

STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

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State Treasurer



**Uniform Accounting Procedures
Manual for County Road
Commissions**

MAY 2010

**Local Audit and Finance Division
Bureau of Local Government Services**

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, not only within a road commission but also 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

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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.

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INTRODUCTION

The Local Audit and Finance Division of the Department of Treasury has been given the responsibility of implementing requirements of [Public Act 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.

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. If the county road commission does not select an independent certified public accountant, the State Treasurer must perform the audit or select an independent certified public accountant. 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. ***Effective as of January 1, 2009, 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: http://www.michigan.gov/treasury/0,1607,7-121-1751_31038---,00.html. [MCL 141.427](#) 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 reasonable 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

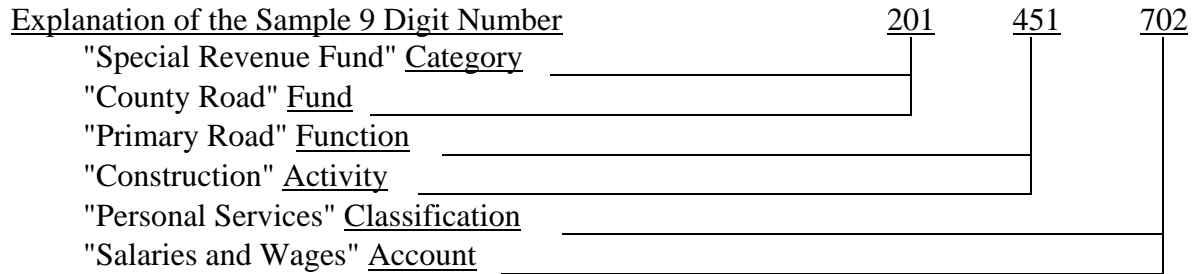
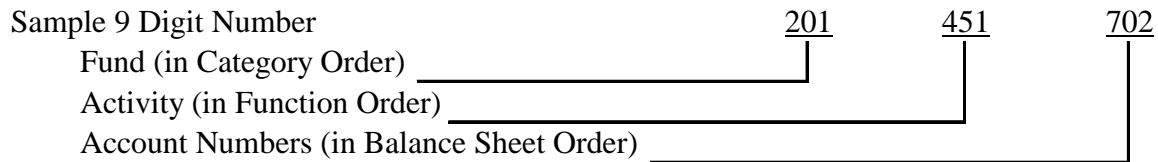
[PA 34 of 2001](#) also requires the chief administrative officer of the road commission to prepare a "Municipal Financial Qualifying Statement" within 6 months of the end of the fiscal year. This is required electronically and can be found at: http://www.michigan.gov/treasury/0,1607,7-121-1751_8013---,00.html

In accordance with the Bureau of Census' definition and MCGA 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. OMB Circular A-133, Single Audit, requires an annual audit of all funds of a county that expends over \$500,000 in Federal funds.

The fundamental benefit of the Chart of Accounts is that expenditures are broken down by object of expenditure; such as labor, equipment rental, road materials, contract purchases, utility expenditures and more. This enables the road commission to determine detailed components that make up the expenditures for primary road construction and primary 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.

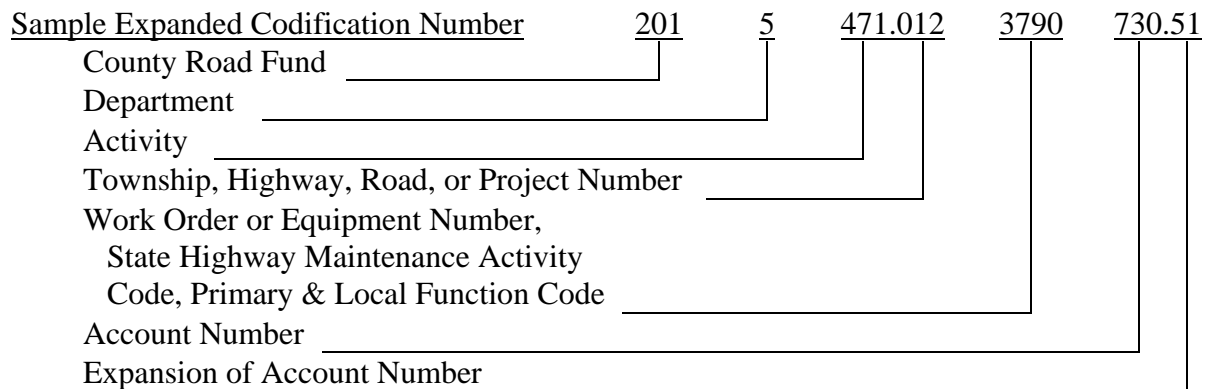
INTRODUCTION

CODIFICATION STRUCTURE

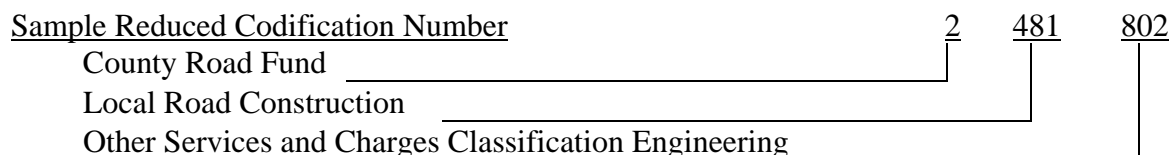


The above outlined codification structure which is described in more detail in the following pages, is designed in accordance with [PA 2 of 1968](#) and [PA 71 of 1919](#). This structure is easily adaptable to any presently existing automatic data processing system. This structure can easily provide 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. Codification restrictions would be the result of your automatic data processing equipment and/or software.



The codification structure can also be reduced for use with mini-equipment where ten or less funds are required, by assigning and using a single digit fund number.



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.

INTRODUCTION

CODIFICATION STRUCTURE (Continued)

Funds and Capital Assets and Long-Term Debt Controls Applicable to County Road Commissions

Special Revenue Funds Category (201-299)

201 County Road Fund

Trust and Agency Funds Category (701-799)

726 Employees 457 Deferred Compensation Fund

727 401K Deferred Compensation Fund

733 401K Retirement System Fund

Capital Assets Control (900-949)

Long-Term Debt Control (950-999)

Functions--the grouping of activity numbers as follows:

<u>Activity Numbers</u>	<u>Functions</u>
450-479	Primary Road
480-509	Local Road
510-520	Other Activities/Functions
900-999	

(Activities are listed later in the manual with explanations).

Classifications--the grouping of account numbers into classes as follows:

<u>Account Number Group</u>	<u>Classifications</u>
001-199	Assets
200-344	Liabilities
345-399	Equity Section
400-699	Revenues
700-999	Expenditures

(Accounts are listed later in the manual with explanations.)

INTRODUCTION

CODIFICATION STRUCTURE (Continued)

This manual is designed for county road accounting. If a road commission does accounting for parks, water and sewer, or other such entities, the Uniform Chart of Accounts for Counties and 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.

SUMMARY

The revised Chart of Accounts provides information for expenditures by line-item, which was not previously available. Information by line item can be used to plan, manage, control, and report expenditures by project and/or activity. This provides an additional tool to manage costs that was not heretofore available.

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 (Printer numbered in consecutive order)
- Transmittal/Deposit Advise (Receipts report to County Treasurer)
- Monthly Trial Balance
- Disbursement Vouchers
- Checks (Printer numbered in consecutive order)
- Imprest Cash Vouchers
- Travel Expense Vouchers
- Time/Attendance Report (Signed 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 Local Audit and Finance Division at (517) 373-3227. **Exception:** Open account numbers in the following categories may be assigned as needed without obtaining approval from the Department of Treasury:

<u>Account Numbers</u>	<u>Account Name</u>
451-500	Licenses & Permits Subaccounts
607-654	Charges for Services Subaccounts
656-663	Fines & Forfeits Subaccounts
700-999	Expenditure Subaccounts

**EXPLANATIONS: FUNDS AND CAPITAL ASSETS AND LONG-TERM DEBT
CONTROLS**

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 motor fuel taxes which are earmarked 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 Local Audit and Finance Division of the Michigan Department of Treasury.

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

ESTABLISHMENT--Inasmuch as every county has a County Road Fund already in use, we need not describe its establishment.

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 the State distribution of gas and weight taxes; (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.

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

**EXPLANATIONS: FUNDS AND CAPITAL ASSETS AND LONG-TERM DEBT
CONTROLS**

FUND 726--EMPLOYEES DEFERRED COMPENSATION FUND
(Applicable if fiduciary responsibility exists)

PURPOSE--This fund is used to account for money which is set aside to pay employees for their accumulated deferred compensation. This fund is found in units, which have a deferred compensation plan for their employees where the road commission has a fiduciary responsibility.

CHARACTER--This fund is classified as an expendable trust fund because it is used to account for money, which is held in a trust.

DISTINGUISHING FEATURES--This fund can be found in all types of government.

ESTABLISHMENT AND AUTHORIZATION--This fund is required in all local units that have established an employees' deferred compensation plan in accordance with section 457 of the Internal Revenue Code where the road commission has a fiduciary responsibility.

OPERATION AND PRESENT USE--The money in this fund is supplied by: (a) withholding from payroll of employees enrolled in the deferred compensation plan; and (b) from interest received on investing the fund's assets. The money in this fund may be controlled by the local unit or be with a fiscal agent whichever is required by the contract.

NOTE: Effective January 1, 1999 (or earlier if implemented), it will no longer be necessary (or proper) to have this deferred compensation fund due to legislation passed by Congress which requires that the assets of such a fund be held in trust (or custodial or annuity contract) for the benefit of the participants. When the trust has been established, the assets of the plan will no longer be treated as assets of the road commission. Depending upon how the road commission administers a deferred compensation plan under the new statute, its creation may place an employer in the role of a fiduciary. Governmental Accounting Standards Board (GASB) Statement No. 32, paragraph 4, states that the local unit should report a deferred compensation plan which meets the criteria in GASB Codification Section 1300.104c as an expendable trust in the financial statements.

**EXPLANATIONS: FUNDS AND CAPITAL ASSETS AND LONG-TERM DEBT
CONTROLS**

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.

CHARACTER--This fund is classified as a trust fund because it is used to account for assets held by the local unit in a trust 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. 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.

ESTABLISHMENT AND AUTHORIZATION--This fund is established by the legislative body in accordance with IRS regulations pertaining to code section 401K.

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.

**EXPLANATIONS: FUNDS AND CAPITAL ASSETS AND LONG-TERM DEBT
CONTROLS**

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 trust and agency 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 55 of 1982, [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 726, 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, a trust fund must be established in the financial records of the local unit.

**EXPLANATIONS: FUNDS AND CAPITAL ASSETS AND LONG-TERM DEBT
CONTROLS**

FUND 733--401K RETIREMENT SYSTEM FUND

PURPOSE--This fund is used to account for the operation of a 401K employee retirement system.

CHARACTER--This is classified as a trust and agency fund because it is used to account for assets held by the local unit in a trust 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. 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.

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 trust funds 726 or 727.

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); 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.

EXPLANATIONS: FUNDS AND CAPITAL ASSETS AND LONG-TERM DEBT CONTROLS

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.

900--CAPITAL ASSETS 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 (Special Revenue Fund) and are not accounted for in an Enterprise Fund, Internal Service Fund, or Trust 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, of course, 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 Assets 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.

**EXPLANATIONS: FUNDS AND CAPITAL ASSETS AND LONG-TERM DEBT
CONTROLS**

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.

950--LONG-TERM DEBT CONTROL

PURPOSE--The long-term control account is used to record and fairly present a governmental unit's remaining unpaid principal of long-term obligations and to facilitate the record keeping for long-term debt, which 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 Assets 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. When reporting long-term debt in the Statement of Net Assets, the "Amount to be Provided for" will not be included.

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.

Although we recommend Fund Number 950 be used to designate the road commission's long-term debt control, road commissions have the option to assign any number within the range 950-999.

EXPLANATIONS: FUNDS AND CAPITAL ASSETS AND LONG-TERM DEBT CONTROLS

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: http://www.michigan.gov/treasury/0,1607,7-121-1751_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 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:

ACCOUNT NUMBER

ACCOUNT NAME

ASSET ACCOUNTS

186	Amount to be Provided for Payment of Debt Principal
195	Amount to be Provided for Accumulated Vacation and Sick Leave

Note: These asset accounts will be eliminated when reporting in the Statement of Net Assets.

LIABILITY ACCOUNTS

300	Bonds Payable
304	Lease Payable
307	Notes Payable
310	Contracts Payable
343	Accrued Vacation & Sick Leave Payable

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.

ACTIVITY INDEX

This section of the manual is an index of activities and accounts. Explanations of activities and accounts are presented later in the manual.

EXPENDITURE ACTIVITY NUMBER

<u>Primary Road Funds</u>	<u>Local Road Funds</u>	<u>Other</u>	<u>Activity Name</u>
<u>Construction/Capacity Improvements</u>			
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
<u>Preservation/Structural Improvements</u>			
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
<u>Routine and Preventive Maintenance</u>			
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

ACTIVITY INDEX

EXPENDITURE ACTIVITY NUMBER

<u>Primary Road Funds</u>	<u>Local Road Funds</u>	<u>Other</u>	<u>Activity Name</u>
472	502	--	Winter Routine and Preventive Maintenance
473	503	--	Traffic Control Routine and Preventive Maintenance
474	504	--	Other Routine and Preventive Maintenance
475	--		Open
476	--		Open
477	--		Open
478	--		Open
479	--		Open
--	505		Open
--	506		Open
--	507		Open
--	508		Open
--	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
		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
		966-999	Transfers (Out) - Detail

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ASSETS (001-199)

CURRENT ASSETS (001-129)

- 001 Cash
- 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 Cash - Electronic Banking
- 009 Cash - (Use as needed)
- 010 Cash - (Use as needed)

- 011 Cash - (Use as needed)
- 012 Cash - (Use as needed)
- 013 Cash - (Use as needed)
- 014 Cash - (Use as needed)
- 015 Cash - (Use as needed)

- 016 Deposits with Fiscal Agent (Short-Term)
- 017 Investments in Securities
- 018 Receivable Control (All Receivables 019-105)
- 019 Taxes Receivable Control (020-057)
- 020 Taxes Receivable Real Property - Current Levy

- 021 Estimated Uncollectible Current Real Property Taxes (Credit)
- 022 Taxes Receivable Personal Property - Current Levy
- 023 Estimated Uncollectible Current Personal Property Taxes (Credit)
- 024
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- 026 Taxes Receivable - Delinquent Real
- 027 Estimated Uncollectible Delinquent Real Taxes (Credit)
- 028 Taxes Receivable - Delinquent Personal Property
- 029 Estimated Uncollectible Delinquent Personal Property Taxes (Credit)
- 030 Interest and Penalties Receivable on Taxes

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CURRENT ASSETS (001-129) (Continued)

- 031 Estimated Uncollectible Interest and Penalties Receivable on Taxes (Credit)
- 032 Taxes Receivable - Rejected and Reassessed
- 033
- 034
- 035 Other Current Accounts Receivable - (Use as needed)

- 036 Other Current Accounts Receivable - (Use as needed)
- 037 Other Current Accounts Receivable - (Use as needed)
- 038 Other Current Accounts Receivable - (Use as needed)
- 039 Other Taxes Receivable
- 040 Accounts Receivable (General - Not Governmental Units)

- 041 Estimated Uncollectible Accounts Receivable (Credit)
- 042 Unbilled Accounts Receivable
- 043
- 044 Travel Advances Receivable
- 045 Special Assessments Receivable - Current

- 046
- 047 Special Assessments Receivable - Delinquent
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- 049 Special Assessments Receivable - Deferred
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- 056 Interest Receivable
- 057 Local Unit's Share of Assessment Improvement Costs Receivable
- 058 Negotiable Receivables Control (059-069)
- 059
- 060 Notes Receivable

- 061 Loans Receivable
- 062 Lease Receivable - Current
- 063 Contracts Receivable
- 064 Land Contracts Receivable
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- 070 Other Accounts Receivable Control (071-105)

- 071 Due from Cities
- 072 Due from Counties
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- 074 Due from Road Commissions
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- 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)
- 078 .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
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- 083 Due from Employees
- 084 Due from Other Funds
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- 088 Service Fees Receivables
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109	Inventory - Road Materials
110	Inventory - Equipment Materials and Parts
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113	Surplus Capital Assets
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119	Investments - Deferred Compensation Plan
120	Investments
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123	Prepaid Expenses
124	Engineering and Development Expense Advance
125	Deferred Expense - Federal Aid Projects
126	Deferred Expense - State Aid Projects
127	Deferred Construction Awarded Contracts
128	Other Deferred Expenses
129	Unamortized Discounts on Bonds Sold by the Road Commission

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Only to be used in Control 900

- 130 Land
- 131 Land Improvements
- 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 Equipment - Road (Account #148 - Vehicles may be used for equipment that requires license plates)
- 139 Accumulated Depreciation - Road Equipment (Credit)
- 140 Equipment - Shop

- 141 Accumulated Depreciation - Shop Equipment (Credit)
- 142 Equipment - Engineering
- 143 Accumulated Depreciation - Engineering Equipment (Credit)
- 144 Equipment - Yard and Storage
- 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

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- 156 Bridges
 - .01 Timber
 - .02 Metal
 - .03 Concrete
 - .04 Movable
- 157 Accumulated Depreciation - Bridges
 - .01 Timber
 - .02 Metal
 - .03 Concrete
 - .04 Movable

BALANCE SHEET ACCOUNT INDEX

CAPITAL ASSETS (130-159) (Continued)

Only to be used in Control 900

- 158 Construction Work in Progress
- 159 Roads
 - .01 Gravel
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 - .03 Concrete

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- 160 Accumulated Depreciation - Roads
 - .01 Gravel
 - .02 Asphalt
 - .03 Concrete
- 161 Traffic Signals
- 162 Accumulated Depreciation - Traffic Signals
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- 165 Lease Receivable (Long-Term)
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- 175 Encumbrances
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195	Amount to be Provided for Accumulated Vacation and Sick Leave (Long-Term Debt Control Only)
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197	Long-Term Contracts Receivable
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CURRENT LIABILITIES (200-299)

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

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CURRENT LIABILITIES (200-299) (Continued)

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221	Due to Cities
222	Due to Counties
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224	Due to Road Commissions
225	Due to Schools
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
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241	Advances from Cities
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246	Advances from Townships
247	Advances from Villages
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249	Advances from Other Units of Government

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CURRENT LIABILITIES (200-299) (Continued)

250	Bonds Payable - Current
251	Accrued Interest Payable
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255	Customer's Deposits - Driveway Snow Plowing (U.P. Only)
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257	Accrued Wages Payable
258	Accrued Taxes Payable (Includes Payroll Taxes)
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264	Other Accrued Liabilities
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268	Escheatable Money
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276	Receipts Refundable
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283	Performance Deposits Payable
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CURRENT LIABILITIES (200-299) (Continued)

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289	Unamortized Premiums on Bonds Sold
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299	Other Current Liabilities

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304	Lease Payable (Non-Current)
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307	Notes Payable
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- 321 Advances from Cities
- 322 Advances from Counties
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- 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 Purchase Advance
 - .02 State Trunkline Maintenance Advance
 - .03 Jobs Today Program Loan
- 329 Advances from Federal Government

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- 333 Advances - Special Assessment Districts
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- 343 Accrued Vacation and Sick Leave Payable (Long-Term)
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365 Fund Balance Reserved for Encumbrances
366 Fund Balance Reserved for Debt Service
367 Fund Balance Reserved for Prepaids
368 Fund Balance Reserved for Inventory
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370 Fund Balance Reserved for Advances to Other Units of Government
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376 Fund Balance Reserved for Retirement System
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- 381 Fund Balance Reserved for Replacement of Capital Assets
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- 383 Fund Balance Reserved for Restricted Contributions
- 384 Fund Balance - Other Reserves

- 385 Fund Balance Reserved for Self-Insurance
- 386 Fund Balance Reserved for Deferred Compensation
- 387 Fund Balance Reserved for Construction
- 388
- 389 Reserve for Long-Term Federal Contracts Receivable

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- 390 Fund Balance
 - .01 Primary Road Funds
 - .02 Local Road Funds
 - .03 County Road Commission Funds
- 391
- 392
- 393 Fund Balance - Designated
- 394 Fund Balance - Designated for Capital Improvements

- 395 Retained Earnings
- 396
- 397
- 398
- 399 Investment in Capital Assets
 - .01 Primary Road Funds
 - .02 Local Road Funds
 - .03 County Road Commission Funds
 - .04 Infrastructure

REVENUE ACCOUNT USAGE

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 above 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 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.

Subaccount numbers 451-500 for Licenses and Permits may be assigned by the road commission to various licenses and permits as they affect each road commission differently.

Subaccount numbers 607-654 for Charges for Services may be assigned by each road commission, as they wish, using the guidelines listed in the column labeled subaccounts.

The subaccount numbers under Fines and Forfeits (656-663), Other Revenues (672-694) and Other Financing Sources (696-699) may be assigned within these categories by the road commission, as needed.

If the reporting of revenue is expanded to subaccounts in the categories of Taxes, Federal Grants, State Grants, Contributions from Local Units, and Interest and Rents, the subaccount numbers as listed must be used.

REVENUE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
400	REVENUE CONTROL (Financial Statement Reporting Category) (Point off revenue detail as needed or desired.)		
401	TAXES CONTROL (Financial Statement Reporting Category)		
		403	Current Property Taxes - Extra or Special Voted
		413	Delinquent Property Taxes
		420	Unpaid Personal Property Taxes
		430	National Forest Reserve Taxes
		431	Submarginal Land Act (Bankhead Jones)
		445	Penalties & Interest on Taxes
450	LICENSES & PERMITS CONTROL (Financial Statement Reporting Category)		
		451-500	Assign as needed
501	FEDERAL GRANTS CONTROL (Financial Statement Reporting Category)		
		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

REVENUE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
501	FEDERAL GRANTS CONTROL (Continued)		
		.14	High Priority Grants
		.16	American Recovery and Reinvest- ment Act (ARRA)(Stimulus)
		.17	High Risk Rural Roads
		511	Federal Grants - Highway (Negotiated Contracts)
		.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
		.13	Congestion Mitigation Grants
		.14	High Priority Grants
		.15	Public Land Highway Discretionary (PLH)
		.16	American Recovery and Reinvest- ment Act (ARRA) (Stimulus)
		.17	High Risk Rural Roads
		512	CDBG Community Development Block Grant Funds
		521	Non-Road Related Projects
		.01	Safe Routes to School Program (MDOT - Private Contractors)
		.02	Safe Routes to School Program (Negotiated Contracts)
		523	Culture and Recreation Grants (US Fish and Wildlife Services)
		530	FEMA and Emergency Relief
		531	Federal Training Programs
		536	National Highway Safety (NHS) Fund
		.01	Primary
		.02	Local

REVENUE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
539	STATE GRANTS CONTROL (Financial Statement Reporting Category)		
		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
		556-569	Assign as Needed
		570	State Aid - FEMA
580	CONTRIBUTIONS FROM LOCAL UNITS CONTROL (Financial Statement Reporting Category)		
		583	Contributions from Local Units
			Highways
		.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

REVENUE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
600	CHARGES FOR SERVICES CONTROL (Financial Statement Reporting Category)		
		607	Charges for Services - Fees
		608	Subdivision Fees
		.01	Subdivision Inspection Fees
		.02	Subdivision Sign Fees
		609-625	Assign as needed
		626	Charges for Services Rendered
		627	State Trunkline Maintenance Control
		.01	State Trunkline Maintenance
		.02	State Trunkline Non-Maintenance and Special Projects
		628	State Trunkline Non-Maintenance
		629	
		.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
		.05	Overhead - Chemical Storage Maintenance and Operation
		631	Driveway Installations
		632-640	Assign as needed for other services
		641	Driveway Snow Plowing (U.P. Only)
		642	Charges for Services - Sales
		643	Scrap and Salvage
		.01	Equipment Related
		.02	(Non-Equipment) Road Related
		644	Maps
		645	Plans and Specifications
		646	Handling Charges on Materials Sold
		647-650	Assign as needed for other sales

REVENUE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
600	CHARGES FOR SERVICES CONTROL (Continued) (Financial Statement Reporting Category)	651	Charges for Services - Use and Admission Fees
		652	Parking Fees
		653-654	Assign as needed for other use and admission fees
655	FINES & FORFEITS CONTROL (Financial Statement Reporting Category)	656-663	Assign as needed for parking penalties, forfeitures, etc.
664	INTEREST & RENTS CONTROL (Financial Statement Reporting Category)	665	Interest
		666	Dividends
		667	Rents
		668	Royalties
		669	Equipment Rental Credits
		670	Gain or Loss on Equipment Usage
671	OTHER REVENUE CONTROL (Financial Statement Reporting Category)	672	Special Assessments
		673	Sale of Capital Assets
		.01	Sale of Land
		.02	Sale of Building
		674	Contributions from Public Enterprises
		675	Contributions and Donations from Private Sources
		676	Reimbursements
		677-686	Assign as Needed
		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)

REVENUE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
671	OTHER REVENUE CONTROL (Continued) (Financial Statement Reporting Category)		
		691	Purchase Discounts
		692	
		693	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
		694	Cash Over or Short
695	OTHER FINANCING SOURCES CONTROL (Financial Statement Reporting Category)		
		696	Bond and Insurance Recoveries
		697	Installment Purchase and Lease Proceeds
		698	Proceeds from Sale of Bonds/Notes
		699	Appropriation Transfers In Primary Government
700	EXPENDITURE CONTROL		
			Point off expenditure detail as needed or desired.
701	PERSONAL SERVICES CONTROL (Financial Statement Reporting Category)		
		702-725	
		702	Salaries and Wages (Use 703-707, if breakdown is desired)
		703	Administrative
		.01	Commissioners
		.02	Clerical
		.03	Managers
		704	Operations
		705	Engineering
		706	Traffic
		707	Shop
		708	
		709	Vacation

EXPENDITURE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
701	PERSONAL SERVICES CONTROL (Continued)		
		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, or point off 716)
		.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	
		724	Other Fringe Benefits
		725	Fringes Recovered (Credit)
726	SUPPLIES	727-799	
		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
		736	Tire Shop Supplies
		737	Shop Supplies
		738	
		739	Maps
		740	
		741	Parts
		742	Gas

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<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
726	SUPPLIES (Continued)		
		743	Diesel
		744	Unleaded
		745	Anti-Freeze
		746	Motor Oil
		747	Tires and Tubes
		748	Blades
		749	
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		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	
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<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
726	SUPPLIES (Continued)	781	
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		785	
		786	
		787	
		788	
		789	
		790	Small Road Tools
		791	Inventory Adjustments
		792	
		793	
		794	
		795	
		796	
		797	
		798	
		799	
800	OTHER SERVICES AND CHARGES		
		801-969	
		801	Contractual Services
		802	Engineering Services
		.01	Construction
		.02	Right-of-Way
		.03	Design
		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	
		812	

EXPENDITURE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
800	OTHER SERVICES AND CHARGES (Continued)	813	
		814	
		815	
		816	
		817	
		818	
		819	
		820	
		821	
		822	
		823	
		824	
		825	
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		841	
		842	
		843	
		844	
		845	
		846	
		847	
		848	
		849	
		850	Communications 851-859 (Use if 851-859 breakdown is not desired)

EXPENDITURE ACCOUNT INDEX

<u>Control</u> <u>Number</u>	<u>Mandatory Accounts</u>	<u>Account</u> <u>Number</u>	<u>Sub-Account</u>
800	OTHER SERVICES AND CHARGES (Continued)		
		851	Telephone Communications
		852	Radio System
		853	Weather Service
		854	
		855	
		856	
		857	
		858	
		859	
		860	Transportation 861-873 (Use if 861-873 breakdown is not desired)
		861	Travel and Mileage
		862	Freight
		863	Moving Expense
		864	
		865	
		866	
		867	
		868	
		869	
		870	
		871	
		872	
		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	
		885	
		886	

EXPENDITURE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
800	OTHER SERVICES AND CHARGES (Continued)	887	
		888	
		889	
		890	Claims Paid
		891	
		892	
		893	
		894	
		895	
		896	
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		916	
		917	
		918	
		919	
		920	Public Utilities 921-929 (Use if breakdown is not desired)
		921	Electricity
		922	Heat
		923	Water and Sewage
		924	
		925	
		926	

EXPENDITURE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
800	OTHER SERVICES AND CHARGES (Continued)		
		927	
		928	
		929	
		930	Repairs and Maintenance 931-939 (Use if breakdown is not desired)
		931	Buildings Repair/Maintenance
		932	Yard and Storage - Repair/Maintenance
		933	Shop Equipment - Repair/Maintenance
		934	Office Equipment - Repair/Maintenance
		935	
		936	
		937	
		938	
		939	
		940	Rentals (Use if 941-943 breakdown is not desired)
		941	Equipment Rental - Road Type
		942	Building Rental
		943	Equipment Rental - Office
		944	Petro Tanks - Registration Fees
		945	Leaking Tank - Initial Fees
		946	Leaking Tank - Corrective Action and Plan Cost
		947	Leaking Tank - Indemnification Cost
		948	Leaking Tank Fines and Penalties
		949	Hazardous Waste
		950	Operating Lease Payments
		951	
		952	
		953	
		954	
		955	Miscellaneous 956-965 (Use if breakdown is not desired)
		956	Safety Expense
		957	Gravel Pit Inspections
		958	
		959	
		960	County Drain Assessments

EXPENDITURE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
800	OTHER SERVICES AND CHARGES (Continued)		
		961	Property Taxes
		962	
		963	
		964	
		965	
		966	State Trunkline Overhead
		967	Overhead - Other
		968	Depreciation and Depletion (Use the following subaccounts if a detailed breakdown is desired)
		.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	
970	CAPITAL OUTLAY	971-989	Individual subaccounts are suggested for the following account numbers.
Expenditures, which result in the acquisition of or addition to capital assets. Point off the following account numbers to designate various sites or equipment.			
		971	Land
		972	
		973	
		974	Land Improvements - County Work
		975	Buildings
		976	Road Equipment
		977	Shop Equipment
		978	Engineering Equipment

EXPENDITURE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
970	CAPITAL OUTLAY (Continued)	979	Yard and Storage Equipment
		980	Office Equipment and Furniture
		981	
		982	
		983	
		984	
		985	
		986	
		987	Depletable Assets - (Can be pointed off as needed)
		988	
		989	
990	DEBT SERVICE	991-998	
		991	Principal - (Can be pointed off as needed)
		992	
		993	
		994	
		995	Interest - (Can be pointed off as needed)
		996	
		997	
		998	
999	OPERATING TRANSFERS (OUT)		

FUNCTION CODE USAGE

The function index presented in this manual is based primarily on functions and function codes used by the Michigan Department of Transportation. Counties which have a State trunkline maintenance contract with MDOT should use the codes presented under Road and Structures Maintenance Function Codes for all expenditures charged to State trunkline maintenance.

For all other expenditures, use of the function index is optional as the index is intended to be used only as a guide. Road commissions may assign additional functions and function codes to whatever detail they want.

FUNCTION CODE INDEX

ROAD CONSTRUCTION AND HEAVY MAINTENANCE FUNCTION CODES

<u>Function Code</u>	<u>Function Name</u>
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

FUNCTION CODE INDEX

ROAD AND STRUCTURES MAINTENANCE FUNCTION CODES (Continued)

<u>Function Code</u>	<u>Function Name</u>
	<u>Road Routine and Preventive Maintenance</u>
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)
134	
135	
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

FUNCTION CODE INDEX

ROAD AND STRUCTURES MAINTENANCE FUNCTION CODES (Continued)

<u>Function Code</u>	<u>Function Name</u>
	<u>Structure Maintenance</u>
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
	<u>Sign Maintenance</u>
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

FUNCTION CODE INDEX

ROAD AND STRUCTURES MAINTENANCE FUNCTION CODES (Continued)

<u>Function Code</u>	<u>Function Name</u>
	<u>Administrative Costs</u>
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

DEFINITIONS

CONSTRUCTION/CAPACITY IMPROVEMENTS

- 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

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. 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
- Curb, or curb and gutter construction in block lengths
- 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 auxillary 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

DEFINITIONS

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 $\frac{3}{4}$ inch
- Dust layers, sprinkling, and flushing
- Guard rail or right-of-way fence repair or replacement and new installation of less than 500 feet on old roadways

DEFINITIONS

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
- Concrete joint resealing
- Concrete joint repair
- 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
- 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.

ACTIVITY EXPLANATIONS

450 Primary Road Construction/Capacity Improvement Control--This activity is found in the County Road Fund. It reflects such expenses as salaries and wages, materials, equipment rental and any other expense applicable to primary road construction where Act 51 Funds are used.

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.

For greater detail, the road commission will use the following activity numbers:

- 451 Primary Road - Construction/Capacity Improvement
- 452 Primary Road - Bridges and Structures Construction/Capacity Improvement
- 453 Primary Road - Roadside Parks Construction/Capacity Improvement
- 454 Primary Road - Non-Motorized Transportation Construction/Capacity Improvement
- 455 Open
- 456 Primary Road - Special Assessment District Construction/Capacity Improvement
- 457 Primary Road - Other Construction/Capacity Improvement

458 Primary Road Preservation/Structural Improvements Control--This activity is found in the County Road Fund. It reflects such expenses as salaries and wages, materials, equipment rental, etc., used in the preservation/structural improvements of primary roads where Act 51 Funds are used.

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.

For greater detail, the road commission will use the following activity numbers:

- 459 Primary Road - Preservation/Structural Improvements
- 460 Primary Road - Bridges and Structures - Preservation/Structural Improvements
- 461 Primary Road - Roadside Parks Preservation/Structural Improvements
- 462 Primary Road - Non-Motorized Transportation Preservation/Structural Improvements
- 463 Open
- 464 Primary Road - Special Assessment District Preservation/Structural Improvements
- 465 Primary Road - Other Preservation/Structural Improvements

466 Primary Road Routine and Preventive Maintenance Control--This activity is found in the County Road Fund. It reflects such expenses as salaries and wages, materials, equipment rental, etc., used in the maintenance of primary roads where Act 51 Funds are used.

ACTIVITY EXPLANATIONS

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.

For greater detail, the road commission will use the following activity numbers:

- 467 Primary Road - Routine and Preventive Maintenance
- 468 Primary Road - Bridges and Structures Routine and Preventive Maintenance

A bridge is a structure of 20 feet or more clear span length, crossing a drain, stream or dry gully.

- 469 Primary Road - Roadside Parks Routine and Preventive Maintenance
- 470 Primary Road - Non-Motorized Transportation Routine and Preventive Maintenance
- 471 Open
- 472 Primary Road - Winter Routine and Preventive Maintenance
- 473 Primary Road - Traffic Control Routine and Preventive Maintenance
- 474 Primary Road - Other Routine and Preventive Maintenance
- 475- Open - These activity numbers are available for assignment to possible future
- 479 primary road programs which may be established by MDOT.

480 Local Road Construction/Capacity Improvement Control--This activity is found in the County Road Fund. It reflects such expenses as salaries and wages, materials, equipment rental, etc., used in the construction of local roads within the county where Act 51 Funds are used.

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. 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 675 - Contributions and Donations from Private Sources or 672 - Special Assessments.

For greater detail, the road commission will use the following activity numbers.

- 481 Local Road - Construction/Capacity Improvement
- 482 Local Road - Bridges and Structures Construction/Capacity Improvement
- 483 Local Road - Roadside Parks Construction/Capacity Improvement
- 484 Local Road - Non-Motorized Transportation Construction/Capacity Improvement
- 485 Open
- 486 Local Road - Special Assessment District Construction/Capacity Improvement
- 487 Local Road - Other Construction/Capacity Improvement

488 Local Road Preservation/Structural Improvement Control--This activity is found in the County Road Fund. It reflects such expenses as salaries, wages, materials, equipment rental, etc., used in the preservation/structural improvement of local roads.

ACTIVITY EXPLANATIONS

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.

For greater detail, the road commission will use the following activity numbers:

- 489 Local Road - Preservation/Structural Improvement
- 490 Local Road - Bridges and Structures Preservation/Structural Improvement

A bridge is a structure of 20 feet or more clear span length, crossing a drain, stream or dry gully.

- 491 Local Road - Roadside Parks Preservation/Structural Improvement
- 492 Local Road - Non-Motorized Transportation Preservation/Structural Improvement
- 493 Open
- 494 Local Road - Special Assessment District Preservation/Structural Improvement
- 495 Local Road - Other Preservation/Structural Improvement

- 496 Local Road Routine and Preventive Maintenance Control--This activity is found in the County Road Fund. It reflects such expenses as salaries and wages, materials, equipment rental, etc., used in the maintenance of local roads within the county where Act 51 Funds are used.

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.

For greater detail, the road commission will use the following activity numbers:

- 497 Local Road - Routine and Preventive Maintenance
- 498 Local Road - Bridges and Structures Routine and Preventive Maintenance
- 499 Local Road - Roadside Parks Routine and Preventive Maintenance
- 500 Local Road - Non-Motorized Transportation Routine and Preventive Maintenance
- 501 Open
- 502 Local Road - Winter Routine and Preventive Maintenance
- 503 Local Road - Traffic Control Routine and Preventive
- 504 Local Road - Other Routine and Preventive Maintenance

ACTIVITY EXPLANATIONS

- 505- Open--These activity numbers are available for assignment to possible future local
509 road programs which may be established by MDOT.
- 510 Equipment Expense - Direct--This activity should be debited with all direct repair labor costs and payments made on equipment repairs. These expenses can be posted directly to this activity from the cash disbursements journal. Depreciation of road equipment is debited to this activity by crediting "Depreciation and Depletion" revenue account #690. Road commissions may charge materials and parts purchased for a specific piece of equipment directly to "Equipment Expense" from the cash disbursements journal, or they may charge such material and parts to Account #110, "Inventory - Equipment Materials and Parts" and charge to "Equipment Expense - Direct" by crediting the inventory Account #110. This activity is closed into the "Gain or Loss on Equipment Usage" Account #670 at the end of the year.
- 511 Equipment Expense - Indirect--This activity should be charged with general items of expense or repair cost, and expenses in connection with maintaining and storing equipment not specifically chargeable to a piece of equipment.

Indirect repair and storage costs which should be charged to this activity are as follows:

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT NAME</u>
707	Wages - Shop and Garage
712-724	Fringe Benefits - Shop Employees
721	Drug Testing
728	Office Supplies - Shop
731	Janitor Supplies - Shop
733	Welding Supplies
734	Safety Supplies - Shop
736	Tire Shop Supplies
737	Shop Supplies
791	Equipment Material/Parts Inventory Adjustment
801	Contractual Services - Shop
805	Health Services
806	Laundry Services
807	Data Processing - Shop
810	Education Expense - Shop Employees
850-859	Communications - Shop
861	Travel and Mileage - Shop Employees
862	Freight Costs
875	Insurance - Shop Buildings
876	Insurance - Boiler and Machine

ACTIVITY EXPLANATIONS

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT NAME</u>
878	Insurance - Fleet
883	Insurance - Underground Tank
921-923	Utilities - Shop and Storage Buildings
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 - Shop Pickup/Wrecker
944-947	Underground Storage Tank Expense
956	Safety Expense - Shop
968	Depreciation - Shop Building
968	Depreciation - Storage Building
968	Depreciation - Shop Equipment
968	Depreciation - Stockroom Expense

This activity is closed into the "Gain or Loss on Equipment Usage" Account (#670) at the end of the year.

512 Equipment Expense Operating--This activity should be used to account for operating costs of equipment.

This activity should be charged with fuel, motor oil, grease and anti-freeze, but only as used and credited to the inventory account.

Charges for oil, grease, and anti-freeze for each piece of equipment will be determined in like manner.

The activity is closed into the "Gain or Loss on Equipment Usage" Account (#670) at the end of the year.

513 Distributive Expense - Fringe Benefits--This activity may be charged with employment benefits given in addition to employees' wages or salaries.

ACTIVITY EXPLANATIONS

Fringe benefits which should be charged to this activity are:

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT NAME</u>
709	Vacation
710	Sick Leave
711	Holiday Pay
712	Funeral Leave
712	Jury Duty Pay
713	Personal Leave
714	Longevity
715	Social Security
716	Health Insurance (May include dental insurance, vision insurance, cancer insurance, or point off 716)
717	Life and Accident Insurance
718	Retirement
719	Workers Compensation Insurance
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 to various other 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.

Expenditures for OPEB (Other Post Employment Benefit) actuaries and/or Medicare D actuarial should be charged to Activity 513, Account 716, and Subaccount .21. OPEB Trust payments should be charged to Activity 513, Account 716, and Subaccount .20. Other actuarial expenses related to retirement fringe benefits should be charged to Activity 513, Account 718, and Subaccount .21.

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 Other Distributive Expense--This activity should be charged with expenditures other than fringe benefits that cannot properly be charged to another specific activity at the time the costs are incurred.

