



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
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DATE: January 31, 2022

TO: County Road Commissions, Auditors, and Accounting Staff, Among Others

FROM: Community Engagement and Finance Division

SUBJECT: Uniform Accounting Procedures Manual for County Road Commissions - 2022

A significant revision to the County Road Commission Manual is enclosed. Implementation is required for fiscal years ending September 30, 2023 and after. Early adoption is encouraged.

We would like to thank the County Road Association of Michigan's Accounting Committee, the Michigan Committee on Governmental Accounting and Auditing, and those that responded to our exposure draft in the drafting and review of the manual.

STATE OF MICHIGAN

Gretchen Whitmer, Governor

DEPARTMENT OF TREASURY

Rachael Eubanks, State Treasurer



Uniform Accounting
Procedures Manual
for
County Road Commissions
2022

Uniform Accounting Procedures Manual for County Road Commissions

Contents

PREFACE	5
INTRODUCTION	6
CODIFICATION STRUCTURE	8
REQUIRED ACCOUNTING RECORDS	11
Basic Records and Forms	11
Subsidiary Accounting Records	11
Activity and Account Number Usage	11
EXPLANATION OF FUNDS	12
Fund 201 – County Road Fund	12
Fund 727 - 401K Deferred Compensation Fund	12
Fund 731 – Retirement System Fund	13
Fund 733 – 401K Retirement System Fund	13
Fund 737 – OPEB Trust Fund	14
Other Funds	14
ACTIVITIES AND FUNCTIONS	15
Activity Index	15
Activity Explanations	16
Function Codes	23
DEFINITIONS	25
CHART OF ACCOUNTS	28
Assets (001-199)	28
Current Assets (001-129)	28
Capital Assets (130-179)	30
Other Non-Current Assets (180-195)	31
Deferred Outflows of Resources (196-199)	31
Liabilities (200-359)	31
Current Liabilities (200-299)	31
Long-Term Liabilities (300-359)	33
Deferred Inflows of Resources (360-369)	33
Fund Balance and Net Position (370-399)	33
Revenues (400-699)	34
Expenditures (700-999)	40
EXPLANATION OF ACCOUNTS	46

Uniform Accounting Procedures Manual for County Road Commissions

Balance Sheet.....	46
Assets (001 – 195)	46
Deferred Outflows of Resources (196-199).....	71
Liability (200-359).....	73
Deferred Inflows of Resources (360 to 369).....	89
Non-Spendable Fund Balance (370 to 374).....	92
Restricted Fund Balance (375 to 379)	92
Committed Fund Balance (380 to 384).....	94
Assigned Fund Balance (385 to 389).....	94
Unassigned Fund Balance (390).....	95
Net Position (391 to 399).....	96
Revenue and Other Financing Resources.....	97
Expenditures and Other Financing Uses	104
CAPITAL ASSETS AND LONG-TERM DEBT ACCOUNT GROUPS	108
Capital Asset Control	108
Long-Term Debt Control – LTDC	110
ACCOUNTING METHODS AND PROCEDURES	115
Inventory.....	115
Equipment Accounting Records	119
Capital Outlay	121
Federal and State Aid Projects	133
State Trunkline Maintenance Contract	143
Refunding Bonds.....	147
WETLAND MITIGATION BANKING FUND PROGRAM.....	149
YEAR END.....	150
Year End Closing.....	150
Auditing Procedures	161
Infrastructure Reporting.....	173
GASB Statement No. 68 – Pension Plans.....	176
GASB Statement No. 75 – Other Post-Employment Benefits (OPEB)	180
Act 51 Reporting	184
Budgets.....	193
Purchasing Procedures.....	204
LEGAL COMPLIANCE.....	224

Uniform Accounting Procedures Manual for County Road Commissions

RECORD RETENTION	232
POLICIES	238

PREFACE

This uniform chart of accounts has been specifically designed for use by County Road Commissions to account for Michigan Transportation Funds. It is based upon the “Uniform Chart of Accounts for Local Units of Government in Michigan.” The objective of this classification of accounts is to provide a means for the accumulation of financial information, which will be uniform for all Road Commissions. Secondly, the accounts are provided to facilitate the preparation of prescribed reports. Thirdly, the chart follows the Chart of Accounts and Michigan law.

The classification provides a systematic arrangement of accounts to be used in recording financial transactions of County Road Commissions. An adherence to this classification of accounts will assure responsible local officials and the general public that similar transactions are recorded in the same manner among all Road Commissions.

The classification of accounts is designed to serve basic legislative, budgetary and accounting objectives. The method of classifications is one deemed to best serve the legislative and executive needs of Road Commissions of any size.

ACKNOWLEDGMENTS

Thank you to the County Road Association of Michigan, the Accounting Manual Sub-Committee of the Finance and Human Resources Committee for the many hours dedicated to this manual.

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michigan.gov/treasury

The Uniform Accounting Procedures Manual for County Road Commissions is issued pursuant to the requirements of PA 2 of 1968, as amended, being [Sections 141.421 to 141.440a](#) of the Michigan Compiled Laws; and PA 71 of 1919, as amended, being [Sections 21.44 to 21.55](#) of the Michigan Compiled Laws.

Uniform Accounting Procedures Manual for County Road Commissions

INTRODUCTION

The Community Engagement and Finance Division of the Department of Treasury was given the responsibility of implementing requirements of [Public Act \(PA\) 2 of 1968](#), [Public Act 283 of 1909](#), as amended and [Public Act 71 of 1919](#) as amended. The requirements of these Acts are two-fold:

First, the State Treasurer is required to prescribe uniform accounting and reporting standards for all County Road Commissions within the State to comply as closely as possible to accounting standards promulgated by the [Government Accounting Standard Board](#).

Second, the Acts deal with the requirements for audits of County Road Commissions, which are covered in this manual. These laws provide, among other things, that County Road Commissions will have the first option of selecting an independent Certified Public Accountant (CPA). If the County Road Commission does not select an independent CPA, the State Treasurer must perform the audit or select an independent CPA. In all instances, the entire cost is to be borne by the Road Commission.

The audit is intended to be an annual audit, except in the instance of counties with less than 50,000 in population, the minimum State requirement will be an annual audit not less frequently than every two years. Even though not required, it is recommended that smaller counties have audits annually.

The Department of Treasury (Treasury) is requiring that the audit report and the auditing procedures report (APR) be electronically submitted to our office via Treasury's Local Unit Audit Report Upload website at: <https://treas-secure.state.mi.us/LAFDeform/TL41W71.aspx>. [Public Act \(PA\) 2 of 1968](#) grants Treasury the authority to mandate that the audit report and the APR be filed electronically as prescribed by the State Treasurer. The independent CPA may file the audit report with the State Treasurer at the request of the Road Commission. However, the responsibility of filing the audit report timely lies with the Road Commission. The audit report, deficiency letter and auditing procedures report are to be filed with the State Treasurer within 6 months after the end of the fiscal year of the Road Commission. Extensions of time for filing all reports may be granted upon written request for extraordinary cause to the State Treasurer by the Road Commission. Such application shall set forth the circumstances necessitating the extension per Treasury policy [Numbered Letter 2001-1](#) issued January 12, 2001 [PA 34 of 2001](#) also requires the Chief Administrative Officer of the Road Commission to prepare a "Municipal Financial Qualifying Statement" within 6 months of the end of the fiscal year.

In accordance with the Bureau of Census' definition and Michigan Committee on Governmental Accounting and Auditing Statements (MCGAA Statement No. 4), County Road Commissions are part of the reporting entity of counties and are to be audited annually in order for the Single Audit requirements to be met. Title 2 U.S. Code of Federal Regulation Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), requires an annual audit of all funds of a county that expends over \$750,000 in Federal funds. Federal funds applicable to the single audit for Road Commissions are those expended on negotiated projects.

The fundamental benefit of the Chart of Accounts is that expenditures are broken down by expenditure, such as labor, equipment rental, road materials, contract purchases, utility

Uniform Accounting Procedures Manual for County Road Commissions

expenditures and more. This enables the Road Commission to determine detailed components that make up the expenditures for primary and local road construction and primary and local road maintenance, etc. Detailed expenditure classifications, by projects, can also be recorded within the activities. Line-item expenditures such as labor, equipment rental, or supplies are also available for each project.

Uniform Accounting Procedures Manual for County Road Commissions

CODIFICATION STRUCTURE

The general ledger account structure includes funds, activities, functions, accounts, and sub-accounts. Capital asset and long-term debt control groups may be used to record amounts reflected in the government-wide financial statements.

Funds

Special Revenue Funds Category (201-299)

201 County Road Fund

Fiduciary Funds Category (701-799)

727 401K Deferred Compensation Fund

731 Retirement System Fund

733 401K Retirement System Fund

737 Other Post Employment Benefit Fund (OPEB)

Governmental Full Accrual Fund (901)

Capital Assets Control Group (970-989)

Long-Term Debt Control Group (990-997)

Activities – a broad classification of the nature of operations (see activities and functions).

Functions – classification of the type of work performed for road construction, preservation, or routine maintenance activities (see activities and functions).

Accounts and Classifications – accounts are grouped into classes as follows:

<u>Account Number</u>	<u>Classifications</u>
Group	
001 129	Current Assets
130-179	Capital Assets
180-195	Other Non-Current Assets
196 -199	Deferred Outflows of Resources
200 299	Current Liabilities
300-359	Long-Term Liabilities
360-369	Deferred Inflows of Resources
370 399	Fund Balance and Net Position
400 694	Revenues
695-699	Other Financing Sources
700-969	Expenditures
970-989	Capital Outlay
990-994	Debt Service
995	Operating Transfers out

Uniform Accounting Procedures Manual for County Road Commissions

996	Discounts on Bonds or Notes
997	Transfer to Escrow for Bond Refunding
998	Special Item
999	Extraordinary Item

Sample Account Structures

<u>Sample 9 Digit Number</u>	<u>201</u>	<u>451</u>	<u>702</u>
Fund (in Category Order)			
Activity (in Function Order)			
Account Numbers (in Balance Sheet)			

<u>Explanation of the Sample 9 Digit Number</u>	<u>201</u>	<u>451</u>	<u>702</u>
"Special Revenue Fund" <u>Category</u>			
"County Road" <u>Fund</u>			
"Primary Road" <u>Function</u>			
"Construction" <u>Activity</u>			
"Personnel Services" <u>Classification</u>			
"Salaries and Wages" <u>Account</u>			

The above outlined codification structure which is described in more detail in the following pages, is designed in accordance with [PA 2 of 1968](#) and [PA 71 of 1919](#). This structure will provide analysis of revenues and/or expenditures by: (1) Category; (2) Fund; (3) Function; (4) Activity; (5) Classification; or by (6) Account.

The codification structure can be expanded to include a project or work order number, and to expand the classification of accounts.

<u>Sample Expanded Codification Number</u>	<u>201</u>	<u>5</u>	<u>471.012</u>	<u>3790</u>	<u>730.51</u>
County Road Fund					
Department					
Activity					
Township, Highway, Road, or Project Number					
Work Order or Equipment Number, State Highway Maintenance Activity Code, Primary & Local Function Code					
Account Number					
Sub Account Number					

<u>Sample Reduced Codification Number</u>	<u>2</u>	<u>481</u>	<u>802</u>
County Road Fund			
Local Road Construction			
Other Services and Charges Classification Engineering			

Uniform Accounting Procedures Manual for County Road Commissions

A further reduction of one-digit fund number can be obtained by use of a two-digit function/activity number when total activities are one hundred or less. The basic three-digit account number should not be reduced. This manual is designed for county road accounting. If a Road Commission performs accounting for parks, water and sewer, or other such entities, the Uniform Chart of Accounts for Local Units of Government in Michigan should be used to set up the funds and accounts for those functions. They will have the same account structure.

Uniform Accounting Procedures Manual for County Road Commissions

REQUIRED ACCOUNTING RECORDS

Basic Records and Forms

The following basic accounting records and forms are required by the Department of Treasury for use by all Road Commissions:

- General Ledger
- Cash Receipts Journal
- Cash Disbursements Journal
- General Journal (Transfer Vouchers)
- Department Receipts (Pre-numbered in consecutive order)
- Transmittal/Deposit Advise (Receipts report to County Treasurer)
- Monthly Trial Balance
- Disbursement Vouchers
- Checks (Pre-numbered in consecutive order)
- Imprest/Petty Cash Vouchers
- Travel Expense Vouchers
- Time/Attendance Report (Signed or electronically approved by Employee and Supervisor)

Subsidiary Accounting Records

Subsidiary records are required to be kept for many activities and accounts as detailed in the Explanation of Accounts. (Note: Subsidiary records may be in the form of subaccounts, subsidiary ledgers, equipment cards, worksheets, spreadsheets, etc.)

Activity and Account Number Usage

Activity and account numbers which do not have names assigned are OPEN activities and accounts. The control of open numbers remains with the Michigan Department of Treasury. To use open numbers prior approval must be obtained from the Community Engagement and Finance Division at (517) 335-7469. **Exception:** Open account numbers in the following categories may be assigned as needed after referring to the Uniform Chart of Accounts.:

<u>Account Numbers</u>	<u>Account Name</u>
450-474	Special Assessments Subaccounts
475-500	Licenses and Permits Subaccounts
501-538	Federal Grants Subaccounts
539-579	State Grants Subaccounts
580-599	Local Unit Contributions Subaccounts
600-654	Charges for Services Subaccounts
655-663	Fines & Forfeits Subaccounts
700-969	Expenditure Subaccounts
970-989	Capital Outlay
990-994	Debt Service
995-997	Other Financing Uses
998	Special Item
999	Extraordinary Item

Uniform Accounting Procedures Manual for County Road Commissions

EXPLANATION OF FUNDS

Fund 201 – County Road Fund

Purpose--This fund is used by each county to account for the operation of the County Road Commission.

Character--This is classified as a special revenue fund because it is used to control the expenditures of Michigan Transportation Fund (MTF) which are restricted by law and the State Constitution for street and highway purposes.

Distinguishing Features--The Road Commission accounting system is prescribed by the Michigan Department of Transportation and the Community Engagement and Finance Division of the Michigan Department of Treasury.

Authorization--This fund is required by [PA 51 of 1951](#), as amended.

Operation and Present Use--This fund accounts for: (1) revenue obtained through a tax levy for road construction and maintenance purposes; (2) revenue received from Michigan Transportation Fund; (3) reimbursement from the Michigan Department of Transportation for work done by the Road Commission on State trunklines; (4) contributions and reimbursements from other local units of government for work performed by the Road Commission; and (5) the expenditure of these funds.

Fund Balance--Fund balance has three sub accounts, as follows:

- Primary Roads
- Local Roads
- County Roads

This fund requires a separate bank account and is subject to budgetary requirements of [PA 2 of 1968](#), as amended.

Fund 727 - 401K Deferred Compensation Fund

Purpose--This fund is used to account for money set aside to pay employees for their accumulated 401K deferred compensation deposits. Only those Road Commissions, which had established a 401K deferred compensation plan prior to the effective date established in the Tax Reform Act of 1986, may have this fund.

Character -- If this fund meets the definition of a fiduciary fund in accordance with GASB 84, as amended, it would be classified as a pension and other postemployment benefit trust funds because it is used in a fiduciary capacity.

Distinguishing Features--This fund can be found in any Road Commission and is used for 401K plans to which only the employee contributes. When the employer also contributes, use fund 733.

Establishment and Authorization--This fund is established by the legislative body in accordance with IRS regulations pertaining to code section 401K.

Uniform Accounting Procedures Manual for County Road Commissions

Operation and Present Use--The money in this fund is supplied by: (a) withholding from payroll of employees; and (b) investment earnings on plan assets. Administration of the investments of this fund may be made directly by the local unit, by contract with an insurance company, bank trust department or other organizations authorized to do business in this area in Michigan.

Fund 731 – Retirement System Fund

Purpose--This fund is used to record the operations of an employee retirement system.

Character--This is classified as a pension trust fund because it is used to account for money which is held on a trust basis by the local unit.

Distinguishing Features--This fund can be found in any Road Commission. The provisions for the investment of the money belonging to this fund are contained in [PA 314 of 1965, MCL 38.1132](#).

Establishment and Authorization--This fund is established in accordance with statutory provisions, which allow retirement benefits. Each separate retirement plan must be accounted for in a separate Retirement System Fund. Retirement plans and deferred compensation plans, established in accordance with IRS section 401K or 457 regulations, should be accounted for in trust funds 727, or 733.

Operation and Present Use--The money in this fund is supplied by: (a) employer pension expense from operating funds (employer contributions); (b) deductions from employee payroll (employee contribution); (c) investment earnings; and/or (d) a special tax levy.

Administration of the investments may be directed by the local unit, by contract with an insurance company or bank trust department. Generally, if an actuarial report is prepared for the Road Commission as single employer pension plan, a pension trust fund must be established in the financial records of the local unit.

Fund 733 – 401K Retirement System Fund

Purpose--This fund is used to account for the operation of a 401K employee retirement system. Only the Road Commissions, which had established a 401K retirement plan prior to the effective date established in the Tax Reform Act of 1986, may have this fund.

Character-- If this fund meets the definition of a fiduciary fund in accordance with GASB 84, as amended, it would be classified as a pension and other postemployment benefit trust funds because it is used in a fiduciary capacity.

Distinguishing features--This fund can be found in any Road Commission and is used for 401K plans to which only the employer or both the employer and employee contributes. When the employee only contributes, use fund 727.

Uniform Accounting Procedures Manual for County Road Commissions

Establishment and Authorization--This fund is established in accordance with internal revenue code section 401K and statutory provisions, which allow retirement benefits. Each separate retirement plan must be accounted for in a separate Retirement System Fund. Deferred Compensation plans established in accordance with IRS section 401K, or 457 regulations should be accounted for in custodial funds 727.

Operation and Present Use--The money in this custodial fund is supplied by: (a) employer pension expense from operating funds (employer contributions); (b) deductions from employee payroll (employee contributions); and/or (c) investment earnings. Administration of the investments may be made directly by the local unit or by contract with an insurance company or bank trust department.

Fund 737 – OPEB Trust Fund

Purpose--This fund is used to record the operations of an OPEB Trust Fund.

Character--This is classified as an employee benefit trust fund because it is used to account for money which is held on a trust basis by the local unit.

Distinguishing Features--This fund can be found in any Road Commission. The provisions for the investment of the money belonging to this fund are contained in [PA 314 of 1965, MCL 38.1132](#).

Establishment and Authorization--This fund is established in accordance with statutory provisions, which allow other post-employment benefits. Each separate retirement plan must be accounted for in a separate OPEB Trust Fund.

Operation and Present Use--The money in this fund is supplied by: (a) employer OPEB expense from operating funds (employer contributions); (b) deductions from employee payroll (employee contributions); (c) investment earnings.

Administration of the investments may be directed by the local unit, by contract with an insurance company or bank trust department.

Other Funds

Activities concerning county parks, airports, or any other functions under the jurisdiction of the Road Commission, but not directly concerned with the road system, should be maintained in a separate fund or funds.

Uniform Accounting Procedures Manual for County Road Commissions

ACTIVITIES AND FUNCTIONS

Activity Index

This section of the manual is an index of activities and accounts.

<u>Primary</u> <u>Road</u>	<u>Local</u> <u>Road</u>	<u>Other</u>	<u>Activity Name</u>
Construction/Capacity Improvements			
450	480	--	Construction/Capacity Improvements Control
451	481	--	Roads
452	482	--	Bridges & Structures
453	483	--	Roadside Parks
454	484	--	Non-Motorized Transportation
455	485	--	Open
456	486	--	Special Assessment Districts
457	487	--	Other Construction/Capacity Improvements
Preservation/Structural Improvements			
458	488	--	Preservation/Structural Improvements Control
459	489	--	Roads
460	490	--	Bridges & Structures
461	491	--	Roadside Parks
462	492	--	Non-Motorized Transportation
463	493	--	Open
464	494	--	Special Assessment Districts
465	495	--	Other Preservation/Structural Improvements
Routine and Preventive Maintenance			
466	496	--	Routine and Preventive Maintenance Control
467	497	--	Roads
468	498	--	Bridges & Structures
469	499	--	Roadside Parks
470	500	--	Non-Motorized Transportation
471	501	--	Open
472	502	--	Winter Routine and Preventive Maintenance
473	503	--	Traffic Control Routine and Preventive
Maintenance			
474	504	--	Other Routine and Preventive Maintenance
475	505	--	Open
476	506	--	Open
477	507	--	Open
478	508	--	Open
479	509	--	Open
		510	Equipment Expense Direct
		511	Equipment Expense Indirect
		512	Equipment Expense Operating
		513	Distributive Expense - Fringe Benefits
		514	Distributive Expense - Other
		515	Administration

Uniform Accounting Procedures Manual for County Road Commissions

<u>Primary Road</u>	<u>Local Road</u>	<u>Other</u>	<u>Activity Name</u>
		516	Engineering
		517	State Trunkline Maintenance
		518	State Trunkline Non-Maintenance
		519	Maintenance Service for Other Units
		520	Driveway Snow Plowing (Upper Peninsula ONLY)
		521	Non-Road Projects
		900	Capital Outlay Control
		901-904	Capital Outlay Detail
		905	Debt Service Control
		906-929	Debt Service Detail
		930	Transfers In Control
		931-964	Transfers In Detail
		965	Transfers Out Control
		966-995	Transfers Out Detail
		996	Discounts on Bonds or Notes
		997	Transfer to Escrow for Bond Refunding
		998	Special Item
		999	Extraordinary Item

Activity Explanations

- 450 **Primary Road Construction/Capacity Improvement Control**
 Construction/Capacity Improvement is the building of a new road, street or bridge on a new location, and the addition of lanes to increase the capacity for through traffic. See definition at: [Construction/Capacity Improvement](#)
- 458 **Primary Road Preservation/Structural Improvements Control**
 Preservation/Structural Improvements is the improving of an existing road or street by correcting the grades, drainage structures, width, alignment, surface, and the hard surfacing of gravel roads. It is the rebuilding of existing bridges or grade separations, the repair of such structures by strengthening and the replacement of piers and abutments. It is the initial signing of newly constructed roads or streets, major resigning projects, and the installation, replacement, or improvement of traffic signals. See definition at: [Preservation/Structural Improvements](#)
- 466 **Primary Road Routine and Preventive Maintenance Control**
 Routine and Preventive Maintenance is the work and materials required to keep the road or street, roadbed, surface, and drainage in good repair; prevent damage by water or wind; repair and paint bridges and guard rails; provide for safe and convenient travel by keeping signs, signals and pavement marking in good condition; by snow and ice removal; and cleaning the road or street surface. See definition at: [Routine and Preventative Maintenance](#)

Uniform Accounting Procedures Manual for County Road Commissions

480 Local Road Construction/Capacity Improvement Control

Construction/Capacity Improvement is the building of a new road, street or bridge on a new location, and the addition of lanes to increase the capacity for through traffic. See definition at: [Construction/Capacity Improvement](#)

Note: Local roads under the jurisdiction of the Road Commission constructed by a developer or under special assessment must have the cost recorded in the appropriate construction/capacity improvement activity with an offsetting credit to an appropriate revenue account such as 674 - Contributions and Donations from Private Sources or 672 - Special Assessments.

488 Local Road Preservation/Structural Improvement Control

Preservation/Structural Improvement is the improving of an existing road or street by correcting the grades, drainage structures, width, alignment, surface, and the hard surfacing of gravel roads. It is the rebuilding of existing bridges or grade separations, the repair of such structures by strengthening, and the replacement of piers and abutments. It is the initial signing of newly constructed roads or streets, major resigning projects, and the installation, replacement, or improvement of traffic signals. See definition at: [Preservation/Structural Improvement](#)

496 Local Road Routine and Preventive Maintenance Control

Routine and Preventive Maintenance is the routine work and materials required to keep the road or street, roadbed, surface, and drainage in good repair; prevent damage from water or wind; repair and paint bridges and guard rails; provide for safe and convenient travel by keeping signs, signals and pavement marking in good condition; by snow and ice removal; and cleaning the road or street surface. See definition at: [Routine & Preventative Maintenance](#)

510 Equipment Expense – Direct

Direct Equipment Expense includes costs that are attributable to a specific unit of equipment such as parts and labor for repairs.

511 Equipment Expense – Indirect

Indirect Equipment Expense includes those costs associated with equipment that cannot be directly attributed to a specific unit of equipment. Examples include costs for operating the garage, fleet insurance, indirect shop labor and shop equipment expenses. Indirect costs are prorated on the Equipment Questionnaire report on a percentage basis of total indirect costs of all equipment to total direct repair costs of all equipment.

Note: Account numbers utilized with activity 511 are specific to shop and equipment storage, however, may also be utilized with other activities.

Uniform Accounting Procedures Manual for County Road Commissions

The following are examples of accounts used within the 511 activity:

<u>Account Number</u>	<u>Account Name</u>
707	Wages
721	Drug Testing
728	Office Supplies
731	Janitor Supplies
733	Welding Supplies
734	Safety Supplies
736	Tire Shop Supplies
737	Shop Supplies
791	Inventory Adjustments (equipment material and parts only)
801	Contractual Services
805	Health Services
806	Laundry Services
807	Data Processing
810	Education
850-859	Communications
861	Travel and Mileage
862	Freight Costs
875	Insurance - Buildings and Contents
876	Insurance - Boiler and Machine
878	Insurance - Fleet
883	Insurance - Underground Tank Liability
921-923	Utilities
931	Buildings Repairs and Maintenance
932	Yard and Storage Repairs and Maintenance
933	Shop Equipment Repairs and Maintenance
934	Office Equipment Repairs and Maintenance
941	Equipment Rental - Road
944-948	Fuel Tanks
968	Depreciation

(utilize subaccounts to classify different types)

512 Equipment Expense Operating
Operating Equipment Expense includes operating costs for fuel, lubricants, and antifreeze.

513 Distributive Expense - Fringe Benefits
Distributive Expense Fringe Benefits includes employment benefits provided in addition to employees' wages or salaries.

Uniform Accounting Procedures Manual for County Road Commissions

The following are examples of accounts used within the 513 activity.

<u>Account Number</u>	<u>Account Name</u>
709	Vacation
710	Sick Leave
711	Holiday Pay
712	Other Salaries and Wages (utilize subaccounts to classify different types)
713	Personal Leave
714	Longevity
715	Social Security
716	Health Insurance (utilize subaccounts to classify different types)
717	Life and Disability
718	Retirement
719	Workers Compensation
720	Unemployment
724	Other Fringe Benefits
725	Fringe Benefits Recovered (Credit) (Use of this account is optional. Benefit recoveries may be credited to this account or to the account expended from originally.)

Expenditures charged to the fringe benefits activity must be distributed (respreads) to applicable activities at year-end, based on payroll, in accordance with the instructions for the Distributive Expense-Fringe Benefits Schedule in the Act 51 Annual Financial Report.

Note: Fringe benefits may be distributed monthly on an estimated basis (such as the prior year's fringe benefits rate) for the first 11 months of the accounting period. If this method is used, the 12th and final distribution must include adjustments to ensure that total fringe benefits for the year are distributed in accordance with the Distributive Expense-Fringe Benefits Schedule from the Act 51 Report.

514 Distributive Expense – Other

This should be utilized for expenditures other than fringe benefits that cannot properly be charged to another specific activity at the time the costs are incurred.

The following are examples of accounts used within the 514 activity:

<u>Account Number</u>	<u>Account Name</u>
705	Engineering not chargeable to a specific project.
732	Traffic Control Supplies (Includes only costs not properly chargeable to a specific project or road. Examples are barricades, construction signs, sign shop equipment cost or depreciation expense.)
734	Safety Supplies
790	Small Road Tools
791	Inventory Adjustment (road material only)

Uniform Accounting Procedures Manual for County Road Commissions

<u>Account Number</u>	<u>Account Name</u>
882	Insurance – General Liability
810	Education (Includes only costs not chargeable to administration or another specific activity.)
853	Weather Service
882	Insurance – General Liability
957	Gravel Pit Inspections

Expenditures charged to the Distributive Expense-Other activity must be distributed to applicable activities at year-end, based on cost of operations, in accordance with the instructions for the Distributive Expense-Overhead Schedule in the Act 51 Annual Financial Report.

Note: Cost of operations for each construction/capacity improvements, preservation/structural improvements, and routine and preventive maintenance activity includes all activity costs including the fringe benefits (Per the Distributive Expense-Fringe Benefits Schedule).

515 Administration

The use of this activity is mandatory. Administrative expenditures such as salaries, wages, and travel expenses of the commission members, Managing Director, Director of Finance, Human Resources Director, Legal and other office personnel, along with their respective costs for fringe benefits are debited to this activity. In accordance with Act 51, total administrative cost cannot exceed 10% each year of all funds received by and returned to a county from any source.

The following are examples of accounts used within the 515 activity:

<u>Account Number</u>	<u>Account Name</u>
703	Administrative
709-713	Administrative Leave
724	Other Fringe Benefits
727	Postage
728	Office Supplies
730	Dues and Subscriptions
801	Contractual Services
803	Legal Services
804	Auditing and Accounting Services
807	Data Processing
810	Education
850-859	Communications
861	Travel and Mileage
862	Freight
873	Public Relations
874	Advertising
875	Insurance-Buildings and Contents

Uniform Accounting Procedures Manual for County Road Commissions

Account

<u>Number</u>	<u>Account Name</u>
876	Insurance-Boiler and Machinery
877	Insurance-Bonds
880	Insurance-Umbrella
881	Insurance-Errors and Omissions
882	Insurance-General Liability
920-929	Utilities
931	Building Repair/Maintenance
934	Office Equipment Repair/Maintenance
942	Building Rental
955-965	Miscellaneous
966-967	State Trunkline/Other Overhead
968	Depreciation (utilize subaccounts to classify different accounts)
516	<u>Engineering</u> The use of this activity is optional. It may reflect all engineering salaries, supplies, equipment, and other engineering expenses not chargeable to another project or activity. If this activity is not used, these expenses can be charged to Activity 514, Distributive Expense-Other.
517	<u>State Trunkline Maintenance</u> The use of this activity is mandatory for any county having a State maintenance contract with MDOT. It reflects all salaries and wages, supplies, materials, equipment rental and other expenses applicable to the maintenance of the State trunkline. Counties are reimbursed by the State for State trunkline maintenance expenditures.
518	<u>State Trunkline Non-Maintenance</u> This activity is used to account for services performed and materials furnished to the Michigan Department of Transportation which are not a part of the contractual services for trunkline maintenance.
519	<u>Maintenance Services for Other Units</u> The use of this activity is mandatory by any local unit performing maintenance service for other units of government. It reflects all salaries and wages, materials, equipment rental and other expenses involving maintenance services provided for other units of government.
520	<u>Driveway Snowplowing (Upper Peninsula ONLY)</u> This is used in the County Road Fund of counties in the Upper Peninsula to account for costs of plowing private driveways, pursuant to MCL 247.361
521	<u>Non-Road Related Projects</u> This is used to record expenditures for projects which are not on the county's road system. An example would be a Road Commission's share of expenses for a joint project on a road that borders another county, and the road is on the other county's road system.

Uniform Accounting Procedures Manual for County Road Commissions

900 Capital Outlay Control

This should reflect the total cost of all capital assets purchased during the year, except for infrastructure additions. Total cost should be the gross purchase cost before any trade-in allowance credit or cash discount credit, and should include labor, materials, etc., for any alterations and/or additions made in preparing the equipment for Road Commission use or operation.

901-904 Capital Outlay Detail

These may be assigned to separately account for capital outlay as land, building and improvements, road equipment, office furniture and fixtures, etc.

905 Debt Service Control

This is found in the County Road Fund. Its use is mandatory by any Road Commission having general obligation debt, whether long-term or short-term, whether bonded debt or otherwise. It reflects such payments as debt principal, interest on debt, paying agent fees, bond coupon fees, etc.

906-929 Debt Service Detail

These may be assigned to separately account for specific debt obligations.

930 Operating Transfers in Control

These may be found in the County Road Fund.

931-964 Operating Transfers in Detail

These activity numbers may be assigned by the Road Commission to account separately for appropriation transfers in.

965 Operating Transfers Out Control

These may be found in the County Road Fund.

966-995 Operating Transfers Out Detail

These activity numbers may be assigned by the Road Commission to account separately for appropriation transfers out.

996 Discounts on Bonds or Notes

This account number is used to record discounts on bonds or notes.

997 Transfer to Escrow for Bond Refunding

This account number is used to record transfers to escrow accounts for the purpose of bond refunding.

998 Special Item

Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

Uniform Accounting Procedures Manual for County Road Commissions

999 Extraordinary Item

Transactions or other events that are both unusual in nature and infrequent in occurrence.

Function Codes

The function codes presented in this manual are based primarily on those used by the Michigan Department of Transportation. Counties that have a trunkline maintenance contract with MDOT are required to use the codes listed below for all expenditures charged to the State trunkline. We recommend utilizing the same function codes for County maintenance expenditures. MDOT refers to these as activity codes where road commissions refer to them as function codes. For all other expenditures, use of function codes is optional.

<u>Function Code</u>	<u>Function Name</u>
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Construction/Capacity Improvements

001	Engineering
002	Surveying and Plans
003	Right-of-Way
004	Clearing and Grubbing
005	Tree Removal
006	Traffic Control
007	Grading
008	Drainage/Ditching
009	Sub-Grade
010	Surface
011	Seeding and Mulching
012	Shoulders
015	Structure
016	Guard Rail
017	Excavation

Preservation/Structural Improvements

Road Routine and Preventive Maintenance

100	Dust Control
104	Seal Coating
109	Surface Maintenance
119	Shoulder Maintenance
121	Trees and Shrub Removal
122	Drainage and Backslope
124	Roadside Clean Up
126	Grass and Weed Control
128	Culverts and Underdrain
129	Non-Motorized Trails
130	Guard Rail and Guard Rail Posts
132	Sweeping and Flushing
133	Tourist Facility Maintenance (State Trunkline)

Uniform Accounting Procedures Manual for County Road Commissions

137	Right-of-Way Fence Repair
138	Tourist Facility Maintenance (County Road)
139	Other Routine Maintenance
141	Winter Maintenance Operation
144	Winter Maintenance Patrol
149	Other Winter Maintenance

Structure Maintenance

150	Assisting Bridge Crews
151	Maintenance
152	Painting
153	Pumphouses
154	Moveable Spans
155	Building Maintenance (Blue Water Only)
156	Seal Joints - Bridge
157	Metal Hand Railing - Bridge
158	Bridge Slope Repairs
159	Other Bridge Maintenance

Sign Maintenance

160	Traffic Signs
161	Traffic Signal Repair
162	Pavement Marking
163	Maintaining Thermal Plastic Lines
164	Delineation Maintenance
165	Attenuation Maintenance
167	Structural Signs Maintenance
168	Traffic Signal Energy
169	Other Sign Maintenance

Operational Costs

180	Engineer
181	Overhead
182	Accident Investigation
185	Field Supervision
186	Roadway Inspection
187	Leave Benefits and Insurance
188	Permit Inspection (Non-Billable Permit Work)
189	Drainage Assessments

Uniform Accounting Procedures Manual for County Road Commissions

DEFINITIONS

CONSTRUCTION/CAPACITY IMPROVEMENTS

These projects include removal and replacement of the pavement structure or construction of a new pavement.

- The building of a totally new road where no road previously existed
- The addition of lanes to an existing roadway (only the additional lane area is considered construction)
- Increasing the capacity of a highway to accommodate that part of traffic having neither an origin nor destination within the local area
- Widening of a lane width or more
- Adding turn lanes of more than ½ mile in length

Note: Local roads under the jurisdiction of the road commission constructed by a developer or under special assessment must have the cost recorded in the appropriate construction/capacity improvement activity with an offsetting credit to an appropriate revenue account such as 674 - Contributions and Donations from Private Sources or 672 - Special Assessments.

PRESERVATION/STRUCTURAL IMPROVEMENTS

Preservation/Structural Improvements means: 1) The improvement of an existing road or street by correcting the grades, drainage structures, width, alignment, surface, and the hard surfacing of gravel roads; 2) The rebuilding of existing bridges or grade separations and the repair of such structures by strengthening, and the replacement of piers and abutments; 3) Installing traffic signs and/or signal devices in new locations and replacing existing signal devices. 4) Bituminous overlays (1 1/2" thick or more) with or without milling, crush and shape projects where no base material is added, concrete rubblization with asphalt overlay (composite pavement) and bonded or unbounded concrete overlays on existing concrete pavements 4) At a minimum, for work to be considered reconstruction, a project must consist of adding significant new aggregate base material in addition to a crush and shape project on an asphalt pavement or addition of base material over a rubblized concrete pavement with a new concrete surface.

Preservations/structural improvements includes, but is not limited to, one or more of the following:

- Placing a hard surface on a gravel road
- All items normally included in a construction contract for a road or street, including the removal of old roadbed, structures, detour expense, and replacement of any sidewalks damaged by construction or made necessary by change of grade
- Rebuilding short sections of roadway to super-elevate curves, to improve grades, to lengthen horizontal curves, and to improve sight distances
- Resurfacing a bituminous, concrete, or brick surface with bituminous materials over 1-1/2 inches
- Placing three inches or more of new aggregate on prepared gravel or stone surfaces to substantially increase the thickness of the surfacing material beyond that originally built
- Resurfacing a bituminous, concrete, or brick surface with bituminous materials over 1 inch with a layer of chip seal or vice-versa.
- Curb, or curb and gutter construction in block lengths

Uniform Accounting Procedures Manual for County Road Commissions

- Surfacing of shoulders with materials of higher quality than adjacent roadsides
- Installation of new culverts, wash checks, baffles, drains, sewers, and catch basins on old or new roads or streets
- Modernizing intersections
- Adding auxiliary turning lanes of ½ mile or less
- Extending old culverts and rebuilding headwalls
- Building flood control, flood prevention, and earthwork protective structures
- Reconstruction, restoration or rehabilitation of bridges, culverts or grade separations and required major modifications consisting of strengthening or replacement of piers and abutments, or complete deck replacements
- Installing traffic signs and/or signal devices in new locations, and replacing existing signal devices

MAINTENANCE

“Maintenance” means routine maintenance or preventive maintenance, or both.

ROUTINE MAINTENANCE

Routine maintenance" means actions performed on a regular or controllable basis or in response to uncontrollable events upon a highway, road, street, or bridge. Routine maintenance includes, but is not limited to, 1 or more of the following:

- Snow and ice removal
- Patching and repairing roadway surface of bituminous, concrete, or brick, including pothole patching
- Unplugging drain facilities
- Replacing damaged signs and pavement markings
- Replacing damaged guardrails
- Repairing storm damage
- Repair or operation of traffic signs and signal systems
- Emergency environmental cleanup
- Emergency repairs
- Emergency management of road closures that result from uncontrollable events
- Cleaning the road or street surface and associated drainage
- Mowing roadside
- Control of roadside brush and vegetation, including tree trimming
- Lighting Repair
- Keep the road or street, roadbed, surface, and drainage in good repair
- Prevent damage from water or wind
- Repair and paint bridges and guard rails
- Placing new aggregate (less than three inches) on an existing gravel or stone surface to replace original material worn off, including grading
- Reconditioning of bituminous surfaces of any length section by scarifying and remixing or resurfacing without scarifying when new material is added which increases the existing bituminous surface less than ¾ inch
- Dust layers, sprinkling, and flushing

Uniform Accounting Procedures Manual for County Road Commissions

- Guard rail or right-of-way fence repair or replacement and new installation of less than 500 feet on old roadways

PREVENTIVE MAINTENANCE

"Preventive maintenance" means a planned strategy of cost-effective treatments to an existing roadway system and its appurtenances that preserve assets by retarding deterioration and maintaining functional condition without significantly increasing structural capacity.

Preventive maintenance includes, but is not limited to, 1 or more of the following:

- Pavement crack sealing
- Micro surfacing
- Chip sealing (single or multiple courses)
- Fog sealing
- Slurry sealing
- Hot in-place recycling
- Concrete joint resealing
- Concrete joint repair (partial or full depth)
- Filling shallow pavement cracks
- Patching concrete
- Shoulder resurfacing
- Concrete diamond grinding
- Dowel bar retrofit
- Bituminous overlays of 1-1/2 inches or less in thickness (ultra-thin)
- Restoration of drainage
- Bridge crack sealing
- Bridge joint repair
- Bridge seismic retrofit
- Bridge scour countermeasures
- Bridge painting
- Pollution prevention
- New treatments as they may be developed

BRIDGE

A structure of 20 feet or more, clear span length, crossing a drain, stream, or dry gully. A timber bridge is a bridge constructed from timber with a 20 foot or more, clear span length crossing a drain, stream, or dry gully. A metal structure bridge is a metal culvert or multi-plate arch structure with a 20 foot or more, clear span length allowing for water to cross a drain, stream, or dry gully. A concrete bridge is a concrete constructed structure with a 20 foot or more, clear span length crossing a drain, stream, or dry gully. This includes concrete I-beam with concrete deck, steel I-beam with concrete deck, jack arch (steel I-beam with concrete deck, steel I-beam slab on metal sheeting, pre-cast concrete arch, concrete box beam with concrete deck, and concrete box beam with bituminous deck.

CULVERT

A structure of less than 20 feet clear span.

Uniform Accounting Procedures Manual for County Road Commissions

CHART OF ACCOUNTS

Please refer to the [Michigan Department Treasury Uniform Chart of Accounts for Local Units of Government](#) (UCA) for additional information or contact the Michigan Department of Treasury, Community Engagement and Finance Division, for assistance assigning open accounts or when additional subaccounts are needed. If new account is needed, please refer to the UCA. Use of the correct subaccount number is important since the Receipts Processing Section uses these numbers for depositing into applicable State accounts.

Assets (001-199)

Current Assets (001-129)

001	Cash - Checking
002	Cash - Savings
003	Cash - Certificates of Deposit
004	Cash - Imprest (Petty)
005	Cash - Construction/Repair
006	Cash - Debt Principal and Interest Payments
007	Cash - Payroll Bank Account
008-015	Open
016	Deposits with Fiscal Agent (Short-Term)
017	Investments in Securities
018	Receivable Control (All Receivables 019-100)
019	Taxes Receivable Control (020-039)
020	Taxes Receivable Real Property - Current Levy
021	Open
022	Taxes Receivable Personal Property - Current Levy
023-025	Open
026	Taxes Receivable - Delinquent Real Property
027	Open
028	Taxes Receivable - Delinquent Personal Property
029	Open
030	Interest and Penalties Receivable on Taxes
031-032	Open
033	Utility Bills Receivable
034	Delinquent Utility Bills Receivable on Tax Roll
035-039	Open
040	Accounts Receivable (General - Not Governmental Units)
041	Estimated Uncollectible Accounts Receivable (Credit)
042-044	Open
045	Special Assessments Receivable - Current
046	Open
047	Special Assessments Receivable - Delinquent
048	Open
049	Special Assessments Receivable- Unavailable

Uniform Accounting Procedures Manual for County Road Commissions

050-055	Open
056	Interest Receivable
057	Local Unit's Share of Assessment Improvement Costs Receivable
058-059	Open
060	Notes Receivable
061	Loans Receivable
062	Lease Receivable - Current
063	Contracts Receivable
064	Land Contracts Receivable
065-069	Open
070	Other Accounts Receivable
071	Due from Cities
072	Due from Counties
073	Open
074	Due from Road Commissions
075	Open
076	Due from Townships (Except Road Agreements)
077	Due from Villages
078 .01	Due from State - State Trunkline Maintenance
078 .02	Due from State - State Trunkline Non-Maintenance
078 .03	Due from State - Michigan Transportation Funds
078 .04	Due from State - Dept. of Transportation - Other (Negotiated Contract/Force Account)
.05	Due from State - Chemical Storage Facility (Salt Shed)
079	Due from Federal Government
080	Due from Townships (Road Agreements)
081	Due from Other Governmental Entities
082	Open
083	Due from Employees
084	Due from Other Funds
085-086	Open
087	Court Orders Receivable
088	Service Fees Receivable
089-100	Open
101	Inventory Control (102-110)
102-108	Open
109	Inventory - Road Materials
110	Inventory - Equipment Materials and Parts
111	Inventory Clearing
112	Inventory Clearing - State Materials
113	Surplus Capital Assets
114-118	Open
119	Investments - Deferred Compensation Plan
120	Investments
121-122	Open
123	Prepaid Expenses

Uniform Accounting Procedures Manual for County Road Commissions

124	Engineering and Development Expense Advance
125	Advance - Federal Aid Projects
126	Advance - State Aid Projects
127	Advance - Construction Awarded Contracts
128	Unamortized Discounts on Bonds Sold by the Road Commission
129	Assets Held for Sale

Capital Assets (130-179)

130	Land and Right of Way Purchases
131	Land Improvements Non-Depreciating
132	Land Improvements Depreciating
133	Accumulated Depreciation - Land Improvements (Credit)
134	Depletable Assets
135	Accumulated Depletion - Depletable Assets (Credit)
136	Buildings, Building Additions, and Improvements
137	Accumulated Depreciation - Buildings, Additions, and Improvements (Credit)
138	Road Equipment
139	Accumulated Depreciation - Road Equipment (Credit)
140	Shop Equipment
141	Accumulated Depreciation - Shop Equipment (Credit)
142	Engineering Equipment
143	Accumulated Depreciation - Engineering Equipment (Credit)
144	Yard and Storage Equipment
145	Accumulated Depreciation - Yard and Storage Equipment (Credit)
146	Office Equipment and Furniture
147	Accumulated Depreciation - Office Equipment and Furniture (Credit)
148	Vehicles
149	Accumulated Depreciation - Vehicles (Credit)
150-155	Open
156	Bridges
.01	Timber
.02	Metal
.03	Concrete
.04	Movable
157	Accumulated Depreciation – Bridges (Credit)
.01	Timber
.02	Metal
.03	Concrete
.04	Movable
158	Construction in Progress
159	Roads
.01	Gravel
.02	Asphalt
.03	Concrete
160	Accumulated Depreciation – Roads (Credit)
.01	Gravel
.02	Asphalt

Uniform Accounting Procedures Manual for County Road Commissions

.03	Concrete
161	Traffic Signals
162	Accumulated Depreciation - Traffic Signals (Credit)
163-179	Open

Other Non-Current Assets (180-195)

180	Investment of Surplus Funds
181	Investment in Joint Venture
182-185	Open
186	Amount to be Provided for Payment of Debt Principal (Long-Term Debt Control Only)
187	Long-Term Contracts Receivable
188	Derivative Contracts
189	Leases Receivable (Long-Term)
190	Net Pension Asset
191	Net OPEB Asset
192	Unamortized Discounts on Bonds Sold by the Local Unit
193	Long -Term Advances to Other Funds
194	Long Term Advances to Other Units of Government
195	Amount to be Provided for Accumulated Vacation and Sick Leave (Long-Term Debt Control Only)

Deferred Outflows of Resources (196-199)

196	Deferred Outflows
197	Deferred Outflows of Resources for Pension
198	Deferred Outflows of Resources for OPEB
199	Open

Liabilities (200-359)

Current Liabilities (200-299)

200	Open
201	Vouchers Payable
202	Accounts Payable
203	Drain Order Payable
204	Consignment Payable
205	Judgments Payable
206	Annuities Payable
207	Notes Payable (Current)
208	Lease Payable (Current)
209	Open
210	Contracts Payable (Current)
211	Contracts Payable Retained Percentage
212	Awarded Contracts Payable Unbilled
213	Land Contracts Payable Current Portion
214	Due to Other Funds

Uniform Accounting Procedures Manual for County Road Commissions

215-220	Open
221	Due to Cities
222	Due to Counties
223	Open
224	Due to Road Commissions
225	Reserved for Michigan Department of Treasury
226	Due to Townships
227	Due to Villages
228	Due to State of Michigan
229	Due to Federal Government
230	Due to Other Units of Government
231	Payroll Deductions Payable
232	Due to Employees
233	Due to Former Employees
234	Reserved for Michigan Department of Treasury
235-240	Open
241	Advances from Cities
242-245	Open
246	Advances from Townships
247	Advances from Villages
248	Open
249	Advances from Other Units of Government
250	Bonds Payable (Current)
251	Accrued Interest Payable
252-254	Open
255	Customer's Deposits - Driveway Snow Plowing (U.P. Only)
256	Open
257	Accrued Wages Payable
258	Accrued Taxes Payable (Includes Payroll Taxes)
259	Open
260	Accrued Vacation Payable
261	Accrued Sick Leave Payable
262-263	Open
264	Other Accrued Liabilities
265	Bonds Payable (Cash Bonds)
266	Court Orders Payable
267	Open
268	Unclaimed Money
269	Garnishments Payable
270-275	Open
276	Receipts Refundable
277-282	Open
283	Performance Deposits Payable
284-285	Open
286	Due to Fiscal Agent
287-288	Open

Uniform Accounting Procedures Manual for County Road Commissions

289	Unamortized Premiums on Bonds Sold
290-298	Open
299	Other Current Liabilities

Long-Term Liabilities (300-359)

300	Bonds Payable
301-303	Open
304	Lease Payable (Non-Current)
305-306	Open
307	Notes Payable (Long-Term)
308-309	Open
310	Contracts Payable (Long-Term)
311-313	Open
314	Advances from Other Funds
315-320	Open
321	Advances from Cities
322	Advances from Counties
323	Open
324	Advances from Road Commissions
325	Advances from Schools
326	Advances from Townships
327	Advances from Villages
328	Advances from State
.01	State Trunkline Equipment Advance
.02	State Trunkline Maintenance Advance
329	Advances from Federal Government
330	Advances from Local Units of Government
331-332	Open
333	Advances - Special Assessment Districts
334	Net Pension Liability
335	Net OPEB Liability
336-338	Open
339	Unearned Revenue
340-342	Open
343	Accrued Vacation and Sick Leave Payable
344-359	Open

Deferred Inflows of Resources (360-369)

360	Deferred Inflows
361	Deferred Inflows for Pension
362	Deferred Inflows for OPEB
363	Drain Orders – Deferred
364-369	Open

Fund Balance and Net Position (370-399)

370	Fund Balance - Non-Spendable-Prepays
371	Fund Balance - Non-Spendable-Inventory

Uniform Accounting Procedures Manual for County Road Commissions

372	Fund Balance - Non-Spendable-Long Term Advances to Other Funds
373	Fund Balance - Non-Spendable-Other
374	Fund Balance - Non-Spendable-For Long Term Federal Contracts
375	Fund Balance - Restricted for Debt Service
376	Fund Balance - Restricted for Pension Retirement System
377	Fund Balance - Restricted
378	Fund Balance - Restricted for Deferred Compensation
379	Fund Balance – Restricted
380-381	Fund Balance - Committed
382	Fund Balance Committed for Replacement of Capital Assets
383-384	Fund Balance Committed
385	Fund Balance - Assigned for Self-Insurance
386	Fund Balance - Assigned for Subsequent Years Expenditures
387	Fund Balance - Assigned for Construction
388-389	Fund Balance - Assigned
390	Fund Balance - Unassigned
.01	Primary Road Funds
.02	Local Road Funds
.03	County Road Funds
391	Net Position - (Net) Investment in Capital Assets
	–
392-398	Net Position – Restricted
399	Net Position – Unrestricted

Revenues (400-699)

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>	<u>Description</u>
400	Revenue Control			
401	Taxes Control			
		402		Current Property Taxes
		403		Current Property Taxes - Extra or Special Voted
		404-412		Open
		413		Delinquent Property Taxes
		414-419		Open
		420		Unpaid Personal Property Taxes
		421-426		Open
		427		Community-wide special assessments
		428		Open
		429		Commercial Forest Reserve
		430		National Forest Reserve Taxes

