2011 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	
	2012	2011
Assets		
Current and other assets	\$ 71,414,201	\$ 65,102,302
Capital assets	713,083,357	696,797,908
Total assets	784,497,558	761,900,210
Liabilities		
Current liabilities	15,069,852	15,886,405
Long-term liabilities	18,578,489	18,317,241
Total liabilities	33,648,341	34,203,646
Net Assets		
Invested in capital assets - Net of related debt	711,083,357	694,297,908
Unrestricted	39,765,860	33,398,656
Total net assets	\$ 750,849,217	\$ 727,696,564
	Year Ended September 30	
	2012	2011
Revenue		
State aid - Act 51	\$ 58,198,153	\$ 57,332,602
Other state sources	17,960,727	18,793,192
Federal sources	23,563,223	18,973,841
Revenue from county and local governments	7,689,291	8,690,873
Other	6,998,881	3,354,480
Total revenue	114,410,275	107,144,988
Expenses		
General administration	4,606,851	4,821,412
Departmental operations and maintenance	29,543,425	35,543,945
Nondepartmental	19,722,901	18,759,696
Interest	92,014	145,622
Depreciation	37,292,431	37,906,153
Total expenses	91,257,622	97,176,828
Change in net assets	\$ 23,152,653	\$ 9,968,160

Road Commission for Oakland County

Management's Discussion and Analysis (Continued)

The Road Commission's net assets increased approximately 3.2 percent, from \$727,696,564 to \$750,849,217 for the year ended September 30, 2012. 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, disposals, and related debt, increased by \$16,785,449 and \$11,051,796 for the years ended September 30, 2012 and 2011, respectively.

The Road Commission's revenue for the year ended September 30, 2012 increased approximately 6.8 percent from the prior year total. Federal revenue representing participation in road construction projects increased 24.2 percent as expenditures for road improvements and construction also increased significantly. Road construction activity for the current year increased 21.8 percent from that of the preceding year. Total expenses for the fiscal year ended September 30, 2012 were approximately 6.1 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, 2012, the fund balance of the Road Fund increased by \$5,953,889. Total revenue was \$109,160,437 and total expenditures were \$103,206,548, which represented an increase in revenue from the prior year of 2.2 percent and a decrease in expenditures from the prior year of 1.3 percent. The increase in revenue was due principally to increases in federal revenue for 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, 2012 was \$15,199,663 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, 2012 was less than the amended budget by \$4,924,126.

The amended Road Fund expenditure budget for the year ended September 30, 2012 was \$23,387,370 higher than the original budget, due primarily to budget adjustments to reflect increased RIP expenditures as well as increases to each of the departmental budgets. 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, 2012 were less than the amended budget by \$20,234,602 due principally to this type of expenditure timing difference.

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2012 and 2011, the Road Commission had invested \$713,083,357 and \$696,797,908, respectively, in net capital assets. This year's amount represents a net increase (including additions, deletions, and depreciation) of \$16,285,449, or approximately 2.3 percent. The Road Commission added \$53,577,880 to its investment in capital assets during the current year, including \$52,767,997 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 revenue.

Road Commission for Oakland County

Management's Discussion and Analysis (Continued)

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

	2012	2011
Buildings, storage bins, and related - Including land and construction in progress	\$ 434,914	\$ 476,362
Road equipment	299,151	620,400
Other equipment	75,818	10,259
Infrastructure - Including land	52,767,997	48,522,692
Total additions	<u>\$ 53,577,880</u>	<u>\$ 49,629,713</u>

Debt Administration

At September 30, 2012 and 2011, the Road Commission had \$2,000,000 and \$2,500,000, 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, of course, is impacted by worldwide events. The global economic challenges show little sign of ending. Stock and bond markets remain volatile, while food and energy prices continue to rise. Experts suggest that the real estate bubble could be about to burst in China. In addition, the federal debt ceiling and other fiscal challenges continue to influence the U.S. economy. However, Michigan continues to recover from its recent economic downturn and is doing better than many other states. It is projected that the moderate economic recovery will help to lower the state's unemployment rate from the current 8.9 percent to 8.4 percent by the end of 2013 and to 7.7 percent by the end of 2014. It is estimated that the state will add nearly 50,000 jobs over the next year and more than 61,000 jobs during 2014, due mainly to high-wage sectors such as professional, business, and scientific services. The auto sector has been strong, and the housing market is showing signs of turning around. The unemployment rate has dropped five percentage points since the end of 2009.

Due to continued high gas prices, gasoline usage is down. As a result, the Road Commission's largest source of operating revenue, the fuel tax, continues to decline. Over the past 10 years, the statewide fuel tax revenue declined 11.4 percent. Unfortunately, the decline compounds the problem of the fuel tax revenue not keeping up with the rate of inflation for many years. Each year, the Road Commission's revenues fall further and further behind the ever-increasing expenses necessary to maintain and improve the road network, many of which actually exceed the inflation rate.