ACTIVITY EXPLANATIONS

Items which should be charged to this activity are:

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT NAME</u>
705	Engineering costs not chargeable to a specific project.
732	Traffic Control Supplies (Includes only costs not properly chargeable to a specific project or road. Examples are: (a) costs of barricades, flare pots, construction signs, etc., that are moved from job to job; and (b) sign shop equipment cost or depreciation expense.)
734	Safety Supply Expenditures
790	Small Road Tools
791	Road Materials Inventory Adjustment
882	Liability Insurance
810	Education (Includes only costs not chargeable to administration or another specific activity.)
853	Weather Service - County Share
957	Gravel Pit Inspections

Expenditures charged to the Distributive Expense-Other activity must be distributed to various other 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--This activity is found in the County Road Fund. Its use is mandatory. Only expenditures actually administrative in relation to the entire county road department shall be charged to this activity. Salaries, wages, and travel expenses of the commission members and office personnel, along with their respective costs for fringe benefits should be debited to this activity. This activity will also be charged with all office expenses such as office supplies, office telephone, postage, advertising, association services, depreciation on office equipment and other administrative expenses not chargeable to a project or activity.
- 516 Engineering--This activity is found in the County Road Fund. Its use 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.

ACTIVITY EXPLANATIONS

517 State Trunkline Maintenance--This activity is found in the County Road Fund. Its use is mandatory by any county having a State maintenance contract with the Michigan Department of Transportation. 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.

The Michigan Department of Transportation requires that all State maintenance billings be computer generated and submitted to them either by diskette or modem. This also applies to State Trunkline Non-Maintenance activities.

518 State Trunkline Non-Maintenance--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 Maintenance Services for Other Units--This activity is found in the County Road Fund. Its use 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 Driveway Snowplowing (Upper Peninsula ONLY)--This activity 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 Non-Road Related Projects--This activity 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.

970 Capital Outlay - Control--This activity 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. In order that depreciation schedules may be properly prepared, it is desirable that alterations and/or additions requirements be determined and made immediately, or within 30 days of purchase. However, if such alterations and/or additions are made after the 30-day period, they must still be capitalized and depreciation adjusted accordingly.

ACTIVITY EXPLANATIONS

The gross cost of each capital asset purchased for cash should be debited to the appropriate capital outlay Account #970-989 within this capital outlay directly from the cash disbursements journal. Revenue account credits for cash purchase discounts (Account #691) and trade-in allowances (Account #688) should also be credited from the cash disbursements journal.

To illustrate, let us assume a cash purchase of a piece of road equipment with a gross cost of \$8,000, trade-in allowance of \$1,000 and a cash discount for prompt payment of \$140. Entries in the cash disbursements journal would be:

<u>Activity/Account Number</u>	<u>Activity/Account Name</u>	<u>Debit</u>	<u>Credit</u>
900/976	Capital Outlay/Road Equipment	\$8,000	
688	Trade-In Allowance		\$1,000
691	Purchase Discounts		140
001	Cash		6,860

971-989 Capital Outlay - Detail--These activities may be assigned at the option of the road commission to separately account for capital outlay as land, building and improvements, road equipment, office furniture and fixtures, etc. Individual subaccounts are suggested for Account #971-989.

990 Debt Service - Control--This activity is found in the County Road Fund and Debt Service 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.

991- Debt Service - Detail--(991-Principal, 995-Interest and may be pointed off)
998

999 Transfers (Out) - Control--This activity may be found in the County Road Fund.

Transfers (Out) - Detail--These activity numbers may be assigned by the road commission to account separately for appropriation transfers out.

EXPLANATION OF BALANCE SHEET ACCOUNTS

Current Assets (001-129)

- 001 Cash--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.

NOTE: All cash and investment account balances (Account #001-017 and #119-122) in the county road general ledger must be reconciled monthly with balances in the county general ledger. (The county general ledger may be under the control of the county treasurer, county clerk or county controller.)

This account is:

DEBITED - when cash is received.

CREDITED - when cash is disbursed.

- 002 Cash - Savings--This account is used to record the amount of monies 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 the amount of certificates of deposit held by the county treasurer.

This account is:

DEBITED - with the cost of certificates of deposit when purchased.

CREDITED - with the original cost of certificates of deposit when cashed.

- 004 Cash - Imprest (Petty)--This account is used to record a sum of money either in the form of currency set aside for the purpose of making change or paying incidental expenses. 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. The replenishment check must be supported by an itemized voucher for the amount of disbursements made from petty cash. The total of petty cash on hand and/or on deposit plus unreplenished disbursements must always equal the imprest cash account balance.

This account is:

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

CREDITED - only when the established account balance is decreased because of a change in the amount of petty cash needed.

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 005 Cash - Construction/Repair--This account is used to record the amount of cash restricted 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 restricted 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 segregated 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 personal services and payroll deductions. Usually a fixed sum is deposited to this bank account in an amount sufficient to meet the requirements of: (1) the bank for carrying the account without service charges; and (2) the road commission for making payments for personal services between regular pay periods.

The principal use of this account is for the deposit of blanket payroll checks against which individual payroll checks and payroll deduction checks will be drawn.

Individual payroll checks 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 Cash - Electronic Banking--This account is used to record the amount of cash deposited in a separate bank account used only for making payments by "Electronic Fund Transfers." The amount deposited is the same as the amount to be transferred out.

The principal use of this account is for deposits of employer and employee FICA tax and employee Federal income tax (941 taxes).

EXPLANATION OF BALANCE SHEET ACCOUNTS

009- Cash--Accounts to be used as needed.
015

016 Deposits With Fiscal Agent--This account is used to record amounts of deferred compensation plan assets or pension assets on deposit with a fiscal agent. Eligible deferred compensation plans must be established in accordance with Section 457 of the Internal Revenue Code.

This account is:

DEBITED - with amounts of deferred compensation or pension deposited with a fiscal agent and with investment earnings on deposit with the fiscal agent.

CREDITED - with disbursements made by the fiscal agent.

017 Investments in Securities (Short-Term)--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 should not be recorded in this account. (See Account #003)

This account is:

DEBITED - with the cost of investments purchased.

CREDITED - with the original cost of investments when sold.

018 Receivable Control (019-105)--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 #019-105.

This account is:

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

CREDITED - with amounts 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.

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 020 Taxes Receivable - Real Property - Current Levy--This account is used to record the portion of the real property taxes levied which have become due but have not been returned to the county treasurer as delinquent.

This account is:

DEBITED - for the amount of the current real property taxes levied on the day they become due and payable.

CREDITED - with the receipt of current real property taxes and with the amount transferred to Account #046 - Taxes Receivable - Delinquent - Real at the time taxes become delinquent.

- 021 Estimated Uncollectible Current Real Property Taxes--This account may be used to record the amount of the total current real property taxes levied which is estimated to be uncollectible before the taxes become delinquent and are turned over to the county treasurer.

This account is:

DEBITED - at the time the taxes become delinquent.

CREDITED - when the amount that is estimated to be uncollectible is determined.

- 022 Taxes Receivable - Personal Property - Current Levy--This account is used to record the portion of personal property taxes levied which have become due but have not become delinquent. For the current levy, this total may be combined with real taxes and recorded in Account #020.

This account is:

DEBITED - for the amount of the current personal property taxes levied on the day they become due and payable.

CREDITED - with the receipt of current personal property tax and with the amount transferred to Account #028 - Taxes Receivable Delinquent - Personal Property at the time the taxes become delinquent.

- 023 Estimated Uncollectible Current Personal Property Taxes (Credit)--This account may be used to record the amount of the current personal property taxes levied which are estimated to be uncollectible before the taxes become delinquent. For the current levy, this total may be combined with estimated uncollectible real taxes and recorded in Account #021.

This account is:

DEBITED - at the time the taxes become delinquent.

CREDITED - when the amount that is estimated to be uncollectible is determined.

EXPLANATION OF BALANCE SHEET ACCOUNTS

024-025 Open

026 Taxes Receivable - Delinquent - Real--This account is used to record the amount of real property taxes remaining unpaid on and after the date they become delinquent (usually March 1). A detailed account by unit must be maintained for each year's levy.

This account is:

DEBITED - with the amount of real property taxes returned delinquent.

CREDITED - with the receipt of delinquent real property taxes and with charge backs to local units.

027 Estimated Uncollectible - Delinquent - Real Taxes (Credit)--This account may be used to record the portion of delinquent real property taxes receivable which it is estimated will never be collected. This account should be set up at the same time as the Taxes Receivable Delinquent - Real account is established.

This account is:

DEBITED - with any adjustments or when taxes are canceled.

CREDITED - when the amount of estimated uncollectible delinquent real taxes is determined.

028 Taxes Receivable - Delinquent - Personal Property--This account is used to record the amount of personal property taxes remaining unpaid on and after the date they become delinquent (usually March 1). A detailed account must be maintained for each year's levy.

This account is:

DEBITED - with the amount of personal property taxes returned delinquent.

CREDITED - with the receipt of delinquent personal property taxes or when such taxes are written off by order of the circuit court.

029 Estimated Uncollectible Delinquent Personal Property Taxes (Credit)--This account may be used to record the portion of delinquent personal property taxes which it is estimated will never be collected. This account should be set up at the same time as the taxes Receivable Delinquent - Personal Property account is established.

This account is:

DEBITED - with any adjustments or when taxes are written off.

CREDITED - when the amount of estimated uncollectible delinquent personal property taxes is determined.

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 030 Interest and Penalties Receivable on Taxes--This account is used to record the accrued interest and penalties on taxes receivable.

This account is:

DEBITED - with the amount of interest and penalties that accrues on taxes receivable each month.

CREDITED - with collections of interest and penalties.

- 031 Estimated Uncollectible Interest and Penalties Receivable on Taxes (Credit)--This account may be used to record an estimate of interest and penalties receivable that will never be collected.

This account is:

DEBITED - with any adjustments or when taxes are written off.

CREDITED - when amount of estimated uncollectible interest and penalties are determined.

- 032 Taxes Receivable - Rejected and Reassessed--This account is used to record the taxes levied that have become due but have been returned from the State Treasurer as rejected from the list of property for the May tax sale for reasons of improper or insufficient property description or upon the request of the county treasurer for the same reasons. These taxes are then ordered to be included on the following current tax roll by action of the local unit legislative body. These taxes may be spread against individual property owners or upon the taxable property at large.

This account is:

DEBITED - with the amount of taxes returned and approved as rejected taxes.

CREDITED - with the amount of rejected taxes collected or canceled.

033-034 OPEN

035- Other Current Accounts Receivable (use as needed)
038

- 039 Other Taxes Receivable--This account may be used to record the amount receivable from a tax levy for which a specific account has not been provided.

This account is:

DEBITED - with the amount of the tax levy on the day it becomes due and payable.

CREDITED - with amounts of taxes collected.

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 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.

This account is:

DEBITED - when amounts owed are determined.

CREDITED - with payments received or with any adjustments or when accounts receivable are written off.

- 041 Estimated Uncollectible Accounts Receivable (Credit)--This account is used to record that portion of accounts receivable which is estimated will never be collected. Detail by individual or organization required.

This account is:

DEBITED - with any adjustments or when accounts receivable are written off.

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

- 042 Unbilled Accounts Receivable--This account is used to record accounts receivable that have been determined but have not been billed. Detail by individual or organization required.

This account is:

DEBITED - when amounts due are determined.

CREDITED - with amounts transferred to another receivables account.

- 043 OPEN

- 044 Travel Advances Receivable--This account is used to record cash advances to officials and/or employees of the road commission to cover anticipated expenses while traveling in an official capacity for the road commission. Upon completion of the travel, this account must be reimbursed for the entire amount of the advance. Detail by individual employee required.

This account is:

DEBITED - with amounts advanced to officials and/or employees.

CREDITED - with the return of amounts advanced.

EXPLANATION OF BALANCE SHEET ACCOUNTS

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.

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 - Deferred--This account may be 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 - with the amount of a special assessment roll that has been prepared and confirmed.

CREDITED - when the special assessment becomes due. This amount should be transferred to Account #045 - Special Assessments Receivable - Current.

050-055 OPEN

056 Interest Receivable--This account is used to record interest earned or accrued but not received as of the end of an accounting period.

This account is:

DEBITED - with the amount of interest earned or accrued.

CREDITED - with payments received.

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 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 - with the local unit's share of special assessment project costs.

CREDITED - with amounts collected and with any adjustments.

- 058 Negotiable Receivables Control (059-069)--This account is used to record amounts due the road commission on negotiable instruments. This account may be used separately or as a control for Accounts #059-069.

This account is:

DEBITED - with current amounts receivable on negotiable instruments.

CREDITED - with payments received.

- 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 local unit. Detail by individual note required.

This account is:

DEBITED - with the amount of notes purchased or received.

CREDITED - with payments 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. Long-term loans will be recorded in Account #198 - Long-Term Advances to Other Funds. Detail by individual loan required.

This account is:

DEBITED - when the amount of the loan is approved.

CREDITED - with payments received.

- 062 Lease Receivable (Current)--This account is used to record the amount of minimum rental payment due from a lessee within a year (executory costs should be excluded). Long term portions (over 1 year) are recorded in Account #165 - Long-Term Lease Receivable.

This account is:

DEBITED - with the amount of minimum lease payments to be received within a year.

CREDITED - when the minimum lease payment is received.

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 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.

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. Long-term portions (over 1 year) are recorded in Account #197 - Long-Term Contracts Receivable.

This account is:

DEBITED - with current amounts due on land contracts.

CREDITED - with payments received.

- 065-069 OPEN

- 070 Other Accounts Receivable Control (071-105)--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 #071-105.

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 required.

This account is:

DEBITED - with amounts due the road commission from cities.

CREDITED - with payments received.

- 072 Due From Counties--This account is used to record amounts due from other counties. A county road commission would not use this account to reflect amounts due from other funds within the same county, Account #084 would be used for this purpose. Detail by individual county required.

This account is:

DEBITED - with amounts due the road commission from counties.

CREDITED - with payments received.

EXPLANATION OF BALANCE SHEET ACCOUNTS

073 OPEN

074 Due From Road Commissions--This account is used to record amounts due from road commissions. Detail by individual road commission required.

This account is:

DEBITED - with amounts due the road commission from other road commissions.

CREDITED - with payments received.

075 OPEN

076 Due From Townships (Except Road Agreements)--This account is used to record amounts due from townships for purposes other than work done on road agreements. Use Account #080, rather than this account, to reflect amounts due from townships on road agreements. Detail by individual township required.

This account is:

DEBITED - with amounts due the road commission from townships.

CREDITED - with payments received.

077 Due From Villages--This account is used to record amounts due from villages. Detail by individual village required.

This account is:

DEBITED - with amounts due the road commission from villages.

CREDITED - with payments 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 the road commission from the State.

CREDITED - with payments 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.

CREDITED - with payments received.

EXPLANATION OF BALANCE SHEET ACCOUNTS

078.03 Due From State - Michigan Transportation Funds (MTF)--This account is used to record amounts due from the State of Michigan for MTFs received for the month of November and December or August and September to accrue (to be set up at end of December or September) for checks received in January and February or October and November for the year ended December 31st or September 30th, respectively.

This account is:

DEBITED - with amounts due the road commission from the State.

CREDITED - with payments received.

078.04 Due From State - Michigan Transportation Funds (MFT) - Other--This account is used to record amounts due from the State of Michigan for services provided on "force account" contracts with the State of Michigan.

This account is:

DEBITED - with amounts due the road commission from the State.

CREDITED - with payments 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 - with payments received.

079 Due From Federal Government--This account is used to record amounts due from the Federal government.

This account is:

DEBITED - with amounts due the road commission from the Federal government.

CREDITED - with payments received.

080 Due From Townships (Road Agreements)--This account is used by county road commissions to record amounts due from townships for work performed on roads under agreement signed by the township and the road commission. Detail by individual township required.

This account is:

DEBITED - with amounts determined to be due on agreements.

CREDITED - with payments received.

EXPLANATION OF BALANCE SHEET ACCOUNTS

081 Due From Other Governmental Entities--This account may be 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 required.

This account is:

DEBITED - with amounts due the road commission from other governmental entities.

CREDITED - with payments received.

082 OPEN

083 Due From Employees--This account may be 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 required.

This account is:

DEBITED - when amounts due are determined.

CREDITED - with payments received.

084 Due From Other Funds--This account is used to record short-term amounts due from other funds within the county. An offsetting liability must be recorded in the fund from which the payment is due.

This account is:

DEBITED - with amounts owed from other funds.

CREDITED - with amounts received from other funds.

085-087 OPEN

088 Service Fees Receivable--This account may be 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.

This account is:

DEBITED - when services are rendered.

CREDITED - with payments received.

089-105 OPEN

106 Inventory Control (107-115)--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 #107-115.

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 106 This account is:
DEBITED - with the cost of materials, supplies, and/or surplus properties,
and with adjustments.
CREDITED - with the cost of such items used from inventory and with
adjustments.
- 107-108 OPEN
- 109 Inventory - Road Materials--This account is used to record the cost of road materials
stockpiled in warehouses, pits or yards which are to be used for construction or
maintenance on the county road system.
- This account is:
DEBITED - with the cost of producing or purchasing road materials placed in
inventory and with adjustments.
CREDITED - with the cost of road materials used from inventory and with
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 - with the cost of materials and parts placed in inventory and
with adjustments.
CREDITED - with the cost of materials and parts used from inventory and
with adjustments.
- 111-112 OPEN
- 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.
- 114-118 OPEN

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 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.

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.

- 123 Prepaid Expense--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 - with 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.

- 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.

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 125 Deferred Expense - 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 paid by the State Department of Transportation. Detailed subsidiary records must be kept, either by Federal program and project/contract number, or by project/contract number only.

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 Deferred Expense - 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 only.

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 Deferred 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.

(The debit to this entry should be to applicable expenditure activities and accounts.)

- 128 Other Deferred Expenses--This account may be used to record costs incurred in one accounting period which pertain to the operations and activities of one or more succeeding periods.

This account is:

DEBITED - with expenses carried forward to a future accounting period.

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

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 129 Unamortized Discounts on Bonds Sold by the Road Commission--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.

Capital Assets (130-159)

- 130 Land/Right-of-Way Purchase--This account is used to record the cost of land purchased by the road commission for road purposes and/or actual cost of work-in-kind exchange for acquisition of land or right-of-way for road purposes. If land is acquired by gift or grant, it may be recorded at estimated fair value. Land cost includes legal fees, land surface leveling, debris removal and other costs necessary to place the land in service.

This account is:

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

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

- 131 Land Improvements (Nondepreciating)--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, and subgrade preparation of land in preparation for roadway.

This account is:

DEBITED - with the cost of land improvements by year.

CREDITED - with the value of such 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 - with the cost or appraised value of land improvements acquired.

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

EXPLANATION OF BALANCE SHEET ACCOUNTS

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

CREDITED - either annually or monthly with 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 estimated fair value on the date received, 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 - with the cost or appraised value of depletable assets acquired.

CREDITED - with 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 - with the amount of accumulated depletion applicable to depletable assets sold or otherwise disposed of.

CREDITED - either annually or monthly 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 estimated fair value at the date received, 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.

This account is:

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

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

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 137 Accumulated Depreciation - Buildings, 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 - with the amount of accumulated depreciation applicable to building sold or otherwise disposed of.
- CREDITED - either annually or monthly with the amount of decrease in estimated service life attributable to that year or month.

- 138 Equipment - Road--This account is used to record the cost or estimated fair value at the date received, 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 for unlicensed and Account #148 for licensed.

This account is:

- DEBITED - with the cost or value of road equipment acquired.
- CREDITED - with the recorded value of such equipment sold or otherwise disposed of.

- 139 Accumulated Depreciation - Road Equipment - Unlicensed (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 - with the amount of accumulated depreciation applicable to such equipment sold or otherwise disposed of.
- CREDITED - either annually or monthly with the amount of decrease in estimated service life attributable to that year or month.

- 140 Equipment - Shop--This account is used to record the cost or estimated fair value at date received, if acquired by gift, of machinery and equipment of a more or less permanent nature used in a road commission repair and maintenance shop.

This account is:

- DEBITED - with the cost or value of shop equipment acquired.
- CREDITED - with the recorded value of such equipment sold or otherwise disposed of.

EXPLANATION OF BALANCE SHEET ACCOUNTS

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

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

- 142 Equipment - Engineering--This account is used to record the cost or estimated fair value at date received, if acquired by gift, of equipment of a more or less permanent nature used in the engineering department.

This account is:

DEBITED - with the cost or value of engineering equipment acquired.

CREDITED - with 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 - with the amount of accumulated depreciation applicable to such equipment sold or otherwise disposed of.

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

- 144 Equipment - Yard and Storage--This account is used to record the cost or estimated fair value at date received, 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 - with the cost or value of yard and storage equipment acquired.

CREDITED - with 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.

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 145 This account is:
DEBITED - with the amount of accumulated depreciation applicable to such equipment sold or otherwise disposed of.
CREDITED - either annually or monthly with the amount of decrease in estimated service life attributable to that year or month.
- 146 Office Equipment and Furniture--This account is used to record the cost or estimated fair value at date received, if acquired by gift, of office equipment and furniture of a more or less permanent nature.
- This account is:
DEBITED - with the cost or value of office equipment and furniture acquired.
CREDITED - with 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 - with the amount of accumulated depreciation applicable to such equipment and furniture sold or otherwise disposed of.
CREDITED - either annually or monthly with the amount of decrease in estimated service life attributable to that year or month.
- 148 Vehicles--This account may be used to record the cost or estimated fair value at date received, 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 - with the cost or value of vehicles and equipment acquired.
CREDITED - with 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 - with the amount of accumulated depreciation applicable to such vehicles and equipment sold or otherwise disposed of.
CREDITED - either annually or monthly with the amount of decrease in estimated service life attributable to that year or month.

EXPLANATION OF BALANCE SHEET ACCOUNTS

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
- .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. NOTE: As Federal aid costs are reported for several years, bridge costs are to be recorded by the year the expense is recorded and depreciated over the remaining years of the original depreciation schedule (i.e., concrete bridge open in current year would have costs depreciated over 50 years, expenses recorded in the next year would be depreciated over 49 years, etc.)

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 type.

- .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 Work in Progress--This account is used to record the cost of construction work undertaken, but not yet completed. As a project is completed, its cost is transferred from this account to the applicable capital asset account.

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 158 This account is:
DEBITED - with costs of a construction project which has been started but not completed at year end.
CREDITED - with the balance of this account upon completion of the project.
- 159 Roads--This account is used to record the actual cost of road construction and/or reconstruction by year and subaccount type.
- .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.
CREDITED - with the original cost reported at the termination of the depreciation schedule allocation per subaccount and year (i.e., seal coat costs recorded in current year would be removed after 5 years as fully depreciated, etc.)
- 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 type.
- .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.

EXPLANATION OF BALANCE SHEET ACCOUNTS

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.

Other Debits (163-199)

163-164 OPEN

165 Long-Term Lease Receivable--This account should be used to record receivables created pursuant to a capital lease. The amount recorded should be the minimum long-term rental payment due from the lessee over the life of the contract (excluding executory costs). Current portions are recorded in Account #062 - Lease Receivable (Current). Long-term receivable should be offset by deferred revenue.

This account is:

DEBITED - with amounts due on long-term leases.

CREDITED - when the receivable becomes current.

166-174 OPEN

175 Encumbrances--This account does not appear on the balance sheet. This account is used in the governmental funds. It is used to record estimated amount of expenditures, which would result if unperformed contracts are completed. Encumbrances outstanding at year end do not constitute expenditures or liabilities. Any outstanding amount at year end is eliminated by reversing the entry.

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 175 This account is:
DEBITED - at month end with the total amount of purchase orders and other commitments made. Corresponding credit is made to the Fund Balance Reserved for Encumbrances (Account #365).
CREDITED - at month end with the performance on the purchase orders or commitments. It is credited at year end to close this account. Corresponding debit is made to the Fund Balance Reserved for Encumbrances (Account #365).
- 176-185 OPEN
- 186 Amount to be Provided for Payment of Debt Principal--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.
- 187-194 OPEN
- 195 Amount to be Provided for Accumulated Vacation and Sick Leave--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).
- 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.
- 196 OPEN

EXPLANATION OF BALANCE SHEET ACCOUNTS

197 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 1 year period. Long-term contract receivable should be offset by deferred revenue.

This account is:

DEBITED - with amounts due on long-term contracts.

CREDITED - when the receivable becomes current. (The debit to this entry is normally to Account #063 or Account #064.)

198-199 OPEN

Current Liabilities (200-299)

200 OPEN

201 Vouchers Payable--This account may be used to record liabilities for materials and services evidenced by vouchers, which have been preaudited and signed by the proper authority approving the liability.

This account is:

DEBITED - upon payment of vouchers.

CREDITED - with amounts approved for payment.

202 Accounts Payable--This account is used to record amounts on open account owing to private persons, firms, corporations, the State, or other organizations for goods and services received by the road commission (but not including amounts due to other funds of the county or to other governmental units).

This account is:

DEBITED - upon payment of these accounts.

CREDITED - with amounts of accounts payable incurred.

203 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:

DEBITED - when the consigned materials are used.

CREDITED - upon receipt of the consignment.

204 OPEN

205 Judgments Payable--This account may be used to record amounts payable by the road commission as a result of a court decision against the road commission, including condemnation awards and payment for private property taken for public use.

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 205 This account is:
DEBITED - upon payment of any portion of the judgment, or with any amount of the judgment ordered set aside by a higher court.
CREDITED - with the total amount of any judgment against the road commission.
- 206 OPEN
- 207 Notes Payable--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 local unit 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.
- This account is:
DEBITED - with payments made on such notes.
CREDITED - with 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 during the current 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 - with the present-value minimum lease payment to be made.
- 209 OPEN
- 210 Contracts Payable--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.
- 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.

EXPLANATION OF BALANCE SHEET ACCOUNTS

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

- 212 Awarded Contracts Payable - Unbilled--This account may be 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 - with amounts billed by contractors. (The credit to this entry should be to Account #210 and/or Account #211).

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

- 213 Land Contracts Payable - Current Portion--This account may be used to record the portion of land contracts due and payable during the current fiscal year.

This account is:

DEBITED - with payments made.

CREDITED - with contract amounts 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 county. An offsetting asset must be recorded in the fund to which the payments are due. (See Account #314 for long-term obligations.)

This account is:

DEBITED - with payments of such amounts.

CREDITED - with amounts due to other funds of the county as debt is incurred.

215-220 OPEN

- 221 Due to Cities--This account may be used to record amounts due to cities for road construction or repair, for other services rendered to the road commission by the cities, or any overpayments made by the cities for road construction or repairs made by the road commission.

This account is:

DEBITED - with payments of amounts owed.

CREDITED - with amounts owed to a cities

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 222 Due to Counties--This account is used to record amounts due to counties. Subaccounts should be maintained for each separate county. A county would not use this account to record amounts due to other funds within the same county (Account #214 would be used for this purpose). Also, this account would not be used to record amounts owed to county road commissions (Account #224 would be used for this purpose).

This account is:

DEBITED - with any payments on such debt.
CREDITED - with amounts owed to any county.

- 223 OPEN

- 224 Due to Road Commissions--This account may be used to record amounts due to another road commission for road construction or repair or for other services rendered to the road commission by the other county road commission.

This account is:

DEBITED - with payments of amounts owed.
CREDITED - with amounts owed to a road commission.

- 225 Due to Schools--This account may be used to record amounts due to schools for road construction or repair, for other services rendered to the road commission by the school, or any overpayments made by the school for road construction or repairs made by the road commission.

This account is:

DEBITED - with payments of amounts owed.
CREDITED - with amounts owed to a school.

- 226 Due to Townships--This account may be used to record amounts due to townships for road construction or repair, for other services rendered to the road commission by the township, or any overpayments made by the township for road construction or repairs made by the road commission.

This account is:

DEBITED - with payments of amounts owed.
CREDITED - with amounts owed to a township.

- 227 Due to Villages--This account may be used to record amounts due to villages for road construction or repair, for other services rendered to the road commission by the village, or any overpayments made by the village for road construction or repairs made by the road commission.

This account is:

DEBITED - with payments of amounts owed.
CREDITED - with amounts owed to a village.

EXPLANATION OF BALANCE SHEET ACCOUNTS

228 Due to State of Michigan--This account is used to record amounts collected for or owed to the State of Michigan by the road commission. Detailed subaccounts must be maintained and the following subaccount numbers should be used:

- .02 - State Income Tax Withheld (PA 281 of 1967)
- .18 - Emergency Advance - M.F. Funds
- .19 - State Highway - Other Services
- .23 - Sales Tax
- .27 - Unemployment Compensation
- .28 - State Highway - Contracted Projects

Please contact the Michigan Department of Treasury, Local Audit and Finance Division, when further subaccounts are needed. Use of the correct subaccount number is important. The Receipts Processing Section uses these account numbers for depositing into applicable State accounts.

This account is:

- DEBITED - with all payments to the State of Michigan of amounts owed.
- CREDITED - with 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 subaccounts must be maintained and the following subaccount numbers should be used:

- .01 - Federal Income Taxes Withheld
- .02 - FICA (Payroll Deductions - Employer's Share)
- .03 - Medicare (Payroll Deductions - Employer's Share)

Additional subaccount numbers and titles may be assigned by local units as needed.

This account:

- DEBITED - with all payments to the Federal Government/IRS amounts owed.
- CREDITED - with all amounts owed to the Federal Government/IRS.

230 Due to Other Units of Government--This account may be 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 - with all payments to such units of amounts owed.
- CREDITED - with amounts owed to other units of government.

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 231 Payroll Deductions Payable--This account is used to record amounts, other than social security and income taxes, withheld from employees' salaries for payments to other agencies. Examples are health insurance premiums, life insurance premiums, money withheld for credit unions, etc. Subaccounts should be used for each separate deduction.

This account is:

DEBITED - with payments to the proper agencies.

CREDITED - with amounts withheld from employees' pay.

- 232 Due to Employees--This account may be used to record amounts due to employees of the road commission. Examples are underpayment of salaries, excessive payroll withholding, etc.

This account is:

DEBITED - with payments to employees of the amounts owed.

CREDITED - with amounts owed by the road commission to its employees.

- 233 Due to Former Employees--This account may be used to record severance pay, vacation pay and other benefits due but not paid when employment was terminated. Subaccounts should be used to record amounts due to each former employee.

This account is:

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

CREDITED - with amounts due to former employees.

234-240 OPEN

- 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 should be used to record amounts advanced from each city.

This account is:

DEBITED - as work on such projects progresses. The off setting credit to this entry is to Account #583.01.

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 should 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.

CREDITED - with amounts of advances received.

EXPLANATION OF BALANCE SHEET ACCOUNTS

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 offsetting credit to this entry is to Account #583.05.

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.

CREDITED - with amounts of advances received.

250 Bonds Payable - Current--This account may be used to record the amount of bonds maturing during the current fiscal year. Subaccounts should 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: When this account is credited in the county road fund, an equal amount must be deducted from long-term bonds payable in the long-term debt control.

251 Accrued Interest Payable--This account is used to accrue bond interest falling due during the current fiscal year.

This account is:

DEBITED - upon payment of such interest when due.

CREDITED - at the end of the year with the amount of interest expense incurred during the year but not paid as of the end of the year.

252-254 OPEN

EXPLANATION OF BALANCE SHEET ACCOUNTS

255 Customers Deposits - Driveway Snowplowing (Upper Peninsula 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

CREDITED - with customer deposits received.

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 entry.

CREDITED - with 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 may be 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 entry

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

259-263 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.

265-267 OPEN

EXPLANATION OF BALANCE SHEET ACCOUNTS

268 Escheatable 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, other unclaimed trust and agency money, etc. Unclaimed property is considered to be abandoned if it remains unclaimed by the owner for more than one year after becoming payable or distributable. This money must be paid over to the Unclaimed Property Division of the Michigan Department of Treasury on or before November 1st of each year for the 12 month period ending on the immediately preceding June 30th.

This account is:

DEBITED - with any amounts claimed by and paid to rightful owners and with any amounts paid (escheated) to the State.

CREDITED - with all amounts determined to be escheatable.

269-275 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 to the road commission.

This account is:

DEBITED - upon return of the overpayments.

CREDITED - with 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 or other firms or individuals to guarantee the performance of a certain act or acts. Detail by each depositor.

This account is:

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

CREDITED - with 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 customer banks for servicing the road commission's maturing debt principal and interest payments.

This account is:

DEBITED - with payments to such fiscal agents.

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

EXPLANATION OF BALANCE SHEET ACCOUNTS

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 their par value and which remains to be amortized over the remaining life of such bonds. (Do not include accrued interest to the date of sale.)

This account is:

DEBITED - with equal amounts credited to Account #995 - Interest Expense over the life of the bonds and with any balance remaining if bonds are redeemed before 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 (300-334)

300 Bonds Payable--This account is used to record the face value of all long-term bonds, which are issued and unpaid. Note: Bonds maturing during the current fiscal year may be recorded in Account #250 - Bonds Payable (Current). Subaccounts must be maintained showing account activity for each bond issue.

This account is:

DEBITED - with amounts of bonds retired or transferred to Account #250.

CREDITED - with 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 due after a year or more. Present value is the cash purchase price or principal attributable to the leased asset. Note: Present value of lease payments due during the current fiscal year may be recorded in Account #208 - Lease Payable (Current). All delinquent lease principal payments as of the end of a fiscal period must be recorded in Account #208. Subaccounts must be maintained showing account activity for each capital lease agreement.

This account is:

DEBITED - when lease payments are made or with amounts transferred to Account #208.

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

EXPLANATION OF BALANCE SHEET ACCOUNTS

305-306 OPEN

307 Notes Payable--This account is used to record all notes of a long-term nature (over 1 year) owed by the road commission. Note: The current portion of notes payable may be recorded in Account #207. Detail for each issue of notes is required.

This account is:

DEBITED - upon payment of such notes and with amounts transferred to
Account #207.

CREDITED - with 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. Detail for each contract is required.

This account is:

DEBITED - with contractual payments and with amounts transferred to
Account #210.

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

311-313 OPEN

314 Advances From Other Funds--This account is used to record amounts owed to other funds of the same county where such amounts are 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 - with all payments or other redemptions of this long-term debt.

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

315-327 OPEN

328 Advances From State--This account may be used as a control account to record amounts owed by the road commission to the State of Michigan where such amounts are payable subsequent to the current year. Detailed subaccounts must be maintained and the following subaccount numbers should be used:

.01 - State Trunkline Equipment Purchase Advance

.02 - State Trunkline Maintenance Advance

EXPLANATION OF BALANCE SHEET ACCOUNTS

Please contact the Michigan Department of Treasury, Local Audit and Finance Division when further subaccounts are needed.

328 This account is:

DEBITED - with any subsequent decreases authorized by the State and with any repayment to the State.

CREDITED - with the amount of advances received and with any subsequent increases.

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 payable subsequent to the current year.

This account is:

DEBITED - with payment or other redemption of the debt.

CREDITED - with the amount of long-term debt incurred.

330-332 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 accounts must be maintained for this account.

This account is:

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

CREDITED - with amounts of bond proceeds and advances received.

334 OPEN

Other Credits (335-344)

335-338 OPEN

339 Deferred Revenues--This account may be used to record amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. It can be pointed off for deferred special assessments, taxes and other revenues, such as forest road funds.

EXPLANATION OF BALANCE SHEET ACCOUNTS

339 This account is:

DEBITED - with collections of amounts originally credited to this account or with amounts transferred to revenue accounts.

CREDITED - with the offsetting amount recorded in a receivable account by a road commission which recognizes its revenue only when received or with amounts received in one accounting period which will not be recognized as revenue until a subsequent period.

340-342 OPEN

343 Accrued Vacation and Sick Leave Payable (Long-Term)--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 employee's hourly rates by the number of leave hours that they have available to use, per employee contracts or agreements, if 100% of 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.

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 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.

344 OPEN

Fund Equity Section (345-399)

345-364 OPEN

Fund Balance - Reserves (365-389)

The function of reserved fund balance is to separate that portion of the fund balance that represents funds not available for spending in the subsequent year's budget as well as legal restrictions on spending that was outstanding at the year end.

365 Fund Balance Reserved for Encumbrances--This account is normally used in governmental funds. A portion of the fund balance is segregated for expenditures contingent upon vendor performance.

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 365 This account is:
- DEBITED - at the end of every month to cancel encumbrances upon performance on the purchase orders and commitments. Any outstanding amount at year end is debited, prior to reserving the fund balance, to close out Account #175 - Encumbrances.
 - CREDITED - every month end with the amount of purchase orders and commitments made during the month. Corresponding debit is made to Account #175 - Encumbrances. Account #365 is also credited at year end to adjust the actual fund balance to indicate the portion segregated for expenditures upon vendor performance. The corresponding debit is made to Account #390 - Unreserved Fund Balance.

Fund Balance Reserved for Encumbrances account should show up on the year end balance sheet where appropriations do not lapse at the year end, or if they do, the road commission intends to honor them.

- 366 Fund Balance Reserved for Debt Service--A portion of the fund balance is segregated for resources legally restricted to the payment debt.

This account is:

- DEBITED - with any reductions of restricted assets.
- CREDITED - with the required amount of restricted assets.

Fund Balance Reserved For Debt Service account should show up on the year end balance sheet where assets are legally required to be set aside for future principal and interest payments.

- 367 Fund Balance Reserved for Prepaids--This account is normally used in governmental funds. A portion of the fund balance is segregated for payments made in advance of the period benefited.

This account is:

- DEBITED - with any reductions of prepaid assets.
- CREDITED - with the amount of prepaid assets.

Fund Balance Reserved for Prepaid accounts should show up on the year end balance sheet where assets are set aside for future expenditures.

- 368 Fund Balance Reserved for Inventory--This account is used to segregate a portion of fund balance to indicate that, using the consumption method, inventory does not represent "available spendable resources" even though it is a component of net current assets, since it is not available for other discretionary expenditures. The balance in this account is usually based on the actual amount of inventory on hand at year end.

EXPLANATION OF BALANCE SHEET ACCOUNTS

368 This account is:
DEBITED - with authorized reductions of the amount reserved.
CREDITED - with the amount of fund balance determined to be tied up in inventory.

369 OPEN

370 Fund Balance Reserved for Advances to Other Units of Government--This account is used to segregate a portion of fund balance to indicate that long-term advances to other units of government, it does not represent "available spendable resources."

This account is:
DEBITED - with the return of part or all of a long-term advance.
CREDITED - with amounts of long-term advances made to other units of government.

The offsetting debit to the credit is to the 390 Fund Balance account.

371-375 Open

376 Fund Balance Reserved for 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.

377-380 OPEN

381 Fund Balance Reserved for Replacement of Capital Assets--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 capital assets.

This account is:
DEBITED - with money used or with other reductions in the reserve.
CREDITED - with amounts required or permitted to be reserved.

382 OPEN

EXPLANATION OF BALANCE SHEET ACCOUNTS

383 Fund Balance Reserved for Restricted Contributions--This account may be used to record contributions which are "earmarked" for a specific purpose and/or should not be included in the fund balance account.

This account is:

DEBITED - when contributions are used for the specified purpose.

CREDITED - with restricted contributions received.

384 Other Reserves--This account may be used to record reserves for which a specific reserve account is not provided for elsewhere in this manual.

This account is:

DEBITED - with any reductions in such reserves.

CREDITED - with amounts to be reserved.

385 Fund Balance Reserved 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 reserved for self-insurance purposes.

386 Fund Balance Reserved 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.

387 Fund Balance Reserved 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 OPEN

389 Fund Balance Reserved for Long-Term Federal Contracts Receivable--This account is used to record the long-term contracts receivable, where the revenue is earned but is not expected to be received within one year.

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 389 This account is:
DEBITED - when current portion is recorded or upon payment received.
CREDITED - when the long-term contract receivable is incurred. The revenue is earned, but payment will not be paid within one year. Current portion is recorded as a current receivable.

Unreserved Fund Balance (390-399)

- 390 Fund Balance--This account is used to record the fund equity of the County Road Fund. In most instances, this account reflects the excess of a fund's assets over its liabilities and reserves and such excess is not restricted or segregated 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:

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

- 391-392 OPEN

- 393 Fund Balance - Designated--This account is used to record a segregation of a portion of Fund Balance (Account #390). The amount recorded will be the amount for which the governing body has made tentative plans to use in a future period. The designations reflect tentative plans. These plans are subject to change.

This account is:
DEBITED - with the amount set aside for the designed plan when the plan is finalized. The fund balance is then credited for the same amount.
CREDITED - with the amount of fund balance designated for future use. The fund balance account is debited.

- 394 Fund Balance - Designated - Capital Improvement--This account is used to record a segregation of a portion of Fund Balance (Account #390). The amount recorded will be the amount for which the governing body has made tentative plans to use in a future period for capital improvements. The designations reflect tentative plans. These plans are subject to change.

EXPLANATION OF BALANCE SHEET ACCOUNTS

- 394 This account is:
 DEBITED - with the amount set aside for the capital improvement. The fund balance is then credited for the same amount.
 CREDITED - with the amount of fund balance designated for the capital improvement. The fund balance account is debited.

395 Retained Earnings (for Proprietary Funds Only)

396-398 OPEN

399 Investment in Capital Assets--This is an offset account for the capital assets and is pointed off as described below:

- .01 - Primary Road Funds
- .02 - Local Road Funds
- .03 - County Road Commission Funds
- .04 - Infrastructure

These accounts are:

- 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 acquired during the year.

EXPLANATION OF REVENUE AND OTHER FINANCING SOURCE ACCOUNTS

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.