Uniform Accounting Procedures Manual for County Road Commissions

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>	<u>Description</u>
		431		Sub-marginal Land Act (Bankhead Jones)
		432-444		Open
		445		Penalties & Interest on Taxes
		446-449		Open
		450-474		Special assessments
475	Licenses & Permits Control			
		476-500		Open
501	Federal Grants Control			
		502-509		Open
		510		Federal Grants - Highways (MDOT-Private Contractors)
			.02	Urban Highway
			.03	Hazard Elimination Safety
			.04	Railroad Safety
			.05	Critical Bridge
			.06	Discretionary (85% Floor)
			.07	ISTEA "D" Enhancement Funds
			.071	Surface Transportation Program (STP) - Primary
			.072	Surface Transportation Program (STP) - Local
			.073	(STP) - Other
			.081	Category "C" - Urban Congestion - Primary
			.082	Category "C" - Urban Congestion - Local
			.091	Category "D" - Rural - Primary
			.092	Category "D" - Rural - Local
			.10	Demonstration Funds - Primary
			.11	Demonstration Funds - Local
			.13	Congestion Mitigation Grants
			.14	High Priority Grants
			.16	American Recovery and Reinvestment Act (ARRA)(Stimulus)
			.17	High Risk Rural Roads
		511		Federal Grants - Highway (Negotiated Contracts)
			.02	Urban Highway

Uniform Accounting Procedures Manual for County Road Commissions

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>	<u>Description</u>
			.03	Hazard Elimination Safety
			.04	Railroad Safety
			.05	Critical Bridge
			.06	Discretionary (85% Floor)
			.07	ISTEA "D" Enhancement Funds
			.071	Surface Transportation Program (STP) - Primary
			.072	Surface Transportation Program (STP) - Local
			.073	(STP) - Other
			.081	Category "C" – Urban Congestion - Primary
			.082	Category "C" – Urban Congestion – Local
			.091	Category "D" - Rural – Primary
			.092	Category "D" - Rural – Local
			.13	Congestion Mitigation Grants
			.14	High Priority Grants
			.15	Public Land Highway Discretionary (PLH)
			.16	American Recovery and Reinvestment Act (ARRA) (Stimulus)
			.17	High Risk Rural Roads
		512		CDBG Community Development Block Grant Funds
		513-520		Open
		521		Non-Road Related Projects
			.01	Safe Routes to School Program (MDOT - Private Contractors)
			.02	Safe Routes to School Program (Negotiated Contracts)
		522		Open
		523		Culture and Recreation Grants (US Fish and Wildlife Services)
		524-529		Open
		530		FEMA and Emergency Relief

Uniform Accounting Procedures Manual for County Road Commissions

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>	<u>Description</u>
		531		Federal Training Programs
		532-535		Open
		536		National Highway Safety (NHS) Fund
			.01	Primary
			.02	Local
		537		Open
		538		Federal Capital Grants
539	State Grants Control			
		540-545		Open
		546		Michigan Transportation Fund
			.01	Engineering
			.02	Primary Road
			.03	Local Road
			.04	Primary Urban Road
			.05	Local Urban Road
			.06	Snow Removal
		547		Critical Bridge
			.01	Primary Road
			.02	Local Road
		548		State Aid Category "E"
			.02	"E" - Primary
			.03	"E" - Local
		549		State Aid Category "A"
			.02	"A" – Primary
			.03	"A" - Local
		550		State Aid TED Category "C"
			.02	"C" – Primary
			.03	"C" - Local
		551		TED - "D" Funds - Rural Primary
		552		TED - "F" Funds - Urban Area
		553		TED/STP - Transfer
		554		Jobs Today Program Grant
		555		State Grants - Capital Assets
			.01	Chemical Storage Facility
			.02	Other Buildings
		556-559		Open
		560-568		Reserved for Michigan Department of Treasury
		569		Other State Grants Revenue
		570		State Aid – FEMA

Uniform Accounting Procedures Manual for County Road Commissions

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>	<u>Description</u>		
580		571-579		Open Contributions from Local Units Control		
		581-582		Open Contributions from Local Units Highways		
		583		.01 City Contributions		
				.03 School Contributions		
				.04 Township Contributions		
				.05 Village Contributions		
				.06 Other Governmental Contributions		
				.07 Sale of Federal Aid - Other Counties		
				.08 Sale of State Aid - Other Counties		
		584-599			Open	
		600	Charges for Services Control	601-606		Open
				607		Charges for Services - Fees
				608		Subdivision Fees
						.01 Subdivision Inspection Fees
				.02 Subdivision Sign Fees		
609-612					Reserved for Michigan Department of Treasury	
613-625					Open	
626					Charges for Services Rendered	
627					State Trunkline Maintenance	
				.01 State Trunkline Maintenance		
				.02 State Trunkline Non-Maintenance and Special Projects		
628					State Trunkline Non-Maintenance	
629					Overhead State Maintenance	
				.01 Overhead - State Trunkline Maintenance		
				.02 Overhead - State Trunkline Non-Maintenance and Special Projects		
630					Overhead - All Other Services	
				.01 Overhead - Tax Exempt		
				.02 Overhead - Other		
		.03 Overhead - Chemical Storage Construction				

Uniform Accounting Procedures Manual for County Road Commissions

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>	<u>Description</u>
			.05	Overhead - Chemical Storage Maintenance and Operation
		631		Driveway Installations
		632-640		Open
		641		Driveway Snow Plowing (U.P. Only)
		642		Charges for Services – Sales
		643		Open
		644		Maps
		645		Plans and Specifications
		646		Handling Charges on Materials Sold
		647-650		Open
		651		Charges for Services - Use and Admission Fees
		652		Parking Fees
		653-654		Open
655	Fines & Forfeits Control			
		656-659		Open
		660-663		Reserved for Michigan Department of Treasury
664	Interest & Rents Control			
		665		Interest
		666		Dividends
		667		Lease Revenue/ Short term Rent
		668		Royalties
		669		Investment Gains and Losses
		670		Equipment Rental Credits
671	Other Revenue Control			
		672		Special Assessments
		673		Gain or Loss on Sale of Capital Assets
			.01	Gain or Loss on Disposal of Road Equipment
			.02	Gain or Loss on Disposal of (Surplus Property) Other Capital Assets
			.03	Gain or Loss on Disposal of Inventory
		674		Contributions and Donations from Private Sources

Uniform Accounting Procedures Manual for County Road Commissions

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>	<u>Description</u>
		675		Contributions from Public Enterprises
		676		Reimbursements
		677		Scrap and Salvage
			.01	Equipment Related
			.02	(Non-Equipment) Road Related
		678-686		Open
		687		Refunds - Rebates
		688		Trade-In Allowances
		689		Capital Asset Retirements
			.01	Road Equipment
			.02	Other Capital Assets
		690		Depreciation and Depletion Credits
			.01	Depreciation - Infrastructure Assets (GASB No. 34 Entry Only)
		691		Purchase Discounts
		692		Open
		693		Sale of Capital Assets
			.01	Sale of Land
			.02	Sale of Building
		694		Cash Over or Short
		695		Other Financing Sources
				Control
		696		Proceeds from Sale of Bonds/Notes
		697		Installment Purchase and Lease Proceeds
		698		Bond or Insurance Recoveries
		699		Operating Transfers In

Expenditures (700-999)

700	Expenditure Control			
701	Personnel Services Control			
		702		Salaries and Wages (Use 703-707, if breakdown is desired)
		703		Administrative
			.01	Commissioners
			.02	Clerical
			.03	Managers
		704		Operations
		705		Engineering

Uniform Accounting Procedures Manual for County Road Commissions

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>	<u>Description</u>
		706		Traffic
		707		Shop
		708		Open
		709		Vacation
		710		Sick Leave
		711		Holiday
		712		Other Salaries and Wages
			.01	Funeral
			.02	Jury Duty
			.03	Disability
		713		Personal Leave
		714		Longevity
		715		Social Security
		716		Health Insurance (May include dental insurance, vision insurance)
			.20	OPEB Trust Payment (Activity 513 only)
			.21	OPEB Actuarial (Activity 513 only)
		717		Life Insurance and Disability
		718		Retirement
			.21	Retirement Actuarial (Activity 513 only)
		719		Workers Compensation
		720		Unemployment
		721		Drug Testing
		722-723		Open
		724		Other Fringe Benefits
		725		Fringes Recovered (Credit)
726	Supplies Control	727		Postage
		728		Office Supplies
		729		Engineering Supplies
		730		Dues and Subscriptions
		731		Janitor Supplies
		732		Traffic Control Supplies
		733		Welding Supplies
		734		Safety Supplies
		735		Open
		736		Tire Shop Supplies
		737		Shop Supplies
		738		Open
		739		Maps

Uniform Accounting Procedures Manual for County Road Commissions

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>	<u>Description</u>
		740		Open
		741		Parts
		742		Gas
		743		Diesel
		744		Unleaded
		745		Anti-Freeze
		746		Motor Oil
		747		Tires and Tubes
		748		Blades
		749-759		Open
		760		Road Materials Control
		761		Gravel
		762		Cold Patch
		763		Sand
		764		Salt
		765		Asphalt
		766		Brine
		767		Culvert
		768		Signs
		769		Guardrail
		770		Posts
		771		Inventory/Cost of Goods Sold
		772-789		Open
		790		Small Road Tools
		791		Inventory Adjustments
		792-799		Open
800	Other Services and Charges	801		Contractual Services
			.01	Construction
			.02	Right-of-Way
			.03	Design
		802		Engineering Services
		803		Legal Services
		804		Auditing and Accounting Services
		805		Health Services
		806		Laundry Services
		807		Data Processing
		808		Road Contractor
		809		Bridge Contractor
		810		Education
		811-849		Open

Uniform Accounting Procedures Manual for County Road Commissions

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>	<u>Description</u>
		850		Communications (Use 851-859 if breakdown is desired)
		851		Telephone Communications
		852		Radio System
		853		Weather Service
		854-859		Open
		860		Transportation (Use 861-873 if breakdown is desired)
		861		Travel and Mileage
		862		Freight
		863		Moving Expense
		864-872		Open
		873		Public Relations
		874		Advertising
		875		Insurance - Buildings and Contents
		876		Insurance - Boiler and Machinery
		877		Insurance - Bonds
		878		Insurance - Fleet
		879		Insurance - Contractors Equipment
		880		Insurance - Umbrella
		881		Insurance - Errors and Omissions
		882		Insurance - General Liability
		883		Insurance - Underground Tank Liability
		884-889		Open
		890		Claims Paid
		891-919		Open
		920		Public Utilities (Use 921-929 if breakdown is desired)
		921		Electricity
		922		Heat
		923		Water and Sewage
		924-929		Open
		930		Repairs and Maintenance (Use 931-939 if breakdown is desired)
		931		Buildings Repair/Maintenance
		932		Yard and Storage Repair/Maintenance

Uniform Accounting Procedures Manual for County Road Commissions

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>	<u>Description</u>
		933		Shop Equipment - Repair/Maintenance
		934		Office Equipment - Repair/Maintenance
		935-939		Open
		940		Rentals
		941		Equipment Rental - Road
		942		Building Rental
		943		Equipment Rental - Office
		944-945		Fuel Tanks
		946-948		Open
		949		Hazardous Waste
		950		Operating Lease Payments
		951-954		Open
		955		Miscellaneous (Use 956-965 if breakdown is desired)
		956		Safety Expense
		957		Gravel Pit Inspections
		958-959		Open
		960		County Drain Assessments
		961		Property Taxes
		962-963		Open
		964		Refunds and Rebates
		965		Operating Transfers Out
		966		State Trunkline Overhead
		967		Overhead - Other
		968		Depreciation and Depletion
			.01	Depreciation - Land Improvements
			.02	Depreciation - Buildings
			.03	Depreciation - Road Equipment
			.04	Depreciation - Shop Equipment
			.05	Depreciation - Engineering Equipment
			.06	Depreciation - Yard and Storage
			.07	Depreciation - Office Equipment and Furniture
			.08	Depreciation - Vehicles
			.09	Depletion
		969		Amortization Expense

Uniform Accounting Procedures Manual for County Road Commissions

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>	<u>Description</u>
970	Capital Outlay Control	971		Land
		972-973		Open
		974		Land Improvements - County Work
		975		Buildings
		976		Road Equipment
		977		Shop Equipment
		978		Engineering Equipment
		979		Yard and Storage Equipment
		980		Office Equipment and Furniture
		981-986		Open
		987		Depletable Assets
		988		Construction in Progress
		989		Open
990	Debt Service	991		Principal
		992		Interest
		993		Paying Agent Fees
		994		Open
995	Other Financing Uses	995		Operating Transfers (Out)
		996		Discounts on Bonds or Notes
		997		Transfer to Escrow for Bond Refunding
		998		Special Item
		999		Extraordinary Item

Uniform Accounting Procedures Manual for County Road Commissions

EXPLANATION OF ACCOUNTS

Balance Sheet

Assets (001 – 195)

Current Assets (001-129)

Cash and Investments (001 to 017)

001 Cash - Checking

This account is used to record the amount of currency, checks, money orders, and bank drafts on hand or on deposit with the County Treasurer. Cash equivalents such as short-term highly liquid investments including Treasury bills, commercial paper, and money market funds should be recorded in Account 017.

This account is:

DEBITED - when cash is received.

CREDITED - when cash is disbursed.

002 Cash - Savings

This account is used to record Road Commission funds on deposit in savings accounts under the control of the county treasurer.

This account is:

DEBITED - when money is deposited in a savings account.

CREDITED - when money is withdrawn from a savings account.

003 Cash - Certificates of Deposit

This account is used to record Road Commission funds held by the county treasurer in certificates of deposit.

This account is:

DEBITED - when the certificates of deposit are purchased.

CREDITED - when certificates of deposit are cashed.

004 Cash - Imprest (Petty)

This account is used to record a sum of money either in the form of currency, a special bank deposit, or a separate bank account set aside for the purpose of making change or paying incidental expenses. It is used for expenses that, for practical reasons, cannot be paid in the regular manner. At certain intervals, the petty cash is replenished by a check drawn on the fund from which the petty cash expenses are payable. An itemized voucher for the amount of disbursements made from petty cash must support the replenishment check. The total of petty cash on hand and/or on deposit, plus un-replenished disbursements, must always equal the imprest cash account balance.

This account is:

DEBITED - with the amount in which the account is established or increased.

CREDITED - when the established account balance is decreased.

Uniform Accounting Procedures Manual for County Road Commissions

005 Cash - Construction/Repair

This account is used to record the amount of cash designated for the purpose of construction and/or repairs. It is used for the deposit of bond or note proceeds, interest earned, contributions or other money to this use. A separate depository account may be required by a debt ordinance.

This account is:

DEBITED - upon receipt of money restricted for construction or repair purposes.

CREDITED - upon expenditure.

006 Cash - Debt Principal and Interest Payments

This account is used to record the amount of cash designated for the purpose of making debt principal and interest payments. It is used for the deposit of tax collections, contributions, or other money to be used for the payment of debt principal/interest and paying agent fees. A separate depository account may be required by a debt ordinance.

This account is:

DEBITED - upon receipt of money restricted for debt purposes.

CREDITED - upon expenditure.

007 Cash - Payroll Bank Account

This account is used to record an amount of cash in the form of a separate bank account used only for making payments for payroll related expenses and deductions. Usually, a fixed sum is deposited to this bank account in an amount sufficient to meet the requirements of the bank for carrying the account without service charges, and the Road Commission for making payments between regular pay periods. The principal use of this account is for the deposit of the amount of the gross payroll, against which individual payroll checks and/or direct deposits and payroll deduction checks and/or direct deposits will be drawn. Individual payroll checks and/or direct deposits drawn on this account between regular payroll periods will be included on the next regular payroll voucher. By this method, the fixed sum deposited in the payroll bank account will be replenished each pay period.

This account is:

DEBITED - when money is deposited in the payroll bank account.

CREDITED - when money is disbursed from the payroll bank account.

008 to 015 Open

016 Deposits with Fiscal Agent (Short-term)

This account is used to record deposits with bond trustees prior to payment.

This account is:

DEBITED - when amounts deposited with a fiscal agent.

CREDITED - when disbursements are made by the fiscal agent.

Uniform Accounting Procedures Manual for County Road Commissions

017 Investments in Securities

This account is used to record the cost of short-term investments in government bonds, treasury bills, treasury notes and money market certificates. A short-term investment is an investment having a maturity date of 1 year or less. Certificate of deposits with a maturity of 3 months or less are cash equivalents and should not be recorded in this account. (See Account 003 Cash-Certificates of Deposit)

This account is:

DEBITED - when investments are purchased.

CREDITED - when investments are sold.

Receivables (018 through 100)

018 Receivable Control (019-100)

This account is used to record amounts owed to the Road Commission from any source. The account may be used separately or as a control account to record amounts due for any or all of the types of receivables provided for in Accounts #019-100.

This account is:

DEBITED - when amounts owed to the local unit are determined but not immediately received.

CREDITED - when amounts are received or written off by proper authority.

019 Taxes Receivable Control (020-039)

This account is used to record amounts of taxes levied and related charges, which have become due but have not been collected. The account may be used separately or as a control account for Accounts 020-039.

This account is:

DEBITED - when the amount of taxes or related charges are determined to be due and payable.

CREDITED - with the amount collected or written off.

040 Accounts Receivable (General - Not Governmental Units)

This account is used to record amounts owed to the Road Commission which are not provided for elsewhere in this manual. Detail by individual or organization required.

Sales to individuals or private organizations - There is no statutory authority for sales of materials or services to individuals or private organizations. However, exceptions occur. Sales tax must be charged if the individual or private organization is not tax-exempt. The account is debited with cash disbursements and journal entries are posted for equipment rental, materials, labor, or parts. Payments on account are credited directly from the cash receipts journal.

Uniform Accounting Procedures Manual for County Road Commissions

Uncollectible accounts receivables - For financial reporting purposes, uncollectible accounts receivable should be charged to an appropriate revenue account and not to bad debt expense since uncollectible accounts are not expenditures.

Reporting revenues on a net basis does not mean that a governmental unit cannot budget for bad debts expense and monitor the expense through its financial accounting system. When this is done, however, the bad debts expense account used for budgeting or internal purposes must be netted against the related gross revenue account and reported as net revenue for financial reporting purposes.

This account is:

DEBITED - when amounts owed are determined.

CREDITED - when payments are received or when adjustments or write-offs are approved.

041 Estimated Uncollectible Accounts Receivable (Credit)

This account is used to record that portion of accounts receivable which is unlikely to be collected.

This account is:

DEBITED - after approval had been obtained to record adjustments or to write off an account.

CREDITED - when the amounts of estimated uncollectible accounts receivable are determined and approved.

042 – 044 Open

045 Special Assessments Receivable - Current

This account may be used to record the special assessments levied that have become due but have not been returned delinquent. Subsidiary accounts may be established for various types or various years of special assessments. Detail by districts and individual property owners required.

This account is:

DEBITED - for the amount of the current special assessment levy on the day it becomes due and payable.

CREDITED - with the collection of current special assessments and when the account balance is transferred to Account #047.

046 Open

047 Special Assessments Receivable - Delinquent

This account is used to record the balance of special assessments remaining unpaid on and after the date on which a penalty is effective. Detail by districts and individual property owners required.

Uniform Accounting Procedures Manual for County Road Commissions

This account is:

DEBITED - with the balance remaining in Account #045 on the date a penalty for nonpayment is effective.

CREDITED - with the collection of delinquent assessments.

048 Open

049 Special Assessments Receivable – Unavailable

This account is used to record special assessments for which a roll has been prepared and confirmed, but which are not due. Detail by districts and individual property owners required.

This account is:

DEBITED - when the amount of a special assessment roll has been prepared and confirmed.

CREDITED - when the special assessment becomes due, at which time this should be transferred to Account 045 - Special Assessments Receivable (Current).

All costs of the project should be charged directly to either Activity #456 - Primary Road - Special Assessment District Construction/Capacity Improvement or Activity #486 - Local Road - Special Assessment District Construction/Capacity Improvement. At the time of completion of the project, the following entry should be made:

<u>Account #</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
045	Special Assessment Receivable -Current	\$5,000	
672	Special Assessments		\$5,000

The unlevied portion of the assessments should be recorded as follows:

<u>Account #</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
049	Special Assessments Receivable	\$50,000	
360	Deferred Inflows		\$50,000

Collections of current special assessments should be recorded as follows:

<u>Account #</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
001	Cash - Checking	\$4,000	
045	Special Assessments Receivable – Current		\$4,000

On the date a penalty for nonpayment is effective, the following journal entry should be made:

<u>Account #</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
047	Special Assessments Receivable – Delinquent	\$1,000	
045	Special Assessments Receivable – Current		\$1,000

Uniform Accounting Procedures Manual for County Road Commissions

Collections of delinquent special assessments should be recorded as follows:

<u>Account #</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
001	Cash – Checking	\$1,000	
047	Special Assessments Receivable – Delinquent		\$1,000

To reclassify special assessments receivable due within the current year, a journal entry will be made as follows:

<u>Account #</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
045	Special Assessments Receivable - Current	\$5,000	
360	Deferred Inflows		\$5,000

<u>Account #</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
672	Special Assessments	\$5,000	
049	Special Assessments Receivable – Unavailable		\$5,000

Interest and Penalties on Special Assessments

Interest and penalties on special assessments should be recorded as follows at the time they are received:

<u>Account #</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
001	Cash - Checking	\$1,500	
665	Interest		\$1,500

<u>Account #</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
045	Special Assessments Receivable - Current	\$1,500	
665	Interest		\$1,500

050-055 Open

056 Interest Receivable

This account is used to accrue interest earned but not received, as of the end of an accounting period.

This account is:

DEBITED - when the amount of interest earned is accrued.

CREDITED - when payments are received.

<u>Account #</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
056	Interest Receivable	\$8,000	
665	Interest		\$8,000

<u>Account #</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
001	Cash - Checking	\$8,000	
056	Interest Receivable		\$8,000

Uniform Accounting Procedures Manual for County Road Commissions

- 057 Local Unit's Share of Assessment Improvement Costs Receivable
This account may be used to record the amount due from a local unit as its share of the cost of an improvement financed by special assessments.
This account is:
DEBITED - when the local unit's share of special assessment project costs is determined.
CREDITED - when the amounts are collected or when any adjustments are approved.
- 058-059 Open
- 060 Notes Receivable
This account may be used to record the amount due on any legal note that has been accepted by the Road Commission. It represents an unconditional written promise, signed by the maker, to pay a certain sum on demand or at a fixed or determinable future time either to the bearer or to the order of a person designated therein. Detail by individual note required.

This account is:
DEBITED - when the amount of notes become legal obligations.
CREDITED - when payments are received.
- 061 Loans Receivable
This account may be used to record the current amount due to the Road Commission on loans that have been made in accordance with statutory provisions. Detail by individual loan required.

This account is:
DEBITED - when the amount of the loan becomes a legal obligation.
CREDITED - when with payments are received.
- 062 Leases Receivable -Current
This account is used to record the amount of minimum rental payments due from a lessee within a year excluding executory costs. It generally represents the amount due to the government pursuant to operating leases and rental agreements. Long-term portions (over 1 year) are recorded in Account 189- Leases Receivable (Long-term).

This account is:
DEBITED - when the minimum lease payments due within a year is determined.
CREDITED - when the minimum lease payments are received.
- 063 Contracts Receivable
This account may be used to record the current portion of contracts due to the Road Commission. Long-term portions (over 1 year) are recorded in Account 197 - Long-term Contracts Receivable. Detail by individual contract required.

Uniform Accounting Procedures Manual for County Road Commissions

This account is:

DEBITED - with current amounts due on contracts.

CREDITED - with payments received.

064 Land Contracts Receivable

This account may be used to record the current portion of land contracts due to the Road Commission.

This account is:

DEBITED - when the current amounts due on land contracts are determined.

CREDITED - when payments are received.

065-069 Open

070 Other Accounts Receivable

This account is used to record amounts due to the Road Commission for accounts receivable not provided for in preceding receivable accounts. This account may be used separately or as a control for Accounts 071-100.

This account is:

DEBITED - when amounts owed to the Road Commission are determined but not immediately received.

CREDITED - with amounts received or written off

071 Due from Cities

This account is used to record amounts due from cities. Detail by individual city is required.

This account is:

DEBITED - when the amounts due to the Road Commission from cities is determined.

CREDITED - when payments are received.

072 Due from Counties

This account is used to record amounts due from other counties. Detail by each individual county is required.

This account is:

DEBITED - when the amount due to the Road Commission from counties is determined.

CREDITED - when payments are received.

073 Open

074 Due from Road Commissions

This account is used to record amounts due from Road Commissions. Detail by each individual Road Commission is required.

Uniform Accounting Procedures Manual for County Road Commissions

This account is:

DEBITED - when the amount due the Road Commission from other Road Commissions is determined.

CREDITED - when payments are received.

075 Open

076 Due from Townships (Except Road Agreements)

This account is used to record amounts due from townships for most purposes. Detail by individual townships is required. Account 080 – Due from Townships - Road Agreements is to record amounts due from townships for road agreements.

This account is:

DEBITED - when the amount due the Road Commission from townships is determined.

CREDITED - when payments are received.

077 Due from Villages

This account is used to record amounts due from villages. Detail by individual village is required.

This account is:

DEBITED - when the amount due the Road Commission from villages are determined.

CREDITED - when payments are received.

078 Due from State

This account is used to record amounts due from the State of Michigan.

This account is:

DEBITED - with amounts due to the Road Commission from the State.

CREDITED - when payments are received.

078.01 Due from State - State Trunkline Maintenance

This account is used to record amounts due from the State of Michigan for work performed on State trunkline pursuant to a State trunkline maintenance contract with MDOT.

This account is:

DEBITED - with amounts due to the Road Commission from the State.

CREDITED - when payments are received.

078.02 Due from State - State Trunkline Non-Maintenance

This account is used to record amounts due from the State of Michigan for services performed and materials furnished to MDOT which are not a part of the trunkline maintenance contract. This account is also used to record amounts of State aid due at fiscal year-end.

This account is:

DEBITED - with amounts due the Road Commission from the State.

Uniform Accounting Procedures Manual for County Road Commissions

CREDITED - when payments are received.

078.03 Due from State - Michigan Transportation Funds

This account is used to record amounts due from the State of Michigan for MTFs. Note: MTF funds are received two months after they are earned.

This account is:

DEBITED - with amounts due the Road Commission from the State.

CREDITED - when payments are received.

078.04 Due from State - Dept. of Transportation – Other (Negotiated Contract/Force Account)

This account is used to record amounts due from the State of Michigan for services provided on "negotiated contract/force account" contracts with the State of Michigan.

This account is:

DEBITED - with amounts due the Road Commission from the State.

CREDITED - when payments are received.

078.05 Due from State - Chemical Storage Facility (Salt Shed)

This account is used to record amounts due from the State of Michigan for services performed and for payments made by the Road Commission to private contractors for the construction of "chemical storage facilities" as per contract.

This account is:

DEBITED - with amounts due the Road Commission from the State.

CREDITED - when payments are received.

079 Due from Federal Government

This account is used to record amounts due from the federal government.

This account is:

DEBITED - when the amount due the Road Commission from the federal government is determined.

CREDITED - when payments are received.

080 Due from Townships (Road Agreements)

This account is used to record amounts due from townships for work performed on roads under agreement signed by the township and the Road Commission. A detailed subsidiary ledger that is maintained by individual township is required.

This account is:

DEBITED - when the amounts are determined to be due on agreements.

CREDITED - when payments are received.

Uniform Accounting Procedures Manual for County Road Commissions

081 Due from Other Governmental Entities

This account is used to record amounts due from other units of government for which an account is not provided for elsewhere in this manual. Detail by individual governmental entity is required.

This account is:

DEBITED - when the amount due the Road Commission from other governmental entities is determined.

CREDITED - when payments are received.

082 Open

083 Due from Employees

This account is used to record amounts due from Road Commission employees for reimbursable goods or services provided to or on behalf of the employees. Detail by individual employee is required.

This account is:

DEBITED - when the amounts due are determined.

CREDITED - when payments are received.

084 Due from Other Funds

This account is used to record short-term amounts due from other funds within the local government unit. It represents amounts owed for goods and services rendered for a particular fund by another fund in the government reporting entity, or interfund loans that are due within one year. An offsetting liability must be recorded in the fund from which the payment is due in Account 214 – Due to other funds.

This account is:

DEBITED - when the amounts owed from other funds is determined.

CREDITED - when amounts are received from other funds.

085-086 Open

087 Court Orders Receivable

This account is used to record amounts of unpaid fines, court costs, restitution and any other court ordered payments. Subsidiary records or accounts must be kept for these court orders by case number and/or name.

This account is:

DEBITED - when court orders are issued.

CREDITED - when payments are received, or adjustments are approved.

088 Service Fees Receivable

This account is used to record amounts due to the Road Commission for fees for services for which an account is not provided for elsewhere in this manual.

Uniform Accounting Procedures Manual for County Road Commissions

This account is:

DEBITED - when services are rendered.

CREDITED - when payments are received.

089-100 Open

Inventory (101 to 112)

101 Inventory Control

This account is used to record the cost of materials, supplies, and/or surplus properties purchased in one accounting period for use in another accounting period or to reflect supplies and materials held in inventory until charged to a specific job, project, department, etc. This account may be used separately or as a control for Accounts 102-110.

This account is:

DEBITED - when materials, supplies, and/or surplus properties are purchased, and with approved adjustments.

CREDITED - as inventory is used and with approved adjustments.

102-108 Open

109 Inventory - Road Materials

This account is used to record the cost of road materials stockpiled in warehouses, pits or yards which are used for construction or maintenance of the county road system.

This account is:

DEBITED - when road materials are produced or purchased, and with approved adjustments.

CREDITED - when road materials are used from inventory and with approved adjustments.

110 Inventory - Equipment Materials and Parts

This account is used to record the cost of materials and parts on hand, which are to be used for the repair, maintenance, and operation of equipment.

This account is:

DEBITED - when materials and parts are purchased and with approved adjustments.

CREDITED - when the cost of materials and parts are used from inventory and with approved adjustments.

111 Inventory Clearing

Clearing accounts are temporary accounts that hold costs until they can be transferred elsewhere.

112 Inventory Clearing – State Materials

Uniform Accounting Procedures Manual for County Road Commissions

Clearing accounts are temporary accounts that hold costs until they can be transferred elsewhere.

Other Current Assets (113 to 129)

113 Surplus Capital Assets

This account is used to record the cost of land and buildings that are surplus capital assets to the Road Commission and are not used in its regular operations.

This account is:

DEBITED - with the cost of land and buildings, which are determined to be surplus capital assets.

CREDITED - with the cost of such property when sold or if used in the road commission's regular operations.

This account is also used to record the prorated value of all right-of-way purchases determined to be in excess of what is required for highway use.

The entire purchase price is charged to the construction expenditure activity/account until such time as these right-of-way costs can be prorated between actual highway use and surplus capital assets. Since the entire purchase price has been charged to construction, at such time as the prorated value of the surplus capital assets has been determined, a journal entry shall be made as follows:

This account is:

DEBITED - Account 113 - Surplus Capital Assets (In the amount of the prorated value of the surplus capital assets)

CREDITED - Applicable Infrastructure Asset

Sale of Surplus Capital Assets

The postings necessary upon the sale of the surplus capital assets will vary according to the sale price and terms. If sold for cash, Account 113 - Surplus Capital Assets shall be credited directly from the cash receipts journal in the exact amount received but not exceeding the recorded value of the property. Any amount received in excess of the recorded value shall be credited to Account 693.02 - Gain or Loss on Sale of Other Capital Assets. If the cash sale price is less than the recorded value, the balance remaining in Account 113 shall be closed into Account 693.02 as a debit. The sale of surplus capital assets on a time basis requires an entry crediting Account 113 and debiting applicable receivable account(s), such as Account 064 - Land Contracts Receivable. Any gain or loss on time basis sales would be handled in the same manner as cash sales. If surplus capital assets are sold on a time basis, the amount due in the second year and beyond from the sale date should be recorded as a credit to Account 339 - Unearned Revenue, with an offsetting debit to Account 390 - Fund Balance - Unassigned.

114-118 Open

Uniform Accounting Procedures Manual for County Road Commissions

119 Investments - Deferred Compensation Plan

This account is used to record the cost of investments purchased in accordance with the provisions of a deferred compensation plan administered by the Road Commission and should be evaluated in relation to GASB 97 to determine if it should be reported.

This account is:

DEBITED - with the cost of investments purchased.

CREDITED - with the original cost of investments when sold or otherwise disposed of.

120 Investments

This account is used to record the cost of long-term investments such as government bonds, treasury bills, treasury notes, municipal bonds, stocks, mortgages, land purchased for investment purposes, etc. A long-term investment is an investment having a maturity date of more than one year from the date of purchase.

This account is:

DEBITED - with the cost of investments purchased.

CREDITED - with the original cost of investments when sold or otherwise disposed of.

121-122 Open

123 Prepaid Expenses

Prepaid Expense is provided to record prepayments of insurance premiums which represent expenses chargeable to future years' operations. At the end of each year, this account will be credited, and the appropriate expense accounts debited for that portion of premiums applicable to the current year. For example: 1/3 of a 3-year premium for insurance, effective on January 1st, would be charged to current year expense. It will be necessary to use this account only if insurance premiums paid in any one year are for more than one year's coverage. Annual premium payments made each year on a 5-year policy, need not be considered as prepaid insurance even though the annual payment covers a part of a succeeding year. In connection with insurance payments and policies, it is advisable to maintain an insurance record of all essential details of Road Commission insurance. This insurance or record should indicate policy number, company, agent, property insurance, amount of premium paid, date of policy and expiration date, amount of unexpired premium, and a space for explanations or notes.

This account is used to record charges entered in the accounts of the Road Commission for benefits or services not yet received. Examples of prepaid expenses are prepaid rent, prepaid interest, and unexpired insurance premiums.

This account is:

DEBITED - for prepaid expenses to be charged off in a subsequent accounting period.

CREDITED - as prepaid expenses are charged off to expenditure accounts in the accounting period to which the expenses pertain.

Uniform Accounting Procedures Manual for County Road Commissions

- 124 Engineering and Development Expense Advances
This account may be used to record engineering and development costs incurred for the purpose of determining the feasibility of a project or projects.
- This account is:
DEBITED - with the amount of preliminary costs incurred.
CREDITED - with the total costs charged to the project upon project approval or with the total cost charged to an expenditure account if the project is rejected.
- 125 Advance - Federal Aid Projects
This account is used to record money advanced in accordance with Federal aid contracts where the work is to be performed by private contractors and paid by MDOT. Detailed subsidiary records must be kept, either by Federal program and project/contract number, or by project/contract number.
- This account is:
DEBITED - with amount billed by State Department of Transportation for Federal aid projects.
CREDITED - from State Department of Transportation estimate for Federal aid projects.
- 126 Advance - State Aid Projects
This account is used to record money advanced in accordance with State aid contracts where the work is to be performed by private contractors paid by the State Department of Transportation. Detailed subsidiary records must be kept, either by State program and project/contract number, or by project/contract number.
- This account is:
DEBITED - with amount billed by State Department of Transportation for State aid projects.
CREDITED - from State Department of Transportation estimate for State aid projects.
- 127 Advance - Construction Awarded Contracts
This account may be used to record the expected cost of a construction project for which a contract has been awarded but not yet billed. This account balance reflects an offsetting debit to the liability recorded in Account 212 - Awarded Contracts Payable Unbilled.
- This account is:
DEBITED - with the amount of an awarded but unbilled contract.
CREDITED - with the completed portion of the contract when billed by the contractor.
- 128 Unamortized Discounts on Bonds Sold by the Road Commission
This account may be used to record the difference between the part of a bond — the value of the bond at maturity — and the proceeds from the sale of the bond by the issuing company, less the portion that has already been amortized.

Uniform Accounting Procedures Manual for County Road Commissions

This account is:

DEBITED - with the discount amount at time of issue.

CREDITED - with amounts charged to expenditure accounts in a subsequent accounting period.

129 Assets Held for Sale

This account is used to record the cost of assets that are being held for re-sale. When assets are acquired with the intent of reselling them, they should be reported as assets even though they may be capital in nature. However, the carrying value should not exceed the estimated sales proceeds, net of expenditures necessary to ready the asset for sale. An example of assets held for sale could be houses purchased to be renovated and resold.

This account is:

DEBITED - for the cost of assets acquired with the intent to be re-sold.

CREDITED - as sales take place, or as the estimated future sales price drops below the current carrying value (net of costs of preparing for sale).

Non-Current Assets (130 to 199)

Capital Assets - 130 to 179

For additional guidance, see the [Michigan Committee on Governmental Accounting and Auditing Statement](#) No. 10, 11 and 12 on the Michigan Department of Treasury's website under Local Government Services/Accounting Information. In governmental funds, capital assets are expenditures.

130 Land and Right of Way Purchases

This account is used to record the cost of land purchased by the Road Commission. Land acquired by gift or grant should be recorded at acquisition value. This account is also used to record the acquisition cost of land or right of ways. The cost of land includes legal fees, land surface leveling, debris removal and any other costs necessary to place the land in service.

This account is:

DEBITED - for the cost or appraised value of lands acquired.

CREDITED - for the recorded value of any land sold or otherwise disposed of.

131 Land Improvements Non-Depreciating

This account is used to record the actual cost of land improvements from construction and/or reconstruction projects. This work includes excavation, ditching, grading (lane widened portion and/or elevation change only), tree removal, subgrade preparation of land in preparation for roadway, and any other costs necessary.

This account is:

DEBITED - for the cost of land improvements by year.

Uniform Accounting Procedures Manual for County Road Commissions

CREDITED - for the value of land improvements when the roadway is abandoned or otherwise disposed of.

132 Land Improvements Depreciating

This account is used to record the cost of permanent improvements, other than buildings, which add value to the land. Examples are fences, sewers, sidewalks, pavements, retaining walls and landscaping.

This account is:

DEBITED - for the cost or appraised value of land improvements acquired.

CREDITED - for the recorded value of any such assets sold or otherwise disposed of.

133 Accumulated Depreciation - Land Improvements (Credit)

This account is used to record the accumulation of periodic decreases in the estimated service life of land improvements due to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence.

This account is:

DEBITED - for the amount of accumulated depreciation applicable to land improvements sold or otherwise disposed of.

CREDITED - either monthly or annually for the amount of decrease in estimated service life attributable to the current accounting period.

134 Depletable Assets

This account is used to record the cost or acquisition value (if acquired by gift) of natural resources which diminish in value by the removal of their contents such as gravel pits, stone quarries, timber stands, brine wells, gas, and oil wells, etc.

This account is:

DEBITED - for the cost or appraised value of depletable assets acquired.

CREDITED - for the recorded value of such assets sold or otherwise disposed of.

135 Accumulated Depletion - Depletable Assets (Credit)

This account is used to record the accumulation of periodic credits made to record the removal of natural resources.

This account is:

DEBITED - for the amount of accumulated depletion applicable to depletable assets sold or otherwise disposed of.

CREDITED - either monthly or annually with the cost of natural resources removed during the accounting period.

136 Buildings, Building Additions, and Improvements

This account is used to record the cost or acquisition value (if acquired by gift) of permanent structures, additions, and improvements. It includes the cost of all fixtures attached to and forming a permanent part of such structures.

Uniform Accounting Procedures Manual for County Road Commissions

This account is:

DEBITED - for the cost or appraised value of such assets acquired.

CREDITED - for the recorded value of such assets sold or otherwise disposed of.

137 Accumulated Depreciation - Buildings, Building Additions, and Improvements (Credit)

This account is used to record the accumulation of periodic credits made to record the expiration of the estimated service life of buildings and improvements.

This account is:

DEBITED - for the amount of accumulated depreciation applicable to buildings sold or otherwise disposed of.

CREDITED - either monthly or annually with the amount of decrease in estimated service life attributable to that month or year.

138 Road Equipment

This account is used to record the cost or acquisition value (if acquired by gift) of equipment of a more or less permanent nature used in road work such as motor graders, cranes, rollers, etc. If separate accounts are desired for unlicensed and licensed vehicles and equipment, use Account 138 Road Equipment, for unlicensed; and Account 148 Vehicles, for licensed.

This account is:

DEBITED - for the cost or acquisition value of road equipment acquired.

CREDITED - for the recorded value of such equipment sold or otherwise disposed of.

139 Accumulated Depreciation - Road Equipment (Credit)

This account is used to record the accumulation of periodic credits made to record the expiration of the estimated service life of unlicensed road equipment.

This account is:

DEBITED - for the amount of accumulated depreciation applicable to such equipment sold or otherwise disposed of.

CREDITED - either monthly or annually with the amount of decrease in estimated service life attributable to that month or year.

140 Shop Equipment

This account is used to record the cost or acquisition value (if acquired by gift) of machinery and equipment of a more or less permanent nature used in a Road Commission or city repair and maintenance shop.

This account is:

DEBITED - for the cost or acquisition value of shop equipment acquired.

CREDITED - for the recorded value of such equipment sold or otherwise disposed of.

Uniform Accounting Procedures Manual for County Road Commissions

141 Accumulated Depreciation - Shop Equipment (Credit)

This account is used to record the accumulation of periodic credits made to record the expiration of the estimated service life of shop machinery and equipment.

This account is:

DEBITED - for the amount of accumulated depreciation applicable to such equipment sold or otherwise disposed of.

CREDITED - either monthly or annually for the amount of decrease in estimated service life attributable to that month or year.

142 Engineering Equipment

This account is used to record the cost or acquisition value (if acquired by gift) of equipment of a more or less permanent nature used in the engineering department.

This account is:

DEBITED - for the cost or acquisition value of engineering equipment acquired.

CREDITED - for the recorded value of such equipment sold or otherwise disposed of.

143 Accumulated Depreciation - Engineering Equipment (Credit)

This account is used to record the accumulation of periodic credits made to record the expiration of the estimated service life of engineering equipment.

This account is:

DEBITED - for the amount of accumulated depreciation applicable to such equipment sold or otherwise disposed of.

CREDITED - either monthly or annually for the amount of decrease in estimated service life attributable to that month or year.

144 Yard and Storage Equipment

This account is used to record the cost or acquisition value (if acquired by gift) of equipment of a more or less permanent nature used for yard or storage purposes such as gasoline pumps and meters, fuel storage tanks, etc.

This account is:

DEBITED - for the cost or acquisition value of yard and storage equipment acquired.

CREDITED - for the recorded value of such equipment sold or otherwise disposed of.

145 Accumulated Depreciation - Yard and Storage Equipment (Credit)

This account is used to record the accumulation of periodic credits made to record the expiration of the estimated service life of yard and storage equipment.

This account is:

DEBITED - for the amount of accumulated depreciation applicable to such equipment sold or otherwise disposed of.

Uniform Accounting Procedures Manual for County Road Commissions

CREDITED - either monthly or annually with the amount of decrease in estimated service life attributable to that month or year.

146 Office Equipment and Furniture

This account is used to record the cost or acquisition value (if acquired by gift) of office equipment and furniture of a more or less permanent nature.

This account is:

DEBITED - for the cost or acquisition value of office equipment and furniture acquired.

CREDITED - for the recorded value of such equipment and furniture sold or otherwise disposed of.

147 Accumulated Depreciation - Office Equipment and Furniture (Credit)

This account is used to record the accumulation of periodic credits made to record the expiration of the estimated service life of office equipment and furniture.

This account is:

DEBITED - for the amount of accumulated depreciation applicable to such equipment and furniture sold or otherwise disposed of.

CREDITED - either monthly or annually for the amount of decrease in estimated service life attributable to that month or year.

148 Vehicles

This account may be used to record the cost or acquisition value (if acquired by gift) of all vehicles and equipment that are required to have a license plate such as cars, trucks, etc.

This account is:

DEBITED - for the cost or acquisition value of vehicles and equipment acquired.

CREDITED - for the recorded value of such vehicles and equipment sold or otherwise disposed of.

149 Accumulated Depreciation - Vehicles (Credit)

This account is used to record the accumulation of periodic credits made to record the expiration of the estimated service life of licensed vehicles and equipment.

This account is:

DEBITED - for the amount of accumulated depreciation applicable to such vehicles and equipment sold or otherwise disposed of.

CREDITED - either monthly or annually with the amount of decrease in estimated service life attributable to that month or year.

150-155 Open

156 Bridges

This account is used to record the actual cost of bridge construction/capacity improvement and/or redecking by year and subaccount.

.01 - Timber

Uniform Accounting Procedures Manual for County Road Commissions

- .02 - Metal
- .03 - Concrete
- .04 - Movable

This account is:

DEBITED - with the cost of bridge construction/capacity improvement and/or redecking by subaccount type at the end of each year

CREDITED - with the recorded value of such bridges when removed or otherwise disposed of.

157 Accumulated Depreciation - Bridges (Credit)

This account is used to record the accumulation of periodic credits made to record the expiration of the estimated life of bridge construction and/or redecking by year and subaccount.

- .01 - Timber
- .02 - Metal
- .03 - Concrete
- .04 - Movable

This account is:

DEBITED - with the amount of accumulated depreciation applicable to each bridge removed or otherwise disposed of.

CREDITED - with the amount of decrease in the estimated life, by subaccount and year, on an annual basis.

158 Construction in Progress

This account is used to record the cost of construction work undertaken but not yet completed. As projects are completed, the cost is transferred from this account to the applicable capital asset account.

This account is:

DEBITED - for costs of a construction project in progress at fiscal year-end.

CREDITED - for the cost of a project upon completion and transfer to the appropriate capital asset account.

159 Roads

This account is used to record the actual cost of road construction and/or reconstruction by year and subaccount.

- .01 - Gravel
- .02 - Asphalt
- .03 - Concrete

This account is:

DEBITED - with the cost of road construction/capacity improvements and/or reconstruction by subaccount type at the end of each year.

Uniform Accounting Procedures Manual for County Road Commissions

CREDITED - with the original cost reported at the termination of the depreciation schedule allocation per subaccount and year.

160 Accumulated Depreciation - Roads (Credit)

This account is used to record the accumulation of periodic credits made to record the expiration of the estimated life of road construction and/or reconstruction by year and subaccount.

- .01 - Gravel
- .02 - Asphalt
- .03 - Concrete

This account is:

DEBITED - with the amount of accumulated depreciation applicable to each subaccount at the termination of the depreciation schedule allocation per subaccount and year.

CREDITED - with the amount of decrease in the estimated life, by subaccount and year, on an annual basis.

161 Traffic Signals

This account is used to record the cost of traffic signals installed.

This account is:

DEBITED - with the original cost of installation of the signal.

CREDITED - with the recorded value of such signal removed or otherwise disposed of.

162 Accumulated Depreciation - Traffic Signal (Credit)

This account is used to record the accumulation of periodic credits made to record the expiration of the estimated life of traffic signals.

This account is:

DEBITED - with the amount of accumulated depreciation applicable to each traffic signal on an annual basis.

CREDITED - with the amount of decrease in the estimated life on an annual basis.

163-179 Open

Other Non-Current Assets (180 to 195)

These accruals may be used for assets that are not easily convertible to cash or not expected to become cash within the next year.

180 Investment of Surplus Funds

This account is used to record the cost of long-term investments of surplus funds under [1943 PA 20](#) (for the government's assets) and [1965 PA 314](#) (for pension and OPEB trust fund assets). This will include government bonds, treasury bills, treasury notes, municipal bonds, stocks, mortgages, land purchased for investment purposes, etc. A long-term

Uniform Accounting Procedures Manual for County Road Commissions

investment is an investment having a maturity date of more than one year from the date of purchase.

This account is:

DEBITED - for the cost of the investments purchased.

CREDITED - when the investments are sold or otherwise disposed of.

181 Investment in Joint Venture

This account is used to record a Road Commission's equity in a joint venture, in instances where there is an explicit, measurable right to the net resources of a joint venture. [GASB Statement 14, paragraph 72](#)

This account is:

DEBITED - for the original investment in the joint venture, and for any subsequent income from the joint venture.

CREDITED - for any losses from the joint venture.

182-185 Open

186 Amount to be Provided for Payment of Debt Principal (Long-Term Debt Control Only)

This account is used only in the Long-Term Debt Control and is used to record the amount which must be provided from Michigan Transportation Fund State aid distributions or other revenues to retire the principal on outstanding debt.

This account is:

DEBITED - with the full principal amount of long-term debt incurred.

CREDITED - with reductions of long-term debt principal.

187 Long-Term Contracts Receivable

This account is used to record that portion of a receivable from a contractual agreement which will not be realized within a one-year period.

This account is:

DEBITED – with amounts due on long-term contracts.

CREDITED – with amounts received.

188 Derivative Contracts

This account is used to record the fair market value of any derivatives contracts, in accordance with [GASB 53](#).

This account is:

DEBITED - when the fair value of the derivative is positive (i.e., the present value of the expected future inflows exceeds the present value of the expected future outflows), or the fair value has increased from its last measurement.

CREDITED - when the fair value of the derivative is negative (i.e., the present value of

Uniform Accounting Procedures Manual for County Road Commissions

the expected future outflows exceed the present value of the expected future inflows), or the fair value has decreased from its last measurement.

189 Leases Receivable (Long-term)

This account is used to record receivables generally created pursuant to a capital lease. The amount recorded should be the minimum rental payment due from the lessee over the life of the contract (excluding executory costs). This would be called gross investment in the lease. Generally, it would be equal to total principal and interest payments on the bond issue sold to acquire the asset.

This account is:

DEBITED - for the amount of bond principal and interest due over the entire life of the issue.

CREDITED - when the receivable becomes current. (See Account 062 – Leases Receivable (Current).)

190 Net Pension Asset

This account will be used to record the excess of net position in a pension system to the total pension liability and should be measured as the portion of the actuarial present value of projected payments that is attributable to past periods of employee service, net of the pension plan's fiduciary net position.

This account is:

DEBITED - when the portion of the actuarial present value of projected payments that is attributable to past periods of employee service is less than net of the pension plan's fiduciary net position.

CREDITED - when the portion of the actuarial present value of projected payments that is attributable to past periods of employee service is greater than net of the pension plan's fiduciary net position.

191 Net OPEB Asset

This account is used to record the excess of net position in an OPEB Trust Fund to the total OPEB liability. It should be measured as the portion of the actuarial present value of projected benefits that is attributable to past periods of employee service, net of the OPEB trust funds fiduciary net position.

This account is:

DEBITED - when the portion of the actuarial present value of projected payments that is attributable to past periods of employee service is less than net of the OPEB trust funds fiduciary net position.

CREDITED - when the portion of the actuarial present value of projected payments that is attributable to past periods of employee service is greater than net of the OPEB trust funds fiduciary net position.

Uniform Accounting Procedures Manual for County Road Commissions

192 Unamortized Discounts on Bonds Sold by the Local Unit

This account is used to record that portion of the excess of the face value of bonds over the amount received from their sale which remains to be amortized over the remaining life of the bonds.

This account is:

DEBITED - with the total amount of discounts allowed on bonds sold for less than face value.

CREDITED - with equal amounts charged to interest expense over the life of the bonds and with any balance remaining if bonds are redeemed before stated maturity dates.

193 Long -Term Advances to Other Funds

This account is used to record advances to other funds within the local unit where such advances are not due within a year. Examples are advances to a County Drain Revolving Fund for preliminary expenses, advances to a County 100% Tax Payment Fund, advances to an internal service fund, etc. Sub-accounts must be used where several funds are involved. An offsetting liability must be recorded in the fund receiving the advance.

This account is:

DEBITED - for amounts advanced to other funds.

CREDITED - for the repayment of any portion of such advances.

194 Long-term Advances to Other Units of Government

This account is used to record advances to other units of government where such advances are not due within a year. An example is an advance to a building authority. Sub-accounts must be used where several units are involved.

This account is:

DEBITED - for the amounts advanced by the Road Commission to another unit.

CREDITED - for the repayment of any portion of such advances.

Note: Legal advice should always be obtained before advances or loans are made to another unit of government.

195 Amount to be Provided for Accumulated Vacation and Sick Leave (Long-Term Debt Control Only)

This account is used only in the Long-Term Debt Control and is used to record the dollar value of the employees vested accumulated vacation and sick leave as of the last day of the fiscal year. The amount is determined by multiplying the employees' hourly rates by the number of leave hours available to use per employee contracts or agreements if 100% of the leave is vested. If less than 100% is vested, record only the vested portion. Offsetting entries to this account are to be made to Account #343 - Accrued Vacation and Sick Leave Payable (Long-Term). A schedule should be kept documenting compensated absences including beginning balance, additions, reductions and ending balance. This schedule may be required by your auditors at year-end.