Road Commission for Oakland County

Management's Discussion and Analysis (Continued)

Michigan's economic recovery has been positively impacted by increased auto sales, resulting in an annual increase of 1.98 percent in the state's vehicle registration fees. The vehicle registration fees are the second largest source of operating revenue for the Road Commission. The combination of declining fuel tax revenue and increasing vehicle registration fees has resulted in a 0.15 percent increase from the prior fiscal year in the Road Commission's Michigan Transportation Fund (MTF) revenue. However, from 2002 to 2012, MTF revenues were down 6.7 percent statewide and 2.6 percent for the Road Commission. The most recent annual revenue forecast by the State Treasury Department projected that the state's transportation revenues (MTF) would finally increase by 0.5 percent in fiscal year 2014. Because the Road Commission has experienced lesser increases than the state-wide average, this financial plan used a 0.45 percent increase for fiscal year 2014 rather than 0.5 percent.

Other events that adversely affect the Road Commission are the State's continued annual transfer of \$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 some current resources from transportation purposes to other uses.

Consistent with the above events, the Road Commission continues to highlight a troubling trend: The state-collected revenues that the Road Commission uses for road maintenance and operating expenses continue to lag inflation, meaning the Road Commission's costs are increasing more rapidly than its funding. As was the case last year, the annual revenues from the 1997 gas tax increase can no longer be dedicated to capital improvement projects on our roads and must be used to fund the Road Commission's basic operational needs. The Road Commission strongly advocates an increase in the state's fuel taxes as part of the remedy to this situation. Failure to adequately fund Michigan's road needs will result in a return to the poor statewide road conditions of the mid-1990s.

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 163 positions for its fiscal year 2014 financial plan. 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'll pay more to repair the damage to your car caused by rough roads."

Road Commission for Oakland County

Management's Discussion and Analysis (Continued)

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, 2012

	Road	Subdivision Improvements	Total Governmental Funds	Adjustments (Note 2)	Statement of Net Assets
Assets					
Cash and cash equivalents (Note 3)	\$ 32,980,418	\$ 6,575,161	\$ 39,555,579	\$ -	\$ 39,555,579
Receivables:					
Accounts	16,561,397	-	16,561,397	-	16,561,397
Special assessments	-	8,661,616	8,661,616	-	8,661,616
Internal receivables	554,179	(554,179)	-	-	-
Inventory	4,033,167	-	4,033,167	-	4,033,167
Deposits, prepaid expenses, and other assets	862,144	-	862,144	-	862,144
Net pension asset	-	-	-	1,740,298	1,740,298
Capital assets - Net (Note 4):					
Assets being depreciated	-	-	-	531,831,952	531,831,952
Assets not being depreciated - Land and other	-	-	-	181,251,405	181,251,405
Total assets	\$ 54,991,305	\$ 14,682,598	\$ 69,673,903	\$ 714,823,655	\$ 784,497,558
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 5,304,935	\$ 20,614	\$ 5,325,549	\$ -	\$ 5,325,549
Advances and deferred revenue	6,029,031	7,311,596	13,340,627	(7,242,750)	6,097,877
Deposits	564,615	-	564,615	-	564,615
Accrued liabilities	1,686,478	-	1,686,478	13,333	1,699,811
Notes payable - Due within one year (Note 5)	-	-	-	500,000	500,000
Notes payable - Due in more than one year (Note 5)	-	-	-	1,500,000	1,500,000
Other long-term liabilities - Due within one year (Notes 5 and 7)	-	-	-	882,000	882,000
Other long-term liabilities - Due in more than one year (Notes 5 and 7)	-	-	-	17,078,489	17,078,489
Total liabilities	13,585,059	7,332,210	20,917,269	12,731,072	33,648,341
Fund Balances					
Nonspendable:					
Inventory	4,033,167	-	4,033,167	(4,033,167)	-
Prepays assets	862,144	-	862,144	(862,144)	-
Assigned (Note 8)	36,510,935	7,350,388	43,861,323	(43,861,323)	-
Total fund balances	41,406,246	7,350,388	48,756,634	(48,756,634)	-
Total liabilities and fund balances	\$ 54,991,305	\$ 14,682,598	\$ 69,673,903		
Net Assets					
Investment in capital assets - Net of related debt Unrestricted				711,083,357	711,083,357
				39,765,860	39,765,860
Total net assets				\$ 750,849,217	\$ 750,849,217

Road Commission for Oakland County

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balances/Statement of Activities Year Ended September 30, 2012