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
450-500	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, which must appear in the general ledger of each fund of the road commission to which revenues are credited. Its balance must at all times equal the combined totals of revenue Accounts #401-699. The account appears on balance sheets prepared during a fiscal period: However, it does not appear on balance sheets prepared as of the close of a fiscal period since it has then been closed out to fund balance.

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 account for use as a control account for various tax revenues. Its balance must at all times equal the combined totals of revenue Accounts #402-449. This account is a revenue by source control used for financial statement reporting purposes.

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.

EXPLANATION OF REVENUE AND OTHER FINANCING SOURCE ACCOUNTS

402-449 Some road commissions will use more than the control account for taxes. It is recommended that detail accounts be maintained. When detail accounts are used, the numbers assigned to the column headed "subaccounts" must be used. These numbers are used for compiling data State-wide.

450 Licenses and Permits Control--This is a mandatory account, which is used as a control account for license and permit fees collected. The balance must at all times equal the combined totals of Accounts #451-500 when subaccounts are used to designate specific licenses and permits. This account is a revenue by source control used for financial statement reporting purposes.

This account is:

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

CREDITED - with all fee revenue from business and nonbusiness licenses and permits.

451-500 When assigning these numbers to licenses and permits, the road commission should try to assign business licenses and permits to Accounts #451-475 and nonbusiness to Accounts #476-500.

501 Federal Grants Control--This is a mandatory account, which is used as a control account for Federal Grants received by the road commission. The road commission may record all of its grants in this one account or may record them separately if they wish. If detailed accounts are used, the balance in this account must at all times equal the combined totals of Accounts #502-538. This account is a revenue by source control used for financial statement reporting purposes.

This account is:

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

CREDITED - with all Federal Grant revenue received or accrued.

502-538 When assigning these numbers to various Federal grants, the road commission should assign the numbers as listed in the column headed "subaccounts" in the index.

539 State Grants Control--This is a mandatory account, which is used as a control account for State Grants received by the road commission. The road commission may record all of its grants in this one account or may record them separately if they wish. If detailed accounts are used, the balance in this account must at all times equal the combined totals of Accounts #540-579. This account is a revenue by source control used for financial statement reporting purposes.

This account is:

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

CREDITED - with all State grant revenue received or accrued.

EXPLANATION OF REVENUE AND OTHER FINANCING SOURCE ACCOUNTS

540-579 When assigning these numbers to various State grants, the road commission should assign the numbers as listed in the column headed "subaccounts" in the index.

580 Contributions From Local Units Control--This is a mandatory account which is used as a control account for contributions from local units received by the road commission. The road commission may record all of its contributions in this one account or may record them separately if they wish. If detailed accounts are used, the balance in this account must at all times equal the combined totals of Accounts #581-599. This account is a revenue by source control used for financial statement reporting purposes.

This account is:

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

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

581-599 When assigning these numbers to various contributions from local units, the road commission should assign the numbers as listed in the column headed "subaccounts" in the index.

600 Charges for Services Control--This is a mandatory account, which is used as a control account for charges for services provided by the road commission. The balance must at all times equal the combined totals of Accounts #601-654 when these accounts are used to designate specific charges. This account is a revenue by source control used for financial statement reporting purposes.

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.

601-654 When assigning these account numbers to various charges for services, the road commission should assign the numbers as listed in the column headed "subaccounts" in the index.

655 Fines and Forfeits Control--This is a mandatory control account. If detailed accounts are used, the balance in this account must at all times equal the combined totals of Accounts #656-663. This account is a revenue by source control used for financial statement reporting purposes.

This account is:

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

CREDITED - with the receipt of fines and forfeitures.

656-663 Assign these numbers as needed for parking penalties, forfeitures, etc.

EXPLANATION OF REVENUE AND OTHER FINANCING SOURCE ACCOUNTS

664 Interest and Rents Control--This is a mandatory account used to record interest, dividends, rents, and royalties earned or received on investments, certificates of deposits, or rental of surplus property. It does not include interest on delinquent taxes (See Account #445). All interest and rents may be credited to this single account or each type may be accounted for separately by utilizing Accounts #665-670. This account is a revenue by source control used for financial statement reporting purposes.

This account is:

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

CREDITED - with interest, dividends, rent, and royalties earned.

665-668 When assigning these numbers to various interest and rents, the road commission should assign the numbers as listed in the column headed "subaccounts" in the index.

669 Equipment Rental Credits--This is a mandatory account used to record the Schedule 'C' (State provided) equipment rental credit for all equipment owned by the road commission; thereby, creating an offsetting credit for all expenditure charges for equipment rental.

This account is:

DEBITED - with any adjustments and in year end closing as shown on page 179.

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

670 OPEN

671 Other Revenue Control--This is a mandatory account used to record all other road commission revenue that cannot be classified in any other account. All "other revenue" may be credited to this account or each type may be accounted for separately by using Accounts #672-694. This account is a revenue by source control used for financial statement reporting purposes.

This account is:

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

CREDITED - with all other revenue received or accrued.

672-687 When assigning these numbers to detailed accounts, use the numbers as listed in the "subaccounts" column in the index.

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 (see pages 147-149 for additional information).

This account is:

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

CREDITED - with the amount received for trade-in.

EXPLANATION OF REVENUE AND OTHER FINANCING SOURCE ACCOUNTS

- 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 pages 147-150 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 Expenses 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.

- 691-692 When assigning these numbers to detailed accounts, use the numbers as listed in the "subaccounts" column in the index.

- 693 Gain or Loss on Disposal of Capital Assets--This is a mandatory account used to record all gain or loss on disposal of capital assets. Account #693.01 is used for gain or loss on disposal of road equipment, Account #693.02 is used for gain or loss on disposal of other capital assets, and Account #693.03 is used for gain or loss on disposal of inventory items. The entry to this account reflects the difference between cash received in disposal and the remaining value of the capital asset.

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 account used to record nonrevenue items such as proceeds from loans, leases, sales of bonds or notes, insurance recoveries, "operating transfers in," etc. Accounts #696-698 should be used to record the various types separately. Account #699 should be used only for "appropriation transfers in."

This account is:

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

CREDITED - with any amounts received or accrued that are nonrevenue items.

EXPLANATION OF REVENUE AND OTHER FINANCING SOURCE ACCOUNTS

696-698 When assigning these number to detailed accounts, use the numbers as listed in the “subaccounts” column in the index.

699 Transfers In - Control--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 as desired or point off revenue detail as needed or desired.

EXPLANATION OF EXPENDITURE AND OTHER FINANCING USE ACCOUNTS

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 personal 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>
702-725	Personal Services
727-799	Supplies
801-969	Other Services and Charges
971-989	Capital Outlay
991-998	Debit Service
999-	Operating Transfers (Out)

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, which must appear in the general ledger of each fund of the road commission. Its balance must at all times equal the combined totals of expenditure Accounts #701-999. The account is normally posted monthly from accounts payable and appears on the monthly trial balance. However, it does not appear on balance sheets prepared as of the close of a fiscal period since it has then been closed out to the fund balance.

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 Personal Services--This is a mandatory 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 (health insurance, employee life insurance, etc.). If the road commission desires, it may use Accounts #702-725 to designate specific types of personal services in which case Account #701 becomes a control account. Where used as a control account, its balance must at all times equal the combined totals of Accounts #702-725.

This account is:

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

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

EXPLANATION OF EXPENDITURE AND OTHER FINANCING USE ACCOUNTS

702-725 When assigning these numbers to various personal services, the road commission should assign the numbers as listed in the column headed "subaccounts" in the expenditure account index.

726 Supplies--This is a mandatory control account used to record all expenditures for office supplies, operating supplies, medical supplies, repair and maintenance supplies, etc. If the road commission desires, it may use Accounts #727-799 to designate specific types of supplies in which case Account #726 becomes a control account. Where used as a control account, its balance must at all times equal the combined totals of Accounts #727-799.

This account is:

DEBITED - with all expenditures for supplies.

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

727-799 When assigning these numbers to various supplies, the road commission should assign the numbers as listed in the column headed "subaccounts" in the expenditure account index.

800 Other Services and Charges--This is a mandatory control account used to record expenditures for such services and charges as professional and contractual services, communications, transportation, printing and publishing, insurance and bonds, public utilities, repairs and maintenance, rentals and other miscellaneous charges. If the road commission desires, it may use Accounts #801-969 to designate specific types of services and charges within this category in which case Account #800 becomes a control account. Where used as a control account, its balance must at all times equal the combined totals of accounts #801-969.

This account is:

DEBITED - with all expenditures described in the "subaccounts" column of the account index for this category.

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

801-969 When assigning these numbers to various other services and charges, the road commission should assign the number as listed in the column headed "subaccounts" in the expenditure account index.

970 Capital Outlay--This is a mandatory control account found in the County Road Fund. It is used to record expenditures by the road commission 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. A road commission may record all capital outlay expenditures within this account or may account separately for various types of capital outlay expenditures by utilizing Accounts #971-989. If separate accounting is maintained, Account #970 becomes a control account, and its balance must at all times equal the combined totals of Accounts #971-989.

EXPLANATION OF EXPENDITURE AND OTHER FINANCING USE ACCOUNTS

970 This account is:

DEBITED - with all fund expenditures for capital outlay.

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

971-989 If these accounts are used for additional breakdown of capital outlay, use the numbers as indicated in the expenditure account index in the column headed "subaccounts."

990 Debt Service--This is a mandatory control account, which may be found in the County Road Fund and Act 51 Bond Debt Fund. While all debt service expenditures may be recorded within this single account, it is recommended that this account be used only as a control account and that various types of debt such as principal, interest, paying agent fees, etc., be accounted for separately by utilizing Accounts #991-998.

Where used as a control account, the balance in Account #990 must at all times equal the combined totals of Accounts #991-998.

This account is:

DEBITED - with all debt payments of the particular fund.

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

991-998 If these accounts are used for additional breakdown of debt service, use the numbers as indicated in the expenditure account index and/or in the column headed "subaccounts."

999 Operating Transfers (Out)--This account is used to record nonexpenditure items such as the return of an appropriation to the county general fund.

This account is:

DEBITED - with any amounts transferred to other county funds.

CREDITED - when closing the account to fund balance.

UNIFORM ACCOUNTING PROCEDURES

RECEIVABLES

Accounts #018-105 are provided to account for all the receivables pertinent to road commissions.

In addition to the account explanations presented in this manual, we present the following supplemental information:

Account #040 - Accounts Receivable (General - Non-Governmental Units)

There is no statutory authority for sales of materials or services to individuals or private organizations. However, we recognize that exceptional conditions exist, in a few rural counties, where the county road commission is the only available supplier of certain services and materials. These unavoidable sales of certain services and materials should be by cash and cash equivalents only. No credit shall be extended to individuals or private organizations.

All such transactions with individuals and private organizations shall be handled through this account which includes the respective sales tax. The account is debited with all cash disbursements and journal entries for equipment rental, materials, labor, or parts involved in contracts for services or materials, which do not represent expenses or responsibilities of the county road system. Payments on these accounts are credited directly from the cash receipts journal which includes the respective sales tax.

Uncollectible Receivables/Revenue Procedures

Generally accepted accounting principles (GAAP) establish the criteria for revenue recognition that applies to the modified accrual basis of accounting, namely that revenue be recorded when it is both available and measurable. *Available* is defined as “collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.” Revenue is *measurable* when it is subject to reasonable estimation. If, in the course of business, a road commission has accounts receivable that it knows or believes that it will not collect, the following accounting treatment should be applied.

Revenues should be recorded net of the estimated or known amount that will not be collected. No bad debts expense account should be used because only expenditures, not expenses, are recorded by a governmental fund type such as a road commission (NCGA-1, par. 65).

For financial reporting purposes, bad debts expense should not be reported in a governmental fund type’s operating statement because the measurement focus is the flow of current financial resources. The revenue is reported as a net amount because only the net amount is expected to be available during the fiscal period. Since revenues are reported net, it is not appropriate to record a bad debts expense because the expense does not represent an actual expenditure of current financial resources during the period.

UNIFORM ACCOUNTING PROCEDURES

RECEIVABLES (Continued)

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.

The journal entry to record an uncollectible receivable would be a debit to the appropriate revenue account and a credit to the related receivable account.

If a write off is material and affects a receivable recorded in a prior year, the debit adjustment should be made to fund balance to restate fund balance at the beginning of the fiscal year.

SPECIAL ASSESSMENT DISTRICTS

Account #045, #047, and #049 are provided to account for all special assessment receivables, and Account #333 is provided for special assessment district advances. Account explanations are provided in this manual for these accounts.

The following special assessment accounting procedures are also applicable:

Deferred Revenue - Special Assessment Districts

In many instances, special assessments are levied over a period of more than one year. For that reason, the entire amount should not be considered as revenue in the first year.

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:

DEBIT - Account #045 - Special Assessment Receivable (Current)
CREDIT - Account #672 - Special Assessments

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

DEBIT - Account #049 - Special Assessments Receivable - Deferred
CREDIT - Account #339 - Deferred Revenues

Collections of current special assessments should be recorded as follows:

DEBIT - Cash Account
CREDIT - Account #045 - Special Assessments Receivable - Current

UNIFORM ACCOUNTING PROCEDURES

SPECIAL ASSESSMENT DISTRICTS (Continued)

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

DEBIT - Account #047 - Special Assessments Receivable - Delinquent
CREDIT - Account #045 - Special Assessments Receivable - Current

Collections of delinquent special assessments should be recorded as follows:

DEBIT - Cash Account
CREDIT - Account #047 - Special Assessments Receivable - Delinquent

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

DEBIT - Account #045 - Special Assessments Receivable - Current
DEBIT - Account #339 - Deferred Revenues
CREDIT - Account #672 - Special Assessments
CREDIT - Account #049 - Special Assessments Receivable - Deferred

Interest and Penalties on Special Assessments

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

DEBIT - Cash Account
CREDIT - Account #665 - Interest Earned

Interest and penalties on special assessments should be credited directly to Interest Earned (Account #665) at the time received.

UNIFORM ACCOUNTING PROCEDURES

INVENTORIES

Account #109 - Inventory - Road Materials

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 stock piles.

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, flare pots, construction signs, etc., that are moved from job to job.

Sign shop equipment cost and depreciation expense.

UNIFORM ACCOUNTING PROCEDURES

INVENTORIES (Continued)

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.

Any year end work in process should be recorded on the balance sheet as a part of the Account #109.

Account #110 - Inventory - Equipment Materials and Parts

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 or receivable account.

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.

UNIFORM ACCOUNTING PROCEDURES

INVENTORY ACCOUNTING AND CONTROL (Continued)

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 from the stock clerk.

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 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) 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.

UNIFORM ACCOUNTING PROCEDURES

INVENTORY ACCOUNTING AND CONTROL (Continued)

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.

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. Most counties now 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 on 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, Account #791 for items in Account #110, or Activity #514, Account #791 for items in Account #109. 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.

UNIFORM ACCOUNTING PROCEDURES

INVENTORY ACCOUNTING AND CONTROL (Continued)

A. Timing the physical inventorying 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.

B. Documentation that such a physical inventory was actually 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.

UNIFORM ACCOUNTING PROCEDURES

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	XXXX	
110-001	Parts Inventory		XXXX

If the book value is partially recovered, the above entry would include a debit to the cash account for the amount received and a debit entry to the revenue Account #693.03 - Gain or Loss on Disposal of Inventory.

<u>Activity/ Account #</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
001	Cash	XXXX	
693.03	Gain/Loss on Disposal of Inventory	XXXX	
110-001	Parts Inventory		XXXX

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 Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
001	Cash	XXXX	
693.03	Gain/Loss on Disposal of Inventory		XXXX
110-001	Parts Inventory		XXXX

If obsolete inventory is traded for current parts, record these new parts at the same book value as the item(s) traded in.

UNIFORM ACCOUNTING PROCEDURES

DISPOSAL OF OBSOLETE INVENTORY (Continued)

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 Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
001	Cash	XXXX	
110-001	Parts Inventory		XXXX
693.01	Gain/Loss on Disposal of Road Equipment		XXXX
689	Capital Asset Retirement (if applicable)		XXXX

SURPLUS CAPITAL ASSETS

Road commissions may purchase property for highway right-of-ways which after completion of the project, is in excess of the land actually necessary for this purpose. The road commission shall endeavor to sell these excess properties whenever possible. They should be recorded in the road commission's Operating Fund.

Account #113 - Surplus Capital Assets

This account is to be 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. To properly record the prorated value of these surplus capital assets, we have established Account #113 - 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:

DEBIT - Account #113 - Surplus Capital Assets (In the amount of the prorated value of the surplus capital assets)
CREDIT - Applicable Infrastructure Asset

Determination of surplus properties should be made as soon as possible.

UNIFORM ACCOUNTING PROCEDURES

SURPLUS CAPITAL ASSETS (Continued)

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 - Deferred Revenues, with an offsetting debit to Account #390 - Fund Balance.

PREPAID INSURANCE

Account #123 - 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.

UNIFORM ACCOUNTING PROCEDURES

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:

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.

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.

Many transitions are being made at the Michigan Department of Transportation (MDOT) regarding procedures for handling and accounting for Federal Aid. One of these changes is "Advanced Construction," which requires the road commission rather than MDOT to pay the contractor and wait for reimbursement by the Federal agency.

Plans are also underway by the MDOT to require road commissions to seek authorization for Federal aid projects from MDOT after which responsibility for advertising, bidding, and contracting with the successful bidder would be that of 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.

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, whether Federal Surface Transportation Programs (STP), Federal Highway Safety, Federal Highway Critical Bridge, Federal Category C-Urban Congestion, or Federal Category D-Rural Primary funding are received. Subsidiary records must be reconciled to Accounts: #125 - Deferred Expense - Federal, 228.19 - Due to State and to the revenue control account(s) balance, at a minimum, at the fiscal year end. Every project must have an identifiable subaccount number.

The Michigan Department of Transportation submits Progress Billings to the road commission periodically during construction for actual costs incurred to date. Payments of progress billings are also to be debited to Account #125 (for Federal contracts) or Account #126 (for State contracts).

UNIFORM ACCOUNTING PROCEDURES

FEDERAL AND STATE AID PROJECTS (Continued)

During the project construction period, MDOT periodically forwards project voucher summaries to the road commission. Project voucher summaries contain project financial data including the total amount earned or the gross earnings for the contractor. (These are normally sent to the project engineer and must be obtained from them for accounting purposes.)

The total amount earned by the contractor should be debited to applicable activity/expenditure accounts. Offsetting credits should be made to Account #125 or #126 for the road commission proportionate share of project costs and to applicable Federal and State Grant revenue account(s) as follow:

	<u>Federal</u>		<u>State</u>
510.03	Hazard Elimination Safety	547.01	Critical Bridge - Primary
510.04	Railroad Safety	547.02	Critical Bridge - Local
510.05	Critical Bridge	548.02	Category "E" - Primary
510.06	Discretionary	548.03	Category "E" - Local
510.07	ISTEA "D" Enhancement	549.02	Category "A" - Primary
510.071	Surface Transportation Program - Primary	549.03	Category "A" - Local
510.072	Surface Transportation Program - Local	550.02	Category "C" - Primary
510.073	STP - Other	550.03	Category "C" - Local
510.081	Category "C" - Urban Congestion - Primary	551	TED - "D" - Rural Primary
510.082	Category "C" - Urban Congestion - Local	552	TED - "F" - Urban Area
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		

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.

UNIFORM ACCOUNTING PROCEDURES

FEDERAL AND STATE AID PROJECTS (Continued)

If the final accounting indicates the total amount paid by the road commission (through progress billings) exceeds the local share of the project, MDOT will refund the difference to the road commission. The road commission should receipt this refund as a credit to Account #125 (for Federal contracts) or #126 (for State contracts). The Account #125 (or #126) balance of this project will then be zero. The respective deferred revenue, revenue, and/or expenditure accounts may need to be adjusted to match the final accounting.

In instances involving cost overruns, the road commission may receive a final accounting statement from MDOT before it receives the billing from MDOT for the road commission share of the cost overrun. If final project costs are recorded prior to receipt of the MDOT cost overrun bill, the road commission share of the overrun should be credited to Account #228.19 - Due to State of Michigan - State Highway - Other Services. The subsequent payment of the overrun bill should be debited to Account #228.19.

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)

EXAMPLE 1

Facts per Exhibit 1 of the Contract

COST PARTICIPATION

Grand Total Estimated Cost	\$279,600
Less Federal Funds	<u>100,000</u> *
Balance (Requesting Party's Share)	<u>\$179,600</u>

* Federal funds for all safety projects are subject to a maximum level of funding established to be \$100,000.

The contract states that the Federal funds are under the Surface Transportation Program.

(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 1 of the contract, we can express the Federal and local shares in percentages as follows:

Federal Share	$\frac{100,000.00}{279,600.00}$	=	36%	Maximum of \$100,000
Local Share	$\frac{179,000.00}{279,600.00}$	=	64%	

UNIFORM ACCOUNTING PROCEDURES

FEDERAL AND STATE AID PROJECTS (Continued)

Project voucher summary information is as follows:

	<u>Summary #1</u>	<u>Summary #2</u>
Total Amount Earned or Gross Earnings	\$264,344.58	\$288,450.22
Less Reserve or Retainage	7,300.00	7,211.26
Total Amount Allowed or Net Earnings	257,044.58	281,238.96
Payment Due Contractor or Amount Due	257,044.58	24,194.38

Based on the information provided in voucher summary #1 the following entries would be made:

<u>Account Number</u>	<u>Sub-Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
459.XXX	XXXXX	Applicable Expenditure Activity/Account	\$264,344.58	
510.071	XXXXX	STP-Primary Revenue Account (264,344.58 X 36%)		\$95,164.05
125	XXXXX	Deferred Expense-Federal Aid Projects (264,344.58 X 64%)		\$169,180.53

(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/X9 per MDOT project voucher summary #1 dated 9/19/X9.)

UNIFORM ACCOUNTING PROCEDURES

FEDERAL AND STATE AID PROJECTS (Continued)

Contract Provisions per Local Progress Billings from MDOT are as follows:

	<u>Billing #1</u>	<u>Billing #2</u>
Contract Award	\$315,718.11	\$ 315,718.11
Total Estimated Project Cost	315,718.11	315,718.11
Estimated Federal Participation	<u>100,000.00</u>	<u>100,000.00</u>
Estimated Local Participation	<u>\$215,718.11</u>	<u>\$ 215,718.11</u>
Local Contract Cost to Date	\$ 78,448.18	\$ 177,598.66
Local Other Cost to Date	<u>131.62</u>	<u>438.63</u>
Total Local Cost to Date	<u>\$ 78,579.80</u>	<u>\$ 178,037.29</u>
Previously Billed		
Local Current Month Contractor Costs	\$ 78,448.18	\$ 99,150.48
Local Current Month Other Costs	<u>131.62</u>	<u>307.01</u>
Total Local Bill Amount	<u>\$ 78,579.80</u>	<u>\$ 99,457.49</u>

Based on the information provided on the MDOT Progress Billing #1, the following entries would be made:

<u>Account Number</u>	<u>Sub-Accounts</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
125.	XXXXX	Deferred Expense-Federal Aid Projects	\$78,579.80	
001	XXXXX	Cash		\$78,579.80

(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.)

UNIFORM ACCOUNTING PROCEDURES

FEDERAL AND STATE AID PROJECTS (Continued)

Based on the information provided in voucher summary #2, the following entries would be made:

<u>Account Number</u>	<u>Sub-Accounts</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
459.XXX	XXXXX	Applicable Expenditure Activity/Account (\$288,450.22-\$264,344.58)	\$24,105.64	
510.071	XXXXX	STP-Primary Revenue Account (\$24,105.64 x .36%, but limited to the maximum of \$100,000)		\$4,835.95
125.	XXXXX	Deferred Expense-Federal Aid Projects (\$24,105.64 x 64%, plus the difference in Federal aid above)		\$19,269.69

(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/X9 per MDOT project voucher summary #2 dated 11/12/X9. Also monitoring the Federal aid to ensure that it does not exceed the \$100,000 ceiling.)

UNIFORM ACCOUNTING PROCEDURES

FEDERAL AND STATE AID PROJECTS (Continued)

Based on the information provided on the MDOT Progress Billing #2, the following entries would be made:

<u>Account Number</u>	<u>Sub-Accounts</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
125.	XXXXX	Deferred Expense-Federal Aid Projects	\$99,457.49	
001	XXXXX	Cash		\$99,457.49

(To record the payment to MDOT of local progress billing #2.)

Note: Account #125.44841 Deferred Expense - Federal Aid Projects still has a credit balance of \$10,412.93 (\$78,579.80 plus \$99,457.49, less \$169,180.53 and less \$19,269.69). If this was the last transaction for the year, the 125-XXXXX account should be reclassified to Due to State 228.19-XXXXX.

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.

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.

Other Information Regarding Accounting for Federal and State Aid Projects

Account #125 - Deferred Expense - Federal Aid Projects and Account #125 subsidiary accounts should not have a credit balance. When the road commission's share of a contracted Federal aid project exceeds the amount deposited with MDOT, a payable should be recorded in Account #228.19 - Due to State of Michigan.

UNIFORM ACCOUNTING PROCEDURES

FEDERAL AND STATE AID PROJECTS (Continued)

Federal and State aid projects need to be accounted for separately as previously stated. Therefore, suggested illustrations are included at the end of this section representing the accounting for two different Federal or State aid projects showing how project voucher summaries, progress billings, and deposits are recorded.

Project voucher summaries are referred to earlier in this section for accounting purposes and are available in the accounting department and/or engineering department at each road commission or at the project engineer's office as received from the Michigan Department of Transportation. Progress billings should be debited to Account #125 or #126 - Deferred Expense, and must also be recorded on the project subsidiary record at the time of payment to the State of Michigan. Deposits are essentially no longer required, but the possibility exists in certain special situations. Therefore, they must also be a part of the subsidiary record.

Following the project subsidiary record are suggested spreadsheets showing the balancing of Account #125 - Deferred Expense - Federal Aid and Account #126 - Deferred Expense - State Aid at the end of the fiscal year. 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 voucher summaries received, deposits for progress billings, and any final accounting to close various projects. Finally, this year's ending balances for each project should equal the Account #125 or Account #126 total balances.

If a project has been finalized during the year, be sure the project balance 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

FEDERAL AND STATE AID PROJECTS (Continued)

MICHIGAN AVE. AT SNOW ROAD 20X9 STP 9723(003) FEDERAL ITEM #YY0089 CONTROL SECTION STH 23609 JOB# 44841 ESTIMATE \$279,600						FEDERAL AID STP PROJECT	
		PRIMARY HEAVY MAINTENANCE 459.XXXXX		DEFERRED EXPENSE 125.XXXXX 64%		FEDERAL AID 510.071 36%	
<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	VOUCHER#1	264,344.58			169,180.53		95,164.05
10/01/X9	PROG#1			78,579.80			
11/12/X9	VOUCHER#2	24,105.64			19,269.69		4,835.95
11/15/X9	PROG#2			99,457.49			
Balance 20X9		288,450.22			10,412.93		100,000.00
EXAMPLE 1							

BASELINE ROAD BRIDGE MSC23015 B1 OF 23-15-10 JOB# 39929 ESTIMATE 226,700				STATE AID CRITICAL BRIDGE PROJECT			
		LOC PRE ST IMP. 490-320		DEFERRED EXPENSE 126.39929 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	46,688.50			(2,334.42)		(44,354.08)
8/X8	Voucher#2	106,404.50			(5,320.22)		(101,084.28)
9/X8	Prog#1			6,327.91			
9/X8	Prog#2			13,715.54			
9/X8	Prog#3			6,373.41			
9/X8	Voucher#3	47,976.80			(2,398.84)		(45,577.96)
BALANCE 1998		201,069.80		26,416.86	(10,053.48)		(191,016.32)
11/X9	Voucher#4	2,561.20			(128.06)		(2,433.14)
BALANCE 20X9		203,631.00		26,416.86	(10,181.54)		(193,449.46)
				16,235.32			
EXAMPLE 2							

FEDERAL AND STATE AID PROJECTS (Continued)

BROWN COUNTY ROAD COMMISSION YEAR 20X9 DEFERRED EXPENSE--FEDERAL AID ACCOUNT 125.00												
	ACCT 125.0	20X9 SHAY BLDG JOB 39963	20X9 CANAL RD JOB 37980	20X8 BUCK BLDG JOB 38669	20X8 VERM BLDG JOB 35747	20X7 VALLEY BLDG JOB 37029	20X6 MT HOPE JOB 35241	20X6 MULLIKEN JOB 35242	20X6 NARROW LK JOB 35240	20X6 ST JOE JOB 35917	20X3 MICH AVE JOB 31166	20X3 WAV-WILL JOB 30943
BEG BAL 1/1/98	46,459.68	0.00	(16,300.02)	40,474.82	(2,159.91)	7,123.39	(8,291.78)	7,561.66	(6,283.47)	13,506.35	9,190.18	1,638.46
FED AID ADJUST:												
TV#4 11/30/X8	(58,828.76)		(58,828.76)									
TV#11 12/31/X8	(10,667.65)		(4,845.39)			(5,822.26)						
TV#16 1/31/X9	(9,943.69)		(1,475.71)								(8,467.98)	
TV#29 4/30/X9	11,071.73						2,894.18	2,135.16	6,042.39			
TV#40 6/30/X9	(4,179.94)	(4,179.94)										
TV#44 7/30/X9	(7,149.02)	(7,149.02)										
TV#48 8/31/X9	28,549.67	(11,965.53)	(20,338.77)	60,853.97								
TV#54 9/30/X9	(924.97)	(924.97)										
ADD DEPOSITS:												
BUCK HIGHWAY	21,804.01			21,804.01								
CANAL ROAD	77,760.10		77,760.10									
MICHIGAN AVE	1,679.85										1,679.85	
SHAYTOWN BLDG	44,555.53	44,555.53										
MULLIKEN ROAD 20X3 E	(5,156.50)							(5,156.50)				
MT HOPE 20X3	5,156.50						5,156.50					
FINAL ACCOUNTING:												
VALLEY HWY BD	(1,301.13)					(1,301.13)						
MT HOPE HWY	241.10						241.10					
MULLIKEN ROAD	(4,540.32)							(4,540.32)				
NARROW LAKE RD	241.08								241.08			
BUCK HWY BLDG	(123,132.80)			(123,132.80)								
END BAL 9/30/X9	11,694.47	20,336.07	(24,028.55)	0.00	(2,159.91)	0.00	(0.00)	0.00	0.00	13,506.35	2,402.05	1,638.46

FEDERAL AND STATE AID PROJECTS (Continued)

YEAR 20X9 DEFERRED EXPENSE--STATE AID ACCOUNT 126.00								
	ACCT 126.00	20X9 BASE BLDG JOB 39929	20X8 JOHN BLDG JOB 39928	20X8 MALL DR JOB 38669	20X7 LAMIE BLDG JOB 36413	20X6 MAHAN BLDG JOB 37488	20X4 SPICER BLDG JOB 36781	20X1 ISLAND HWY JOB 32736
BEG BAL 1/1/X8	99,052.37	16,363.39	14,324.25	1,218.66	6,229.75	32,177.53	29,106.80	(368.01)
FED AID ADJUST:								
TV#11 12/31/X8	(128.06)	(128.06)						
TV#16 1/31/X9	(88.83)		(88.83)					
TV#29 4/30/X9	(5,621.47)				(5,621.47)			
TV#34 5/30/X9	(20,801.83)					(2,370.87)	(18,430.96)	
TV#40 6/30/X9	(438.75)			(438.75)				
FINAL ACCOUNTING:								
LAMIE HWY BLDG R#6525	(608.28)				(608.28)			
SPICERVILLE BLDG R#6552	(10,675.84)						(10,675.84)	
MAHAN HWY BLDG R#6593	(29,806.66)					(29,806.66)		
END BAL 9/30/X9	\$ 30,882.65	\$ 16,235.33	\$ 14,235.42	\$ 779.91	\$ 0.00	\$ 0.00	\$ 0.00	\$ (368.01)

UNIFORM ACCOUNTING PROCEDURES

FEDERAL AND STATE AID PROJECTS (Continued)

Jobs Today Program--Advance Construction Projects

Following is an example of accounting for an advance construction project performed by a private contractor on a primary road, financed in part with State Local Jobs Today Program Funds: (Assume that the MDOT Job Number for this project is 86724A)

Facts per Exhibit 1 of the Contract

COST PARTICIPATION

This portion is included in Exhibit 1		%	Acct #
GRAND TOTAL ESTIMATE COST	\$ 1,059,500		
Less State Local Jobs Today Program Loan/Federal Equity Bonus Funds being used as TED Funds (Advance Construction) Future Fiscal year*	445,000	42%	510.091
Less State Local Jobs Today Program Loan/STP (Advance Construction) Future Year*	169,500	16%	510.071
Less State Local Jobs Today Grant Funds**	149,878	**15%	554
Less State TED Funds	127,100	12%	551
REQUESTING PARTY'S SHARE (Future Fiscal Year)	168,022	15%	228

* Contingent upon availability of Federal Funds and Federal approval, Federal Equity Bonus Funds being used as TED Funds and Federal Surface Transportation Funds, for future fiscal years, may be applied to the cost incurred as advance construction in an amount such that the Federal Equity Bonus Funds being used as TED FUNDS and Federal Surface Transportation Funds equal a participation ratio of 42% and 16%, respectively.

** State Local Jobs Today Grant Funds shall be applied to the eligible items of the PROJECT COST at a participation ratio equal to 15% up to an amount not to exceed \$149,878.

Item 5 of the contract states that the State Local Jobs Today Program loan, through a separate contract, is an amount equivalent to the estimated Federal Equity Bonus Funds being used as TED FUNDS and Federal Surface Transportation Funding applicable to the PROJECT that is not currently available. Said loan shall be used as advance construction dollars. Contingent upon availability of Federal funds and Federal approval, Federal Equity Bonus Funds being used as TED Funds and Federal Surface Transportation Funds, for future fiscal year, will be applied to any outstanding principal balance of the State Local Jobs Today Program loan for costs incurred on this PROJECT as advance construction.

UNIFORM ACCOUNTING PROCEDURES

FEDERAL AND STATE AID PROJECTS (Continued)

Part 1, Section 3 of the Loan Contract states: The Department (MDOT) will loan the RECIPIENT (Road Commission) \$614,500. The RECIPIENT will pay interest at a rate of 4% annually. The loan under this contract is subject to the RECIPIENT's repayment in the following manner: Federal aid reimbursement applicable to the PROJECT will be used to pay principal on the loan, and the DEPARTMENT will invoice the recipient annually for the actual amount of interest. Financial payment of all principal and interest on loan must be made on or before the contract effective date of award.

Accounting For The Advance Construction Project

1. Project Voucher Summary--Voucher #1 had a participating share of \$111,409.07 and nonparticipating amount of \$0. The gross earnings were \$111,409.07. The accounting entry would be as follows:

<u>Account Number</u>	<u>Sub-Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>	<u>%</u>
459.XXX	XXXXX	Primary Preservation/Structural Improvement	\$ 111,409.07		
510.071	XXXXX	Federal-STP		\$ 17,825.45	16%
510.091	XXXXX	Federal-TED		\$ 46,791.81	42%
551	XXXXX	State-TED		\$ 13,369.09	12%
554	XXXXX	State-Jobs Today		\$ 16,711.36	15%
228	XXXXX	Due to State		\$ 16,711.36	15%

(To record project expenditures on a primary road and Federal and State aid earned on project 86724A, based on the contractor's gross earnings for work performed through June 15, 2007 per MDOT Project Voucher Summary #1 dated June 18, 2007.

2. Project Voucher Summary--Voucher #2 had a participating share of \$896,747.30 and nonparticipating amount of \$0. The gross earnings were \$785,338.23. The accounting entry would be as follows:

<u>Account Number</u>	<u>Sub-Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>	<u>%</u>
459.XXX	XXXXX	Primary Preservation/Structural Improvement	\$ 785,338.23		
510.071	XXXXX	Federal-STP		\$ 125,654.12	16%
510.091	XXXXX	Federal-TED		\$ 329,842.06	42%
551	XXXXX	State-TED		\$ 94,240.59	12%
554	XXXXX	State-Jobs Today		\$ 117,800.73	15%
228	XXXXX	Due to State		\$ 117,800.73	15%

UNIFORM ACCOUNTING PROCEDURES

FEDERAL AND STATE AID PROJECTS (Continued)

(To record project expenditures on a primary road and Federal and State aid earned on project 86724A, based on the contractor's gross earnings for work performed through July 10, 2007 per MDOT Project Voucher Summary #2 dated July 12, 2007.

Make sure that the State-Jobs Today Program does not exceed the maximum of \$149,878.

3. Based on the information provided on the MDOT Progress Billing #1 (there was \$3,400 in nonparticipating costs), the following entry would be made:

<u>Account Number</u>	<u>Sub-Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>	<u>%</u>
459.XXX	XXXXX	Primary Preservation/Structural Improvement	\$ 3,400.00		
228	XXXXX	Due to State	\$ 134,512.09		
001	XXXXX	Cash		\$ 137,912.09	

(To record the payment to MDOT of Progress Billing #1.)

4. When MDOT sends the annual invoice for the actual amount of interest, the following entry would be made:

<u>Account Number</u>	<u>Sub-Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>	<u>%</u>
995	XXXXX	Interest Expense	\$ 8,000.00		
001	XXXXX	Cash		\$ 8,000.00	

(To record the payment of the annual Jobs Today Program interest invoice.)

FEDERAL ENHANCEMENT PROJECTS AWARDED TO OTHER UNITS OF GOVERNMENT OR NON-PROFIT ORGANIZATIONS

The road commission may elect to participate as the requesting party of a Federal enhancement project that will be awarded to another governmental unit or nonprofit organization. Examples of other recipients include: townships, villages, tribal units, and historical societies. This type of project shall be accounted for in the same manner as a negotiated project. The road commission will be responsible for reviewing the project to make sure it is in compliance, will need to submit the paperwork to MDOT, and receive the Federal portion due once the project voucher has been approved.

Accounting for these types of projects is a two-step process. The road commission must recognize the expenditures as they occur and should record the Federal portion and amount due from the unit of government or nonprofit organization.

UNIFORM ACCOUNTING PROCEDURES

FEDERAL ENHANCEMENT PROJECTS AWARDED TO OTHER UNITS OF GOVERNMENT OR NON-PROFIT ORGANIZATIONS (Continued)

Activity #521 - Non-Road Projects, is used as the expenditure account; and Account #511.07 - ISTE A "D" Enhancement Funds and the proper respective local contribution account are to be used as the revenue accounts. The function code for both activity accounts should be the Federal project number (ex. 50924A).

EXAMPLE:

The local historical society is awarded an enhancement grant in the amount of \$300,000. It is set up with a local share of 20%. The money will be used to restore old buildings located on-site. The Federal project number is 50924A.

The road commission receives the bills from the vendor and prepares project voucher #1 in the amount of \$120,000 (If the local unit pays the contractor, the canceled check shall be included showing that payment was made to the contractor, see the second example). The road commission submits the project voucher to MDOT and prepares the following entry:

<u>Account Number</u>	<u>Sub-Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
521.XXX 202	50924A	Non-Road Projects Accounts Payable	\$ 120,000	\$ 120,000
78.04	50924a	Due from State-Other	\$ 96,000	
81.01	50924a	Due from Other Governmental Units	\$ 24,000	
511.07	50924A	ISTEA "D" Enhancement		\$ 96,000
583.06	50924a	Other Governmental Contributions		\$ 24,000

(To record the expenditures and revenues related to the enhancement project 50924A, awarded to the local historical society.)

If the local unit has paid for the expenditures and submits the documentation to support the expenditures to the road commission to bill the State, the following entries should be made:

<u>Account Number</u>	<u>Sub-Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
521.XXX 230	50924A	Non-Road Projects Due to Other Governmental Units	\$ 120,000	\$ 96,000
583.06	50924a	Other Governmental Contributions		\$ 24,000
078.04	50924a	Due from State-Other	\$ 96,000	
511.07	50924A	ISTEA "D" Enhancement		\$ 96,000

UNIFORM ACCOUNTING PROCEDURES

FEDERAL ENHANCEMENT PROJECTS AWARDED TO OTHER UNITS OF GOVERNMENT OR NON-PROFIT ORGANIZATIONS (Continued)

When the money is received from the State, the following entry should be made:

<u>Account Number</u>	<u>Sub-Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
001		Cash	\$ 96,000	
078.04	50924a	Due from State-Other		\$ 96,000
230.XXX		Due to Historical Society	\$ 96,000	
001		Cash		\$ 96,000

SALE OF FEDERAL/STATE AID FROM ANOTHER GOVERNMENTAL ENTITY

Sample County Road Commission purchased \$1,300,000 of Federal and State Aid from Brown County Road Commission for \$1,040,000. The accounting entries related to the sale are as follows:

In Brown County Road Commission's General Ledger

Recording Brown County Road Commission's sale of Federal and State Aid funds to Sample County Road Commission.

1. Recording receivable and revenue for sale of Federal and State 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		\$ 656,000
Sale of State Aid - Other Counties	583.08		\$ 384,000

2. Recording payment received by Brown County Road Commission from Sample County Road Commission.

<u>Description</u>	<u>Account #</u>	<u>Debit</u>	<u>Credit</u>
Cash	001	\$ 1,040,000	
Due From Road Commissions	074		\$ 1,040,000

UNIFORM ACCOUNTING PROCEDURES

SALE OF FEDERAL/STATE AID FROM ANOTHER GOVERNMENTAL ENTITY

(Continued)

In Sample County Road Commission's General Ledger

Recording Sample County Road Commission purchase of Federal and State Aid from Brown County Road Commission.