Uniform Accounting Procedures Manual for County Road Commissions

This account is:

DEBITED - at the end of the current fiscal year with the difference between the amount recorded in the account from the previous year and the amount calculated at the end of the current fiscal year if the ending amount is greater.

CREDITED - with the difference if the amount calculated is less.

Deferred Outflows of Resources (196-199)

196 Deferred Outflows

This account should be used to record amounts that are specifically defined by the GASB as meeting the definition of Deferred Outflow by [GASB Statement 63](#), [GASB Statement 65](#), or any subsequent amendment. In general, this account applies to the recognition of liabilities that neither meet the criteria for expense recognition nor result in an asset. At this point, the types of deferrals specified for this category include:

The deferral of a loss on the refunding of a bond issue (where the amount transferred to the escrow agent exceeds the carrying value of the refund debt.)

This account is:

DEBITED - For the amounts advanced by the local unit to another unit.

CREDITED - For the repayment of any portion of such advances.

197 Deferred Outflows of Resources for Pension

a. Each of the following should be recognized in pension expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period:

(1) Differences between expected and actual experience with regard to economic or demographic factors (differences between expected and actual experience) in the measurement of the total pension liability.

(2) Changes of assumptions about future economic or demographic factors or of other inputs (changes of assumptions or other inputs).

The portion of (1) and (2) not recognized in pension expense should be reported as deferred outflows of resources or deferred inflows of resources related to pensions.

b. The difference between projected and actual earnings on pension plan investments should be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning in the current reporting period. The amount not recognized in pension expense should be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and reported as a net deferred outflow of resources related to pensions, or a net deferred inflow of resources related to pensions.

Uniform Accounting Procedures Manual for County Road Commissions

Contributions to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period should be reported as a deferred outflow of resources related to pensions.

This account is:

DEBITED - current year recognition of differences in experience, assumptions, investments, and contributions subsequent to the measurement date.

CREDITED - using a systematic and rational method over a closed period equal to the average of the expected remaining service lives for changes in experience or assumptions/ using a systematic and rational method over a closed five-year period for changes in investments.

198 Deferred Outflows of Resources for OPEB

a. Each of the following should be recognized in OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period:

(1) Differences between expected and actual experience with regard to economic or demographic factors (differences between expected and actual experience) in the measurement of the total OPEB liability.

(2) Changes of assumptions about future economic or demographic factors or of other inputs (changes of assumptions or other inputs).

The portion of (1) and (2) not recognized in OPEB expense should be reported as deferred outflows of resources or deferred inflows of resources related to OPEB.

b. The difference between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period, beginning in the current reporting period. The amount not recognized in OPEB expense should be reported as deferred outflows of resources or deferred inflows of resources related to OPEB. Deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual OPEB plan investment earnings in different measurement periods should be aggregated and reported as a net deferred outflow of resources related to OPEB, or a net deferred inflow of resources related to OPEB.

Contributions to the OPEB plan from the employer subsequent to the measurement date of the net OPEB liability and before the end of the reporting period should be reported as a deferred outflow of resources related to OPEB.

This account is:

DEBITED - current year recognition of differences in experience, assumptions, investments, and contributions subsequent to the measurement date.

Uniform Accounting Procedures Manual for County Road Commissions

CREDITED - using a systematic and rational method over a closed period equal to the average of the expected remaining service lives for changes in experience or assumptions/ using a systematic and rational method over.

199 Open

Liability (200-359)

Current Liabilities (200-299)

200 Open

201 Vouchers Payable

This account is used to record liabilities for materials and services evidenced by vouchers, which have been pre-audited and signed by the proper authority approving the liability.

This account is:

DEBITED - upon payment of vouchers.

CREDITED - for amounts approved for payment.

202 Accounts Payable

This account is used to record amounts on open account owing to private persons, firms, corporations, or other organizations for goods and services received by the Road Commission.

This account is:

DEBITED - upon payment of these accounts.

CREDITED - for amount of accounts payable approved for payment.

203 Drain Order Payable

This account is used by a county Drain Fund to record the amount of drain orders payable during the current fiscal year. Drain orders payable in a subsequent year or years are recorded in Account 363 - Drain Orders Payable-Deferred.

This account is:

DEBITED - upon payment of any drain orders previously credited to this account.

CREDITED - at the beginning of the fiscal year with the amount of all drain orders due during the year, and with the issuance of other drain orders which become due and payable during the current year.

204 Consignment Payable

This account is used to record liabilities for parts or materials, such as culverts, received with the understanding that payment for the parts or materials will only be made once the parts or materials are used.

This account is:

Uniform Accounting Procedures Manual for County Road Commissions

DEBITED - when the consigned materials are used.

CREDITED - upon receipt of the consignment

205 Judgments Payable

This account is used to record amounts payable by the Road Commission as a result of a court decision, including condemnation awards and payment for private property taken for public use.

This account is:

DEBITED – upon payment of any portion of the judgement or any amount of the judgement ordered, set aside by a higher court.

CREDITED - for the total amount of any judgment against the Road Commission.

206 Annuities Payable

This account is normally used by a Road Commission’s Retirement Fund to record amounts due and payable to retirees or their survivors.

This account is:

DEBITED - upon payment of the annuities.

CREDITED - when annuities become due and payable.

207 Notes Payable (Current)

This account is used to record the portion of tax anticipation notes or other notes to be paid by the Road Commission during the current year. A note payable is an unconditional written promise signed by the maker (authorized Road Commission officials) to pay a certain sum of money on demand or at a fixed or determinable time either to the bearer or to the order of a person designated therein. The long-term portion of notes payable should be recorded in Account 307-Notes Payable.

This account is:

DEBITED - for payments made on such notes.

CREDITED - for the amount of notes to be paid during the current year.

208 Lease Payable (Current)

This account may be used to record that portion of the present value of total minimum lease payments which are due to the lessor within a year. Generally, it is the present value of the current payment from a lease payment schedule. All delinquent lease principal payments as of the end of a fiscal period must be recorded in this account.

This account is:

DEBITED - when the lease payment is made only to the extent of the present value of the minimum lease payments.

CREDITED - for the present-value minimum lease payment to be made.

209 Open

Uniform Accounting Procedures Manual for County Road Commissions

210 Contracts Payable (Current)

This account is used to record the actual liability on a contract for the amount of work done or services rendered to date for which the contractor has not been compensated. Subaccounts should be used where several contracts are involved. This account does not include the percentage retained in accordance with contract provisions. Retained percentages are recorded in Account 211 Contracts Payable – Retained Percentage.

This account is:

DEBITED - with payments of such amounts to contractors.

CREDITED - with amounts due contractors for work completed but not including any retained percentages.

211 Contracts Payable - Retained Percentage

This account is used to record the amount due on construction contracts which have been completed but on which part of the liability has not been paid pending final inspection or the lapse of a specified time period, or both. The unpaid amount is usually a stated percentage of the contract price.

This account is:

DEBITED - upon payment of such amount to the contractor.

CREDITED - for the amount of retained percentage provided for in the contract.

212 Awarded Contracts Payable (Unbilled)

This account is used to formally record the liability incurred by the Road Commission upon entering into a construction contract even though no portion of the work has been completed.

This account is:

DEBITED - for amounts billed by the contractor. (The credit to this entry should be to Account 210 Contracts Payable (Current) and/or Account 211 Contracts Payable - Retained Percentage).

CREDITED - for the total amount of any construction contract officially entered into by the Road Commission. (The debit of this entry should be to Account 127 - Deferred Construction - Awarded Contracts.)

213 Land Contracts Payable Current Portion

This account is used to record the portion of land contracts due and payable during the current fiscal year.

This account is:

DEBITED - for payments made.

CREDITED - for the amount of contracts payable during the current year.

214 Due to Other Funds

This account is used to record short-term amounts due to another fund within the local government unit reporting entity. An offsetting receivable must be recorded in Account 084 -Due from Other Funds, in the fund to which the payments are due.

Uniform Accounting Procedures Manual for County Road Commissions

This account is:

DEBITED - for payment of such amounts.

CREDITED - for amounts due to other funds of the local unit.

215-220 Open

221 Due to Cities

This account is used to record amounts due to cities. Sub-accounts should be maintained for each individual city.

This account is:

DEBITED - for payments on such debt.

CREDITED - for amounts owed to any city as debt is incurred.

222 Due to Counties

This account is used to record amounts due to counties. Sub-accounts should be maintained for each individual county.

This account is:

DEBITED - for payments on amounts owed.

CREDITED - for amounts owed to any county.

223 Open

224 Due to Road Commissions

This account is used to record amounts due to a County Road Commission for road construction, repair or for other services rendered to the Road Commission by the other County Road Commission.

This account is:

DEBITED - for payment of amounts owed.

CREDITED - for amounts owed to a Road Commission.

225 Reserved for Michigan Department of Treasury

226 Due to Townships

This account is used to record amounts owed to townships for township taxes collected, services rendered by the townships, etc. Sub-accounts should be maintained for each individual township.

This account is:

DEBITED - for payments to townships of amounts owed.

CREDITED - for amounts owed to townships.

Uniform Accounting Procedures Manual for County Road Commissions

227 Due to Villages

This account is used to record amounts owed to villages for village taxes collected, services rendered by villages, etc. Sub-accounts should be maintained for each individual village.

This account is:

DEBITED - for payments to villages of amounts owed.

CREDITED - for amounts owed to villages.

228 Due to State of Michigan

This account is used to record amounts collected for and owed to the State of Michigan by the Road Commission. Detailed sub-accounts for the various statutory collections and remittances to the state must be maintained.

If additional sub-accounts are needed, please contact the Michigan Department of Treasury, Community Engagement and Finance Division, P.O. Box 30728, Lansing, Michigan 48909-8228, or phone 517-373-3227.

The Michigan Department of Treasury's Receipts Processing Section requires all payments to be accompanied with the applicable form or remittance advice. Payments made without a Treasury form or remittance advice should include a detailed explanation of why the payment is being made.

The following sub-account numbers must be used:

02 State Income Tax Withheld ([Public Act 281 of 1967](#))

03 Emergency Advance – M.F. Funds

11 Highway Safety fund [MCL 257.629e](#)

18 State Trunk Line Maintenance (MDOT Contracts)

19 Michigan Department of Transportation - Other Services

23 Sales Tax [MCL 205.52](#) and [MCL 205.56](#)

27 Unemployment Compensation ([Public Act 1 of 1936 Extra Session](#)) [MCL 421.13](#)

35 State Highway – Contracted Projects

This account is:

DEBITED - for all payments to the State of Michigan of amounts owed.

CREDITED - for all amounts owed to the State of Michigan.

229 Due to Federal Government

This account is used to record amounts collected for or owed to the Federal government by the Road Commission. Detailed sub-accounts must be maintained, and the following subaccount numbers should be used:

.01 - Federal Income Taxes Withheld

.02 - Social Security Taxes

.03 - Medicare Taxes

Uniform Accounting Procedures Manual for County Road Commissions

Additional sub-account numbers and titles may be assigned by Road Commission as needed.

This account:

DEBITED - for all amounts paid back to the Federal Government.

CREDITED - for all amounts owed to the Federal Government.

230 Due to Other Units of Government

This account is used to record amounts collected for or owed to other units of government. Subaccounts should be used for each separate unit of government.

This account is:

DEBITED - for all payments to such units of amounts owed.

CREDITED - for amounts owed to other units of government.

231 Payroll Deductions Payable

This account is used to record amounts withheld from employees (other than social security and income taxes) for payments to other agencies. Examples are health and life insurance premiums, credit union deductions, etc. Sub-accounts should be used for each separate deduction.

This account is:

DEBITED - for payments to the proper agencies.

CREDITED - for amounts withheld from employees' pay.

232 Due to Employees

This account is used to record amounts due to employees of the Road Commission. Examples are underpayment of salaries, excessive payroll withholding, etc.

This account is:

DEBITED - for payments to employees of the amounts owed.

CREDITED - for amounts owed by the Road Commission to its employees.

233 Due to Former Employees

This account is used to record severance pay, vacation pay, and other benefits due but not paid when employment was terminated. This account may also be used in a Road Commission retirement fund to record amounts due to members of the retirement system who have resigned or left the system prior to retirement. Sub-accounts should be used to record amounts due to each former employee.

This account is:

DEBITED - for payments to former employees of the amounts owed.

CREDITED - for amounts due to former employees.

234 Reserved for Michigan Department of Treasury

235 – 240 Open

Uniform Accounting Procedures Manual for County Road Commissions

241 Advances from Cities

This account is used to record amounts received from cities based on agreements for specified projects for which work has not yet begun. Subaccounts may be used to record amounts advanced from each city.

This account is:

DEBITED - as work on such projects progresses. The offsetting credit to this entry is to Account 583.01. "Contributions from Local Units Highways City Contributions"

CREDITED - with amounts of advances received.

242-245 Open

246 Advances from Townships

This account is used to record amounts received from townships based on agreements for specified projects for which work has not yet begun. Subaccounts may be used to record amounts advanced by each township.

This account is:

DEBITED - as work on such projects progresses. The off-setting credit to this entry is normally to Account 583.04. "Contributions from Local Units Highways Township Contributions"

CREDITED - with amounts of advances received.

247 Advances from Villages

This account is used to record amounts received from villages based on agreements for specified projects for which work has not yet begun. Subaccounts should be used to record amounts advanced from each village.

This account is:

DEBITED - as work on such projects progresses. The off-setting credit to this entry is to Account 583.05. "Contributions from Local Units Highways Village Contributions"

CREDITED - with amounts of advances received.

248 Open

249 Advances from Other Units of Government

This account is used to record amounts received from other units of government based on agreements for specified projects for which work has not yet begun. Subaccounts should be used to record amounts advanced from each unit.

This account is:

DEBITED - as work on such projects progresses. The offsetting credit to this entry is normally to Account 583.06. "Contributions from Local Units Highways Other Governmental Contributions"

CREDITED - with amounts of advances received.

Uniform Accounting Procedures Manual for County Road Commissions

250 Bonds Payable (Current)

This account may be used to record the amount of bonds that mature (or come due) within one year of the balance sheet date. Sub-accounts may be used to record amounts due for each series.

This account is:

DEBITED - upon payment of such bonds at maturity.

CREDITED - at the beginning of the year with the face value of bonds maturing during the year. Note that an equal amount must be deducted from long-term bonds payable recorded in Account 300-Bonds Payable.

251 Accrued Interest Payable

This account is used to accrue bond interest due in the current fiscal year.

This account is:

DEBITED - upon payment of such interest when due.

CREDITED - at the end of the fiscal year for the amount of interest expense accrued during the fiscal year but not paid as of the end of the year.

252 – 254 Open

255 Customers Deposits - Driveway Snow Plowing (UP Only)

This account is used to record the liability created when a customer is required to post a deposit before receiving private driveway plowing services.

This account is:

DEBITED - with repayments of deposits to customers or when the deposit is recognized as revenue in Account 641-Driveway Snow Plowing (UP only)

CREDITED - with customer deposits received.

Private Driveway Plowing (UP Only)

All private driveway plowing receipts shall be credited to liability Account 255 - Customer's Deposits Driveway – Snow plowing (UP Only). All private driveway plowing costs shall be charged to Activity 520 - Driveway Snowplowing. At fiscal year-end, prior to recording closing entries, an amount equal to driveway plowing expenditures (for the year) that are recorded in Activity 520 shall be transferred from liability Account 255 to revenue Account 641 - Charges for Services - Driveway Snow plowing (UP Only).

256 Open

257 Accrued Wages Payable

This account is used to record wages earned by employees but not due until a later date.

This account is:

DEBITED - upon payment or by reversing the entry.

Uniform Accounting Procedures Manual for County Road Commissions

CREDITED - for amounts of salaries and wages earned but not paid as of the end of an accounting period.

258 Accrued Taxes Payable (Includes Payroll Taxes)

This account is used to record the Road Commission's liability for taxes incurred but not due until a later date. An example is the Road Commission's matching portion of social security on an accrued payroll.

This account is:

DEBITED - upon payment or by reversing the entry.

CREDITED - monthly, or at the end of the fiscal year for amounts of accrued taxes.

259 Open

260 Accrued Vacation Payable

This account is used to record the liability for unused vacation.

This account is:

DEBITED - upon payment of wages related to vacations.

CREDITED - with an estimate that can be determined using historical trends, budgeted amounts, and internal policies of the government. This estimate should agree with the current portion of compensated absences in the government-wide Statement of Net Position.

In the government-wide financial statements, this account is used to record the entire liability for unused vacation, on the accrual basis of accounting. [GASB 34](#) requires local governments to report and disclose the portion of compensated absences that “is due within one year of the statement date.” Compensated absences liabilities become due upon the occurrence of events such as resignations, retirements and use of leave balances by employees. Because these occurrences and related dollar amounts generally cannot be determined reliably in advance, the portion of compensated absences due within one year should be estimated.

Note: The Road Commission’s liability for all compensated absences is required to be reported and disclosed, including the liability for personal leave, compensatory time, etc. Open account numbers may be assigned account names for each type of leave, or Account 260 may be titled Compensated Absences Payable and used to record the liability for all the different kinds of leave. This account is used to record vacation earned by employees but not paid until a later date.

261 Accrued Sick Leave Payable

In the government-wide financial statements, this account is used to record the accrued liability for sick leave (calculated in accordance with GASB Statement 16), on the accrual basis of accounting. “A liability should be accrued as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement ("termination payments"). Therefore, an accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than

Uniform Accounting Procedures Manual for County Road Commissions

be taken as absences due to illness or other contingencies, such as medical appointments and funerals. Alternatively, a governmental entity could estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.” [GASB Statement 16, Paragraph 8](#)

This account is:

DEBITED - upon payment of wages related to sick leave.

CREDITED - when it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement.

262 – 263 Open

264 Other Accrued Liabilities

This account may be used to record accrued liabilities for which no other account has been provided.

This account is:

DEBITED - upon payment of the liabilities or by reversing entry.

CREDITED - at the end of the year, or monthly, with amounts of other accrued liabilities.

265 Bonds Payable (Cash bonds)

This account is used to record collections of cash bonds such as appearance bonds and bail bonds, the subsequent repayment of these bonds upon court order to the proper party or to the General fund upon forfeiture. A detailed ledger must be maintained to record the receipt and disbursement of each bond,

This account is:

DEBITED - upon repayment of the bond or transferred to the General Fund upon forfeiture.

CREDITED - for all cash bonds received.

266 Court Orders Payable

This account is used to record amounts received by the Road Commission, in accordance with a court order, for subsequent payment to recipients specified in the court order. A detailed ledger must be maintained showing the account activity for each case or court order.

This account is:

DEBITED - upon payment to the recipients specified in the court order.

CREDITED - for all court ordered amounts received.

267 Open

Uniform Accounting Procedures Manual for County Road Commissions

268 Unclaimed Money

This account is used to record unclaimed money in the possession of the Road Commission such as outstanding or unclaimed payroll checks and other checks, unclaimed meter deposits, other unclaimed trust, and agency money, etc. Unclaimed money must be reported to the State Treasurer annually. Unclaimed money is considered to be abandoned if there has been no owner-generated activity in the account for a specific amount of time as identified in the list of dormancy periods that can be found on Treasury's [unclaimed property website](#), and attempts to contact the owner fail. If these attempts are unsuccessful, the money is turned over to the State Treasurer where the owner or the owner's heirs may claim it. Beginning in 2011, the due date for the annual unclaimed property report (holder report) will change from November 1 to July 1 for property reaching its dormancy period as of March 31.

This account is:

DEBITED - for any amounts claimed by and paid to rightful owners and for any amounts paid to the state.

CREDITED - for all amounts determined to be unclaimed.

269 Garnishments Payable

This account is used to record amounts received or held by the Road Commission as a result of the garnishment of wages. These amounts are subsequently paid to parties specified in the garnishment order.

This account is:

DEBITED - for payments to proper parties.

CREDITED - for amounts of wage garnishments received or withheld from employees.

270 – 275 Open

276 Receipts Refundable

This account is used to record amounts to be returned to persons or firms which have made overpayments or duplicate payments, other than taxes, to the Road Commission.

This account is:

DEBITED - upon return of the overpayments.

CREDITED - for amounts of overpayments or duplicate payments received as described above.

277 – 282 Open

283 Performance Deposits Payable

This account is used to record money deposited with the Road Commission by contractors, other firms, or individuals to guarantee the performance of a certain act or acts. Subsidiary records must be maintained showing account activity for each depositor.

This account is:

Uniform Accounting Procedures Manual for County Road Commissions

DEBITED - for the return or other authorized use of such deposits.

CREDITED - for the receipt of deposits described above.

284 – 285 Open

286 Due to Fiscal Agent

This account may be used to record amounts due to fiscal agents such as banks for servicing the Road Commission's maturing debt principal and interest payments.

This account is:

DEBITED - for payments to such fiscal agents.

CREDITED - for amounts due but not paid to fiscal agents.

287 – 288 Open

289 Unamortized Premiums on Bonds Sold

This account is used to record the excess of proceeds received from the sale of bonds over and above the par value, which remains to be amortized over the remaining life of such bonds. (This amount does not include accrued interest to the date of sale.)

This account is:

DEBITED - for equal amounts credited to Account 992 – Interest over the life of the bonds, and with any balance remaining if bonds are redeemed before the stated maturity dates.

CREDITED - upon receipt of the bond premiums described above.

290 – 298 Open

299 Other Current Liabilities

This account may be used to record those current liabilities for which a specific current liability account is not provided.

This account is:

DEBITED - upon payment of the liability.

CREDITED - upon incurrence of the liability.

Long-Term Liabilities (300-359)

300 Bonds Payable

This account is used to record the face value of all long-term bonds which are issued and unpaid.

Note that bonds maturing during the current fiscal year should be recorded in account 250 - Bonds Payable (Current). Sub-accounts must be maintained showing account activity for each bond issue.

This account is:

Uniform Accounting Procedures Manual for County Road Commissions

DEBITED - for the amount of bonds retired or transferred to account 250 - Bonds Payable (Current).

CREDITED - for the face amount of bonds issued.

301 – 303 Open

304 Lease Payable (Non-Current)

This account is used to record present value of the total minimum lease payments to be made during the term of a capital lease (net of the portion allocable to future interest) due after a year or more. Present value is the cash purchase price or principal attributable to the leased asset. Note that present value of lease payments due during the current fiscal year should be recorded in Account 208 - Leases Payable (Current). All delinquent lease principal payments as of the end of a fiscal period must be recorded in Account 208- Leases Payable (Current). Sub-accounts must be maintained showing account activity for each capital lease agreement.

This account is:

DEBITED - as lease payments are made or for amounts transferred to Account 208 - Leases Payable (Current).

CREDITED - for the total present value amount of long-term lease payments.

305 – 306 Open

307 Notes Payable (Long-term)

This account is used to record all notes of a long-term nature (over one year) owed by the Road Commission. The current portion of notes payable may be recorded in Account 207 – Notes Payable (Current). Detail for each issue of notes is required.

This account is:

DEBITED - upon payment of such notes and for amounts transferred to Account 207– Notes Payable (Current).

CREDITED - for the face amount of long-term notes.

308 – 309 Open

310 Contracts Payable (Long-Term)

This account is used to record that portion of contracts payable falling due in years subsequent to the current fiscal year.

Note: The current portion of contracts payable may be recorded in Account 210 Contracts Payable (Current). Detail for each contract is required.

This account is:

DEBITED - with contractual payments and with amounts transferred to Account 210 Contracts Payable (Current).

CREDITED - with the full amount of debt incurred through a long-term contract.

Uniform Accounting Procedures Manual for County Road Commissions

311 – 313 Open

314 Advances from Other Funds

This account is used to record amounts owed to other funds of the same local government reporting entity for amounts payable in years subsequent to the current year. Examples are long-term loans, advances for services to be performed in the future, and similar items.

This account is:

DEBITED - for all repayments of advances or other redemptions of this long-term debt.

CREDITED - upon the incurrence of a long-term obligation to another fund.

315 – 320 Open

321 Advances from Cities

This account may be used to record amounts owed by a Road Commission to a city. Subaccounts should be maintained for each individual city.

This account is:

DEBITED - for decreases (repayments) of advance amounts.

CREDITED - for amounts of advances received.

322 Advances from Counties

This account may be used to record amounts owed by a Road Commission to a county. Subaccounts should be maintained for each individual county.

This account is:

DEBITED - for decreases (repayments) of advance amounts.

CREDITED - for amounts of advances received.

323 Open

324 Advances from Road Commissions

This account may be used to record amounts owed by a Road Commission to a Road Commission. Subaccounts should be maintained for each individual Road Commission.

This account is:

DEBITED - for decreases (repayments) of advance amounts.

CREDITED - for amounts of advances received.

325 Advances from Schools

This account may be used to record amounts owed by a Road Commission to a school. Subaccounts should be maintained for each individual school.

This account is:

DEBITED - for decreases (repayments) of advance amounts.

CREDITED - for amounts of advances received.

Uniform Accounting Procedures Manual for County Road Commissions

326 Advances from Townships

This account may be used to record amounts owed by a Road Commission to a township. Subaccounts should be maintained for each individual township.

This account is:

DEBITED - for decreases (repayments) of advance amounts.

CREDITED - for amounts of advances received.

327 Advances from Villages

This account may be used to record amounts owed by a Road Commission to a village. Subaccounts should be maintained for each individual village.

This account is:

DEBITED - for decreases (repayments) of advance amounts.

CREDITED - for amounts of advances received.

328 Advances from State

This account may be used to record amounts owed by a Road Commission to the State of Michigan where such amounts are due in years subsequent to the current fiscal year. Detailed sub-accounts should be maintained if more than one advance is received.

.01 - State Trunkline Equipment Advance

.02 - State Trunkline Maintenance Advance

This account is:

DEBITED - for decreases (repayments) of advance amounts.

CREDITED - for amounts of advances received.

329 Advances from Federal Government

This account may be used to record amounts owed by the Road Commission to the federal government where such amounts are due in years subsequent to the current fiscal year. Detailed sub-accounts should be maintained if more than one advance is received.

This account is:

DEBITED - for decreases (repayments) of advance amounts.

CREDITED - for amounts of advances received.

330 Advances from Local Units of Government

This account may be used to record amounts owed by the Road Commission to a local unit of government to another unit where such amounts are due in years subsequent to the current fiscal year. Account 314 -Advances from Other Funds, should be used by a local unit to record long-term obligations between its own funds.

This account is:

DEBITED - for decreases (repayments) of advance amounts.

CREDITED - for amounts of advances received.

Uniform Accounting Procedures Manual for County Road Commissions

331 – 332 Open

333 Advances - Special Assessment Districts

This account may be used to record proceeds received from bond issues to finance primary and local road construction and improvements in special assessment districts, and advances or prepayments received from individuals and local units in these districts to finance this work. Subsidiary records must be maintained for this account.

This account is:

DEBITED - as work on the district project progresses with offsets credited to revenue Account 672 - Special Assessments.

CREDITED - for the amount of bond proceeds and advances received.

334 Net Pension Liability

This account will be used to record the shortfall of net position in a pension system to the total pension liability and should be measured as the portion of the actuarial present value of projected payments that is attributable to past periods of employee service, net of the pension plan's fiduciary net position.

This account is:

DEBITED - when the portion of the actuarial present value of projected payments that is attributable to past periods of employee service is greater than net of the pension plan's fiduciary net position.

CREDITED - when the portion of the actuarial present value of projected payments that is attributable to past periods of employee service is less than net of the pension plan's fiduciary net position.

335 Net OPEB Liability

This account is used to record the amount of a Road Commission's Net Other Post-Employment Benefits (OPEB) Obligation, under [GASB Statement 74](#) and [75](#). This account is found in the government-wide financial statements.

This account is:

DEBITED - for contributions to the OPEB trust fund in excess of the annual OPEB cost.

CREDITED - for contributions in relation to the ARC that are less than the annual OPEB cost.

336 – 338 Open

339 Unearned Revenue

This account should be used to record amounts for which asset recognition criteria have been met (such as cash that has been received, or amounts that are receivable), but for which it has not met the revenue recognition requirements, and the deferral meets the definition of a liability. (Note that for certain specific situations where the deferral does not meet the definition of a liability, [GASB Statement 65](#) requires the use of Account 360-Deferred Inflows). Under the modified accrual basis of accounting, Unearned Revenue

Uniform Accounting Procedures Manual for County Road Commissions

would include government-mandated or voluntary non-exchange revenue that is received before the eligibility requirements are met (excluding time requirements – those with only time requirements are to be reported as deferred inflows). It would also include exchange or exchange-like revenues for which the services or goods have not yet been exchanged. Subaccounts may be utilized for individual types of revenue such as recreation programs, advance grant programs, forest road funds, etc.

This account is:

DEBITED - for amounts reclassified to revenue accounts, as the exchange takes place, or as the eligibility requirements have been met.

CREDITED - for an equal amount recorded in cash or a receivable account by a local unit which meets the definition of a liability.

340 – 342 Open

343 Accrued Vacation and Sick Leave Payable

This account is used in the government-wide financial statements to record the dollar value of the employees accrued vacation and sick leave as of the last day of the fiscal year (calculated in accordance with [GASB Statement 16](#)), less the amount recorded as a current year liability in account 260 - Accrued Vacation Payable, and account 261 - Accrued Sick Leave Payable. The amount is determined by multiplying the employees' hourly rates by the number of leave hours available to use per employee contracts or agreements if 100% of the leave is vested. If less than 100% is vested, record only the vested portion. Offsetting entries to this account are to be made to Account 195 - Amount to be Provided for Accumulated Vacation and Sick Leave. A schedule should be kept documenting compensated absences including beginning balance, additions, reductions and ending balance. This schedule may be required by your auditors at year-end.

This account is:

DEBITED - with the difference if the amount calculated at year-end is less.

CREDITED - at the end of the current fiscal year for the difference between the amount recorded in the account from the previous year and the amount calculated at the end of the current fiscal year if the ending amount is greater.

344 - 359 Open

Deferred Inflows of Resources (360 to 369)

360 Deferred Inflows

This account should be used to record amounts that are specifically defined by the GASB as meeting the definition of Deferred Inflow by [GASB Statement 63](#), [GASB Statement 65](#), or any subsequent amendments. In general, this account applies to asset (cash or receivables) that do not meet the criteria for revenue recognition, and that also do not meet the definition of a liability. At this point, the types of deferrals specified for this category include:

Uniform Accounting Procedures Manual for County Road Commissions

- Any modified accrual funds that need to defer revenue solely because it is not available (not collected within their period of availability, generally 30-60 days).
- Property taxes or other imposed non-exchange revenue that are receivable (or received) before the period the resources may be used.
- Government-mandated or voluntary non-exchange revenue that is awaiting only their time requirements before revenue recognition is appropriate; and
- Sale of future revenues.

Subaccounts should be utilized for individual types of revenue such as property taxes, special assessments, etc.

This account is:

DEBITED - for amounts reclassified to revenue accounts, as the revenue recognition requirements have been met.

CREDITED - for an equal amount recorded in cash or a receivable account by a local unit which meets the definition of a deferred inflow.

361 Deferred Inflows for Pension

This account should be used to reflect changes in assumptions, experience, and investments.

a. Each of the following should be recognized in pension expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period:

1. Differences between expected and actual experience with regard to economic or demographic factors (differences between expected and actual experience) in the measurement of the total pension liability.
2. Changes of assumptions about future economic or demographic factors or of other inputs (changes of assumptions or other inputs).

The portion of (1) and (2) not recognized in pension expense should be reported as deferred outflows of resources or deferred inflows of resources related to pensions.

b. The difference between projected and actual earnings on pension plan investments should be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning in the current reporting period. The amount not recognized in pension expense should be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and reported as a net deferred outflow of resources related to pensions, or a net deferred inflow of resources related to pensions.

This account is:

Uniform Accounting Procedures Manual for County Road Commissions

DEBITED - using a systematic and rational method over a closed period equal to the average of the expected remaining service lives for changes in experience or assumptions/ using a systematic and rational method over a closed five-year period for changes in investments.

CREDITED - Current year recognition of differences in experience, assumptions, and investments.

362 Deferred Inflows for OPEB

This account should be used to reflect changes in assumptions, experience, and investments.

a. Each of the following should be recognized in OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period:

1. Differences between expected and actual experience with regard to economic or demographic factors (differences between expected and actual experience) in the measurement of the total OPEB liability.
2. Changes of assumptions about future economic or demographic factors or of other inputs (changes of assumptions or other inputs).

The portion of (1) and (2) not recognized in OPEB expense should be reported as deferred outflows of resources or deferred inflows of resources related to OPEB.

b. The difference between projected and actual earnings on OPEB plan investments should be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning in the current reporting period. The amount not recognized in OPEB expense should be reported as deferred outflows of resources or deferred inflows of resources related to OPEB. Deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual OPEB plan investment earnings in different measurement periods should be aggregated and reported as a net deferred outflow of resources related to OPEB, or a net deferred inflow of resources related to OPEB.

This account is:

DEBITED - using a systematic and rational method over a closed period equal to the average of the expected remaining service lives for changes in experience or assumptions/ using a systematic and rational method over a closed five-year period for changes in investments.

CREDITED - Current year recognition of differences in experience, assumptions, and investments.

Uniform Accounting Procedures Manual for County Road Commissions

363 Drain Orders – Deferred

This account is used only in the Drain Fund of counties and its balance reflects drain orders payable for years subsequent to the current fiscal year. A detailed subsidiary ledger should be maintained showing liability by year for each drain order.

This account is:

DEBITED - at the beginning of each year for the amount of drain orders becoming due during the current year. Note that the amount due within one year is credited to Account 203 - Drain Orders Payable.

CREDITED - for the amount of all drain orders issued which become due and payable in years subsequent to the current fiscal year.

364-369 Open

Non-Spendable Fund Balance (370 to 374)

370 – 374 Non-Spendable Fund Balance

These accounts are used in governmental funds to record the portion of fund balance that is not in spendable form (that is, the portion that results from assets that are not spendable – prepaids, inventory, long-term advances to other funds, or other receivables whose collection is not likely in the next year.

- 370 Fund Balance – Non-Spendable – Prepaids
- 371 Fund Balance – Non-Spendable – Inventory
- 372 Fund Balance – Non-Spendable – Long Term Advances to Other Funds
- 373 Fund Balance – Non-Spendable – Other
- 374 Fund Balance – Non-Spendable Long-Term Federal Contracts

Restricted Fund Balance (375 to 379)

375 - 379 Fund Balance – Restricted

These accounts are used in governmental funds to record the portion of fund balance that is legally restricted as to the purposes for which it may be used. Often a fund's entire fund balance will be restricted, but sometimes, such as in the General Fund, only a portion will be restricted. These accounts should be pointed off with individual restrictions into separate sub-accounts. Fund balance should be reported as restricted when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.

Enabling legislation, as the term is used in this section, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only

Uniform Accounting Procedures Manual for County Road Commissions

for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the purposes specified by the legislation.

375 Fund Balance – Restricted for Debt Service

This account is used to account for and report financial resources that are restricted for principal and interest.

This account is:

DEBITED – used for reductions from the restricted fund balance.

CREDITED- with amounts authorized to be restricted.

376 Fund Balance – Restricted for Pension Retirement System

This account is used to record the amount of accumulated contributions made by the employer on behalf of employees plus interest earnings credited in accordance with applicable legal provisions.

This account is:

DEBITED - upon withdrawals of employee contributions and/or investment losses and administrative fees.

CREDITED - with the payment of retirement contributions and/or interest earnings.

377 Fund Balance – Restricted

Amounts that are restricted for specific purposes.

This account is:

DEBITED – used for reductions from the restricted fund balance.

CREDITED- with amounts authorized to be restricted.

378 Fund Balance –Restricted for Deferred Compensation

This account is used to record the amount of accumulated contributions made by the employee for deferred compensation plus interest earnings credited in accordance with applicable legal provisions.

This account is:

DEBITED - upon withdrawals of employee contributions and/or investment losses and administrative fees.

CREDITED - with the payment of employee contributions and/or interest earnings.

379 Fund Balance – Restricted

This account is:

DEBITED – used or with other reductions from the restricted fund balance.

CREDITED- with amounts authorized to be restricted.

Uniform Accounting Procedures Manual for County Road Commissions

Committed Fund Balance (380 to 384)

These accounts are used in governmental funds to record the portion of fund balance that is constrained by formal actions of the Road Commission's highest level of decision-making authority as to the purposes for which it may be used. Sometimes a fund's entire fund balance will be committed, but more often only a portion will be committed, so this may take additional analysis. Subaccounts should be utilized for individual commitments.

380 - 381 Fund Balance - Committed

This account is:

DEBITED - used for other reductions from the committed fund balance.

CREDITED - with amounts authorized to be committed.

382 Fund Balance Committed for Replacement of Capital Assets

This account is:

DEBITED - used or with other reductions from the committed fund balance.

CREDITED - with amounts authorized to be committed.

383 - 384 Fund Balance – Committed

This account is:

DEBITED - used for other reductions from the committed fund balance.

CREDITED - with amounts authorized to be committed.

Assigned Fund Balance (385 to 389)

These accounts are used in governmental funds to record the portion of fund balance that is constrained by the government's intent to be used for specific purposes (but are neither restricted nor committed). Sometimes a fund's entire fund balance will be assigned, but more often only a portion will be, so this may take additional analysis. Subaccounts should be utilized for individual assignments.

385 Fund Balance - Assigned for Self-Insurance

This account may be used to record amounts which are "earmarked" for a Road Commission's self-insurance program.

This account is:

DEBITED - when reserves are used for self-insurance costs.

CREDITED - with amounts assigned for self-insurance purposes.

Uniform Accounting Procedures Manual for County Road Commissions

386 Fund Balance – Assigned for Subsequent Years Expenditures

Fund Balance assigned for subsequent year appropriations in excess of revenues. An appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. Assignments should not cause a deficit in unassigned fund balance to occur.

This account is:

DEBITED - when reserves are used for subsequent years expenditures.

CREDITED - with amounts assigned for subsequent years expenditures.

387 Fund Balance – Assigned for Construction

This account is used for the purpose of identifying a portion of fund balance which is legally allowed to be set aside for the purpose of meeting the estimated replacement cost of specified construction.

This account is:

DEBITED - with money used or with other reductions in the reserve.

CREDITED - with amounts required or permitted to be reserved.

388 - 389 Fund Balance – Assigned

This account is:

DEBITED - when reserves are used for assigned purposes.

CREDITED - with amounts assigned.

Unassigned Fund Balance (390)

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance [[GASBS 54, Paragraph 17](#)].

390 Fund Balance – Unassigned

This account is used to record the fund balance of the County Road Fund. In most instances, this account reflects the excess of a fund's assets over its liabilities not restricted or committed or assigned for other purposes.

To conform with requirements of [PA 51 of 1951](#), as amended, (MCL 247.651 through 247.674), subsidiary accounts are necessary in the County Road Fund to present the unexpended balances of Act 51 monies. The following subaccount numbers should be used:

Uniform Accounting Procedures Manual for County Road Commissions

- .01 - Primary Road Funds
- .02 - Local Road Funds
- .03 - County Road Funds

This account is:

DEBITED - at the end of the year with any excess of expenditures over revenues as such accounts are closed to this account.

CREDITED - at the end of the year with any excess of revenues over expenditures as such accounts are closed out to this account.

Net Position (391 to 399)

391 Net Position – (Net) Investment in Capital Assets

This account is used to record the net equity in capital assets of the local unit. It represents the component of the difference between capital assets less accumulated depreciation and the outstanding balance of debt (e.g., bonds, mortgages, notes) that is directly attributable to the acquisition, construction, or improvement of those assets. The net position title "net investment in capital assets" denotes that there is capital debt or deferred inflows of resources and may mislead readers if used when there is no debt or deferred inflows of resources. If a government has capital assets, but no related debt or deferred inflows of resources, the net position account should be titled "investment in capital assets".

This account is:

DEBITED – with the recorded value of capital assets sold or otherwise disposed of.

CREDITED – at year end or monthly with the cost of capital assets.

392-398 Net Position – Restricted

This account is used to record the component of the difference between assets and liabilities with constraints placed on their use by either external parties (e.g., creditors or grantors) or through constitutional provisions or enabling legislation.

This account is:

DEBITED – with any reductions of restricted net position.

CREDITED – with the required amount of restricted net position.

399 Net Position – Unrestricted

This account represents the difference between assets and liabilities that are not reported as Net Position –(Net) Investment in Capital Assets or Net Position - Restricted.

This account is:

DEBITED – at year end, with the excess of expenses over revenues for the fiscal year.

CREDITED – at the end of the year, with excess of revenues over expenses for the fiscal period, or with any appropriation from unrestricted net position to a specified reserve account.

Uniform Accounting Procedures Manual for County Road Commissions

Revenue and Other Financing Resources

Revenues represent net increases in governmental fund type current assets from other than expenditure refunds, operating transfers in and proceeds from the sale of bonds, Revenue is recognized when it becomes both measurable and available to finance expenditures of the fiscal period. Revenue Accounts 400-699 are included in this category. The below items are also considered revenues by source for budgeting purposes. Accounts numbered 1 through 10 are also the revenue categories that must be reported in county financial reports. However, in county financial reports, Item 11--Other Financing Sources must be classified in greater detail, such as proceeds from sale of bonds and appropriation transfers in. This is illustrated in the "Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan," published by the Michigan Department of Treasury. The Act 51 financial reports require more detailed reporting of revenue. The classification and accounting for these detailed revenues are provided in the "subaccount" column of this manual.

The only revenue accounts that will be mandatory are the following listed accounts:

1. Revenue Control
2. Taxes Control
3. Licenses & Permits Control
4. Federal Grants Control
5. State Grants Control
6. Contributions from Local Units Control
7. Charges for Services Control
8. Fines & Forfeits Control
9. Interest & Rents Control
10. Other Revenue Control
11. Other Financing Sources Control

The Road Commission may use as much or as little detail as they wish. The best guide to use when assigning detail account numbers is to use the greatest detail to meet your reporting requirement. For uniform reporting within the county, we suggest you assign the same number for applicable accounts used by other county agencies.

Perhaps the most distinctive and significant aspect of governmental fund accounting is that the operations measurement focus is on sources, uses, and balances of fund financial resources. In this context, the term revenues mean increases in (sources of) fund financial resources other than from interfund transfers and debt issue proceeds and redemptions of demand bonds.

It is recommended that the Road Commission assign subaccount numbers to the various types of revenue received. The account numbers must be assigned by source as outlined in the revenue account number index. For budgetary purposes, revenue must be budgeted by source. The source groups are summarized as follows:

<u>Account Numbers</u>	<u>Source Title</u>
401-449	Taxes

Uniform Accounting Procedures Manual for County Road Commissions

450-474	Special Assessments
475-500	Licenses and Permits
501-538	Federal Grants
539-579	State Grants
580-599	Contributions from Local Units
600-654	Charges for Services
655-663	Fines and Forfeits
664-670	Interest and Rents
671-694	Other Revenue
695-699	Other Financing Sources

400 Revenue Control

This is a mandatory control account for the total of revenue accounts 401-699.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with total revenues received or accrued by a fund.

401 Taxes Control

This is a mandatory control account for tax revenues. The Road Commission may record all taxes in the control account or may record them separately in detail accounts. This account is a revenue by source control used for financial statement reporting purposes.

402 – 449 Tax Revenue Detail – Refer to the chart of accounts when assigning detail account.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with total tax revenues applicable to Accounts 402-449.

450 Special Assessments Control

This Account Number is used as a control account for the special assessment revenues. Its balance must at all times equal the combined total of Revenue Accounts 451 through 474. This Account Number is a source control for revenue used for financial reporting purposes.

This account is:

DEBITED – for with any adjustments and when the Account Number is closed to fund balance or another surplus account.

CREDITED – for the amount of total revenue reported in Account Numbers 451 through 474.

451 – 474 Special Assessments Detail – Refer to the chart of accounts when assigning detail account.

475 Licenses & Permits Control

The use of this Account Number is mandatory as a control account for license and permit fees collected by local units. The balance in this account must at all times equal the

Uniform Accounting Procedures Manual for County Road Commissions

combined totals of Account Numbers 476 through 500 (when these accounts are used to designate specific licenses and permits). This Account Number is a source control for revenue used for financial statement reporting purposes.

This account is:

DEBITED – for any adjustments and when this Account Number is closed to fund balance or another surplus account.

CREDITED – for all business and non-business license and permit fees collected by the local unit.

476-500 Licenses & Permits Detail - Refer to the chart of accounts when assigning detail accounts.

501 Federal Grants Control

This is a mandatory control account for Federal Grants. The Road Commission may record all federal grants in the control account or may record them separately in detail accounts. This account is a revenue by source control used for financial statement reporting purposes.

502 – 538 Federal Grants Detail – Refer to the chart of accounts when assigning detail accounts.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with all Federal Grant revenue received or accrued.

539 State Grants Control

This is a mandatory control account for State Grants. The Road Commission may record all grants in the control account or may record them separately in detail accounts. This account is a revenue by source control used for financial statement reporting purposes.

540 – 579 State Grants Detail – Refer to the chart of accounts when assigning detail accounts.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with all State grant revenue received or accrued.

580 Contributions from Local Units Control

This is a mandatory control account for contributions from local units. The Road Commission may record all contributions in the control account or may record them separately in detail accounts. This account is a revenue by source control used for financial statement reporting purposes.

581 – 599 Contributions from Local Units Detail – Refer to the chart of accounts when assigning detail accounts.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

Uniform Accounting Procedures Manual for County Road Commissions

CREDITED - with all local unit contribution revenue received or accrued.

600 Charges for Services Control

This is a mandatory control account for charges for services. The Road Commission may record all charges for services in the control account or may record them separately in detail accounts. This account is a revenue by source control used for financial statement reporting purposes.

601 – 654 Charges for Services Detail – Refer to the chart of accounts when assigning detail accounts.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with all charges for services provided by the Road Commission.

655 Fines and Forfeits Control

This is a mandatory control account for fines and forfeits. The Road Commission may record all fines and forfeits in the control account or may record them separately in detail accounts. This account is a revenue by source control used for financial statement reporting purposes.

656 – 663 Fines and Forfeits Detail – Refer to the chart of accounts when assigning detail accounts.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with the receipt of fines and forfeitures.

664 Interest and Rents Control

This is a mandatory control account used to record interest, dividends, rents, and royalties earned or received on investments, certificates of deposits, or rents. It does not include interest on delinquent taxes (see account 445). This account is a revenue by source control used for financial statement reporting purposes.

665 Interest

This account number may be used by any local unit desiring to account separately for various types of interest earnings, such as interest on investments, interest on certificates of deposits, and other interest income.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with interest.

666 Dividends

This account number may be used by any local unit desiring to account separately for various types of dividend earnings.

Uniform Accounting Procedures Manual for County Road Commissions

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with dividends earned.

667 Lease Revenue / Short Term Rent

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize Interest Revenue Account 665 on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with lease or rental revenue earned.

668 Royalties

This account is used to record royalties earned. A royalty is recognition of revenue earned on natural depletable assets. Examples include oil, aggregate, and minerals.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - when revenue is recognized for royalties.

669 Investment Gains and Losses

This account number is available for the use in fiduciary activities.

This account is:

DEBITED - with any loss and when closing this account to fund balance.

CREDITED - with all investment gains received or accrued.

670 Equipment Rental Credits

This is a mandatory account used to record the offsetting credit for expenditure charges for Road Commission equipment. Refer to State Schedule C for rental rates.

This account is:

DEBITED - with any adjustments and in year-end closing.

CREDITED - with amount equal to rental charges for all owned equipment.

Uniform Accounting Procedures Manual for County Road Commissions

671 Other Revenue Control

This is a mandatory control account used to record other Road Commission revenue that cannot be classified in any other account. The Road Commission may record all other revenue in the control account or may record them separately in detail accounts. This account is a revenue by source control used for financial statement reporting purposes.

672 – 687 Other Revenue Control

These account numbers may be used by any local unit desiring to account separately for various types of other revenues. Refer to the chart of accounts when assigning detail accounts.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with all other revenue received or accrued.

688 Trade-In Allowance

This is a mandatory account used to record the amount received for trade-in on the asset being disposed of at the time of purchasing a replacement asset.

This account is:

DEBITED - with the amount representing the net value of the asset.

CREDITED - with the amount received for trade-in.

689 Capital Asset Retirements

This is a mandatory account used to record the net book value of capital assets at the time of sale or disposal (see Infrastructure section for additional information).

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with the remaining value of the asset being removed.

690 Depreciation and Depletion Credits

This is a mandatory account used to record offsetting credits in the general operating fund, at the same time Account 968 - Depreciation and Depletion are charged to general operating fund activities.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with amounts of depreciation and depletion expense as explained above.

691 Purchase Discounts

This is used to record a deduction taken from the amount owed on an invoice if paid within a prescribed time. The purchase discount is also referred to as an early-payment discount.

This account is:

DEBITED – with an adjustment to the discount not taken.

CREDITED – with amounts of discount received for early payment.

Uniform Accounting Procedures Manual for County Road Commissions

692 Open

693 Sale of Capital Assets

This is a mandatory account used to record proceeds of sales of capital assets in governmental funds.

This account is:

DEBITED - with the amount calculated to reflect a net loss on the disposal.

CREDITED - with the amount calculated to reflect a net gain on the disposal.

694 Cash Over and Short

This account is used to record cash discrepancies.

This account is:

DEBITED - with cash shortages.

CREDITED - with cash overages.

695 Other Financing Sources Control

This is a mandatory control account used to record nonrevenue items such as proceeds from loans, leases, sales of bonds, insurance recoveries, etc. The Road Commission may record all other financing sources in the control account or may record them separately in detail accounts.

This account is:

DEBITED – when canceling receipts of other financing sources

CREDITED – when receiving other financing sources

696 Proceeds from Sale of Bonds/Notes

This account number is used to record the proceeds of bonds or notes.

This account is:

DEBITED – when reducing the bonds or notes proceeds and when closing it to fund balance account.

CREDITED – when receiving bonds or notes proceeds.

697 Installment Purchase and Lease Proceeds

This account number is used lease activities.

This account is:

DEBITED –when booking GASB 34 entries to record a payable.

CREDITED – when recording the purchase and installment debt.

698 Bond or Insurance Recoveries

This account number is used to record recoveries from bonds or insurance. In governmental fund financial statements, restoration or replacement of an impaired capital asset should be reported as a separate transaction from the associated insurance recovery. A bond or

Uniform Accounting Procedures Manual for County Road Commissions

insurance recovery should be reported as an extraordinary if it is unusual in nature and infrequent in occurrence.

699 Operating Transfers In

This activity is found in the County Road Fund and Debt Service Fund. Its use is mandatory. Its purpose is to reflect transfers into (appropriation to) a fund. If individual detail is desired, the Road Commission may use activity numbers subaccounts as desired or revenue detail as needed or desired.

This account is:

DEBITED – when reducing the amount transferred in and when closing it to fund balance account.

CREDITED – when recording the amount transferred in.

Expenditures and Other Financing Uses

Expenditures represent a net decrease in financial resources and are recorded when a related liability is incurred. The mandatory accounts for expenditure classification are by object class, that is, according to the types of items purchased or services obtained. These accounts are personnel services, supplies, other services and charges, capital outlay and debt service. It is strongly recommended that the Road Commission assign subaccount numbers to each type of expenditure they have.

Subaccount numbers will be assigned in groups as follows:

<u>Account Numbers</u>	<u>Detailed Object Class</u>
701-725	Personnel Services
726-799	Supplies
800-968	Other Services and Charges
969	Amortization Expense
971-989	Capital Outlay
990-994	Debt Service
995	Operating Transfers (Out)
996	Discounts on Bonds or Notes
997	Transfer to Escrow for Bond Refunding
998	Special Item
999-	Extraordinary Item

For budgetary control and preparation, these expenditure accounts will be summarized by activity or department as pointed out previously in the activity section of this manual.

700 Expenditure Control

This is a mandatory control account for the total of expenditure Accounts 701-799.

Uniform Accounting Procedures Manual for County Road Commissions

This account is:

DEBITED - with all expenditures disbursed or accrued by a fund.