	Road	Subdivision Improvements	Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
Revenue					
State aid - Act 51	\$ 58,198,153	\$ -	\$ 58,198,153	\$ -	\$ 58,198,153
Other state sources	17,791,865	-	17,791,865	168,862	17,960,727
Federal sources	23,582,505	-	23,582,505	(19,282)	23,563,223
Revenue from county and local governments	7,843,333	-	7,843,333	(154,042)	7,689,291
Special assessment revenue	-	3,567,124	3,567,124	461,303	4,028,427
Interest	212,664	390,113	602,777	-	602,777
Fees and other revenue	1,531,917	-	1,531,917	835,760	2,367,677
Total revenue	109,160,437	3,957,237	113,117,674	1,292,601	114,410,275
Expenditures					
General administration	4,769,863	-	4,769,863	(163,012)	4,606,851
Central operations	9,469,759	-	9,469,759	(1,398,226)	8,071,533
Engineering department	4,642,264	-	4,642,264	(4,410,130)	232,134
Traffic department	9,268,432	-	9,268,432	(2,412,621)	6,855,811
Maintenance department	16,012,399	-	16,012,399	(340,870)	15,671,529
Nondepartmental	21,899,150	-	21,899,150	(3,878,399)	18,020,751
Debt service:					
Principal payments	-	500,000	500,000	(500,000)	-
Interest and other	-	95,347	95,347	(3,333)	92,014
Depreciation expense	-	-	-	37,292,431	37,292,431
Project expenditures:					
Road improvement program and construction	34,691,794	3,893,582	38,585,376	(38,181,986)	403,390
Signals	2,452,887	-	2,452,887	(2,441,709)	11,178
Total expenditures	103,206,548	4,488,929	107,695,477	(18,140,005)	89,555,472
Change in Fund Balances/Net Assets	5,953,889	(531,692)	5,422,197	19,432,606	24,854,803
Fund Balances/Net Assets - October 1, 2011	35,452,357	7,882,080	43,334,437	684,362,127	727,696,564
Fund Balances/Net Assets - September 30, 2012	<u>\$ 41,406,246</u>	<u>\$ 7,350,388</u>	<u>\$ 48,756,634</u>	<u>\$ 703,794,733</u>	<u>\$ 752,551,367</u>

Road Commission for Oakland County

Fiduciary Funds Statement of Plan Net Assets December 31, 2011 (Notes 1 and 3)

	Retirement System	Retiree Healthcare Trust
Assets		
Cash and short-term investments (Note 3)	\$ 4,925,835	\$ 1,496,410
Receivables - Interest and dividends	727,397	40,908
Investments (Note 3):		
U.S. government debt obligations	-	1,012,061
U.S. agencies debt obligations	11,881,288	765,359
Corporate debt obligations	14,234,662	1,979,538
Foreign debt obligations	-	610,183
Municipal debt obligations	28,257,662	40,397
Corporate mortgage/asset-backed securities	-	672,618
Corporate equities	100,238,764	11,843,274
Interest in investment pools	5,739,529	-
Total investments	160,351,905	16,923,430
Total assets	166,005,137	18,460,748
Liabilities		
Accounts payable - Brokers and other - Net	295,815	-
Securities lending collateral payable	5,942,125	-
Total liabilities	6,237,940	-
Net Assets Held in Trust for Retiree Benefits	\$ 159,767,197	\$ 18,460,748

Road Commission for Oakland County

Fiduciary Funds Statement of Changes in Plan Net Assets Year Ended December 31, 2011 (Notes 1 and 3)

	Retirement System	Retiree Healthcare Trust
Additions		
Investment income:		
Interest and dividends	\$ 4,648,213	\$ 403,455
Net depreciation in fair value of investments	(771,069)	(526,341)
Less investment expenses	(1,091,575)	(127,990)
Net investment income (loss)	2,785,569	(250,876)
Employer contributions	3,811,579	6,706,279
Securities lending:		
Interest and fees income	39,845	-
Net depreciation in fair value of investments	(202,596)	-
Less borrower rebates and bank fees	(2,194)	-
Net securities lending	(164,945)	-
Total additions - Net	6,432,203	6,455,403
Deductions - Benefit payments	11,364,549	5,826,279
Net (Decrease) Increase	(4,932,346)	629,124
Net Assets Held in Trust for Retiree Benefits		
Beginning of year	164,699,543	17,831,624
End of year	\$ 159,767,197	\$ 18,460,748

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 1 - 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 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, 2012 financial statements of the Road Commission include certain Retirement System and Retiree Health Care Trust financial data as previously reported at December 31, 2011, 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, 2012 revenue into the following program revenue categories:

Charges for services	\$ 16,377,176
Operating grants and contributions	58,474,382
Capital grants and contributions	<u>39,558,717</u>
Total revenue	<u>\$ 114,410,275</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 funds are reported in separate columns in the fund financial statements.

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 1 - 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 purposes for which both restricted and unrestricted net assets or fund balance are available, the Road Commission's policy is to first apply restricted resources. When an expense is incurred for purposes 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.