1. Recording payable for payment due to Brown County Road Commission.

<u>Description</u>	<u>Account #</u>	<u>Debit</u>	<u>Credit</u>
Due to Road Commissions Nonroads Project Expense Purchase of Federal and State Aid From Other Counties	224 Activity 519	 \$1,040,000	\$1,040,000

2. Recording payments made by Sample County Road Commission to Brown County Road Commission.

<u>Description</u>	<u>Account #</u>	<u>Debit</u>	<u>Credit</u>
Due to Road Commissions Cash	224 001	\$1,040,000	\$1,040,000

3. Recording State receivable and deferred revenue.

<u>Description</u>	<u>Account #</u>	<u>Debit</u>	<u>Credit</u>
Due From State Deferred Revenue	078.04 339	\$ 1,300,000	\$ 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 Federal Revenue (STP) Federal Revenue (TEDF-D) State Revenue (TEDF-D)	459 511.071 511.091 551	\$ 1,300,000	\$ 500,000 \$ 320,000 \$ 480,000
Deferred Revenue Due From State	339 078.04	\$ 1,300,000	\$ 1,300,000

UNIFORM ACCOUNTING PROCEDURES

ADVANCES BY TOWNSHIPS AND OTHERS FOR COUNTY ROAD PURPOSES

In certain instances, townships, private parties, or other units of government advance money for agreements on certain specified projects. Such advances are to be credited to the following accounts as applicable:

- 241 - Advances From Cities
- 246 - Advances From Townships
- 247 - Advances From Villages
- 249 - Advances From Other Units of Government
- 283 - Performance Deposits Payable (for deposits by private parties)

As work on such projects progresses, the applicable above account is debited and credit is posted to an applicable revenue account such as:

- 583.01 - City Contributions
- 583.02 - County Contributions
- 583.03 - School Contributions
- 583.04 - Township Contributions
- 583.05 - Village Contributions
- 583.06 - Other Governmental Contributions
- 674 - Contributions From Public Enterprises
- 675 - Contributions and Donations From Private Sources

PRIVATE DRIVEWAY PLOWING (UPPER PENINSULA ONLY)

All private driveway plowing receipts shall be credited to liability Account #255 - Customer's Deposits Driveway - Snowplowing.

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 Snowplowing.

UNIFORM ACCOUNTING PROCEDURES

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. There is no profit motive for a contract with MDOT. The expenditures charged are audited annually by MDOT and you will be billed for any amounts charged by you greater than actual costs. Conversely, if the expenditures charged by you are less than actual, you will be reimbursed by MDOT. These situations routinely occur when charging equipment rental or when using prior years' fringe benefit rates. However, costs may be disallowed if not expressly approved by the contract or even if prescribed bidding procedures are not followed. If questions arise, another agency with a State trunkline maintenance contract is a good source of information, or the Commission Audit Division of MDOT may be able to assist. As in all accounting, consistency in accounting methodology should be adhered to. (The MDOT website contains a link to maintenance forms and instructions at <http://mdotwas1.mdot.state.mi.us/public/webforms/index.cfm>)

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 for those costs are to be charged to Activity #517 - State Trunkline Maintenance. Function codes (with a brief description) should be set up 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.

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 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. Annually, MDOT calculates a State-wide average "Schedule C" equipment rental rate which may be used for billing MDOT. Schedule C equipment rental rates are made up of the direct, indirect and operating expenses of each county for each type of equipment, divided by the number of hours operated for the year. Each county is required to submit a complete equipment expense record to the Department by July 1st of each year for the previous fiscal year's expenses. The equipment expense data is to be submitted to the region engineer on the Equipment Questionnaire ([Form 461](#)) or an approved alternate format. Obviously, each county will have different costs and may modify the rates charged subject to the approval of MDOT. Indirect Expenses: See section on Activity #511.

UNIFORM ACCOUNTING PROCEDURES

STATE TRUNKLINE MAINTENANCE CONTRACT (Continued)

Since MDOT shares in the direct and indirect expenses of operating your equipment, and this includes depreciation, you should be aware that any gain on disposal of equipment will be shared with MDOT as well.

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. All fringe benefit costs properly charged to Activity #513 should be included on Form 455C, Report of Employee Benefit Cost.

Web address: <http://mdotwas1.mdot.state.mi.us/public/webforms/index.cfm>

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.

UNIFORM ACCOUNTING PROCEDURES

STATE TRUNKLINE MAINTENANCE CONTRACT (Continued)

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.

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 time cards 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.

UNIFORM ACCOUNTING PROCEDURES

STATE TRUNKLINE MAINTENANCE CONTRACT (Continued)

The firm unit price(s) included in the contract should be billed to MDOT. Do not leave this up to the MDOT auditors to compute and/or adjust. 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 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.

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 master contract. A contingency fund will be established for the winter maintenance budget which can only be used with authorization from MDOT staff. 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.

UNIFORM ACCOUNTING PROCEDURES

STATE TRUNKLINE MAINTENANCE CONTRACT (Continued)

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. 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. 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 obviously will not be reimbursed based upon the above.

Chemical Storage Facility Operating and Maintenance Costs

Generally, all 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 and billed to MDOT. Do not leave this up to the MDOT auditors to compute.

UNIFORM ACCOUNTING PROCEDURES

STATE TRUNKLINE MAINTENANCE CONTRACT (Continued)

Miscellaneous

From time to time, conduct a review with your employees to ensure that all hours are being properly charged to MDOT. When people change positions within an 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. Review the formula for foremen's wages to assure maximum charges. 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 like salt. Review the overhead audit to cost formula to determine if the contract percentage is satisfactory. Above all, don't guess when applying the provisions of the State maintenance contract.

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 ([MCL 21.41 through 21.53, as amended](#)). 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.

Automated computer systems must provide at least the minimum data listed in this manual although the formats may vary.

Equipment Master Listing

An "Equipment Master Listing" shall be maintained which provides an accurate record of each piece of equipment from the date of acquisition until the date of its disposal. This record will provide pertinent information regarding the make, model, year, engine, or serial or manufacturer's equipment number, road commission assigned equipment number, etc., of each piece of equipment along with an accumulated expense and earnings record and a comparison of the total annual expense to the total annual earnings. The report should be arranged in road commission assigned number order with reference to the MDOT Schedule C class code as follows:

The date of acquisition of the piece of equipment.

The total price paid for the piece of equipment, including the trade-in allowance received, if any.

The equipment number assigned to the piece of equipment by the county road commission.

UNIFORM ACCOUNTING PROCEDURES

EQUIPMENT ACCOUNTING RECORDS (Continued)

The make or brand name of the equipment item.

The name of the equipment manufacturer.

The name of the firm from which the equipment was purchased.

The model number, year, weight.

The engine and serial number of the equipment.

The tire sizes and number of tires for each size listed.

In the case of trucks, the type and size of body.

A listing of special equipment or accessories, which were dealer installed at the time of delivery.

Capitalized rebuilding of the equipment and the cost of such rebuilding.

The equipment classification code number as established by the Michigan Department of Transportation (MDOT - Schedule C).

Expected life and annual rate of depreciation.

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 - General Ledger Accounting

Equipment Expense - Direct

Charges to Activity #510 - Equipment Expense - Direct should include costs that can be established for a particular piece of equipment such as parts and labor for repairs. Depreciation is also charged to each piece of equipment as a direct charge.

UNIFORM ACCOUNTING PROCEDURES

EQUIPMENT ACCOUNTING RECORDS (Continued)

Equipment Expense - Indirect

Charges to Activity #511 - Equipment Expense - Indirect should include those costs associated indirectly with equipment but cannot be directly established as a cost to a particular piece of equipment such as costs for operating the garage, fleet insurance, shop labor and shop equipment expenses, etc. Indirect costs are prorated on the "Equipment Summary Ledger Report" on a percentage basis of total indirect costs of all equipment to total direct repair costs of all equipment, then multiplying the direct repair cost of a given piece of equipment by the percentage factor to obtain the indirect repair costs for that piece of equipment.

Equipment Expense - Operating

Charges to Activity #512 - Equipment Expense - Operating should include operating costs for such maintenance items as fuel, lubricants, anti-freeze, and associated labor.

Equipment Expense Summary Ledger Report

An accumulative equipment report is suggested by generating costs from the equipment master listing and the general ledger detail, which should include the unit number of the equipment, state code designation, name of equipment, purchase date, purchase price, previous year's depreciation, current years depreciation, equity, disposal date, gain or loss on disposal, direct expense minus the depreciation, prorated indirect expense, operating expense, total hours used, total equipment rental earned, and net gain or loss (difference between the total equipment rental earned and the total expenses incurred).

Underbody and Grader Blades

Blades and bolts and the labor of removing worn-out blades and installing new blades will be a direct repair charge to the unit of equipment upon which the blade is being installed, namely, Motor Grader or Underbody Scraper, etc.

Blades will be placed in Account #110 - Inventory - Equipment Materials and Parts at the time of purchase. When blades are removed from inventory and installed on the equipment, a journal entry will be made crediting Account #110 and Debiting Activity #510 in the general ledger, and the appropriate unit of equipment in the Equipment Subsidiary Ledger for the cost of the blade or blades and bolts.

Tires and Tubes

Tires and tubes may be charged directly to the equipment upon which the tire is being installed. Tires can be placed in Account #110 - Inventory - Equipment Materials and Parts at the time of purchase. When tires are removed from inventory and installed on the equipment, an entry will be made crediting Account #110 and debiting Activity #510 in the general ledger and the appropriate unit of equipment in the Equipment Subsidiary Ledger for the cost of the tires/tubes.

UNIFORM ACCOUNTING PROCEDURES

EQUIPMENT ACCOUNTING RECORDS (Continued)

An alternative method to charge the tires and tubes would be to create a separate inventory item or account number for each size tire used by the road commission equipment.

These tire inventory accounts will accumulate and should be charged by transfer voucher at the end of the fiscal year with the value of tires, tubes, and recapping taken from inventory and charged to the appropriate piece of equipment in Activity #510 by calculating the prorated costs by tire size on a wheel-hour basis using the following procedures.

Group the equipment by tire sizes. (Exclude equipment that has specialized tire sizes and should be charged out directly to that piece of equipment at the time of purchase.)

Determine the total number of wheels normally mounted on the equipment (including spare, if carried) in each tire size group.

Multiply the total hours of operation of each piece of equipment by the total number of tires (including spare, if normally carried) mounted on each piece of equipment. The result will be the total wheel hours used by each piece of equipment.

Add the wheels hours for all pieces of equipment in each tire size group to obtain the total wheel hours by tire size.

Divide the total annual tire and tube costs for each size by the total wheel hours to obtain the tire and tube cost, per tire size, per hour of use.

To determine the tire and tube cost to be charged to each piece of equipment, multiply the number of hours the piece of equipment was used by the tire and tube cost per hour and by the number of wheels normally mounted on the piece of equipment.

The total amount of tire and tube expense to be charged to all the equipment should equal the total tire and tube expense for all tire size expense accounts. Transfer the expense as computed to the individual pieces of equipment to Activity #510 - Equipment Expense - Direct and offset that charge with Account #110 - Equipment Materials and Parts which should zero out the tire inventory for the new fiscal year.

In addition to the above tire and tube accounting procedures, a memo record should be maintained indicating the date of purchase of each tire, the tire location and changes in location, and the date and manner of disposition of each tire. This memo record should be in agreement with the total number of tires in stock and in use.

Fuel

To this account will be posted the cost of fuel consumed by county road commission equipment. The entry will be posted monthly (or more frequently) in which the inventory account is credited and the Equipment Expense - Operating Activity #512 is debited. Fuel purchased through a commercial vendor will be charged to each vehicle at the time of purchase or invoice data entry.

UNIFORM ACCOUNTING PROCEDURES

EQUIPMENT ACCOUNTING RECORDS (Continued)

Other Information - Vehicles and Road Equipment

Superintendent's or Manager's Vehicle

The net expense of the superintendent's or manager's vehicle should be charged as a distributive cost on the basis of actual expenses involved in the operation of this vehicle, including depreciation. Net expense will equal the total actual costs less authorized hourly rental credits.

Identification of Equipment

Each piece of equipment should be clearly labeled with the name of the road commission to which it belongs and its county assigned number.

Engineer's and Surveyor's Vehicle

The equipment rental earned by the engineer's and surveyor's vehicles should be charged to the projects benefiting from the use of such vehicles. All hours of usage should be reported.

CAPITAL OUTLAY

Equipment Leases

Leases are classified as either capital leases or operating leases. If a particular lease meets any one of the following classification criteria, it is a capital lease:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains an option to purchase the leased property at a bargain price.
3. The lease term is equal to or greater than 75% of the estimated economic life of the leased property.
4. The present value of rental and other minimum lease payments equals or exceeds 90% of the fair value of the leased property less any investment tax credit retained by the lessor.

The last 2 criteria are not applicable when the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property.

A capital lease is when ownership transfers to the lessee. It is recorded as a capital asset and depreciation is recorded. The accounting for capital leases is described in this section of the "Uniform Accounting Procedures Manual for County Road Commissions."

An operating lease is a rental of equipment. It should be recorded to the appropriate expenditure account when the payments are made (no outlay or depreciation is recorded).

UNIFORM ACCOUNTING PROCEDURES

CAPITAL OUTLAY (Continued)

Equipment Purchases, Disposals and Retirements

Accounting examples for recording Road Equipment Purchases (Account #976), Trade-In Allowances (Account #688), Equipment Retirements (Account #689.01), and Gain or Loss on Disposal of Equipment (Account #693.01) 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 should be made:

Cash Disbursements Journal

		<u>Debit</u>	<u>Credit</u>
900-976	Capital Outlay-Road Equipment	\$100,000	
688	Trade-In Allowance		\$30,000
001	Cash		\$70,000

(To record the purchase of equipment # ___ and trade-in of equipment # ___.)

Transfer Voucher

		<u>Debit</u>	<u>Credit</u>
688	Trade-In Allowance	\$30,000	
693.01	Gain or Loss on Disposal of Road Equipment		\$10,000
689.01	Road Equipment Retirements		\$20,000

(To divide trade-in allowance between net book value of equipment traded in and gain on disposal of equipment.)

UNIFORM ACCOUNTING PROCEDURES

CAPITAL OUTLAY (Continued)

In the same example as shown above, let us assume that the trade-in allowance received was \$10,000 instead of \$30,000. The entries would then have been as follows:

<u>Cash Disbursements Journal</u>		<u>Debit</u>	<u>Credit</u>
900-976	Capital Outlay	\$100,000	
688	Trade-In Allowance		\$10,000
001	Cash		\$90,000

<u>Transfer Voucher</u>		<u>Debit</u>	<u>Credit</u>
688	Trade-In Allowance	\$10,000	
693.01	Gain or Loss on Disposal of Road Equipment	\$10,000	
689	Road Equipment Retirements		\$20,000

(To reflect the net loss on the trade-in
of equipment no.____ on new equipment.)

Note that the trade-in allowance account is closed out by dividing the allowance between the "Equipment Retirement" representing net book value and the gain or loss realized.

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 should be made:

<u>Cash Disbursements Journal</u>		<u>Debit</u>	<u>Credit</u>
900-976	Capital Outlay-Road Equipment	\$80,000	
001	Cash		\$80,000

(To record the purchase of equipment no. ____.)

NOTE: No depreciation is to be calculated on this piece of equipment in the current year as it is not complete and has not been placed in use. The date in use should be the last day of the year for the current fiscal year with the date changed to the actual date in use in the next fiscal year when the entire truck is complete and in service. This will ensure that no depreciation is calculated on the equipment until it has been completed.

UNIFORM ACCOUNTING PROCEDURES

CAPITAL OUTLAY (Continued)

In the next fiscal year, once all outfitting has been completed, the following entries should be made:

Cash Disbursements Journal

		<u>Debit</u>	<u>Credit</u>
900-976	Capital Outlay-Road Equipment	\$20,000	
001	Cash		\$20,000

(To record the purchase of completing outfitting of equipment no. ____.)

Equipment - Gain or Loss

Examples of entries to record the sale of equipment are as follows:

Assume that a fully depreciated piece of equipment was sold for \$10,000:

Cash Receipts Record

		<u>Debit</u>	<u>Credit</u>
001	Cash	\$10,000	
693.01	Gain or Loss on Disposal of Road Equipment		\$10,000

Assume that a piece of equipment with a net book value of \$5,000 was sold for \$10,000:

Cash Receipts Record

		<u>Debit</u>	<u>Credit</u>
001	Cash	\$10,000	
693.01	Gain or Loss on Disposal of Road Equipment		\$5,000
689	Equipment Retirements		\$5,000

(To record the sale 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.

UNIFORM ACCOUNTING PROCEDURES

CAPITAL OUTLAY (Continued)

Installment Purchases

If installment purchases are made pursuant to the provisions of [MCL 224.10\(5\)](#), accounting procedures as presented in the following example are applicable:

Example 1--Lease Payable Recorded in Long-Term Debt Control Only

A loader is purchased in accordance with the following terms:

Cash Price of Equipment	\$ 82,235.00
Trade-In Allowance	<u>7,000.00</u>
Unpaid Balance	75,235.00
Finance Charge (Interest at 8% Per Annum of the Unpaid Cash Balance)	<u>29,793.80</u>
Time Balance	<u>\$105,028.80</u>

To be paid by 60 monthly payments of \$523.38 with a final payment of \$73,626.00 at the end of 60 months. The equipment may be returned to the seller and the agreement terminated at any time during the agreement period.

The entry to record the purchase and installment debt is:

	<u>Debit</u>	<u>Credit</u>
A. County Road Fund		
Account #976 - Capital Outlay - Road Equipment	\$82,235	
Account #688 - Trade-In Allowance		\$7,000
Account #697 - Lease Proceeds		\$75,235
B. Capital Assets Control		
Account #138 - Equipment - Road	\$82,235	
Account #399 - Investment in Capital Assets		\$82,235
Note: The applicable capital asset accounts will have to be adjusted for the value of the asset traded in, accumulated depreciation and equity.		
C. Long-Term Debt Control		
Account #186 - Amount to be Provided for Payment of Debt Principal	\$75,235	
Account #304 - Lease Payable (Non-Current)		\$75,235

UNIFORM ACCOUNTING PROCEDURES

CAPITAL OUTLAY (Continued)

The entries to record the monthly payment of \$523.38 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 8% 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 \$523.38, giving the amount of principal repayment.

To illustrate:

	<u>1st Payment</u>	<u>2nd Payment</u>	<u>3rd Payment</u>
Debt Balance	\$75,235.00	\$75,213.19	\$ 75,191.23
Interest (Debt Balance x 8% Divided by 12)	501.57	501.42	501.28
Principal Payment (\$523.38 Less Interest)	21.81	21.96	22.10
Next Month's Debt Balance (This Debt Balance Less Principal Payment)	\$75,213.19	\$75,191.23	\$ 75,169.13

D. The monthly entry to record the payment in the County Road Fund is:

	<u>Debit</u>	<u>Credit</u>
Account #991 - Principal Amount of Principal Payment (as computed)	XX.XX	
Account #995 - Interest Amount of Interest (as computed)	XXX.XX	
Account #001 - Cash		\$523.38

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.

UNIFORM ACCOUNTING PROCEDURES

CAPITAL OUTLAY (Continued)

If the equipment is returned to the seller as provided in the agreement, the following entries will be necessary:

	<u>Debit</u>	<u>Credit</u>
F. Capital Assets Control		
Account #399 - Investment in Capital Assets	Applicable Amount	
Account #139 - Accumulated Depreciation Road Equipment	Applicable Amount	
Account #138 - Equipment - Road		\$82,235
G. Long-Term Debt Control		
Account #304 - Lease Payable (Non-Current)	Applicable Balance	
Account #186 - Amount to be Provided for Payment of Debt Principal		Applicable Balance
H. County Road Fund		
Account #991 - Principal	\$73,626	
Account #001 - Cash		\$73,626
I. Long-Term Debt Control		
Account #304 - Lease Payable (Non-Current)	Applicable Balance	
Account #186 - Amount to be Provided for Payment of Debt Principal		Applicable Balance

We have not included the entries for recording depreciation, gain or loss on sale of the assets or other entries that would be recorded in the normal course of operations. These suggested entries address only the recording of the installment purchase and payment. These entries will apply to any similar installment purchase.

Example 2--Current Portion of Lease Payable Recorded in County Road Fund

If the road commission elects to record the current portion of lease payable as a current liability, entries D and E will be replaced by the following entries.

UNIFORM ACCOUNTING PROCEDURES

CAPITAL OUTLAY (Continued)

On January 1st of each year, the amount of lease principal to be paid during the current year would be recorded as follows:

	<u>Debit</u>	<u>Credit</u>
County Road Fund		
Account #991 - Principal	XXXXXX	
Account #208 - Lease Payable (Current)		XXXXXX
Long-Term Debt Control		
Account #304 - Lease Payable (Non-Current)	XXXXXX	
Account #186 - Amount to be Provided for Payment of Debt Principal		XXXXXX

The monthly entry to record the payment in the County Road Fund would be:

	<u>Debit</u>	<u>Credit</u>
Account #208 - Lease Payable (Current)	XXXXXX	
Account #995 - Interest	XXXXXX	
Account #001 - Cash		XXXXXX

Rented Equipment (Operating Leases)

When a piece of equipment is rented for use on a specific maintenance or construction project or for an extended period of time 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. Larger equipment such as loaders may be set up in the equipment master and given a State code and rental rate so that it may be charged as if it was an owned piece of equipment. The invoice for rental would be charged to Activity #510 - Equipment Expense - Direct, Account #950.000 - Operating Lease Payments as an expense to that equipment number or may be charged directly to the project.

Rented Equipment to Other Public Entities

When a piece of equipment is rented to another public entity (i.e., another road commission), the renting owner would record the rental rate revenue credit to Activity #510 - Equipment Expense - Direct, Account #950.000 - Operating Lease Payment as a revenue to the equipment number rented with the debit charged to Account #001 - Cash.

The entity renting the equipment would charge the rental rate expense debit to the job where the equipment was utilized with the credit to Account #001 - Cash, for payment to the owner of the equipment.

UNIFORM ACCOUNTING PROCEDURES

CAPITAL OUTLAY (Continued)

New Buildings

Preliminary new building costs such as architectural plans, site preparation, financing cost, etc., should be included in the entire 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 \$60,000. 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:

Cash Disbursements Journal

	<u>Debit</u>	<u>Credit</u>
900-975 Capital Outlay - Truck Garage	\$60,000	
001 Cash		\$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.

It is recommended that no depreciation be calculated on this new building until it has been completed and placed in use. Therefore, in the individual building records, the in-service date should be the last day of the year with the date changed to the actual in-service date in the next fiscal year. This will ensure that no depreciation is calculated until the building is complete.

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>
900-975 Capital Outlay - Truck Garage	\$60,000	
001 Cash		\$60,000

(To record current year new truck garage building costs, use the same building number used in the previous year.)

UNIFORM ACCOUNTING PROCEDURES

CAPITAL OUTLAY (Continued)

At year end, the normal entries described in the Capital Assets Control section are made.

NOTE: An important question to ask regarding depreciation is "when will the new building be used?" You must use the date you started using the building as the "in-service" date and start depreciation from that date forward.

Salt Shed Construction Costs Shared by the Road Commission and the State

Where costs of constructing salt sheds are shared by the State on a percentage of use basis, example 80% MDOT, 20% road commission, the accounting procedure is similar to the 100% funded project, as explained later in this section.

In the County Road Fund, all expenditures are charged 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 and crediting Account #399 - Investment in Capital Assets 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:

In the County Road Fund, all expenditures are charged to Activity #900 - Capital Outlay. The State reimbursement is credited to Account #555.01 - State Grants - Capital Assets - Chemical Storage Facility.

UNIFORM ACCOUNTING PROCEDURES

CAPITAL OUTLAY (Continued)

In the Capital Assets Control, at year end, a journal entry is prepared debiting Account #136 - Buildings and crediting Account #399 - Investment in Capital Assets in the amount charged to Activity #900.

Such a building is subject to depreciation. However, no depreciation is recorded in the County Road Fund, in this case. Depreciation is recorded in the Capital Assets Control only, as follows:

Debit - Account #399 - Investment in Capital Assets
Credit - Account #137 - Accumulated Depreciation - Buildings

New Equipment

The cost of all new equipment, which is recorded in the Equipment Expense Summary Ledger, must include all costs as explained under Activity #900 - Capital Outlay.

The disbursement of funds for any complete rebuilding of a piece 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 charge to the piece of equipment. Where the useful life is substantially increased, it will be necessary to add the total factory rebuilding cost to the undepreciated balance. It is then permissible to start the depreciation the same as new equipment on the 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 piece of new equipment at the established depreciation rate (Refer to Equipment Rental Rates - Schedule C).

Minimum Cost for Capitalization

Assets which have an original cost of less than \$200 shall not be capitalized on the books of account, except in those cases in which the equipment item is assigned an equipment rental rate by the Michigan Department of Transportation (Schedule 'C'); in these cases, the equipment costs will be classified as capital outlay regardless of the cost.

UNIFORM ACCOUNTING PROCEDURES

CAPITAL OUTLAY (Continued)

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>Activity/ Account #</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
<u>County Road Fund</u>			
001	Cash	\$113,000	
689.02	Capital Asset Retirement		\$64,000
693.02	Gain/Loss on Disposal of Capital Assets		\$49,000
	(To record receipt of insurance payment for garage.)		
900/975	Capital Outlay/Buildings	\$267,000	
001	Cash		\$267,000
	(To record the cost of rebuilding garage.)		
<u>Capital Assets Control</u>			
137	Accumulated Depreciation - Buildings, Additions, and Improvements	\$36,000	
399	Investment in Capital Assets	\$64,000	
136	Buildings, Building Additions, and Improvements		\$100,000
	(To write off garage destroyed by fire.)		
136	Buildings, Building Additions, and Improvements	\$267,000	
399	Investment in Capital Assets		\$267,000
	(To record capital outlay expenditure for new garage.)		

UNIFORM ACCOUNTING PROCEDURES

CAPITAL OUTLAY (Continued)

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>Activity/ Account</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
<u>County Road Fund</u>			
001	Cash	\$126,000	
689.01	Road Equipment Retirement		\$50,000
693.01	Gain/Loss on Disposal of Road Equipment		\$76,000
	(To record receipt of insurance payment for motor grader.)		
900/976	Capital Outlay/Road Equipment	\$130,000	
001	Cash		\$130,000
	(To record the cost of replacing the motor grader.)		
<u>Capital Assets Control</u>			
137	Accumulated Depreciation - Road Equipment	\$74,000	
399	Investment in Capital Assets	\$50,000	
138	Equipment - Road		\$124,000
	(To write off road equipment destroyed by fire/accident.)		
136	Equipment - Road	\$130,000	
399	Investment in Capital Assets		\$130,000
	(To record capital outlay expenditures for new equipment.)		

UNIFORM ACCOUNTING PROCEDURES

CAPITAL OUTLAY (Continued)

Insurance Reimbursement on an Incident--Road Equipment

Assume a road commission has the same piece 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>Activity/ Account #</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
<u>County Road Fund</u>			
001	Cash	\$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 should be computed on the sum-of-the-years-digits method for road equipment and vehicles using the depreciation tables in Schedule C - Equipment Rental Rates issued by the Michigan Department of Transportation. Depreciation should be computed on the straight-line method for all other capital assets.

Depreciation must be computed in all instances for the year or the portion of the year that the piece of equipment was owned by the road commission. Depreciation should begin on the first of the month of delivery.

Depreciation Expense

At the close of the year, depreciation of capital assets is determined from the individual equipment and building records. A journal entry is made debiting expenditure Account #968 - Depreciation and Depletion Expense, and/or the applicable depreciation expense subaccount(s) within the proper activity, and crediting revenue Account #690 - Depreciation and Depletion Credits.

UNIFORM ACCOUNTING PROCEDURES

CAPITAL OUTLAY (Continued)

Depreciation expenses should be debited to the various activities as follows:

Buildings

Activity #511 Equipment Expense--Indirect (excluding administrative portion if the administrative office is connected to the garage or shop) as additional shop and storage expense including all buildings or partial buildings used to store equipment.

Activity #514 Distributive Expense--Other charge all buildings or partial buildings used to store road materials.

Activity #515 Administrative Expense charge all buildings or partial buildings used for administrative purposes.

Depreciation expense should be pro-rated to activities based on percentage of use.

Road Equipment

Activity #510 Equipment Expense--Direct. All depreciation for road equipment must be charged to Activity #510. NOTE: Capital leases are included as depreciable equipment; however, operating leases are NOT depreciated.

Furniture

Activity #511 Equipment Expense--Indirect for all furniture purchased for equipment related offices.

Activity #514 Distributive Expense--Other for all furniture purchased for road maintenance related offices.

Activity #515 Administrative Expense for all furniture purchased for administrative offices.

Shop Equipment

Activity #511 Equipment Expense--Indirect for all depreciation expense related to shop tools, forklift, etc. (These are not assigned a road equipment number.)

Engineering Equipment

Activity #516 Engineering OR Activity #514 Distributive Expense--Other for all depreciation expense related to engineering equipment which does not have a road equipment number (i.e., traffic counters, surveying equipment, laser levels, etc.)

UNIFORM ACCOUNTING PROCEDURES

CAPITAL OUTLAY (Continued)

Storage Silos and Tanks

Activity #514 Distributive Expense--Other for all depreciation expenses related to storage silos and tanks holding road materials.

It is recommended that the necessary entries in the County Road Fund and the Capital Assets Control for 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

The following depreciation percentage rates are recommended for the capital asset items (other than road equipment and infrastructure which can be found on pages 190-193).

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

UNIFORM ACCOUNTING PROCEDURES

CAPITAL OUTLAY (Continued)

Depletion

Depletable Assets or wasting assets are defined as 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 charged 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 by journal entry in the Capital Assets Control by debiting Account #134 - Depletable Assets and crediting Account #399 - Investment in Capital Assets. 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.

DEPLETABLE ASSETS

When depletable assets are removed and:

Stockpiled

The cost of the material removed should be debited to Account #109 - Inventory - Road Materials with an offsetting credit to Account #690 - Depreciation and Depletion Credits in the County Road Fund.

Used for Construction, Preservation, or Routine and Preventive Maintenance on the County Road System

The cost should be debited to expenditure Account #968 - Depreciation and Depletion within the applicable construction/capacity improvements, preservation/structural improvements or routine and preventive maintenance activity with an offsetting credit to Account #690 - Depreciation and Depletion Credits in the County Road Fund.

Sold

The cost of material sold should be debited to an asset account, such as Cash or Accounts Receivable with an offsetting credit to Account #690 - Depreciation and Depletion Credits in the County Road Fund.

Monthly or annually, the amount of depletion credited to Account #690 should be recorded in the Capital Assets Control by crediting Account #135 - Accumulated Depletion - Depletable Assets and debiting Account #399 - Investment in Capital Assets.

UNIFORM ACCOUNTING PROCEDURES

DEPLETABLE ASSETS (Continued)

At such time as the actual or estimated quantity is completely depleted, the depletion accounts in the Capital Assets Control are closed by debiting Account #135 - Accumulated Depletion and crediting Account #134 - Depletable Assets. Subsidiary accounts by asset name and location should be maintained for Account #134 and Account #135.

CAPITAL ASSETS CONTROL (CAC)

The following accounts may be found in the Capital Assets Control.

<u>Account Number</u>	<u>Account Name</u>
	<u>Asset Accounts</u>
130	Land
132	Land Improvements
134	Depletable Assets
136	Buildings, Building Additions, and Improvements
138	Equipment - Road
140	Equipment - Shop
142	Equipment - Engineering
144	Equipment - Yard and Storage
146	Office Equipment and Furniture
148	Vehicles
156	Bridges
158	Construction Work in Progress
159	Roads
	<u>Accumulated Depreciation Accounts</u>
133	Accumulated Depreciation - Land Improvements
135	Accumulated Depreciation - Depletable Assets
137	Accumulated Depreciation - Buildings, Additions, and Improvements
139	Accumulated Depreciation - Road Equipment
141	Accumulated Depreciation - Shop Equipment
143	Accumulated Depreciation - Engineering Equipment
145	Accumulated Depreciation - Yard and Storage Equipment
147	Accumulated Depreciation - Office Equipment and Furniture
149	Accumulated Depreciation - Vehicles
157	Accumulated Depreciation - Bridges
160	Accumulated Depreciation - Roads
	<u>Equity Accounts</u>
399	Investment in Capital Assets
	.01 Primary Road Funds
	.02 Local Road Funds
	.03 County Road Funds
	.04 Infrastructure

UNIFORM ACCOUNTING PROCEDURES

CAPITAL ASSETS CONTROL (CAC) (Continued)

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 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	\$12,000	
134	Depletable Assets	\$6,000	
138	Equipment - Road	\$252,000	
146	Office Equipment and Furniture	\$9,600	
399	Investment in Capital Assets		\$279,600

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

399	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.)

UNIFORM ACCOUNTING PROCEDURES

CAPITAL ASSETS CONTROL (CAC) (Continued)

<u>Account Number</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
139	Accumulated Depreciation - Road Equipment	\$59,000	
141	Accumulated Depreciation - Shop Equipment	\$2,000	
143	Accumulated Depreciation - Engineering Equipment	\$200	
399	Investment in Capital Assets	\$1,000	
138	Equipment - Road		\$60,000
140	Equipment - Shop		\$2,000
142	Equipment - Engineering		\$200

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

Subsidiary Accounting Records

Required CAC subsidiary accounts are listed and described in the "Accounting Procedures-Subsidiary Accounting Records and Equipment Subsidiary Accounting Records-Detailed Instructions" sections of this manual.

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 balances in the CAC at least annually.

Data reported to MDOT on the annual County Equipment Questionnaire must agree with the Equipment Subsidiary Accounting Records.

Account #399--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.

UNIFORM ACCOUNTING PROCEDURES

LONG-TERM DEBT CONTROL (LTDC)

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
307	Notes Payable
310	Contracts Payable
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 are recorded in the LTDC with a debit to the appropriate liability account and a credit to the appropriate "Amount to be Provided" account.

UNIFORM ACCOUNTING PROCEDURES

LONG-TERM DEBT CONTROL (LTDC) (Continued)

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

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

Transactions in the County Road Fund that correspond to the foregoing LTDC entries are:

001	Cash	\$400,000	
698	Proceeds from Sale of Bonds		\$400,000
	(To record receipt of bond proceeds)		
991	Principal	\$25,000	
995	Interest	\$20,000	
001	Cash		\$45,000
	(To record payment of bond principal and interest)		

UNIFORM ACCOUNTING PROCEDURES

LONG-TERM DEBT CONTROL (LTDC) (Continued)

Optional Procedure--Recording Current Liability for Debt at Beginning of Fiscal Year

At the beginning of each year, the amount of debt to be retired during the year may be recorded as a current liability in the County Road Fund. If we use bonds payable as an example, the following journal entry would be made:

County Road Fund

Debit - Account #991 - Principal
Credit - Account #250 - Bonds Payable - Current

Long-Term Debt Control

Debit - Account #300 - Bonds Payable
Credit - Account #186 - Amount to be Provided for Payment of Debt Principal

When payment is made, County Road Fund Account #250 will be debited directly from the cash disbursements journal.

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 #995 - 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	\$2,000,000.00
Plus: Accrued Interest	8,683.18
(Less) Discount	(30,000.00)
(Less) Good Faith Check	<u>(40,000.00)</u>
Total Due at Closing	<u><u>\$1,938,683.18</u></u>

UNIFORM ACCOUNTING PROCEDURES

LONG-TERM DEBT CONTROL (LTDC) (Continued)

Once the total bond proceeds are received, the county must transfer \$8,683.18 of accrued interest to the MTF Bonds, Series 2007 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, 2007 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

		Debit	Credit
005	Cash--Construction	\$ 1,970,000.00	
129.1	Unamortized Discount on Bonds	30,000.00	
698	Bond Proceeds		\$ 2,000,000.00

To record the bond proceeds (including the good faith check). Note: The total bond proceeds must add up to the bond issue amount.

		Debit	Credit
006	Cash--Debt Principal and Interest	\$ 8,683.18	
665.1	Accrued Interest		\$ 8,683.18

To record the accrued interest in accordance with the bond resolution.

		Debit	Credit
975.2	Building	\$504,615.00	
005	Cash--Construction		\$504,615.00

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.

The long-term debt control account would have the following entry:

		Debit	Credit
186.1	Amount to be Provided	\$2,000,000.00	
300.1	Bonds Payable		\$2,000,000.00

UNIFORM ACCOUNTING PROCEDURES

LONG-TERM DEBT CONTROL (LTDC) (Continued)

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

	Debit		Credit
Payment on February 1st			
991.1 Principal Payment	\$ 50,000.00	*	
995.1 Interest Payment	\$ 42,242.50	*	
006 Cash--Debt Principal and Interest		*	\$ 92,242.50
Payment on August 1st			
995.1 Interest Payment	\$ 49,282.92	*	
006 Cash--Debt Principal and Interest		*	\$ 49,282.92

*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 Bond Discount Expense	\$ 1,200.00		
129.1 Unamortized Discount on Bonds			\$ 1,200.00

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):

	Debit		Credit
300.1 Bonds Payable	\$50,000.00		
186.1 Amount to be Provided			\$50,000.00

REFUNDING BONDS

Per GASB, Section D20.102: Refundings involve the issuance of new debt whose proceeds are used 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; only the new debt is reported as a liability.

GASB 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 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.

UNIFORM ACCOUNTING PROCEDURES

REFUNDING BONDS (Continued)

Reasons for Refunds

GASB 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).

Accounting and Reporting for Debt Refundings

GASB Section D20.106: For advance refundings 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>\$3,575,000.00</u>
Total Sources	<u>\$3,575,000.00</u>
Uses	
Escrow Fund	\$3,484,499.14
Costs of Issuance	50,000.00
Underwriters Discount (1.0%)	35,750.00
Available Amount	<u>4,750.86</u>
Total Uses	<u>\$3,575,000.00</u>

UNIFORM ACCOUNTING PROCEDURES

REFUNDING BONDS (Continued)

Net Savings	\$265,695.00
Present Value Savings	\$235,726.25
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>
999.1	Other Financing Uses - Payment to Refunding Bond Escrow Agent	\$3,484,499.14	
998	Debt Service - Expenditures (You can provide more detail if desired)	\$90,500.86	
698.1	Other Financial Sources - Proceeds of Refunding Bonds		\$3,575,000.00

Disclosures About Advance Refundings

GASB Section D20.111 requires all defeased debt 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.)
- (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.)

YEAR END CLOSING

The year end closing procedures of each road commission may vary depending upon the processes of the financial software used, however, in most cases the year end will mirror the month end closings. Varying situations unique to one particular road commission will cause the addition of some accounting entries, but for the most part those closing entries discussed later in the section will be necessary to properly close the fiscal year.

UNIFORM ACCOUNTING PROCEDURES

YEAR END CLOSING (Continued)

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, just to name a few. It is suggested that recording of these items on a monthly basis, whenever possible, will more truly 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 that could be adjusted more easily nearer the time when they occur. Checking totals of cash with the county treasurer, promptly balancing the checking accounts, billing items that are outstanding on a timely basis, or sending notices of outstanding receivables can help to avoid discrepancies at the end of the year. Treat every month as if it were a year end closing.

Get a handle as early as possible on those things you can control. With planning, capital outlay and inventory items, especially large quantities of road materials, may be ordered early to allow for adequate processing and payment. Establishing deadlines for capital outlay and inventory purchases will aid in balancing depreciation prior to year end.

Do not wait until year end to delete items from fixed asset listings and account for gains or losses on equipment disposal. Plan auctions or other methods of disposal as early in the year as possible and update accounting records immediately. Be sure that minutes of the board of road commissioners reflects approval for all methods of equipment disposal including sales, trade-ins, etc.

If the parts inventory is taken at year end, establish a system that works and use it consistently from year to year. For example, the actual physical inventory might be taken the month before the fiscal year ends with only a small adjustment necessary for the last month's activity to complete the year. As long as you remain consistent with the timing and procedures, most auditors will accept the method you choose. Setting a time for the physical inventory and resisting the temptation to deviate from that schedule will assure success. Inventory road materials in mid-summer, or at the beginning and end of the construction season, so that adjustments are made when supplies are at a low quantity.

Consider converting to a perpetual inventory system so that a small portion of the inventory can be counted each month in lieu of a time consuming physical inventory once a year.

Preparing a check list for year end transfers that best reflects your year end needs and reviewing that list each year for updates may assure the most efficient and time saving method for accomplishing the task of year end closing.

UNIFORM ACCOUNTING PROCEDURES

YEAR END CLOSING (Continued)

The following is a sample “Checklist for Preparing for Year End.”

Review the pre-audit letter from the auditors from the previous year to assist in gathering information.

Start a year end folder to accumulate information you want available for the audit. Include photocopies of statements or notes of unusual circumstances during the year.