CREDITED - with any adjustments and when closing the account to fund balance.

701 Personnel Services Control

This is a control account used to record expenditures for salaries and wages, the Road Commission's portion of social security, the Road Commission's retirement contribution, and other employee fringe benefits. The Road Commission may record personnel services separately in detail accounts.

702 – 725 Personnel Services Detail

Refer to the chart of accounts when assigning detail accounts.

This account is:

DEBITED - with all charges for personnel services paid or accrued.

CREDITED - with any adjustments and when closing this account to fund balance.

726 Supplies Control

This is a control account used to record expenditures for office supplies, operating supplies, medical supplies, repair, and maintenance supplies, etc. The Road Commission may record supplies separately in detail accounts.

727 – 799 Supplies Detail

Refer to the chart of accounts when assigning detail accounts.

This account is:

DEBITED - with all expenditures for supplies.

CREDITED - with any adjustments and when closing this account to fund balance.

800 Other Services and Charges Control

This is a control account used to record expenditures for professional and contractual services, communications, transportation, printing and publishing, insurance and bonds, public utilities, repairs and maintenance, rentals, and other miscellaneous charges. The Road Commission may record other services and charges separately in detail accounts.

801 – 968 Other Services and Charges Detail

Refer to the chart of accounts when assigning detail accounts.

This account is:

DEBITED - with all expenditures described in the column headed "subaccounts" in the chart of accounts.

CREDITED - with any adjustment and when closing this account to fund balance.

969 Amortization Expense

Amortization expense is the [write-off](#) of an [intangible asset](#) over its expected period of use, which reflects the consumption of the asset. This write-off results in the residual asset

Uniform Accounting Procedures Manual for County Road Commissions

balance declining over time. Amortization is almost always calculated on a [straight-line basis](#). Accelerated amortization methods make little sense, since it is difficult to prove that intangible assets are used more quickly in the early years of their [useful lives](#).

This account is:

DEBITED – when there is an increase in the amortization expense.

CREDITED – when the expense is reduced.

970 Capital Outlay Control

This is a control account used to record expenditures for the acquisition of capital assets. Such purchases are also recorded, at cost, in the "Capital Assets Control" either monthly or at the end of the year. The Road Commission may record capital outlay separately in detail accounts.

This account is:

DEBITED – for all fund expenditures for capital outlay.

CREDITED – for any adjustments and when the Account Number is closed to fund balance or another surplus account.

971 – 989 Capital Outlay Detail

Refer to the chart of accounts when assigning detail accounts.

This account is:

DEBITED - with all fund expenditures for capital outlay.

CREDITED - with any adjustments and when closing this account to fund balance.

990 Debt Service Control

This is a control account found in the County Road Fund and Act 51 Bond Debt Fund, used to record various types of debt service such as principal, interest, paying agent fees, etc. The Road Commission may record debt service separately in detail accounts.

991 – 994 Debt Service Detail

Use Account Numbers 991 through 994 for additional categories of debt service.

This account is:

DEBITED - with all debt payments of the particular fund.

CREDITED - with any adjustments and when closing this account to fund balance.

995 Operating Transfers (Out)

This account is used to record non-expenditure items such as the return of an appropriation to the county general fund when there is a road department within a County or to transfer funds from Debt Service Fund to the County Road Fund.

This account is:

DEBITED - with any amounts transferred to other county funds.

CREDITED - when closing the account to fund balance.

Uniform Accounting Procedures Manual for County Road Commissions

996 Discount on Bonds or Notes

This Account Number is used to record discounts on bonds or notes.

This account is:

DEBITED – while booking the proceeds of the bond issuance. The bond was issued at a discounted rate.

CREDITED – while the interest expense on the bond is being recognized.

997 Transfer to Escrow for Bond Refunding

This Account Number is used to record transfers to escrow accounts for the purpose of bond refunding.

This account is:

DEBITED – with any amounts transferred to escrow for bond refunding.

CREDITED – with closing the account to fund balance.

998 Special Item

Significant transactions or other events within the control of management that are either unusual in nature or [emphasis added] infrequent in occurrence are special items. [GASBS 34, ¶56]

Unusual nature—the underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the government, taking into account the environment in which the government operates. [GASBS 62, ¶46]. Infrequency of occurrence—the underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the government operates. [GASBS 62, ¶46]

999 Extraordinary Item

Extraordinary items are transactions or other events that are both unusual in nature and [emphasis added] infrequent in occurrence. [GASBS 34, ¶55, as amended by GASBS 62, ¶45–¶49]

This account is, generally:

DEBITED for expenditures/expenses occurred for an extraordinary item.

CREDITED for any decrease and when the account is closed to fund balance or another surplus account.

Uniform Accounting Procedures Manual for County Road Commissions

CAPITAL ASSETS AND LONG-TERM DEBT ACCOUNT GROUPS

[GASB No. 34](#) does not refer to the "General Fixed Assets Account Group" or the "General Long-Term Debt Account Group" and does not require separately reporting such information. However, the information must continue to be accumulated for reporting in the government-wide financial statements. The following "Controls" are provided for the purpose of facilitating record keeping for capital assets and long-term debt for the government-wide financial statements.

Capital Asset Control

Purpose - Control is used to provide accounting controls over the acquisition, depreciation, and maintenance of Road Commission capital assets and to facilitate the record keeping for capital assets which is required to be included in the government-wide financial statements.

Character - Capital assets of a Road Commission are those purchased from the County Road Fund (Trust Special Revenue Fund) and are not accounted for in an Enterprise Fund, Internal Service Fund, or Fiduciary Fund.

Distinguishing Features - To be classified as a capital asset in this category, an asset must benefit more than a single fiscal period. Typical examples are land, improvements to land, easements, buildings, building improvements, equipment, infrastructure, and various intangible assets. The Michigan Department of Treasury suggests that the Board of County Road Commissioners establish, by resolution or policy, a capitalization policy that specifies a dollar value or capitalization threshold that assets must exceed if they are to be capitalized. Equipment with a Schedule C equipment rental rate must be classed in the capital assets control regardless of value. The Road Commission must, maintain adequate control over lower cost assets that have not been capitalized.

Establishment and Authorization - This control is recommended by the Michigan Department of Treasury for the purpose of facilitating record keeping for capital assets. The capital assets are required to be reported in the Statement of Net Position in the government-wide financial statements in accordance with [GASB No. 34](#).

Operation and Present Use - Capital assets of governmental units may be acquired by several methods: purchase, construction, eminent domain, tax foreclosures and gifts. Money for the procurement of capital assets may come from: (1) the proceeds of bond issues; (2) proceeds of notes and other short-term debt; (3) current revenues; (4) special assessments; (5) grants from other governmental units; and (6) gifts and contributions from private individuals or organizations. The Capital Assets Control is used to account for the Road Commission's capital assets, accumulated depreciation on capital assets, and equity in the capital assets. The purpose of this control is to provide: (1) capital assets control accounts, that must be reconciled to a listing of the Road Commission's capital assets; and (2) the safeguarding of the Road Commission's investment in capital assets. Although the Michigan Department of Treasury recommends using Fund Number 901 to designate the Road Commission's capital assets control, Road Commissions have the option to assign any number within the 900-949. The total debits to capital asset accounts in the CAC to record capital asset additions for the year must agree with total capital outlay per County Road

Uniform Accounting Procedures Manual for County Road Commissions

Fund Activity 900 - Capital Outlay Control. In the CAC, the total credits to accumulated depreciation and depletion accounts for the year, (less depreciation on salt sheds paid for by MDOT) should agree with the balance recorded in County Road Fund Account 690 - Depreciation and Depletion Credits.

Sample Journal Entries

The following journal entries illustrate the accounting for capital assets in the CAC:

<u>Account Number</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
130	Land and Right of Way Purchases	\$ 12,000	
134	Depletable Assets	\$ 6,000	
138	Road Equipment	\$ 52,000	
146	Office Equipment and Furniture	\$ 9,600	
391	(Net) Investment in Capital Assets		\$ 279,600

(Record capital outlay expenditures for the year as recorded in County Road Fund Activity 900)

391	(Net) Investment in Capital Assets	\$125,100	
135	Accumulated Depletion - Depletable Assets		\$ 500
137	Accumulated Depreciation - Buildings, Additions, and Improvements		\$ 9,600
139	Accumulated Depreciation - Road Equipment		\$ 109,300
141	Accumulated Depreciation - Shop Equipment		\$ 2,400
143	Accumulated Depreciation - Engineering Equipment		\$ 700
147	Accumulated Depreciation - Office Equipment and Furniture		\$ 2,600

(To record depreciation and depletion expense for the year as recorded in the County Road Fund Account 690, plus salt shed depreciation, if applicable.)

139	Accumulated Depreciation - Road Equipment	\$ 59,000	
141	Accumulated Depreciation - Shop Equipment	\$ 2,000	
143	Accumulated Depreciation - Engineering Equipment	\$ 200	
391	Net Position - (Net) Investment in Capital Assets	\$ 1,000	
138	Road Equipment		\$ 60,000
140	Shop Equipment		\$ 2,000
142	Engineering Equipment		\$ 200

(To remove equipment traded in, retired, or otherwise disposed of during the year.)

Accounting Records

The total costs and accumulated depreciation and depletion per subsidiary records must be reconciled to the capital assets and accumulated depreciation and depletion control account

Uniform Accounting Procedures Manual for County Road Commissions

balances in the CAC at least annually. Data reported to MDOT on the annual County Equipment Questionnaire must agree with the Equipment Accounting Records.

Account 391 – (Net) Investment in Capital Assets

This account should reflect the total cost of capital assets less accumulated depreciation and depletion at the end of a year's operations.

Long-Term Debt Control – LTDC

Purpose - The long-term debt control account is used to record unpaid principal of long-term obligations and to facilitate the record keeping for long-term debt. LTDC is required to be included in the government-wide financial statements.

Definition - Long-term is defined as any period of time equal to or exceeding one year and one day.

Character - This control includes general obligation bonds and other forms of long-term debt supported by general revenues and obligations of a governmental unit as a whole (and not its individual constituent funds).

Establishment and Authorization - This control is recommended by the Michigan Department of Treasury for the purpose of facilitating record keeping for long-term debt. The long-term debt is required to be reported in the Statement of Net Position in the government-wide financial statements in accordance with GASB No. 34.

Operation and Present Use - After the initial liability of general obligation bonds has been recorded (a debit to "Amount to be Provided for Payment of Bonds" and a credit to "Bonds Payable"), transactions in the long-term debt control record the periodic reduction of long-term debt. The "Amount to be Provided for" is not included in the statement of net position, however equity is reduced. The long-term debt control is used to record the remaining unpaid principal of long-term general obligations of a Road Commission such as bonds payable, notes payable, lease purchase agreements, and vested employee vacation and sick leave benefits. A county may borrow money and issue bonds to pay all or any portion of the cost of the construction or reconstruction of highways with approval by the County Road Commission and is subject to the Revised Municipal Finance Act [PA 34 of 2001](#) and pursuant to [PA 51 of 1951](#) and [PA 143 of 1943](#). Public Act 34, as amended, requires all municipalities, including Road Commissions, to be "Qualified" annually to issue municipal securities without further approval by the Department of Treasury or if "Not Qualified" each municipal security shall be approved by the Department prior to issuance. Applications for prior approval or qualification can be obtained from Department of Treasury's website at: https://www.michigan.gov/treasury/0,4679,7-121-1751_8013---,00.html. The "Qualifying Statement" is to be prepared annually by the Chief Administrative Officer and must be submitted electronically with the audit no later than 6 months after the fiscal year-end. It is recommended to complete the Qualifying Statement Worksheet prior to entering the information on-line. This form can be obtained from the Department of Treasury's website at: http://www.michigan.gov/documents/3883_8840_7.pdf. The Road Commission may enter into a contract or agreement for the purchase of machines, tools, appliances, or materials to be used for

Uniform Accounting Procedures Manual for County Road Commissions

public purposes and to be paid for in installments over a period not to exceed five years or the useful life of the property acquired, whichever is less pursuant to [PA 283 of 1909, as amended](#). These contracts or agreements are not borrowing of money; hence, State Treasurer approval is **not** required.

The following accounts may be found in the long-term debt control:

<u>Account Number</u>	<u>Account Name</u>
<u>Asset Accounts</u>	
186	Amount to be Provided for Payment of Debt Principal
195	Amount to be Provided for Accumulated Vacation and Sick Leave
<u>Liability Accounts</u>	
300	Bonds Payable
304	Lease Payable (Non-Current)
307	Notes Payable (Long-Term)
310	Contracts Payable (Long-Term)
343	Accrued Vacation and Sick Leave Payable

This control is to be used to record debt with a maturity of more than one year after the date of issuance. At the time the liability is incurred, the entire amount payable is recorded as a liability in the LTDC with an offsetting debit to the appropriate "Amount to be Provided" account. To record decreases in long-term debt, entries are made in the LTDC when the related debt service expenditures are recorded in the County Road Fund. All decreases in long-term debt to the appropriate liability account is debited and the appropriate "Amount to be Provided" account is credited.

The following entries are provided to illustrate the accounting for long-term debt in the LTDC:

Transactions in the County Road Fund

<u>Account</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
(Record receipt of bond proceeds)			
001	Cash Checking	\$ 400,000	
696	Proceeds from Sale of Bonds\Notes		\$400,000
(Record payment of bond principal and interest)			
991	Principal	\$ 25,000	
992	Interest	20,000	
001	Cash Checking		\$ 45,000

Uniform Accounting Procedures Manual for County Road Commissions

Transactions recorded in the LTDC

<u>Account</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
(Record issuance of Act 51 bonds)			
186	Amount to be Provided for Payment of Debt Principal	\$400,000	
300	Bonds Payable		\$400,000
(Record Act 51 bonds retired during the year)			
300	Bonds Payable	\$ 25,000	
186	Amount to be Provided for Payment of Debt Principal		\$ 25,000
(Record increase in accrued leave during the year)			
195	Amount to be Provided for Accumulated Vacation and Sick Leave	\$ 20,760	
343	Accrued Vacation and Sick Leave Payable		\$ 20,760

INTEREST

Interest payable in future years is not recorded in the LTDC. However, the Road Commission's Notes to Financial Statements must include summary disclosures of principal and interest debt service requirements to maturity for all types of debt. Interest Expense is a current operating expenditure and should be recorded in the County Road Fund only as a debit to mandatory Account 990 - Debt Service and/or Subaccount 992 - Interest.

BUILDING PURCHASE USING BONDS

The Road Commission financed the construction of a new building through the issuance of Michigan Transportation Fund Bonds through Bank One Trust Company. The closing for the bond issue contains the following breakdown of the proceeds due to the Road Commission:

Par Value of the Bonds	\$2,000,000
Plus: Accrued Interest	\$8,683
(Less) Discount	\$(30,000)
(Less) Good Faith Check	\$(40,000)

Total Due at Closing \$1,938,683

Once the total bond proceeds are received, the county must transfer \$8,683 of accrued interest to the MTF Bonds, Series 2XXX Debt Retirement Fund pursuant to the Bond Authorizing Resolution. The balance of the proceeds remains in the Construction Fund to pay the costs of the project.

Terms: Date of Issue was July 1, 2XXX in the Amount of \$2,000,000
 Unamortized Bond Discount of \$30,000
 Period: 25 Year
 Interest is Due August 1st and February 1st
 Principal is Due February 1st

Uniform Accounting Procedures Manual for County Road Commissions

<u>Account</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
(Record the bond proceeds (including the good faith check). Note: the total bond proceeds must add up to the bond issue amount.)			
005	Cash--Construction/Repair	\$1,970,000	
128	Unamortized Discount on Bonds Sold by the Road Commission	\$ 30,000	
696	Proceeds from Sale of Bonds/Notes		\$2,000,000

(Record the accrued interest in accordance with the bond resolution.)

006	Cash--Debt Principal and Interest Payments	\$ 8,683	
665	Interest		\$ 8,683

To pay invoices as they came in, the road commission authorized the county treasurer to pay the bills until the construction cash was zeroed out.

975	Building	\$ 504,615	
005	Cash—Construction/Repair		\$ 504,615

The LTDC account would have the following entry:

Annually, the following entries would be made until the debt is paid off:

186	Amount to be Provided for Payment of Debt Principal	\$ 2,000,000	
300	Bonds Payable		\$2,000,000

Payment on February 1st

991.1	Principal	\$ 50,000*	
992.1	Interest	\$ 42,243*	
006	Cash--Debt Principal and Interest Payments		\$ 92,243*

Payment on August 1st

992.1	Interest	\$ 49,283*	
006	Cash--Debt Principal and Interest Payments		\$ 49,283

*Amounts determined based on bond debt schedule.

(\$30,000 amortized over 25 years) as part of year end closing entries or when debt payment is made.

996.0	Discounts on Bonds or Notes	\$ 1,200	
128	Unamortized Discount on Bonds Sold by the Road Commission		\$ 1,200

The long-term debt control account would have the following entry each year the principal payment is made (based on the dollar amount recorded above):

Uniform Accounting Procedures Manual for County Road Commissions

<u>Account</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
300.1	Bonds Payable	\$50,000	
186.1	Amount to be Provided for Payment of Debt Principal		\$50,000

Uniform Accounting Procedures Manual for County Road Commissions

ACCOUNTING METHODS AND PROCEDURES

Inventory

Inventory - Road Materials (Account 109)

This account should be charged with the purchase price and costs of preparation of gravel, stone, aggregate, tar, sand, and other road materials stockpiled in warehouses or yards. The cost of preparation should include labor, equipment rental, and such distributive expenses as are applicable. The cost should also include the depletion expense on pits which is set up by debiting the stockpile item affected and crediting Account 690 - Depreciation and Depletion Credits. The original purchase price of pits should not be charged to this account since it should have been charged to a depletable asset expenditure account (e.g., Activity 900 - Capital Outlay, Account 987 - Depletable Assets) at the time of purchase. Materials taken from these stockpiles should be credited to this account in the amount of the actual cost per unit as determined from the purchase price and additional charges as noted above and debited to the road on which they are used or to a receivable account. To determine the unit cost, it will also be necessary to maintain a record of the number of units of any and all additions to the stockpiles. Gravel, stone, aggregate, tar, sand, and other road materials purchased for immediate use and used directly on the roads without processing shall be charged to the road on which they are used from the accounts payable. We recommend that all purchases of materials which must be processed before being used be charged to Account 109 along with all processing costs. Unit costs for processed materials should be determined by dividing the total processing or production cost of each type of material by the quantity of that material processed or produced.

Procedure for Sign Accounting

We recommend the cost of all new signs purchased and materials for fabricating new signs (blanks, decals, etc.) be charged to Account 109 - Inventory - Road Materials. A unit price must be established for new signs fabricated or signs refinished with new materials. The unit price for fabricated or refinished signs can be established by a work order charged to Account 109 or by some other suitable method within Account 109. Cost of erecting including labor, equipment rental, signs and material used from Account 109 shall be charged to the project or road. Signs Account 768 shall be opened in the Distributive Expense - Other, Activity 514. The following may be charged to this account:

Labor and materials for minor repair and refinishing.

- Cost of barricades, construction signs, etc., that are moved from job to job.
- Sign shop equipment cost and depreciation expense.

The distribution of expenses accumulated within this sign account shall be made in the same manner as other distributive road costs.

Procedures for Production or Fabrication of Road Materials and Other Items

We recommend that all costs for processing or producing road materials and fabricating new signs, traffic control devices, etc., be charged to Account 109 - Inventory - Road Materials. Any year-end work in process should be recorded on the balance sheet as a part of the Account 109 Inventory - Road Materials.

Uniform Accounting Procedures Manual for County Road Commissions

Inventory - Equipment Materials and Parts (Account 110)

Purchase of equipment materials, supplies and parts, purchased for future use, shall be charged to this account. This account represents the equipment materials and parts inventory of the Road Commission and extreme care should be taken in the handling of transactions, which affect it. For successful operation, it is essential that all repair parts and equipment materials be stored in enclosed rooms with one employee in charge. Each individual withdrawal made for equipment materials, parts, or supplies, should be accomplished by a stores requisition voucher signed and approved by proper personnel and the amount credited to this account and debited to the proper expenditure.

Fuel

Each delivery of fuel should be accompanied by a metered delivery ticket. Prior to and after delivery, tank measurements of the fuel in the tank should be made. Employees should sign the delivery ticket at the time of delivery certifying the amount of fuel received. Pump readings should be taken periodically. Quantities, indicated as having been used, should be checked against consumption reports.

Inventory Accounting and Control

It is recommended that one person be designated with the responsibility supervising the servicing of all the road equipment and for keeping fuel, anti-freeze, and oil consumption reports for each piece of equipment. If you choose to purchase fuel from a commercial vendor, someone should be designated to handle card disbursement and use.

Withdrawals of Parts and Supplies

All withdrawal of materials and parts should be made by signed requisitions only. Requisitions should be prenumbered and contain the quantity and description of the item or items being withdrawn, the date of withdrawal, and the equipment number for which the parts or materials are being withdrawn. The requisition should be signed by the person receiving the parts or materials.

Inventory Control

All materials and parts at the storage facilities should be kept under lock and key. Only the stock clerk or authorized persons should be allowed to enter the stockroom. One person should be designated as supervisor of all inventory operations. A perpetual inventory system is essential with proper control and accounting records maintained. To control the volume of equipment parts on hand, it is recommended that the balance in Account 110 - Inventory - Equipment Materials and Parts be no more than 50% of the total parts charged to the equipment accounts during the year. To assist in eliminating the number of obsolete parts in the inventory, excess parts for a particular piece of equipment could be included with the trade-in when advertising for bids for new equipment. Trade-in allowance and excess parts should be separate items on the bid form. The inventory control should be reconciled to the subsidiary inventory listing (inventory status reports or other detail) on a monthly basis.

Purchase of Materials, Parts and Equipment

Purchase of materials, parts and equipment should be made only after a purchase order has been issued by the person authorized with this responsibility by the Road Commission. In all cases involving the expenditure of a sum greater than \$15,000 (\$50,000 under emergency conditions)

Uniform Accounting Procedures Manual for County Road Commissions

for materials, parts, or equipment, purchase orders can be issued only after the Road Commission has accepted a bid pursuant to advertising for sealed proposals to furnish such materials, parts, or equipment. This is in accordance with [MCL 224.10](#) statutory requirements. The date of formal Road Commission action on such bid purchases should be indicated on the purchase order. Bids shall also be secured for the purchase of all passenger vehicles and trucks weighing more than 5,000 lbs. See definition for [emergency](#) under the purchasing section.

A requisition to purchase is issued by the stock clerk in duplicate. The original is forwarded to the person authorized to issue the purchase order. The copy will be retained by the stock clerk. The purchase orders should be as complete as possible, including purchase order number, date of purchase order, name and address of vendor, delivery information, discount terms, and an accurate description of the materials, parts, or equipment ordered, the quantity, and price. These purchase orders must be signed by the authorized individual. The purchase orders should be prepared in triplicate. The original is to be forwarded to the vendor, the triplicate is to be retained by the stock clerk for future reference and for checking the material, parts, or equipment when delivered, and the duplicate copy is to be forwarded to the accounting office.

Receiving Inventory

All incoming parts, materials and equipment should be checked against the purchase orders and shipping or load tickets by the stock clerk. The accounting office should be advised immediately of the parts, materials or equipment delivered by means of a numbered receiving report issued by the stock clerk or by proper notation on the copies of the shipping or load tickets. We cannot over-emphasize the importance of maintaining proper inventory accounting and control. There are counties that employ a full-time stock clerk and maintain a computer-generated inventory system. All purchases should be posted to the system when received. The physical inventory should be priced from the perpetual inventory system, extended, totaled, and checked against the total inventory value as carried in the general ledger. Regardless of the method used, it can only be as effective as the physical control maintained over the stock room.

Recommended Physical Inventory Procedures

All inventoried items should be physically counted, and the perpetual inventory records adjusted at least once each year. Any adjustments between the physical inventory count and the general ledger inventory control account shall be offset through either Activity 511, Equipment Expense – Indirect, Account 791, Inventory Adjustment, for items in Account 110 - Inventory - Equipment Materials and Parts, or Activity 514 - Other Distributive Expense, Account 791-Inventory Adjustments for items in Account 109 - Inventory - Road Materials. Individual inventory items need to be adjusted to reflect the actual count on physical or cycle inventories. The following information is intended to provide an outline of the basic procedures necessary to properly conduct a physical inventory and to adjust the accounting records to agree with the adjusted perpetual inventory record totals.

A. Timing the physical inventory procedures:

- Seasonal road materials should be cross sectioned prior to snowfall and at the end of the appropriate season.
- Other stock items should be physically inventoried one or more times a year.

Uniform Accounting Procedures Manual for County Road Commissions

B. Documentation that a physical inventory was performed should be kept on file. This documentation consists of:

- A posting of each individual perpetual inventory record of the date on which the stock item was physically inventoried, and the actual count initialed by the designated clerk.
- Copies of cross-section diagrams and computation, which were used to determine the quantities of stockpiled gravel and other road materials.
- A separate listing of inventory overages and shortages, by stock item, should be maintained during the taking of the physical inventory and all significant variances should be thoroughly investigated by both the accounting and stockroom personnel.

C. Summarizing year-end perpetual inventory record balances. A worksheet summary should be prepared of all perpetual inventory balances as of year-end with separate totals for each subaccount.

D. Accounting department's responsibilities:

- Verify the extensions and footings on all inventory worksheet summaries.
- Determine that all invoices for materials stocked prior to year-end, but not paid until the subsequent year, are properly recorded as year-end accounts payable.
- Adjust the year-end general ledger inventory account balances to the grand total of the worksheet summary of inventory balances in accordance with the procedures outlined in this accounting manual.

E. Stockroom personnel should also be required to report on obsolete, unusable, or overstocked items at least once each year.

Disposal of Obsolete Inventory

Obsolete inventory can be disposed of in various ways. Every effort should be made to sell the items at an amount equal to the cost recorded in the inventory records. Some vendors may buy it back or trade for parts that can be used on newer equipment. Another way of disposing of obsolete inventory is to sell it to whomever buys the related equipment at the time of disposal. If the book value cannot be recovered, the obsolete inventory can be written off to Inventory Adjustment Account 791 in Activity 511 - Equipment Expense - Indirect.

<u>Activity/ Account #</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
511-791	Inventory Adjustments	\$ 5,000	
110-001	Inventory – Equipment Materials & Parts		\$ 5,000

If the book value is partially recovered, the entry would include a debit to the cash account for the amount received and a debit to the revenue Account 673.03 - Gain or Loss on Disposal of Inventory.

Uniform Accounting Procedures Manual for County Road Commissions

<u>Activity/ Account #</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
001	Cash Checking	\$ 3,000	
673.03	Gain/Loss on Disposal of Inventory	2,000	
110-001	Inventory – Equipment Materials & Parts		\$ 5,000

In certain situations, the cash received may be more than the book value recorded in the inventory records. In this instance, the entry would be as follows:

<u>Activity/ Account #</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
001	Cash Checking	\$ 6,000	
673.03	Gain/Loss on Disposal of Inventory	1,000	
110-001	Inventory – Equipment Materials & Parts		\$ 5,000

If obsolete inventory is traded for current parts, record these new parts at the same book value as the item(s) traded in. If the related equipment is sold and the inventory is included as part of the sales price, the inventory account should be credited for the full amount of the book value on record for these items before the gain or loss is figured on the sale of the equipment.

<u>Activity/ Account #</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
001	Cash Checking	\$ 50,000	
110-001	Inventory – Equipment Materials & Parts		\$ 5,000
673.01	Gain/Loss on Disposal of Road Equipment		39,000
689	Capital Asset Retirements (if applicable)		6,000

Equipment Accounting Records

The equipment expense account procedures for County Road Commissions, explained in the following pages of this manual, are established under the provisions of [PA 71 of 1919](#) beginning with [MCL 21.41](#). These procedures represent minimum accounting requirements and are to be used in maintaining the general ledger for expenditures to Activities 510 - Equipment Expense - Direct, 511 - Equipment Expense - Indirect, and 512 - Equipment Expense - Operating and equipment summary records for each piece of equipment.

Equipment Master File

An Equipment Master File shall be maintained to provide an accurate record of information for each unit of equipment from date of acquisition to date of disposal. This information, along with expense and earnings records, will allow the preparation of the equipment questionnaire report.

The record should include the following information:

Uniform Accounting Procedures Manual for County Road Commissions

- Date of acquisition
- Total cost, less trade-in allowance received, if any
- Equipment number assigned by the Road Commission
- Make or brand name
- Equipment manufacturer
- Vendor
- Model number, year, weight
- Engine serial number, equipment VIN number
- Tire sizes and number of tires (optional)
- Type and size of body (trucks)
- Dealer installed special equipment or accessories
- Capitalized costs of rebuilds
- MDOT Schedule C equipment codes
- Expected life and annual depreciation rates
- Purchase order and/or disbursement voucher number
- Disposal date, selling price or trade-in received for the equipment
- All other information deemed necessary

Equipment Expense - Direct

Charges to Activity 510 - Equipment Expense - Direct includes costs that are attributable to a specific unit of equipment such as parts and labor for repairs. Depreciation is also a direct cost.

Equipment Expense - Indirect

Charges to Activity 511 - Equipment Expense - Indirect includes those costs associated with equipment that cannot be directly attributed to a specific unit of equipment. Examples include costs for operating the garage, fleet insurance, indirect shop labor and shop equipment expenses. Indirect costs are prorated on the Equipment Questionnaire report on a percentage basis of total indirect costs of all equipment to total direct repair costs of all equipment.

Equipment Expense - Operating

Charges to Activity 512 - Equipment Expense - Operating includes operating costs for fuel, lubricants, anti-freeze, and associated labor.

Equipment Questionnaire Report

A standard report prepared from the equipment master file and general ledger that includes cost, expense, hours, and rental earned utilizing [Schedule C](#) rates. Its primary purpose is for reporting to MDOT by contract counties and may be used internally.

Underbody and Grader Blades

Blades, bolts, and labor for replacing worn-out blades is a direct charge to the unit of equipment. Blades are charged to Account 110 - Inventory - Equipment Materials and Parts at the time of purchase. When blades are installed on the equipment, an entry will be made debiting Activity 510 - Equipment Expense - Direct and the equipment unit number and crediting Account 110, Inventory – Equipment Materials and Parts, for the cost of inventory.

Uniform Accounting Procedures Manual for County Road Commissions

Tires and Tubes

At the time of purchase, tires and tubes may be charged directly to a specific unit of equipment or to inventory Account 110 – Inventory – Equipment Materials and Parts. If the purchase is recorded as inventory, an entry is made debiting Activity 510 Equipment Expense Direct and the equipment unit number and crediting Account 110 – Inventory – Equipment Materials and Parts for the cost of the tires and tubes installed on equipment.

Fuel

Fuel used from inventory is debited to Activity 512 - Equipment Expense - Operating and the equipment unit number and credited to inventory Account 110 – Inventory – Equipment Materials. Fuel purchased at commercial pumps is charged to Activity 512 and the equipment unit number at the time of purchase or invoice data entry.

Identification of Equipment

Each unit of equipment should be clearly labeled with the name of the Road Commission and its assigned number.

Capital Outlay

Equipment Leases

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in [GASB Statement 87](#).

Lease Term

The lease term is defined as the period during which a lessee has a noncancelable right to use an underlying asset, plus the following periods, if applicable:

- a. Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option
- b. Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option
- c. Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option
- d. Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.

A fiscal funding or cancellation clause should affect the lease term only when it is reasonably certain that the clause will be exercised.

Lessees and lessors should reassess the lease term only if one or more of the following occur:

- a. The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option.

Uniform Accounting Procedures Manual for County Road Commissions

- b. The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option.
- c. An event specified in the lease contract that requires an extension or termination of the lease takes place.

Short-Term Leases

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

Lessee Accounting

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease, or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

Equipment Purchases, and Disposals

Accounting examples for recording Road Equipment Purchases (Account 976), Trade-In Allowances (Account 688), Capital Asset Retirements – Road Equipment (Account 689.01), and Gain or Loss on Disposal of Road Equipment (Account 673.01) in the County Road Fund follow:

Assume that a Road Commission purchases a new truck at a total cost of \$100,000. This purchase is paid for by a trade-in allowance of \$30,000 and by a cash disbursement of \$70,000. The original cost of the truck traded in was \$80,000 of which \$60,000 had been depreciated, leaving a net book value of the traded in equipment of \$20,000.

The following entries would be made:

Cash Disbursements Journal

	<u>Debit</u>	<u>Credit</u>
976 Capital Outlay-Road Equipment	\$ 100,000	
688 Trade-In Allowances		\$ 30,000
001 Cash-Checking		70,000

(To record the purchase of equipment # ____ and trade-in of equipment # ____.)

Uniform Accounting Procedures Manual for County Road Commissions

<u>Transfer Voucher</u>	<u>Debit</u>	<u>Credit</u>
688 Trade-In Allowances	\$ 30,000	
673.01 Gain or Loss on Disposal of Road Equipment		\$ 10,000
689.01 Capital Asset Retirements – Road Equipment		20,000

(To divide trade-in allowance between net book value of equipment traded in and gain on disposal of equipment.)

In the previous example, assume the trade-in allowance received was \$10,000 instead of \$30,000.

The entries would be as follows:

<u>Cash Disbursements Journal</u>		
	<u>Debit</u>	<u>Credit</u>
976 Capital Outlay-Road Equipment	\$ 100,000	
688 Trade-In Allowances		\$ 10,000
001 Cash-Checking		90,000

<u>Transfer Voucher</u>		
	<u>Debit</u>	<u>Credit</u>
688 Trade-In Allowances	\$ 10,000	
673.01 Gain or Loss on Disposal of Road Equipment	10,000	
689.01 Road Equipment Retirements		\$ 20,000

Assume that a Road Commission purchases a new truck chassis during the last month of the current fiscal year at a cost of \$80,000 and the remaining outfitting items (dump box, hydraulics, etc.) are purchased and installed in the next fiscal year at a cost of \$20,000.

The following entries would be made:

<u>Cash Disbursements Journal</u>		
	<u>Debit</u>	<u>Credit</u>
976 Capital Outlay-Road Equipment	\$ 80,000	
001 Cash-Checking		\$ 80,000

(To record the purchase of equipment #____.)

NOTE: No depreciation should be recorded for the truck chassis until the outfitting is completed in the next fiscal year. In the next fiscal year, once all outfitting has been completed, the following entries should be made:

Uniform Accounting Procedures Manual for County Road Commissions

Cash Disbursements Journal

	<u>Debit</u>	<u>Credit</u>
976 Capital Outlay-Road Equipment	\$ 20,000	
001 Cash-Checking		\$ 20,000

(To record the purchase of completing outfitting of equipment # ____.)

Assume that a fully depreciated unit of equipment was sold for \$10,000.

The following entry would be made:

Cash Receipts Journal

	<u>Debit</u>	<u>Credit</u>
001 Cash-Checking	\$ 10,000	
673.01 Gain or Loss on Disposal of Road Equipment		\$ 10,000

(To record the disposal and gain on sale of equipment # ____.)

Assume that a unit of equipment with a net book value of \$5,000 was sold for \$10,000.

The following entry would be made:

Cash Receipts Journal

	<u>Debit</u>	<u>Credit</u>
001 Cash-Checking	\$ 10,000	
673.01 Gain or Loss on Disposal of Road Equipment		\$ 5,000
689.01 Capital Asset Retirement - Road Equipment		5,000

(To record the disposal and gain on sale of equipment # ____.)

Note: Entries to be made in the Capital Assets Control to record equipment purchases, trade-ins, and retirements are explained in the Uniform Accounting Procedures - Capital Assets Control section of this manual.

Installment Purchases

The following examples illustrate installment purchases are made pursuant to the provisions of [MCL 224.10\(5\)](#).

Lease Payable Recorded in Long-Term Debt Control Only

For illustration purposes, the following are rounded to the nearest dollar.

A loader is purchased in accordance with the following terms:

- Commencement 5/1/18
- Term of lease – five years
- Option – additional five years (not certain)
- Base lease \$24,000 annually - \$2,000 per month
- Interest rate – 3% (if not stated, use the lessee’s estimate borrowing rate)

Uniform Accounting Procedures Manual for County Road Commissions

- Interest 3%
- Number of payments 60
- Payment amount \$ 2,000
- Calculate present value \$ 111,305
 - =PV ((.03/12),60,2000)

The entry to record the purchase and installment debt is:

	<u>Debit</u>	<u>Credit</u>
A. County Road Fund		
976 - Capital Outlay – Road Equipment	\$ 111,305	
697 – Installment Purchase and Lease Proceeds		\$ 111,305
B. Capital Assets Control		
138 - –Road Equipment	\$ 111,305	
391 – Net Position – (Net) Invested in Capital Assets		\$ 111,305
C. Long-Term Debt Control		
186 - Amount to be Provided for Payment of Debt Principal	\$ 111,305	
304 - Lease Payable (Non-Current)		\$ 111,305

The entries to record the monthly payment of \$2,000 must be allocated to the debt (principal) and finance (interest) charges. The allocation amount can be determined from an amortization schedule or can be computed each month by multiplying the current unpaid balance times the 6% rate and dividing the product by 12. This results in the amount to be recorded as the monthly interest expense. The amount of the computed interest is deducted from the monthly payment of \$2,000, giving the amount of principal repayment.

To illustrate:

	<u>1st Payment</u>	<u>2nd Payment</u>	<u>3rd Payment</u>
Debt Balance	\$ 111,305	\$ 109,583	\$ 107,857
Interest (Debt Balance x6% Divided by 12)	278	274	270
Principal Payment (\$2,000 Less Interest)	1,722	1,726	1,730
Next Month's Debt Balance (This Debt Balance Less Principal Payment)	\$ 109,583	\$ 107,857	\$ 106,127

D. The monthly entry to record the payment in the County Road Fund is:

	<u>Debit</u>	<u>Credit</u>
991 – Principal	\$ 1,722	
992 – Interest	\$ 278	
001 – Cash-Checking		\$2,000

Uniform Accounting Procedures Manual for County Road Commissions

- E. The “Lease Payable” and “Amount to be Provided” accounts in the Long-Term Debt Control will be adjusted by the amount of the principal payment. This can be recorded monthly or at year-end. If recorded at year-end, the journal entry (transfer voucher) should list in the explanation the twelve-monthly amounts that comprise the total. (1st monthly payment JE noted below)

	<u>Debit</u>	<u>Credit</u>
304 - Lease Payable (Non-Current)	\$ 1,722	
186 - Amount to be Provided for Payment of Debt Principal		\$ 1,722

- F. The leased asset would be amortized over the shorter of lease term or useful life of the underlying asset. ($111,305/60=\$1,855/\text{month}$)

139 – Accumulated. Depreciation-Road Equipment (Credit)	\$ 1,855	
391 – Net Position – (Net) Investment in Capital Assets Unrestricted		\$ 1,855

Rented Equipment (short-term)

When a unit of equipment is rented for use on a specific maintenance or construction project or for a period of time less than one year for general use, the size of the equipment and the duration of the rental agreement should determine the accounting procedure most appropriate. Small items such as chain saws may be expensed directly from the invoice to the job. The invoice for rental would be charged to Activity 510 - Equipment Expense - Direct, Account 950.000 - Rent Payments or may be charged directly to the project.

Renting Equipment to Other Public Entities

When a unit of equipment is rented to another public entity (i.e., another Road Commission), credit Activity 510 - Equipment Expense - Direct, to the equipment unit rented with the debit charged to Account 001 – Cash-Checking.

New Buildings

Preliminary new building costs such as architectural plans, site preparation, financing cost, etc., should be included in the cost of the new building. If these costs occur during one fiscal year and construction of the new building occurs over the course of two fiscal years, you can record these costs in the following manner:

Assume a Road Commission decides to build a new truck garage. Architectural costs are \$10,000 and the Road Commission crew will prepare the site by removing trees and other obstacles in the way at a cost of \$10,000. Construction of the new truck garage has started and the fiscal year-ends. The building contractor invoices the Road Commission for \$40,000. In the next fiscal year, after the building is complete, the contractor invoices the Road Commission \$70,000. The new truck garage is put into service three months into the new fiscal year.

In the first fiscal year, the following entries should be made:

Uniform Accounting Procedures Manual for County Road Commissions

Cash Disbursements Journal

	<u>Debit</u>	<u>Credit</u>
975 Capital Outlay - Buildings	\$ 60,000	
001 Cash-Checking		\$ 60,000

(To record current year new truck garage building costs.)

At year-end, the normal entries described in the Capital Assets Control section are made. No depreciation should be calculated on this new building until it has been completed and placed in use.

In the next fiscal year, once you have paid for the final contractors' invoice, the following entries should be made:

Cash Disbursement Journal

	<u>Debit</u>	<u>Credit</u>
975 Capital Outlay - Buildings	\$ 70,000	
001 Cash-Checking		\$ 70,000

(To record current year new truck garage building costs, use the same building number used in the previous year.)

At year-end, the normal entries described in the Capital Assets Control section are made.

Salt Shed Construction Costs Shared by the Road Commission and the State

Where costs of constructing salt sheds are shared by the State, example 80% MDOT, 20% Road Commission, the following accounting procedures apply. Expenditures are debited to Activity 900 - Capital Outlay. The State reimbursement is credited to Account 555.01 - State Grants - Capital Assets - Chemical Storage Facility. In the Capital Assets Control, at year-end, a journal entry is prepared by debiting Account 136 – Buildings, Building Additions, and Improvements and crediting Account 391 – Net Position (Net) Investment in Capital Assets -Unrestricted in the amount charged to Activity 900. Such a building is subject to depreciation. Refer to the salt shed construction contract between MDOT and your Road Commission for the correct percentages to use. The Road Commission should develop a spreadsheet that shows all salt held in the shed and the respective percentage used on the State trunklines and the county roads. You need to record this for five years. At the end of this period of time, MDOT will review your records to see if the original contract percentages were correct. At the end of the five years, using the above percentages, if 90% of the salt stored in the salt shed was MDOTs, they will reimburse you the additional 10% of the cost. If the county percentage has increased, then the Road Commission would pay the State the difference.

Salt Shed Construction Costs Reimbursed by the State

Where costs of constructing salt sheds are reimbursed 100% by MDOT, the following accounting procedures apply. Expenditures are debited to Activity 900 - Capital Outlay. The State reimbursement is credited to Account 555.01 - State Grants - Capital Assets - Chemical Storage Facility. In the Capital Assets Control, at year-end, a journal entry is prepared debiting Account

Uniform Accounting Procedures Manual for County Road Commissions

136 – Buildings, Building Additions, and Improvements and crediting Account 391 – Net Position – (Net) Investment in Capital Assets -Unrestricted in the amount charged to Activity 900. Such a building is subject to depreciation. However, no depreciation is recorded in the County Road Fund. Depreciation is recorded in the Capital Assets Control only, as follows:

Debit - Account 391 – Net Position – (Net) Investment in Capital Assets -Unrestricted
 Credit - Account 137 - Accumulated Depreciation – Buildings, Additions, and Improvements (Credit)

New Equipment

The cost of new equipment, which is recorded in the Equipment Questionnaire, must include all costs as explained under Activity 900 - Capital Outlay. The disbursement of funds for any complete rebuilding of a unit of equipment should be considered as a capital expenditure ONLY if it substantially increases the expected life of the equipment; otherwise, it will be considered as a direct repair. When the useful life is substantially increased, it will be necessary to add the total rebuilding cost to the undepreciated balance. It is then permissible to start the depreciation the same as new equipment on the [Schedule C](#) present five (5) year or eight (8) year depreciation schedule, whichever applies to the code number of the equipment rebuilt. However, it is preferable to estimate the actual remaining life and to depreciate the equipment accordingly using the sum-of-the-years' digits method. The restoration of equipment damaged by accident will be considered as a direct repair charge. Insurance payments, or other reimbursements for accidental damage to equipment will be treated as expenditure credits as an offset to the direct repair charges.

Used Equipment

The purchase price and reconditioning costs of used equipment will be considered as a capital expenditure. Depreciation will be computed in the same manner as for any other unit of new equipment at the established depreciation rate (Refer to Equipment Rental Rates - [Schedule C](#)).

Minimum Cost for Capitalization

Assets shall be capitalized based on your capitalization policy. If an equipment item is assigned an equipment rental rate by MDOT [Schedule C](#), the equipment costs will be classified as capital outlay regardless of the cost.

Fire Loss and Insurance Recovery--Building

Assume a Road Commission garage with an original cost of \$100,000 and a present book value of \$64,000 is destroyed by fire; the Road Commission receives an insurance payment of \$113,000 and replaces the garage at a cost of \$267,000.

The following entries are necessary for buildings only:

<u>Account</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
<u>County Road Fund</u>			
001	Cash-Checking	\$ 113,000	
689.02	Capital Asset Retirement-Other Capital Assets		\$ 64,000
673.02	Gain/Loss on Disposal of Capital Assets		49,000

Uniform Accounting Procedures Manual for County Road Commissions

<u>Account</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
(To record receipt of insurance payment for garage.)			
975	Capital Outlay-Buildings	\$ 267,000	
001	Cash-Checking		\$ 267,000
(To record the cost of rebuilding garage.)			
<u>Capital Assets Control</u>			
137	Accumulated Depreciation - Buildings, Additions, and Improvements (Credit)		\$ 36,000
391	Net Position – (Net) Investment in Capital Assets Unrestricted		64,000
136	Buildings, Building Additions, and Improvements (To write off garage destroyed by fire.)	\$ 100,000	
136	Buildings, Building Additions, and Improvements	267,000	
391	Net Position – (Net) Investment in Capital Assets Unrestricted		267,000
(To record capital outlay expenditure for new garage.)			

Fire Loss and Insurance Recovery-Equipment

Assume a Road Commission has a motor grader with an original cost of \$124,000 with a present book value of \$50,000 is destroyed by fire or accident; the Road Commission receives an insurance payment of \$126,000 (based on appreciated value) and replaces the motor grader at a cost of \$130,000.

The following entries are necessary for road equipment (this would also be similar to the treatment of other equipment):

<u>Account</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
<u>County Road Fund</u>			
001	Cash-Checking	\$ 126,000	
689.01	Capital Assets Retired Road Equipment		\$ 50,000
673.01	Gain/Loss on Disposal of Road Equipment		76,000
(To record receipt of insurance payment for motor grader.)			
976	Capital Outlay-Road Equipment	\$ 130,000	
001	Cash-Checking		\$ 130,000
(To record the cost of replacing the motor grader.)			

Uniform Accounting Procedures Manual for County Road Commissions

<u>Account</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
<u>Capital Assets Control</u>			
139	Accumulated Depreciation – Road Equipment (Credit)		\$ 74,000
391	Net Position – (Net) Investment in Capital Assets Unrestricted		50,000
138	Road Equipment (To write off road equipment destroyed by fire/accident.)	\$ 124,000	
136	Equipment - Road	130,000	
391	Net Position – (Net) Investment in Capital Assets Unrestricted		\$ 130,000
	(To record capital outlay expenditures for new equipment.)		

Insurance Reimbursement on an Incident--Road Equipment

Assume a Road Commission has the same unit of equipment as described above, that was involved in an incident where it was damaged but not destroyed; the total cost for repair is \$15,000 and the Road Commission receives an insurance payment of \$14,500.

The following entry is necessary for road equipment (this would also be similar to the treatment of other equipment):

<u>Account</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
County Road Fund			
001	Cash-Checking	\$ 14,500	
510.XXX	Equipment Expense – Direct		\$ 14,500
	(To record receipt of insurance payment for motor grader.)		

NOTE: All expenditures relating to the repair of the equipment will be debited to the related 510.XXX activity as well as any applicable deductions.

Depreciation

Depreciation is computed by the sum-of-the-years-digit method for road equipment and vehicles using the MDOT [Schedule C](#) depreciation tables. Depreciation begins on the date the equipment is placed in service. Depreciation for all other capital assets is computed by the straight-line method. Depreciation of capital assets is determined from the individual equipment and building records. A journal entry is made debiting Account 968 - Depreciation and Depletion Expense and crediting Account 690 - Depreciation and Depletion Credits.

Depreciation expenses should be debited to the various activities as follows:

Activity 510 Equipment Expense - Direct

1. Road equipment items with a unit number.

Uniform Accounting Procedures Manual for County Road Commissions

Activity 511 Equipment Expense - Indirect

1. Shop and storage expense, including all buildings or partial buildings used to store equipment (excluding administrative portion if the administrative office is connected to the garage or shop).
2. Furniture purchased for equipment related offices.
3. Shop tools, forklift, and equipment not assigned a unit number.

Activity 514 Other Distributive Expense

1. Buildings or partial buildings used to store road materials.
2. Furniture purchased for road maintenance offices.
3. Storage silos and holding tanks for road materials.

Activity 515 Administrative Expense

1. Charge all buildings or partial buildings used for administrative purposes.
2. Furniture purchased for administrative offices.

Activity 516 Engineering Equipment

1. Engineering equipment which does not have a unit number, such as traffic counters, surveying equipment, laser levels, etc. (unless Activity 514 is utilized).

It is recommended that the necessary entries in the County Road Fund and the Capital Assets Control for road equipment which is disposed of during the year be made at the time of disposition. Other depreciation expense entries must be made at least annually.

Depreciation Rates

The following depreciation percentage rates are recommended for capital asset items other than road equipment (MDOT [Schedule C](#)) and infrastructure (see Infrastructure Reporting).

Shop Equipment	10% per year or 10 years
Stockroom Fixtures	10% per year or 10 years
Land Improvements	10% per year or 10 years
All Buildings	
Masonry Construction	2% per year or 50 years
Sheet Metal Construction	3% per year or 33.3 years
Wood Frame Construction	4% per year or 25 years
Yard and Storage Equipment	
Chemicals Storage Silo (Masonry)	5% per year or 20 years
Liquid Chemicals Storage Tank (Metal)	10% per year or 10 years
Asphalt Storage Tank (Metal)	5% per year or 20 years
Chemical Hopper Bin (Metal)	10% per year or 10 years
Chemical Storage Bin (Masonry)	5% per year or 20 years
Office, Engineering, Computer Equipment	
Office Equipment and Furniture	10% per year or 10 years
Engineering Equipment	10% per year or 10 years
Computers, Data Processing Equipment	25% per year or 4 years

Depletion

Uniform Accounting Procedures Manual for County Road Commissions

Depletable (Wasting) Assets are assets which diminish in value by the removal of their contents such as the purchase cost of gravel pits, sand pits, clay pits, brine wells, quarries, etc. When depletable assets are acquired, the cost or appraised value of the assets acquired should be debited to Activity 900 - Capital Outlay, Account 987 - Depletable Assets in the County Road Fund. Monthly or annually the amount charged to Account #987 should be recorded in the Capital Assets Control by debiting Account 134 - Depletable Assets and crediting Account 391 – Net Position (Net) Investment in Capital Assets-Unrestricted. To effectively control depletable assets, the unit cost (yard, ton, gallon, etc.) must be determined by dividing the purchase cost by the actual or estimated quantity acquired.

<u>Account</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
987	Depletable Assets	\$ 100,000	
001	Cash-Checking		\$ 100,000

(To record acquisition in County Road Fund.)

134	Depletable Assets	\$ 100,000	
391	Net Position – (Net) Investment in Capital Assets - Unrestricted		\$ 100,000

(To record acquisition in Capital Assets Control.)

When depletable assets are removed and placed in inventory (stockpiled):

<u>Account</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
109	Inventory - Road Materials	\$ 40,000	
690	Depreciation and Depletion Credits		\$ 40,000

(To record stockpile of inventory.)

When depletable assets are used for Construction, Preservation, or Routine and Preventive Maintenance on the County Road System:

<u>Account</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
968	Depreciation and Depletion	\$ 20,000	
690	Depreciation and Depletion Credits		\$ 20,000

(To record assets used on system.)

When depletable assets are sold:

<u>Account</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
001	Cash - Checking	\$ 30,000	
690	Depreciation and Depletion Credits		\$ 30,000

(To record sale of assets.)