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.

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 1 - Significant Accounting Policies (Continued)

The Road Commission reports the following major governmental funds:

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.

Subdivision Improvement Fund - The Subdivision Improvement 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.

The Road Commission also reports the following additional funds:

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.

Assets, Liabilities, and Net Assets or Equity

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, 2012 are recorded net of approximately \$96,000 of allowances.

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 1 - Significant Accounting Policies (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is 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:

	Unavailable	Unearned
Advances and deposits	\$ -	\$ 4,950,884
Federal, state, local, and other receivables	(68,846)	-
Special assessments receivable	<u>7,311,596</u>	<u>1,146,993</u>
Total	<u>\$ 7,242,750</u>	<u>\$ 6,097,877</u>

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 2012 totaled \$37,292,431 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

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 1 - Significant Accounting Policies (Continued)

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.

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 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 director of finance, who is authorized by resolution approved by the board to make assignments

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 1 - Significant Accounting Policies (Continued)

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

Upcoming Accounting Pronouncements - GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued by the GASB in June 2011 and will be effective for the Road Commission's 2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. GASB Statement No. 65 will be implemented for the Road Commission as of fiscal year 2013-2014.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. 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 financial statements for the year ending September 30, 2015.

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

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:

Governmental Funds Fund Balance	\$ 48,756,634
Capital assets used in governmental activities are not financial resources and are not reported in the funds	713,083,357
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	7,311,596
Federal, state, local, and other receivables not collected within 60 days of year end are not available to pay for current year expenditures	(68,846)
Net pension assets do not represent financial resources and are not reported in the funds	1,740,298
Long-term liabilities do not represent a claim on current financial resources; therefore they are not reported as fund liabilities:	
Notes payable	(2,000,000)
Provision for uninsured losses	(2,932,918)
Employee compensated absences	(2,756,046)
Net other postemployment benefits	(12,271,525)
Accrued interest payable is not reported in the funds	<u>(13,333)</u>
Government-wide Net Assets	<u><u>\$ 750,849,217</u></u>

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

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

Net Change in Fund Balances - Total governmental funds	\$ 5,422,197
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	53,577,880
Depreciation	(37,292,431)
Special assessment revenue is recorded in the statement of activities when the assessment is made; it is not reported in the funds until collected or collectible within 60 days of year end	461,303
In the governmental funds, federal, state, and local revenue (including insurance claims receivable) not collected within 60 days of year end is not available to pay for current year expenditures, whereas in the statement of activities, revenue is recognized when earned	29,530
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	500,000
Changes in accumulated sick and vacation pay, other postemployment obligations, net pension assets, and estimated general liability and workers' compensation claims are recorded when earned in the statement of activities	450,841
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>3,333</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 23,152,653</u></u>

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

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 four 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 no bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Dodd-Frank Wall Street Reform and Consumer Protection Act, which provided unlimited temporary deposit insurance coverage for noninterest-bearing accounts at all FDIC-insured depository institutions, expired on December 31, 2012. As a result, a significant portion of the Road Commission's deposits that were insured as of September 30, 2012 became uninsured on January 1, 2013. Had the Act expired prior to September 30, 2012, the Road Commission would have had approximately \$5.7 million of bank deposits that were uninsured and uncollateralized as of that date. 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, 2012

Note 3 - 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 investment policies of the Road Commission do not restrict investment maturities other than commercial paper which, under state law, can only be purchased with no more than a 270-day maturity. As of year end, the Road Commission has \$28,137,261 invested in the Oakland County Investment Pool which had an average maturity of investments of 0.69 years.

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
Government Obligations Fund IS	\$ 6,538,391	Aaa	Moody's
Oakland County Investment Pool	28,137,261	Not rated	N/A

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 \$28.1 million invested in the Oakland County Investment Pool and \$6.5 million invested in the Government Obligations Fund IS at Federated Bank at September 30, 2012. These investments represent approximately 71 percent and 17 percent, respectively, of total cash and cash equivalents reported on the governmental funds balance sheet/statement of net assets at September 30, 2012.

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 3 - Deposits and Investments (Continued)

Retirement System Deposits and Investments (as of December 31, 2011)

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.

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, 2011, the System had no bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. Each of the accounts of the System's seven 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.

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 3 - 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 System's investment policies do 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, 2011, the average maturities of investments are as follows:

Investment Type	Fair Value	Maturity (Years)			
		< 1	1 - 5	6 - 10	> 10
U.S. agency	\$ 11,881,288	\$ 953,752	\$ 1,228,099	\$ 4,575,457	\$ 5,123,980
Municipal debt obligations	28,257,662	-	720,135	1,180,295	26,357,232
Corporate bonds	14,234,662	151,010	3,306,806	3,113,837	7,663,009

Credit Risk

As of December 31, 2011, the System's debt securities, other than the U.S. government and agency obligations, were comprised substantially of state and local municipal bonds, corporate bonds, and collateralized mortgage obligations.