Monthly

- Review and balance bank statements for all bank accounts.
- Make sure monthly (or more often) benefit payments are made (i.e., taxes, retirement, etc.)
- Make sure all deposits are made and receipts posted for the month.
- Bill all outstanding amounts due to the road commission.
- Run month end reports and balance.
- Compare revenues/expenditures to budget.
- Photocopy the MTF check or acknowledgement of direct deposit each month for the auditors.
- Make a list of items that will need to be accrued at year end and review it each month (i.e., MTF checks, health insurance invoices, retirement invoices, etc.).

Before the Last Day of the Year

- Review Accounts Payable and Accounts Receivable for any that can be completed before year end.
- Review expenditures by activity and account number to look for any incorrect entries.
- 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.
- Make a list of all known payables that will need to be accrued.
- Make sure that all outstanding Accounts Payable and Accounts Receivable from the prior year are resolved.
- 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.
- Make sure that all needed inventory adjustments have been done for the year including physical count inventory adjustments.

UNIFORM ACCOUNTING PROCEDURES

YEAR END CLOSING (Continued)

As of Last Day of the Year

- Reconcile bank statements for all bank accounts.
- Make copies of all bank statements for December and January.
- Make copies of all active investments at year end.
- Make sure that the cash account in the computer reconciles with the cash account and county treasurer's cash account for the last day of the year.
- Make copies of accruals for Accounts Payable and Payroll for the auditors.
- Balance all employee fringe benefit accounts (i.e., vacation, sick leave, longevity).
- Prepare a spreadsheet for all Federal/State aid projects for the year tied to the General Ledger account totals, include copies of project sheets and contracts, and make copies for the auditor.
- Reconcile inventory accounts between inventory and General Ledger as of the last day of the year.
- Make a copy of the original budget, budget changes and final budget for the year for the auditor.
- Prepare and update schedules of outstanding debts.
- Balance petty cash as of the last day of the year.
- Compare expenditures and revenues for major changes from the preceding year to explain to the auditor.
- Make sure all equipment is recorded and up to date with disposal records and depreciation run.
- Review outstanding receivables for accuracy and make sure that they are all billed.
- Make sure that all capital assets are recorded and up to date with disposal records and depreciation run.
- Get any needed year end counts for gas or other supplies.
- Make sure interest for the last month of the year is accrued.
- Accrue MTF payments received in the first two months of the new year.
- Review vendor listing for those needing 1099's (must be done as of December 31st).
- Review vendor listing, general ledger accounts, etc., for any items that need to be deleted.
- Run quarter end reports and year end reports.
- Make sure that any needed closings are done such as payroll accruals.
- Prepare and run W-2's (must be done as of December 31st).

UNIFORM ACCOUNTING PROCEDURES

YEAR END CLOSING (Continued)

- Review budget report for unbudgeted expenditures and other possible entries.
- Review expenditures for any that are prepaid.
- Review revenues for any that should be booked as deferred or removed from deferral.
- Make sure that all 519 activities are accurate and up to date.
- Act 51 Report prepared
- Update information for GASB No. 34 infrastructure requirements:
 - Separate out nondepreciable 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 the Municipal Finance Qualifying Statement (cannot be completed until your auditors have forwarded your audit results to the Michigan Department of Treasury).

- Update MISCRAM information.

Illustration for Year End Closing Entries

An example of a year end closing spreadsheet is included (following the closing entries explained below) as one suggested method for balancing accounts and arriving at the year end fund balance. Other effective methods may already be in place at various road commissions to achieve the same results.

Closing entries should include, but are not limited to the following:

(A) 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.

(B) 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.

UNIFORM ACCOUNTING PROCEDURES

YEAR END CLOSING (Continued)

(C) 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.

(D) Close Administrative Credits--To close revenue accounts such as Account #629 - Overhead - State Trunkline Maintenance, Account #630 - Overhead - All Other Services, Account #646 - Handling Charges on Materials Sold, and Account # 691 - Purchase Discounts, debit the revenue accounts and credit Activity #515 - Administrative Expense.

Close Trade-In Allowances--To close Account #688 - Trade-In Allowance, debit the balance of that account and credit Account #693.01 - Gain or Loss on Disposal of 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.

(E) Tire Proration--To close the yearly tire expenses from Account #110 - Inventory-Equipment Materials and Parts to Activity #510 - Equipment Expense-Direct and Account #747 - Tires and Tubes for various applicable pieces of road equipment. Methods for tire proration can be found elsewhere in this manual under Equipment Accounting. Other methods for the distribution of these charges are also acceptable.

(F) Interest Income--To include interest on cash accounts for the last month of the fiscal year if not recorded during the month end closing. All other investments that extend beyond the fiscal year such as certificates of deposit should be reviewed and interest accrued for earnings within the fiscal year being closed.

(G) Inventory Adjustments--Adjustments to Activity #514 - Distributive Expense - Other and Account #791 - Inventory Adjustments must be made to balance general ledger Account #109 - Road Materials and to reflect the year end physical inventory of road materials. Adjustments to Activity #511 - Equipment Expense - Indirect and Account #110 - Equipment Materials and Parts must be made to balance general ledger Account #110 - 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.

(R) 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. Hopefully, the computer software spreads 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.

UNIFORM ACCOUNTING PROCEDURES

YEAR END CLOSING (Continued)

(R) 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. Hopefully, the computer software spreads these 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.

(S) Close Equipment Expense and Equipment Rental--To close out equipment expenses and equipment rental, debit Account #669 - Equipment Rental Credits and credit the balances for Activities #510 - Equipment Expense - Direct, #511 - Equipment Expense - Indirect, and #512 - Equipment Expense - Operating. The difference will be debited or credited to Account #670 - Gain or Loss on Equipment Usage.

(U) Federal and State Aid Adjustments--To record any final adjustments for project estimates that may have arrived after the close of the last month of the fiscal year. Examples for year end balancing of Account #125 - Deferred Expense - Federal Aid Projects and Account #126 - Deferred Expense - State Aid Projects are included in the Federal aid section of this manual.

(I) Deferred Compensation to Employees Deferred Compensation Fund--To record changes in Fund #726 - Employees Deferred Compensation Fund to reflect contributions and net earnings for the year by debiting Account #016 - Deposits with Deferred Compensation Fiscal Agent and crediting Account #344 - Deferred Compensation Payable. Note: Fund #726 does not apply to road commissions unless a fiduciary responsibility exists.

(H) 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 and Improvements, #138 - Equipment Road, #140 - Equipment Shop, #142 - Equipment Engineering, #144 - Equipment Yard and Storage, #146 - Office Equipment and Furniture, or #148 - Vehicles, as needed to remove the purchase price. Debit Account #399 - Investment in Capital Assets to offset the difference between accumulated depreciation and the purchase price recorded in the Capital Assets Control.

(J) Depreciation to Capital Assets Control--To record changes in Control #900 - Capital Asset Control for the current year's depreciation, debit Account #399 - Investment in Capital Assets and Credit Accounts #137, #139, #141, #143, #145, #147, and #149 - Accumulated Depreciation, as needed.

UNIFORM ACCOUNTING PROCEDURES

YEAR END CLOSING (Continued)

(K) 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 and Improvements, #138 - Equipment Road, #140 - Equipment Shop, #142 - Equipment Engineering, #144 - Equipment Yard and Storage, #146 - Office Equipment and Furniture, or #148 - Vehicles, as needed, and credit Account #399 - Investment in Capital Assets.

(L) 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 #304 - Notes Payable 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.

(P) Vested Vacation and Sick Leave to Long-Term Debt Control--To record vested vacation and sick leave values to Control #950 - Long-Term Debt Control, debit values due employees for vacation and sick leave to Account #195 - Amount to be Provided for Accumulated Vacation and Sick Leave and credit Account #343 - Accrued Vacation and Sick Leave Payable. Most auditors will require the road commission to record 100% of the vacation to be paid in the following fiscal year and sick leave at the percent to be paid at retirement.

In the County Road Fund--All revenues and expenditures will be closed to Account #390 - Fund Balance. Only assets and liabilities will be transferred to the new year.

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 Commission Funds through processes as designated in the instructions for Act 51 reporting.

GASB No. 40--The road commission should adopt a policy, including the county's policy, regarding the identification of risk associated with investments. The road commission is responsible for maintaining a record of all investments of road funds and the associated risk of each investment.

UNIFORM ACCOUNTING PROCEDURES

BROWN COUNTY ROAD COMMISSION													
20X9 YEAR END CLOSING													
GENERAL FUND 201	TRIAL BALANCE 12.31.X9		CLOSING ENTRIES								YEAR END BALANCES		
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	
ASSETS													
1.00	CASH	313,189.68			(F)	2,575.07							315,764.75
4.00	CERTIFICATE OF DEP	292,637.50											292,637.50
40.00	AR-SUNDRY	20,399.78											20,399.78
45.00	AR-SAD-CURRENT	17,038.25	(O)	0.01									17,038.26
78.00	AR-STATE	0.00	(A)	489,915.95									489,915.95
77.00	DUE FROM VILLAGE	7,500.00											7,500.00
80.00	DUE-TWP AGREE	172,464.87											172,464.87
82.00	DUE -TWP RD BD	340,552.31		(M)	(166,316.24)								174,236.07
109.00	INV-RD MATERIAL	65,567.91	(G)	2,714.41									68,282.32
110.00	INV-PARTS	140,752.53	(G)	2,142.91		(E)	(3,292.49)						139,602.95
123.00	PREPAID EXP-CONTRTOR	32,812.50		(O)	(32,812.50)								0.00
125.00	DEF EXP-FED AID	134,827.27						(U)	(123,132.80)				11,694.47
126.00	DEF EXP-ST AID	30,882.65											30,882.65
LIABILITIES													
202.00	ACCT PAYABLE		(446,739.29)										(446,739.29)
210.00	CONT PAYABLE-MAINT		(32,812.50)	(O)	32,812.50								0.00
211.00	CONT PAY-CONST		(111,958.53)										(111,958.53)
257.00	ACC WAG PAYABLE		(13,313.21)										(13,313.21)
339.00	DEF REVENUE		(340,552.30)	(M)	166,316.24	(O)	(0.01)						(174,236.07)
390.01	FD BAL-PRIMARY												1,740,419.57
390.02	FD BAL-LOCAL		(1,969,897.43)									(1,969,897.43)	994,172.47
390.03	FD BAL-COUNTY											0.00	
REVENUES													
450.00	PERMITS		(75,033.69)										(75,033.69)
510.00	FED AID-NEGOT		(1,636,774.15)					(U)	103,690.76				(1,533,083.39)
511.00	FED AID-FORCE		(1,030.93)										(1,030.93)
546.00	MTF		(5,161,928.57)		(A)	(489,915.95)							(5,651,844.52)
547.00	ST CRIT BDG		(63,683.87)					(U)	19,442.04				(44,241.83)
548.00	ECON DEV FD		(282,168.11)										(282,168.11)
549.00	PA110 MONIES		(339,382.00)										(339,382.00)
583.00	CON-LOCAL UNITS		(838,796.31)										(838,796.31)
646.00	HANDLING CHG		(170.10)			(D)	170.10						0.00
665.00	INTEREST		(66,635.34)					(F)	(2,575.07)				(69,210.41)
667-668	RENTS		(67.57)										(67.57)
669.00	EQUIP RENTAL		(1,142,293.00)					(S)	1,142,293.00				0.00
670.00	GAIN ON EQ USE		0.00					(S)	158,154.90				158,154.90

UNIFORM ACCOUNTING PROCEDURES

**BROWN COUNTY ROAD COMMISSION
20X9 YEAR END CLOSING**

GENERAL FUND 201		TRIAL BALANCE 12.31.X9		CLOSING ENTRIES								YEAR END BALANCES					
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT				
REVENUES (continued)																	
672.00	SPECIAL ASSESS		(21,803.71)										(21,803.71)				
676-687.00	REIMBURSEMENT		(144,732.88)										(144,732.88)				
688.00	TRADE IN ALLOW		(200.00)					(N)	200.00				0.00				
689.00	EQUIP RETIRE		(2,116.93)					(W)	2,316.93	(N)	(200.00)		0.00				
690.00	DEP AND DEplete		(415,880.02)		(B)	(118,305.17)		(W)	534,185.19				0.00				
691.00	PURCHASE DISC		(19,869.79)				(D)	19,869.79					0.00	TRANSFERS KEY			
693.00	GAIN ON EQ DISP		(29,176.67)										(29,176.67)				
699.00	COUNTY APPROP		0.00										0.00	(A) MTF RECEIVABLE			
EXPENSES																	
451.00	PRIM CONST-RD	508,400.56				(T)	214.80	(R)	66,793.11				575,408.47	(B) DEPRECIATION			
452.00	PRIM CONST-BDG	0.00						(R)	0.00				0.00	(C) PRORATE UTILITIES			
459.00	PRIM PRES-ST IMP-RD	2,799,107.63					(T)	(214.80)	(R)	298,386.09			3,097,278.92	(D) CLOSE OUT DISCOUNTS			
460.00	PRIM PRES-ST IMP-BDG	1,186.20						(R)	95.39				1,281.59	(E) TIRE PRORATION			
467.00	PRIM ROUT.PREV.MAINT	260,080.11						(R)	108,989.64				369,069.75	(F) INTEREST FOR SEPT			
468.00	PRIM ROUT.PREV.MAINT-BDG	1,350.00						(R)	108.56				1,458.56	(G) INVENTORY ADJ			
472.00	PRIM ROUT.PREV.MAINT-WINT	478,165.32						(R)	108,203.49				586,368.81	(H) GAIN ON EQUIP DISP			
473.00	PRIM ROUT.PREV.MAINT-TRAF	196,211.82						(R)	37,502.60				233,714.42	(I) DEF COMP TO EDCF			
489.00	LOC PRES-ST IMP-RD	1,357,568.91						(R)	139,831.27				1,497,400.18	(J) DEP TO GFAAG			
490.00	LOC PRES-ST IMP-BDG	526,465.28						(R)	58,398.57				584,863.85	(K) CAP OUT TO GFAAG			
497.00	LOC ROUT.PREV.MAINT-RD	674,635.45						(R)	239,256.52				913,891.97	(L) DEBT SERV TO GLTDAG			
498.00	LOC ROUT.PREV.MAINT-BDG	1,126.68					(O)		419.25				1,545.93	(M) TOWNSHIP BOND PAY			
502.00	LOC ROUT.PREV.MAINT-WINT	316,663.07						(R)	78,698.98				395,362.05	(N) CORRECTION			
503.00	LOC ROUT.PREV.MAINT-TRAF	87,687.43						(R)	31,104.39				118,791.82	(O) CORRECTION			
510.00	EQUIP EXP-DIR	608,296.91				(E)	3,292.49	(R)	54,277.76	(S)	(665,867.16)		0.00	(P) VEST VAC & S L TO GLTDAG			
511.00	EQUIP EXP-INDIR	320,548.97		(B)	81,124.29	(G)	(2,142.91)	(T)	17,315.00	(C)	(3,686.93)	(R)	81,305.13	(S)	(494,463.55)	0.00	(R) SPREAD FRINGE AND OH
512.00	EQUIP EXP-OPER	132,125.57							7,991.62	(S)	(140,117.19)		0.00	(S) CLOSE EQUIP EXPENSE			
513.00	DIST-FRINGE	842,816.20								(R)	(842,816.20)		0.00	(T) COMPUTER ADJ			
514.00	DIST-OTHER	645,801.17		(B)	11,766.59	(G)	(2,714.41)			(T)	(17,315.00)		0.00	(R)	(637,538.35)	0.00	(U) FED AID ADJ
515.00	ADMIN EXPENSE	314,292.76		(B)	25,414.29			(C)	3,686.93	(D)	(20,039.89)	(R)	141,359.41		464,713.50	(V) AUDIT ADJ SHOP EQUIP	
519.00	OTHER MAINT	173,839.80							15,219.69	(R)			189,059.49	(W) CLOSE EQ RET & DEP			
902.00	CAP OUT-BLD	89,619.80							12,413.08	(R)			102,032.88				
903.00	CAP OUT-RD EQUIP	511,065.67								(W)	(536,502.12)		(25,436.45)				
904.00	CAP OUT-OTHER	46,753.86											46,753.86				
906.00	DBT SERV-CAN BOND	117,370.00											117,370.00				
910.00	DBT SERV-BOND	564,468.76											564,468.76				
911.00	DBT SERV-LOADER	12,743.72											12,743.72				
	TOTALS	13,157,016.90	(13,157,016.90)			812,207.19	(812,207.19)	47,124.18	(47,124.18)	3,440,637.37	(3,440,637.37)	9,848,142.08	(10,842,314.55)				
												(994,172.47)					

UNIFORM ACCOUNTING PROCEDURES

BROWN COUNTY ROAD COMMISSION
20X9 YEAR END CLOSING

Page 3

DEFERRED COMP FUND 726		TRIAL BALANCE 12.31.X9		CLOSING ENTRIES										YEAR END BALANCES	
ACCOUNT DESCRIPTION		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT		
16.00	DEP-DEF COM AG	806,553.18		(I) 169,464.02		(Q) 639.73								976,656.93	
344.00	COMP PAY		(806,553.18)		(I) (169,464.02)		(Q) (639.73)								(976,656.93)
	TOTALS	806,553.18	(806,553.18)	169,464.02	(169,464.02)	639.73	(639.73)	0.00	0.00	0.00	0.00	976,656.93	(976,656.93)		

**CAPITAL ASSETS CONTROL
CONTROL 900**

ACCOUNT DESCRIPTION		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
130.00	LAND & IMPROVEMENTS	53,002.47										53,002.47	
134.00	DEP ASSETS	59,177.47										59,177.47	
135.00	ACCUM DEP-DEP ASSETS		(59,177.47)										(59,177.47)
136.00	BUILDING/IMP	1,269,699.73				(K) 100,121.07			(N) (1,315.18)			1,368,505.62	
137.00	ACCUM DEP-BLD		(1,098,637.25)				(J) (78,729.94)						(1,177,367.19)
138.00	EQUIP-RD	4,025,962.70		(H) (186,212.47)	(K) 511,065.67							4,350,815.90	
139.00	ACCUM DEP-RD EQ		(3,239,723.50)	(H) 184,095.54			(J) (415,880.02)		(N) (2,073.66)				(3,473,581.64)
140.00	EQUIP-SHOP	63,219.01				(K) 1,805.00						65,024.01	
141.00	ACCUM DEPSP EQ		(58,725.51)				(J) (2,394.35)	(V) 361.00					(60,758.86)
142.00	EQUIP ENG	108,037.76				(K) 0.00						108,037.76	
143.00	ACCUM DEP-ENG EQ		(87,919.23)				(J) (11,766.59)						(99,685.82)
146.00	EQUIP-OFFICE FURN	241,893.19				(K) 44,948.86						286,842.05	
147.00	ACCUM DEP-OFFICE		(196,069.27)				(J) (25,414.29)						(221,483.56)
399.00	INV-CAPITAL ASSETS		(1,080,740.10)	(H) 2,116.93		(J) 534,185.19	(K) (657,940.60)	(N) 3,388.84	(V) (361.00)				(1,199,350.74)
	TOTALS	5,820,992.33	(5,820,992.33)	186,212.47	(186,212.47)	1,192,125.79	(1,192,125.79)	3,749.84	(3,749.84)	0.00	0.00	6,291,405.28	(6,291,405.28)

**LONG-TERM DEBT CONTROL
CONTROL 950**

ACCOUNT DESCRIPTION		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
186.00	AMT PRV-DEBT PRIN	1,296,904.13			(L) (641,277.21)							655,626.92	
195.00	AMT PRV-ACC V & SL	209,487.62			(P) (2,032.82)							207,454.80	
300.00	BOND PAYABLE		(1,185,000.00)	(L) 635,000.00									(550,000.00)
304.00	LEASE PAYABLE		(111,904.13)	(L) 6,277.21									(105,626.92)
343.00	ACCUM V & SL PAYAB		(209,487.62)	(P) 2,032.82									(207,454.80)
	TOTALS	1,506,391.75	(1,506,391.75)	643,310.03	(643,310.03)	0.00	0.00	0.00	0.00	0.00	0.00	863,081.72	(863,081.72)

UNIFORM ACCOUNTING PROCEDURES

ACT 51 REPORTING

The proper format for financial statements of county road commissions is provided in the Michigan Department of Transportation's Act 51 Report required at the end of the fiscal year. The Uniform Accounting Procedures Manual for County Road Commissions prescribes accounts and accounting procedures which are generally accepted accounting principles for road commissions in Michigan.

A CD, including instructions for submitting the Act 51 Financial Report, will be provided by MDOT for completion by the road commission. The report includes financial statements and supporting schedules. Printing off the blank report and penciling in numbers to balance the Act 51 form in its entirety before initial data entry into the software is suggested as all information is to be input via the internet connection.

The first step in processing the Act 51 Report will be to complete the supporting schedules for fringe and overhead calculations to provide actual rates for year end closing entries (see page 173 for additional instructions for year end closing). All payroll expenditures must be included in the Total Labor Charge column on the Distributive Expense - Fringe Benefits schedule. Total costs for computing overhead amounts on the Distributive Expense - Overhead schedule must include fringe rates for the current year that are determined on the Distributive Expense - Fringe Benefits schedule. However, labor for items such as trunkline maintenance, accounts receivable, distributive expenses and fringe benefits must be deducted from the Total Labor Charge to determine the applicable labor cost. Medicare 'D' Subsidy payments are to be listed as "Less Refunds" and deducted from the health insurance costs. To override calculations, check the override button at the top of the form and enter the new figures in place of the calculated totals. If no override button is provided, you must use the calculated amounts provided.

The percentage of beginning fund balance for primary, local, and county, from the prior year's Act 51 report should be used to report the Interest Earned Revenue. The percentage of Michigan Transportation Fund (MTF) allocation for primary and local should be used to report the MTF Engineering Revenue. Township contribution revenue should be reported as primary or local depending on the road being addressed (this can be accomplished with a spreadsheet or by pointing off the activity number). The number for Equipment Retirements on the Schedule of Capital Outlay page should represent the net book value of equipment disposed.

Only after the closing of accounts has taken place and a fund balance determined through some method (such as a spreadsheet as illustrated in the "Year End Closing" section of this manual), should completion of the remaining Act 51 supporting schedules and financial statements begin.

While working through the supporting schedules, many numbers will be transferred automatically through the Act 51 software program to the appropriate blanks on the financial statements and the logic of the entire report will begin to take shape. If all numbers are correct on the report, the fund balance on the Act 51 Report will equal that on the year end closing spreadsheet.

UNIFORM ACCOUNTING PROCEDURES

ACT 51 REPORTING (Continued)

Non-Motorized Transportation Expenditures

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.

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 \$s, and C=Construction \$s			
** Proration: $C_{nm} = (W_{nm} / W_{tot}) \times C_{tot}$ where W=Width of roadway, and C=Construction \$s. 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

ACT 51 REPORTING (Continued)

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.

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.

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 improvement of a sidewalk in a city or village" are eligible non-motorized expenditures per Public Act 82 of 2006, effective March 29, 2006.

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, or at: Michigan Department of Transportation, Bureau of Transportation Planning, Intermodal Services Unit, PO Box 30050, Lansing, Michigan 48909.

The Act 51 Report is to be entered via internet into MDOT's computer system. Applicable due dates will also be provided by the Michigan Department of Transportation.

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

ACT 51 REPORTING (Continued)

APPLICATION OF GASB STATEMENT NO. 34, BASIC FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

This section addresses the conversion from the modified accrual basis of accounting to the economic resource measurement focus and the full accrual basis of accounting.

GASB No. 34 requires the following additional reporting items:

1. Management's Discussion and Analysis (MD&A)
2. Infrastructure Reporting
3. Basic Financial Statements - Government-Wide Financial Statements
 - Statement of Net Assets
 - Statement of Activities
 - Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets
 - Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
4. Required Supplementary Information other than MD&A
 - Budgetary Comparison Including Original Budget and Final Amended Budget

Included in this section are examples of typical adjusting entries for the conversion from the modified accrual basis of accounting to the economic resource measurement focus, and the full accrual basis of accounting and examples of the above reporting requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management discussion and analysis (MD&A) is management's responsibility and is required supplementary information to be included before the basic financial statements in your audit report. The MD&A should provide an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions or conditions. It should discuss the current year results in comparison with the prior year, with emphasis on the current year. This fact-based analysis should discuss the positive and negative aspects of the comparison with the prior year. Governments are encouraged to use charts, graphs and tables to enhance the understandability of the information presented. GASB No. 34 is very specific on what is to be included in the MD&A. The MD&A must cover the following 8 subparagraphs:

1. Brief Discussion of the Basic Financial Statements

Including the relations of the statements to each other and the significant differences in the information they provide.

UNIFORM ACCOUNTING PROCEDURES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2. Condensed Government-Wide Financial Statements

Including a comparison of the current year to the prior year. It must include these elements:

- a) Total assets, distinguishing between capital and other assets;
- b) Total liabilities, distinguishing between long-term liabilities and other liabilities;
- c) Total net assets: distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts;
- d) Program revenues, by major source;
- e) General revenues, by major source;
- f) Total revenues;
- g) Program expenses, at a minimum by function;
- h) Total expenses;
- i) Excess (deficiency) before special and extraordinary items and transfers;
- j) Contributions;
- k) Change in net assets; and
- l) Ending net assets.

You may use graphics to meet the above requirements. The guidance tells us that while graphics are encouraged in the MD&A, the condensed summary information must still contain numbers.

3. Analysis of Financial Position and Results of Operations

An analysis of the government's overall financial position and results of operation is to be presented to assist users in assessing whether the financial position has improved or deteriorated as a result of the year's operations. It should include reasons for significant changes from the prior year, not simply the amounts or percentages of change. Important economic factors, such as changes in the tax or employment bases that significantly affected operating results for the year, should also be discussed.

4. Analysis of Fund Balances and Transactions

The analysis should address the reasons for significant change in fund balances or fund net assets and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources.

5. Budget Variance Analysis

An analysis of significant variations between original and final budget amounts, and between final budget amounts and actual budget results. The analysis should include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity.

Should focus on the large variances, but also make the effort to explain why spending less money than budgeted might not be a good thing.

UNIFORM ACCOUNTING PROCEDURES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

6. Capital Assets and Long-Term Debt Activity

A description of significant capital assets and long-term debt activity during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the finances of planned facilities or services.

Changes in these two items need to be discussed; management needs to analyze why the changes occurred.

7. Use of the Modified Approach with Infrastructure

If the modified approach for reporting infrastructure is used, the following must be included:

- a) Significant changes in the assessed condition of eligible infrastructure assets from previous condition assessments;
- b) How the current assessed condition compares with the condition level the government has established; and
- c) Any significant differences from the estimated annual amount to maintain/preserve eligible infrastructure assets compared with the actual amounts spent during the current period.

8. Analysis of Currently Known Facts

A description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operation (revenues, expense and other changes in net assets).

An example of a MD&A, using the depreciation method of reporting infrastructure, can be found in Appendix B, page 313. If you use the modified approach, you will have to include the items listed in 7 above.

INFRASTRUCTURE REPORTING

Introduction

Capital assets are defined by GASB No. 34 as land and improvements, easements, buildings and 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 can normally 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. Infrastructure assets do not include buildings, drives, parking lots or any other examples given above that are incidental to property or access to property.

UNIFORM ACCOUNTING PROCEDURES

INFRASTRUCTURE REPORTING (Continued)

The purpose of this statement is to address issues surrounding infrastructure reporting of assets by county road commissions in the State of Michigan.

Effective Dates

All governmental entities must adopt the financial statement reporting model and prospective reporting of infrastructure for periods beginning after June 15th of either year 2001, 2002, or 2003, depending upon the size of their revenues for the base year with the larger entities (based on revenues) adopting first (2001). Revenues include all revenues (not other financing sources) of the primary government's governmental and enterprise funds, except for extraordinary items.

Prospective reporting of general infrastructure assets in the statement of net assets is required beginning at the effective dates of GASB No. 34. Retroactive reporting of all major general infrastructure assets is encouraged at that date. Phase 1 governments, as described in paragraph 143, should retroactively report all major general infrastructure assets for fiscal years beginning after June 15, 2005. Phase 2 governments should retroactively report all major general infrastructure assets for fiscal years beginning after June 15, 2006. Phase 3 governments are encouraged, but are not required to report major general infrastructure assets retroactively. All phases of government are required to include all prospective infrastructure assets.

Major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 must be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. This requirement applies to all government entities with \$10 million or more in revenues during their base year, which is the first fiscal year ending after June 15, 1999.

Retroactive Capitalization

Retroactive capitalization means that major infrastructure assets on hand at the date of implementation of GASB Statement No. 34 must be inventoried, recorded as capital assets in the accounts, and reported in the statement of net assets. Prospective capitalization of general infrastructure assets means that from the GASB Statement No. 34 implementation date forward, all such assets must be capitalized in the accounts and reported in the statement of net assets.

Infrastructure Asset Reporting

GASB No. 34 allows two approaches 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.

UNIFORM ACCOUNTING PROCEDURES

INFRASTRUCTURE REPORTING (Continued)

Infrastructure assets that are part of a network or subsystem of a network are not required to be depreciated, as long as the following two 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
 - 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 assets are being preserved at or above a condition level established by the government.

Most road commissions in the State of Michigan do not meet both criteria noted above to use the modified approach. Therefore, the road commissions must use the depreciation method for infrastructure assets with the following guidelines when the modified approach criteria are not fulfilled. Please note that these are guidelines that may vary depending on the region of the State, the weather, or other factors.

Life in years for depreciation: (straight life depreciation)

Roads	
Gravel Surface	8 years
Asphalt Surface	20 years
Concrete Surface	30 years
Traffic Signals	15 years
Bridges	
Timber Bridge	25 years
Timber Redecking	12 years
Metal Structure Bridge	30 years
Metal Redecking	15 years
Concrete Bridge	50 years
Concrete Redecking	25 years
Movable Bridge	50 years

Bridge invoices for engineering costs and final accounting can be received in subsequent years following the completion of the bridge; therefore, they are to be reported by subaccount in the capital assets and depreciated over the remaining years of the original depreciation schedule. For example, a concrete bridge opened in year 2001 would have 2001 costs depreciated over 50 years. Invoices received in year 2002 would be depreciated over the remaining 49 years, etc.

UNIFORM ACCOUNTING PROCEDURES

INFRASTRUCTURE REPORTING (Continued)

Initial installation of guardrail and traffic signs will be included with the project cost. All other guardrail and traffic sign work will be included in routine maintenance.

Purchase of land for roadway or right-of-way will be set up in a separate capital asset account, by year, which will not be depreciated. This information **MUST** be included from 1980 to present. Any purchase of land or right-of-way prior to 1980, for which the road commission has documentation of purchase price, should be included.

Land improvements (including excavation, ditching, grading, tree removal, and subgrade preparation) are to be recorded as capital assets by year, and will not be depreciated.

Use 1999 or 2000 project data for your road commission to arrive at a percentage of projects normally included as land improvements and apply this percentage to all years prior to current year. Use actual data from date of implementation forward.

All bridges **MUST** be included in the capital asset schedule.

All traffic signals **MUST** be included in the capital asset schedule.

All roads under the jurisdiction of the road commission constructed by a developer or under special assessment must have the cost included in the Capital Asset Control. For example, a local road constructed by a developer, would be recorded as follows: debit Activity #481 - Local Roads Construction/Capacity Improvements and credit Account #675 - Contributions and Donations from Private Sources. These roads are to be split the same as roads constructed by the road commission separating land/right-of-way purchase, land improvements, and depreciable road costs. This process is to commence with 1980 roads.

CLARIFICATION OF DEFINITIONS TO BE USED IN INFRASTRUCTURE REPORTING:

1. Land/Right-of-Way Purchase (Capitalized)
 - a) Actual cash expenditure for acquisition of land or right-of-way for road purposes.
 - b) Actual cost of work-in-kind exchange for acquisition of land or right-of-way for road purposes.
2. Land Improvements (construction and/or reconstruction projects) (Capitalized)
 - a) Excavation, ditching, grading (lane widened portion and/or elevation change only), tree removal, subgrade preparation of land in preparation for new roadway only.
3. Construction/Capacity Improvements (Capitalized)
 - a) Totally new road where no road previously existed.
 - b) Addition of lanes to existing roadway, only additional lanes are considered construction. All other project work would be classified as preservation/reconstruction or preservation/structural improvements.

UNIFORM ACCOUNTING PROCEDURES

INFRASTRUCTURE REPORTING (Continued)

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 (Expense)
 - 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)
 - 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.
9. Concrete Bridge (Capitalized)
 - 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 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.

Capital Asset Accounts

130	Land
.01	Land Owned by the Road Commission
.02	Land/Right-of-Way Purchases (Nondepreciating) to be Recorded by Year (Roadway Preparation)
131	Land Improvements (Nondepreciating) to be Recorded by Year
132	Land Improvements Depreciating (to be Recorded by Year) Fences, Sewers, Sidewalks, Retaining Walls, Landscaping - 20 years - 10% per year
133	Accumulated Depreciation - Land Improvements

UNIFORM ACCOUNTING PROCEDURES

INFRASTRUCTURE REPORTING (Continued)

150	Open
151	Open
156	Bridges (depreciating) to be Recorded by Year and Subaccount by Type
.01	Timber - 25 years - 4% per year Timber Redecking - 12 years - 8.3% per year
.02	Metal - 30 years - 3.3% per year
.03	Concrete - 50 years - 2% per year Concrete Redecking - 25 years - 4% per year
.04	Movable - 50 years - 2% per year
157	Accumulated Depreciation - Bridges
.01	Timber
.02	Metal
.03	Concrete
.04	Movable
159	Roads (Depreciating) to be Recorded by Year and Subaccount by Type
.01	Open
.02	Gravel - 8 years - 12.5% per year
.03	Asphalt - 20 years - 5% per year
.04	Concrete - 30 years - 3.3% per year
160	Accumulated Depreciation - Roads
.01	Open
.02	Gravel
.03	Asphalt
.04	Concrete
161	Traffic Signals (Depreciating) to be Recorded by Signal - 15 years - 6.67% per year
162	Accumulated Depreciation - Traffic Signals

All depreciated road commission capital assets are to be removed from the capital assets control and depreciation control at the time the individually recorded capital asset item has been fully depreciated. For example, the 1980 gravel roads in the capital asset control would be removed from the capital asset account along with the respective depreciation accounts in 1989, as they would be fully depreciated; however, all remaining 1980 recorded infrastructure assets would remain as they would not be fully depreciated. Fully depreciated bridges and traffic signals are to be removed from the capital asset control only when they have been replaced or removed from the road system.

Implementation

1. The road commission should look up all recorded deeds for purchase of land and/or right-of-way to record as capital asset expense.

UNIFORM ACCOUNTING PROCEDURES

INFRASTRUCTURE REPORTING (Continued)

2. Calculate land improvement cost percentage from 1999 or 2000 projects using actual data. Apply this percentage to construction/capacity improvements and preservation/structural improvements expenditures listed in 1980 to present Act 51 Financial Report data and record as capital assets by year. From the current year forward, use actual expenditures for land improvements on construction/capacity improvements and preservation/structural improvement projects.
3. Road preservation/structural improvements and construction/capacity improvement expenditures (less land improvement costs) as taken from the Act 51 Financial Reports should be recorded as capital assets by year. This number is to be split into category by percentage using actual miles for each year or using actual data, if available. Once the capital asset by year and subaccount has been determined, the depreciation factor must be applied up to the implementation date to record accumulated depreciation.
4. Traffic signals are to be recorded at original placement cost, by signal, and the depreciation factor is to be applied up to the implementation date. Signals are to remain as capital assets until they are removed or replaced. If they are removed or replaced prior to being fully depreciated, they are to be considered like equipment capital assets and variances are to be recorded as gain or loss on disposal.
5. Bridge capitalization amounts are to be taken from the bridge inventory in your engineering department and are to be recorded by subaccount and bridge. Year of construction can be obtained from the bridge inventory data. These are to be recorded at their original cost and depreciated up to the current year. Bridges are to remain as capital assets until they are removed or replaced. If they are removed or replaced prior to being fully depreciated, they are to be considered like equipment capital assets and variances are to be recorded as gain or loss on disposal.

The following account numbers may be used to record capital assets [SAMPLES ONLY]

Capital Expenditure Accounts

900	971	Land
900	972	
900	973	
900	974	
900	975	Buildings
900	976	Road Equipment
900	977	Shop Equipment
900	978	Engineering Equipment
900	979	Yard and Storage
900	980	Office Equipment
900	981	
900	982	
900	983	
900	984	
900	985	
900	986	
900	987	

UNIFORM ACCOUNTING PROCEDURES

GASB STATEMENT NO. 43/45--OTHER POST-EMPLOYMENT BENEFITS (OPEB)

What is OPEB?

Other post-employment benefits other than pensions could include: health insurance and dental, vision, prescription or other healthcare benefits, life insurance, legal services and 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. 43--provides related standards for financial reporting by OPEB plan trustees or administrators, or by employers or sponsors that include one or more OPEB plans as trust or agency funds in their own annual financial reports.

GASB Statement No. 45--establishes the measurement and recognition requirements for an employer's cost and obligations arising from the OPEB exchange.

The Need for GASB Statements No. 43 and No. 45

OPEB is part of the compensation employees earn each year and are paid out after employment ends. GASB Statements No. 43 and No. 45 recognize the OPEB cost of these future benefits as part of the cost of providing public services today.

Accrual Accounting Prospective--Prior to GASB Statements No. 43 and No. 45, most governmental entities recognized OPEB expenditures on a pay-as-you-go basis. The financial statements generally did not report the financial effects of OPEB until the promised benefits were paid. Now, OPEB expenditures will be recognized like the pension benefits, which are associated with the periods in which the exchange occurs rather than with the periods when benefits are actually paid or provided.

Implementation Phases

Based on the government's total annual revenues in the first fiscal year ending after June 15, 1999 (you would use the same phase as for the GASB Statement No. 34 implementation).

<u>Phase</u>	<u>Governments With Total Annual Revenues of</u>	<u>GASB 43 For Periods Beginning After</u>	<u>GASB 45</u>
1	\$100M or more	12/15/05	12/15/06
2	\$10M or more, but less than \$100M	12/15/06	12/15/07
3	Less than \$10M	12/15/07	12/15/08

UNIFORM ACCOUNTING PROCEDURES

GASB STATEMENT NO. 43/45--OTHER POST-EMPLOYMENT BENEFITS (OPEB)

(Continued)

How to Determine the Cost of OPEB

The road commission needs an actuarial valuation or “optional simplified alternative measurement method 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 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 *normal cost*.

Frequency of Actuarial Valuations

Based on total membership (employees in active service, terminated employees who have accumulated benefits but are not yet receiving them and retired employees and beneficiaries currently receiving benefits).

Membership	Frequency
200 or more	At least biennially
Less than 200	At least biennially
Less than 100	Optional simplified alternative measurement method instead of obtaining actuarial valuations

Annual Required Contribution (ARC)

The employers’ required contributions for the year, calculated in accordance with certain parameters includes:

1. The *Normal Cost* for the year.
2. A component for amortization of the total unfunded actuarial accrued liabilities (or funding excess) of the plan over a period not to exceed thirty years.

Net OPEB Obligation--Measurement

The Net Obligation is the cumulative difference between annual OPEB cost and employers’ contributions to a plan, including the OPEB liability or asset at transition, if any.

UNIFORM ACCOUNTING PROCEDURES

GASB STATEMENT NO. 43/45--OTHER POST-EMPLOYMENT BENEFITS (OPEB)

(Continued)

The net OPEB obligation, if any, is a measurement of the annual OPEB cost equal to:

1. The ARC;
2. One year's interest on the net OPEB obligation; and
3. An adjustment to the ARC to offset the effect of the actuarial amortization of past under-or over contributions.

Financial Statement Recognition

Modified Accrual--Record actual expenditures paid for post-employment benefits (such as retirees' insurance premiums, as as you have always done it). If you make additional payments (to fund the ARC) they would be recorded as expenditures in the current year.

Full Accrual (GASB Statement No. 34)--The accounting entry is the same as above. However, if the ARC is not funded, a net OPEB obligation would be incurred. An expense would be recorded offset by the net OPEB obligation liability.

EXAMPLE 1:

The road commission's only OPEB is for health insurance for retirees.

Insurance premiums for retirees are paid monthly at a rate of \$20,000 per month and recorded in activity/account number 513-716.1.

Payments are made to fund the ARC in the amount of \$450,000, which are recorded in activity/account number 513-716.20.

The total ARC for the year was \$690,000. No other entries would be required for the modified accrual or full accrual.

EXAMPLE 2:

Same facts as above, but the road commission does not make any additional payments towards the ARC. You would not make any additional entries at the fund level on the modified accrual basis of accounting, but you would record the following entry for the GASB Statement No. 34 conversion to the government-wide statements.

		<u>Debit</u>	<u>Credit</u>
513.716.20	Other Post-Employment Benefits	\$ 468,000	
335	OPEB Liability		\$ 468,000

To record the increase in the Net OPEB Obligation for the year plus interest of 4% ($\$450,000 \times 4\% = \$18,000$).