Uniform Accounting Procedures Manual for County Road Commissions

To record depletion monthly or annually:

<u>Account</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
391	Net Position – (Net) Investment in Capital Assets – Unrestricted	\$ 5,000	
135	Accumulated Depletion - Depletable Assets (To record monthly or annual depletion.)		\$ 5,000

To close fully depleted asset:

<u>Account</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
135	Accumulated Depletion - Depletable Assets	\$100,000	
134	Depletable Assets		\$100,000

(To record full depletion of asset.)

Federal and State Aid Projects

Note: The following procedures pertain to Federal Grants, however, the accounting requirements also apply to State Aid Projects.

Federal Grants - Accounting Requirements

Because of Federal Single Audit requirements, Federal highway grant revenue must be classified in either of the following accounts:

Revenue Account 510 - Federal Grants - Highways (MDOT-Private Contractors) and applicable subaccounts are to be used to account for Federal Grant revenue where the work is performed by private contractors paid by the Michigan Department of Transportation (MDOT).

Revenue Account 511 - Federal Grants - Highways (Negotiated Contracts) and applicable subaccounts are to be used to record Federal Grant revenue where the work is performed by the Road Commission work force or by private contractors paid by the Road Commission. As MDOT comes up with new procedures and as accounting changes arise, the Michigan Department of Treasury will update to this manual, as necessary. Please refer to your state contract document for the specific details of your agreement.

Projects Performed by Private Contractors

Subsidiary records must be maintained by project for each Federal aid job including the MDOT job number, Federal item number and type of project. Types of projects may include Federal Surface Transportation Programs (STP), Federal Highway Safety, Federal Highway Critical Bridge, Federal Category C-Urban Congestion, or Federal Category D-Rural Primary funding. Applicable subsidiary records must be reconciled to the revenue control account(s) balance, at a minimum, at the fiscal year end. The Road Commission’s project engineer periodically submits pay estimates to MDOT for payment to the contractor. These pay estimates appear on MDOT’s website under the [Contractor’s Construction Inquiry](#) MDOT submits Progress Billings to the Road

Uniform Accounting Procedures Manual for County Road Commissions

Commission from the pay estimates submitted by the engineer during construction for actual costs incurred to date. Payments of progress billings are also to be debited to Account 228.XXX Due to State. Reconciliation of this account should be performed at a minimum at fiscal year-end. The current amount earned by the contractor should be debited to applicable activity/expenditure accounts. Offsetting credits should be made to Account 228 – Due to State of Michigan for the Road Commission proportionate share of project costs and to applicable Federal and State Grant revenue account(s) as follows:

	<u>Federal</u>	<u>State</u>
510.03	Hazard Elimination Safety	547.01 Critical Bridge – Primary Road
510.04	Railroad Safety	547.02 Critical Bridge – Local Road
510.05	Critical Bridge - Primary	548.02 Category "E" - Primary
510.06	Discretionary (85% Floor)	548.03 Category "E" – Local State Aid
510.07	ISTEA "D" Enhancement Funds	549.02 Category "A" - Primary
510.071	Surface Transportation Program (STP)	549.03 Category "A" – Local State Aid Primary
510.072	STP - Surface Transportation Program	550.02 Category "C" – Primary Local
510.073	STP - Surface Trans Program-Other	550.03 Category "C" – Local
510.081	Category "C" - Urban Congestion Primary	551 TED - "D" - Rural - Primary
510.082	Category "C" - Urban Congestion	552 TED - "F" - Urban Area Local
510.091	Category "D" - Rural Primary	
510.092	Category "D" - Rural - Local	
510.10	Demonstration Funds - Primary	
510.11	Demonstration Funds - Local	
510.13	Congestion Mitigation Grants	
510.14	High Priority Grants	
510.051	Critical Bridge - Local	

Project expenditures and revenues must be recorded at least annually at fiscal year-end. However, it is suggested that they be recorded as each construction estimate is received, or on a monthly basis. When the project is completed, MDOT sends the Road Commission a final accounting statement which itemizes the total cost of the project, total Federal aid earned, total State aid earned, and the total local share (Road Commission). If the final accounting includes any expenditures that have not been previously recorded by the Road Commission, such as expenditures for advertising, MDOT engineering, etc., these must be recorded by an entry similar to that described above, if the final accounting indicates the total amount paid by the Road Commission (through progress billings) exceeds the local share of the project or involves cost overruns, MDOT will refund or invoice the difference to the Road Commission when final accounting is received, a reconciliation should be completed, ensuring the Account 228 balance for this project is zero. The respective deferred revenue, revenue, and/or expenditure accounts may need to be adjusted to match the final accounting.

Following is an example of accounting for a Federal aid project performed by a private contractor on a primary road: (Assume that the MDOT Job Number for this project is 44841A)

Uniform Accounting Procedures Manual for County Road Commissions

EXAMPLE 1

Facts per Exhibit I of the Contract

COST PARTICIPATION

Grand Total Estimated Cost	\$500,000
Less Federal Funds	400,000
Balance (Requesting Party's Share) (Local Share)	<u>\$100,000</u>

The contract states that the Federal funds are under the Surface Transportation Program (STP).

(Note: There may be more than one funding source, so you may have to refer to the contract for the specific type of Federal and State aid).

Based on the provisions in Exhibit I of the contract, we can express the Federal and Local shares in percentages as follows:

$$\text{Federal Share } \frac{400,000}{500,000} = 80\%$$

$$\text{Local Share } \frac{100,000}{500,000} = 20\%$$

Project voucher summary information is as follows:

For illustration purposes, the following are rounded to the nearest dollar.

	Project Estimate #1	Project Estimate #2
Total Amount Earned or Gross Earnings	\$264,345	\$150,341
Less Reserve or Retainage	7,300	7,211
Total Amount Allowed or Net Earnings	257,045	143,130
Payment Due Contractor or Amount Due	52,869	30,068

Based on the information provided in Project Estimate #1 the entry would be made:

Account		<u>Debit</u>	<u>Credit</u>
<u>Number</u>	<u>Account Name</u>		
459.XXX	Applicable Expenditure		
	Activity/Account	\$ 264,345	
510.071	Surface Transportation Program (STP)-Primary		
	(264,345 X 80%)		\$ 211,476
228.XXX	Due to State of Michigan		
	(264,345 X 20%)		52,869

(To record project expenditures on a primary road and Federal aid earned on project 44841A, based on the contractor's total amount earned or gross earnings for work performed through 8/30/XX per MDOT Project Estimate #1 dated 9/19/XX.)

Uniform Accounting Procedures Manual for County Road Commissions

Contract Provisions per Local Progress Billings from MDOT are as follows:

	<u>Billing #1</u>	<u>Billing #2</u>
Contract Award	\$ 445,375	\$ 445,375
Total Estimated Project Cost	\$ 445,375	\$ 445,375
Estimated Federal Participation	\$ 356,300	\$ 356,300
Estimated Local Participation	\$ 89,075	\$ 89,075
Local Contract Cost to Date	\$ 52,869	\$ 82,937
Local Other Cost to Date	\$ 132	\$ 439
Total Local Cost to Date	\$ 53,001	\$ 83,376
Previously Billed		
Local Current Month Contractor Costs	\$ 52,869	\$ 30,068
Local Current Month Other Costs	\$ 132	\$ 307
Total Local Bill Amount	\$ 53,001	\$ 30,375

Based on the information provided on the MDOT Progress Billing #1, the following entries would be made:

<u>Account Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
459.XXX	Applicable Expenditure	\$ 132	
228.XXX	Due to State of Michigan	52,869	
001	Cash – Checking		\$ 53,001

(To record the payment to MDOT of local progress billing #1.)

(Note: Local progress billings to the Road Commission should not exceed estimated local participation for each project as specified in the contract.)

Based on the information provided in project estimate #2, the following entries would be made:

<u>Account Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
459.XXX	Applicable Expenditure		
	Activity/Account	\$ 150,341	
510.071	State Transportation Program (STP)-Primary (\$150,341 x 80%, but limited to the maximum of \$100,000)		\$ 120,273
228.XXX	Due to State of Michigan (\$150,341 x 20%, plus the difference in Federal aid above)		30,068

(To record project expenditures and Federal aid earned on project 44841A, based on the difference between the prior contractor's total amount earned or gross earnings and current total for work performed through 10/30/XX per MDOT project estimate #2 dated 11/12/XX.)

Uniform Accounting Procedures Manual for County Road Commissions

Based on the information provided on the MDOT Progress Billing #2, the following entries would be made:

<u>Account Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
459.XXX	Applicable Expenditure Activity/Acct	\$ 307	
228.XXX	Due to State of Michigan	30,068	
001	Cash - Checking		\$ 30,375

(To record the payment to MDOT of local progress billing #2.)

Projects Performed by Road Commission Personnel (Negotiated Contracts)

When Federal Aid project work is performed by the Road Commission's work force, in accordance with a contract negotiated between the Road Commission and MDOT, all project costs must be charged to the applicable activity/expenditure accounts. The amount billed to MDOT for the Federal share should be debited to Account 078.04 - Due from State - Department of Transportation - Other. The offsetting credit should be to the applicable Federal grant revenue account or accounts. Payments received from MDOT should be credited to Account 078.04 Due from State - Department of Transportation - Other.

Federal and State aid projects need to be accounted for separately. Suggested illustrations are included at the end of this section representing the accounting for two different Federal or State aid projects showing how project pay estimates, progress billings, and deposits are recorded. Following the project subsidiary record are suggested spreadsheets showing the balancing of Account 228- Due to State of Michigan. The auditor will find the spreadsheets helpful in reconciling balances shown in these accounts. Open projects are listed across the top of each illustration. Last year's ending balances are shown along with transfers made for project pay estimates received, reductions for progress billings, and any final accounting to close various projects. Finally, this year's ending balances for all projects should equal the Account 228- Due to State of Michigan total balances. If a project has been finalized during the year, the project balance should agree with the final billing and the amount Due to the State of Michigan (Account 228) equals zero. When projects remain on the books after construction is completed, it is suggested that the Road Commission contact the Federal aid section at the Michigan Department of Transportation for an explanation or status of those projects with a recommendation that every attempt be made by MDOT to seek closure as soon as possible. Federal aid revenue should never exceed project costs.

Uniform Accounting Procedures Manual for County Road Commissions

For illustration purposes, the following are rounded to the nearest dollar.

MICHIGAN AVE. AT SNOW ROAD 20XX						FEDERAL	
AID							
STP 9723(003)						STP	
PROJECT							
FEDERAL ITEM #YY0089							
CONTROL SECTION STH 23609							
JOB# 44841							
ESTIMATE \$279,600							
		PRIMARY HEAVY MAINTENANCE 459		DUE TO STATE OF MI 228 20%		FEDERAL AID 510.071 80%	
<u>Date</u>	<u>Desc</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
09/19/X9	ESTIMATE #1	264,345			52,869		211,476
10/01/X9	PROG#1	132		52,869			
11/12/X9	ESTIMATE #2	150,341			30,068		120,273
11/15/X9	PROG#2	307		30,068			
Balance 20X9		415,125			0.00		331,749
EXAMPLE 1							

Uniform Accounting Procedures Manual for County Road Commissions

BASELINE ROAD BRIDGE BRIDGE PROJECT MSC23015 B1 OF 23-15-10 JOB# 39929 ESTIMATE 226,700				STATE AID CRITICAL			
		LOC PRE ST IMP. 490-320	DUE TO STATE OF MI 228.19 5%		STATE CRITICAL BRIDGE 547.02 95%		
<u>Date</u>	<u>Desc</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
7/X8	Voucher #1	46,688			2,334		44,354
8/X8	Voucher #2	106,404			5,320		101,084
9/X8	Prog#1			2,334			
9/X8	Prog#2			5,230			
9/X8	Prog#3			2,399			
BALANCE 1998		153,092		9,963	7,654		145,438
9/X8	Voucher #3	47,977			2,399		45,578
11/X9	Voucher #4	2,561			128		2,433
BALANCE 20X9		50,538			2,527		48,011
EXAMPLE 2							

Federal Aid Projects – Advance Construction

In some instances, the Road Commission may enter into a contract with MDOT for a road project that is funded by federal and/or state funds before the federal and/or state funds are available. This means that if federal/state aid eligible costs are incurred before the funding is available, MDOT bills the Road Commission the amount of the Advance Construction. As the contractor is paid by MDOT, MDOT reduces the amount of the Advance Construction by the amount of the Road Commission local share for that billing.

Uniform Accounting Procedures Manual for County Road Commissions

The example below depicts an awarded contract in the amount \$2,000,000. The amount of Advance Construction is \$200,000. The first contractor payment is due, and the funding is not available. By the time Estimate #2 is submitted, the funding becomes available.

	Estimate #1 Funding Not Available	Estimate #2 Funding Available	Estimate #3
Contract Awarded	\$2,000,000		
Advance – Federal Aid Projects	200,000		
Estimate Amount	300,000	\$1,000,000	\$700,000
Federal STP (80%)	240,000	800,000	560,000
Local Share (20%)	60,000	200,000	140,000
Reduction to Advance	60,000	140,000	-
Local Share Due to State	-	60,000	140,000

<u>Account Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
<u>Pay MDOT Advance</u>			
125.XXX	Advance - Federal Aid Projects - Advance Construction	\$ 200,000	
001.XXX	Cash – Checking		200,000
(To record MDOT billing of Advance Construction.)			

Estimate #1/Billing #1

459.XXX	Applicable Expenditure Activity/Account	\$ 300,000	
510.071	Surface Transportation Program (STP)-Primary (300,000 X 80%)		\$ 240,000
125.XXX	Advance - Federal Aid Projects Advance Construction		60,000
(To record project expenditures on a primary road and Federal aid earned on project for Estimate #1.)			

Estimate #2

459.XXX	Applicable Expenditure Activity/Account	\$1,000,000	
510.071	Surface Transportation Program (STP)-Primary (1,000,000 X 80%)		\$ 800,000
125.XXX	Advance - Federal Aid Projects Advance Construction		140,000
228.XXX	Due to State of Michigan (1,000,000 X 20%-advance)		60,000

Uniform Accounting Procedures Manual for County Road Commissions

(To record project expenditures on a primary road and Federal aid earned on project for Estimate #2.)

MDOT Billing #2

<u>Account Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
228.XXX	Due to State of Michigan	\$ 60,000	
001.XXX	Cash – Checking		\$ 60,000

(To record project payment for MDOT Billing #2.)

Estimate #3

459.XXX	Applicable Expenditure		
	Activity/Account	\$ 700,000	
510.071	Surface Transportation Program (STP)-Primary		
	(700,000 X 80%)		\$ 560,000
228.XXX	Due to State of Michigan		
	(1,000,000 X 20%)		140,000

(To record project expenditures on a primary road and Federal aid earned on project for Estimate #3.)

MDOT Billing #3

228.XXX	Due to State of Michigan	\$ 140,000	
001.XXX	Cash - Checking		\$ 140,000

(To record project payment for MDOT Billing #3.)

Sale of Federal/State Aid from Another Governmental Entity

Total Project	\$ 1,625,000	
Total Federal Aid Purchased	\$ 1,300,000	
Federal Aid Purchase Price	\$ 1,040,000	80% Discount
Local Participation	\$ 585,000	20% Discount

Buying County Road Commission purchased \$1,300,000 of Federal Aid from Selling County Road Commission for \$1,040,000. The accounting entries related to the sale are as follows:

In Selling County Road Commission's General Ledger

Recording Selling County Road Commission's sale of Federal Aid funds to Buying County Road Commission.

1. Recording receivable and revenue for sale of Federal Aid.

<u>Description</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
Due from Road Commissions	074	\$ 1,040,000	
Contributions from Local Units Revenue			
Sale of Federal Aid - Other Counties	583.07		\$1,040,000

Uniform Accounting Procedures Manual for County Road Commissions

2. Recording payment received by Selling County Road Commission from Buying County Road Commission.

<u>Description</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
Cash - Checking	001	\$ 1,040,000	
Due from Road Commissions	074		\$ 1,040,000

In Buying County Road Commission's General Ledger

Recording Buying County Road Commission purchase of Federal and State Aid from Selling County Road Commission.

1. Recording payable for payment due to Selling County Road Commission.

<u>Description</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
Due to Road Commissions	224		\$ 1,040,000
Non-roads Project Expense Purchase of Federal and State Aid from other Counties	519	\$ 1,040,000	

2. Recording payments made by Buying County Road Commission to Selling County Road Commission.

<u>Description</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
Due to Road Commissions	224	\$ 1,040,000	
Cash – Checking	001		\$ 1,040,000

3. Recording State receivable and unearned revenue.

<u>Description</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
Due from State	078.04	\$ 1,300,000	
Unearned Revenue	339		\$ 1,300,000

4. Recording progress billing expenditures and revenues earned, and reverse entry #3 by the amount of revenue earned.

<u>Description</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
Project Expense	459.XXX	\$ 1,300,000	
Federal Revenue	511.XXX		\$ 1,300,000
Unearned Revenue	339	\$ 1,300,000	
Due from State of Michigan	078.04		\$ 1,300,000

Uniform Accounting Procedures Manual for County Road Commissions

State Trunkline Maintenance Contract

A State trunkline maintenance contract with the Michigan Department of Transportation is a detailed and complex contract which should be read carefully and understood thoroughly. The expenditures charged are audited annually by MDOT and the Road Commission will be billed or reimbursed for any amounts incurred by the Road Commission that are different from actual costs. Equipment rental and fringe benefit rates routinely have an impact on audit adjustments. Costs may be disallowed if not expressly approved by the contract, or if prescribed bidding procedures are not followed. If questions arise, members of the CRA Negotiating Committee or another agency with a State trunkline maintenance contract are good source of information. The MDOT website contains a link to maintenance forms and instructions at https://www.michigan.gov/mdot/0,4616,7-151-9625_23109---,00.html. Because this is a contract between the individual Road Commissions and MDOT, whenever questions arise regarding administration of the Trunkline Contract, the contract language should be used, not the language contained within the Accounting Manual.

Current Year Contract

When an expense is incurred for salaries and wages, supplies, materials, equipment rental and other expenses directly related to the maintenance of a State trunkline, the expenses are to be charged to Activity 517 - State Trunkline Maintenance. MDOT's Function codes (with a brief description) are to be used for each highway maintained under a trunkline maintenance contract. MDOT shall be billed, at least monthly, for the total charged to Activity 517. A journal entry should be made debiting Account 078.01 - Due from State - State Trunkline Maintenance, and crediting Account 627 - State Trunkline Maintenance Revenue for the amount billed. When payment is received from MDOT, Account 078.01 is credited. Transportation Work Authorizations (TWA) may be issued by the Region Engineer for special maintenance work (work not covered by the Field Activity Budget) and non-maintenance work. This work may be performed by the Board or a subcontractor, as set forth in the contract. Expenses for TWA's are to be charged to Activity 518 – State Trunkline Non-Maintenance. MDOT shall be billed, at least monthly, for the total charged to Activity 518. A journal entry should be made debiting Account 078.02 - Due from State - State Trunkline Non-Maintenance, and crediting Account 628 - State Trunkline Maintenance Revenue for the amount billed. When payment is received from MDOT, Account 078.02 is credited.

Prior Year State Maintenance Contract Adjustments

Results of prior years' audit adjustments should be recorded in Account 627 - State Trunkline Maintenance Revenue. If an amount is due the county, Account 627 is credited. If an amount is due MDOT, Account 627 is debited. Account 078.01- Due from State - State Trunkline Maintenance is the offset account.

Determination of Equipment Rental Rates

In order to bill MDOT for equipment used on State trunklines, an hourly equipment rental rate must be determined by each county after evaluating the various options provided for in the contract. Annually, MDOT calculates a State-wide average "[Schedule C](#)" equipment rental rate which may be used for billing MDOT. Each contract county is required to submit a complete equipment profit and loss statement to the Department no later than six months following the Road

Uniform Accounting Procedures Manual for County Road Commissions

Commission's fiscal year end. The equipment expense data is to be submitted to the region engineer on the Equipment Questionnaire ([Form 461](#)) or an approved alternate format. Each county will have different costs and may modify the rates charged subject to the approval of MDOT.

Fringe Benefit Rates

Each county calculates its own fringe benefit rate for the next year, prior to beginning the new year and subject to approval by MDOT. Only expenses applicable to fringe benefits should be charged to Activity 513 - Distributive Expense - Fringe Benefits. All fringe benefit costs properly charged to Activity 513 should be included on [Form 455C, Report of Employee Benefit Cost](#).

Determination of Fringe Benefit Costs for Trunkline Maintenance Contract

When calculating fringe benefit rates for State trunkline use on [Form 455C](#), compute the total payroll first. Line A--total payroll should represent the applicable year's cash payroll less the prior year accrual and including the current year accrual. Adjustments to the total payroll expenditure for any non-leave labor costs, that are also included in the eligible benefit costs, are to be included on Lines A-1 and A-2.

Line A-1--Insurance opt-out payments made to employees included in total payroll on Line A, and in the eligible benefit costs.

Line A-2--Other non-leave labor costs in total payroll on Line A that are also included in the eligible benefit costs but are not included in the leave and longevity on Line C (for example, labor applicable to retro pay, jury duty or on-the-job injury).

Line B--Administrative payroll costs should represent the gross payroll for the commissioners, manager, clerk, engineer, office staff, and part-time office help as charged to the administrative accounts. These gross payroll amounts should include leave (all paid time off, e.g., vacation, sick leave, holiday, personal, birthday) and longevity for each administrative employee.

Line C--Leave and Longevity for Non-Administrative Personnel - The total amount of leave (all paid time off, e.g., vacation, sick leave, holiday, personal, birthday) and longevity recorded for each non-administrative employee.

Line D--Leave and Longevity for Administrative Personnel - Total amount of leave (all paid time off, e.g., vacation, sick leave, holiday, personal, birthday) and longevity for the administrative personnel that is included in the Administrative Payroll on Line B.

Total costs for vacation, sick leave, holiday, and longevity (on the bottom half of the form) should be the same amount shown on Line C above, less any nonwage payments to employees (e.g., hospitalization opt-out payments).

Total costs for all other fringe benefit accounts should be listed on the remaining lines on the bottom half of the page (these should represent the total expense less any receipts for refunds or reimbursements). Any nonwage payments to employees should be included with the costs for the applicable fringe benefit account.

Uniform Accounting Procedures Manual for County Road Commissions

Use the formula listed on [Form 455C](#), column 3, on the bottom half of the form to calculate the percentages to be used in column 4.

Code 187--Total leave and benefit rates represent the total of column 4 and can be used as the fringe benefit rate for trunkline maintenance billings for the next fiscal year.

Non-Labor Distributive Costs

Generally speaking, nonlabor distributive costs recorded in Activity 514 - Distributive Expense - Other, are not fringe benefits and, therefore, should not be in the fringe benefit rate.

Supervision

Foremen, superintendents, engineers, and any other supervisory employees, other than those included in administrative overhead, should fill out daily timecards charging State trunklines for all actual time worked for the benefit of MDOT.

Materials Acquired and Specifications

Whenever materials or services are acquired for a State trunkline in excess of \$10,000, advertisement and bidding procedures must be followed. All material bids must meet minimum MDOT standards. Failure to follow and retain documentation of proper bid procedures may result in costs questioned by MDOT and possible denial of reimbursement.

Firm Unit Prices

Material supplied by the Road Commission, including aggregates and bituminous materials, may be furnished at a "firm unit price" which is not subject to audit by MDOT. The firm unit price is subject to approval by MDOT.

As a general rule, costs of processing materials plus a "pit charge," consisting of costs not specifically identifiable, should be included. The pit charge would include the cost to replace the current pit, liability associated with owning the pit, costs of maintenance of the pit, etc. Comparison of pit charges with private vendors may give an indication of a reasonable fee. The firm unit price(s) included in the contract should be billed to MDOT. If your accounting system or software package does not accommodate this, then monthly or year-end transfer vouchers could be made to ascertain that the firm unit price(s) and total costs are being recorded into Activity 517-State Trunkline Maintenance. and billed to MDOT.

Sub-Contracts

All subcontracts, in excess of \$20,000, must have the approval of the State Administrative Board and shall be advertised and awarded by competitive bid. All subcontracted work, regardless of the cost, will require the submission of a Quotation Request for Services or Equipment ([Form 426](#)).

Handling Charges

The direct expenses of handling, unloading, processing, stockpiling, heating, loading of materials such as aggregates, bituminous materials and chemicals may be charged to MDOT. In addition, a flat percentage charge (currently 5%) for handling and storage may be added to the purchase of all materials other than those previously listed, provided they require inside storage, heated storage, security, or other special care.

Uniform Accounting Procedures Manual for County Road Commissions

Winter Maintenance Patrol

The charges for winter maintenance patrol will be laid out in a letter of understanding prior to the beginning of each winter. A detailed patrol log should be maintained and saved for audit purposes. Any extension of night patrol activities should be authorized in writing.

Overhead

Administrative overhead costs can be charged at a percentage (currently 8.5%) of expenditures or the audit to cost formula contained in the State maintenance contract may be followed. If audit to cost is followed, each county is again subject to possible payback to MDOT.

Budget Guarantee and Contingency Fund

MDOT will establish a summer and winter maintenance budget and will guarantee that, once established, the budgets for trunkline maintenance will not be reduced except as identified in the contract. A contingency fund is established by MDOT for the winter maintenance budget which can only be used with authorization from MDOT. MDOT will also meet with the Road Commission between March 1 and May 15 of each budget year to discuss a supplemental summer program allowing time to plan and execute the work needed.

Partial Payment for Routine Maintenance

MDOT will pay the Road Commission a percentage of the annual budget for the fiscal year (adjusted each year) for maintenance to be performed. This is an advance and should be recorded as a liability in Account 328.02 – State Trunkline Maintenance Advance. This payment represents the cost associated with mobilizing or preparing for maintenance on State trunklines and should be accepted by each Road Commission with a State maintenance contract.

Capital Equipment Advance

Each Road Commission may elect to receive a Capital Equipment Advance. This is an advance and should be recorded as a liability in Account 328.01 – State Trunkline Equipment Purchase Advance. This payment represents the cost associated with additional purchases of equipment to significantly increase the productivity and efficiency of the agency and should be accepted by each Road Commission with a State maintenance contract.

State Stores

State materials may be acquired through Department of Management and Budget's State stores program. State stores are materials purchased and owned by MDOT that may be utilized by the Road Commission with the Road Commission charging overhead.

Unemployment Insurance

A Road Commission needing to hire additional seasonal help to maintain State trunklines may be reimbursed for actual unemployment claim payments. Unemployment reimbursement for seasonal employees is paid on the ratio of that employee's work time on the trunkline to his/her total wages during the employee's most recent employment period. A Road Commission that pays unemployment on a premium basis will not be reimbursed based upon the above.

Uniform Accounting Procedures Manual for County Road Commissions

Chemical Storage Facility Operating and Maintenance Costs

Chemical Storage Facility contracts include a section whereby MDOT can be billed under the current maintenance contract for a pro rata share of operating and maintenance costs of such storage facility based on chemical usage. The maintenance contract also includes language which allows for reimbursement of these costs. Therefore, any such costs (typically insurance, building repairs, etc.) should be recorded to Activity 517- State Trunkline Maintenance and billed to MDOT.

Miscellaneous

From time to time, conduct a review with your employees to ensure that all hours are being properly charged to MDOT. When employees change positions within the organization, they do not necessarily realize the ramifications of why they report hours the way they do. Also, review how down time is being measured and accounted for. A consistent method must be followed.

Read the contract and understand how the Road Commission will be affected. Utilize firm unit prices for materials made from county owned gravel pits. Ensure that you are receiving the State Equipment Advance and the State Maintenance Contract Advance. Utilize State stores for big ticket items such as salt. Review the overhead audit to cost formula to determine if the contract percentage is satisfactory. Don't guess when applying the provisions of the State maintenance contract. If questions, seek assistance from CRA Negotiating Committee or other contract counties.

Refunding Bonds

Per GASB Codification, Section D20.102: Refunding involves the issuance of new debt to repay previously issued ("old") debt. The new debt proceeds may be used to repay the old debt immediately (a current refunding); or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). When debt is defeased, it is no longer reported as a liability on the face of the balance sheet. GASB Codification Section D20.103 states, in part, that debt is considered defeased in substance for accounting and financial reporting purposes if the debtor irrevocably places cash or other monetary assets with an escrow agent in a trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt and the possibility that the debtor will be required to make future payments on that debt is remote.

Reasons for Refunds

GASB Codification Section D20.104 gives a variety of reasons for refunding debt as follows: to take advantage of lower interest rates, to extend maturity dates, revise payment schedules or remove or modify restrictions contained in the old debt agreements. When considering refunding debt, the difference in total cash flows between the old and new debt service payments should be examined from a time value of money perspective. The economic gain or loss resulting from a refunding transaction compares the present value of the new debt service requirements with that of the old. Present value is the worth today of a future payment or services of payment discounted at a specified interest rate. (Section D20.105).

Uniform Accounting Procedures Manual for County Road Commissions

Accounting and Reporting for Debt Refunding

GASB Codification Section D20.106: For an advance refunding resulting in defeasance of debt reported in the LTDC, the proceeds of the new debt should be reported as an “Other Financing Sources - Proceeds of Refunding Bonds” in the fund receiving the proceeds. Payments to the escrow agent from resources provided by the new debt should be reported as an “Other Financing Use - Payment to Refunded Bond Escrow Agent.” Payments to the escrow agent made from other resources of the entity should be reported as debt service expenditures. The LTDC should be adjusted for the increase or decrease in the amount of long-term debt.

Example:

There is a balance of \$3,360,000 remaining from the original bond issuance (after the current year’s principal payment of \$300,000 is made).

The Net Sources and Uses relating to the Refunding Bonds:

Sources	
Bond Proceeds	<u>\$3,575,000</u>
Total Sources	<u>\$3,575,000</u>
Uses	
Escrow Fund	\$3,484,499
Costs of Issuance	50,000
Underwriters Discount (1.0%)	35,750
Available Amount	<u>4,751</u>
Total Uses	<u>\$3,575,000</u>
Net Savings	\$ 265,695
Present Value Savings	\$ 235,726
Percent of Refunded Par	7.01%

The accounting entry should be:

<u>Account</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
995.1	Other Financing Uses - Payment to Refunding Bond Escrow Agent	\$ 3,484,499	
993	Debt Service – Expenditures (You can provide more detail if desired)	90,501	
696.1	Other Financial Sources - Proceeds from Sale of Bonds/Notes		\$ 3,575,000

Disclosures About Advance Refunding

GASB Section D20.111 requires all debt defeasance through an advance refunding to include a general description of the transactions in the notes to the financial statements in the year of the refunding. At a minimum, the disclosures should include:

- a. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding. (When measuring the difference between the two cash flows, additional cash used to complete the refunding paid from resources other than proceeds of the new debt should be added to the new debt cash flows. Accrued interest received at the bond issuance date should be excluded from the new debt cash flows.)

Uniform Accounting Procedures Manual for County Road Commissions

- b. The economic gain or loss resulting from the transaction. (Economic gain or loss is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements discounted at the effective interest rate and adjusted for additional cash paid.)

WETLAND MITIGATION BANKING FUND PROGRAM

The Michigan Wetland Board (MiWB) was created to assist Act 51 Local Transportation Agencies (LTA) to find and develop wetland mitigation sites. The primary purpose of the program is to promote the development of bank sites in areas that do not currently have existing markets and available credits. Grant and Loan applications under the WMBF Program began in 2014.

Mitigation is creating or protecting wetlands to offset impacts (usually wetland fill) from road projects. All mitigation sites must be approved by the MDEQ before an LTA can begin to use them for mitigation credits. The MDEQ requires annual monitoring and maintenance of the sites.

The MiWB is currently funded at \$2M annually from the Michigan Transportation Fund. These funds can be used to reimburse LTA for costs associated with creating mitigation sites for future wetland impacts. Funds can be used for: design; land acquisition; construction; monitoring; conservation easements; endowments; and purchasing credits from other mitigation sites. The MDEQ requires endowments for most sites to insure there is long term funding to manage the sites. The endowment is non-wasting and must be held by a third party. While an LTA can be the long-term owner of the site, a land conservancy or similar organization is often more qualified, and so is the preferred option. After approval by the MiWB or Manager, costs are reimbursed through the State of Michigan (SIGMA). Because not all mitigation sites are the same, the specifics of each project will determine the specific accounting needed. All LTA must follow their normal accounting procedures when spending, tracking, and requesting reimbursements. These transactions range vastly, and some examples include, but are not limited to, expenses associated with a property search for land to be purchased and utilized for wetland banking, the purchasing land specifically for this purpose, purchasing sites from other agencies for project mitigation requirements, selling sites to other agencies for project mitigation requirements, etc. The key factor in determining the accounting requirements will be ownership of the land involved in the mitigation site. Should state grant funds be obtained, recognition of these funds will be needed. Because this is a relatively new program, additional accounting instructions will be developed in future versions of the accounting manual. Additional information on wetland banking can be found at the [DEQ Wetland Mitigation Banking Website](#).

Uniform Accounting Procedures Manual for County Road Commissions

YEAR END

Year End Closing

The closing procedures of each Road Commission may vary depending upon the processes of the financial software used. Situations unique to Road Commissions may create the need for additional accounting entries, however those closing entries discussed later in the section will be necessary to properly close the year. Differences may also be noted between Road Commissions based upon whether or not items are recorded on a monthly or yearly basis such as Federal and State aid accounting, depreciation of equipment, prorating of utility expenses for garage and administrative use, etc. It is suggested that recording of these items on a monthly basis will more accurately reflect the financial status of the Road Commission throughout the year.

Establishing a routine for month end checks and balances that pattern the closing at year-end will aid in spotting errors. Preparing a check list for the month-end and year-end will assist in an efficient and effective method for accomplishing the task of closing. Sample checklists are attached.

Beginning of New Fiscal Year

- Reverse necessary year end entries.
- Make sure that all outstanding Accounts Payable and Accounts Receivable from the prior year are resolved.

Monthly

- Make a list of items that will need to be accrued at year-end and review it each month. These entries can be made monthly or at year-end and include pre-paid expenses and insurance. Following are items to consider but are not limited to just these:
 - Property and Liability Insurance (MCRCSIP, others)
 - Pension Payments (MERS, Mass Mutual, others) these, if paid before year-end can be spread.
 - Health Insurance Payments, including retiree payments
 - Workman's Compensation (CRASIF, others)
 - Dues and subscriptions (CRA, others)
 - Interest
 - Unemployment expenses
 - Paid Time Off (Vacation, Sick, Personal time)
 - Any other standard or reoccurring journal entries. Review expenditure accounts
 - Take time to review entries in 510 – 515
 - Prorated Utilities -- To record credit to Activity 511 - Equipment Expense - Indirect with a predetermined percentage of the balances in Account 921 - Electricity, Account 922 - Heat, and Account 923 - Water and Sewage (or any other such utility) where applicable when Road Commission offices reside within the same structure as the garage, with a debit to Activity 515 - Administrative Expense, assuming those expenses have not been prorated to the administrative expense at the time the utility invoices were paid.
- Reconcile bank statements for all bank accounts.
 - Make sure all deposits are made and receipts posted for the month.

Uniform Accounting Procedures Manual for County Road Commissions

- Each month review outstanding checks and if over 30 days consider re-issuing
 - Reconcile Petty Cash
 - Reconcile Investments
- Bill all outstanding amounts due to the Road Commission including Trunkline. Review outstanding receivables for any potential adjustments or collections and ensure it balances to Accounts Receivable aging reports.
- Balance inventory accounts.
 - Inventory Adjustments -- Adjustments to Activity 514 - Distributive Expense - Other and Account 791 - Inventory Adjustments must be made to balance general ledger Account 109 – Inventory - Road Materials and to reflect the year-end physical inventory of road materials. Adjustments to Activity 511 - Equipment Expense - Indirect and Account 110 – Inventory - Equipment Materials and Parts must be made to balance general ledger Account 110 – Inventory - Equipment Materials and Parts and to reflect the year-end physical inventory of parts. If cycle inventories are being performed on a monthly basis, the same adjustments would be applicable at the end of each month.
- Review Prepaid Expenditures
- Review Accounts Payable to ensure it balances to open invoice reports.
 - Ensure monthly benefit payments are made (i.e., taxes, retirement, etc.)
- Review Accrued Expenditures
- Review Accrued Payroll
- Review leases and bonds
- Review Revenue Accounts and that all entries are in the correct account
- Review expenditure accounts
 - Review entries in Activities 510 – 515
 - Review expenditures by activity and account number to look for any incorrect entries.
 - Account numbers of 700.000 or higher must have activity attached to the account numbers.
 - Account numbers of 699.999 or lower must not have activity attached to the account numbers.
- Make sure that all capital assets are recorded and up to date with disposal records and depreciation run.
 - Keeping copies of all new capital outlay purchases is helpful for year-end.
- Review all road projects so that you have all necessary information such as length of the project, what work was being done, and all applicable project numbers and contracts.
- Prepare a spreadsheet for all Federal/State aid projects for the year tied to the General Ledger account totals.
 - This includes Account 228 Due to State of Michigan liability.
- Run month end reports and balance.
- Compare revenues/expenditures to budget. Consider if budget adjustments need to be made (Board approval needed).

Uniform Accounting Procedures Manual for County Road Commissions

MONTHLY CHECKLIST

	<u>By</u>	<u>Date</u>	
MONTHLY			
Monthly journal entries	_____	_____	Post standard and/or recurring journal entries
Cash accounts			Reconcile balances to bank statements Record earnings and fees
Checking	_____	_____	
Savings	_____	_____	
Certificates of deposit	_____	_____	
Investments	_____	_____	Reconcile balances to bank or broker statements
Accounts receivable			Reconcile balances to subsidiary reports or other supporting documents
State MTF	_____	_____	Reconcile receivable and revenue to State reports
Federal & State grants	_____	_____	Reconcile with road project costs and agreements
Permits	_____	_____	Reconcile to aging
Townships	_____	_____	Reconcile to aging or prepare schedule of amounts due
Contributions	_____	_____	Prepare or update schedules of other contributions
Property taxes	_____	_____	Reconcile receivable and revenue to tax levy records
Other	_____	_____	Prepare or update schedules of other receivables
Inventory			Reconcile balances to subsidiary reports
Equipment parts	_____	_____	Periodic - adjust to physical counts, consider valuation
Materials	_____	_____	Periodic - adjust to physical counts, review costing\valuation
Prepaid expense			Review policies and compare to premium invoices, consider refunds
Property & liability insurance	_____	_____	Prepare/update schedule of prepaid amounts and related expense
Health insurance	_____	_____	Review invoice dates for prepaid amounts
Workers comp insurance	_____	_____	Prepare/update schedule of prepaid amounts and related expense
Other	_____	_____	Prepare/update schedule of prepaid amounts and related expense
Accounts payable			Reconcile balances to subsidiary reports or other supporting documents

Uniform Accounting Procedures Manual for County Road Commissions

	<u>By</u>	<u>Date</u>	
Trade	_____	_____	Reconcile open invoice report to vendor invoices or statements
Federal & State grants	_____	_____	Reconcile to road project costs incurred and contract terms
Townships	_____	_____	Prepare or update schedule of amounts due to Townships
Other	_____	_____	Prepare or update schedules of other payables
Sales tax reporting	_____	_____	File sales/use tax report, if necessary
Accrued expenses			Prepare schedules and reconcile to supporting documents
Payroll	_____	_____	Review for complete and reasonable amounts
Unemployment	_____	_____	Review for reasonable amounts
Interest	_____	_____	Prepare or update schedule, reconcile to loan documents
Paid time off	_____	_____	Prepare or update schedule, review PTO policies
Long-term obligations			Review agreements Review proceeds, principal, and interest payments for proper classification
Leases	_____	_____	Review accounting standards for proper classification
Bonds	_____	_____	Reconcile to amortization schedules
Revenue accounts			Review account balances for reasonableness
Property tax	_____	_____	See accounts receivable
Permits	_____	_____	See accounts receivable
MTF	_____	_____	See accounts receivable
Federal & State grants	_____	_____	See accounts receivable
Contributions - Townships	_____	_____	See accounts receivable
Contributions - other	_____	_____	See accounts receivable
Other revenue	_____	_____	See accounts receivable
Insurance refunds	_____	_____	See prepaid expense
Disposal of assets	_____	_____	See capital outlay
Debt proceeds	_____	_____	See long-term obligations
Equipment rental	_____	_____	Reconcile to associated expense accounts
Expenditure accounts			Review account balances for reasonableness, analyze as necessary
Heavy maintenance	_____	_____	See road project procedures
Routine maintenance	_____	_____	
Equipment expense	_____	_____	

Uniform Accounting Procedures Manual for County Road Commissions

	<u>By</u>	<u>Date</u>	
Shop expense	_____	_____	
Fuel expense	_____	_____	
Benefits	_____	_____	Review/record allocations
Operations overhead	_____	_____	Review/record allocations
Administrative expense	_____	_____	
Capital outlay	_____	_____	Compare amounts to capital outlay policy
	_____	_____	Copy invoices for fixed asset file
	_____	_____	Update depreciation program
	_____	_____	Adjust for disposal of assets
Debt service	_____	_____	See long-term obligations
Road projects (job cost)	_____	_____	Review or update project documents (contracts, estimates, bids)
	_____	_____	Review and analyze project costs
	_____	_____	Record Federal/State contract costs, revenue
	_____	_____	Record other project costs, revenue
	_____	_____	Reconcile related receivables or payables
Internal reporting	_____	_____	<i>List specific requirements</i>
External reporting	_____	_____	<i>List specific requirements</i>

Quarterly Reporting

File Quarterly 941

File Quarterly Unemployment reports

State Contract counties only - review Equipment Questionnaire actual costs vs. Schedule C costs

Calendar Year End Reporting

- Balance and file quarterly and year-end reports for payroll.
- Prepare and file W-2's & W-3.
- Prepare and file 1099's & 1096.
 - Review vendor listing for 1099 qualification
- Prepare and file 1094/1095
- Update Schedule C rates before processing the first payroll in January.
- Actuarial reporting
 - Obtain annual required contribution (ADC) from OPEB and pension actuarial.

Fiscal Year End

The following should be completed in addition to the month end list above:

- Make sure that the cash and investment accounts reconcile with the county treasurer's office (if applicable).

Uniform Accounting Procedures Manual for County Road Commissions

- Make sure interest for the year is accrued.
- Reconcile inventory accounts between inventory and General Ledger as of the last day of the year.
 - Make sure that all inventory adjustments have been completed for the year, including physical count inventory adjustments.
- Accrue MTF payments received in the first two months of the new year.
 - Michigan Transportation Fund Receivable -- For fiscal years ending on December 31, a receivable should be recorded for the MTF check received the following January and February representing the November and December collections. For fiscal years ending on September 30, a receivable should be recorded for the MTF check received the following October and November representing the August and September collections. The total revenue recorded for MTF for the year should reflect twelve months including the receivable.
- Make a list of all known payables that will need to be accrued.
- Review open purchase orders.
- Make sure that any needed closings are done such as payroll accruals.
- Balance all employee fringe benefit accounts (i.e., vacation, sick leave, longevity).
 - Complete compensated absences spreadsheet in Excel that shows beginning balances, earned, used, and ending balances.
- Prepare and update schedules of outstanding debts
 - Debt Service to Long-Term Debt Control -- To record debt service payments for the fiscal year to Control 950 - Long-Term Debt Control, debit Account 300 - Bonds Payable or Account 307 - Notes Payable (Long-Term) and credit Account 186 - Amount to be Provided for Payment of Debt Principal. Be sure to transfer only principal amounts to the Long-Term Debt Control. Interest will need to be accounted for separately in the Road Fund Debt Service Accounts to simplify recording of the principal in these accounts at year-end.
- Identify amounts to be reported as deferred inflows and outflows
 - Modified accrual revenue
 - Property Taxes
 - Sale of future federal aid
 - Pensions & OPEB
- Review vendor listing, general ledger accounts, etc., for any items that need to be deleted.
- Review revenues for any that should be booked as unearned/unavailable or removed from unearned/unavailable.
- If depreciation is not recorded monthly it must be recorded at year end.
 - Depreciation -- To record yearly depreciation amounts, debit Account 968.01 - Depreciation - Land Improvements, Account 968.02 - Depreciation - Buildings, Account 968.03 - Depreciation - Road Equipment, Account 968.04 - Depreciation - Shop Equipment, Account 968.05 - Depreciation - Engineering Equipment, Account 968.06 - Depreciation - Yard and Storage, Account 968.07 - Depreciation - Office Equipment and Furniture, or Account 968.08 - Depreciation - Vehicles, and credit Account 690 - Depreciation and Depletion Credits with the total, assuming monthly transfers have not been recorded for the various depreciation amounts.
- Reconcile Capital Assets

Uniform Accounting Procedures Manual for County Road Commissions

- Periodic physical inventory of capital assets and reconciliation to capital asset records.
- Disposal of Assets to Capital Assets Control -- To record changes in Control 900 - Capital Asset Control for asset disposal, debit Accounts 137, 139, 141, 143, 145, 147, or 149 - Accumulated Depreciation as needed for removal of the depreciation accumulated to date. Credit Accounts 136 – Buildings, Building Additions, and Improvements, 138 - Road Equipment, 140 - Shop Equipment, 142 - Engineering Equipment, 144 - Yard and Storage Equipment, 146 - Office Equipment and Furniture, or 148 - Vehicles, as needed to remove the purchase price. Debit Account 391 – Net Position – (Net) Investment in Capital Assets to offset the difference between accumulated depreciation and the purchase price recorded in the Capital Assets Control.
- Depreciation to Capital Assets Control -- To record changes in Control 900 - Capital Asset Control for the current year’s depreciation, debit Account 391 – Net Position – (Net) Investment in Capital Assets and Credit Accounts 137, 139, 141, 143, 145, 147, and 149 - Accumulated Depreciation, as needed.
- Capital Outlay to Capital Asset Control -- To record capital outlay expenditures for the fiscal year to Control 900 - Capital Assets Control, debit Accounts 136 – Buildings, Building Additions, and Improvements, 138 - Road Equipment, 140 - Shop Equipment, 142 - Engineering Equipment, 144 - Yard and Storage Equipment, 146 - Office Equipment and Furniture, or 148 - Vehicles, as needed, and credit Account 391 – Net Position – (Net) Investment in Capital Assets .
- Prepare summary of proceeds, principal and interest payments for leases and long-term debt.
- Close Trade-In Allowances -- To close Account 688 - Trade-In Allowances, debit the balance of that account and credit Account 673.01 - Gain or Loss on Disposal of Road Equipment. If, however, the equipment which was disposed of was not fully depreciated, that portion of the trade-in must be credited to Account 689 - Capital Asset Retirements.
- After all closing entries are made, fringe and overhead must be spread. This adjustment will distribute the Activity 513 fringe and Activity 514 distributive overhead to all applicable activities.
 - Spread Fringe Benefits -- To close out or credit Activity 513 - Distributive Expense - Fringe Benefits, Account 724 - Fringe Benefits and distribute charges back to various activity centers where labor occurred. The computer software may spread the amounts automatically by the month based on an estimated fringe benefit rate or prior year’s rate and only an automatic respread to adjust for the actual current year’s rate will be necessary at year-end.
 - Spread Overhead -- To close out Activity 514 - Distributive Expense - Other and distribute back to various maintenance activity centers. It is recommended that overhead (cost of roads) be distributed to all maintenance and construction projects. Use the Act 51 Annual Financial Report “Distributive Expense - Overhead” schedule to arrive at a percentage based upon cost of operations. This percentage should be used in your computer software spread program at year-end which will automatically spread overhead to all maintenance and construction projects. It is recommended that all State and Federal aid projects also share in this cost. The computer software may spread these amounts automatically by the month based on

Uniform Accounting Procedures Manual for County Road Commissions

an estimated distributive overhead rate or prior year's rate and only an automatic respread to adjust for the actual current year's rate will be necessary at year-end.

- Contractual counties only – prepare and file [Form 455c](#)
- Update information for [GASB No. 34](#) infrastructure requirements:
 - Separate out non-depreciable infrastructure costs.
 - Record infrastructure assets into capital asset accounts making sure that they equal the Construction/Capacity Improvement and Preservation/Structural Improvement totals on the Act 51 expenditure page.
- Prepare and balance Act 51 Note: Do not submit until after audit in case there are audit adjustments.
- Prepare the Municipal Finance Qualifying Statement according to [Form 5047](#) (cannot be completed until your auditors have forwarded your audit results to the Michigan Department of Treasury).
- Update [MiRAD](#) information.

Preparing for the Audit

Your auditor may provide a checklist for audit. Following are some of the items that may appear:

- Review records for all balance sheet accounts and have backup documentation for the auditors.
- Review accounts which will have [GASB No. 34](#) data for accuracy.
- Prepare Investment schedule.
- Prepare audit letters for banks, townships, and attorneys to verify account balances.
- Reconcile [MTF receipts with MDOT website](#)
- Make copies of accruals for Accounts Payable and Payroll for the auditors.
- Provide a spreadsheet for all Federal/State aid projects for the year and may be required to provide copies or files for the auditor.
- Make a copy of the original budget, budget changes and final budget for the year for the auditor.
- Compare expenditures and revenues for major changes from the preceding year to explain to the auditor.
- Make copies of all bank statements.
- Copy of the finalized trial balance as of the last day of your fiscal year. (September 30 or December 31)
- Commission minutes
- Financial policies and procedures in place.
- Copies of Insurance Policies
- Schedule of accounts receivable (all receipts received after year-end)
- Schedule of account payable (all invoices paid after year-end)
- Schedule of accrued wages.
- Schedules to support all significant accrued liabilities.
- Schedule of inventory on hand.
- Schedule of Capital Assets.
- Schedule of debts/loan payable at year-end.
- Schedule of compensated absences.
- Retirement System actuarial reports.

Uniform Accounting Procedures Manual for County Road Commissions

- Statement of Fiduciary Net Position.
- OPEB actuarial report or total OPEB liability projected forward to the measurement date using standard actuarial roll-forward techniques.
- Schedule of all retiree premiums paid and any contributions.
- Copies of state-aid check stubs

In the final calculation of year-end balances, the sum of assets less liabilities must equal the sum of beginning of year fund balance plus revenues less expenditures, and that amount represents the total end of year Account 390 - Fund Balance. The 201 Fund Balance will be allocated to subsidiary fund balance Accounts 390.01 - Primary Road Funds, 390.02 - Local Road Funds, or 390.03 - County Road Funds through processes as designated in the instructions for Act 51 reporting.