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, 2011 are as follows:

Rating	Fair Value	Rating Agency
AAA	\$ 4,011,461	S&P
AA	18,636,591	S&P
A	13,380,257	S&P
BBB	2,852,012	S&P
BB	1,036,578	S&P
B	127,028	S&P
CCC and below	63,227	S&P
Not rated	18,054,502	N/A
Total	<u>\$58,161,656</u>	

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 3 - Deposits and Investments (Continued)

Securities Lending Transactions - State statutes and the 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, 2011, 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 year end, 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, 2011 on the amount of 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, 2011. There were no losses to the System or the custodial bank during the year ended December 31, 2011 resulting from default of the borrowers. One of the instruments acquired by the securities lending program (comprising approximately 3.4 percent of the total portfolio) has incurred an unrealized loss in fair market value. The System has initiated litigation with the broker-dealer to attempt to recoup any potential loss.

During the year ended December 31, 2011, 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 System's share of the investment pool includes a floating rate note with zero market value. The floating rate note is rated "D" by S&P. The remaining investments in the pool consist of cash equivalents and mutual funds with an S&P rating of AAAm. 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 (at market) and the fair values of the underlying securities on loan as of September 30, 2012 were \$5,739,529 and \$5,760,894, respectively.

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 3 - Deposits and Investments (Continued)

The following represents the balances relating to the securities lending transactions as of December 31, 2011. Investments are reported at fair value:

<u>Securities Lent</u>	<u>Underlying Securities</u>	<u>Collateral Received</u>	<u>Collateral Investment Value</u>	<u>Type of Collateral</u>
U.S. equities	<u>\$ 5,760,894</u>	<u>\$ 5,942,125</u>	<u>\$ 5,739,529</u>	Custodian's short-term investment pool

Retiree Health Care Trust Deposits and Investments (As of December 31, 2011)

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.

The Trust'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 Trust's deposits may not be returned to it. The Trust does not have a deposit policy for custodial credit risk. At year end, the Trust had no bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. Each of the accounts of the Trust's four investment managers is insured by the Securities Investors Protection Act up to \$500,000 to replace stocks or bonds held by the broker-dealer. The Trust 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 Trust 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, 2012

Note 3 - 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 Trust's investment policy does not have specific restrictions on investment maturities. At December 31, 2011, the average maturities of debt security investments are as follows:

Investment Type	Fair Value	Maturity (Years)			
		< 1	1 - 5	6 - 10	> 10
Corporate bonds	\$ 1,979,539	\$ 102,177	\$ 1,334,053	\$ 543,309	\$ -
U.S. government obligations	765,845	36,023	3,332	726,490	-
U.S. agency obligations	1,011,576	90,055	196,607	68,308	656,606
Municipal obligations	40,397	25,083	15,314	-	-
Corporate mortgage/asset- backed securities	672,618	-	-	66,329	606,289
Foreign bonds	610,184	-	372,282	237,902	-

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 other than what is allowed by state law. At December 31, 2011, the Trust held U.S. agency obligations, corporate bonds, corporate mortgage/asset-backed securities, and foreign bonds subject to credit risk. The credit ratings of these securities are as follows:

Rating	Fair Value	Rating Agency
AAA	\$ 595,798	S&P
AAA	269,935	Moody's
AA+	449,539	S&P
AA	454,437	S&P
AA-	431,586	S&P
A+	238,357	S&P
A	263,455	S&P
A-	634,920	S&P
BBB+	60,683	S&P
BBB	141,998	S&P
BBB-	98,302	S&P
Not rated	675,304	N/A
Total	<u>\$ 4,314,314</u>	

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 3 - Deposits and Investments (Continued)

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.

Note 4 - General Fixed Assets and Depreciation

A summary of changes in general fixed assets follows:

	Balance October 1, 2011	Increases	Decreases	Balance September 30, 2012
Governmental Activities				
Capital assets not being depreciated:				
Land:				
Infrastructure	\$ 166,486,077	\$ 12,007,593	\$ -	\$ 178,493,670
Land and other	1,887,459	-	-	1,887,459
Construction in progress	625,290	244,986	-	870,276
Subtotal	168,998,826	12,252,579	-	181,251,405
Capital assets being depreciated:				
Buildings and storage bins	18,698,353	189,928	5,837	18,882,444
Road equipment	47,789,865	299,151	455	48,088,561
Other equipment	5,184,353	75,818	161,667	5,098,504
Infrastructure	847,604,590	40,760,404	19,506,086	868,858,908
Brine wells and gravel pits	1,389,028	-	-	1,389,028
Subtotal	920,666,189	41,325,301	19,674,045	942,317,445
Less accumulated depreciation for:				
Buildings and storage bins	(10,251,348)	(304,249)	(5,837)	(10,549,760)
Road equipment	(45,769,382)	(990,623)	(455)	(46,759,550)
Other equipment	(4,707,992)	(161,313)	(161,667)	(4,707,638)
Infrastructure	(330,913,434)	(35,781,637)	(19,506,086)	(347,188,985)
Brine wells and gravel pits	(1,224,951)	(54,609)	-	(1,279,560)
Subtotal	(392,867,107)	(37,292,431)	(19,674,045)	(410,485,493)
Net capital assets being depreciated	527,799,082	4,032,870	-	531,831,952
Net capital assets	\$ 696,797,908	\$ 16,285,449	\$ -	\$ 713,083,357