UNIFORM ACCOUNTING PROCEDURES

GASB No. 34 Statements, Worksheets and Adjusting Entries

The following pages contain sample GASB No. 34 Statements and supporting documentation, as follows:

**SAMPLE COUNTY ROAD COMMISSION
STATEMENT OF NET ASSETS
December 31, 20XX**

EXHIBIT A

ASSETS

Cash	\$ 514,582
Investments	778,282
Accounts Receivable	
Property Taxes	2,318,885
Sundry Accounts	11,638
State Trunkline Maintenance	220,000
State--Other	52
Michigan Transportation Fund	1,341,850
Due on County Road Agreements	1,099,605
Due From Primary Government	170,347
Inventories	
Road Materials	309,816
Equipment Parts and Materials	309,155
Prepaid Expenses	126,625
Capital Assets (Net of Accumulated Depreciation)	<u>43,726,510</u>
Total Assets	<u>50,927,347</u>

LIABILITIES

Current Liabilities	
Accounts Payable	971,346
Due to State of Michigan	7,836
Accrued Liabilities	145,902
Performance Bonds Payable	35,115
Non-Current Liabilities	
Advances From State	386,217
Deferred Revenue	
Property Taxes	2,318,885
Township Road Bonds	
Installment Purchase Agreements Payable--Due Within One Year	55,700
Installment Purchase Agreements Payable--Due in More Than One Year	465,521
Vested Employee Benefits Payable	<u>418,759</u>
Total Liabilities	<u>4,805,281</u>

NET ASSETS

Investment in Capital Assets--Net of Related Debt Restricted for County Roads	<u>43,205,289</u> <u>2,916,777</u>
Total Net Assets	<u><u>\$ 46,122,066</u></u>

UNIFORM ACCOUNTING PROCEDURES

**SAMPLE COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 20XX**

EXHIBIT B

Program Expenses	
Primary Road Routine and Preventive Maintenance	\$ 2,199,985
Local Road Routine and Preventive Maintenance	4,771,542
State Trunkline Maintenance	1,917,879
Net Equipment Expense	(179,186)
Net Administrative Expense	575,971
Non-Road Project	80,000
Infrastructure Depreciation	945,340
Compensated Absences	18,572
Interest Expense	12,980
	<hr/>
Total Program Expenses	10,343,083
	<hr/>
Program Revenue	
Charges for Services	
License and Permits	29,593
Charges for Services	1,928,724
Contributions From Local Units	1,890,123
Reimbursements	2,189
Operating Grants and Contributions	
Michigan Transportation Funds	8,728,542
Investment Earnings	47,402
Capital Grants and Contributions	
Federal Grants	2,043,034
State Grants	283,142
Contributions From Local Units	3,500,000
Contributions From Private Sources	1,000,000
	<hr/>
Total Program Revenue	19,452,749
	<hr/>
Net Program Revenue	9,109,666
	<hr/>
General Revenue	
Property Taxes	2,231,533
Gain on Equipment Disposal	56,984
Transfers In--Primary Government	136,133
	<hr/>
Total General Revenues and Transfers In	2,424,650
	<hr/>
Change in Net Assets	11,534,316
	<hr/>
Net Assets	
Beginning of Year	34,587,750
	<hr/>
End of Year	\$ 46,122,066
	<hr/> <hr/>

UNIFORM ACCOUNTING PROCEDURES

**SAMPLE COUNTY ROAD COMMISSION
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
For the Year Ended December 31, 20XX**

EXHIBIT D

Total Governmental Fund Balance \$ 3,335,536

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 43,726,510

Long-term liabilities are not due and payable in the current period and are not reported in the funds. (939,980)

Net Assets of Governmental Activities \$ 46,122,066

UNIFORM ACCOUNTING PROCEDURES

**SAMPLE COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 20XX**

EXHIBIT F

Net Change in Fund Balance--Total Governmental Funds \$ (266,366)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but is not recorded as an expense in the Statement of Activities. 12,993,670

Lease proceeds provide current financial resources to governmental funds, but entering into lease agreements increases long-term liabilities in the Statement of Net Assets. Repayment of notes/leases payable is an expenditure in governmental funds, but reduces the long-term liabilities in the Statement of Net Assets. (229,076)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (ie., Increase in compensated absences and infrastructure depreciation) (963,912)

Change in Net Assets of Governmental Activities \$ 11,534,316

UNIFORM ACCOUNTING PROCEDURES

**SAMPLE COUNTY ROAD COMMISSION
REVENUE WORKSHEET
Fund #201: County Road Fund
FYE 12/31/20XX**

Account Name	Modified Accrual	Adj. No.	GASB 34 Adjustments	GASB 34
PROPERTY TAXES				
Property Taxes	\$ 2,231,533.00			\$ 2,231,533.00
LICENSES AND PERMITS				
Permits	29,593.00			29,593.00
FEDERAL GRANTS				
Critical Bridge	1,192,934.00			1,192,934.00
Surface Transportation Program	277,215.00			277,215.00
Economic Development D Funds--Contracted	572,885.00			572,885.00
STATE GRANTS				
Michigan Transportation Fund				
Engineering	10,000.00			10,000.00
Primary Urban Road	5,060,618.00			5,060,618.00
Local Urban Road	3,285,474.00			3,285,474.00
Primary Allocation Road	182,350.00			182,350.00
Local Allocation Road	73,365.00			73,365.00
Snow Removal	116,735.00			116,735.00
Critical Bridge	51,978.00			51,978.00
Economic Development Fund				
Rural Primary (D)	231,164.00			231,164.00
CONTRIBUTIONS FROM LOCAL UNITS				
Cities and Villages	80,000.00			80,000.00
Townships	5,310,123.00			5,310,123.00
CHARGES FOR SERVICES				
State Trunkline Maintenance	1,732,091.00			1,732,091.00
State Trunkline Non-Maintenance	185,788.00			185,788.00
Other	8,411.00			8,411.00
Salvage Sales	2,434.00			2,434.00
INTEREST AND RENTS				
Interest Earned	47,402.00	7	-	47,402.00
OTHER REVENUE				
Reimbursements and Refunds	2,189.00			2,189.00
Gain/(Loss) on Equipment Disposal	56,984.00			56,984.00
Contributions From Private Sources	1,000,000.00			1,000,000.00
OTHER FINANCING SOURCES				
Installment Lease Proceeds	300,000.00	4b	\$ (300,000.00)	-
Operating Transfers In From Primary Government	136,133.00			136,133.00
TOTAL REVENUES	\$22,177,399.00		\$ (300,000.00)	\$21,877,399.00

UNIFORM ACCOUNTING PROCEDURES

**SAMPLE COUNTY ROAD COMMISSION
EXPENDITURE WORKSHEET
Fund #201: County Road Fund
FYE 12/31/20XX**

Activity or Account Name	Modified Accrual	GASB 34 Adjustments	Adj. No.	GASB 34
Primary Road				
Construction/Capacity Improvements		0.00	6	0.00
Preservation/Structural Improvements	\$ 5,524,799.00	\$ (5,524,799.00)	6	0.00
Routine and Preventive Maintenance	2,194,403.00			\$ 2,194,403.00
Local Road				
Construction/Capacity Improvement	1,000,000.00	(1,000,000.00)	6	0.00
Preservation/Structural Improvements	5,111,178.00	(5,111,178.00)	6	0.00
Routine and Preventive Maintenance	4,768,702.00			4,768,702.00
Primary Road Structures				
Preservation/Structural Improvements	1,223.00	(1,223.00)	6	0.00
Routine and Preventive Maintenance	5,582.00			5,582.00
Local Road Structures				
Preservation/Structural Improvements	1,260,157.00	(1,260,157.00)	6	0.00
Routine and Preventive Maintenance	2,840.00			2,840.00
State Trunkline Maintenance	1,732,091.00			1,732,091.00
State Trunkline Non-Maintenance	185,788.00			185,788.00
Private Driveway Plowing				0.00
Equipment Expense--Net	(179,186.00)			(179,186.00)
Administrative Expense--Net	575,971.00			575,971.00
Non-Road Project	80,000.00			80,000.00
COMPENSATED ABSENSES		18,572.00	5	18,572.00
Capital Outlay--Net				0.00
Capital Outlay	1,091,016.00	(1,091,016.00)	1a	0.00
Less: Depreciation and Depletion	(989,275.00)	989,275.00	2	0.00
Equipment Retirements	(5,428.00)	5,428.00	3	0.00
Infrastructure Depreciation		945,340.00	2	945,340.00
Debt Service Payments				
Principal	70,924.00	(70,924.00)	4a	0.00
Interest	12,980.00	0.00	4c	12,980.00
Total Expenditures	\$22,443,765.00	\$ (12,100,682.00)		\$ 10,343,083.00

UNIFORM ACCOUNTING PROCEDURES

**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 Assets (Beginning of Year)		\$ 4,159,088
		Capital Assets (Beginning of Year Balance)--Infrastructure	\$ 28,360,348	
		Accumulated Depreciation (Beginning Balance)		\$ 841,256
		Net Assets (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 FIXED 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 DEPRECIATION AND TO LEAVE
THE ALREADY BOOKED DEPRECIATION BOOKED IN THE
"500" ACCOUNTS AND TO BOOK DEPRECIATION FOR 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 Assets (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"

4a	300	Bonds Payable (Current Year Activity)	\$ 35,000	
	304	Installment Purchase Agreements Payable	\$ 35,924	
	991	Debt Service--Principal (Current Year 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

**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 Assets--(Beginning of Year)	\$ -	
	995	Interest Expense		\$ -
	251	Interest Payable		\$ -

RECORD CURRENT INTEREST PAYABLE ON DEBT PAYMENTS THAT ARE PAID PRIOR TO THE YEAR END THAT HAVE ACCRUED INTEREST

5. Employee Compensated Absences

		Net Assets (Beginning of Year)	\$ 400,187	
343		Compensated Absences Liability (Beginning of Year)		\$ 400,187
		Compensated Absences Expense--GASB No. 34 (Line-Item Only)	\$ 18,572	\$ -
343		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		Deferred Revenue--Special Assessments	\$ -	
672		Special Assessment Revenue	\$ -	
665.01		Interest on Special Assessments		\$ -
		Net Assets		\$ -

TO REMOVE SPECIAL ASSESSMENT EARNED IN A PRIOR YEAR AND COLLECTED IN THE CURRENT YEAR

7A	339	Deferred Revenue--Special Assessments	\$ -	
	672	Special Assessment Revenue		\$ -

TO RECORD SPECIAL ASSESSMENTS ASSESSED IN THE CURRENT YEAR

8. To Eliminate Fund Balance to Net Assets

	390.01	Fund Balance--Primary	\$ 3,335,536	
	390.02	Fund Balance--Local	\$ -	
	390.03	Fund Balance--County Road	\$ -	
		Net Assets		\$ 3,335,536
			\$ 60,773,812	\$ 60,773,812

UNIFORM ACCOUNTING PROCEDURES

**SAMPLE COUNTY ROAD COMMISSION
WORKING TRIAL BALANCE (WP 201 - 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			
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			
110	Inventory--Equipment Parts and Materials	309,155			
123	Prepaid Expenses	126,625			
	Property, Plant, and 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)
	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				
307	Bonds Payable				
328.1	State Trunkline Equipment Advance	(275,541)			
328.2	State Trunkline Maintenance Advance	(110,676)			
339	Deferred Revenue--Property Taxes	(2,318,885)			
343	Vested Employee Benefits				
	Equity				
	Fund Balance				
390.01	Primary Road Fund	(3,335,536)			
390.02	Local Road Fund				
390.03	County Road Fund				
	Net Assets				
	Investment in Capital Assets--Net of Related Debt Restricted		(31,678,180)	(1,091,016)	1,934,615
	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

**SAMPLE COUNTY ROAD COMMISSION
WORKING TRIAL BALANCE (WP 201 - TB)
FYE 12/31/20XX (CONTINUED)**

Acct No.	Account Name	AE #3	AE #4	AE #4a	ae #4b	AE #5
		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 Compensated 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 Agreements					
084	Due From County					
109	Inventory--Road Materials					
110	Inventory--Equipment Parts and Materials					
123	Prepaid Expenses					
	Property, Plant, and Equipment					
	Capital Assets--Non-Infrastructure	(235,428)				
	Accumulated Depreciation--Non-Infrastructure Infrastructure	230,000				
	Accumulated Depreciation--Infrastructure					
	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					
328.2	State Trunkline Maintenance Advance					
339	Deferred Revenue--Property Taxes					
343	Vested Employee Benefits					(400,187)
	Equity					
	Fund Balance					
390.01	Primary Road Fund					
390.02	Local Road Fund					
390.03	County Road Fund					
	Net Assets					
	Investment in Capital Assets--Net of Related Debt Restricted	5,428	292,145	(70,924)	300,000	400,187
	TOTAL	-	-	-	-	-

EFFECT TO REVENUES AND EXPENDITURES

400	REVENUE CONTROL				300,000	
700	EXPENDITURE CONTROL	5,428		(70,924)	300,000	
	TOTALS	5,428	-	(70,924)	600,000	-

UNIFORM ACCOUNTING PROCEDURES

**SAMPLE COUNTY ROAD COMMISSION
WORKING TRIAL BALANCE (WP 201 - TB)
FYE 12/31/20xx**

Acct No.	Account Name	AE #5a	AE #6	AE #8	ENDING BALANCE GASB NO. 34
		Record Change in Compensated Absence Payable	Record Current Year Infrastructure (Const/Cap Imp. & Pres. Struct. Imp.)	Reclassify Ending Fund Balance to Net Assets Restricted	
	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
110	Inventory--Equipment Parts and Materials				309,155
123	Prepaid Expenses				126,625
	Property, Plant, and 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)
328.2	State Trunkline Maintenance Advance				(110,676)
339	Deferred Revenue--Property Taxes				(2,318,885)
343	Vested Employee Benefits	(18,572)			(418,759)
	Equity				
	Fund Balance				
390.01	Primary Road Fund			3,335,536	
390.02	Local Road Fund				
390.03	County Road Fund				
	Net Assets				
	Investment in Capital Assets--Net of Related Debt	18,572	(12,897,357)	(3,335,536)	(43,205,289)
	Restricted				(2,916,777)
	TOTALS	-	-	-	-

EFFECT TO REVENUES AND EXPENDITURES

400	REVENUE CONTROL			21,877,399	
700	EXPENDITURE CONTROL	18,572	(12,897,357)	(10,343,083)	-
	TOTALS	18,572	(12,897,357)	11,534,316	-

AUDITING PROCEDURES

The audit must be performed by an independent certified public accountant registered 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 Certified Public Accountants 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 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.

In June 1999, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments." This statement changed the reporting model for all State and local governments.

All governmental entities must adopt the financial statement reporting model and prospective reporting of infrastructure for periods beginning after June 15th of either year 2001, 2002, or 2003, depending upon the size of the primary government's revenues for the base year with the larger entities (based on revenues) adopting first (2001). Revenues include all revenues (not other financing sources) of the primary government's governmental and enterprise funds, except for extraordinary items.

Audited financial statements of the road commission should be in the format of the Act 51 Report (with minor revisions) and reflect the accounts and accounting procedures outlined in the accounting manual. A manual "Bulletin for Audits of County Road Commissions in Michigan" is provided by the Department of Treasury, which provides more extensive guidelines. 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. Auditor's Report--If the accountant's report on financial statements contains an opinion other than an unqualified opinion, the county road commission is required to make whatever changes are recommended by the independent certified public accountant so that an unqualified opinion can be included in the next report on financial statements.

- B. Management's Discussion and Analysis

- C. Basic Financial Statements
 - 1. Government-Wide Financial Statements
 - Accrual Basis of Accounting including Infrastructure Assets
 - Statement of Net Assets
 - Statement of Activities

AUDITING PROCEDURES

2. Governmental Funds--Modified Accrual Basis of Accounting
 - Balance Sheet
 - Statement of Revenues, Expenditures and Changes in Fund Balance
 - Reconciliation between the Government-Wide and Fund Financial Statements (If not part of the Notes to the Financial Statements)
 3. Fiduciary Funds--Accrual Basis of Accounting (with a column for each Fiduciary Fund Type)
 - Statement of Fiduciary Net Assets
 - Statement of Changes in Fiduciary Net Assets
- D. Notes to Financial Statements
- E. Required Supplemental Information
1. Budgetary Comparison Schedules (include original and final amended budget)
 2. Infrastructure Assets--Modified Approach
 3. Other RSI as required GASB No. 25 and No. 27
- F. Supplemental Financial Information--Must be audited at least to the extent necessary to state that in the auditor's opinion, the supplemental data is fairly stated in all material respects in relation to the financial statements.
1. Analysis of Changes in Fund Balances
 2. Analysis of Revenues
 3. Analysis of Expenditures
- (1) Report on Compliance and Internal Control; Management Letter; or Report of Comments and Recommendations--The report of comments and recommendations shall include a description of any improper, illegal or other actions disclosed by the independent certified public accountant 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 reports 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 outlines 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.

AUDITING PROCEDURES

- (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.
- (2) Report on Auditing Procedures--A report shall be made to the State Treasurer, with a copy to the county road commission, 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:
http://www.michigan.gov/documents/496_2996_7.pdf
- (3) Report on Findings of Suspected Fraud and/or Embezzlement--During the course of an audit, the independent certified public accountant should be constantly aware of the possibility of fraud and/or embezzlement. Statements on Auditing Standards No. 54 and No. 82 should be followed where applicable. **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 Local Audit and Finance Division of the Michigan Department of Treasury.** Materiality should not be considered when notifying Local Audit and Finance Division about a potential problem. This oral report should be promptly followed up by a written report to the Local Audit and Finance Division of the Michigan Department of Treasury, disclosing the independent CPAs findings.

Additional Reporting Requirements

Starting in 2004, the threshold that requires a road commission to have a Single Audit, under OMB Circular A-133, is \$500,000 in Federal funds expended on negotiated projects.

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.

BUDGETS

[Public Act 2 of 1968](#), as amended, establishes budgeting requirements and prohibits deficit spending 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 therefore 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 and debt service funds of the road commission. 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 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. It is this appropriation measure which serves as the legislative control document.

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 project an estimated ending fund balance, which cannot be less than zero.

BUDGETS

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. It is available on our website at:

http://www.michigan.gov/documents/UniformBudgetManual_16634_7.pdf.

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 Sources
 - c. Supporting Schedule - Expenditures and Other Uses
2. General Appropriations Act
3. Budget Amendments
 - a. Budget Amendment No. 1
 - 1) Supporting Schedule of Increases/(Decreases)
 - b. Budget Amendment No. 2
 - 1) Supporting Schedule of Increases/(Decreases)

BUDGETS

RECOMMENDED BUDGET

Budget Summary

REVENUES (AND OTHER 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

<u>Department or Classification</u>	<u>Amount</u>		
	<u>Year 20X4 Actual Prior</u>	<u>Year 20X5 Est. Current</u>	<u>Budget 20X6 Recommended</u>
<u>Account Description</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 Sources	-	200,000	85,000
Total Revenues and Other Sources	<u>\$ 3,724,076</u>	<u>\$ 3,863,823</u>	<u>\$ 3,706,000</u>

BUDGETS

RECOMMENDED BUDGET (Continued)

EXPENDITURES (AND OTHER 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

<u>Department or Classification</u>	<u>Amount</u>		
	<u>Year 20X4 Actual Prior</u>	<u>Year 20X5 Est. Current</u>	<u>Budget 20X6 Recommended</u>
<u>Account Description</u>			
Primary Road			
Construction/Capacity Improvement	\$ 35,487		
Preservation/Structural Improvement	774,712	\$ 1,308,722	\$ 1,273,000
Routine and Preventive 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 Preventive Maintenance	650,076	629,000	545,250
Equipment Expense (Net)	(127,124)	(175,000)	(117,000)
Distributive Expense	401,925	410,000	430,000
Administration (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
Total Expenditures and Other Uses	3,666,495	3,863,519	3,632,260
Amounts Needed for Contingencies	-		125,000
Total Expenditures and Other Uses	<u>\$ 3,666,495</u>	<u>\$ 3,863,519</u>	<u>\$ 3,757,260</u>
	Year End		
Budgeted Net Revenues (Expenditures)	12/31/06		\$ (51,260)
	Year End		
Current Estimated Operating Surplus (Deficit)	12/31/05	\$ 304	
Accumulated Available Unappropriated Surplus (Deficit) From Prior Years	12/31/04	\$ 355,503	
	12/31/05		\$ 355,807
Projected Surplus at End of Budget Year			<u>\$ 304,547</u>

BUDGETS

RECOMMENDED BUDGET (Continued)

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.

SUPPORTING SCHEDULE--REVENUES (AND OTHER 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

<u>Department or Classification</u>		<u>Amount</u>			
<u>Account Number</u>	<u>Account Description</u>	<u>Year 20X4 Actual Prior</u>	<u>Year 20X5 Est. Current</u>	<u>Budget 20X6 Recommended</u>	<u>Adopted</u>
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			

BUDGETS

RECOMMENDED BUDGET (Continued)

SUPPORTING SCHEDULE--REVENUES (AND OTHER 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

<u>Department or Classification</u>		<u>Amount</u>			
<u>Account Number</u>	<u>Account Description</u>	<u>Year 20X4 Actual Prior</u>	<u>Year 20X5 Est. Current</u>	<u>Budget 20X6 Recommended</u>	<u>Adopted</u>
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	Property 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 of Road Equipment	(1,050)	8,700	10,000	
Total Revenues		3,724,076	3,663,823	3,621,000	
Other Sources					
699	Appropriation Transfers In	-	200,000	85,000	
Total Revenues and Other 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.

BUDGETS

RECOMMENDED BUDGET (Continued)

SUPPORTING SCHEDULE--EXPENDITURES (AND OTHER 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

<u>Activity* or Account Number</u>	<u>Account Description</u>	<u>Amount</u>		
		<u>Year 20X4 Actual Prior</u>	<u>Year 20X5 Est. Current</u>	<u>Budget 20X6 Recommended</u>
	Primary Road			
450*	Construction/Capacity Improv.	35,487	-	-
451*	Roads	35,487		
	Primary Road			
458*	Preservation/Structural Improv.	774,712	1,308,722	1,273,000
459*	Roads	609,385	1,308,722	1,273,000
460*	Bridges and Structures	165,327		
	Primary Road			
466*	Routine & Preventive Maint.	691,852	460,000	561,000
467*	Roads	477,545	249,500	353,000
472*	Winter	214,307	210,500	208,000
	Local Road			
480*	Construction/Capacity Improv.	7,711	-	-
481*	Roads	7,711		
	Local Road			
488*	Preservation/Structural Improv.	76,203	106,257	84,000
489*	Roads	76,203	106,257	84,000
	Local Road			
496*	Routine & Preventive Maint.	648,076	629,000	545,250
497*	Roads	414,401	346,194	314,500
498*	Bridges and Structures	802		750
502*	Winter	232,873	282,806	230,000
670	Equipment Expense (Net)	(127,186)	(175,000)	(117,000)
510*	Direct	741,124	811,000	760,000
511*	Indirect	432,167	401,000	403,000
512*	Operating	207,087	211,000	220,000
669	Equipment Rental Credits	(1,507,564)	(1,598,000)	(1,500,000)

BUDGETS

RECOMMENDED BUDGET (Continued)

SUPPORTING SCHEDULE--EXPENDITURES (AND OTHER 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

<u>Activity* or Account</u>		<u>Amount</u>			
<u>Number</u>	<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	
	Administration (Net)	125,643	131,000	133,500	
515*	Administration	193,931	201,600	205,000	
629	Overhead--State	(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	(348,984)	(355,720)	(380,000)	
905*	Debt Service	174,920	171,648	169,010	
991	Principal	127,922	133,816	139,946	
995	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 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.

BUDGETS

GENERAL APPROPRIATIONS ACT

Moved by Commissioner Smith, supported by Commissioner Jones, that the 2006 Brown County Road Fund General Appropriations Act be approved unanimously as follows:

Revenues (and Other 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 Sources	<u>85,000</u>
Total Revenues and Other Sources	<u><u>\$3,706,000</u></u>
Expenditures (and Other Uses)	
Primary Road Construction/Capacity Improvement	
Primary Road Preservation/Structural Improvement	\$1,273,000
Primary Road Routine and Preventive Maintenance	561,000
Local Road Construction/Capacity Improvement	
Local Road Preservation/Structural Improvement	84,000
Local Road Routine and Preventive Maintenance	545,250
Equipment Expense (Net)	(117,000)
Distributive Expense	430,000
Administration (Net)	133,500
State Trunkline Maintenance	770,000
Capital Outlay (Net)	(216,500)
Debt Service	<u>169,010</u>
Total Expenditures	3,632,260
Other Uses	
Amounts Needed for Contingencies	<u>125,000</u>
Total Expenditures and Other Uses	<u><u>\$3,757,260</u></u>
Budgeted Net Revenues (Expenditures)	\$ (51,260)
Accumulated Available Unappropriated Fund Balance (Deficit) From Prior Years	<u>355,807</u>
Projected Fund Balance at End of Budget Year	<u><u>\$ 304,547</u></u>

BUDGETS

GENERAL APPROPRIATIONS ACT (Continued)

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 2006 Brown County Road Fund General Appropriations Act be amended per Budget Amendment #1 as follows:

	<u>Original Budget</u>	<u>Increase (Decrease)</u>	<u>Amended Budget</u>
Revenues (and Other 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
	<hr/>	<hr/>	<hr/>
Total Revenues	3,621,000	318,485	3,939,485
Other Sources	85,000	160,240	245,240
	<hr/>	<hr/>	<hr/>
Total Revenues and Other Sources	<u>\$ 3,706,000</u>	<u>\$ 478,725</u>	<u>\$ 4,184,725</u>

BUDGETS

BUDGET AMENDMENT #1 (Continued)

	<u>Original Budget</u>	<u>Increase (Decrease)</u>	<u>Amended Budget</u>
Expenditures (and Other Uses)			
Primary Road Construction/Capacity Improvement			
Primary Road Preservation/Structural Improvement	\$ 1,273,000	\$ (83,000)	\$ 1,190,000
Primary Road Routine and Preventive Maintenance	561,000	177,000	738,000
Local Road Construction/Capacity Improvement			
Local Road Preservation/Structural Improvement	84,000	16,000	100,000
Local Road Routine and Preventive 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
	<u>3,632,260</u>	<u>516,152</u>	<u>4,148,412</u>
Total Expenditures			
Other Uses			
Amounts Needed for Contingencies	125,000	(125,000)	-
	<u>\$ 3,757,260</u>	<u>\$ 391,152</u>	<u>\$ 4,148,412</u>
Total Expenditures and Other Uses			
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.

BUDGETS

BUDGET AMENDMENT #1 (Continued)

Brown County Road Fund
Supporting Schedule of Increases (Decreases)
Budget Amendment No. 1, FYE 12/31/X6

Activity* or Account Number	<u>Activity of Account Descriptions</u>	<u>Original Budget</u>	<u>Authorized Increase (Decrease)</u>	<u>Amended Budget</u>
	<u>Revenues and Other 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
510	MDOT--Private Contractors			
.02	Urban Highway	200,000		200,000
.071	Surface Transportation Program	500,000		500,000
511	Negotiated Contracts			
.03	Hazard Elimination Safety	125,000		125,000
.071	Surface Transportation Program	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	Property Rent	3,000		3,000
671	Other Revenue	10,200	-	10,200
687	Refunds--Rebates	200		200
693 .01	Gain or (Loss) on Disposal of Road Equipment	10,000		10,000
	Total Revenues	<u>3,621,000</u>	<u>318,485</u>	<u>3,939,485</u>
	Other Sources	<u>85,000</u>	<u>160,240</u>	<u>245,240</u>
697	Installment Purchase and Lease Proceeds		145,240	145,240
699	Appropriation Transfers In	85,000	15,000	100,000
	Total Revenue and Other Sources	<u>\$ 3,706,000</u>	<u>\$ 478,725</u>	<u>\$ 4,184,725</u>

LEGAL COMPLIANCE SECTION

The following sections of the Michigan Compiled Laws (MCL) are applicable to county road commissions as of April 2006. The "MCL Reference" column refers to legal sections as presented in the Michigan Compiled Laws. Michigan Compiled Laws website:

<http://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

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
21.41	C	The records and accounts of the road commission must be maintained in accordance with the uniform accounting procedures established by the State Treasury Department.
45.201	C	Options for fiscal year ends.
124.71	I	Public Employees Health Benefit Act, Public Act 106 of 2007--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.
124.73	I	Definitions
124.75	C	Medical, optical, or dental benefits provided to public employees; methods; solicitation of bids; number; frequency; participation of public employer in purchasing pool or coalition.
124.77	C	Public employer pooled plan; certificate of registration; application; form; notice of additional information needed; investigation; issuance or denial of certificate of registration; notice of denial; request for hearing; books open to commissioner.
124.79	C	Public employer pooled plan; requirements; effect of insufficient reserves; collection of cash reserves.

LEGAL COMPLIANCE SECTION

MCL Reference	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
124.81	C	Access to books, records, and documents; payment of annual assessment.
124.83	C	Articles, bylaws, and trust agreement; filing; notice of meetings; powers of board of trustees.
124.85	C	Public employer with 100 or more employees; claims utilization and cost information; compilation; "relevant period" defined; disclosure; availability; protected health information not included; date of compilation.
129.221 - 129.223	C	Acceptance of payments by credit/debit cards--required authorizations.
129.241 - 129.243	C	Credit card/debit card usage by management and employees--required policy and procedures.
224.1	I	Adoption of county road system.
		<u>CD: Powers of Road Commissions</u> County road commissions are created from legislation and have no power other than that which is legislatively conferred. Arrowhead Development Co. V. Livingston County Road Commission (1982) 322 N.W. 2d702, 413 Mich. 505.
224.6	I	County road commissioners; appointment or election, procedure; term of office; removal of appointed commissioner; complete board.
	I	OAG 1979, No. 5613, page 517: If the county board of commissioners does not make appointments to fill vacancies on the county road commission within a reasonable period of time, an action of mandamus may be instituted to compel the board to make the appointments. OAG 1955-56, Vol. 2, No. 2626, page 444: County road commissioner is a county officer within the scope of MCL 24.2 and is entitled to receive volumes of public acts as therein provided.
224.7	C	Each county road commissioner shall take and file the oath of office with the county clerk.
	C	Each county road commissioner shall execute and give official bond in amounts determined by the county board of commissioners.

LEGAL COMPLIANCE SECTION

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
224.7	C	The expense of securing such bonds shall be paid from the county road fund.
	C	No member of the board of county commissioners shall hold the office of county road commissioner at the same time.
224.8	C	<p>Vacancies on road commission boards filled by appointment of a county commission, county commissioners shall fix the compensation of the county road commissioners and participation in insurance and retirement as authorized by county commission.</p> <p>The county board of commissioners may authorize the participation of county road commissioners in an insurance or retirement program established under MCL 224.10a. Any such authorization granted by a county board of commissioners before this subsection was added is valid. The cost of participation in the insurance or retirement program shall be paid by the county road funds. OAG 1955-56 No. 2555, page 248 (Expenses).</p>
224.9	C	A majority of the members of the board of county road commissioners shall constitute a quorum for the transaction of business.
	C	The business which the board of county road commissioners performs shall be conducted at a public meeting of the board held in compliance with the Open Meetings Act, being MCL 15.261 through 15.275. (Public Act 267 of 1976)
	C	The board shall annually appoint one member as chairperson to serve during the pleasure of the board.
	C	The board of county road commissioners shall act as an administrative board only and the function of the board shall be limited to the formulation of policy and the performance of official duties imposed by law and delegated by the county board of commissioners.
	C	A member of the board of county road commissioners shall not be employed individually in any other capacity by, or for other duties with, the board of county road commissioners.
	C	The board shall appoint a competent superintendent, skilled in road building, who may be an engineer and who shall supervise road building operations in the county under the direction of the board.

LEGAL COMPLIANCE SECTION

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
224.9	C	The board shall be known as the Board of County Road Commissioners of the County of _____ .
	I	County road commissioners; holding title to land; service of process; conveyance; secretary.
	C	<p>The salaries of the members of the board of county road commissioners shall be paid by the board of county road commissioners from county road funds.</p> <p>OAG 1947-48, No. 599, page 463: Expenditure of county road funds to provide dinner or other entertainment for members of the county road commission and guest is illegal.</p> <p>OAG 1955-56, No. 2462, page 80: Prosecuting Attorney must represent and advise the county road commission on questions relating to both highway matters and matters involving the county government as a whole.</p> <p>OAG 1976, No. 4985, page 503: Consent of the county board of commissioners is required before a county road commission may spend tax moneys on county roads.</p> <p>OAG 1978, No. 5375, page 663: County road commissioners are required to apply for disaster assistance under the Emergency Management Act (MCL 30.410) through the county governing body, the county board of commissioners.</p>
224.9a	C	Records of county road commissions shall be made available to the public in compliance with the Freedom of Information Act (MCL 15.231 through 15.246--FOIA).
224.10	C	The clerk and the members of a board of county road commissioners shall be subject to Act 317 of the Public Acts of 1968 (MCL 15.321 through 15.330) - relates to conduct of public servants in respect to governmental decisions and contracts with public entities.
	C	Employment of a county highway engineer; professional and consultant services; laborers, machinery.

LEGAL COMPLIANCE SECTION

MCL

Reference Impact Statutory Provisions, Attorney General Opinions and Court Cases

[224.10](#)

C In cases involving the expenditure of an amount greater than \$15,000 for the purchase of machines, tools, appliances and materials, the board of county road commissioners shall advertise for sealed proposals for the machines, tools, appliances, and materials proposed to be purchased, except under emergency conditions, in which case the limit shall not exceed \$50,000. All purchases made under this section shall be compiled separately for purposes of board approval.

C The board shall advertise for sealed proposals for the purchase of passenger vehicles and trucks weighing less than 5,000lbs.

P The board may purchase surplus properties from the State and Federal governments without advertising for sealed proposals.

P The board may enter into a contract or agreement for the purchase of real or personal property to be used for public purposes and to be paid for in installments over a period of not to exceed 15 years or the useful life of the property acquired, whichever is less.

C Each county road commission shall issue a plan to ensure minority business enterprises have the equal opportunity to compete and perform contracts, or purchases of services, or both for the county road commission.

OAG 1937-38, pages 92, 96: Term "advertise" should be interpreted to mean "to give public notice of, to announce publicly, by printed notice"...

OAG 1955-56, Vol. 2, No. 2569, page 246: A county road commission may provide "sick leave" for its employees...

[224.10a](#)

P The board of county road commissioners may participate in the cost of, or provide life, health, accident, and hospitalization insurance for employees under its jurisdiction, and its retired employees and their dependents.

P The board may purchase or participate in the cost of endowment policies or retirement annuities for employees under its jurisdiction, to provide annuities or benefits for each employee after he has attained the age of 60 years in an amount not to exceed \$100 per month or 2% of the average monthly earnings of the employee times the years of service of the employee, whichever is the lesser sum.

LEGAL COMPLIANCE SECTION

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
224.10a	P	The board as an alternative may establish and maintain a retirement system for employees under its jurisdiction and provide for financing, funding, and benefit amounts and conditions, in accordance with and subject to MCL 46.12a .
	I	Endowment policies or annuities, excess amounts paid by employees; termination of employment or annuity benefits.
	C	Uniform scale of benefits; termination of employment, effect; purchase of endowment policies or annuities. Pension or insurance programs arising from collective bargaining agreements. Reports of condition of retirement system, annual form. Retirement system service credits.
224.11	I	Authority to lay out or change roads; construction or improvement projects, hearing, approval or disapproval; purchase of private property.
224.12	I	Condemnation; petition for appointment of commissioners; order for hearing; publication and services; proof.
224.13 , .14 , .15 & .16	I	Statutes regarding condemnation proceedings.
224.18	C	State rewarded roads, inter-county roads, conveyance of roads.
224.19	I	County road commissioners, roads and bridges, borrowing powers, validation of bonds, county highway engineer, duties, gravel, actions for injuries to road, bids, review of plans.
	C	When the board of county road commissioners decides to build or rebuild a road or bridge by a method other than by employment of day labor and purchase of necessary materials, the board shall advertise for sealed bids for the work, if the work involves an expenditure of an amount greater than \$20,000.
224.19a		If the county road commission contracts with a fair board for the maintenance of a road surface:
	C	Before entering into a contract, the county road commission shall determine the charges to be made for maintenance and which charges shall be sufficient to completely reimburse the county road commission for all expenses incurred in the performance of the maintenance.

LEGAL COMPLIANCE SECTION

MCL

Reference Impact Statutory Provisions, Attorney General Opinions and Court Cases

[224.19a](#) C The contract shall contain terms by which the board and not the county road commission shall be responsible for the payment of damages resulting from the maintenance of a road surface.

[224.19b](#) C If the county road commission adopts reasonable permit requirements and a schedule of fees to be charged to any person, partnership, association, corporation or governmental entity for performing work within the right-of-way of a county road except sidewalk installation and repair.

C A public hearing on the permit requirements and fee schedule must be held prior to adoption.

C Notice of the public hearing must be given by publication at least twice in a newspaper circulated in the county not more than 30 days nor less than 7 days prior to the hearing.

C Fee charges must be sufficient to cover only the necessary and actual costs applied in a reasonable manner for the issuance of the permit and for review of the proposed activity, inspection and related expenses.

C Fees charged to a government entity may not exceed \$300 per permit or \$1,000 total for all permits per project.

[224.20](#) County Road Property Tax (Not Submitted to the Electorate)

If the county road commission receives nonvoted property tax revenues for county road purposes:

C Before October 1 of each year the board of county road commissioners shall cause the county highway engineer to make preliminary surveys, general plans, specifications and estimates of road, bridge, and culvert work for the ensuing year.

C Based upon the estimates of the county highway engineer, the board of county road commissioners shall determine the amount of tax which in its judgment should be raised for such year, of tax which in its judgement should be raised for such year, specifying and itemizing the roads and parts of roads upon which such moneys are to be expended and stating the amount asked for each of such roads.

C Such determination shall be entered upon the records of the board of county road commissioners.

LEGAL COMPLIANCE SECTION

MCL

Reference Impact Statutory Provisions, Attorney General Opinions and Court Cases

[224.20](#)

C Such tax shall not exceed the following tax rate limitations:

Total Assessed Valuation of County in the Last Preceding Year	Tax Limitation Per \$1,000.00 of Assessed Valuation
\$20,000,000 or less	\$5.00
\$20,000,001 - 40,000,000	4.00
\$40,000,001 - 100,000,000	3.00
\$100,000,001 - 300,000,000	2.00
More than \$300,000,000	1.00

C At the annual meeting of the county board of commissioners in October, the county clerk shall lay the determination made by the board of county road commissioners before the board of county commissioners.

C The county board of commissioners shall make the final determination of the amount of tax to be raised for such year and for which roads the money is to be expended.

C The county treasurer shall keep a separate account of the taxes collected and moneys received under this act and pay the same out only upon the order of the board of county road commissioners and upon warrants signed by the chairman and countersigned by the clerk of the board.

C All money raised under the provisions of this act shall be expended by the board of county road commissioners exclusively for the purposes specified.

[224.20a](#)

County Road Property Tax (Approved by the Electorate)

If the county road commission receives extra voted property tax revenues for county road purposes:

C The tax rate limitations of Section 224.20 shall not apply.

C The tax levy shall not exceed ½ of 1% of the assessed valuation as equalized for the preceding year.

C The levy shall have been submitted to the electorate pursuant to a resolution of the board of commissioners approved by the governing bodies of each city within the county.

LEGAL COMPLIANCE SECTION

MCL

Reference Impact Statutory Provisions, Attorney General Opinions and Court Cases

[224.20a](#) P Revenues derived from the extra tax levy authorized by this section may be used for the improvement of city streets in such amounts and on such projects as are mutually agreed upon by the county road commission and the governing bodies of the cities and approved by the county board of commissioners.

[224.20b](#) C Notwithstanding any other provision of this act, and unless otherwise agreed by the governing bodies of the cities and villages and board of county road commissioners, the revenues derived from an extra voted tax levy for county road purposes shall be allocated and distributed by the county treasurer as follows:

To the county road fund:

C (1) A percentage of the total revenues equal to the proportion that the State equalized valuation of the unincorporated area of the county bears to the total State equalized value of the county.

C (2) A percentage of the remainder of the revenues equal to the proportion that the county primary road mileage within cities and villages bears to the total of the city and village major street mileage in the county plus the county primary road mileage within cities and villages in the county. (Note: Mileages to be used are the most recent mileages as certified by the State Department of Transportation).

To the cities and villages:

C The remaining revenues in the proportion that the State equalized value of each bears to the total State equalized value of the incorporated areas of the county.

C The revenues allocated to the county road fund shall be expended by the board of county road commissioners exclusively for highway, road, and street purposes.

[224.21](#) I County road commissioners; authority to obligate county, limitations; roads under construction; duty of county to keep roads in repair; actions brought against board; liability for damages.

[224.22](#) I Bond issue; submission to electors, notice, vote; disbursement of proceeds.