ANNUAL

	<u>By</u>	<u>Date</u>	Process
W-2s	_____	_____	
Forms 1099/1096	_____	_____	
Forms 1094/1095	_____	_____	
Actuarial reports			Have completed if necessary
Pension	_____	_____	
OPEB	_____	_____	
Copy/scan documents	_____	_____	Invoices or supporting documents for all significant balance sheet amounts
	_____	_____	New contracts, leases, professional service agreements
	_____	_____	New employee benefit, retirement plan documents
	_____	_____	Actuarial reports
Cash and investment accounts	_____	_____	Prepare a list of accounts and statement balances
Accounts receivable	_____	_____	Consider collectability
Inventory	_____	_____	Physical counts
	_____	_____	Consider valuation in accordance with policy
	_____	_____	Review subsequent period disbursements for proper cut-off
Accounts payable	_____	_____	
Long-term obligations	_____	_____	Summarize current year proceeds, principal and interest
	_____	_____	Scan/copy new agreements
	_____	_____	Summarize future principal and interest obligations

Uniform Accounting Procedures Manual for County Road Commissions

Expenditure accounts			
In general	_____	_____	Analyze accounts with significant balances or variances from budget or prior year
Equipment - direct	_____	_____	Review significant amounts for proper classification in accordance with policy
Contract services	_____	_____	Review and summarize significant account balances
Lease or rent			Review and summarize significant account balances
Professional services			Review and summarize significant account balances
Retirement plans	_____	_____	Summarize contributions by plan
Road projects (job cost)	_____	_____	Prepare annual summary of project costs and revenue by source See Act 51 reporting section for non-financial information requirements
Deferred Inflows and Outflows			Identify amounts to be reported as deferred inflows and outflows
Modified accrual revenue			Review and summarize significant account balances
Property taxes			Review and summarize significant account balances
Sale of future revenues			Review and summarize significant account balances
Pensions			Review and summarize significant account balances
OPEB			Review and summarize significant account balances
Fund balance			Review for proper classification in accordance with policy
Financial commitments			Prepare a summary of future contractual commitments
Government-Wide (GASB 34)	Reporting		

Uniform Accounting Procedures Manual for County Road Commissions

Fixed assets and infrastructure	Prepare summary of fixed assets & infrastructure (cost & accum depr)
Long-term obligations	
Leases, long-term debt	Prepare summary of proceeds, principal & interest payments
Compensated absences	Prepare a schedule of compensated absences due employees
Pension liabilities	Prepare calculations and disclosures, refer to actuarial reports
OPEB liabilities	Prepare calculations and disclosures, refer to actuarial reports

Financial audit

Discuss audit plan with auditor	
Communicate with auditor: schedule, engagement letter, inventory observation, confirmations, worksheet, and document requests	
Consider new accounting and reporting standards	
Coordinate inventory observation dates	
Consider requirements for MD&A	
Financial highlights	
Budget highlights	
Economic factors and next year's budget	
Summarize budget as originally adopted, amendments and comparison to actual amounts	

Act 51 report

Review prior year report and assemble necessary financial information	
Non-financial information requirements:	
Qualified Expenditures for Non-Motorized Improvements	
Construction/Capacity Improvements/Structural Improvements (Length, Classification-Roads/Bridges/Safety/Misc)	
Township Mileage	
Township Expenditures and Contributions	

Uniform Accounting Procedures Manual for County Road Commissions

Asset management
information

Other mandated reports

Form 5572
Form 5047

Pension and OPEB reports (PA 202 of 2017)
Michigan Finance Qualifying Statement

DUE DATES

Payroll tax returns
Sales tax reporting
W-2s
Forms 1099/1096

Forms 1094/1095
Act 51 report

Engineering - MTF
reimbursement

Section 18j report
Title VI

Transparency
reporting

OPEB valuation
Actuarial reports

Budget adoption
MiRAD

Form 455C (Contract
Counties)

Equipment Questionnaire
(State Contract)

Form 5572
Form 5047

Unclaimed
property

FILING DATES

Quarterly

Monthly

January 31

January 31

January

31

May 1

June 30

September 30

Annual

October 31 or January 31

Auditing Procedures

The audit must be performed by an independent CPA licensed with the Michigan State Board of Accountancy to practice in Michigan or by an employee of the Department of Treasury. The audit of the financial records, accounts and procedures of all County Road Commissions shall be made in accordance with auditing standards generally accepted in the United States of America as approved and adopted by the membership of the American Institute of CPA's in its [Statements on Auditing Standards](#). However, if the County Road Commission requires a single audit, the financial records must be audited in accordance with auditing standards generally accepted in the

Uniform Accounting Procedures Manual for County Road Commissions

United States of America and the standards applicable to financial audits contained in [Government Auditing Standards](#), issued by the Comptroller General of the United States.

Separately issued Road Commission audit reports are to follow the guidelines for special purpose governments set forth in [GASB No. 34, paragraphs 134-141](#). The County Road Commission should include the following information in their annual audited financial statements:

- A. The report of comments and recommendations shall include a description of any improper, illegal, or other actions disclosed by the independent CPA in the course of their tests and reviews in connection with their report on the financial statements.

Examples of the types of actions, which should be considered in the preparation of this report, are:

- a) Lack of action of the local unit on previous report of comments and recommendations by the independent CPA.
 - b) Unaudited funds and/or operations.
 - c) Expenditures not made in accordance with legislative appropriations and other State fiscal requirements and restrictions. The independent CPA should be guided by [PA 2 of 1968](#), as amended, and appropriate reporting guidelines issued by the State Treasurer.
 - d) Improper accounting for revenues.
 - e) Inadequate or ineffective internal controls or procedures.
 - f) Records and reports which could not be reconciled to those of the various State fiscal offices.
 - g) Noncompliance with statutes, laws, rules, and regulations as outlined in the “Auditing Procedures” section of this bulletin (or any others known to the independent CPA) under which the funds, and/or operations of the County Road Commission were created and are functioning.
 - h) Indication of possible fraud or dishonesty. (see number 5)
 - i) Indication of a need for review of financial operations and/or financial management.
 - j) Indication of a lack of current review by government officials of insurance coverage and bonding requirements.
 - k) Noncompliance with Federal financial assistance requirements.
 - l) Noncompliance with the State Uniform Chart of Accounts; and
 - m) Departures from accounting principles generally accepted in the United States of America.
- B. Report on Auditing Procedures – A report shall be made to the State Treasurer pertaining to the adherence to the minimum requirements outlined in this bulletin and shall include such other information as the State Treasurer shall require. The prescribed form is located at the Treasury website: www.michigan.gov/localonlinefiling This online form must be completed when uploading an audit report.
 - C. Report on Findings of Suspected Fraud and/or Embezzlement – During the course of an audit, the independent CPA should be constantly aware of the possibility of fraud and/or embezzlement. If the possibility of any fiscal irregularities, defalcation, misfeasance, nonfeasance, or malfeasance comes to the auditor’s attention, an “oral report” should be immediately made to the Community Engagement and Finance Division of the Michigan

Uniform Accounting Procedures Manual for County Road Commissions

Department of Treasury. Materiality should not be considered when notifying and the Community Engagement and Finance Division about a potential problem. This oral report should be promptly followed up by a written report to the Community Engagement and Finance Division of the Michigan Department of Treasury, disclosing the independent CPAs findings.

Additional Reporting Requirements

Starting in 2015, the threshold that requires a Road Commission to have a Single Audit, under [Title 2 CFR 200 - Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Grants](#), is \$750,000 in Federal funds expended on negotiated projects. Title 2 CFR Part 200 may be referred to as the new super circular or Uniform Grant Guidance. The Single Audit Act requires a Schedule of Expenditures of Federal Awards (SEFA) to be included in the auditor's report showing the total expenditures for each Federal assistance program. For the highway programs, this schedule must be expanded, or a supplemental schedule prepared showing the required information by individual grant (agreement) with columns added for grant number and period. The schedule must also identify those grant moneys administered by the State and those administered by the local public agencies. Statutory compliance procedures are a required part of the audit of County Road Commissions in Michigan. A copy of the statutory compliance checklist may be found in [Appendix D of the Bulletin for Audits of County Road Commissions](#). A legal compliance section is also included in this manual. Local unit compliance with Department of Treasury manuals and the requirements in the manuals is to be included in the procedures of the auditor. A copy of this financial report format should be provided to the Road Commission's auditors when requesting bids for the statutory audit.

Local units of government in Michigan should prepare and issue an annual financial report in a format that can be easily read and understood. The Michigan Department of Treasury (Treasury) establishes uniform reporting that is as nearly as practicable to the uniform standards as set forth by the Governmental Accounting Standards Board (GASB). The official who by law or charter is charged with the responsibility for the financial affairs of the local unit shall insure that local unit accounts are maintained and kept in accordance with these standards. The Michigan Department of Treasury requires all financial statements of local units of government to comply with generally accepted accounting principles (GAAP) and standards promulgated by this Department. This document imposes additional reporting requirements that road commissions must comply with in addition to those required by GAAP. Current GASB requirements call for a range of options in preparing local unit financial statements, from a "basic financial statement" to a "comprehensive annual financial report," as well as options for many disclosures and presentations such as reporting individual component units. The purpose of this document is to set forth additional items that are required to be reported in local unit financial statements.

Uniform Accounting Procedures Manual for County Road Commissions

SAMPLE COUNTY ROAD COMMISSION
 ADJUSTING ENTRIES (AE) IN ACCORDANCE WITH GASB NO. 34
 FYE 12/31/20XX

The following entries are to be made on a worksheet only. They are not meant to be booked into your accounting system.

AE #	ACCT	DESCRIPTION	DEBIT	CREDIT
------	------	-------------	-------	--------

1. To Record Capital Assets

		Capital Assets (Beginning of Year Balance)	\$11,837,684	
		Accumulated Depreciation (Beginning Balance)		\$ 7,678,596
		Net Position (Beginning of Year)		\$ 4,159,088
		Capital Assets (Beginning of Year Balance – Infrastructure)	\$28,360,348	
		Accumulated Depreciation (Beginning Balance)		\$ 841,256
		Net Position (Beginning of Year)		\$27,519,092

PUT BEGINNING BALANCES INTO OPERATING “FUND”

1a		Capital Assets (Current Year Additions) – Various Accounts	\$ 1,091,016	
	970	Capital Outlay Expenditures		\$ 1,091,016

TO REVERSE OUT CAPITAL OUTLAY EXPENDITURES; TO ELIMINATE “INVESTMENT IN CAPITAL ASSETS” ACCOUNT(S)

2. To Record Depreciation Expense

	690	Depreciation Expense – Assets Other Than Infrastructure	\$ 989,275	
		Accumulated Depreciation		\$ 989,275
	690.01	Depreciation Expense – Infrastructure	\$ 945,340	
		Accumulated Depreciation		\$ 945,340

TO REMOVE THE CREDIT TO A DEPRECIATION AND TO LEAVE THE ALREADY BOOKED DEPRECIATION BOOKED IN THE “500” ACCOUNTS AND TO BOOK DEPRECIATION FOR THE INFRASTRUCTURE

3. To Record Sale of Capital Assets

		Accumulated Depreciation of Disposed Assets	\$ 230,000	
		Capital Assets (of Disposed Assets)		\$ 235,428
	689	Capital Asset Retirements	\$ 5,428	

TO BOOK DEPRECIATION AND REMOVE EQUIPMENT RETIREMENTS

4. Bond or Other Indebtedness

		Net Positions (Beginning of Year)	\$ 292,145	
	300	Bonds Payable (Beginning of Year)		\$ 35,000
	304	Installment Purchase Agreements Payable		\$ 257,145

PUT BEGINNING BALANCES INTO OPERATING “FUND”

Uniform Accounting Procedures Manual for County Road Commissions

4a.	300	Bonds Payable (Current Year Activity)	\$	35,000
	304	Installment Purchase Agreements Payable	\$	35,924
		Debt Service – Principal (Current Year		
	991	Activity)		\$ 70,924

RECORD CURRENT YEAR PRINCIPAL PAYMENT AS A REDUCTION
TO RELATED PAYABLE

4b.	304	Lease Purchase Payable	\$	300,000
	697	Installment Lease Proceeds	\$	300,000

REVERSE CURRENT YEAR PROCEEDS AND RECORD PAYABLE (New
Debt)

Uniform Accounting Procedures Manual for County Road Commissions

SAMPLE COUNTY ROAD COMMISSION
 ADJUSTING ENTRIES (AE) IN ACCORDANCE WITH GASB NO. 34
 FYE 12/31/20XX

The following entries are to be made on a worksheet only. They are not meant to be booked into your accounting system.

AE #	ACCT	DESCRIPTION	DEBIT	CREDIT
------	------	-------------	-------	--------

4c.		Net Position (Beginning of Year)	-	
	992	Interest Expense		-
	251	Interest Payable		-

RECORD CURRENT INTEREST PAYABLE ON DEBT PAYMENT THAT ARE PAID PRIOR TO THE YEAR END THAT HAVE ACCRUED INTEREST

5. Employee Compensated Absences

		Net Position (Beginning of Year)	\$ 400,187	
	343	Compensated Absences Liability (Beginning of Year)		\$ 400,187
	342	Compensated Absences Expense – GASB No. 34 (Line Item Only)	\$ 18,572	-
		Compensated Absences Liability (Current Year Increase/Decrease in Liability)	-	\$ 18,572

6. Construction and Heavy Maintenance

		Capital Assets – Infrastructure (Current Year Activity)	\$12,897,357	
	451	Primary Construction/Capacity Improvements		-
	458	Primary Preservation/Structural Improvements		\$ 5,524,799
	481	Local Construction/Capacity Improvements		\$ 1,000,000
	488	Local Preservation/Structural Improvements		\$ 5,111,178
	460	Primary Structure – Preservation/Structural Improvements		\$ 1,223
	490	Local Structure – Preservation/Structural Improvements		\$ 1,260,157

TO BOOK INFRASTRUCTURE ADDITIONS

7. Special Assessment

		For Special Assessments, Assessed in Prior Years		
	339	Unavailable Revenue – Special Assessments	-	
	672	Special Assessment Revenue	-	
	665.01	Interest on Special Assessments		-
		Net Position		-

TO REMOVE SPECIAL ASSESSMENTS EARNED IN A PRIOR YEAR AND COLLECTED IN THE CURRENT YEAR

7a.	339	Unavailable Revenue – Special Assessment	-	
		Special Assessment Revenue		-

Uniform Accounting Procedures Manual for County Road Commissions

TO RECORD SPECIAL ASSESSMENTS ASSESSED IN THE CURRENT YEAR

8. To Eliminate Fund Balance to Net Position

390.01	Fund Balance – Primary	\$ 3,335,536	
309.02	Fund Balance – Local	-	
309.03	Fund Balance – County Road	-	
	Net Position		\$ 3,335,536
		\$60,773,812	\$60,773,812

Uniform Accounting Procedures Manual for County Road Commissions

SAMPLE COUNTY ROAD COMMISSION
WORKING TRIAL BALANCE (WP201-
TB)

FYE
12/31/20XX

Acct. No.	Account Name	Balance Sheet 12/31/20XX	AE #1	AE #1a	AE #2
			Record Beginning Fixed Assets	Current Capital Outlay Conversion To Full Accrual Method	Modify Depreciation Expense To Full Accrual Method
	Assets				
001	Cash	514,482			
003	Investments	778,282			
004	Imprest – Checking	100			
020	Taxes Receivable	2,318,885			
	Accounts Receivable				
040	Sundry	11,638			
078.1	State Trunkline Maintenance	220,000			
078.2	State – Other	52			
	Michigan Transportation				
078.3	Fund	1,341,850			
080	Due on County Road Agreements	1,099,605			
084	Due from County	170,347			
109	Inventory – Road Materials	309,806			
	Inventory – Equipment Parts &				
110	Materials	309,155			
123	Prepaid Expense	126,625			
	Property, Plant & Equipment				
	Capital Assets – Non- Infrastructure		11,837,684	1,091,016	
	Accumulated Depreciation – Non- Infrastructure		(7,678,596)		(989,275)
	Infrastructure		28,360,348		
	Accumulated Depreciation – Infrastructure		(841,256)		(945,340)
	Deferred Outflows				
195	Deferred Outflows				
196- 199	Open for Deferred Outflows				
	Liabilities				
202	Accounts Payable	(971,346)			
228	Due to State	(7,836)			
257	Accrued Wages Payable	(145,902)			
283	Performance Bonds Payable	(35,115)			

Uniform Accounting Procedures Manual for County Road Commissions

Non-Current Liabilities					
304	Installment Purchase Agreement				
307	Bonds Payable				
328.1	State Trunkline Equipment Advance	(275,541)			
328.2	State Trunkline Maintenance Advance	(110,676)			
339	Unearned Revenue				
343	Vested Employee Benefits				
Deferred Inflow					
360-362	Deferred inflow				
363	Drain Orders - Deferred				
364	Unavailable Revenue – Property Taxes	(2,318,885)			
365-369	Open for Deferred Inflows				
Equity					
390.01	Fund Balance Primary Road Fund	(3,335,536)			
390.02	Local Road Fund				
390.03	County Road Fund				
Net Position					
	(Net) Investment in Capital Assets		(31,678,180)	(1,091,016)	1,934,615
	Restricted				
TOTAL		-	-	-	-

EFFECT TO REVENUES AND EXPENDITURES

400	REVENUE CONTROL	(22,177,399)			
700	EXPENDITURE CONTROL	22,443,765		(1,091,016)	1,934,615
	TOTALS	266,366	-	(1,091,016)	1,934,615

Uniform Accounting Procedures Manual for County Road Commissions

WORKING TRIAL BALANCE (WP 201-TB)
FYW 12/31/20XX (CONTINUED)

		AE #3	AE #4	AE #4a	AE #4b	AE #5
Acct No.	Account Name	Recognize Equipment Disposals to Full Accrual Method	Record Beginning Long-Term Debt	Recognize Debt Payment in Full Accrual Method	Record Current Year's Debt	Record Beginning Compensation on Absence Payable
	Assets					
001	Cash					
003	Investments					
004	Imprest – Checking					
020	Taxes Receivable					
	Accounts Receivable					
040	Sundry					
078.1	State Trunkline Maintenance					
078.2	State – Other					
078.3	Michigan Transportation Fund					
080	Due on County Road Agreement					
084	Due from County					
103	Inventory – Road Materials					
110	Inventory – Equipment & Materials					
123	Prepaid Expenses					
	Property, Plant, & Equipment					
	Capital Assets – Non-Infrastructure	(235,428)				
	Accumulated Depreciation – Non-Infrastructure	230,000				
	Infrastructure					
	Accumulated Depreciation - Infrastructure					
	Deferred Outflows					
	Deferred Outflows (point off each individual account)					
195						
196-199	Open for deferred outflows					
	Liabilities					
202	Accounts Payable					
228	Due to State					
257	Accrued Wages Payable					
283	Performance Bonds Payable					
	Non-Current Liabilities					
304	Installment Purchase Agreement		(257,145)	35,924	(300,000)	
307	Bonds Payable		(35,000)	35,000		
328.1	State Trunkline Equipment Advance					

Uniform Accounting Procedures Manual for County Road Commissions

	State Trunkline Maintenance					
328.2	Advance					
339	Unearned Revenue					
343	Vested Employee Benefits					400
	Deferred Inflows					
360	Deferred Inflows					
363	Drain Orders - Deferred					
364	Unavailable Revenue – Property Taxes					
365-369	Open for deferred inflows					
	Equity					
	Fund Balance					
390.01	Primary Road Fund					
390.02	Local Road Fund					
390.03	County Road Fund					
	Net Position					
	(Net) Investment in Capital Assets					
	Restricted	5,428	292,145	(70,924)	300,000	400
	TOTAL	-	-	-	-	-

EFFECT TO REVENUES AND EXPENDITURES

400	REVENUE CONTROL					300,000
700	EXPENDITURE CONROL	5,428		(70,924)		300,000
	TOTALS	5,428	-	(70,924)		600,000 -

Uniform Accounting Procedures Manual for County Road Commissions

SAMPLE COUNTY ROAD COMMISSION
 WORKING TRIAL BALANCE (WP201-TB)
 FYE
 12/31/20XX

		AE #5a	AE #6	AE #8	
Acct. No.	Account Name	Record Change in Compensated Absence Payable	Record Current Year Infrastructure (Const/Cap Imp. & Pres. Struct. Imp.)	Reclassify Ending Fund Balance to Net-position Restricted	ENDING BALANCE GASB NO. 34
	Assets				
001	Cash				514,482
003	Investments				778,282
004	Imprest – Checking				100
020	Taxes Receivable				2,318,885
	Accounts Receivable				
040	Sundry				11,638
078.1	State Trunkline Maintenance				220,000
078.2	State – Other				52
078.3	Michigan Transportation Fund				1,341,850
080	Due on County Road Agreements				1,099,605
084	Due from County				170,347
109	Inventory – Road Materials				309,816
	Inventory – Equipment Parts & Materials				309,155
123	Prepaid Expense				126,625
	Property, Plant & Equipment				
	Capital Assets – Non-Infrastructure				12,693,272
	Accumulated Depreciation – Non-Infrastructure				(8,437,871)
	Infrastructure		12,897,357		41,257,705
	Accumulated Depreciation – Infrastructure				(1,786,596)
	Liabilities				
202	Accounts Payable				(971,346)
228	Due to State				(7,836)
257	Accrued Wages Payable				(145,902)
283	Performance Bonds Payable				(35,115)
	Non-Current Liabilities				
304	Installment Purchase Agreement				(521,221)
307	Bonds Payable				
328.1	State Trunkline Equipment Advance				(275,541)
	State Trunkline Maintenance Advance				(110,676)
328.2					(110,676)
339	Unearned Revenue				(2,318,885)
343	Vested Employee Benefits	(18,572)			(418,759)

Uniform Accounting Procedures Manual for County Road Commissions

	Fund Balance				
	Fund Balance				
390.01	Primary Road Fund			3,335,536	
390.02	Local Road Fund				
390.03	County Road Fund				
	Net Position				
	(Net) Investment in Capital Assets				
	Restricted	18,572	(12,897,357)	(3,335,536)	(43,205,289)
					(2,916,777)
	TOTAL	-	-	-	-

EFFECT TO REVENUES AND EXPENDITURES

400	REVENUE CONTROL			21,877,399	
700	EXPENDITURE CONTROL	18,572	(12,897,357)	(10,343,08)	
	TOTALS	18,572	(12,897,357)	11,534,316	-

Infrastructure Reporting

Introduction

Standards for infrastructure reporting are contained in Governmental Accounting Standards Board ([GASB\) Statement No. 34](#), as modified by subsequent GASB pronouncements. The requirements of GASB 34 were first effective for periods beginning after June 15, 2001.

Capital Assets

Capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. Buildings, except those that are an ancillary part of a network of infrastructure assets, should not be considered infrastructure assets.

Reporting

Capital assets should be reported at historical cost. The cost of a capital asset should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition—such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets should be reported at their estimated fair value at the time of acquisition plus ancillary charges, if any.

Capital assets that are being or have been depreciated should be reported net of accumulated depreciation in the statement of net position. Capital assets that are not being depreciated, such as land or infrastructure assets reported using the modified approach, should be reported separately if the government has a significant amount of these assets. Capital assets also may be reported in

Uniform Accounting Procedures Manual for County Road Commissions

greater detail, such as by major class of asset (for example, infrastructure, buildings and improvements, vehicles, machinery, and equipment).

Infrastructure Asset Reporting

[GASB No. 34](#) allows two methods for infrastructure asset reporting, the depreciation method, and the modified approach. [GASB No. 34](#) requires the use of depreciation reporting for infrastructure assets where the modified approach cannot be used in reporting infrastructure assets.

Depreciation Method

Capital assets should be depreciated over their estimated useful lives unless they are either inexhaustible, such as land, or are infrastructure assets reported using the modified approach. Depreciation expense should be reported in the statement of activities. Depreciation expense should be measured by allocating the net cost of depreciable assets (historical cost less estimated salvage value) over their estimated useful lives in a systematic and rational manner. It may be calculated for (a) a class of assets, (b) a network of assets, (c) a subsystem of a network, or (d) individual assets. Composite methods may also be used to calculate depreciation expense.

Infrastructure assets are depreciated using the straight-line method. The following guidelines may be adjusted depending on the region of the State, weather, or other factors.

	Years	Annual
Roads		
Gravel Surface	8	12.50%
Asphalt Surface	20	5.00%
Concrete Surface	30	3.33%
Traffic Signals	15	6.67%
Bridges		
Timber Bridge	25	4.00%
Timber Re-decking	12	8.33%
Metal Structure Bridge	30	3.33%
Metal Re-decking	15	6.67%
Concrete Bridge	50	2.00%
Concrete Re-decking	25	4.00%
Movable Bridge	50	2.00%

Modified Approach

Infrastructure assets that are part of a network or subsystem of a network (eligible infrastructure assets) are not required to be depreciated, as long as the following requirements are met:

1. The government must manage the eligible infrastructure assets using an asset management system that has specific characteristics:
 - a. Have an up-to-date inventory of eligible infrastructure assets;
 - b. Perform condition assessments of eligible infrastructure assets and summarize the results using a measurement scale (condition assessments are required once every three years on subsystems); and

Uniform Accounting Procedures Manual for County Road Commissions

- c. Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.
2. The unit of government documents that the eligible infrastructure assets are being preserved at or above a condition level established and disclosed by the government.

Most Road Commissions in the State of Michigan will not be able to meet the requirements for use of the modified approach. Accordingly, Road Commissions will use the depreciation method for infrastructure assets. Roads constructed and/or improved by others or transferred to the Road Commission, that are part of your Act 51 Certification miles, must be recorded as an infrastructure asset. The cost of the road is recorded the same as if the Road Commission constructed the road, separating land or right-of-way purchases, land improvements and depreciable road costs.

For example, a local road constructed and/or improved by others or transferred to the Road Commission, would be recorded as follows:

DEBIT - Expense using Activity 481 - Local Roads Construction/Capacity Improvements

CREDIT - Revenue using Account 674 - Contributions and Donations from Private Sources.

Definitions and Accounting Guidelines

1. Land or Right-of-Way (Capitalized)
 - a. Expenditure for acquisition of land or right-of-way for road purposes.
 - b. Cost of work-in-kind exchanged for acquisition of land or right-of-way for road purposes.
 - c. Value of land or right-of-way acquired by the Road Commission through jurisdictional transfer or donation.
2. Land Improvements (construction and/or reconstruction projects) (Capitalized)
 - a. Excavation, ditching, grading (lane widened portion and/or elevation change), tree removal, subgrade preparation of land in preparation for new roadway.
3. Construction/Capacity Improvements (Capitalized)
 - a. New road where no road previously existed.
 - b. Addition of lanes to existing roadway. All other project work is classified as preservation/reconstruction or preservation/structural improvements.
4. Preservation/Reconstruction (Capitalized)
 - a. Change to vertical or horizontal curve of roadway including new surface of the changed roadway.
5. Preservation/Structural Improvements (Capitalized)
 - a. Improvement to existing roadway including drainage structures, surface, hard surface of gravel roadway and resurfacing of roadway.
6. Routine and Preventative Maintenance (Expensed, not capitalized)
 - a. All roadwork which does not fit the category of construction/capacity improvements, preservation/reconstruction, or preservation/structural improvements.
7. Timber Bridge (Capitalized)
 - a. Bridges constructed from timber with a 20 foot or more, clear span length crossing a drain, stream, or dry gully.
8. Metal Structure Bridge (Capitalized)

Uniform Accounting Procedures Manual for County Road Commissions

- a. Metal culvert or multi-plate arch structure with a 20 foot or more, clear span length crossing a drain, stream, or dry gully.
9. Concrete Bridge (Capitalized)
 - a. Concrete structure with a 20 foot or more, clear span length crossing a drain, stream, or dry gully. This includes concrete I-beam with concrete deck, steel I-beam with concrete deck, Jack arch (steel I-beam with metal arches and concrete deck), concrete slab on metal sheeting, precast concrete arch, concrete box beam with concrete deck, and concrete box beam with bituminous deck.
10. Movable Bridge (Capitalized)
 - a. Bascule, lift, or rotating structure with a 20 foot or more, clear span length crossing a drain, stream, or dry gully.
11. Guardrail and Traffic Signs
 - a. Initial costs for installation of guardrail and traffic signs are included with project costs. All other guardrail and traffic sign costs should be recorded as routine maintenance.
12. Fully depreciated capital assets, with the exception of bridges and traffic signals, should be removed from the Road Commission accounts. Fully depreciated bridges and traffic signals should not be removed from the accounts until they are replaced or removed from the road system.

Infrastructure Asset Accounts

Refer to the Balance Sheet for guidelines on the appropriate account numbers for infrastructure. Account numbers 130-162

GASB Statement No. 68 – Pension Plans

[GASB Statement No. 68](#) – establishes new financial reporting requirements for most state and local governments that provide their employees with pension benefits. It replaces the requirements of [GASB Statement No. 27](#) as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet the criteria above.

The Need for GASB Statement No. 68

Pensions are part of the compensation employees earn each year and are paid out after employment ends. [GASB Statement No. 68](#) recognizes the cost of these future benefits as part of the cost of providing public services today. Accrual Accounting Prospective – Prior to [GASB Statement No. 68](#), most governmental entities recognized their pension expenditures on a pay-as-you-go basis with the financial statements reflecting the annual required contribution to the pension system as an expenditure. A liability was recorded on the books for the cumulative difference between the annual required contribution (ARC) and the amount actually contributed. Now pension expenditures will be associated with the periods in which the exchange occurs rather than with the periods when contributions are actually paid.

Implementation Date

[GASB Statement No. 68](#) is effective for employer fiscal years beginning after June 15, 2014.

Uniform Accounting Procedures Manual for County Road Commissions

Financial Statement Recognition

Modified Accrual – Record actual expenditures paid for pension benefits (such as contributions to the pension plan, as you have always done it). If you make additional payments (to fund the liability) they would be recorded as expenditures in the current year. Full Accrual ([GASB Statement No. 34](#)) – The net pension liability, deferred outflows, and deferred inflows are recorded with an offset to expenses.

How to Determine the Net Pension Liability

The Road Commission is required to obtain an actuarial valuation, which is the product of many assumptions based on historical experience regarding the factors that determine the level of resources that will be needed in the future to finance pension benefits. The actuary calculates how much should be contributed now to ensure that an adequate level of resources is available in the future. The future cash outlays for pension benefits should be projected based on economic and demographic assumptions and are then discounted to their actuarial present value. The portion of the actuarial present value allocated to a particular year is called the service cost.

Frequency of Actuarial Valuations

Biennial actuarial valuations are required for all plans. More frequent valuations are encouraged.

Net Pension Liability

The Net Pension Liability (NPL) is the cumulative difference between the Total Pension Liability (TPL) and the Fiduciary Net Position (FNP). For unfunded plans, the NPL will equal the TPL.

Deferred Outflows/Inflows of Resources

Changes to the NPL that are not fully recognized in a given year's pension expense are tracked as deferred inflows and outflows and are recognized incrementally in the pension expense over time. Differences between actual and assumed investment return are recognized over a closed five-year period. Differences between actual and assumed experience, and the impact of any changes in assumptions or inputs, are recognized over a closed period equal to the average remaining service life of all active and inactive members. Contributions made subsequent to the measurement date are recognized in the period in which they are recognized as a component of Fiduciary Net Position.

Pension Expense

Pension expense is comprised of the current year service cost, plus interest on the total pension liability, current period benefit changes (if any), minus member contributions, minus assumed earnings on plan investments, plus administrative charges, plus recognition of deferred outflows, minus recognition of deferred inflows.

[Public Act 202 of 2017](#)

The Michigan Department of Treasury has released reporting requirements under [Public Act 202 of 2017](#), the Protecting Local Government Retirement and Benefits Act (“the Act”). These reporting requirements apply to all local units of government that offer or provide defined benefit pension and/or defined benefit OPEB retirement benefits. The releases by the Department of Treasury included [Numbered Letter 2018-1](#), [Form 5572](#), detailed instructions for completion of

Uniform Accounting Procedures Manual for County Road Commissions

[Form 5572](#) and a listing of frequently asked questions. All documents can be found on the Michigan Department of Treasury website at michigan.gov/localretirementreporting.

Example 1 – Year of Implementation:

In the year of implementation, the Road Commission has beginning total pension liability of \$15,000,000 and fiduciary net position of \$13,000,000.

The ending total pension liability is \$16,000,000 with ending fiduciary net position of \$13,500,000. The actuarial valuation reported a difference between actual and assumed experience of \$50,000 with a service life of 5 years.

The difference between actual and assumed return on plan assets was \$100,000.

You would record the following entries for the GASB Statement No. 34 conversion to the government-wide statements:

Account Description	Debit	Credit
Net position	\$ 2,000,000	
Net pension liability		\$ 2,000,000
To record the beginning net pension liability (\$15,000,000 - \$13,000,000) and restatement of net position		
Pension expense	\$ 500,000	
Net pension liability		\$ 500,000
To record the increase in net pension liability (\$2,500,000 - \$2,000,000) during the year.		
Deferred outflows of resources for experience	\$ 40,000	
Pension expense		\$ 40,000
To record deferred outflows of resources for experience recognized over 5 years. (\$50,000 - \$10,000) Remaining \$40,000 to be recognized over the next 4 years.		
Deferred outflows of resources for investment returns	\$ 80,000	
Pension expense		\$ 80,000
To record deferred outflows of resources for investment returns recognized over 5 years. (\$100,000 - \$20,000) Remaining \$80,000 to be recognized over the next 4 years.		

Uniform Accounting Procedures Manual for County Road Commissions

Example 2 – In the year after implementation and going forward:

The ending total pension liability is \$15,500,000 with ending fiduciary net position of \$14,000,000. The actuarial valuation reported a difference between actual and assumed experience of \$20,000 with a service life of 5 years. The difference between actual and assumed return on plan assets was \$80,000.

You would record the following entries for the GASB Statement No. 34 conversion to the government-wide statements:

<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
Net pension liability	\$ 1,000,000	
Pension expense		\$ 1,000,000
To record the decrease in net pension liability (\$2,500,000 - \$1,500,000) during the year.		
Pension expense	\$ 10,000	
Deferred outflows of resources for experience		\$ 10,000
To record the amortization of the prior year deferred outflows of resources for experience. Remaining \$30,000 to be recognized over the next 3 years.		
Pension expense	\$ 20,000	
Deferred outflows of resources for investment returns		\$ 20,000
To record the amortization of the prior year deferred outflows of resources for investment returns. \$60,000 to be recognized over the next 3 years		
Deferred outflows of resources for experience	\$ 16,000	
Pension expense		\$ 16,000
To record current year deferred outflows of resources for experience recognized over 5 years. (\$20,000-\$4,000) Remaining \$16,000 to be recognized over the next 4 years.		
Deferred outflows of resources for investment returns	\$ 64,000	
Pension expense		\$ 64,000
To record current year deferred outflows of resources for investment returns recognized over 5 years. (\$80,000 -\$16,000) Remaining \$64,000 to be recognized over the next years.		

Uniform Accounting Procedures Manual for County Road Commissions

GASB Statement No. 75 – Other Post-Employment Benefits (OPEB)

What is OPEB?

Other post-employment benefits other than pensions could include health insurance, dental, vision, prescription or other healthcare related benefits, life insurance, legal services and any other benefits provided to retirees and in some cases to their beneficiaries. Post-employment benefits (OPEB as well as pensions) are part of an exchange of salaries and benefits for employee services rendered and continue after the employee's services have ended.

[GASB Statement No. 75](#) – establishes the measurement and recognition requirements for an employer's obligations and expenses arising from OPEB.

The Need for GASB Statement No. 75

OPEB is part of the compensation employees earn each year and are paid out after employment ends. [GASB Statement No. 75](#) recognizes the OPEB cost of these future benefits as part of the cost of providing public services today. Accrual Accounting Prospective – Prior to [GASB Statement No. 75](#), most governmental entities recognized their net OPEB obligation, the cumulative difference between the annual OPEB cost and the employers' contributions to the plan. OPEB expenditures will be recognized like pension benefits, which are associated with the periods in which the exchange occurs rather than with the periods when benefits are actually paid.

Implementation Date

[GASB Statement No. 75](#) is effective for employer fiscal years beginning after June 15, 2017.

Financial Statement Recognition

Modified Accrual – Record actual expenditures paid for post-employment benefits (such as retirees' insurance premiums, as you have always done it). If you make additional payments (to fund the liability) they would be recorded as expenditures in the current year. Full Accrual ([GASB Statement No. 34](#)) – The net OPEB liability, deferred outflows, and deferred inflows are recorded with an offset to expenses.

How to Determine the Net OPEB Liability

If a road commission has 100 or more employees within an OPEB plan, an actuarial valuation is required to be performed. This valuation is the product of many assumptions based on historical experience regarding the factors that determine the level of resources that will be needed in the future to finance benefits. The actuary calculates how much should be contributed now to ensure that an adequate level of resources is available in the future. The future cash outlays for OPEB should be projected based on economic and demographic assumptions and are then discounted to their actuarial present value. The portion of the actuarial present value allocated to a particular year is called the service cost. If a road commission has fewer than 100 employees, then OPEB liability may be calculated using the alternative measurement method. The Michigan Department of Treasury encourages all road commissions to have an actuarial valuation performed for OPEB.

Frequency of Actuarial Valuations

Biennial actuarial valuations are required for all plans. More frequent valuations are encouraged.

Uniform Accounting Procedures Manual for County Road Commissions

Net OPEB Liability

The Net OPEB Liability (NOL) is the cumulative difference between the Total OPEB Liability (TOL) and the Fiduciary Net Position (FNP). For unfunded plans, the NOL will equal the TOL.

Deferred Outflows/Inflows of Resources

Changes to the NOL that are not fully recognized in a given year's OPEB expense are tracked as deferred inflows and outflows and are recognized incrementally in the OPEB expense over time. Differences between actual and assumed investment return are recognized over a closed five-year period. Differences between actual and assumed experience, and the impact of any changes in assumptions or inputs, are recognized over a closed period equal to the average remaining service life of all active and inactive members.

OPEB Expense

OPEB expense is comprised of the current year service cost, plus interest on the total OPEB liability, current period benefit changes (if any), minus member contributions, minus assumed earnings on plan investments, plus administrative charges, plus recognition of deferred outflows, minus recognition of deferred inflows.

Public Act 202 of 2017

The Michigan Department of Treasury has released reporting requirements under [Public Act 202 of 2017](#), the Protecting Local Government Retirement and Benefits Act ("the Act"). These reporting requirements apply to all local units of government that offer or provide defined benefit pension and/or defined benefit OPEB retirement benefits. The releases by the Department of Treasury included [Numbered Letter 2018-1](#), [Form 5572](#), detailed instructions for completion of [Form 5572](#) and a listing of frequently asked questions. All documents can be found on the Michigan Department of Treasury website at michigan.gov/localretirementreporting.

Uniform Accounting Procedures Manual for County Road Commissions

Example 1 – Year of Implementation:

In the year of implementation, the Road Commission has beginning total pension liability of \$800,000 and fiduciary net position of \$300,000. The Road Commission had previously reported a net OPEB obligation of \$250,000. The ending total pension liability is \$900,000 with ending fiduciary net position of \$450,000. The actuarial valuation reported a difference between actual and assumed experience of \$20,000 with a service life of 4 years. The difference between actual and assumed return on plan assets was \$25,000.

You would record the following entries for the GASB Statement No. 34 conversion to the government-wide statements:

Account Description	Debit	Credit
Net position	\$250,000	
Net OPEB obligation	\$250,000	
Net OPEB liability		\$500,000
To record the beginning net OPEB liability (\$800,000 - \$300,000), elimination of previously recorded Net OPEB obligation, and restatement of beginning net position		
Account Description	Debit	Credit
Net OPEB liability	\$ 50,000	
OPEB expense		\$ 50,000
To record the decrease in net pension liability (\$500,000 - \$450,000) during the year.		
Deferred outflows of resources for experience	\$ 15,000	
OPEB Expense		\$ 15,000
To record deferred outflows of resources for experience recognized over 4 years. (\$20,000-\$5,000) Remaining \$15,000 to be recognized over the next 3 years.		
Deferred outflows of resources for investment returns	\$ 20,000	
OPEB Expense		\$ 20,000
To record deferred outflows of resources for investment returns recognized over 5 years. (\$25,000 - \$5,000) Remaining \$20,000 to be recognized over the next 4 years.		

Uniform Accounting Procedures Manual for County Road Commissions

Example 2 – In the year after implementation and going forward:

The Road Commission has total OPEB liability of \$1,200,000 and fiduciary net position of \$500,000. The actuarial valuation reported a difference between actual and assumed experience of \$10,000 with a service life of 4 years. The difference between actual and assumed return on plan assets was \$5,000.

You would record the following entries for the GASB Statement No. 34 conversion to the government-wide statements:

Account Description	Debit	Credit
OPEB expense	\$250,000	
Net OPEB liability		\$250,000
To record the increase in net OPEB liability (\$700,000 - \$450,000) during the year.		
OPEB expense	\$ 5,000	
Deferred outflows of resources for experience		\$ 5,000
To record the amortization of the prior year deferred outflows of resources for experience. Remaining \$10,000 to be recognized over the next 2 years.		
OPEB expense	\$ 5,000	
Deferred outflows of resources for investment returns		\$ 5,000
To record the amortization of the prior year deferred outflows of resources for investment returns. \$15,000 to be recognized over the next 3 years		
Account Description	Debit	Credit
Deferred outflows of resources for experience	\$ 2,500	
OPEB expense		\$ 2,500
To record current year deferred outflows of resources for experience recognized over 5 years. (\$10,000 -\$2,500) Remaining \$7,500 to be recognized over the next 3 years.		
Deferred outflows of resources for investment returns	\$ 4,000	
OPEB expense		\$ 4,000
To record current year deferred outflows of resources for investment returns recognized over 5 years. (\$5,000 -\$1,000) Remaining \$4,000 to be recognized over the next 4 years.		

Uniform Accounting Procedures Manual for County Road Commissions

Act 51 Reporting

[Public Act 51 of 1951](#), as amended, provides for the establishment of the Michigan Transportation Funds (MTF) and governs the distribution of this revenue. The act provides for classification of all public roads, streets, and highways in Michigan. The Act also provides for allocation of funds from the MTF and the use and administration of the funds for transportation purposes; to promote safe and efficient travel for motor vehicle drivers, bicyclists, pedestrians, and other legal users of roads, streets, and highways. This act provides a formula that dictates the distribution of revenues to the Michigan Department of Transportation (MDOT), County Road Commissions and Agencies, Cities and Villages. In addition, the Act restricts how these revenues may be spent, and imposes administrative requirements. Refer to [Public Act 51 of 1951](#), as amended (Act 51) for the complete details. County Road Commissions and Agencies, as recipients of Michigan Transportation Funds (MTF) are required to report their annual earnings and expenditures to MDOT by May 1st of each year. The current Act 51 Distribution and Reporting System (ADARS) is a web-based computer application designed to facilitate this reporting. Please refer to the following [website](#) for instructions. A sample Act 51 report can be found [here](#).

ACT 51 Report Tips:

The following are in the order of the Act 51 Report. Those preparing the report may find a different order of completion and verification more efficient. Suggestions for presenting the Act 51 are also being provided for your use.

Balance Sheet

The total Assets must be equal to the total Liabilities and Fund Balance. Note: Excludes Capital Assets, Long Term Debt and Deferred Comp plans. The section for Fund Balance is automatically updated from the section 'Ending Fund Balance' of the Statement of Changes in Fund Balance.

Note: The Fund Balance may change if the 'Optional Transfer' is taken on the Statement of Changes in Fund Balance.

When presenting, comment on cash, receivables, inventory, and Total Assets as well as the accounts payable and Total Liabilities if anything remarkable is being reported, compared to prior year.

Capital Assets

Balancing for Capital Assets will depend on how each individual road commission tracks the LTD information of assets. This may be completed by journal entries posted at year end to a Fund outside of 201 (i.e., 901) or spreadsheets with the detailed calculations. Infrastructure may also be calculated in spreadsheets and manually entered by journal entries at year end. Total Assets must equal Total Equities. Total Long-Term Debt must equal Total Liabilities. When presenting, comment on the Net Book value of the equipment, stating the reason if there are large increases or decreases for the year.

Statement of Revenue

This report must balance to the Balance Sheet, Detail Trial Balance Zero Activity report or GL Activity Transaction Summary/Trial Balance. Note: The Grand Total of the Statement of Revenue

Uniform Accounting Procedures Manual for County Road Commissions

page excludes: Handling Charges on Materials Sold (646.000); Equipment Rental Credits (670.000); Depreciation and Depletion Credits (690.000); Purchase Discounts (691.000)

- Licenses and Permits: If a split cannot be determined between Primary and Local, use the Beginning Fund Balance on the Statement of Fund Balance. To determine the percentage, use line item Beginning Fund Balance and divide the total Primary by total Beginning Fund and do the same for Local and County.
- State Sources: The line item for Engineering is split between Primary and Local based on the percentage of the Allocation. To determine the percentage use line item ‘Allocation’ and divide the total Primary by total Allocation and do the same for Local.
- Interest and Rents: The line item for Interest Earned is split between Primary, Local and County based on the percentage of your Beginning Fund Balance on the Statement of Fund Balance. To determine the percentage use line item Beginning Fund Balance and divide the total Primary by total Beginning Fund and do the same for Local and County.
- Other: The line-item Gain (Loss) Equip. Disposal is automatically updated from the Schedule of Capital Outlay section *Gain or (loss) on disposal 693.

When presenting, compute the MTF revenue per mile of roads within the County, both Local and Primary, and identify all “Other Contributions and Sources”.

Statement of Expenditures

This report must balance to the Activity report or GL Activity Transaction Summary/Trial Balance. Note: The Grand Total of the Statement of Expenditures page includes: Handling (643.000); Rental Equipment (669.000); Depreciation and Depletion Credits (690.000); Purchase Discounts (691.000)

- The ‘Total’ sections for “Construction/Capacity Improvements and Preservation/Structural Improvements” for local roads must reconcile with Schedule of Township Expenditures and Contributions.
- “Other: Administrative Expense” is split between Primary and Local based on the percentage of Total Road Expense. To determine the percentage, use line-item Total Road Expense and divide the total Primary by Total Road Expense and do the same for Local. This amount must reconcile with Administrative Expense
- “Other: Equipment Expense” – Net is automatically updated from Equipment Expense line item (Gain) or Loss on Usage of Equipment.
- “Other: Capital Outlay – Net” is automatically updated from Schedule of Capital Outlay line-item Net Capital Outlay Expenditures.

When presenting, compute routine maintenance expense per mile and compare the amount to the MTF revenue received, for both Local and Primary Roads, calculate the Administrative Expense as a percentage of Total Expenses and identify any significant changes, as well as any significant changes in the Total Expenses.

Uniform Accounting Procedures Manual for County Road Commissions

Statement of Changes in Fund Balance

The 'Total Revenue' and 'Total Expenditure' sections are automatically filled from the Statement of Revenues and State of Expenditures reports. The Optional Transfers may be added to modify the ending fund balance. The amount is based on a percent of MTF revenue.

- Primary to Local cannot exceed 50% of Total Primary MTF Revenue from the Statement of Revenues.
- Local to Primary cannot exceed 15% of Total Primary MTF Revenue from the Statement of Revenues, however an additional percentage may be transferred with approval from MDOT.

The Beginning Fund Balance has selection criteria defaulted to only retrieve the 'balance forward' amount from general ledger for account 390.01 Primary Road Funds, 390.02 Local Road Funds, or 390.03 County Road Funds.

Inter-fund Adjustment is used only to eliminate a negative fund balance in Primary or Local funds. There is no limit on County fund transfers to either Primary or Local Funds.

NOTE: All ending fund balances must be positive amounts.

When presenting, provide reasons for Excess of Revenue Over (Under) Expenditures, and discuss the Transfer Primary to Local, what the significance is and why it's necessary.

Equipment Expense

The Equipment Expense section must reconcile with Activity 510 - Equipment Expense - Direct, 511- Equipment Expense - Indirect and 512 - Equipment Expense - Operating on the Activity report or GL Activity Transaction Summary/Trial Balance. The Equipment Rental Credits section must reconcile with Account 669.xxx and/or the Equipment column total on the Activity report or GL Activity Transaction Summary/Trial Balance. The Proration of Equipment or Net Equipment Section is automatically calculated. These amounts are updated to the Statement of Expenditures line-item Equipment Expense – Net. The total for (Gain) or Loss on Usage of Equipment and Prorated Gain/Loss on Usage must agree. When presenting, provide reasons for variances from the previous year, i.e., overtime, fuel prices, significant winter maintenance, etc., as well as identifying what percentage of Equipment Rental Credits is MDOT percentage of the total.

Distributive Expenses – Fringe

- Total Labor Charge column must reconcile with the 'Labor' column of the Activity report or GL Activity Transaction Summary/Trial Balance for labor used in the fringe benefit spread calculation.
- Total Fringe Benefits must reconcile with Activity 513 of the Activity report or GL Activity Transaction Summary/Trial Balance.
- Less: Benefits Recovered are reimbursements from the employees.
- Less: Refunds are any refunds received from companies providing the benefit.
- The total of column Applicable Labor Charge less specific labor charges. i.e., State, Sundry, Capital Outlay, or misc. labor per road commission, which are manually entered.

Uniform Accounting Procedures Manual for County Road Commissions

- Distributive Calc column will recalculate the fringes for each labor charge using the ending percent from Line G. This column must equal the total for Line E Benefits to be Distributed. Note: You will need to manually edit the file for any labor line items that have been excluded out of the Applicable Labor Cost, i.e., State.

For presenting, compare costs of specific fringes to previous year or impact of additional contributions to UAL's for pension or OPEB, if applicable.

Distributive Expenses – Overhead

- Cost of Operations column must reconcile with the Total column less the Overhead column for each Activity on the Activity report or GL Activity Transaction Summary/Trial Balance.
- Expenses Distributed total amount must reconcile with Activity 514 - Other Distributive Expense.
- Applicable Operation Cost is the total from Cost of Operations Total. This amount is manually entered to each field.
- Distributed Total column amounts will recalculate the overhead for each operation cost using the ending percent and must equal the total for the Expenses Distributed row.

When presenting, comment on why the amount is either higher or lower for the year.

Analysis of Construction and Maintenance

This report is a breakdown of work performed by the County vs. Contractor. The Totals of this report must reconcile with the Activity report. Reports provided for or created by the accounting software will be useful in preparing this schedule, The Totals from this report must also reconcile with the Statement of Expenditure report line item for Total Road Expense. When presenting, calculate the percentage of work that is contracted vs. completed with Road Commission staff and provide explanations for contracted work.

Analysis of Accounts Receivable

The line item for Total Charges for Current Year must balance to Activity 517 - State Trunkline Maintenance and 518 – State Trunkline Non-Maintenance on the Activity report.

The line item for Beginning Balance columns must balance to Account 078 – Due from State for Balance Forwards. The Less Credits are Receipts received for Account 078. The YTD Detail Trial Balance may be used to balance.

- Total Charges for Current Year for both Trunkline Maintenance and MDOT Other must reconcile with the Act 51 Statement of Expenditure, line-item Other Expense – Trunkline Maintenance and Trunkline Non-Maintenance.
- Ending Balance for both Trunkline Maintenance and MDOT Other must reconcile with the Act 51 Balance Sheet under line item for State Trunkline Maintenance and State Transportation Department – Other and what is listed for AR Open.

Uniform Accounting Procedures Manual for County Road Commissions

When presenting, use the labor amount to estimate the number of employees being paid by the State Trunkline contract.

Schedule of Capital Outlay

This report must balance to your Capital Outlay Activity/Activities on the Activity report or GL Activity Transaction Summary/Trial Balance.

- The Total Capital Outlay must reconcile with Capital Outlay Activity, i.e., 900.
- The Net Capital Outlay Expenditure automatically updates to the Statement of Expenditure line-item Capital Outlay – Net in the current version of ADARS.
- The Beginning Capital Asset Balance is manually entered based on the Prior Years Equities found on Page 2 of the Capital Assets report.
- The Gain or (Loss) on Disposal is automatically updated to the Statement of Expenditures online item Gain (Loss) Equip Disp.

When presenting, identify specific capital purchases during the year.

Maintenance Expenditures 90 % of MTF Returns

The information for the Maintenance Expenditures is automatically updated from the Statement of Revenues, Statement of Expenditures and Capital Outlay reports.

The line item Less Federal Aid for Preservation – Structural Improvements is automatically estimated by subtracting Total Construction Expenditures from Federal Aid Revenue. You may override the updated amounts and manually enter the amount.

Note: For compliance with [Section 12\(16\) of Act 51](#), the County must spend 90% of MTF Revenue, less Administration Expenses, Total Capital Outlay, Debt Principal Payment, and Interest Expense, as shown on the schedule, for maintenance activities. This page simply meets the Act 51 reporting compliance.

Ten Years of Qualified Expenditures for Non-Motorized Improvements

WORK CREDITABLE AGAINST THE SECTION 10K 1% EXPENDITURE REQUIREMENT
[PA 51 of 1951 as amended by PA 82 of 2006](#)

The following table represents work items creditable against the Section 10k one-percent expenditures. If your road commission identifies potential work items that do not appear on the list below, please contact the MDOT Bicycle and Pedestrian Coordinator for eligibility verification.