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 5 - Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the Road Commission as of September 30, 2012:

	Number of Issues	Interest Rate (Percent)	Maturing Through	Principal Outstanding
Notes Payable				
2007 Michigan Transportation Fund revenue note*	1	4.00	2016	\$ 2,000,000
Other Long-term Liabilities				
Provision for uninsured losses				2,932,918
Employee compensated absences liability				2,756,046
Net other postemployment benefits obligation				<u>12,271,525</u>
Total other long-term liabilities				<u>17,960,489</u>
Total long-term debt				<u>\$ 19,960,489</u>

* While this note 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, 2012, approximately \$8,700,000 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, 2012

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, 2012:

	Balance October 1, 2011	Increase	Reduction	Balance September 30, 2012	Due Within One Year
2007 Michigan Transportation Fund revenue note	\$ 2,500,000	\$ -	\$ (500,000)	\$ 2,000,000	\$ 500,000
Other long-term liabilities:					
Provision for uninsured losses	2,747,027	185,891	-	2,932,918	882,000
Employee compensated absences	2,847,660	-	(91,614)	2,756,046	-
Net other postemployment benefits	11,906,254	365,271	-	12,271,525	-
Total other long-term liabilities	17,500,941	551,162	(91,614)	17,960,489	882,000
Total long-term debt	<u>\$ 20,000,941</u>	<u>\$ 551,162</u>	<u>\$ (591,614)</u>	<u>\$ 19,960,489</u>	<u>\$ 1,382,000</u>

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
2013	\$ 500,000	\$ 80,000	\$ 580,000
2014	500,000	60,000	560,000
2015	500,000	40,000	540,000
2016	500,000	20,000	520,000
Total	<u>\$ 2,000,000</u>	<u>\$ 200,000</u>	<u>\$ 2,200,000</u>

Interest

Gross interest expense of the Road Commission for the year ended September 30, 2012 approximated \$95,000, all of which related to the Subdivision Improvements Fund.

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

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, 2012. The government-wide statements include 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, 2012. The government-wide statements include both the current and long-term portions of the estimated liability.

The Road Commission has received 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 partially uninsured for these claims up to a retention amount and for losses in excess of the maximum insurance coverage.

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 7 - Insurance Programs (Continued)

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 have recorded the estimated liability at September 30, 2012. 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, 2011 and 2012 are as follows:

	General Liability	Workers' Compensation	Medical	Total
Estimated liability - October 1, 2010	\$ 2,274,000	\$ 1,954,109	\$ -	\$ 4,228,109
Estimated claims incurred, including changes in estimates	(504,819)	1,605,781	11,143,756	12,244,718
Claim payments, including related legal and administrative expenses	<u>(488,181)</u>	<u>(1,193,863)</u>	<u>(11,143,756)</u>	<u>(12,825,800)</u>
Estimated liability - September 30, 2011	1,281,000	2,366,027	-	3,647,027
Estimated claims incurred, including changes in estimates	252,322	1,263,380	12,174,891	13,690,593
Claim payments, including related legal and administrative expenses	<u>(362,222)</u>	<u>(967,489)</u>	<u>(12,174,891)</u>	<u>(13,504,602)</u>
Estimated liability - September 30, 2012	<u>\$ 1,171,100</u>	<u>\$ 2,661,918</u>	<u>\$ -</u>	<u>\$ 3,833,018</u>
Estimated current portion - Included in accrued liabilities in the Road Fund	\$ 900,000	\$ -	\$ -	\$ 900,000
Estimated long-term portion	<u>271,100</u>	<u>2,661,918</u>	<u>-</u>	<u>2,933,018</u>
Total estimated liability	<u>\$ 1,171,100</u>	<u>\$ 2,661,918</u>	<u>\$ -</u>	<u>\$ 3,833,018</u>