LEGAL COMPLIANCE SECTION

MCL Reference	Impact	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
224.25	C	Accurate accounts shall be kept of all money received and disbursed by the road commission and a complete financial report together with a detailed statement of all work done, right-of-way acquired, and roads constructed by the road commission shall be made to the county board of commissioners annually.
224.26	C	If the county has a population of more than 50,000, the road commission shall have an annual audit of its financial records, accounts, and procedures, including those required by law governing the disposition of any State funding.
	C	If the county has a population of less than 50,000, the road commission shall be audited not less frequently than biennially.
224.27	C	Each county road commission shall contract with a certified public accountant or the State Treasurer to perform the audit.
	C	The proposed contract for audit shall be confirmed by the county board of commissioners.
	C	If the county road commission fails to provide for an audit, the department of treasury shall conduct the audit or cause it to be conducted by a certified public accountant.
	C	The cost of any audit required by this act shall be paid by the county road commission.
224.28	C	Audit report requirements.
224.29	C	Audit reports shall be made available for public inspection.
247.396	C	Township boards may enter into contracts with the board of county road commissioners to provide maintenance or make improvements to private roads.
247.660c	I	New Definitions of “Preservation” and “Maintenance”
247.661	I	State Trunkline fund; appropriations and expenditures; loans. Provides for loans to road commissions by the State, e.g., 1984 transportation loan program.
247.662	C	The road commission shall be reimbursed from the State of Michigan in an amount up to \$10,000 per year for the sum paid to a licensed professional engineer employed or retained by the road commission in the previous year.

LEGAL COMPLIANCE SECTION

MCL

Reference Impact Statutory Provisions, Attorney General Opinions and Court Cases

[247.662](#)

- | | |
|-------|---|
| P & C | Not more than 30% of the amount returned to the county for use on the county primary road system may be expended, with or without matching, on county local road system. |
| P & C | Not more than 15% of the amount returned to the county for use on the county local road system may be expended, with or without matching, on the county primary road system. |
| P & C | In case of emergency or with the approval of the State Transportation Department, not more than an additional 15% per year of the amount returned to the county for use on the county local road system may be expended, with or without matching, on the county primary road system. |
| P | If the amounts of MTF returned to the county for county local roads exceeds total township contributions for the year for and on account of county local roads, the excess may be transferred to and expended on the county primary road system. |
| C | Not less than 20% per year of the MTF returned to the county by this section shall be expended for snow and ice removal, the construction or reconstruction of a new highway or existing highway, or for the servicing of bonds issued by the county for these purposes. |
| P | Surplus funds may be expended for the development, construction, or repair of an off-street parking facility. |
| C | Not more than 5% per year of the MTF returned to the county for the county primary road system and the county local road system shall be expended for the maintenance, improvement, or acquisition of roadside parks and motor parkways. |
| C | MTF returned to the county shall be deposited by the county treasurer in a designated county depository in a separate account to the credit of the county road commission, and shall be paid out only upon the order of the county road commission. |
| C | Interest earned on deposits of MTF shall be credited to the county road fund. |
| C | The function of the county road commission shall be limited to the formation of policy and the performance of the official duties imposed by law and delegated by the county board of commissioners. |

LEGAL COMPLIANCE SECTION

MCL

Reference Impact Statutory Provisions, Attorney General Opinions and Court Cases

[247.662](#)

- C A member of the county road commission shall not be employed individually in any other capacity for other duties with the county road commission.

- P The road commission may enter into highway, road, or street agreements with an adjacent county road commission, a city or village, and with MDOT.

- C At least 50% of the cost of local road construction must be paid from money received from sources other than MTF.

- C The amount of MTF expended for local road bridge construction shall not exceed 75% of the cost of the construction of the local road bridges. (Note: This does not apply to bridges financed with State critical bridge program funds.)

- I Use of State revenue returned from the transportation fund.

- I Urban routes; expenditure of Federal revenue for preservation.

- I Certification; average annual debt service requirement limit.

- C Not more than 10% per year of all funds received by and returned to a county from any source for the purposes of this section may be expended for administrative expenses.

In addition to the financial compliance audits required by law, the Department of Treasury shall conduct performance audits and make investigations of the disposition of all State funds received by county road commissions, county board of commissioners or any other county governmental agency acting as the county road authority.

[247.662a](#)

The amount withheld from the counties' November monthly distribution as specified in Section 12(3) shall be returned to the county road commission of each county for snow removal purposes, including the purchase and maintenance of equipment for snow removal and shall be distributed among the counties on the basis of each respective counties' average percentage share of the total amount returned to all counties in the State in each of the 14 calendar years before 1987.

LEGAL COMPLIANCE SECTION

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
247.662a	C	The Road Commission shall receive, before December 15 of the current fiscal year, a payment from the State for MTF snow removal funds.
	C	The county treasurer shall deposit the snow removal payment to the credit of the county road fund.
247.662b	I	Funds returned to counties from MTF, distribution; urban area boundaries.
247.663b	P	A county road commission may contract with other county road commissions for the purchase and use of equipment or machinery.
247.664	C	Biennial primary road programs; separate accounts; records; annual report; expenditures for administration; engineering, and record keeping; effect of noncompliance; responsibility of the State for local county road support; additional funds. Failure to comply with any of the requirements of this act shall result in the withholding of distributions and returns of funds provided for in this act and shall continue for the period of noncompliance.
247.664a	I	Expenditure of allocated funds, prerequisites; rules, engineering determination of benefits; payment of drain assessments.
247.665	C	Before May 2 of each year, the county road commission shall file with the State Department of Transportation, each township in the county, and the county clerk (on forms provided by the State Department of Transportation) a report showing the disposition of county road commission funds appropriated, apportioned, or allocated under this act.
	C	The report shall also include the following: number of miles of local and primary roads and amounts received for each of those miles, total population in each township and the per capita amount of funds received for each person on the basis of population, and the amount of funds received directly from each township in the county.
247.668a	I	Michigan Transportation Fund; use of money distributed.

LEGAL COMPLIANCE SECTION

MCL

Reference Impact Statutory Provisions, Attorney General Opinions and Court Cases

Act 51 Borrowing Statutes

- [247.668c](#) C If the county borrows money and issues bonds to pay all or any portion of the cost of the construction or reconstruction of highways, the bonds shall be issued only upon the written recommendation or approval of the county road commission and the adoption of a resolution by a majority vote of the county board of commissioners.
- C The resolution shall briefly describe the contemplated highway construction project, the estimated cost of the project, and the amount, maximum rate of interest, and maturity date of the bonds to be issued and the form of the bonds.
- C The resolution shall contain an irrevocable appropriation providing for the payment of the principal and interest of the bonds from the money received or to be received from the MTF except to the extent money has been pledged for debt service in accordance with other statutory provisions.
- C The total aggregate amount of bonds issued by the county under this section shall not exceed the amount necessary to meet the maximum annual principal and interest requirements of the bonds plus an amount equal to 20% of the MTF received by the county road commission during the fiscal year immediately preceding the issuance of the bonds.
- C The total annual amount that may be pledged by the road commission for the payment of principal and interest on bonds issued pursuant to this section, or the payment of contributions as required by a contract entered into accordance with [MCL 247.668d](#), which contributions are pledged for the payment of bonds, together with total maximum debt service requirements for payment of notes issued under Public Act 143 of 1943, as amended, shall not exceed 50% of the total MTF revenues received by the county road commission during the last completed fiscal year ending on June 30 before the issuance of a bond or note or the execution of a contract.
- C Bonds issued under this section are subject to the Revised Municipal Finance Act, PA 34 of 2001.

LEGAL COMPLIANCE SECTION

MCLA

Reference Impact

Statutory Provisions, Attorney General Opinions & Court Cases

[247.668d](#)

C

If the county road commission has entered into contracts with the State Transportation Commission, a city or village providing for the construction or reconstruction of highways under the jurisdiction and control of one of the contracting parties to the extent that the contracting parties are otherwise authorized by law to expend moneys on the highways, roads, or streets, the contracts shall provide for allocation of the share of the costs of the construction or the reconstruction to be borne by the county road commission or the State Transportation Commission, city, or village in annual installments for a period not to exceed 30 years.

C

If the road commission borrows money and issues bonds in accordance with this act for the purpose of providing funds for the immediate construction or reconstruction of the highway projects contemplated by the contracts, the bonds shall be secured by an irrevocable pledge of the annual contributions to be made by the road commission or other governmental units that are a party to the contracts.

C

Before the issuance of the bonds, the issuance of the bond shall be approved by the State Administrative Board and by a resolution of the county road commission and the governing body of each city or village that is a party to the contracts.

C

The aggregate amount of annual contributions made by the road commission under this section and pledged for the payment of principal and interest on bonds issued pursuant to a contract shall not exceed 40% of the total MTF funds received by the road commission during the last completed fiscal year ending on the June 30 before the execution of a contract.

[247.668e](#)

C

Bonds issued by the road commission under this act shall be serial bonds with annual maturities, or term bonds, with mandatory redemption requirements, or both serial and term bonds.

C

Bond issues shall not exceed 30 years.

C

The first bond shall fall due not more than 5 years from the date of issuance.

C

Maturities shall be as established by the resolution or ordinance authorizing the bonds or notes, without regard to the useful lives of the projects financed from the proceeds of the bonds or notes.

LEGAL COMPLIANCE SECTION

MCL

Reference Impact Statutory Provisions, Attorney General Opinions and Court Cases

[247.668e](#) C The bonds shall bear interest, taking into account any discount or premium on the sale of the bonds, at a rate not exceeding the maximum rate permitted by the Revised Municipal Finance Act, PA 34 of 2001, as amended, being [MCL 141.2101 to 141.2821](#). [MCL 141.2305](#) shows the amount of interest that bonds can bear, taking into consideration any discount or premium on the sale of the bonds.

[247.668f](#) C Bonds issued under MCL 247.668c are subject to the Revised Municipal Finance Act, PA 34 of 2001.

The Municipal Finance Act, PA 202 of 1943, was **repealed** effective March 1, 2002 by the Revised Municipal Finance Act, PA 34 of 2001 (MCL 141.2101 - 141.2821).

Under the Revised Municipal Finance Act, after March 1, 2002, a municipality shall not borrow money and issue municipal securities except in accordance with this act. Generally, a municipality may qualify to issue municipal securities (by filing a qualifying statement along with the annual audit report) without further Treasury approval. Municipalities that do not qualify under the provisions of the act must obtain prior approval from Treasury before issuing municipal securities.

"Municipality" means a county, township, city, village, school district, intermediate school district, community college district, metropolitan district, port district, drainage district, district library, or another governmental authority or agency in this State that has the power to issue a security. Municipality does not include this State or any authority, agency, fund, commission, board, or department of this State.

LEGAL COMPLIANCE SECTION

Under the Revised Municipal Finance Act (PA 34 of 2001), security means evidence of debt such as a bond, note, contract, obligation, refunding obligation, certificate of indebtedness, or other similar instruments issued by a municipality which pledges payment of the debt by the municipality from an identified source of revenue.

Public Act 34 of 2001 defines a municipal security as a security that when issued was not exempt from this act or by the provisions of the law authorizing its issuance and that is payable from or secured by any of the following:

- Ad valorem real and personal property taxes
- Special assessments
- The limited or unlimited full faith and credit pledge of the municipality
- Other sources of revenue described in this act for debt or securities authorized by this act

(Note: End of Act 51 Borrowing Statutes)

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
247.670	C	All contributions received from townships for the maintenance and/or improvement of county roads must be made pursuant to agreements between each township and the county road commission.
247.670a	P	Contracts for preservation of the county local road system within a township by the township (Note: Applies only to townships having a population of 15,000 or more.) A township may enter into a contract with the county road commission providing for the preservation by the township of all or any part of the county local road system within that township, subject to but not limited to the following conditions: C In the prior year and the contract year, the township will have levied a property tax of not less than 1 mill on each dollar of assessed valuation of the township for the improvement or preservation of county roads within the township. C The contract must be a written contract of not more than 1 year. C The contract shall specify the total amount of money that shall be annually expended by the contracting township for the preservation of the local road system or part thereof.

LEGAL COMPLIANCE SECTION

MCL

Reference Impact Statutory Provisions, Attorney General Opinions and Court Cases

[247.670a](#)

- C The road commission may pay not more than 90% of the amount specified in the contract to the contracting township annually.

- C The road commission shall not pay more than 66% of an amount equal to the average annual amount of funds expended by the county road commission on the local road system located within the contracting township for construction and preservation purposes over the previous 5-year period from local road funds received by the county under this act.

- C Any funds expended by the road commission on the local road system located within the contracting township in excess of 66% shall be matched by the contracting township.

- C The amount paid the contracting township shall not directly or indirectly include moneys transferred from the primary fund allocation to the county as set forth in [MCL 247.662\(8\)](#).

- C The contracting township shall file with the road commission on or before April 1 of each year, on forms provided by the State Department of Transportation, a report showing the disposition of funds received and expended for road purposes.

- C The contract shall require the contracting township to provide insurance covering the road commission's liability for failure to preserve the local roads specified in the contract.

- C The road commission shall determine and specify the equipment and personnel necessary to provide the preservation as set forth in the contract, and the contract shall not take effect until the contracting township has acquired the necessary equipment and personnel so specified.

LEGAL COMPLIANCE SECTION

MCL

Reference Impact Statutory Provisions, Attorney General Opinions and Court Cases

Revenue Anticipation Borrowing - PA 143 of 1943

[141.251](#) P The boards of county road commissioners are authorized and empowered, upon the adoption of a resolution, to borrow money, the sum of which shall not exceed the amount previously authorized by their respective county board of commissioners, in anticipation of and to pledge for the payment of the borrowed money, future revenues derived from stated collected taxes returned to the county for county road purposes pursuant to law and to issue notes for the purpose of purchasing road machinery or equipment, for improvement of county highways, or for other general county road purposes.

Notes issued under this act are subject to the Revised Municipal Finance Act, PA 34 of 2001, [MCL 141.2101 to 141.2821](#).

Under the Revised Municipal Finance Act, a municipality shall not borrow money and issue municipal securities except in accordance with this act. Generally, a municipality may qualify to issue municipal securities (by filing a qualifying statement along with the annual audit report) without further Treasury approval. Municipalities that do not qualify under the provisions of the act must obtain prior approval from Treasury before issuing municipal securities.

[141.252](#) All notes issued by the board of county road commissioners:

C The amount of each loan shall not exceed a percentage (Percentage limitation ranges from 4% for a loan payable in 1 installment, with an increase of 4% per installment, to 40% for a loan payable in 10 installments) of the total aggregate revenues derived from the State collected taxes returned to a county for county road purposes for the preceding 5 years.

C A loan payable in more than 2 installments shall not be authorized for any purpose other than construction, improvement, maintenance, or repair of highways.

C At no time shall the total loans outstanding under this act exceed 40% of the sum of the revenues derived from the State collected taxes returned to the county for county road purposes for the last preceding 5 calendar years and not specifically allocated for other purposes.

LEGAL COMPLIANCE SECTION

MCL

Reference Impact Statutory Provisions, Attorney General Opinions and Court Cases

[141.252](#) C The resolution authorizing the borrowing shall contain an irrevocable appropriation providing for the payment of the principal and interest from the money to be derived from the State collected taxes returned to the county for county road purposes pursuant to law that has not been specifically allocated for other purposes.

[141.2303](#) C The road commission must file annually a qualifying statement prepared by the chief administrative officer on a form prescribed by the Michigan Department of Treasury.

[141.2305](#) A municipal security authorized by law to be issued by a municipality may, notwithstanding the provisions of a charter, bear no interest as provided in this section or a rate not to exceed a maximum rate established by the governing body of the issuing municipality as set forth in its resolution or ordinance authorizing the issuance of the municipal security, which rate shall not exceed 18% per annum or a per annum rate determined by the department at the request of the municipality, whichever is higher.

It also states under subsection (2), in part, a municipal security issued under this act shall not be sold at a discount exceeding 10% of the principal amount of the municipal security.

We recommend that responsible road commission personnel become familiar with and comply with provisions of the following public acts, as amended:

MCL

Reference Impact Other Applicable Statutes

[15.261](#) - C Open Meetings Act - PA 267 of 1976
[15.275](#)

[15.231](#) - C Freedom of Information Act - PA 442 of 1976
[15.246](#)

[45.201](#) C Optional Fiscal Years for Counties - PA 347 of 1994

[124.301](#) - Electronic Transactions of Public Funds - PA 738 of 2002
[124.305](#)

[129.221](#) - C Accepting Payments by Credit Card - PA 280 of 1995
[129.222](#)

LEGAL COMPLIANCE SECTION

MCL

<u>Reference</u>	<u>Impact</u>	<u>Other Applicable Statutes (Continued)</u>
129.241 - 129.243	C	Use of Credit Cards, Credit Card Policy - PA 266 of 1995
129.91	C	Investment of Surplus Funds - PA 20 of 1943
141.421a - 141.422d & 141.434 - 141.440a	C	Uniform Budgeting and Accounting Act - PA 2 of 1968
567.221 - 567.265	C	Uniform Unclaimed Property Act - PA 29 of 1995

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
141.921		Financial Plan of Units Ending Fiscal Year in Deficit Condition PA 275 of 1980
	C	If a local unit of government ends its fiscal year in a deficit condition, the unit of government shall formulate and file a financial plan within 90 days after the beginning of the fiscal year to correct this condition.
	C	The financial plan shall be filed with the Department of Treasury for evaluation and certification that the plan ensures that the deficit condition is corrected.
	C	Upon certification by the Department of Treasury, the local unit of government shall institute the plan.
		OAG No. 6154, June 17, 1983: <u>Deficit Condition</u> --A local unit of government must file a financial plan to eliminate a deficit for any <u>fund</u> that ends its fiscal year in a condition where the total expenditures for that fund, including an accrued deficit, exceed total revenues in that fund for the fiscal year, including any surplus carried forward.

Notes:

- (1) Road commissions which comply with the requirements of the Uniform Budgeting and Accounting Act should not end a fiscal year in a deficit condition in any fund.
- (2) A road commission that ends its fiscal year with a deficit in either the Primary Road, Local Road or County Road Commission Funds (Subaccounts 390.01, 390.02 or 390.03) must file a deficit elimination plan.

LEGAL COMPLIANCE SECTION

ATTORNEY GENERAL OPINIONS

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>
3536	2/1/62	<u>Public Offices and Officers--Reimbursement for Expenses</u> --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.
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.
	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.
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.

LEGAL COMPLIANCE SECTION

ATTORNEY GENERAL OPINIONS

OPINION

<u>No.</u>	<u>Date</u>	<u>BRIEF DESCRIPTION</u>
5305		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 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.
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.
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.
6659	08/29/90	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.

POLICIES

Below is a listing of subjects that some county road commissions have incorporated into formal board policies. Required policies are noted with an asterisk (*). Subjects with a double asterisk (**) should be reviewed to determine whether a policy should be adopted by the board. All other policies are optional. This listing is not meant to be all inclusive. Samples of all required policies are in Appendix A (These are samples only and must be reviewed for your specific application.)

- Abandonments
- * Acceptance of Credit and Debit Cards for Payment
- Accounts Receivable Authorizations
- Advance Vacation Pay or Early Payroll Check
- ** Affirmative Action
- All Season Road Specifications
- Audits
- Borrowing of Road Materials
- Bridge and Culvert Replacement
- Bridge Definitions
- Brush Cutting Guidelines
- * Budget Appropriation Act
- ** Business Revolving Credit Accounts
- ** Career Development
- Cash Disbursement (Standard Operating Procedure)
- Catastrophic Illness
- * Capital Asset Determination
- Chain of Command
- Change in Existing Grade or Alignment
- Check Cashing Time Limit
- Citizens Wishing to Address the Board
- Clerk of the Board Designation
- Closed Meetings
- Clothing Allowance
- ** COBRA Premiums
- ** Commercial Drivers License
- Consultant Evaluation Record Keeping
- Contractor Evaluation Record Keeping
- Cost Sharing--Reconstruction, Recaps, Replacement of Curbs, Bridges, etc.
- County Drain Improvements
- CRAM Committee/Board of Director Appointments
- * Credit Cards
- Crediting Investment Income on Township Deposits to Projects
- Damage Claim Payments
- Damage to Asphalt Surface
- Dead Animals
- Dedication of Platted Subdivision Street Surfacing
- Deferred Compensation Program

POLICIES

- Density Testing
- Designation of Person Responsible for Providing Proper Meeting Notices
- ** Discriminatory Harassment
- Ditching Along Primary Roads--Cost Sharing
- DNR/DEQ Permits
- ** Drug Free Workplace/Substance Abuse
- ** Drug Testing Policy
- Dust Control Chemicals
- * Electronic Transactions and Substitute Checks
- Emergency Weather Procedure
- Employee Assistance Program
- Employee Bonds
- Engineering Costs on Local Road Projects
- * Equal Employment Opportunity
- Equipment Rentals
- Establishment of Truck Routes in Townships
- Ethics
- * Family and Medical Leave Act
- * Flexible Benefit Plan
- FLSA Exempt Employees
- Former Employee Fee for Deposition/Court Appearances
- * Freedom of Information
- Grades on Gravel Roads
- Gravel Testing
- Guardrail on Local and Primary Roads
- Haul Route Requirements
- Hazardous Material Removal
- Hiring Committee
- Indemnity
- Injury Management, Physicals, Drug Testing
- Inspection Procedures and Charges to Government Units
- Installation of Driveway Culverts/Sewer Lead/Signs
- Insurance Coverage
- ** Inventory Control
- * Investments
- Invoices
- Job Evaluation Plan and Compensation System
- Leave of Absence for Non-Union Employees
- Long Distance Calls on Out of Town Business
- Longevity Death Benefit for Salaried Employees
- Longevity Pay
- Mailbox Standards and Mailbox Damage Reimbursement

POLICIES

- Management Bargaining Unit
- Maps
- Meetings With Township Officials
- * Michigan Right to Know Law
- Minimum Width of Surfacing and Graded Shoulder
- MIOSHA
- Monument Boxes
- ** Mutual Aid Agreement
- ** Notification of Fatalities Involving Road Commission Employees
- Notification of MISS DIG
- Obtaining ROW
- Office Hours
- ** Open Meetings Act/Robert's Rules of Order
- Overhead Charges
- Overweight/Overwidth/Overheight Move Rules and Regulations
- ORV's
- Pavement Marking/Striping--Annual Review
- Payment of Vacation and Sick Leave Upon Retirement/Termination
- Payroll Check Direct Deposits
- Permits
 - Authorization to Shut Down Operations in ROW Without Permit
 - Annual Cab Cards
 - * Fee Schedule
 - Fiber Optic Cable
 - Requirements and Insurance
 - Municipality
 - Underground Utility
 - Work in Right-of-Way
 - Work Notification
- * Personal Use of Road Commission Vehicles
- Petty Cash
- Private Contractor Agreements Negotiated by Townships
- * Privacy Practices
- Private Driveway/Road Maintenance
- ** Purchase Orders
- Regraveling of Local Roads
- Railroad Grade Crossings
- Retirement Contributions
- Retirement Gifts
- Right-of-Way Acquisition Procedures on Federal Aid Routes
- Road Closures for Traffic Emergencies
- Road Damage
- Road Markings

POLICIES

- Road Name Change Fees
- Road Name Signs
- Roadside Drains
- * Safety
- Salaries
- Seasonal Road Designation
- Selling Materials
- Service Charges on Township Invoices
- ** Service Requests
- Sick/Vacation Leave in-Lieu-of Hospitalization Insurance
- Sidewalks for Commercial Frontages
- Signing--Joint Projects with Townships
- Signing of Documents
- ** Smoke Free Workplace
- Snowmobiles
- * Social Security Number Privacy
- Soil Erosion and Sedimentation Control
- Special Assessments for Road/Street Improvements
- Specifications for Boring, Jacking and/or Tunneling Roads
- Surviving Spouse--Health Insurance
- Supplemental Annual Report
- Temporary Pay Rate
- Tiling of Ditch Within Right-of-Way
- * Title VI
- Time Cards
- Township Billings
- Township Contributions
- Township Cost Share
- Traffic Control Devices
- Traffic Control Orders, Surveys, and Recommendations
- ** Travel Policy
- Tree Replacement
- Tree Stump Removal/Sidewalk Repair
- Tree Trimming
- Unemployment Compensation
- Village/City Streets
- Violence in the Workplace
- Winter Construction

PURCHASING PROCEDURES

Every road commission in the state operates in some manner differing from all other road commissions. These differences are part of what make us the best that we can be for our respective road systems. Each of us can find the way that is the most efficient, cost effective and productive of any options available to us. There are some things that are mandated, legally required. But other than that commonality, we each seek to find the way that will work best for us. Please feel free to use these guidelines, within the legal requirements, to be the best purchasing agent possible for your road commission.

ETHICAL STANDARDS

From the County Road Law, the following ethical standards for all county road commission purchases must be adhered to: A purchaser for a county 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 county 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 ones 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 county road commissions.

It is of critical importance that the purchasing function of county road commissions be of the highest integrity and honesty.

Following is a simple explanation of some of the most common types of purchases and an outline of how they work. Decide which will work best for you. Most organizations will need all of them from time to time. Make sure there is a policy in place and written procedures to detail each aspect of your specific purchasing program. Use a common sense approach and call a neighboring road commission to see how they handle the situation you might be questioning.

PURCHASING PROCEDURES

PETTY CASH

A common sense approach is often the most effective and efficient way to handle small item purchases on a daily basis. Costs need to be kept at a relationship that is reasonable to the value of the item being purchased. All dollar values in this section are listed as suggested amounts. They are for example only, and actual values must be determined by the individual road commission for the specific amounts to suit each need. Individual policies should state the specific amounts. It is suggested for purchases which are less than \$20 to be paid out of your petty cash fund whenever possible, but determine for yourself the amount of cash necessary to make small purchases. Use whatever time line is reasonable for replenishing your petty cash fund. For example, a \$200 petty cash amount may be sufficient for a bi-weekly pay period. See how many items are paid out over that time period and adjust your account accordingly. Replenish the cash supply as necessary. It may be necessary for each location to have a supply of petty cash.

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.

PURCHASING PROCEDURES

EXPENSE REIMBURSEMENT

Items allowed by your expense reimbursement policy should be detailed on an expense voucher and itemized with receipts. Mileage should be reasonable for the distance and the person submitting the voucher for reimbursement must sign that the items were for the purpose of road commission business. If there is not sufficient documentation, deny the reimbursement. Commissioners should review each expense voucher for the other commissioners. Department heads should approve their employees' expense vouchers prior to having the expense reimbursed. Determine if there are items that it would be reasonable to reimburse through petty cash. For example, parking fees for an employee who goes for a part, might be of such a small expense that it would be foolish to process a check for the individual: however, for someone who routinely incurs expenses, there would be no reason to use petty cash, even for a small expense. The parking fee would be included with the other expenses for reimbursement. The policy for reimbursement should state the qualifications for reimbursement. If there are value limits for meals or circumstances when there would not be reimbursement, the policy should include those limits. Think through the circumstances for the policy. Some policies are general in nature and then the specific procedure is outlined in examples. Determine the best way to explain your policy so everyone understands it.

REQUISITIONS AND PURCHASE ORDERS

Most daily purchases can be made through a simple 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 typed and copies returned to accounts payable, the issuing employee and the original to the vendor. When the receiving report or packing slip is signed by the employee issuing the requisition, and submitted to accounts payable, the invoice for the material can then be processed for payment. There are many variations to this system. In a central purchasing system, the requisition writer would not be responsible for ordering the items to be purchased. All requisitions would be approved by the department head, the requisition would be forwarded to purchasing for processing, the information would be used to generate the purchase order, the purchasing department would order the material and the person who initiated the requisition would receive the material, submit the packing slip or receiving report and the invoice would be processed by accounts payable from the purchase order and the receiving report.

PURCHASING PROCEDURES

There are automated systems available to help generate the purchase orders and receiving reports but it is rare for a road commission to be large enough to have a separate purchasing department. Most road commission employees function in many areas of responsibility. Sometimes the person initiating the requisition is also the approving authority. It is important to try 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.

Purchase orders can be preprinted with some information to ease the amount of typing or input required. Items such as a tax exempt number, delivery address for a central location, telephone and fax numbers, and statements of compliance with Federal and State legal requirements can become a standard part of the purchase order and fulfill some of the legal requirements for those acts.

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. These are general guidelines only. 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 could be faxed or mailed, but 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. For purchases that are less than \$15,000, the purchase must be approved by an individual with that authority as approved by the board.

PURCHASING PROCEDURES

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 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 followed to the letter. 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. For example, a credit card issued to the managing director, used for hotel charges, would be useless if the limit on the card was \$500 and needed to be used to pay for two nights at a conference for the board and the manager. Make sure credit limits are realistic. Make sure the total balance of any card is paid according to the terms and conditions of the agreement so the road commission does not incur finance or interest charges on an unpaid balance. Your policy should make the employee responsible for items they do not provide documentation on and clearly state the discipline involved for misuse of the card.

DEBIT CARDS

Debit cards are a prepaid credit card. The road commission would establish an account with a dollar value sufficient to meet the need for the term determined by the policy. The debit card would be issued by the financial institution. The employee would need to follow the same procedures used for a credit card, documenting use of the card, the proper authorization for the card, and staying within the predetermined limits of the policy for use of the card. Proper authorization for the use and documentation of each use would have to be strictly enforced in the same manner as the use of a credit card. Employees should be required to sign a form indicating their understanding of the use of the card and the consequences of the improper use or documentation of the card including discipline. Policy should follow the same lines as credit card use.

PURCHASING PROCEDURES

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 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 noncollusion. (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.)

The award for a formal bid is generally signified by the issuance of a purchase order. The purchase order can also represent the confirmation of a contract. A bid document can be used as a contract by simply adding an acceptance clause and space for the counter signature of a member of the board, or authorized representative, to execute the document. Once the bid is awarded and countersigned it becomes the executed contract. A copy of the executed contract should accompany the purchase order.

A typical statement that would appear on the bidding proposal is 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.

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."

PURCHASING PROCEDURES

Thus, advertising for sealed bids in a local newspaper is the minimum requirement. It is highly recommended that the advertising appears in at least two Michigan construction trade journals. Posting the advertisement on public bulletin boards or including bid updates on an internet site 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 has to 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 trade publication, trade shows, sales person's visits, other road commissions and, of course, the yellow pages in the telephone directory.

At the time the request for publication of the advertisement is made to your local newspaper and/or the trade journals, mail one copy of the specifications, bid form and the bid envelope to the names on your bid list. Upon the request of a prospective bidder, supply the bidder with the same materials immediately, 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.

PURCHASING PROCEDURES

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 Material 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 to satisfy a need. 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 several available sources that can be of value to you when you are developing your specifications, such as: other public agencies (including cities), county 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 as the specification, even with the words "or equal," is the least desirable type of specification. If the time and resources necessary to develop another kind of specification are not available or cannot be justified, usually because of the low dollar value represented by the purchase, a brand name specification can be used. However, as not to limit competition, you should indicate beyond any doubt that the brand name is used merely as a specification and is not a statement of a preference. The term "approved equal" with the name of the person to contact with questions can be helpful to a bidder who may have doubts that their product will meet the specification. Suggestions of alternates may also be helpful.

The bid document itself should include all of the items to be compared. Pricing will probably be a major consideration, but if a delivery time is critical, that also needs to be addressed. Be sure to 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. If delivery time is critical, perhaps that factor is more important than paying freight. If there is no urgency for delivery, other factors may play more significant roles in the determination of the best interest of the road commission.

PURCHASING PROCEDURES

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 signator 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 name, address, telephone, fax and employer identification number or social security number if an individual, of the company or agency represented.

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. Some road commissions provide bid envelopes with bid documents. It is an easy way to identify bids and keep them separate from regular mail. It is not recommended to allow fax bids. Unless the fax machine is located in a secure area, only accessed by the person receiving the bids, and the person receiving bids is not the person to recommend award, there are too many chances for a bid to be challenged if faxed bids are allowed.

PUBLIC OPENING

All bids must be kept secure prior to the opening. All bids should be date stamped upon their receipt and deposited in a securely locked box, safe or file until the opening time. Prior to the time of opening, the identity and the number of bids received are to be kept confidential.

When the prescribed 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 designate shall open the bids in the presence of at least two witnesses.

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. Payment terms
5. FOB point (Note: FOB is an abbreviation for "free on board")
6. Delivery

PURCHASING PROCEDURES

The bid opening is neither the time nor the place 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. A road commission employee or officer should be designated to supervise the examination to insure 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, including pricing is public knowledge. Copies of the tabulations can be made available to interested parties after the award is made by the board.

Generally, the tabulation contains the same information as read aloud at the bid opening. It is the policy that the bid item be awarded to the lowest responsible bidder who submits the responsive bid that 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. Life cycle costing, which is also known as total cost buying, takes into consideration the cost of maintenance on a guaranteed basis for a predetermined active life of the item, as well as the original cost. Sometimes also included in the bidding proposal is a guaranteed buy-back price and a maximum operating expense cost.

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 county 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;
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;
7. All other bidding requirements have been met.

PURCHASING PROCEDURES

Occasionally an invitation for bid will yield no responses or only one responsive bid. This could be the result of any of the following reasons:

1. The item requested is, in fact, a "sole source" item;
2. The specifications were too restrictive;
3. The sale of the requested item is controlled through territorial franchising arrangements, which are dictated by the manufacturer;
4. A poor selection was made of potential bidders.

If no responses or only one responsive bid is received, 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.

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.

Occasionally a road commission will receive a competitive bid in the bidder's own envelope. The purchaser may, therefore, open it inadvertently 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.

County road commission purchasers must be alert to the signs of collusive bidding and protect the integrity of the competitive bidding system by initiating remedial actions. One of the most common forms of collusive bidding is an agreement between the sellers to adhere to a published price list.

All identical bids are not always fraudulently contrived. However, a pattern of identical bidding among the same group of bidders is sufficient cause for a purchaser's suspicion.

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.

PURCHASING PROCEDURES

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 form at their last known place of business. A copy of the addendum notice should also be stapled to each bid form not yet distributed. If time does not permit each vendor a reasonable amount of time to work with the addendum, the bid should be canceled. Bids received 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.

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.

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.

PURCHASING PROCEDURES

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 include:

1. Prices excessively high and/or exceed moneys 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 conformance to the required format that qualifies price 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 county 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 consent.

PURCHASING PROCEDURES

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, insane 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 (mutuality of 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.

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, paper (such as computer paper or copy machine paper), 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 perhaps 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."

PURCHASING PROCEDURES

Requests for extension must be made in writing to the business manager by February 15, 20XX. Once a contract has been extended, it cannot be extended a second time.

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.

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.

If a mistake or an error is discovered by the bidder or by the county road commission after the bid opening, the reservation is somewhat more complex. If the mistake is an obvious one, the county 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 purchasing authority then should proceed in the following manner:

- a. Clerical Mistakes--Any mistake which is obviously a clerical one, 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 county road commission after verification is made by the bidder.
- b. 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.

PURCHASING PROCEDURES

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 county 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 readvertisement of the bid or proposal.

Bid sureties generally increase the cost of bidding and tend to reduce competition. Each county 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. Cashiers check;
3. Certified check;
4. Letter of Credit drawn on a responsible financial institution;
5. U.S. postal money order.

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.

PURCHASING PROCEDURES

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 county 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 of the costs at a specific time during the run 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 run 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.

PURCHASING PROCEDURES

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.

PURCHASING PROCEDURES

D. Special Incentive Contracts

In this variation of contracts the provisions provide the vendors who receive a contract to submit a value change proposal (VCP), indicating how they think that an approach or a product other than the one called for by the purchaser would better satisfy the requirements.

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. Insure compliance by the supplier with contract provisions;
2. Monitor deliveries, product quality and schedules;
3. Follow up with suppliers on problems occurring 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 county road commission and the vendor and within the county road commission is extremely important. Coordination is a vital factor in purchasing. Follow-up and expedition, terms that are generally used interchangeably, do have different meanings. Follow-up normally applies to the monitoring of delivery schedules to assure compliance. Expedition, in the purest sense, 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 follow-up system includes identifying those contracts you need to monitor at or before the date of the award. Your initial follow-up action would be to reaffirm the delivery schedule and to establish proper liaison with the seller's representative. If delivery problems do develop, the following may help resolve the problem:

1. Contact the salesperson for assistance;
2. Initiate collect telephone calls and/or letters.

PURCHASING PROCEDURES

If the follow-up efforts have failed and the deliveries have become delinquent, one or two actions can be taken.

1. Authorize additional time for delivery;
2. 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

At the time of receipt of the items an inspection must take place. The inspection activity includes assuring 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 packing slip must be signed by the person receiving the goods and be certain that the date and the purchase order number appear on the packing slip. This, along with the initialed copy of the purchase order are to be returned 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 far 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.

PURCHASING PROCEDURES

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 some time 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 county road commission's best interest to maintain and provide quick payment of completed purchase orders or contracts. Besides the goodwill aspect, it will tend to reduce your cost since the vendor will not have to add in a carrying charge to cover his costs while awaiting your payment.

The preceding information on contract law is by no means intended to provide a complete discussion on the legal ramifications of county road commission purchasing. When you are in doubt 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. Of more critical importance is accurately evaluating the capability of the firms that are interested in performing the required professional service.

PURCHASING PROCEDURES

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;
3. Specific criteria to use in evaluating the proposal. Generally, 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.

PURCHASING PROCEDURES

Bid invitations for construction work basically cover three areas: Bidding instruction, general contract conditions and building specifications and drawings. Remember if Federal funds are to be used for a construction project, the standards reflected in Office of Management and Budget Circular A-102, must be adhered to.

EMERGENCY PURCHASING

Road commissions can make purchases up to \$50,000, without advertising for sealed bids, providing the purchase is due to an emergency situation. 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 situation 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:

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, plus expensive long distance telephone calls;
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 if there is adequate documentation of the emergency. Insurance forms and Federal or State reimbursement forms will require the documentation for payment or audit.

LOCAL SUPPLIER PREFERENCE

This is a matter of policy to be determined by each individual road commission. The advantages of having a local preference purchasing policy are limited and are far outweighed by the disadvantages.

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.

PURCHASING PROCEDURES

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.

COOPERATIVE PURCHASING

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.

Aside from the economies of volume buying, 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 (formerly the Extended 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, Acquisition Services, Department of Management and Budget, 2nd Floor, Mason Building, P.O. Box 30026, Lansing, Michigan, 48909. Phone #517-335-4364 or visit their website: www.MiDeal@michigan.gov.

When beginning a cooperative purchasing venture between you and another political subdivision, begin with a few common and repetitive commodities. By starting on a low scale you will gain the experience necessary to bid cooperatively on the more sophisticated and lesser used items.

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, of course, 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.

Initially it will be a lot of hard work. The program will succeed providing adequate leadership and a spirit of cooperation exists.

PURCHASING PROCEDURES

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.

PURCHASING PROCEDURES

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 his 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 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.)

PURCHASING PROCEDURES

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 as we are facing financial problems.

Generally, salvageable materials are divided into the following classifications:

1. Scrap--any ferrous materials that can be used for remelting 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 materials to attract a crowd. Preparation for a public auction requires a great deal of planning, time and effort. It must be properly advertised, centrally located, have ample space and parking facilities, and if held outside have favorable weather. Contracting with a professional auctioneer can help to smooth the process and handle details that the road commission might not usually have to deal with such as sales tax or title transfers. The auctioneer will usually provide services for a percentage of the gross sale plus advertising.
4. 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.

A major supplier of the particular type of equipment to be sold is the most desirable to use. It is likely that a possible purchaser of your type of equipment would approach a vendor for new and/or used pieces of equipment.

PURCHASING PROCEDURES

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. The vendor would keep the difference between the sale price and your price as profit; therefore, to give the vendor necessary incentive your price as stated should be reasonable;
3. The duration of the consignment;
4. That the county 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 county 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 your neighboring road commission to the finance and human resource committee as well as agencies like the Michigan Public Purchasing Officers Association. Documentation is generally the best defense for any question. A clear audit trail is essential to a good purchasing function.

RECORDS RETENTION SCHEDULE
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 Statements)	3 years after audits
2	Adopting & 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 & 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/Inspections	Permanent or disposal of bridge
9	Budgets - Revenues/Expense	3 years

RECORDS RETENTION SCHEDULE

<u>ITEM NUMBER</u>	<u>RECORD TITLE</u>	<u>RETENTION PERIOD</u>
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

* 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.

RECORDS RETENTION SCHEDULE

<u>ITEM NUMBER</u>	<u>RECORD TITLE</u>	<u>RETENTION PERIOD</u>
17	Disbursements/Expenditures a. Ledger b. Vouchers c. Inventory (County Materials)	20 years 7 years after audits 1 year after audit by State
18	Easements a. Channel Change b. Ditches c. General - Road Materials, Stockpiling, etc. d. Right-of-Way	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 a. Application for Employment (Hired) b. Application for Employment (Not Hired) c. Authorization for Payroll Deductions d. Daily Time Card Report/Time Sheets e. Record of Employee Earnings & Deductions/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 j. Wage Rates	7 years after termination of employment 30 days Current listing 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 a. Certificates of Title b. Depreciation - Listing of Fixed Assets c. Expense Data d. Distribution & Rental Rate Ledger e. Equipment Questionnaire (CRAM) f. Service Policies/Warranties g. Specifications h. Operative Equipment Sheet i. Equipment Time Sheets j. Daily Equipment Safety Reports k. Equipment Expense Summary Ledger	Disposal of equipment 1 year after audits 3 years after audits 1 year after audits 3 years Expiration Disposals of equipment 1 year after audits 1 year after audits 1 year after disposal of equipment 2 years after disposal of equipment
21	General Ledger	20 years

RECORDS RETENTION SCHEDULE

<u>ITEM NUMBER</u>	<u>RECORD TITLE</u>	<u>RETENTION PERIOD</u>
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
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

RECORDS RETENTION SCHEDULE

<u>ITEM NUMBER</u>	<u>RECORD TITLE</u>	<u>RETENTION PERIOD</u>
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
	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

RECORDS RETENTION SCHEDULE

<u>ITEM NUMBER</u>	<u>RECORD TITLE</u>	<u>RETENTION PERIOD</u>
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: www.michigan.gov/recordsmanagement/.