Uniform Accounting Procedures Manual for County Road Commissions

DESCRIPTION OF WORK	WORK CREDITABLE AGAINST SECTION 10K 1% REQUIREMENT	ELIGIBLE COST	
		Engineering	Construction
NON – ROAD FACILITIES			
Shared Use Path as a project	All Engineering/construction	100%	100%
Shared Use Path as part of a road project	1) All path related construction 2) Non-path work in the road project, necessitated by the path component (e.g., extra fill, culvert extension, etc.) 3) Prorated engineering costs	Prorated*	100% of 1 and 2
Shared Use Structures	All engineering/construction	100%	100%
Bicycle Parking	Acquisition and Installation	100%	100%
Sidewalks, ramps, and curb cuts	All engineering/construction	100%	100%
Curb Extensions and Median Refuge Islands	All engineering/construction	100%	100%
Signs, Pavement Markings, Pedestrian Signals	All work specifically associated with the non-motorized facility and its pedestrian/non-motorized users	100%	100%
SERVICES			
Non-motorized Planning and Education	Costs associated with the development of non-motorized planning documents or educational materials intended to promote the development, benefits and use of non-motorized transportation.	NA	NA
ROAD FACILITIES			
New Bike Lanes and associated, pavement, pavement markings, and signage	That portion of the engineering and construction that can be attributed to the bike lane	Prorated	Prorated**
Shoulder Paving as a project	All Engineering/construction	100%	100%
Shoulder Paving as a part other road or bridge construction, reconstruction, resurfacing, or widening work	That portion of the engineering and construction that can be attributed to the paving shoulder portion of the work	Prorated	Prorated**
Road or bridge Construction, Reconstruction, Resurfacing, or Widening	That portion of the outside lane width in excess of the minimum design width for motor vehicles	Prorated	Prorated
* Proration: $E_{nm} = (C_{nm} / C_{tot}) \times E_{tot}$, where E=Engineering \$\$, and C=Construction \$			
** Proration: $C_{nm} = (W_{nm} / W_{tot}) \times C_{tot}$ where W=Width of roadway, and C=Construction \$\$. Note only road/bridge project pay items which include the non-motorized width in the width proration.			
All work needs to be done to AASHTO and ADA standards.			

Uniform Accounting Procedures Manual for County Road Commissions

Non-road facilities are accommodations which occur off the edge of the road and may or may not be within the road right of way. The shared use path (the appropriate name for what are often called bike paths or trails) and shared use structures on those paths are off-roadway facilities intended for non-motorized travel. Ramps and curb cuts where paths or sidewalks cross roadways are eligible facilities; bicycle parking facilities also qualify. Signs, pavement markings and signals associated with road or non-road facilities for bicycle or pedestrian users are also eligible expenditures.

Accommodations which occur off the edge of the road:

- Shared use path
- Shared use structures on those paths
- Ramps and curb cuts where paths or sidewalks cross roadways
- Bicycle parking facilities
- Signs, pavement markings and signals associated with road or non-road facilities.
- Sidewalks - [MCL Section 247.660\(k\)](#), also known as [Section 10k \(3\) of P.A. 51 of 1951](#), as amended, states: “. . . addition or improvement of a sidewalk in a city or village. . . shall be considered to be a qualified non-motorized facility . . . “

Road facilities are non-motorized accommodations built in a roadway. They include paving wide shoulders 4’ or greater, and portions of road or bridge construction, reconstruction, resurfacing or widening suitable for non-motorized users. In general, any work that adds width to the roadway beyond the minimum design width provided for motor vehicles use is considered as an accommodation for bicyclists. Widened curb lanes, striped bicycle lanes and paved shoulders are facilities that may add sufficient width to a roadway to qualify as a bicycle accommodation. “Road Diets” or the restriping costs associated with converting a roadway from four lanes to three lanes (two travel lanes, a turn lane, and two bicycle lanes) within the existing curb alignment can also be considered an eligible expenditure.

Non-motorized accommodations built in a roadway:

- Wide shoulders 4’ or greater
- Widened curb lanes
- Portions of road or bridge construction, reconstruction, resurfacing or widening
- Striped bicycle lanes
- “Road Diets” with the creation of bicycle lanes
- In general, work that adds width beyond the minimum design width for a motor vehicle

This page also meets the reporting requirements for Act 51.

As of March 29, 2006, changing from gravel to hard surface roads, including paving of gravel roads, no longer qualifies as an eligible expenditure towards Section 10(k). See [Public Act 82 of 2006](#).

Sidewalk “Addition or improvements of a sidewalk in a city or village” are eligible non-motorized expenditures per [Public Act 82 of 2006](#), effective March 29, 2006.

Uniform Accounting Procedures Manual for County Road Commissions

Proration of costs is necessary for non-motorized accommodations constructed as part of roadway construction work. The formulas for proration are provided in the table.

Questions regarding cost eligibility for items not discussed in this guidance, or for assistance in calculation of expenditures, may be directed to:

MDOT's Bicycle and Pedestrian Coordinator,
Phone: (517) 335-2918
Michigan Department of Transportation
Bureau of Transportation Planning
Intermodal Services Unit
PO Box 30050
Lansing, Michigan 48909

Indirect Equipment and Storage Expense

This report must balance with Activity 511 on the Activity report and/or to the GL Activity Transaction Summary/Trial Balance (by Account). When presenting on Indirect Equipment and Storage Expense, comment on any changes to utility costs, using an alternate supplier, repairs to shop facilities, etc.

Administrative Expense

This report must balance to Activity 515 on the Activity report and/or to the GL Activity Transaction Summary/Trial Balance (by Account 'Net Administrative Expense' must reconcile with the Act 51 Statement of Expenditure under the line-item Administrative Expense. When presenting, comment on any Administrative Expenses that are higher or lower than the previous year. Examples might include additional legal fees during contract negotiations, etc.

Forest Road Report

This schedule is used to report the expenditures of Economic Development Fund, Category E funds, on Forest Road Projects. Some counties have forest road projects, and some do not. If your county has no forest road projects, do not use this schedule. When presenting, identify the projects that are funded by these additional funds.

Construction/Capacity Improvements/Structural Improvements Summary

This schedule shows the Unit (miles/each) and Expenditures for projects expensed under the Construction/Capacity Improvement and Preservation/Structural Improvements accounts for the fiscal year. The totals for Construction/Capacity Improvements and Preservation/Structural Improvements must reconcile with the Statement of Expenditures and with the Schedule of Township Expenditures and Contributions for local system expenses. All money expensed in the current fiscal year is reported annually, while units/each are only reported in the fiscal year in which the projects are completed and opened to traffic. When presenting, identify that while the costs of projects often occur over more than one fiscal year, the numbers shown are only the current years expense, and are identified as completed during the year they are open to traffic upon completion.

Uniform Accounting Procedures Manual for County Road Commissions

Schedule of Township Mileage and Population

This schedule is used to comply with reporting requirements in [Section 15 of Act 51](#) and the requirements of [Public Act 50 of 1999](#). List each township on a separate tow. For each township, report the number of miles of Local and Primary Roads, population and the amount of funds received for each of these factors will calculate and populate the funds received fields automatically. Population figures can be obtained from the Department of Management & Budget website: <https://www.michigan.gov/dtmb/> This report meets the Legislative requirement for reporting.

Schedule of Township Expenditures and Contributions

- Construction/Capacity Improvements and Preservation/Structural Improvements must reconcile to the Statement of Expenditures, Preservation-Structural Improvements.
- Township Contributions column may or may not reconcile to the Statement of Revenues which may include charges for Routine and Preventive Maintenance or Non-Maintenance expenditures.

When reporting on the Township Expenditures and Contributions, compare the revenue to the expenditures for local roads as shown on the Statement of Expenditures.

Asset Management

The Asset Management page is included with the annual financial report by cooperative arrangement between the MDOT Financial Operations Division and the Transportation Asset Management Council. Although the county Act 51 report preparer may be responsible for completing the Asset Management page, the county engineering staff is responsible for providing the data to the report preparer, and the Transportation Asset Management Council is responsible for reviewing the data for compliance. When presenting, this information is simply the engineering specifics for work completed during the year, and not relevant to the fiscal year accounting. The Act 51 Report is to be entered via internet into MDOT's computer system.

YOU MUST CERTIFY THE ANNUAL REPORT BEFORE MDOT WILL BE NOTIFIED THAT YOUR ACT 51 FINANCIAL REPORT IS COMPLETE AND READY FOR THEIR REVIEW. ONCE THE REPORT HAS BEEN CERTIFIED, YOU CANNOT MAKE ANY CHANGES TO THE REPORT; HOWEVER, YOU CAN STILL PRINT THE REPORT.

Uniform Accounting Procedures Manual for County Road Commissions

Budgets

[Public Act 2 of 1968](#), as amended, establishes budgeting requirements, and prohibits budgeting for a deficit in fund balance by local units of government. The legislative body (Board of County Road Commissioners) must pass a General Appropriations Act for the County Road Operating Fund (a special revenue fund type). Michigan law provides that no money shall be disbursed from a local unit except pursuant to the General Appropriations Act adopted by the legislative body. The purpose of the General Appropriations Act is to present the expenditure side of the budget in a form necessary to allow the expenditure of funds and to prevent deficits by limiting expenditures to available resources. The appropriations act must include estimated revenues by source, in each fund, to finance the expenditures. The General Appropriations Act, when approved by the legislative body after a public hearing, becomes the plan that must be followed by the administrative officer in the conduct of the Road Commission's operations. The recommended budget and subsequent appropriations act may be two separate and distinct documents. The Michigan Committee on Governmental Accounting and Auditing recommends that the budget estimates be prepared and submitted to the chief administrative officer in detail. The recommended budget document prepared for presentation to the legislative body should be in summary form according to mandatory activities set forth in the "Uniform Chart of Accounts" and financial reporting requirements. The budget document shall be accompanied by such supporting schedules as may be requested by the legislative body. The chief administrative officer shall submit a recommended budget and a suggested appropriation act for the operating fund of the Road Commission. The legislative body may authorize the chief administrative officer to make transfers, within limits, stated in the general appropriations act without prior approval of the legislative body. Michigan law provides that no money shall be disbursed from the treasury except pursuant to an appropriations act adopted by the legislative body. The General Appropriations Act must also include the estimated beginning fund balance plus the estimated revenues, by source in each fund, to finance expenditures. Both revenues and expenditures must be monitored during the fiscal year to prevent incurring a deficit. The General Appropriations Act must be amended as soon as it becomes apparent that a significant change in revenues or expenditures is known. The budget must also include an estimated ending fund balance, which cannot be less than zero. The budget for the County Road Fund shall be prepared, adopted, and amended when necessary in accordance with the provisions of [Public Act 2 of 1968](#), as amended, the Uniform Budgeting and Accounting Act, being [MCL 141.421 - 141.440](#). We recommend the budget be prepared in accordance with the [Uniform Budgeting Manual for Local Units of Government in Michigan](#) issued by the Michigan Department of Treasury.

Uniform Accounting Procedures Manual for County Road Commissions

Following are examples of completed budget forms and formal budget actions by a board of county Road Commissioners.

1. Recommended budget submitted by the chief administrative officer to the board of county Road Commissioners, which consists of:
 - a. Budget Summary (Prior Year, Current Year and Budget Year)
 - b. Supporting Schedule - Revenues and Other Financing Sources
 - c. Supporting Schedule - Expenditures and Other Financing Uses
2. General Appropriations Act
3. Budget Amendments
 - a. Budget Amendment No. 1
 - i. Supporting Schedule of Increases/(Decreases)
 - b. Budget Amendment No. 2
 - i. Supporting Schedule of Increases/(Decreases)

Recommended Budget

Budget Summary

REVENUES (AND OTHER FINANCING SOURCES)

<u>Name of Local Government Unit</u>	<u>Name of Fund</u>	<u>Fund No.</u>	<u>Budget Year Ending Date</u>
Brown County Road Commission	County Road	201	12/31/X6

Department or Classification

Amount

<u>Account Description</u>	<u>Year 20X4 Actual Prior</u>	<u>Year 20X5 Est. Current</u>	<u>Budget 20X6 Recommended</u>
Taxes	\$ 440,812	\$ 225,431	\$ 235,000
Federal Grants	602,434	981,542	964,000
State Grants	1,777,234	1,475,850	1,515,000
Contributions from Local Units	104,000	160,000	92,000
Charges for Services	744,671	770,000	771,800
Interest and Rents	52,825	42,000	33,000
Other Revenue	2,100	9,000	10,200
Total Revenues	3,724,076	3,663,823	3,621,000
Other Financing Sources	-	200,000	85,000
Total Revenues and Other Financing Sources	\$ 3,724,076	\$ 3,863,823	\$ 3,706,000

Uniform Accounting Procedures Manual for County Road Commissions

EXPENDITURES (AND OTHER FINANCING USES)

<u>Name of Local Government Unit</u>	<u>Name of Fund</u>	<u>Fund No.</u>	<u>Budget Year Ending Date</u>
Brown County Road Commission	County Road	201	12/31/X6
<hr/>			
<u>Department or Classification</u>	<u>Amount</u>		
<u>Account Description</u>	<u>Year 20X4 Actual Prior</u>	<u>Year 20X5 Est. Current</u>	<u>Budget 20X6 Recommended</u>
<hr/>			
Primary Road			
Construction/Capacity Improvement	\$ 35,487		
Preservation/Structural Improvement	774,712	\$1,308,722	\$ 1,273,000
Routine and Preventative Maintenance	691,852	460,000	561,000
Local Road			
Construction/Capacity Improvement	7,711		
Preservation/Structural Improvement	76,203	106,257	84,000
Routine and Preventative Maintenance	650,076	629,000	545,250
Equipment Expense (Net)	(127,124)	(175,000)	(117,000)
Distributive Expense	401,925	410,000	430,000
Administrative (Net)	125,643	131,000	133,500
State Trunkline Maintenance	742,422	768,000	770,000
Capital Outlay (Net)	112,668	53,892	(216,500)
Debt Service	174,920	171,648	169,010
<hr/>			
Total Expenditures and Other Financing Uses	3,666,495	3,863,519	3,632,260
Amounts Needed for Contingencies	-		125,000
<hr/>			
Total Expenditures and Other Financing Uses	<u>\$ 3,666,495</u>	<u>\$3,863,519</u>	<u>\$ 3,757,260</u>
<hr/>			
Budgeted Net Revenues (Expenditures)	Year End 12/31/X6		\$ (51,260)
<hr/>			
Current Estimated Operating Surplus (Deficit)	Year End 12/31/X5	\$ 304	
<hr/>			
Accumulated Available Unappropriated Surplus (Deficit) from Prior Years	12/31/X4	\$ 355,503	
	12/31/X5		\$ 355,804
<hr/>			
Projected Surplus at End of Budget Year			<u><u>\$ 304,547</u></u>

NOTE: Data for each year shown on the budget summary should be comparable. For example, because Equipment Expense (Net) and Distributive Expense are included as line-items in the Recommended Budget, account and activity balances presented for Actual Prior Years and Estimate Current Year should be the balances prior to the year-end closing of Activity 513 - Distributive Expense - Fringe Benefits, Account 670 - Gain or Loss on Equipment Usage and Activity 514 - Distributive Expense - Other.

Uniform Accounting Procedures Manual for County Road Commissions

SUPPORTING SCHEDULE – REVENUES (AND OTHER FINANCING SOURCES)

Name of Local Governmental Unit		Name of Fund	Fund No.	Budget Year Ending Date	
Brown County Road Commission		County Road	201	12/31/X6	
<u>Department or Classification</u>		Amount			
Account Number	Account Description	Year 20X4		Budget 20X6	Adopted
		Actual	Prior	Est. Current	
401	Taxes	440,812		225,431	235,000
403	Property Taxes	425,812		210,431	220,000
430	National Forest Reserve Taxes	15,000		15,000	15,000
501	Federal Grants	602,434		981,542	964,000
510	MDOT – Private Contractors				
.02	Urban Highway	116,888		262,341	200,000
.071	Surface Transportation Program	306,201		427,201	500,000
511	Negotiated Contracts				
.03	Hazard Elimination Safety			140,000	125,000
.071	Surface Transportation Program	179,345		152,000	139,000
539	State Grants	1,777,234		1,475,850	1,515,000
546	Michigan Transportation Fund				
.01	Engineering	10,000		10,000	10,000
.02	Primary Road	886,375		840,161	869,500
.03	Local Road	500,373		474,285	492,500
.04	Primary Urban Road	21,445		20,326	21,500
.05	Local Urban Road	21,445		20,326	21,500
.06	Snow Removal	220,363		110,752	100,000
547	Critical Bridge	117,233			
580	Contributions from Local Units	104,000		160,000	92,000
.04	Township Contributions	104,000		160,000	92,000
600	Charges for Services	744,671		770,000	771,800
627	State Trunkline Maintenance	742,422		768,000	770,000
643	Scrap and Salvage Sales	2,249		2,000	1,800
664	Interest and Rents	52,825		42,000	33,000
665	Interest	49,825		39,000	30,000
667	Lease Revenue/Short Term Rent	3,000		3,000	3,000
671	Other Revenues	2,100		9,000	10,200
687	Refunds – Rebates	3,150		300	200
693 .01	Gain or (Loss) on Disposal				

Uniform Accounting Procedures Manual for County Road Commissions

	of Road Equipment	(1,050)	8,700	10,000
Total Revenues		3,724,076	3,663,823	3,621,000
	Other Financing Sources			
699	Appropriation Transfers In	-	200,000	85,000
Total Revenues and Other Financing Sources		3,724,076	3,863,823	3,706,000

NOTE: The Budget Year Final Adopted column on the supporting schedules of revenues and expenditures is to be used only if the board of county Road Commissioners makes or approves changes to the recommended budget submitted by the chief administrative officer. The Budget Year Final Adopted column contains no amounts in this example because this example provides that the board adopted the recommended budget as submitted.

Uniform Accounting Procedures Manual for County Road Commissions

SUPPORTING SCHEDULE – EXPENDITURES (AND OTHER FINANCING SOURCES)

Name of Local Governmental Unit	<u>Name of Fund</u>	<u>Fund No.</u>	<u>Budget Year</u>	<u>Ending Date</u>	
Brown County Road Commission	County Road	201		12/31/X6	
<hr/>					
<u>Department or Classification</u>	Amount				
<hr/>					
Activity* or Account Number	<u>Account Description</u>	Year 20X4 Actual Prior	Year 20X5 Est. Current	Budget 20X6 Recommended	Adopted
	Primary Road Construction/Capacity Improv.				
* 451*	Roads	35,487	-	-	
	Primary Road Preservation/Structural Improv.				
458*	Roads	774,712	1,308,722	1,273,000	
459*	Bridges and Structures	609,385	1,308,722	1,273,000	
460*	Primary Road Routine & Preventive Maint.				
466*	Roads	691,852	460,000	561,000	
467*	Winter	477,545	249,500	353,000	
472*	Local Road Construction/Capacity Improv.				
480*	Roads	7,711	-	-	
481*	Local Road Preservation/Structural Improv.				
488*	Roads	76,203	106,257	84,000	
489*	Roads	76,203	106,257	84,000	
496*	Local Road Routine & Preventive Maint.				
497*	Roads	648,076	629,000	545,250	
498*	Bridges and Structures	414,401	346,194	314,500	
502*	Winter	802		705	
670	Equipment Expense (Net)	232,873	282,806	230,000	
510*	Direct	(127,186)	(175,000)	(117,000)	
511*	Indirect	741,124	811,000	760,000	
512*	Operating	432,167	401,000	403,000	
670	Equipment Rental Credits	207,087	211,000	220,000	
		(1,507,564)	(1,598,000)	(1,500,000)	

Uniform Accounting Procedures Manual for County Road Commissions

SUPPORTING SCHEDULE – EXPENDITURES (AND OTHER FINANCING SOURCES)

Name of Local Governmental Unit	<u>Name of Fund</u>	<u>Fund No.</u>	<u>Budget Year Ending Date</u>
Brown County Road Commission	County Road	201	12/31/X6

<u>Department or Classification</u>	<u>Amount</u>				
Activity* or Account Number	<u>Account Description</u>	<u>Year 20X4 Actual Prior</u>	<u>Year 20X5 Est. Current</u>	<u>Budget 20X6 Recommended</u>	<u>Adopted</u>
	Distributive Expense	401,925	410,000	430,000	
513*	Fringe Benefits	363,282	375,000	390,000	
514*	Other	38,643	35,000	40,000	
	Administrative (Net)	125,643	131,000	133,500	
515*	Administration	193,931	201,600	205,000	
629	Overhead – State				
	Maintenance	(60,181)	(61,500)	(63,900)	
646	Handling Charges	(6,708)	(6,300)	(6,000)	
691	Purchase Discounts	(1,399)	(2,800)	(1,600)	
517*	State Trunkline Maintenance	742,422	768,000	770,000	
	Capital Outlay (Net)	112,668	53,892	(216,500)	
900*	Capital Outlay	462,737	412,806	165,500	
689	Capital Asset Retirements	(1,085)	(3,194)	(2,000)	
690	Depreciation and Depletion Credits	(345,984)	(355,720)	(380,000)	
905*	Debt Service	174,920	171,648	169,010	
991	Principal	127,922	133,816	139,946	
992	Interest	46,998	37,832	29,064	
	Total Expenditures	3,664,495	3,863,519	3,632,260	
	Amounts Needed for Contingencies	-	-	125,000	
	Total Expenditures and Other Financing Uses	3,664,495	3,863,519	3,757,260	

NOTE: Supporting budget documents may be prepared to include additional activities and greater detail. For example, expenditure budget documents could include budget amounts for all accounts within each activity.

Uniform Accounting Procedures Manual for County Road Commissions

General Appropriations Act

Moved by Commissioner Smith, supported by Commissioner Jones, that the 20X8 Brown County Road Fund General Appropriations Act be approved unanimously as follows:

Revenues (and Other Financing Sources)	
Taxes	\$ 235,000
Federal Grants	964,000
State Grants	1,515,000
Contributions from Local Units	92,000
Charges for Services	771,800
Interest and Rents	33,000
Other Revenue	<u>10,200</u>
Total Revenues	3,621,000
Other Financing Sources	<u>85,000</u>
Total Revenues and Other Financing Sources	<u><u>\$3,706,000</u></u>
Expenditures (and Other Uses)	
Primary Road Construction/Capacity Improvement	\$1,273,000
Primary Road Preservation/Structural Improvement	561,000
Primary Road Routine and Preventive Maintenance	84,000
Local Road Construction/Capacity Improvement	545,250
Local Road Preservation/Structural Improvement	(117,000)
Local Road Routine and Preventive Maintenance	430,000
Equipment Expense (Net)	133,500
Distributive Expense	770,000
Administration (Net)	(216,500)
State Trunkline Maintenance	169,010
Capital Outlay (Net)	<u>169,010</u>
Debt Service	<u>169,010</u>
Total Expenditures	3,632,260
Other Financing Uses	125,000
Amounts Needed for Contingencies	<u>125,000</u>
Total Expenditures and Other Financing Uses	<u><u>\$3,757,260</u></u>
Budgeted Net Revenues (Expenditures)	\$ (51,260)
Accumulated Available Unappropriated Fund Balance (Deficit) from Prior Year	<u>355,807</u>
Projected Fund Balance at End of Budget Year	<u><u>\$ 304,547</u></u>

Uniform Accounting Procedures Manual for County Road Commissions

For the purpose of administering the general appropriations act in accordance with the provisions of [Public Act 2 of 1968](#), as amended, the following provisions are included:

1. Joseph A. Doe, Manager, is designated Chief Administrative Officer, and May D. Adams, Office Manager, is designated as Fiscal Officer.
2. The chief administrative officer is authorized to transfer up to 25% of a line-item amount approved in the General Appropriations Act to another line-item without prior approval, but subject to approval of the Board of County Road Commissioners at their next regular Board Meeting.
3. The expenditure amount approved in this General Appropriations Act for Distributive Expense shall be allocated to the various other expenditure line-items in the proportion as the allocation of actual Distributive Expense at year end.

MOTION APPROVED by roll call vote, 3 yeas, 0 nays.

NOTES: The budget summary page of the recommended budget, or a copy thereof may be included in the General Appropriations Act in-lieu-of the above figures.

Budget Amendment #1

Moved by Commissioner Jones, supported by Commissioner Smith, that the 20X8 Brown County Road Fund General Appropriations Act be amended per Budget Amendment #1 as follows:

	Original Budget	Increase (Decrease)	Amended Budget
Revenues (and Other Financing Sources)			
Taxes	\$ 235,000	\$ 4,485	\$ 239,485
Federal Grants	964,000	21,000	985,000
State Grants	1,515,000	256,000	1,771,000
Contributions from Local Units	92,000	23,000	115,000
Charges for Services	771,800	10,000	781,800
Interest and Rents	33,000	4,000	37,000
Other Revenue	10,200		10,200
Total Revenues	3,621,000	318,485	3,939,485
Other Financing Sources	85,000	160,240	245,240
Total Revenues and Other Financing Sources	\$3,706,000	\$478,725	\$4,184,725
Expenditures (and Other Financing Uses)			
Primary Road Construction/Capacity Improvement			
Primary Road Preservation/Structural Improvement	\$1,273,000	\$(83,000)	\$1,190,000
Primary Road Routine and Preventative Maintenance	561,000	177,000	738,000

Uniform Accounting Procedures Manual for County Road Commissions

Local Road Construction/Capacity Improvement			
Local Road Preservation/Structural Improvement	84,000	16,000	100,000
Local Road Routine and Preventative Maintenance	545,250	206,750	752,000
Equipment Expense (Net)	(117,000)		(117,000)
Distributive Expense	430,000	36,000	466,000
Administration (Net)	133,500	6,470	139,970
State Trunkline Maintenance	770,000	10,000	780,000
Capital Outlay (Net)	(216,500)	131,482	(85,018)
Debt Service	169,010	15,450	184,460
Total Expenditures (and Other Financing Uses)	3,632,260	516,156	4,148,412
Other Financing Uses			
Amounts Needed for Contingencies	125,000	(125,000)	-
Total Expenditures and Other Financing Uses	<u>\$3,757,260</u>	<u>\$ 391,152</u>	<u>\$4,148,412</u>
Budgeted Net Revenues (Expenditures)	\$ (51,260)	\$ 87,573	\$ 36,313
Accumulated Available Unappropriated Fund Balance (Deficit) from Prior Years	355,807	(31,468)	324,339
Projected Fund Balance at End of Budget Year	<u>\$ 304,547</u>	<u>\$ 56,105</u>	<u>\$ 360,652</u>

MOTION APPROVED BY roll call vote, 3 yeas, 0 nays.

Uniform Accounting Procedures Manual for County Road Commissions

Brown County Road Fund
 Supporting Schedule of Increases (Decreases)
 Budget Amendment No. 1, FYE 12/31/X6

Activity* or Account Number	Activity of Account Descriptions	Original Budget	Authorized Increases (Decrease)	Amended Budget
	<u>Revenues and Other Financing Sources</u>			
401	Taxes	\$ 235,000	\$ 4,485	\$ 239,485
403	Property Taxes	220,000	3,459	223,459
430	National Forest Reserve Taxes	15,000	1,026	16,026
501	Federal Grants	964,000	21,000	985,000
Activity* or Account Number	Original Budget	Authorized Increases (Decrease)	Amended Budget	
.02	Urban Highway	200,000		200,000
.071	Surface Transportation Program (STP) - Primary	500,000		500,000
511	Negotiated Contracts			
.03	Hazard Elimination Safety	125,000		125,000
.071	Surface Transportation Program (STP) - Primary	139,000	21,000	160,000
539	State Grants	1,515,000	256,000	1,771,000
546	Michigan Transportation Fund			
.01	Engineering	10,000		10,000
.02	Primary Road	869,500	139,244	1,008,744
.03	Local Road	492,500	78,870	571,370
.04	Primary Urban Road	21,500	3,443	24,943
.05	Local Urban Road	21,500	3,443	24,943
.06	Snow Removal	100,000	31,000	131,000
580	Contributions from Local Units	92,000	23,000	115,000
.04	Township Contributions	92,000	23,000	115,000
600	Charges for Services	771,800	10,000	781,800
627	State Trunkline Maintenance	770,000	10,000	780,000
643	Scrap and Salvage Sales	1,800		1,800
664	Interest and Rents	33,000	4,000	37,000
665	Interest	30,000	4,000	34,000
667	Lease Revenue/Short Term Rent	3,000		3,000
671	Other Revenue	10,200	-	10,200
687	Refunds – Rebates	200		200
.01	Gain or Loss on Disposal of Road Equipment	10,000		10,000

Uniform Accounting Procedures Manual for County Road Commissions

	Total Revenues	3,621,000	318,485	3,939,485
	Other Financing Sources	85,000	160,240	245,240
697	Installment Purchase and Lease			
	Proceeds		145,240	145,240
699	Appropriation Transfers In	85,000	15,000	100,000
	Total Revenue and Other Financing Sources	\$3,706,000	\$478,725	\$4,184,725

Purchasing Procedures

In consideration of the Road Commission’s fiduciary responsibilities, the purchasing activities must assure promotion of full and open competition, as well as prevent fraud, waste, and corruption. In doing so, they must balance economy, efficiency, and expediency when consider the purchasing sustainable goods and services, receive the appropriate quality and quantities of goods and services, delivered at the correct time, and purchased at the lowest practical cost. Purchasing activities include obligations for proper transaction documentation, fiscal responsibility, ethical behavior, adherence to federal, state, and local government regulations.

Purchasing Ethical Standards

From the County Road Law, the following ethical standards for all Road Commission purchases must be adhered to: A purchaser for a Road Commission shall not be financially interested, or have any personal beneficial interest, directly or indirectly in any contract or purchase order for supplies, materials, equipment used by or furnished to the Road Commission; nor shall any employee accept or receive directly or indirectly from any person, firm or corporation to whom any contract or purchase order may be awarded, by rebate, gift or otherwise, any money or anything of value, or any promise, obligation or contract for future reward or compensation.

Advertising items bearing the name of the firm such as pens, pencils, calendars, etc., are not considered articles of value or gifts in relation to this policy. In addition, the following practices are specifically forbidden:

1. Using information available to an employee solely because of his position for personal profit, gain or advantage.
2. Directly or indirectly furnishing information not available to all prospective bidders, to any person bidding on, or who may reasonably be expected to bid on a contract.
3. Providing confidential information to persons to whom issuance of such information has not been authorized.
4. Accepting, taking, or converting to one’s own use products of any kind in the course of or as the result of inspections of such projects.
5. Using your position to solicit, directly or indirectly, business of any kind or to purchase supplies or equipment at special discounts for private use from any person who sells or solicits sales to Road Commissions.

Uniform Accounting Procedures Manual for County Road Commissions

It is of critical importance that the purchasing function of Road Commissions be of the highest integrity and honesty.

Purchasing Types

Purchasing procedures may vary with each Road Commission. There are aspects of purchasing that are legally required to ensure efficient, effective, and transparent operations. In the best interest of the Road Commission, use these guidelines in conjunction with your Road Commission's current purchasing policy, within the legal requirements. The following are explanations of common types of purchases.

Petty Cash

Petty cash is a small amount of discretionary funds used for expenditures where it is not sensible to make a disbursement by check. It is used for expenses that, for practical reasons, cannot be paid in the regular manner. At certain intervals, the petty cash is replenished by a check drawn on the fund from which the petty cash expenses are payable. An itemized voucher for the amount of disbursements made from petty cash must support the replenishment check. The total of petty cash on hand and/or on deposit, plus the un-replenished disbursements, must always equal the imprest cash account balance. The process for setting up a petty cash account is very straightforward. The board of County Road Commissioners legally determines the amount of petty cash. Once the board authorizes the account, simply write a check on the vendor account to petty cash and cash the check. The cash is then entrusted to the employee responsible for keeping it. As cash is used, the slips are kept with the balance available of the remaining cash. When the supply of cash gets low, use the slips to generate an expense voucher to replenish the cash. Make sure a system is in place to account for the cash and properly record any overages or shortages. Always make sure the person receiving petty cash has a valid receipt for the item. Without a receipt, don't reimburse petty cash, no exceptions. The audit trail needs to be firmly established and control maintained at all times. If it develops that there is a site that does not document use or provide the proper receipts and vouchers, or cash slips as required, remove the cash fund from that location. Personal checks and/or personal expense items should not be paid from petty cash. A policy statement regarding petty cash should be adopted by the board. The statement should include the maximum amount of cash to be disbursed for any single item as well as discipline for not keeping proper accounting records such as a receipt.

Expense Reimbursement

Items allowed by your expense reimbursement policy should be detailed on a signed expense voucher and itemized with receipts. Commissioners should review each expense voucher for the other commissioners. Department heads should approve their employees' expense vouchers prior to having the expense reimbursed. The policy for travel/expense reimbursement should state the guidelines for reimbursement, such as, value limits for meals or non-reimbursable items.

Credit Card Purchasing

One simple way to purchase is using a credit card. It is important to have a credit card policy in place and to strictly enforce the policy. There are specific items a credit card policy must include, see the legal section. The board must have a policy in place that names the officer responsible for implementation of the policy. An agreement must be reached with a financial institution to determine the limits of the credit cards, who is authorized to have a card, what type purchases can

Uniform Accounting Procedures Manual for County Road Commissions

be made, how often the card can be used and the payment terms. When using a credit card, the employee needs to have proper documentation to present to accounts payable for payment of the invoice. Any employee issued a credit card should also be required to sign a statement agreeing to the terms and conditions of the policy developed for the use of the card. The employee should also be aware of the responsibilities and repercussions in the event the policy is not. All credit card use needs to be documented and authorized. Credit card limits should be high enough to allow the card to be used for the intended purchases.

Requisitions and Purchase Orders

Most daily purchases can be made through a requisition and purchase order system. The employee needing the item fills out the requisition with all of the information detailing the items to be purchased, has it initialed or signed by the authorizing department head, orders the items, and submits the requisition for processing onto a purchase order. The purchase order is created and processed through accounts payable. When the receiving report or packing slip is signed and submitted to accounts payable, the invoice for the material can then be processed for payment.

There are many variations to this system. All purchase orders must be approved by a department head. Each Road Commission should maintain appropriate internal controls based on their purchasing policy. It is important to separate the responsibilities for ordering and paying for items between employees. Audit trails are an important part of the integrity of the system. Be sure there is a system in place for more than one person to at least review invoices and payments. Some items that are bid can have blanket purchase orders issued for the "specifications, terms and conditions of the bid opening" and used in-lieu-of contracts. The bid document properly signed and awarded then becomes the contract with the purchase order formally acknowledging the award of the bid. Seasonal requirements for gravel or dust control are good examples of the type of bid that can be formally awarded by purchase order.

Price Quotations

In this section, the money amounts listed are for reference and example only. It is up to each Road Commission to determine the specific dollar values for their system and use what makes sense to them. It is suggested for orders ranging in value from \$300 to \$1,500, at least three telephone requests for a quotation from responsible vendors should be undertaken. Notes from the calls should be attached to the requisition and filed. For purchases ranging from \$1,500 to less than \$15,000, at least three written quotation proposals from responsible vendors should be received, kept with the purchase order, and filed. These quotations need to be in writing and when requested, should have a time stated to be received. If an alternate is suggested, all vendors that were offered to quote must also be allowed to quote on the alternate. Quotations, once received, should be filed and treated much like bid documents. Though less formal, they are still the basis for the binding agreement. For purchases of items which exceed \$15,000, written sealed bids must be received and the award made by the Board of County Road Commissioners.

Bids

Formal bids, which are legally required for purchases in excess of \$15,000, include public advertising, sealed proposals, a public opening, and award by the Board. Every bid document should include some statements that are normally called boilerplate. The boilerplate should include the right to award in the best interest of the Road Commission; the right to waive irregularities in

Uniform Accounting Procedures Manual for County Road Commissions

any bid, and the right to reject bids. Boilerplate can also include statements of compliance. For example: payment terms and conditions, compliance with the Elliot Larsen Civil Rights Act, and a statement declaring non-collusion. (Example: By my signature on this document, I hereby state that all of the information I have provided is true, accurate and complete. I hereby state that I have not communicated with, nor otherwise colluded with any other bidder, nor have I made any agreement with, nor offered or accepted anything of value from any official or employee of the (name) County Road Commission that would tend to destroy or hinder free competition, or otherwise compromise the bid process.) After Board award of a formal bid a purchase order is issued. The purchase order can also represent the confirmation of a contract. A bid document can be used as a contract by adding an acceptance clause as follows:

“The undersigned bidder acknowledges the bidding proposal is an offer of contract extended to the (name) County Road Commission, and, upon acceptance by the (name) County Road Commission as duly reflected in its minutes and executed by signature in the acceptance section of this bidding proposal in the space provided, constitutes a binding contract between the undersigned bidder and the (name) County Road Commission effective immediately upon the date of the board’s meeting which reflects acceptance or the date as stated on the specifications, whichever is later.”

Once the bid is awarded and countersigned it becomes the executed contract. A copy of the executed contract should accompany the purchase order. There may be circumstances where it is not required to bid an item, but it is in the best interest of the Road Commission to do so. For example, office supplies, janitorial supplies and similar items can be bid, and the purchase order issued for an annual supply or a specific quantity of the item. Fuel or bituminous products can be bid and increases built into the bid document so that additional charges for freight, barrel rates, rail rates, cartage or other items that cannot be controlled by the supplier, can be added to the unit price, at actual cost, with documentation verifying the additional increase to the supplier. Awards can be made based upon unit pricing, overall pricing, average pricing or any reasonable category of price and delivery. Make sure the bidders know the criteria for award. Bids may be issued for more than one season or extended if it is the policy to use that option. Bids that will require large start-up costs, such as roadside mowing, winter maintenance or signal service, could be issued initially for two seasons with language that states that the bid might be extended if both parties agree to the extension. The request for extension should be in writing, by some date that is set forth in the bid document. A sample statement could be: "This contract may be extended for one year by the mutual agreement of both parties. Requests for extension must be made in writing to the business manager by February 15, 20XX.”

Bids should also include information that explains what will happen if the terms and conditions of the specification are not met. If there is a time limit for the delivery or service, and it is not accomplished, what will happen? Is the bidder going to be notified, does the bidder have to notify the Road Commission, will there be an opportunity to correct the situation, or will the bid be canceled? Will damages be charged? The bidder needs to know who will administer the contract, who their contact person is and the circumstances that are a priority for canceling the contract. Make sure there is a clear understanding of consequences and priorities.

Cooperative Purchasing

Uniform Accounting Procedures Manual for County Road Commissions

Cooperative purchasing has many advantages and can serve to foster intergovernmental cooperation. It is the joining together of two or more public entities for the purpose of preparing specifications and proposals, collectively receiving bids, and making an award to the lowest responsible bidder. It can greatly assist in reducing the duplication of work done in such areas as preparing specifications, soliciting bids and testing products. There are two avenues for cooperatively buying. One is at the local level, which involves two or more local political subdivisions, i.e., the Road Commission cooperatively purchasing with the county, a city within the county or with another Road Commission. The other involves buying through the State of Michigan (under the State's contracts) through the MiDeal Purchasing Program. Some of the more commonly used contracts are for: vehicles, tubes and tires, salt, office furniture and office supplies. There are many other contracts available for your use. Should you want more information, contact the MiDeal Purchasing Program at https://www.michigan.gov/dtmb/0,5552,7-358-82550_85753_26848---,00.html. After the award, each agency issues its own contract and is responsible for administering the remainder of the procurement function, namely, expediting, receiving, inspecting, storing, and verifying invoices and payment. It is recommended that each public entity, involved in a cooperative purchase, have an internal written policy and procedure for these types of purchases; and that each cooperative purchasing arrangement be formalized by an intergovernmental agreement.

Advertising

In an opinion by the Michigan Attorney General dated August 30, 1937, "...the term advertise as used in this section (MSA 9.110) requiring advertising for sealed bids should be interpreted to mean to give public notice of or to announce publicly by printed notice and it should be effected in a reasonable manner and within a reasonable time prior to the letting of the contracts or the expenditure of funds." Advertising for sealed bids in a local newspaper is the minimum requirement. It is highly recommended that the advertising appears in at least two different sources. Posting the advertisement on public bulletin boards or including bid updates on a website are additional devices for advertising.

Advertisements should contain the following information:

1. The name of the purchasing entity.
2. Brief description of the goods or services to be purchased.
3. Date and time for the receipt of sealed proposals.
4. Date and time of the bid opening.
5. Qualification provisions for bidders, if applicable.
6. Deposit required for plans and specifications, if applicable.
7. Name of contracting officer.
8. Where bid documents can be obtained.
9. Any other special provisions.

A bidders list should be established and maintained as sources for the various types of purchases from whom bids may be solicited. In order to foster competition, a broad listing of suppliers should be developed. Many Road Commissions simply refer to a previous year's bid file for the current bid invitation. Additions to this list can be found via internet, salesperson's visits, or other road commissions. Once the bid is advertised provide notice to your bidders list. Upon the request of

Uniform Accounting Procedures Manual for County Road Commissions

a prospective bidder, supply the bidder access to the materials, unless a prequalification is a requirement of the bid.

Sealed Proposals

The bid document should include the instructions to bidders, the specifications for the item to be proposed, the manner in which the proposal will be compared to other proposals, an opportunity for the bidder to express terms and conditions of sale, and an area where the signature of the agent for the bidder is to sign. Instructions to bidders should include any specific rules or regulations that your policy for bidding requires. You can standardize a page of rules that incorporate the statement of waiver, right to award in the best interest of the Road Commission, requirements for Safety Data Sheets, insurance requirements, cash terms, how to make a correction on the bid document, acknowledgment of the legal requirements of the [Elliot-Larsen Civil Rights Act](#), and other items that you would incorporate into every bid. This page of instructions to bidders can then be placed in every bid document to be sure all of the legal requirements have been met.

A bid specification is a concise statement of a set of requirements. A good specification should do four things:

1. Identify minimum requirements.
2. Allow for a competitive bid.
3. List reproducible test methods to be used in testing for compliance with specifications.
4. Provide for an equitable award at the lowest possible cost.

There are valuable sources for developing specifications, such as: other public agencies, Road Commissions, the State of Michigan, the General Services Administration, the National Institute of Governmental Purchasing, and specifications prepared by responsible associations of users, manufacturers, technical societies, and associations. The use of a particular brand name in the bid specification, even with the words "or equal," should be avoided as it hinders competition.

The bid document itself should include all of the items to be compared. Pricing may be a major consideration, but if a delivery time is critical, that also needs to be addressed. Incorporate into the bid the issues that will carry the most weight in the recommendation to award. If there is a multiple item bid, where many prices will be included, determine in advance which items will carry the most significance when determining the value of the bid. The document should give the bidder an opportunity to express their terms and conditions. If the terms and conditions are different than those listed in the notice or instructions to bidders, determine which are in the best interest of the Road Commission or if the Road Commission can comply with the terms offered.

It is not beneficial to award a contract to a bidder offering a 25% cash discount on receipt of the invoice if there is not a way to pay the invoice when it is received. Bids need to be signed by an agent of the bidder. The signatory must be able to act in the name of the bidder and to have the authority to sign for the company represented. It is helpful to have a line for the bidder to print their name, and sign their name as well as the business name, address, telephone, fax, email, and tax identification number. Bids should be submitted in sealed envelopes with notations indicating what the bid is for, when it will be opened and who it is from. It is not recommended to allow faxed bid as they are not secure and could allow the bid to be challenged. If a bid is inadvertently

Uniform Accounting Procedures Manual for County Road Commissions

opened in advance of the prescribed bid opening. If this should occur the envelope should be resealed, and an explanation written on the envelope and deposited with the other bids.

Occasionally a bidder will make a mistake of serious enough consequence to require a modification to or a withdrawal of their bid. Should the bidder find their mistake prior to the opening, the bidder should be permitted to withdraw the bid and submit a corrected sealed bid. The bidder must not be permitted additional time or other consideration.

Public Opening

All bids should be date stamped upon their receipt and kept in a secure location prior to the time of opening. The identity and the number of bids received are to be kept confidential. At the time and date for the bid opening arrives, the bids are publicly opened and read in the presence of the interested bidders and of the general public. A member of the board or his/her designee shall open the bids in the presence of at least one witness.

The following information is to be read at the bid opening:

1. Name of bidder
2. Price
3. The items offered and exceptions, if possible
4. Other pertinent factors.

The bid opening is not the time for the bid evaluation. Examination of the bids by interested attendees may be permitted, provided that the process does not interfere with the conduct of business. Road Commission employee or officer should be designated to supervise the examination to ensure that the bids will not be altered in any manner. Following the bid opening, prepare a tabulation of all bids to be used in the evaluation process for making a recommendation for award. Once bids are open the information is public knowledge. The tabulation contains the same information as read aloud at the bid opening and may be made available to interested parties.

It is the policy that the bid item be awarded to the bidder whose bid is the most advantageous to the public. A responsive bid is one, which is in substantial conformance with the specifications and requirements of the invitation for bid. The County Road Commission must consider in the evaluation not only the net cost to the Road Commission but evaluate the anticipated cost for operating the bid item, including the expenses associated with the administration.

The bidder's responsiveness and whether or not the bidder is a responsible bidder needs to be considered. Examples of nonresponsive bidders are as follows:

1. Do not conform with required delivery schedules.
2. A qualification of their price.
3. A qualification of the Road Commission's standard terms and conditions.
4. Failure to furnish bond surety.
5. Failure to follow the instructions to bidders.

At the time of the tabulation, the bids are to be checked for the following:

1. All bidding requirements have been met.
2. All unit prices have been correctly extended.

Uniform Accounting Procedures Manual for County Road Commissions

3. The extensions have been correctly totaled.
4. The bid form is properly signed.
5. Each item on the bid has been bid unless the instructions to bidders provide otherwise.
6. The bid is free of restrictions and/or alterations.

Occasionally an invitation for bid will yield no responses or only one responsive bid. Proceed with either of the following steps:

1. Question those who failed to respond and if your investigation reveals that the specifications were at fault, rewrite them and renew the bid process.
2. If the cause of the single bid was a poor selection of potential bidders, renew your search for possible qualified bidders and send out invitations for bids a second time.
3. If one responsive bid is received that meets all specifications, award may be made.

After tabulating the bids, check references, determine if the bids are responsive and from responsible bidders. Begin with the low bid. If the low bid meets the specifications and the reference checks, recommend award to the low bidder. If the specifications have not been met by the low bidder, document the area detailing the item, items or terms that are deficient, and move to the next low bid and see if the specifications are met. Road Commission must be alert to signs of collusion between bidders to protect the integrity of the competitive bidding system. Identical bids are not always fraudulent. However, a pattern of identical bidding among the same group of bidders is cause for suspicion. Another common form of collusive bidding is one in which competing firms collaborate to preselect the low bidder each time the bidding occurs. This collusion can often be detected by analyzing the patterns of awards over a long period of time.

The following are some of the actions which can be taken by County Road Commissions to combat the collusive actions of bidders:

1. Contact the US Department of Justice and report your suspicions.
2. Use trade-ins of old or of obsolete equipment.
3. Award the bid to the bidder located furthest from the point of delivery when identical bids include delivery costs.
4. Award the contract to the bidder who had received the award the last time, provided all of the requirements and the specifications were met.

Sometimes a bidder who does not have a product that meets the specifications of the invitation, but who has a product that the bidder thinks is reasonably close, will offer that product as an alternate. The decision to accept or to reject alternate item bids must be made in a manner that is equitable and that assures impartiality toward all bidders. If the other bidders could offer the same alternate, the item needs to be reconsidered. Everyone would then have the same opportunity to bid on the alternate. The same philosophy would hold true on bid addendums. If everyone cannot meet the criteria of the addendum, consider if the entire item should be canceled or rejected, the specifications reworked, and the item rebid.

Occasionally it becomes necessary to revise, delete, substitute, or add to bidding material for a bid under call. When it is necessary to make such a change, a copy of each addendum needs to be forwarded to each vendor who obtained a bid. The addendum notice should also be included with each bid not yet distributed. If time does not permit each vendor a reasonable amount of time to work with the addendum, the bid may be canceled, cancel, and rebid or extended. Bids received

Uniform Accounting Procedures Manual for County Road Commissions

must be returned unopened with the notice of cancellation and the item rebid with new specifications that incorporate the addendum. If this should occur, immediately prepare the new specifications and instructions to bidders, and go through the bid process again. If a mistake or an error is discovered by the bidder or by the Road Commission after the bid opening, the reservation is somewhat more complex. If the mistake is an obvious one, the Road Commission has the obligation to call it to the attention of the bidder and to request a verification of their bid. If the bidder acknowledges the mistake and requests release, the Road Commission should proceed in the following manner:

1. Clerical Mistakes—An obvious clerical mistake, such as an error in the price extension or in the placement of the decimal point, reversal of prices, FOB destination, etc., may be corrected by the Road Commission after verification is made by the bidder.
2. Withdrawal--Permission to allow a bidder to withdraw the bid without prejudice may be given when clear and convincing evidence supports the existence of an error. For example, if there is a significant and obvious disparity between the prices of the lowest bidder and of the other bidders, a bidder may be permitted to withdraw without prejudice upon submission of evidence that a nonintentional error occurred.

Where clear and convincing evidence is not present, the bidder should not be permitted to withdraw without prejudice or to correct their error. If the bidder fails to enter into contract, the bidder's bond or bid deposit should be forfeited. Every bidder deserves the same rights. Bidders that do not follow the clearly defined rules and specifications should not be awarded the bid. If there is a circumstance that is insignificant enough to allow award, the reason should be clearly stated in the board meeting. Bids which are received after the prescribed date and time should not be considered. Suggested procedure for handling late bids would be to stamp the bid envelope with the date and time, place a note in the bid file, and then return the late bid in its original unopened envelope to the bidder. A note stating the time of receipt of the bid could accompany the returned bid. The bid surety for bid guarantee or performance bond is a form of security, which accompanies a bid or a proposal. Generally, they are included in the specifications when the bid requires a substantial outlay, or as required by law to protect the interest of the Road Commission. Normally, the amount should be sufficient enough to cover anticipated differential costs between the lowest and the next lowest bidder as well as the administrative costs associated with the possible re-advertisement of the bid or proposal.

Bid sureties generally increase the cost of bidding and tend to reduce competition. Each Road Commission should use their discretion as to whether or not the bid sureties should be required.

The following forms of bid surety are generally acceptable:

1. Bid bond signed by a surety company authorized to do business in the State in which the bids are solicited.
2. Cashier's check.
3. Certified check.
4. Letter of Credit drawn on a responsible financial institution.
5. U.S. postal money order.

Uniform Accounting Procedures Manual for County Road Commissions

Award

There is no obligation to award to a bidder that does not meet the specification. Make the recommendation to the board for the award and notify the successful bidder. At this point, a purchase order can be issued for the awarded item or for a more expansive need, such as a service. A contract can then be forwarded to the successful bidder for execution at the next board meeting or by a person authorized by the board. If a bid is disqualified, based upon a bidder's lack of responsibility, the facts must be completely documented and made part of the bid file. These facts must be totally objective and supported by evidence. If the bidder is disqualified due to previous poor performance, your records should indicate the actual number of late or of rejected deliveries. If you disqualify the bidder for having a poor service record, your records should contain equipment downtime logs, which show when service calls are made and when response occurred.

In addition to disqualifying bids based upon the bidder's lack of responsibility, bids may also be disqualified for failure of the offered products to meet the specifications set out in the invitation for bid. Other legitimate reasons for bid disqualification may include:

1. Prices excessively high and/or exceed funds available for the intended purchase.
2. Failure to submit bond deposits or surety.
3. Failure to offer to meet specified delivery or performance schedule.
4. Failure to price out the bid in the required format, to protect the bidder from unknown future market conditions.
5. Rights of the purchasing agency limited under any contract clause.
6. Bidder currently listed among barred bidders.
7. Reasonable basis to suspect either conflict of interest or collusion among bidders.
8. Bidder fails to submit required information, literature, samples, or affidavits with bid.
9. Late bids.
10. Failure of an authorized person to sign the bid.

The waiving of any irregularities, however minor, must be done in such a manner as to assure that no bidder is given an unfair advantage over his competitors and that it is in the Road Commission's best interest. The waiver of irregularity must be justified and documented.

Generally, irregularities may be waived if:

1. The item being waived is only a matter of form or is an immaterial variation from the exact requirement of the invitation to bid.
2. The item being waived has trivial or no effect on the price, quality, quantity, delivery, or performance.
3. Such a waiver would not affect the relative standing of bidders or be otherwise prejudicial to them.