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 8 - Assigned Fund Balances

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

	Road Fund	Subdivision Improvement Fund	Total
Subsequent year's budget	\$ 4,357,692	\$ -	\$ 4,357,692
Construction	8,635,699	-	8,635,699
Capital outlay and contracted services	5,129,184	-	5,129,184
Future years' capital acquisitions and maintenance projects	3,440,000	-	3,440,000
Future years' tri-party construction participation	6,500,000	-	6,500,000
Long-term portion of provision for:			
Uninsured losses	2,932,918	-	2,932,918
Compensated absences	2,756,046	-	2,756,046
Postemployment benefits	2,759,396	-	2,759,396
Special assessment construction	-	7,350,388	7,350,388
Total	\$36,510,935	\$ 7,350,388	\$43,861,323

Note 9 - 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. A budget must be adopted for the Road Fund.
- b. Budgeted expenditures cannot exceed budgeted revenue 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

Notes to Financial Statements September 30, 2012

Note 9 - 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. The Road Commission also has chosen to adopt a budget for its Subdivision Improvements Fund (a Capital Projects Fund). 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 supplemental 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 accepted 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, 2012 is approximately \$13,800,000. 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

Notes to Financial Statements September 30, 2012

Note 10 - 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, 2010, the date of the most recent actuarial valuation, membership consisted of 632 retirees and beneficiaries currently receiving benefits, 320 vested active employees, and 139 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, 2011. 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, 2011, the assets of the Trust included no securities of or loans to the Road Commission or any other related party. The Trust is administered by the Road Commission for Oakland County Retirement System Board of Trustees. 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, 2012

Note 10 - Retiree Healthcare Benefits (Continued)

Funding Progress - For the year ended September 30, 2012, the Road Commission has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2010. 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	\$ 7,681,220
Interest on prior year net OPEB obligation	833,438
Adjustment to the ARC	<u>(639,734)</u>
Annual OPEB cost	7,874,924
Amounts contributed:	
Payment of current premiums and other adjustments	6,629,653
Advance funding contributions	<u>880,000</u>
Total payments toward ARC	<u>7,509,653</u>
Increase in net OPEB obligation	365,271
Net OPEB obligation - Beginning of year	<u>11,906,254</u>
Net OPEB obligation - End of year	<u><u>\$ 12,271,525</u></u>

In addition to the Road Fund's \$880,000 of contributions made to the Trust during the year, the Road Fund paid \$6,629,653 directly toward insurance premiums and medical costs for retirees during the fiscal year ended September 30, 2012.

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

	Fiscal Year Ended September 30		
	2010	2011	2012
Annual OPEB cost	\$ 9,255,483	\$ 9,029,446	\$ 7,874,924
Percentage contributed	68.2%	71.9%	95.4%
Net other postemployment benefits obligation	\$ 9,369,459	\$ 11,906,254	\$ 12,271,525

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 10 - Retiree Healthcare Benefits (Continued)

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

	Actuarial Valuation as of December 31		
	2006	2008	2010
Actuarial value of assets	\$ 9,944,823	\$ 10,368,617	\$ 17,831,624
Actuarial accrued liability (AAL)	\$ 141,756,532	\$ 127,455,270	\$ 136,635,101
Unfunded AAL (UAAL)	\$ 131,811,709	\$ 117,086,653	\$ 118,803,477
Funded ratio	7.02%	8.14%	13.05%
Annual covered payroll	\$ 27,791,451	\$ 29,242,273	\$ 26,377,984
Ratio of UAAL to covered payroll	474.29%	400.40%	450.39%

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.

In the December 31, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions used include (a) a 7.0 percent investment rate of return, (b) projected salary increases of 6.0 percent to 8.0 percent per year, and (c) projected healthcare 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, 2010 was 26 years.

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 11 - 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, 2011, the date of the most recent actuarial valuation, membership consisted of 523 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 435 current 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 Retirement System financial report as of December 31, 2011. 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, 2011, the assets of the 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.

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 11 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost - For the year ended September 30, 2012, the Road Commission's annual pension cost was \$3,589,611 for the plan, which was slightly less than the required contribution of \$3,609,303. The actual contribution was \$4,500,000. The annual required contribution was determined as part of an actuarial valuation at December 31, 2010, which calculates the contribution on a calendar year basis; as a result, the Road Commission's fiscal year will often present a contribution in excess or under the actuarially required contribution. The actuarial valuation uses 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 a closed basis over a 28-year period.

Reserves - As of December 31, 2011, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 15,429
Reserve for retired benefit payments	103,564,790

For the year ended September 30, 2012, the net pension asset is calculated as follows:

Annual required contribution	\$ 3,609,303
Interest on prior year net pension asset	(62,243)
Adjustment to the ARC	<u>42,551</u>
Annual pension cost	3,589,611
Amount contributed	<u>4,500,000</u>
Increase in net pension asset	910,389
Net pension asset - Beginning of year	<u>829,909</u>
Net pension asset - End of year	<u><u>\$ 1,740,298</u></u>

Road Commission for Oakland County

Notes to Financial Statements September 30, 2012

Note 11 - 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		
	2010	2011	2012
Annual pension cost (APC)	\$ 3,603,793	\$ 3,951,601	\$ 3,589,611
Percentage of APC contributed	125%	98%	125%
Net pension asset	\$ 896,207	\$ 829,909	\$ 1,740,298

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

	Actuarial Valuation as of December 31		
	2009	2010	2011
Actuarial value of assets	\$ 166,388,034	\$ 169,161,788	\$ 168,873,084
Actuarial accrued liability (AAL)	\$ 181,207,690	\$ 183,211,814	\$ 189,106,943
Unfunded AAL	\$ 14,819,656	\$ 14,050,026	\$ 20,233,859
Funded ratio (percent)	91.8%	92.3%	89.3%
Valuation payroll	\$ 28,772,279	\$ 26,377,984	\$ 26,242,934
Underfunded AAL as a percentage of valuation payroll	51.5%	53.3%	77.1%

Note 12 - Construction in Progress

Estimated future contract cost obligations related to completion of Road Fund construction projects in progress at September 30, 2012, net of estimated revenue from federal aid and contributions from participating communities, total approximately \$14,600,000. 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 approximate \$3.2 million.

Supplemental Information

Road Commission for Oakland County

Required Supplemental Information Budgetary Comparison Schedule - Road Fund Year Ended September 30, 2012

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
State aid - Act 51	\$ 56,842,900	\$ 57,482,900	\$ 58,198,153	\$ 715,253
Other state sources	13,730,000	19,465,165	17,791,865	(1,673,300)
Federal sources	19,040,000	22,660,365	23,582,505	922,140
Revenue from county and local governments	6,823,000	12,027,133	7,843,333	(4,183,800)
Interest on investments	400,000	400,000	212,664	(187,336)
Fees and other revenue	2,049,000	2,049,000	1,531,917	(517,083)
Total revenue	98,884,900	114,084,563	109,160,437	(4,924,126)
Expenditures				
General administration:				
Board of County Road Commissioners	157,287	157,287	126,727	30,560
Managing director	693,040	746,109	668,974	77,135
Planning and development	1,273,576	1,356,415	1,230,519	125,896
Citizens' services	935,685	940,685	898,989	41,696
Finance department	895,465	905,465	846,041	59,424
Legal department	635,626	635,626	529,716	105,910
Human resources department	572,974	572,974	468,897	104,077
Total general administration	5,163,653	5,314,561	4,769,863	544,698
Central operations	9,715,025	11,101,025	9,469,759	1,631,266
Engineering department	4,697,370	4,757,370	4,642,264	115,106
Traffic department	9,312,371	10,985,586	9,268,432	1,717,154
Maintenance department	17,043,855	19,117,325	16,012,399	3,104,926
Nondepartmental	23,126,006	22,978,824	21,899,150	1,079,674
Debt service	500,500	500,500	-	500,500
Total expenditures before project expenditures	69,558,780	74,755,191	66,061,867	8,693,324
Project expenditures:				
Road improvement program and construction	27,545,000	45,618,473	34,691,794	10,926,679
Signals	2,950,000	3,067,486	2,452,887	614,599
Total project expenditures	30,495,000	48,685,959	37,144,681	11,541,278
Total expenditures	100,053,780	123,441,150	103,206,548	20,234,602
Net Change in Fund Balance	(1,168,880)	(9,356,587)	5,953,889	\$ 15,310,476
Fund Balance - October 1, 2011	35,452,357	35,452,357	35,452,357	
Fund Balance - September 30, 2012	\$ 34,283,477	\$ 26,095,770	\$ 41,406,246	

Road Commission for Oakland County

Other Supplemental Information Budgetary Comparison Schedule - Subdivision Improvement Fund Year Ended September 30, 2012

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Special assessment revenue	\$ 2,575,000	\$ 2,575,000	\$ 3,567,124	\$ 992,124
Interest	250,000	250,000	390,113	140,113
Total revenue	2,825,000	2,825,000	3,957,237	1,132,237
Expenditures				
Debt service	1,184,333	601,000	595,347	5,653
Project expenditures - Road improvement program and construction	5,003,000	5,164,000	3,893,582	1,270,418
Total expenditures	6,187,333	5,765,000	4,488,929	1,276,071
Excess of Expenditures Over Revenue	(3,362,333)	(2,940,000)	(531,692)	2,408,308
Other Financing Sources - Proceeds from the issuance of bonds	5,000,000	-	-	-
Change in Fund Balance	1,637,667	(2,940,000)	(531,692)	<u>\$ 2,408,308</u>
Fund Balance - October 1, 2011	7,882,080	7,882,080	7,882,080	
Fund Balance - September 30, 2012	<u>\$ 9,519,747</u>	<u>\$ 4,942,080</u>	<u>\$ 7,350,388</u>	