Contracts

There are also areas of law dealing with the specifics of a contract. The buyer and seller must both be represented. The representative must have the authority to act for the buyer or the seller. These agents can only act within the limits of their authority. If the agent exceeds the authorized amounts specified, the agent is liable. Agreements between a buyer and a seller can be considered contracts if some elements are met. The binding contract, whether verbal or written, includes: 1) capacity of parties; 2) legality of object; 3) consideration; 4) mutuality of agreement; and 5) mutuality of

Uniform Accounting Procedures Manual for County Road Commissions

consent. Not all persons have the ability or capacity to make a valid contract. Some examples of those having some limitations include, but are not limited to minors, mentally incompetent persons, intoxicated persons, and private corporations. Both parties of a contract must have the legal right to enter into the agreement. A contract must have a lawful objective. The contract is not legal if its purpose is criminal, immoral or against public policy. Consideration is basically whatever is given in exchange for something. Both parties must have consideration. Mutuality of agreement is necessary so that both parties have legal escape if a substantial disagreement occurs.

Mutuality of consent or obligation is the result of consideration. It means that both parties have an obligation or responsibility to do or to permit something to be done in consideration for the act of the other. Generally, all of the above elements must be present to have a binding agreement. All contracts should be written. The contract should clearly indicate the terms of the contract, including the quantity, quality, price, time of delivery and payment terms, or any other special terms or conditions. Frequently, the signed bid document can be used as the contract and a purchase order issued to confirm the award, per the terms, conditions, and specifications of the bid opening.

There are some types of bidding or proposals that in addition to the bid, or request for proposal, the Road Commission might require a contract. If the item is for a service, such as auditing, engineering, consulting, architectural service, multi-year items of maintenance, a contract could be signed in addition to having the bid document or proposal list the terms and conditions.

There are several factors which would affect a selection of which type of contract would be appropriate for the situation, such as:

1. Competition.
2. Vendor's history.
3. Whether a firm price can be obtained.
4. Extent of business risk.

There are a wide variety of contract types, and the specific needs of the item or service required would determine the type of contract issued. Following are examples of types of contracts:

A. Fixed Price Contracts

1. Firm fixed price--As the title indicates the exact price is indicated in the contract. This is the most often used type of contract for Road Commissions. It is easier to administer, and it places the responsibility of efficient production on the vendor. This variation should be used when you are reasonably sure that fair and competitive prices are available.
2. Fixed price with escalation--This variation may be the best solution for a long-term contract when future labor or material costs are uncertain. The escalator clause, which should provide for both upward and downward adjustments to the price, is based on an appropriate index factor. The factor must be both equitable and representative. In this type of contract, the quantities of labor and/or materials are known.
3. Fixed price with redetermination--In this type of contract, the rates and/or costs for the labor or the materials are known; however, the quantities are unknown. This variation provides for a maximum cost and provides a base to negotiate a more accurate price after a certain time. Redetermination involves a review and analysis

Uniform Accounting Procedures Manual for County Road Commissions

of the costs at a specific time during the term of the contract to provide a base to negotiate a more accurate price after a certain time. Redetermination involves a review and analysis of the costs at a specific time during the term of the contract to provide the purchaser information as to the costs already encumbered and what to expect at the contract end.

4. Fixed price incentive--This is a form of the redetermination type of pricing. A maximum price is agreed upon. This price includes the cost and a certain percentage of profit. This provides the vendor with an incentive to produce the product as efficiently as possible. Any savings in the cost of making the product will be shared on an agreed ratio between the purchaser and the vendor. If the actual cost exceeds the cost as set in the contract, the vendor's percentage of profit would be reduced and possibly eliminated.

B. Cost Contracts

Cost contracts should be used only when a fixed price contract cannot be used. In this variation of contracts, the vendor is guaranteed all of his costs up to a predetermined figure, therefore, the vendor has little or no financial incentive to keep his costs down. Some of the common cost contracts are as follows:

1. Cost plus a percentage of cost--The problem with this type of contract is that the greater the cost, the greater the profit. There is absolutely no incentive for the vendor to be cost conscious.
2. Cost plus a fixed fee--This type of cost contract permits a vendor to be paid for all agreed upon costs plus receiving a predetermined fee. The fee would provide the vendor with a higher percentage rate of profit if the vendor is cost conscious.
3. Cost plus incentive fee--The purchaser and the vendor agree upon a target price and the fee is based upon this price. If the price is less than the target price, both share in the savings. If the price is higher the vendor could lose some or all fees but would be entitled to all costs incurred.
4. Cost without fee--This type of contract would generally be used when dealing with a nonprofit institution.
5. Cost sharing--If it is possible that the vendor would gain by performing the contract, for example, research in a specific area which would create a marketable product for the vendor, the costs would be shared on an agreed upon basis.
6. Time and material--Contracts where the precise work to be done cannot be determined in advance, would be performed on a time and materials basis.

C. Open End Pricing Contracts

This contract is issued to assure a supply of material for some time in the future. The price is the price in effect at the time of delivery. Obviously, this type of contract is very undesirable as it does not permit the purchaser to control a decision to purchase based on price. It in effect gives the vendor a blank check.

D. Special Incentive Contracts

In this variation of contracts, the provisions issued to the vendors who receive a contract to submit a value change proposal (VCP), recommending an approach or a product other than the one called for by the purchaser that would better satisfy the requirements.

Uniform Accounting Procedures Manual for County Road Commissions

Contract Administration

Once the contractual document is awarded, the purchaser's responsibility does not end. The following areas of post award responsibility must be viewed as part of efficient administration of purchase orders and contracts:

1. Ensure compliance by the supplier with contract provisions.
2. Monitor deliveries, product quality and schedules.
3. Follow up with suppliers and document problems during the period of performance.
4. Receive and obtain approval of invoices and bills for payment.
5. Negotiate contract modifications and administer termination where necessary and permissible.
6. Administer contract close-out and final payment.

A. Delivery and Performance.

The terms and conditions of the contract or purchase order must clearly define the delivery and performance requirements of the service, supplies or equipment. The delivery schedule will normally be shown in calendar days from specific date or transaction, such as receipt of order by the vendor. It is also important that you clearly show the place for delivery and the receiving time schedule at the delivery point. Communication between the Road Commission and the vendor and within the Road Commission is extremely important. Coordination is a vital factor in purchasing. Follow-up and expedition have different meanings. Follow-up normally applies to the monitoring of delivery schedules to assure compliance. Expedition involves an attempt to improve or to reduce the contractually stipulated delivery time for various reasons, and the vendor is not legally obligated to comply. A good system includes identifying those contracts you need to monitor at or before the date of the award. Your initial action would be to reaffirm the delivery schedule and to establish proper liaison with the seller's representative. If delivery problems develop:

1. Contact the sales representative.
2. Authorize additional time for delivery.
3. Cancel the contract for nonconformance and apply the liquidated damage clause if this becomes necessary and order from another source.

In the case of a partial delivery, partial payments can and should be authorized if the delivered items can be used separately. However, if the separate items are part of a system and the items delivered are of little or no value, partial payment should not be authorized. Whenever substitutions are necessary due to shortcomings of the vendor, it is the Road Commission's responsibility as the purchaser to seek and obtain an adjustment for lower prices on the substituted items. This action will serve to meet the legal requirements of the contract and to discourage future substitutions by the same vendor. Should the vendor fail to meet any requirement of the specification, the vendor can be cited for nonperformance. The seriousness of nonperformance must be evaluated on the circumstances surrounding the violation.

B. Inspection and Testing

Upon receipt of items an inspection must take place. The inspection assures that the material is in compliance with the descriptive specifications to detect any damage and to verify quantities received. If a discrepancy occurs, immediately notify the vendor and the purchasing official. The

Uniform Accounting Procedures Manual for County Road Commissions

packing slip must be signed by the person receiving the goods and forwarded to the business office to assist in the authorization of payment for the purchase. Testing is an expansion of the inspection procedure. One technique for testing is to obtain certificates of compliance or certified test results from suppliers. Another is to do the actual test in-house and/or send it out to a laboratory. These tests are based on sampling chemical, functional and endurance tests. All requirements for inspection and testing must be clearly stated in the specifications. Inspection and testing are costly, but the benefits outweigh the expense when the defects can be detected before they cause loss of life, injury, or equipment failure. The reasons for rejection of the bid item must be listed and these reasons should reference specific requirements of the contract and be placed in the bid file. One of the major reasons for inspection at the time of receipt is to detect any visible damage. It is important that all damage be completely described on the copy of the purchase order and the purchasing authority promptly notified. Any evidence of concealed damage should also be noted at this time. This notation is necessary to support the filing of a damage claim against the carrier.

The carrier should be notified immediately, and a joint inspection should be scheduled with the carrier's representative. When it is apparent that the extent of the damage causes the goods to be worthless, they should not be accepted. Latent defects, defects which may not show up until sometime after the items have been placed into service, may be the result of damage in transit or a failure of the manufacturer to conform to the specifications. The importance of FOB destination shipments is obvious. The vendor is responsible for rectifying the problem.

C. Payment

Full payment is self-explanatory in that when the material is received complete and in satisfactory condition, the invoice is paid in full. Advance payments should be kept at a minimum. However, advance payments could be made for the purpose of facilitating the agreement or contractual operation. Partial payments are similar to advance payment except that they are related to direct accomplishment or to a completed portion of a specific contract. It is in the Road Commission's best interest to maintain and provide timely payment of completed purchase orders or contracts. This will tend to reduce your cost since the vendor will not have to add in a carrying charge to cover this cost while awaiting the payment. The preceding information on contract law is by no means intended to provide a complete discussion on the legal ramifications of Road Commission purchasing. If question arise as to the legal aspects of a purchasing situation or contract, contact your legal advisor.

Request for Proposal

The request for proposal (RFP) method is usually the most appropriate for service contracts for certified professionals. This area includes audits by certified public accounts and professional consulting services of architects, doctors, engineers, and lawyers. Remember that professional services should not be awarded on price alone and should be evaluated on the capability of the interested firms to perform the required professional service. See link for [MDOT RFP & RFQ criteria](#).

The RFP should include the following:

1. A work statement or the requirements of the job.
2. Time frame in which the work is to be completed.

Uniform Accounting Procedures Manual for County Road Commissions

3. Specific criteria to use in evaluating the proposal. This includes the proposed approach to accomplish the work, the management capability and price.

The RFP should request the proposed provider of the service to include the following information: Facility and capability data, including related experiences and resumes of key personnel, verifiable milestone list and pricing including a price breakdown and a cost schedule.

When evaluating a proposal, look for the following:

1. General quality and responsiveness of offer
 - a. Responsiveness to terms, conditions, and time of performance.
 - b. Completeness and thoroughness.
 - c. Grasp of problem or work to be performed and of the approach to be used.
2. Organization and personnel
 - a. Evidence of good organizational and management practices.
 - b. Qualification of personnel.
 - c. Experience and past performance.
 - d. Financial condition.
3. Price and bid-price breakdown or price range and cost schedule. For other than professional services, the award may be based on a competitive bid basis.

Contracting with a construction firm is similar to contracting for professional services. Firms are invited to attend a session on contract requirements and to submit proposals as discussed in the services contracting section earlier.

Construction contracting involves the following matters:

1. Construction timing, i.e., sequential construction or phase construction.
2. Methods for control and coordination of construction projects.
3. Specifications, including terms and conditions.
4. Lump sum price or unit price bidding, or a combination thereof.
5. Open competitive bidding through public advertising.
6. Competitive bidding by prequalified bidders.
7. Selection of lowest price bid or lowest and best responsible bid.

Bid invitations for construction work basically cover three areas: Bidding instruction, general contract conditions and building specifications and drawings.

Emergency Purchasing

Road Commissions can make purchases up to \$50,000, without advertising for sealed bids, providing the purchase is due to an emergency. An emergency purchase is deemed such if the purchase is necessary to protect the public health of citizens or when immediate repair is necessary to prevent further damage to public property, machinery, or equipment. The need for expedited purchases because of poor planning, overlooked requirements, inaccurate usage history and inadequate forecasting may result in an emergency, but they are inexcusable. Emergency purchasing is not intended to serve as a crutch for poor management.

Emergency purchases will usually result in higher prices because one or more of the following will occur:

Uniform Accounting Procedures Manual for County Road Commissions

1. Insufficient time for a supplier to carefully prepare a quotation or bid to provide the lowest possible price.
2. Higher transportation costs to expedite shipment.
3. Suppliers overtime costs.
4. Special attention required of our personnel.
5. Use of improper material for a "quick fix" that will have to be corrected in the future.

All emergency purchases should be documented as an emergency. From the initial request or requisition, through the purchase order or contract, the statement that it is an emergency, or the nature of the emergency should be included on the paperwork. Some emergency conditions, such as a storm, may be eligible for reimbursement, however, adequate documentation is required. Insurance forms and Federal or State reimbursement forms will require the documentation for payment or audit.

Other Procurement Items

Remember every non-federal entity receiving federal awards must have documented procurement procedures that reflect federal law, Uniform Guidance standards, and any state regulations. [Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.](#)

Five procurement methods are outlined in the Guidance (section 200.320):

1. Procurement by micro-purchases – Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (section 200.67 Micro-purchase). Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.
2. Procurement by small purchase procedures – Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold (follow Act 51 required levels). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. The standards do not define how many quotations constitute an "adequate number"; this will be a matter of judgment.
3. Procurement by sealed bids (formal advertising) – Bids are publicly solicited, and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price.
4. Procurement by competitive proposals – The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. A new requirement under this method is that the non-Federal entity must have a written method for conducting technical evaluations of the proposals received and for selecting recipients.
5. Procurement by noncompetitive proposals – Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source. The grants reform clarified that this may be used only when one or more of the following circumstances apply:
 - a. The item is available only from a single source.

Uniform Accounting Procedures Manual for County Road Commissions

- b. The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation.
- c. The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- d. After solicitation of several sources, competition is determined inadequate.

Entities should focus on the most economical solution during the procurement process and must avoid using federal funds for the acquisition of unnecessary items. Organizations are encouraged to consider the use of shared services and intergovernmental agreements to foster greater economy and efficiency. Written conflict-of-interest policies are required. No employee or agent of the entity may participate in the selection, award, or administration of a contract funded by federal grant dollars if he or she has an actual or apparent conflict of interest. The organization must document the procurement steps and activities required to be completed. This includes the basis for the type of procurement, contract type, and the basis for the contractor selection and price. Ultimately, the recipient of federal awards must maintain an appropriate level of oversight to ensure that contractors perform in accordance with the terms of their contract.

Local Supplier Preference

This is a matter of policy to be determined by each individual Road Commission. Policy developed supporting a local preference should state the nature of the preference, establish who local bidders are, and what the acceptable amount of the preference will be. The major disadvantage is that the cost of goods or services are increased because this practice discourages outside firms that would normally compete with the local vendors. In addition to the increased costs of goods and services, it is often difficult to determine which vendors constitute local bidders. The policy must be clear on criteria for definition of a local bidder. Local preference policies generally limit competition, increasing costs, narrow bidder lists, discourage competition and are not usually in the best interest of the Road Commission.

Uniform Accounting Procedures Manual for County Road Commissions

SAMPLE GOVERNMENTAL PURCHASING COOPERATIVE AGREEMENT

This agreement made this _____ day of _____, 2____, among the City of _____, City of _____, County of _____, designated “charter members,” and such other public bodies located within the _____ area who elect to be governed by the provisions of this Cooperative Purchasing Agreement as hereinafter set forth, witnesseth:

In consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereto do hereby agree as follows:

1. The items and classes of items which may be designed by the parties to this Agreement may be competitively bid jointly for the period commencing with the execution of said Agreement and continuing until terminated as hereinafter provided. Each of the parties shall designate, in writing, the items to be re-bid and indicate therein the quantities desired, the location for delivery, and other requirements, to permit the preparation and filing of plans and specifications.
2. There is hereby established the _____ Purchasing Cooperative hereinafter called Purchasing Council which shall consist of one representative from each public body participating in this agreement. The first Board of Directors shall consist of the charter members who shall elect a President of the Board and Recording Secretary for a one-year term and shall adopt such rules for organization and procedure as it may deem suitable for the conduct of its business.
3. The specifications for items to be purchased shall be prepared by the Purchasing Council. In all cases where possible, the Purchasing Council shall develop specifications for each commodity acceptable to all interested parties.
4. The Purchasing Council shall designate a party which shall assume the responsibility for preparing the bids. Such party shall also be designated to receive and open the bids at the time and in the manner provided. Each party shall be responsible for their own advertising.
5. All bids shall be on a requirement basis, unless otherwise specifically provided by joint action of the appropriate authority of each of the parties to this agreement.
6. Any costs incidental to the bidding, to the award of any contract or to the rejection of any bid or bids shall be divided equally between the parties participating.
7. Upon receipt and opening of the bids by the designated party, the same will be submitted to the Purchasing Council. Not later than fifteen (15) days following the receipt of bids, the Purchasing Council shall submit to the appropriate authority of each party a complete tabulation of all bids received and shall certify as to the lowest responsible bidder. The Purchasing Council shall have the right to reject any or all bids and to waive any irregularities therein in the best interest of the parties concerned. The Purchasing Council shall include an explanation and report on its findings when it transmits its tabulation and certification.
8. Contracts of purchase shall be awarded to the lowest responsible bidder as certified by the Purchasing Council. Separate contracts shall be prepared by each party to this Agreement.
9. Nothing in this Agreement shall prevent any party from awarding contracts of purchase, with or without advertisement, individually and on its own behalf; provided, however, that invitations for such individual bids shall not be advertised nor shall bids be received

Uniform Accounting Procedures Manual for County Road Commissions

- individually during the period in which the Purchasing Council is advertising for and receiving bids for the same commodities, except in the case of emergency or hardship.
10. The ordering of materials purchased through this Agreement shall be the individual responsibility of each of the parties hereto and the successful bidder or bidders shall bill each of the parties directly for the material ordered by it.
 11. Each of the parties to this Agreement shall be liable only for materials ordered by and received by it, and none, by virtue of this Agreement, assumes any additional liability.
 12. Specifications may not be changed without the approval of the Purchasing Council except in the case of an obvious error or omission. Nothing herein shall be deemed to prevent changes in specifications for subsequent purchases.
 13. Any dispute arising between any of the parties hereto and a successful bidder not relating to a) the validity of the award of contract or purchase; or b) the rejection of any bid or bids shall be settled by and at the cost of that party involved in the dispute.
 14. This Agreement shall take effect upon execution by the signatories. Thereafter, additional PUBLIC BODIES may, from time to time, execute this Agreement in the form prescribed by the Purchasing Council, and such execution subsequent to the date of this Agreement shall not be deemed to require its re-execution by the original signatories.
 15. This Agreement shall continue in effect from the date of execution, unless any party shall give ten (10) days written notice to the other parties indicating its desire to terminate same, in which case said Agreement shall terminate as to said party who has given such notice.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized officers the day and year first above written.

In the presence of:

(witness)

(authorized signature)

(Documents to be signed by authorized personnel from all departments/entities involved and each signature witnessed.)

Uniform Accounting Procedures Manual for County Road Commissions

Disposal of Material

This area of the purchasing process is often times overlooked but is an important area for those involved in purchasing. Revenue secured through salvage sales is becoming increasingly important.

Generally, salvageable materials are divided into the following classifications:

1. Scrap-any ferrous materials that can be used for re-melting to produce iron, steel, or its alloys.
2. Waste-all nonmetallic refuse, which has market value.
3. Worn or damaged-either scrap or waste material that may be sold or used as trade-in.
4. Obsolete and surplus-any material that is of no use to the Road Commission.
5. Excess-any item that does not have a useful purpose for a particular department. The item may have value, however, and may be utilized by another department within the Road Commission.

The sale of salvageable materials is usually accomplished by one of four methods:

1. Sealed bids-This method follows the same procedures as used when using a sealed bid to purchase an item.
2. Spot bids-If the items are few in number and become available on an irregular schedule, simply contact buyers on an informal basis to determine the appropriate and best price for the items under the current market conditions.
3. Public auction-To conduct an effective public auction there must be a sufficient quantity and variety of material.
4. Web based auction
5. Consignment-This approach, which is designed for equipment, may be used when the bids received by the above procedures were not at the minimum price set on the unit or the above procedures are not practical to use. The item is consigned for sale to the consignee at an agreed price to be paid by the consignor at the time of actual sale.

The contract between the Road Commission and the vendor should contain the following:

1. A description of the unit including the year, manufacturer, model, and the serial number.
2. Your price. This amount should reflect the least amount that you would accept for this unit.
3. The duration of the consignment.
4. That the Road Commission retains title of the unit until the sale.
5. Designation of insurance responsibility.
6. Termination provisions.
7. Responsibility for transportation costs from the Road Commission to the vendor. Disposing of items no longer useful to the Road Commission completes the purchasing cycle.

Conclusion

These are guidelines and examples of different purchasing functions and procedures. They are not all inclusive. Keep in mind policies and procedures need to be in place. There are many avenues for help available, from other Road Commissions, Finance and Human Resource Committee, your auditor, as well as, agencies like the Michigan Department of Treasury. Documentation is generally the best defense for any question. A clear audit trail is essential to good purchasing.

Uniform Accounting Procedures Manual for County Road Commissions

LEGAL COMPLIANCE

The following sections of the Michigan Compiled Laws (MCL) are applicable to County Road Commissions. The "MCL Reference" column refers to legal sections as presented in the Michigan Compiled Laws. Michigan Compiled Laws website: <https://www.legislature.mi.gov/>. The "Impact" column is for the purpose of classifying statutes that relate to the day-to-day operations into two categories: Compliance Legislation (coded C); and Permissive Legislation (coded P). Compliance legislation imposes a requirement or restriction. Permissive legislation grants a power. Other statutes that do not pertain to daily operations are presented for informational purposes. These statutes are coded I in the impact column and include only a brief description of statutory provisions. In addition to the statutory provisions, we have included brief descriptions of opinions of the Michigan Attorney General (OAG) and court decisions (CD) which are relevant to Road Commissions. This summary is NOT a legal interpretation. Please contact your attorney for any legal opinions.

MCL

Reference
Public Act (PA)

Statutory Provisions, Attorney General Opinions and Court Cases

[PA 283 of 1909](#)

PUBLIC HIGHWAYS AND PRIVATE ROADS - AN ACT to revise, consolidate, and add to the laws relating to the establishment, opening, discontinuing, vacating, closing, altering, improvement, maintenance, and use of the public highways and private roads; the condemnation of property and gravel therefor; the building, repairing and preservation of bridges; maintaining public access to waterways under certain conditions; setting and protecting shade trees, drainage, and cutting weeds and brush within this state; providing for the election or appointment and defining the powers, duties, and compensation of state, county, township, and district highway officials; and to prescribe penalties and provide remedies.

[PA 71 of 1919](#)

UNIFORM SYSTEM OF ACCOUNTING - AN ACT to provide for the formulation and establishment of a uniform system of accounting and reporting in the several departments, offices, and institutions of the state government, and in all county offices; to provide for the examination of the books and accounts of each state department, office, and institution, and of each county office; to provide for financial reports from all those departments, institutions, and offices, and for the tabulation and publication of comparative financial statistics relating to the departments, institutions, and offices; to provide for the administration of this act; to provide for the powers and duties of the department of treasury, the state treasurer, the library of Michigan and depository libraries, and other officers and entities; to provide penalties; and to provide for meeting the expense authorized by this act.

Uniform Accounting Procedures Manual for County Road Commissions

[PA 20 of 1943](#)

INVESTMENT OF SURPLUS FUNDS OF POLITICAL SUBDIVISIONS - AN ACT relative to the investment of funds of public corporations of the state; and to validate certain investments.

[PA 143 of 1943](#)

BORROWING FOR ROAD PURPOSES - AN ACT to empower boards of county Road Commissioners to borrow money in anticipation and upon the faith and credit of future receipts of revenues, derived from certain state collected taxes, for the purpose of purchasing road machinery or equipment or for improvement of county highways or for general county road purposes.

[PA 174 of 1943](#)

FISCAL YEAR FOR COUNTIES - AN ACT to establish a fiscal year for and the time of filing annual reports based thereon of counties, county Road Commissions and other county agencies; and to declare the effect of this act.

[PA 51 of 1951](#)

STATE TRUNK LINE HIGHWAY SYSTEM - AN ACT to provide for the classification of all public roads, streets, and highways in this state, and for the revision of that classification and for additions to and deletions from each classification; to set up and establish the Michigan transportation fund; to provide for the deposits in the Michigan transportation fund of specific taxes on motor vehicles and motor vehicle fuels; to provide for the allocation of funds from the Michigan transportation fund and the use and administration of the fund for transportation purposes; to promote safe and efficient travel for motor vehicle drivers, bicyclists, pedestrians, and other legal users of roads, streets, and highways; to set up and establish the truck safety fund; to provide for the allocation of funds from the truck safety fund and administration of the fund for truck safety purposes; to set up and establish the Michigan truck safety commission; to establish certain standards for road contracts for certain businesses; to provide for the continuing review of transportation needs within the state; to authorize the state transportation commission, counties, cities, and villages to borrow money, issue bonds, and make pledges of funds for transportation purposes; to authorize counties to advance funds for the payment of deficiencies necessary for the payment of bonds issued under this act; to provide for the limitations, payment, retirement, and security of the bonds and pledges; to provide for appropriations and tax levies by counties and townships for county roads; to authorize contributions by townships for county roads; to provide for the establishment and administration of the state trunk line fund, local bridge fund, comprehensive transportation fund, and certain other funds; to provide for the deposits in the state trunk line fund, critical bridge fund, comprehensive transportation fund, and certain other funds of money raised by specific taxes and fees; to provide for definitions of public transportation functions and criteria; to define the purposes for which Michigan transportation funds may be allocated; to provide for Michigan transportation fund grants; to provide for review and approval of

Uniform Accounting Procedures Manual for County Road Commissions

transportation programs; to provide for submission of annual legislative requests and reports; to provide for the establishment and functions of certain advisory entities; to provide for conditions for grants; to provide for the issuance of bonds and notes for transportation purposes; to provide for the powers and duties of certain state and local agencies and officials; to provide for the making of loans for transportation purposes by the state transportation department and for the receipt and repayment by local units and agencies of those loans from certain specified sources; and to repeal acts and parts of acts.

[PA 314 of 1965](#)

PUBLIC EMPLOYEE RETIREMENT SYSTEM INVESTMENT ACT - AN ACT to authorize the investment of assets of public employee retirement systems or plans and the contributions made by employees to retirement systems or plans created and established by the state or any political subdivision; to provide for the payment of certain costs and investment expenses; to authorize investment in variable rate interest loans; to limit employer and plan official liability for certain investment decisions; to define and limit the investments which may be made by an investment fiduciary with the assets of a public employee retirement system; and to prescribe the powers and duties of investment fiduciaries and certain state departments and officers. See: [Retirement System Summary Annual Reports](#)

[PA 7 of 1967](#)

URBAN COOPERATION ACT OF 1967 – AN ACT to provide for inter-local public agency agreements; to provide standards for those agreements and for the filing and status of those agreements; to permit the allocation of certain taxes or money received from tax increment financing plans as revenues; to permit tax sharing; to provide for the imposition of certain surcharges; to provide for additional approval for those agreements; and to prescribe penalties and provide remedies.

[PA 2 of 1968](#)

UNIFORM BUDGETING AND ACCOUNTING ACT - AN ACT to provide for the formulation and establishment of uniform charts of accounts and reports in local units of government; to define local units of government; to provide for the examination of the books and accounts of local units of government; to provide for annual financial reports from local units of government; to provide for the administration of this act; to prescribe the powers and duties of the state treasurer, the attorney general, the library of Michigan and depository libraries, and other officers and entities; to provide penalties for violation of certain requirements of this act; to provide for meeting the expenses authorized by this act; to provide a uniform budgeting system for local units; and to prohibit deficit spending by a local unit of government.

[PA 317 of 1968](#)

CONTRACTS OF PUBLIC SERVANTS WITH PUBLIC ENTITIES – AN ACT relating to the conduct of public servants in respect to

Uniform Accounting Procedures Manual for County Road Commissions

governmental decisions and contracts with public entities; to provide penalties for the violation of this act; to repeal certain acts and parts of acts; and to validate certain contracts.

[PA 140 of 1971](#)

GLENN STEIL STATE REVENUE SHARING ACT OF 1971 - AN ACT to provide for the distribution of certain state revenues to cities, villages, townships, and counties; to impose certain duties and confer certain powers on this state, political subdivisions of this state, and the officers of both; to create reserve funds; and to establish a revenue sharing task force and provide for its powers and duties.

Sec. 141.921 Withholding payments until submission of financial report or audit; filing, evaluation, certification, and institution of financial plan to correct deficit condition; noncompliance; notification of legislature; “deficit condition” defined.

[Act 139 of 1972](#)

MAINTENANCE OF PRIVATE ROADS - AN ACT authorizing township boards to provide for the maintenance and improvement of private roads by contract and to provide payments by special assessment districts; and to repeal certain acts and parts of acts.

[PA 267 of 1976](#)

OPEN MEETINGS ACT - AN ACT to require certain meetings of certain public bodies to be open to the public; to require notice and the keeping of minutes of meetings; to provide for enforcement; to provide for invalidation of governmental decisions under certain circumstances; to provide penalties; and to repeal certain acts and parts of acts.

[PA 390 of 1976](#)

EMERGENCY MANAGEMENT ACT - AN ACT to provide for planning, mitigation, response, and recovery from natural and human-made disaster within and outside this state; to create the Michigan emergency management advisory council and prescribe its powers and duties; to prescribe the powers and duties of certain state and local agencies and officials; to prescribe immunities and liabilities; to provide for the acceptance of gifts; and to repeal acts and parts of acts.

[PA 442 of 1976](#)

FREEDOM OF INFORMATION ACT - AN ACT to provide for public access to certain public records of public bodies; to permit certain fees; to prescribe the powers and duties of certain public officers and public bodies; to provide remedies and penalties; and to repeal certain acts and parts of acts.

[PA 29 of 1995](#)

UNIFORM UNCLAIMED PROPERTY ACT - AN ACT concerning unclaimed property; to provide for the reporting and disposition of unclaimed property; to make uniform the law concerning unclaimed property; to prescribe the powers and duties of certain state agencies and officials; to prescribe penalties and provide remedies; and to repeal acts and parts of acts. See [Manual for Reporting Unclaimed Property](#)

Uniform Accounting Procedures Manual for County Road Commissions

- [PA 266 of 1995](#) **CREDIT CARD TRANSACTIONS** - AN ACT to authorize and regulate credit card transactions involving local units of government, including the use of credit cards by officers and employees of local units of government; and to provide for powers and duties of certain state and local agencies, officers, and employees.
- [PA 280 of 1995](#) **FINANCIAL TRANSACTION DEVICE PAYMENTS** - AN ACT to authorize local units of government to accept financial transaction device payments (credit card payments).
- [PA 34 of 2001](#) **REVISED MUNICIPAL FINANCE ACT** - AN ACT relative to the borrowing of money and the issuance of certain debt and securities; to provide for tax levies and sinking funds; to prescribe powers and duties of certain departments, state agencies, officials, and employees; to impose certain duties, requirements, and filing fees upon political subdivisions of this state; to authorize the issuance of certain debt and securities; to prescribe penalties; and to repeal acts and parts of acts.
- [PA 738 of 2002](#) **ELECTRONIC TRANSACTIONS OF PUBLIC FUNDS** - AN ACT to authorize and regulate electronic transactions of public funds involving local units of government; and to provide for powers and duties of certain governmental agencies and officials.
- [PA 106 of 2007](#) **PUBLIC EMPLOYEES HEALTH BENEFIT ACT** - AN ACT to prescribe the conditions upon which public employers may provide certain benefits; to require the compilation and release of certain information and data; to provide certain powers and duties to certain state officials, departments, agencies, and authorities; and to provide for appropriations.
- [PA 152 of 2011](#) **PUBLICLY FUNDED HEALTH INSURANCE CONTRIBUTION ACT** - AN ACT to limit a public employer's expenditures for employee medical benefit plans; to provide the power and duties of certain state agencies and officials; to provide for exceptions; and to provide for sanctions.
- [PA 258 of 2011](#) **MUNICIPAL PARTNERSHIP ACT** - AN ACT to provide for certain municipal joint endeavors; to provide standards for those municipal joint endeavors; to provide powers and duties of a municipal joint endeavor; to authorize the levy of a property tax by a municipal joint endeavor; and to provide for the powers and duties of certain government officials.
- [PA 202 of 2017](#) **PROTECTING LOCAL GOVERNMENT RETIREMENT AND BENEFITS ACT** - AN ACT to create the protecting local government retirement and benefits act; to provide the powers and duties of certain state and local agencies and officials; and to create a municipal stability board.
Report Document: [Local Retirement System Summary with Data Report](#)

Uniform Accounting Procedures Manual for County Road Commissions

Attorney General Opinions

These opinions may be accessed by entering the opinion number at:

<https://www.ag.state.mi.us/opinion/opinions.aspx>

Following is a summary of other Michigan Attorney General Opinions pertaining to County Road Commissions:

OPINION

<u>No.</u>	<u>Date</u>	<u>BRIEF DESCRIPTION</u>
	9/25/33	<u>Sale of Road Materials</u> --The power to purchase implies the power to sell surplus supplies and materials a county may have on hand for which they have no use. However, a county may not purchase in such quantities with the object in view of creating a surplus for the purpose of sale. This would amount to making a business of the sale of supplies and materials, and a county may not engage in a business unless expressly authorized by statute.
2297	5/23/44	A county Road Commissioner has authority to subscribe a contract for services offered by Michigan County Road Association, including expert counsel and advise in all phases of Road Commission operations, and to pay for same from county Road Commission funds
599	9/22/47	The expenditure of county road funds to provide dinner or other entertainment for members of the County Road Commission and guests is illegal.
1666	11/2/53	Expense of employment of private counsel to defend removal proceedings against a member of the county Road Commission may not be paid from county funds.
2684A	9/18/56	The legal responsibility for auditing the County Road Commissioners' claims for expenses and approving them for payment should be that of the board of supervisors* (or board of county auditors).
2555	5/7/56	A lump sum provided for expenses by the board of commissioners must be regarded as a ceiling on expenses within which actual expenses must be audited and allowed by the board of commissioners.
2945	5/23/57	County Road Commission is not responsible to county supervisors, nor has board any authority or control over commission except as to appointment, removal, and audit of accounts as provided by statute. 6265
3112	1/4/58	Authority to employ private attorney did not deprive commission of its right to request services of prosecuting attorney, and prosecuting

Uniform Accounting Procedures Manual for County Road Commissions

attorney could not receive from county Road Commission additional compensation for performing legal duties in connection with loan or real estate transactions of commission.

- 2943 2/19/59 The statute authorizes the board of County Road Commissioners to hire its employees. The board has the implied power to fix the employee's compensation and may as a part of such compensation, purchase a turkey for each employee.
- 3536 2/1/62 Public Offices and Officers--Reimbursement for Expenses--Except where a gross amount is fixed to cover both compensation and expenses, reimbursement for expenses is limited to the exact amount of expenditure established by an itemized and supported claim.
- 4992 12/8/76 A county may not use county funds to assist a city to make payments on a bond issued to finance the reconstruction of a bridge within the city.
- 5305 5/3/78 A board of County Road Commissioners is authorized to purchase liability insurance for the protection of their employees against loss on account of any judgment which may be rendered for personal injury or property damage to a third party caused by the employee.
- A board of County Road Commissioners is authorized, but not required, to indemnify an officer or employee of the board or to pay, settle or compromise a judgment entered against an officer or employee for personal injury of property damage to a third party caused by the officer or employee while in the course of employment and while acting within the scope of authority; the determination of whether to make such indemnification, however, may not be made before the alleged negligent act occurs.
- 5305 5/3/78 A board of County Road Commissioners may not agree to hold a highway engineer harmless from any monetary recovery assessed by a court, which results from his or her negligence in the performance of public duties.
- 5675 4/4/80 A board of County Road Commissioners is without authority to impose a fee to consider and act upon a petition to declare a county local road a natural beauty road.
- 5795 10/8/80 A County Road Commission is not entitled to receive interest on snow removal distributions due them on November 2 of each year from that date until the date they receive payment from the State.
- 5849 1/30/81 A vacancy in the office of member of an elected County Road Commission may be filled (by appointment by the county board of

Uniform Accounting Procedures Manual for County Road Commissions

commissioners) for the unexpired term unless the vacancy occurs more than 150 days before a general election, in which case the vacancy is filled only until a successor is elected at the next general election.

- 6265 12/19/84 The chairperson of a county board of commissioners has no authority to determine or change the compensation to be paid county Road Commissioners.
- 6570 2/21/89 In the absence of a contract, a township may, but is not required to, pay for the cost of road repairs of county roads within the township.
- 6659 8/29/90 County Road Commissioners may participate in insurance and retirement plans established by the Road Commission for its employees, provided that such participation is pursuant to a compensation plan established by the county board of commissioners for the Road Commissioners and, further, provided that the county board of commissioners appropriates the necessary funds for such benefits.
- NOTE: *The reference to board of supervisors was changed to county board of commissioners by [PA 87 of 1974, which amended MCL 46.1](#).
- 6937 4/7/97 The removal of clay, gravel, peat, sand, and topsoil under Part 91 of the [Natural Resources and Environmental Protection Act](#). The extent of the exceptions for logging and mining in section [9115 of Part 91](#) of the Natural Resources and Environmental Protection Act.
- 6975 3/25/98 A county Road Commission is authorized to use its resources to provide emergency assistance to township ambulance personnel on private roads.
- 7134 5/21/03 A county Road Commission has the authority to enter into an agreement with an Indian Tribe under the [Urban Cooperation Act of 1967](#) to maintain roads.

GASB Pronouncements

You can find GASB Statements at <https://www.gasb.org/home>

There is no cost to using this website, however a user ID is required. We encourage you do use this tool for the most recent and up-to-date information on GASB.

Uniform Accounting Procedures Manual for County Road Commissions

RECORD RETENTION

Note: Record retention schedule will be updated in a future edition of the manual following Records Management Services (State of Michigan) procedures. Michigan Road Commission Record Retention General Schedule #9 Revised August 1998.

<u>ITEM NUMBER</u>	<u>RECORD TITLE</u>	<u>RETENTION PERIOD</u>
1	Accounts Receivable (Paid Invoices)	3 years after audits
2	Adoption & Abandonments (County Roads)	Permanent
3	Annual Reports to: a. County Road Association b. MDOT c. County Board of Commissioners	Permanent Permanent Permanent
4	Audit Reports a. Auditor General b. MDOT c. Private CPA or Treasury Audits	Permanent 10 years 10 years
5	Agreements/Contracts a. Road Contracts (all inclusive) b. Township, Cities & Villages c. Individuals & Corporations d. MDOT e. Utilities f. Railroads g. Employees Retirement Income Trust, Pensions, Deferred Comp h. Union/Employee Contracts	7 years after final accounting 7 years after final accounting 7 years after final accounting 7 years after MDOT audit 7 years after final accounting 7 years after final accounting 7 years after termination of plan 50 years or 3 years after death or termination
6	Bank a. Deposit Slips b. Reconciliations c. Statements	3 years after audits 3 years after audits 7 years after audits
7	Bids a. Roads & Bridges b. Equipment c. Buildings d. Insurances e. Materials	7 years after final accounting 1 year after audits 7 years after acceptance After policy expiration and audits 1 year after audits
8	Bridges - Data Cards/Inspection Reports	Permanent or disposal of bridge

Uniform Accounting Procedures Manual for County Road Commissions

<u>ITEM NUMBER</u>	<u>RECORD TITLE</u>	<u>RETENTION PERIOD</u>
9	Budgets - Revenues/Expense	3 years
10	Condemnation Proceedings	Permanent
11	Checks	
	a. Payroll (Cancelled)	7 years after audits
	b. Accounts Payable (Cancelled)	7 years after audits
	c. Register	7 years after audits
12	Climatological Observation Records	7 years
13	Centerline Striping Data	7 years
14	Construction/Heavy Maintenance Projects	
	a. Cross Sections	7 years after final accounting
	b. Diary	Permanent
	c. Estimates	7 years after final accounting
	d. Field Notes	Permanent
	e. Plans & Tracings	Permanent
	f. Progress Reports	7 years after final accounting
	g. Road & Bridge Const. Program	10 years
	h. Testing Reports	7 years after final accounting
	i. Inspection Reports	7 years after final accounting
	j. Hard Surface Mileage Log	Permanent
	k. Road Traffic Survey (all)	20 years
	l. Photos & Aerial Maps	Permanent or Transfer*
	m. Assessment District Rolls	20 years
15	Correspondence	
	a. Foremen & Employees	3 years
	b. General	3 years
	c. Health & Accident	3 years
	d. Hospitalization	3 years
	e. Life Insurance	3 years
	f. Retirement	3 years
	g. MDOT	10 years
	h. County Board of Commissioners	10 years
	i. Townships	10 years
	j. Unions	3 years
	k. Policy Matters	10 years
16	Departmental Receipts	
	a. County Roads	7 years after audits
	b. Treasurer	7 years after audits

Uniform Accounting Procedures Manual for County Road Commissions

* Notify RECORDS MANAGEMENT SERVICES, DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET for an evaluation to determine whether these records will be placed with Records Management Services.

<u>ITEM NUMBER</u>	<u>RECORD TITLE</u>	<u>RETENTION PERIOD</u>
17	Disbursements/Expenditures <ul style="list-style-type: none"> a. Ledger b. Vouchers c. Inventory (County Materials) 	<ul style="list-style-type: none"> 20 years 7 years after audits 1 year after audit by State
18	Easements <ul style="list-style-type: none"> a. Channel Change b. Ditches c. General - Road Materials, Stockpiling, etc. d. Right-of-Way 	<ul style="list-style-type: none"> After recorded in Register of Deeds After recorded in Register of Deeds After recorded in Register of Deeds After recorded in Register of Deeds
19	Employees <ul style="list-style-type: none"> a. Application for Employment (Hired) b. Application for Employment (Not Hired) c. Authorization for Payroll Deductions d. Daily Timecard Report/Time Sheets e. Record of Employee Earnings & Deductions/Journal (Year End Payroll Journal) f. Personnel Data Cards g. Retirement/Deferred Comp Records h. Sick Leave/Vacation/Holiday i. Social Security (FICA)/Federal and State Quarterly & Yearly Reports (IRS 941, UIA 1020 & 1017, Michigan Annual Report 5081) j. Wage Rates 	<ul style="list-style-type: none"> 7 years after termination of employment 30 days Current authorization 1 year after audits 50 years or 3 years after death 7 years after termination of employment 50 years after retirement or termination 4 years 7 years Current listing
20	Equipment <ul style="list-style-type: none"> a. Certificates of Title b. Depreciation - Listing of Fixed Assets c. Expense Data Repair Orders (G/L Detail) d. MDOT Form # 471 Equipment Specification and Rentals (Optional for Non-Contract Counties) 	<ul style="list-style-type: none"> Disposal of equipment 1 year after audits 3 years after audits 1 year after audits

Uniform Accounting Procedures Manual for County Road Commissions

<u>ITEM NUMBER</u>	<u>RECORD TITLE</u>	<u>RETENTION PERIOD</u>
	e. Equipment Questionnaire (MDOT Contract counties)	3 years
	f. Service Policies/Warranties	Expiration
	g. Specifications	Disposals of equipment
	h. Operative Equipment Sheet	1 year after audits
	i. Equipment Time Sheets	1 year after audits
	j. Daily Equipment Safety Reports (Pre-trip & Post-trip)	1 year after disposal of equipment
	k. Equipment Expense Summary (G/L Detail)	2 years after disposal of equipment
21	General Ledger	20 years
22	General Ledger - Subsidiary Accounts	20 years
23	Insurance and Non-Revenue Bonds	
	a. Policies	
	1. Fleet	1 year after expiration and audits
	2. Compensation	1 year after expiration and audits
	3. Buildings and Contents	1 year after expiration and audits
	4. Boilers and Sprinklers	1 year after expiration and audits
	5. Burglary	1 year after expiration and audits
	6. General Comprehensive (PL&PD)	Permanent
	7. Health and Accident	1 year after expiration and audits
	8. Life	1 year after expiration and audits
	9. Hospitalization and Medical	1 year after expiration and audits
	10. Liability	Permanent
	b. Reports	
	1. Workers' Compensation	
	a. Personal Injury	10 years
	b. Compensation Payroll Reports	10 years
	c. Audits	10 years
	2. General Comprehensive Liability and Property Damage	20 years
	c. Bonds - Non-Revenue	
	1. Surety	6 years after expiration of bond term
	2. Fidelity	6 years after expiration of bond term
24	Inventory, Parts and Materials	
	a. Receipt Report	1 year after audits
	b. Requisition Report	1 year after audits
	c. Physical Inventory Reports	1 year after audits
	d. Card Register/Computer Journal	1 year after audits

Uniform Accounting Procedures Manual for County Road Commissions

<u>ITEM NUMBER</u>	<u>RECORD TITLE</u>	<u>RETENTION PERIOD</u>
25	Municipal Finance Division (Revenue Bonds)	
	a. Correspondence	1 year after final payment of loan
	b. Application	1 year after final payment of loan
	c. Coupons/Revenue Bonds/Notes	See PA 56 (1962), as amended by PA 130 (1963), and amendments thereto 3 years after final payment
26	Legal Opinions	Permanent
27	Court Cases	Permanent
28	Labor Statistics/EEO	1 year
29	Official Proceedings/Minutes of Meetings	Permanent
30	Petitions	7 years
31	Plats	Permanent
32	Permits	
	a. Construction Within Right-of-Way	Permanent
	b. Oversize/Overweight Loads	1 year
	c. Michigan Public Utilities	Permanent
	d. Building Moving	1 year
	e. Tree Cutting	1 year
	f. Encroachment	Permanent or until removed
	g. Driveway	Permanent
33	Property	
	a. Deeds and Easements	Permanent or disposition of property
	b. Abstracts	Permanent or disposition of property
	c. Title Insurance	Permanent or disposition of property
34	Purchase Orders - County Road Commission	2 years after audits
35	Receipts Ledger/Journal	20 years
36	Revenue Vouchers/Transmittal Advice	3 years after audits
37	Michigan Department of Transportation	
	a. Budgets	1 year after audits
	b. Delivery Reports	1 year after audits
	c. Inventory Disbursements	1 year after audits
	d. Monthly Maintenance Reports (Including Non-Maintenance)	1 year after audits

Uniform Accounting Procedures Manual for County Road Commissions

<u>ITEM NUMBER</u>	<u>RECORD TITLE</u>	<u>RETENTION PERIOD</u>
	e. Payment Vouchers	1 year after audits
	f. Purchase Orders	1 year after audits
	g. Stores Card Register/Journal	1 year after audits
	h. Receiving Slips	1 year after audits
	i. Trunkline Maintenance Atlas	1 year after audits
	j. Receipts for Disbursement MDOT	1 year after audits
38	Transfer Vouchers	20 years
39	Transfer Voucher Journal	20 years - in General Ledger
40	Trial Balance Sheets (Monthly General Ledger)	1 year after audits
41	Weighmaster Reports	1 year
42	Local Option Materials	All documents used for internal purposes only and not required by any statute or agency regulation may be discarded at the option of the local official concerned.
43	Any records concerning construction, maintenance, and administration by county Road Commissions, of airports, ferries, county parks, sewer, and water systems, etc. not covered somewhere above may be added to this schedule by application of the County Road Commission concerned.	
44	Microfilm records in accordance with 1979 A.C., R 18.101, ET.SEQ.	

If you have any questions about records retention, contact Records Management Services, Department of Technology, Management & Budget, 3400 North Grand River Avenue, Lansing, Michigan 48909, phone #517-335-9132 or visit their website: michigan.gov/recordsmanagement/

Uniform Accounting Procedures Manual for County Road Commissions

POLICIES

Road Commissions should establish policies to aid in the administration of the organization. Policies lay out guidelines and provide clarity to employees and commissioners when dealing with accountability issues or activities that are of critical importance to the Road Commission, such as, health and safety, legal liabilities, regulatory requirements, or issues that have serious consequences. Standard operating procedures can insure uniform and consistent answers and treatment of practices. Policies need to be adopted by the board at a board meeting. It is recommended that a formal policy book be developed and maintained by the clerk of the board. For easy reference policies should be indexed, categorized, and numbered in a logical manner to allow easy retrieval. The manual should be accessible to all employees and commissioners. An annual review of policies should be performed by the staff and updated in the form of amendments.

Following is a sample of how a board policy may be structured. For specific policy samples visit the [County Road Association](#) site.

POLICY OF THE BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF SAMPLE

CATEGORY: _____ Engineering _____

POLICY NUMBER: _____ 5 _____

AMENDMENT NUMBER: _____

SUBJECT: _____ Consultant Evaluation Record Keeping _____

ADOPTED ON: _____ February 12, 1998 _____

A motion was made by Commissioner March, and supported by Commissioner Stone, that it shall be the policy of the Sample County Road Commission to keep a short synopsis on the performance for each consultant retained for any design, inspection, testing, environmental studies, etc. The attached form shall be used. When completed, the original shall be placed in a "Consultant Evaluation File" and a copy placed in the project file. Roll Call Vote: March - aye, Stone - aye, and LeBlanc - aye.

Al LeBlanc, Chairman

Kim Cost, Clerk to the Board

Uniform Accounting Procedures Manual for County Road Commissions

Below is a listing of subjects that some County Road Commissions have incorporated into formal board policies. Required policies are noted with an asterisk. All other policies are optional and should be reviewed to determine whether a policy should be adopted by the board. This listing is not meant to be all inclusive. Samples of all required policies are linked below and can be found on the CRA website. Keep in mind these are samples only. **It is recommended that you review and modify these policies to meet the requirements of your road commission and have them reviewed by an attorney prior to approval from your Board or acceptance of any policy.**

Abandonments

* [Acceptance of Credit and Debit Cards for Payment](#)

* [Affirmative Action](#)

All Season Road Specifications

Audits

Bridge and Culvert Replacement

Brush Cutting/Vegetation Guidelines

* [Budget/General Appropriation Act/Budget Policy](#)

Business Revolving Credit Accounts

Educational

* [Capital Asset](#)

* [Cash Management](#)

Leave policy

Citizens Wishing to Address the Board

Clerk of the Board Designation

COBRA Premiums

Commercial Driver's License

Computers and Electronic Communications

Cost Sharing - Reconstruction, Recaps, Replacement of Curbs, Bridges, etc.

Construction Guidelines

County Drain Improvements

* [Credit Cards](#)

* [Debt Management](#)

Deferred Compensation Program- Fiduciary guidelines

* [Drug Free Workplace/Substance Abuse](#)

* [Drug Testing Policy \(Federal CDL requirement\)](#)

* [Electronic Transactions ACH/EFT](#)

Employee Assistance Program

Errors and Omissions / Surety Bonds

* [Equal Employment Opportunity](#)

* [Ethics/Conflict of Interest](#)

* [Family and Medical Leave Act](#)

* [Financial Reporting](#)

FLSA Salary Basis

* [Fraud](#)

* [Freedom of Information Act](#)

* [Fund Balance \(GASB 54\)](#)

Uniform Accounting Procedures Manual for County Road Commissions

- * [Grants Management](#)
- * [HIPPA Privacy](#)
- * [Investments \(GASB No. 40\)](#)
- Mailbox Standards and Mailbox Damage Reimbursement
- Mutual Aid Agreement
- Open Meetings Act
- Overtime
- Paid Medical Leave Act
- * [Payroll](#)
- * [Permit Fee Schedule](#)
- Personal Use of Road Commission Vehicles
- Petty Cash
- * [Purchasing](#)
- * [Safety](#)
- Reference Checks
- Seasonal Road Designation
- * [Smoke Free Workplace](#)
- * [Social Security Number Privacy](#)
- * [Title VI](#)
- Township Cost Share
- * [Travel Policy](#)
- * [Unlawful Harassment](#)
- * [Unlawful Retaliation](#)
- Violence in the Workplace