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POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: ACCEPTANCE OF CREDIT AND DEBIT CARDS FOR PAYMENT

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

The following policy shall govern the acceptance of credit and debit cards for payment to the road commission, as authorized by Public Act 280 of 1995, as amended:

The acceptance of credit/debit cards as payment method to the _____ County Road Commission from its customers is authorized as follows:

- Credit/Debit cards may only be accepted for payments from the general public related to:
 - Permit fees and permit related deposits and charges
 - Payment for damages done to roadways and components (i.e., accident billings)

- Credit/Debit cards are not to be accepted for the payment of:
 - Road construction or road maintenance
 - Sale of road construction or maintenance materials
 - Amounts due from other governmental agencies or schools
 - Any other purpose not specifically authorized

- The Director of Finance will design and manage a system of procedures to comply with Board policy

Chairperson

Clerk

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: BUDGET APPROPRIATIONS ACT

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

The Board of Road Commissioners will comply with Public Act 2 of 1968, as amended, and adopt a General Appropriations Act budget annually and designate the Chief Administrative Officer and Fiscal Officer for the year along with allowances for the transfer of budget line-items.

Chairperson

Clerk

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: CAPITAL ASSET DETERMINATION

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

DEFINITIONS:

Capital Assets--Equipment items and furnishings with a purchase price greater than \$_____ AND a useful life greater than _____ (___) years and ALL EQUIPMENT ITEMS (regardless of purchase price or useful life) that have a Schedule C code and rate.

Depreciation--The allocation of the cost of a capital asset over its estimated economic life.

Capital Asset Control, No. 900--The Capital Asset Control is not a fund because it does not account for available financial resources or governmental obligations. The Capital Asset Control may include a variety of capital assets such as land, land improvements, buildings, equipment, vehicles and infrastructure assets.

POLICY:

It is the policy of the _____ County Road Commission to follow generally accepted governmental accounting practices. Governmental GAAP for Michigan County Road Commissions requires that certain types of purchases be capitalized and depreciated, rather than expensed at the time of purchase. It is the purpose of this policy to set the parameters to define when purchases should be expensed and when they should be capitalized and depreciated and to define the necessary record keeping requirements.

All depreciable assets must be entered in the Inventory and Insurance Log or the current computer system Capital Asset Program and the Capital Asset Control. Depreciation expense must be calculated manually or through the monthly program in the current computer system for Schedule C assets and recorded in the operating accounts.

Chairperson

Clerk

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: CREDIT CARDS

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

The following policy shall govern the use of road commission credit cards per Public Act 266 of 1995:

1. The Director of Finance is responsible for issuing, accounting for, monitoring, retrieving, and generally overseeing compliance with the board's credit card policy.
2. Board credit cards may be used only by an employee of the Board for purchase of goods or services for the official business of the Board.
3. Board employees who use a Board credit card shall, as soon as possible, submit a copy of the vendor's credit card slip to the Director of Finance. If no credit card slip was obtained, the employee shall submit a signed voucher that shows the name of the vendor or entity from which goods or services were purchased, the date and the amount of the transaction, the official business that required the transaction, and a statement of why a credit card slip was not obtained. All credit card slips shall include this information.
4. An employee who is issued a credit card is responsible for its protection and custody. If a credit card is lost or stolen, the Director of Finance shall be notified. The entity issuing the lost or stolen credit card shall be immediately notified to cancel the card.
5. An employee who is issued a credit card shall return the credit card to the Director of Finance upon termination of his or her employment or service with the Board.
6. The Director of Finance shall maintain a list of all credit cards owned by the Board, along with the name of the employee who has been issued the credit card, the limit established, the date issued, and the date returned. Each employee shall initial the list beside his or her name to indicate agreement that the credit card has been issued, and that the employee has received and read a copy of this policy.
7. The Director of Finance shall review each credit card statement as soon as possible to ensure that the transactions comply with this policy. Any transactions that appear on statements that are not documented with a credit card slip or a signed voucher shall be immediately investigated. Transactions that do not appear to comply with this policy shall be reported to the Board.
8. The Board shall not approve a payment to the entity issuing the credit card until all transactions have been verified, including the approval of all transaction invoices, if issued.
9. The balance, including interest due on an extension of credit under the credit card arrangement shall be paid for within not more than 60 days of the initial statement date.

CREDIT CARD POLICY

Page 2

10. Employees who use a Board credit card in a manner contrary to this policy shall be subject to any or all of the following disciplinary actions, as deemed appropriate by the Board:

- Verbal counseling
- Written reprimand
- Reimbursement to the Board for unauthorized expenditures
- Suspension
- Termination

A credit card shall be issued in the name of the _____, _____, _____ with a limit of \$_____ on each card. Use by any other employee is prohibited without the express written consent of the Director of Finance.

Chairperson

Clerk

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: DRUG FREE WORKPLACE

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

In October of 1988, the United States Congress passed the Drug Free Workplace Act (EL100). It is the intent of the _____ County Road Commission to fully comply with both the spirit and letter of this law and accordingly, the road commission hereby gives notice to each and every employee of his/her requirements as a continued condition of employment with the road commission to comply with the following:

1. It is the policy of the _____ County Road Commission that the unlawful manufacturing, distribution, dispensation, possession or use of a controlled substance is prohibited in the employer's workplace. Controlled substance means any substance capable of altering an individual's mood, perception, pain level, or judgment, which has not been prescribed for individual consumption by a licensed medical practitioner. The discovered use, sale, transfer, or possession of alcohol, drugs or any controlled substances on road commission premises or work site (including road commission vehicles and any private vehicle parked on road commission premises or work site) is grounds for discipline up to and including discharge.
2. Entry upon road commission premises or working under the influence of alcohol, drugs, or intoxicants is grounds for discipline up to and including discharge. "Under the influence" is defined as being unable to perform work in a safe and productive manner or being in a physical or mental condition which creates a risk to the safety and well being of the individual, other employees, the public, or the road commission property; or having any detectable level of alcohol, drugs, controlled substances, intoxicants or any combination thereof in the body.
3. The road commission recognizes drug or alcohol dependency as an illness and a major health problem. Employees needing help in dealing with such problems will be encouraged to use the services of local agencies and health insurance plans, if appropriate. A current list of centers is provided for all employees.
4. The purpose of this policy is to:
 - A. Establish and maintain a safe, healthy working environment for all employees and for the public.
 - B. To ensure the reputation of the road commission and its employees within the community and industry at large.
 - C. To reduce the number of accidental injuries to persons and properties.
 - D. To reduce absenteeism and tardiness and improve productivity.
 - E. To direct any employee requiring assistance to an appropriate rehabilitation program.

Chairperson

Clerk

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: ELECTRONIC TRANSACTIONS AND SUBSTITUTE CHECKS

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

WHEREAS, Public Act 738 of 2002 was signed by the Governor with immediate effect on December 30, 2002; and

WHEREAS, Public Act 738 requires the board of county road commissioners to adopt a resolution containing certain conditions to lawfully conduct electronic financial transactions such as payments and receipts (ACH),

NOW THEREFORE BE IT RESOLVED that the _____ County Road Commission Director of Finance is hereby appointed the Electronic Transactions Officer (ETO) and is responsible for ACH agreements including payment approval, accounting, reporting, and generally overseeing compliance with the ACH policy, and

BE IT FURTHER RESOLVED that documentation is to be prepared and retained (including appropriate documentation for receipts), that may be contained within the computerized accounting system, for ACH transactions detailing the goods or services purchased, related costs, date of payment, and cost accounting classification, and

BE IT FURTHER RESOLVED that the ETO will implement a system of internal accounting controls to monitor the use of ACH transactions, and

BE IT FURTHER RESOLVED that approval of ACH invoices is required before payment, and

BE IT FURTHER RESOLVED that additional requirements may be required as determined by the ETO.

WHEREAS, The Check Clearing for the 21st Century Act (Check 21) was signed into law on October 28, 2003, and became effective on October 28, 2004, and

WHEREAS, Check 21 is designed to create a new negotiable instrument called a substitute check, which permits banks to truncate original checks, to process check information electronically, and to deliver substitute checks to banks that want to continue receiving paper checks, and

WHEREAS a substitute check is the legal equivalent of the original check,

NOW THEREFORE BE IT RESOLVED that the _____ County Road Commission will accept substitute checks as provided by Check 21.

Chairperson

Clerk of the Board

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: EQUAL EMPLOYMENT OPPORTUNITY

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

The road commission shall recruit, hire, train, and promote in all job categories without regard to race, color, national origin, sex, religion, physical handicap, age, height, weight, marital status, status as a disabled veteran or veteran of the Vietnam era, except where sex, religion, national origin, or age is a bona fide occupational qualification.

Management and supervisory personnel shall insure that all other personnel actions such as compensation, benefits, road commission sponsored training, education tuition assistance, transfers, demotions, terminations, layoffs, return from layoffs, and social recreation programs shall be administered without regard to race, color, national origin, religion, sex, physical handicap, age, height, weight, marital status, or status as a disabled veteran or veteran of the Vietnam era except where sex, religion, national origin, or age is a bona fide occupational qualification.

Management and supervisory employees shall base employment decisions on the principles of equal employment opportunity and with the intent to further the road commission's compliance with Federal and State civil rights laws.

The Board names _____ to act as EEO officer for the _____ County Road Commission.

Chairperson

Clerk

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: FAMILY AND MEDICAL LEAVE ACT

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

Section 1. General Provisions--Employees who have been employed for at least one (1) year and who have worked for the Road Commission at least 1,250 hours during the preceding 12-month period are eligible for family and medical leave. Family and medical leave will consist of up to twelve (12) work weeks (or up to twenty-six (26) work weeks, in certain limited circumstances as further described below) of appropriate accrued paid leave and unpaid leave. If leave is requested for an employee's own serious health condition, the employee must use all of his or her accrued paid vacation leave or sick leave. If leave is requested for any of the other reasons listed below, the employee must use all of his or her accrued paid vacation or personal leave (required use of sick leave, vacation leave and/or personal leave is optional). Upon exhaustion of the paid leave, any portion of the remaining twelve (12) work weeks (or twenty-six (26) work weeks, if applicable) of leave available under FMLA, if any, will be unpaid. The paid leave used is counted as part of the twelve (12) week period (or twenty-six (26) week period, if applicable). **The regulations provide employers a choice of methods for determining the twelve (12) month period in which employees may take up to twelve (12) workweeks (or twenty-six (26) workweeks, if applicable) of leave. Employees may utilize: 1) the calendar year; 2) any fixed twelve-month leave year, such as a fiscal year or a year starting on an employee's anniversary day; 3) the twelve-month period measured forward from the date an employee first takes FMLA leave; or 4) a rolling twelve-month period measured backward from the date an employee uses any FMLA leave.**

Such leave will be without loss of seniority or hospital/medical benefits, and with the assurance that the employee will be returned to his or her position, or an equivalent position as determined by the Road Commission, at the end of the approved leave of absence [not to exceed 12 work weeks (or twenty-six (26) work weeks, if applicable)].

Section 2. Reasons for Leave--All employees who meet the applicable time of service requirements may be granted family or medical leave consisting of appropriate accrued paid leave and unpaid leave, for a period of twelve (12) weeks, during any 12-month period, for the following reasons:

- 1) the birth of the employee's child and in order to care for the child;
- 2) the placement of a child with the employee for adoption or foster care;
- 3) to care for a spouse, child or parent who has a serious health condition; or
- 4) a serious health condition that renders the employee incapable of performing the functions of his or her job; or,

- 5) any qualifying exigency arising out of the fact that the spouse, son, daughter, or parent of the employee is on active duty, or has been notified of an impending call to active duty status, in support of a contingency operation.

The entitlement to leave for the birth or placement of a child for adoption or foster care will expire twelve (12) months from the date of the birth or placement, regardless of when the leave starts. For example, an employee who requests a leave at the start of the twelfth (12th) month (of the twelve (12) month period from the date of birth or placement) is entitled to only four (4) weeks of FMLA leave.

An eligible employee who is the spouse, son, daughter, parent or next of kin of a covered service member who is recovering from a serious illness or injury sustained in the line of duty on active duty is entitled to up to twenty-six (26) weeks of leave in a single twelve (12) month period to care for the service member. This military caregiver leave is available during “a single twelve (12) month period” during which an eligible employee is entitled to a combined total of twenty-six (26) weeks of all types of FMLA leave.

Section 3. Procedure for Requesting Leave--In all cases, an employee requesting leave must provide written notice to the Road Commission. The written notice must state the reason for the leave, the duration of the leave, and the starting and ending dates of the leave. An employee intending to take family or medical leave because of an expected birth or placement, or because of a planned medical treatment, must notify the Road Commission at least thirty (30) days before the leave is to begin. If the need for a leave is not foreseeable, the employee must provide written notice as soon as the necessity for the leave arises.

Upon receipt of an employee’s Application for Family or Medical Leave and on the basis of the information provided by the employee, the Road Commission will designate the leave, unpaid or paid, as FMLA leave. The Road Commission's designation of leave as FMLA-qualifying leave will be made before the leave starts, or before an extension of the leave is granted, unless the Road Commission is not given sufficient information as to the employee's reason for taking the leave until after the leave commences. If the employee has any paid time off accrued, paid leave must be used prior to taking unpaid leave. Paid leave used will count as part of the twelve (12) week period (or twenty-six (26) period, as applicable) of family and medical leave.

Section 4. Medical Certification--When the leave is necessitated by the employee's own serious health condition or that of his or her spouse, child or parent, the employee must provide the Road Commission with medical certification on forms provided by the Road Commission, verifying the need for such leave. The Road Commission may require the employee to obtain a second medical opinion, at the Road Commission's expense. The second health care provider will be chosen by the Road Commission but may not be employed on a regular basis by the Road Commission. If the opinion of the first and second health care provider differ, the Road Commission may require a third opinion, again at the Road Commission's expense, from a health care provider mutually agreed upon by the Road Commission and the employee. The third opinion shall be final and binding.

Any medical certification submitted by the employee must state the date on which the condition commenced, the probable duration of the condition, and the appropriate medical facts regarding the condition. If the employee is needed to care for a spouse, child or parent, the certification must so state, along with an estimate of the amount of time the employee will be needed. If the employee has a serious health condition, the certification must state that the employee cannot perform the functions of his or her job.

The Road Commission may require periodic medical recertification from the employee during the leave period but usually not more often than every thirty (30) days. The Road Commission may request recertification more often if:

- 1) the employee requests a leave extension;
- 2) the circumstances described by the original certification have changed significantly (e.g. duration of the illness);
- 3) the Road Commission receives information which casts doubt upon the continuing validity of the original certification; or
- 4) an employee is unable to return to work after FMLA leave due to the continuation, recurrence, or onset of a serious health condition, which prevents the Road Commission from recovering its share of health insurance premiums paid on the employee's behalf during the leave period.

If the leave is necessitated by the employee's own serious health condition, the employee will be required, before his or her return to work, to provide medical certification that he or she is able to resume work.

Section 5. Intermittent Leave--FMLA leave can be taken intermittently or on a reduced work schedule when there is a medical necessity and with the approval of the Road Commission.

Section 6. Benefit Coverage During Leave--During a period of family or medical leave, an employee will be retained on the Road Commission's health plan under the same conditions that applied before the leave commenced. To continue health coverage, the employee must continue to make any contributions that he or she made to the plan before taking leave.

An employee is not entitled to the accrual of any seniority if on an unpaid leave or employment benefits that would have accrued if not for the taking of leave. An employee who takes family or medical leave will not lose any employment benefits that accrued before the date leave began.

Although an employee on an approved leave of absence pursuant to this policy will continue to be covered under the Road Commission's then current applicable group hospital/medical plan, an employee who fails to return to work at the end of the twelve (12) week period (or twenty-six (26) period, as applicable) will be required to repay the Road Commission for the cost of the Road Commission-paid benefits during any portion of the FMLA leave that is unpaid unless said failure to return is the result of the continuation, recurrence, or onset of a serious health condition or other circumstances beyond the control of the employee.

Section 7. Restoration to Employment Following Leave--An employee eligible for family and medical leave will be restored to his or her old position or to a position with equivalent pay, benefits, and other terms and conditions of employment. The Road Commission cannot guarantee that an employee will be returned to his or her original job. A determination as to whether a position is an "equivalent position" will be made at the sole discretion of the Road Commission.

Employees on an approved FMLA leave will report to the Road Commission, at reasonable intervals designated by the Road Commission, regarding his or her status and intent to return to work upon conclusion of the leave. A restored employee has no greater entitlement to reinstatement or to other benefits and conditions of employment than if the employee had been continuously employed during the leave period.

The failure of an employee to return to work upon the expiration of a family or medical leave of absence will subject the employee to immediate termination unless an extension is granted. An employee who requests an extension of family leave or medical leave due to the continuation, recurrence, or onset of his or her own serious health condition, or of the serious health condition of the employee's spouse, child or parent, must submit a request for an extension, in writing, to the Road Commission. This written request should be made as soon as the employee realizes that he or she will not be able to return at the expiration of the leave period. If the Road Commission grants an extension of family or medical leave beyond the twelve (12) weeks (or twenty-six (26) weeks, as applicable) of leave required by law, the additional leave period will be without pay or benefits provided the employee has no additional accrued paid leave to exhaust.

Section 8. Effect of Labor Agreement--All family and medical leave will be governed by the provisions of this policy unless modified by an applicable labor agreement.

_____ COUNTY ROAD COMMISSION

APPLICATION FOR FAMILY OR MEDICAL LEAVE

Note: Upon completion, this form should be submitted to the Director of Finance and Human Resources.

Name: _____ Department: _____

Current Address: _____

Start Date of Anticipated Leave: _____

Expected Date of Return to Work: _____

Reason for Leave (Explain): _____

NOTE: A leave request based on an employee's serious health condition or the serious health condition of an employee's spouse, child or parent must be accompanied by a verifying medical certification from a physician.

I hereby authorize the Road Commission to contact my physician to verify the reason for my requested leave or for any other information concerning my requested family and medical leave.

I understand that a failure to return to work at the end of my leave period may be treated as a resignation unless an extension has been agreed upon and approved in writing by the Road Commission.

Signature: _____ Date: _____

RECEIVED BY:

_____ Date: _____

YOUR RIGHTS

under the

FAMILY AND MEDICAL LEAVE ACT OF 1993

FMLA requires covered employers to provide up to 12 weeks (or 26 weeks, in certain limited circumstances) of unpaid, job-protected leave to "eligible" employees for certain family and medical reasons. Employees are eligible if they have worked for a covered employer for at least one year, and for 1,250 hours over the previous 12 months, and if there are at least 50 employees within 75 miles.

REASONS FOR TAKING LEAVE--Unpaid leave must be granted for *any* of the following reasons:

- to care for the employee's child after birth, or placement for adoption or foster care;
- to care for the employee's spouse, son or daughter, or parent, who has a serious health condition;
- for a serious health condition that makes the employee unable to perform the employee's job; or,
- because of any qualifying exigency arising out of the fact that the spouse, son, daughter, or parent of the employee is on active duty, or has been notified of any impending call to active duty status, in support of a contingency operation.

Where an eligible employee is the spouse, son, daughter, parent or next of kin of a covered service member who is recovering from a serious illness or injury sustained in the line of duty on active duty, the eligible employee is entitled to up to twenty-six (26) weeks of leave in a single twelve (12) month period to care for the service member. However, this military care giver leave is only available during a single twelve (12) month period during which an eligible employee is entitled to a combined total of twenty-six (26) weeks of all types of FMLA leave.

At the employee's or employer's option, certain kinds of *paid* leave may be substituted for unpaid leave.

ADVANCE NOTICE AND MEDICAL CERTIFICATION--The employee may be required to provide advance leave notice and medical certification. Taking of leave may be denied if requirements are not met.

- The employee ordinarily must provide 30 days advance notice when the leave is "foreseeable."
- An employer may require medical certification to support a request for leave because of a serious health condition, and may require second or third opinions (at the employer's expense) and a fitness for duty report to return to work.

JOB BENEFITS AND PROTECTION

- For the duration of FMLA leave, the employer must maintain the employee's health coverage under any "group health plan."
- Upon return from FMLA leave, most employees must be restored to their original or equivalent positions with equivalent pay, benefits, and other employment terms.
- The use of FMLA leave cannot result in the loss of any employment benefit that accrued prior to the start of an employee's leave.

UNLAWFUL ACTS BY EMPLOYERS--FMLA makes it unlawful for any employer to:

- interfere with, restrain, or deny the exercise of any right provided under FMLA;
- discharge or discriminate against any person for opposing any practice made unlawful by FMLA or for involvement in any proceeding under or relating to FMLA.

ENFORCEMENT

- The U.S. Department of Labor is authorized to investigate and resolve complaints for violations.
- An eligible employee may bring a civil action against an employer for violations.

FMLA does not affect any Federal or State law prohibiting discrimination, or supersede any State or local law or collective bargaining agreement which provides greater family or medical leave rights.

FOR ADDITIONAL INFORMATION--Contact the nearest office of the Wage and Hour Division, listed in most telephone directories under U.S. Government, Department of Labor.

NOTE: U.S. Department of Labor Form OMB No. 1215-0181, Certification of Health Care Provider (Family and Medical Leave Act of 1993) can be accessed at the following website: <http://www.dol.gov/whd/regs/compliance/fairpay/wh380.pdf>.

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: FLEXIBLE BENEFIT PLAN

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

The _____ County Road Commission, a Michigan governmental unit (Road Commission), hereby established the _____ County Flexible Benefits Plan (Plan), as set forth in this document.

The Road Commission is adopting this cafeteria plan to provide a means for cash compensation to eligible employees who choose not to participate in the Road Commission's health care plan. This Plan is intended to meet the requirements of Section 125 of the Internal Revenue Code as a cafeteria plan comprised of cash compensations.

The Road Commission may amend this Plan, retroactively or otherwise if necessary or advisable for the purpose of conforming the Plan to the Code or to any other present or future laws, and applicable regulations. The Road Commission also reserves the right to amend this Plan prospectively at any time and from time to time, to change any of the terms, conditions, benefits, or requirements. The Road Commission reserves the right to terminate this Plan at any time.

The Board names _____ as administrator of the Plan and notifies all employees of the road commission that a procedure for participation in the Plan has been adopted by the Board of Road Commissioners and may be obtained from the administrator of the Plan.

Chairperson

Clerk

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: FREEDOM OF INFORMATION

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

The _____ County Road Commission will comply with Public Act No. 442 of 1976 as published and as amended with the _____ designated as the FOIA officer and with a charge of \$_____ per page for all copies and current postage rates applicable for all mailings of information. All FOIA requests must be received in written/typed format.

Chairperson

Clerk

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: INVESTMENTS

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

Purpose

It is the policy of the _____ County Road Commission to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the road commission and complying with all state statutes governing the investment of public funds.

Scope

This investment policy applies to all financial assets of the road commission. These assets are accounted for in the various funds of the road commission and include the general fund, debt service funds, and any other funds established by the road commission through the county treasurer.

Objectives

The primary objectives, in priority order, of the road commission’s investment activities shall be:

- Deposits and Investment Risk--deposits and investments shall have sufficient safety and diversity to assure that the road commission’s exposure to credit risk and interest rate risk is low. Deposit and investment risk definitions are included later in this policy.
- Safety--safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.
- Diversification--the investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- Liquidity--the investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- Return on Investment--the investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Delegation

The _____ is designated as the investment officer of the _____ County Road Commission and is responsible for carrying out investment decisions and activities as well as instructing the _____ County Treasurer to invest excess road commission funds.

Authorized Investments

The investment of surplus funds shall be as follows:

- In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
- In United States government or federal agency obligation repurchase agreements consisting of bonds, securities, and other obligations of the United States.
- In bankers’ acceptances of United States banks.
- In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

The board approves the following financial institutions as depositories of road commission funds: (insert list of approved financial institutions). NOTE: The institutions must be on the list approved by the county board.

Safekeeping, Custody, And Prudence

The investment officer shall recommend financial institutions for approval for the safekeeping of road commission funds based on an evaluation of the performance and solvency of the institution, as well as past performance in exercising due care and prudence in managing the custody of road commission funds held in trust, if applicable. The investment officer shall periodically evaluate approved and potential financial depositories and shall make recommendations as to appropriate changes in approved depositories when warranted.

In determining safekeeping and custody qualifications, financial institutions document a minimum capital requirement of at least \$10,000,000 and at least five years of operation. All financial institutions and brokers/dealers shall be pre-qualified by supplying the following:

- Audited financial statements
- Proof of NASD certification or FDIC insurance
- Proof of state registration
- Certification of having read, understood and agreement to comply with the _____ road commission investment policy.

“Financial institution” means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

The investment officer shall annually examine the financial condition and registrations of qualified financial institutions and brokers/dealers by obtaining annual updates of the information listed above.

The investment officer shall make such investments and only such investments as a prudent person would make in dealing with the property of another, having in view the preservation of the principal and the amount and regularity of the income to be derived. The standard of prudence to be used shall be the "fiduciary" standard and shall be applied in context of managing an overall portfolio.

All security transactions shall be held by the _____ County Treasurer and evidenced by a safekeeping receipt.

The investment officer shall produce quarterly reports for the Board of Road Commissioners, listing by fund each investment within the fund.

- The report should disclose the amount of investment, the institution, maturity date, and interest rate.
- A summary of all investments shall be shown at the end of each report, listed by institution and type of investment.

A yearly report for the fiscal year will be provided to the board and will disclose the following:

- Investment disclosures should be organized by investment type such as U.S. Treasuries, bonds, or commercial paper. Dissimilar investments, such as U.S. Treasury bills and U.S. Treasury strips should not be aggregated into a single investment type.
- The report should disclose information about the **credit risk** associated with investments by disclosing the credit quality ratings of investments in debt securities as described by nationally recognized statistical rating organizations.
- The report should disclose the credit quality ratings of external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities. If the investment is unrated, the report should indicate that fact. (Exclude U.S. government obligations or those explicitly guaranteed by the U.S. government).
- The report should disclose information about the **concentration of credit risk** associated with investments by illustrating, by amount and issuer, investments in any one issuer that represents 5 percent or more of total investments. (Exclude investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

- The report should disclose information about the **interest rate risk** of debt investments by one of the following methods:
 - Segmented time distribution
 - Specific identification
 - Weighted average maturity
 - Duration
 - Simulation model

The report should also disclose the terms of investments with fair values that are highly sensitive to changes in interest rates.

- If the road commission has deposits at the end of the year that are exposed to custodial credit risk, the report should disclose the amount of those bank balances, the fact that the balances are uninsured, and whether the balances are exposed because they are:
 - a) Uncollateralized;
 - b) Collateralized with securities held by the pledging financial institution; or
 - c) Collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor-government’s (county) name.

The investment officer should select the disclosure method that is most consistent with the method used to identify and manage interest rate risk.

Deposit and Investment Risk Definitions

- **Credit Risk**--The risk that an issuer or other counterparty to an investment will not fulfill its obligations. In addition to the credit quality of the issuer of debt securities, credit risk includes concentrations of credit risk and custodial credit risk, as follows:
 - **Concentration of Credit Risk**--The risk of loss attributed to the magnitude of a government’s investment in a single issuer.
 - **Custodial Credit Risk**--For deposits, the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For investments, the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- **Interest Rate Risk**--The risk that changes in interest rates will adversely affect the fair value of an investment.
- **Segmented time distributions** group investment cash flows into sequential time periods in tabular form.
- **Specific identification** does not compute a disclosure measure but presents a list of each investment, its amount, its maturity date, and any call options.
- **Weighted average maturity** measure expresses investment time horizons. Time when investments become due and payable, in years or months, weighted to reflect the dollar size of individual investments within an investment type.
- **Duration**--A measure of a debt investment’s exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment’s full price.
- **Simulation models** estimate changes in an investment or a portfolio’s fair value, given hypothetical changes in interest rates. Various models or techniques may be used, such as “shock test” or value-at-risk.

Chairperson

Clerk

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: MICHIGAN RIGHT TO KNOW

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

This program has been established to meet the requirement of the Hazard Communications Standard of the State of Michigan. The purpose of this program and standard is to ensure that employees are made aware of the hazards of chemicals found in their work environment.

This information is to be transmitted by means of a written hazard communication program, container labeling and other forms of warning, material safety data sheets, and employee education and training programs.

A copy of the Hazard Communication Program, a list of known surveyed hazardous chemicals and the department in which they are used, as well as copies of the Material Safety Data Sheets and a copy of State regulations, are available in the _____ Department Office and _____ Department Office for review by any interested employee. (Contact your workers' compensation officer for procedures manual establishment guidance).

The Board designates _____ to implement this policy and be responsible for its ongoing application.

Chairperson

Clerk

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: PERMIT FEE SCHEDULE

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

Pursuant to Public Act No. 283 of 1909 (MCLA 224.196) and the **Public Hearing held on** _____, the _____ County Road Commission establishes the following fee schedule to recoup costs actually incurred in processing permits. The following schedule is not meant to be all inclusive in recouping all costs, and therefore may be increased to cover the actual costs incurred.

CONSTRUCTION

Permit Category

Blanket Permit (by special approval of Board)	\$ _____
Ditching (requires minimum \$_____ bond)	\$ _____
General permit to work within or occupy ROW	\$ _____
Commercial driveway--first approach	\$ _____
Commercial driveway--each additional approach	\$ _____
Ditch closure	\$ _____
Residential driveway--construct new, repair, replace	\$ _____
Residential driveway--pave (under blanket permit)	\$ _____
Pole and/or anchor replacement and new pole and anchor (under blanket permit)	\$ _____
Underground installations (lineal foot construction) \$___/ft	MIN \$ _____
	MAX \$ _____
Road crossings--open cut, paved road (includes utility services)*	\$ _____
Road crossings--open cut, gravel road (includes utility services)*	\$ _____
Road crossing--bore	\$ _____
Utility service--no road cut	\$ _____
Gas service (with blanket permit)	\$ _____
Electrical (with blanket permit)	\$ _____
Telephone (with blanket permit)	\$ _____
Survey work--remonumentation--per location (with permit and minimum \$_____ bond)	\$ _____

TRANSPORTATION

Permit Category

Yearly card (max. 12 1/2' wide, 13 1/2' high and 80' long but not overweight)	\$ _____
Yearly card for transportation of items greater than 12 1/2' wide and 80' long	\$ _____
Single move	\$ _____
Building move (up to 18')	\$ _____
Building move (18' to 22')	\$ _____
Building move (over 22')	\$ _____
Building move (no route inspection, e.g., small buildings under 14' wide, 13 1/2' high and 80' long including hauling unit)	\$ _____
Reduced loading restrictions--gravel surfaced (min. \$_____ bond)	\$ _____

PERMIT FEE POLICY

Page 2

ABANDONMENT, DISCONTINUANCE AND RELINQUISHMENT OF JURISDICTION OF ROADWAYS

Petition with signatures of all owners of record and abutting occupants \$ _____

Petition, all other cases \$ _____

*Open cuts not part of public utility work will require \$ _____ cash bond per cut of minimum \$ _____ performance bond.

Chairperson

Clerk

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: PERSONAL USE OF ROAD COMMISSION VEHICLES

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

It shall be the policy of the Board of County Road Commissioners of _____ County to assign or provide marked road commission vehicles to certain employees for purposes associated with the responsibilities and assignments of those certain positions within the road commission.

Some of the vehicles may be authorized for use to and from the employee's residence, but only where such use is considered in the best interest of the road commission by the Board, or by the Managing Director acting on the Board's behalf. Any time the employee is in the vehicle, that employee is considered to be available. Any personal use of the vehicle will be confined to a very minimum and only for brief stops on the way to and from the work station (de minimus use).

Persons who are not employees are not permitted to enter or ride in any vehicle, unless such persons are involved in an activity associated with road commission operations or authorized by the managing director.

Employees must report any accident, theft or damage involving a road commission vehicle to their supervisor, regardless of the damage or lack of injuries. Such reports must be made as soon as possible but not later than twenty-four (24) hours after an incident.

Commuting use will be considered a noncash fringe benefit and will appear on the employee's annual W-2. The value placed upon road commission owned vehicles used for commuting will be determined based upon the Internal Revenue Service guidelines. Currently, \$3.00 per day or \$1.50 per one-way trip will be the value placed upon the use of road commission owned vehicles for commuting.

Chairperson

Clerk

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: PRIVACY PRACTICES

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

I. Notice of Privacy Practices

The _____ County Road Commission Health Plan (hereinafter “Plan”) will provide a written notice to its plan participants regarding the use or disclosure of protected health information (hereinafter “PHI”) pursuant to 45 CFR § 164.520, entitled “Notice of Privacy Practices.” Participants will be asked to acknowledge receipt of the Notice of Privacy Practices at the time it is given to them. The Notice of Privacy Practices will be provided to participants or the participants’ legal representative as follows:

- (a) upon becoming a plan participant;
- (b) upon request; and,
- (c) upon or after the effective date of a revision.

The Plan will document compliance with and maintain the Notice of Privacy Practices by retaining copies of each Notice issued by the Plan for a period of at least 6 years from the date when it last was in effect.

II. Use of PHI and Disclosure to the Employer

- (a) The Plan will use PHI to the extent of and in accordance with the uses and disclosures permitted by the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Specifically, the Plan will use PHI for purposes related to health care treatment, payment for health care and health care operations as defined in the Privacy Notice distributed to plan participants.

The Plan will disclose PHI to the _____ County Road Commission (hereinafter “Employer”) only upon receipt of a certification from the Plan Sponsor that the Plan documents have been amended to incorporate the provisions in subsection (b) below.

- (b) With respect to PHI disclosed to the Employer by the Plan, the Employer has agreed to:
 - Not use or disclose PHI other than as permitted or required by the Plan document or as required by law;
 - Ensure that any agents, including a subcontractor, to whom the Employer provides PHI received from the Plan agrees to the same restrictions and conditions that apply to the Plan Sponsor with respect to such PHI;
 - Not use or disclose PHI for employment-related actions and decisions, unless authorized by an individual;

- Not use or disclose PHI in connection with any other benefit or employee benefit plan of the Plan Sponsor unless authorized by an individual;
 - Report to the Plan any PHI use or disclosures provided of which it becomes aware;
 - Make PHI available to an individual in accordance with HIPAA's access requirements;
 - Make PHI available for amendment and incorporate any amendments to PHI in accordance with HIPAA;
 - Make available the information required to provide an accounting of disclosures;
 - Make internal practices, books and records relating to the use and disclosure of PHI received from the Plan available to the DHHS Secretary for the purposes of determining the Plan's compliance with HIPAA; and
 - If feasible, return or destroy all PHI received from the Plan that the Employer still maintains in any form, and retain no copies of such PHI when no longer needed for the purpose for which disclosure was made (or if return or destruction is not feasible, limit further uses and disclosures to those purposes that make the return or destruction infeasible).
- (c) Adequate separation will be maintained between the Plan and the Employer. Only the individuals identified in the Privacy Notice distributed to plan participants in accordance with HIPAA will have access to PHI. The persons described in the Privacy Notice may only use and disclose PHI for Plan administration functions that the Employer performs for the Plan. If the persons described herein do not comply with the Plan document, the Employer shall provide a mechanism for resolving issues of noncompliance, including disciplinary sanctions.

III. Minimum Necessary Standard

For purposes of use and disclosure of PHI by the Plan, each employee of the Road Commission identified below shall have access only to the minimum PHI necessary to perform his/her job duties or responsibilities. Each individual will be subject to disciplinary action up to and including termination for breach of confidentiality or unauthorized access to, use of, and disclosure of PHI.

- (a) The Director of Finance/Clerk and the Office Manager/Deputy Clerk will have access to the PHI of all plan participants, but only the minimum necessary to complete assigned duties.
- (b) No other Road Commission employee will access the PHI of Plan participants.
- (c) Any individual found to be accessing PHI for purposes other than performing assigned duties will be subject to disciplinary action up to and including discharge.

IV. Complaints

The Plan shall investigate and resolve complaints of violations of an individual's privacy rights or complaints of violations of this Policy. Any complaint regarding the handling of PHI is to be made in writing to the Privacy Officer designated in the Plan's Notice of Privacy Practices. If the complaint is about the Privacy Officer, it should be directed to the Chair of the _____ County Road Commission Board. Upon receiving a complaint, the Privacy Officer will:

- (a) Investigate the complaint and document the investigation.

- (b) Advise appropriate personnel of the complaint, the investigation and the proposed resolution.
- (c) Provide the individual making the complaint with a summary of the resolution of the complaint.

V. Participant's Rights

Plan participants have the following rights:

- (a) Access--With certain exceptions, plan participants have a right to look at or receive a copy of their PHI maintained by the Plan. The Plan reserves the right to charge a reasonable cost-based fee for copying and postage. If the Plan denied a participant's request for access, the Plan will tell the participant the basis for its decision and whether the participant has a right to further review.
- (b) Disclosure Accounting--A plan participant has the right to an accounting of certain disclosures of his/her PHI, such as disclosures required by law. This accounting requirement applies to disclosures the Plan makes beginning on and after April 14, 2003. If a plan participant requests this accounting more than once in a 12-month period, the Plan may charge him/her a fee covering the cost of responding to these additional requests.
- (c) Restriction Requests--A plan participant has the right to request that the Plan place restrictions on the way it uses or discloses his/her PHI for treatment, payment or health care operations. The Plan is not required to agree to these additional restrictions; but if it does, it will abide by them (except as needed for emergency treatment or as required by law) unless the Plan notifies the participant that it is terminating the agreement.
- (d) Amendment--A plan participant has the right to request that the Plan amend his/her PHI maintained by the Plan. If the Plan denies the participant's request, the Plan will provide the participant a written explanation. If the participant disagrees, he/she may have a statement of his/her disagreement placed in the Plan's records. If the Plan accepts the participant's request to amend the information, the Plan will make reasonable efforts to inform others, including individuals the participant names, of the amendment.

HEALTH PLAN DOCUMENT AMENDMENT PRIVACY OF PHI

1. Plan Sponsor's Certification of Compliance.

The Employer (Plan Sponsor) hereby certifies that the Plan Documents have been amended to incorporate this section and agrees to abide by this section.

2. Purpose of Disclosure to Employer (Plan Sponsor).

- (a) The Plan and any health insurance issuer or Business Associate servicing the Plan will disclose Plan Participants' PHI to the Employer (Plan Sponsor) only to permit the Employer (Plan Sponsor) to carry out plan administration functions for the Plan not inconsistent with the requirements of the *Health Insurance Portability and Accountability Act of 1996* and its implementing Regulations (45 C.R.F. Parts 160-64). Any Participants' PHI will be subject to and consistent with the provisions of paragraphs 3 and 4 of this section.

- (b) Neither the Plan nor any health insurance issuer or Business Associate servicing the Plan will disclose Plan Participants' PHI to the Employer (Plan Sponsor) unless the disclosures are explained in the Notice of Privacy Practices distributed to the Plan Participants.
- (c) Neither the Plan nor any health insurance issuer or business Associate servicing the Plan will disclose Plan Participants' PHI to the Employer (Plan Sponsor) for the purpose of employment-related actions or decisions or in connection with any other benefit or employee benefit plan of the Employer (Plan Sponsor).

3. Restrictions on Plan Sponsor's Use and Disclosure of PHI.

- (a) The Employer (Plan Sponsor) will neither use nor further disclose Plan Participants' PHI, except as permitted or required by the Plan Documents, as amended, or required by law.
- (b) The Employer (Plan Sponsor) will ensure that any agent, including any subcontractor, to whom it provides Plan Participants' PHI agrees to the restrictions and conditions of the Plan Documents, including this section, with respect to Plan Participants' PHI.
- (c) The Employer (Plan Sponsor) will not use or disclose Plan Participants' PHI for employment-related actions or decisions or in connection with any other benefit or employee benefit plan of the Employer (Plan Sponsor).
- (d) The Employer (Plan Sponsor) will report to the Plan any use or disclosure of Plan Participants' PHI that is inconsistent with the uses and disclosures allowed under this section promptly upon learning of such inconsistent use or disclosure.
- (e) The Employer (Plan Sponsor) will make PHI available to the Plan Participant who is the subject of the information in accordance with 45 Code of Federal Regulations § 164.524.
- (f) The Employer (Plan Sponsor) will make Plan Participants' PHI available for amendment, and will on notice amend Plan Participants' PHI, in accordance with 45 Code of Federal Regulations § 164.526.
- (g) The Employer (Plan Sponsor) will track disclosures it may make of Plan Participants' PHI so that it can make available the information required for the Plan to provide an accounting of disclosures in accordance with 45 Code of Federal Regulations § 164.528.
- (h) The Employer (Plan Sponsor) will make its internal practices, books, and records, relating to its use and disclosure of Plan Participants' PHI, available to the Plan and to the U.S. Department of Health and Human Services to determine compliance with 45 Code of Federal Regulations Parts 160-64.

- (i) The Employer (Plan Sponsor) will, if feasible, return or destroy all Plan Participant PHI, in whatever form or medium (including in any electronic medium under the Employer's (Plan Sponsor's) custody or control), received from the Plan, including all copies of and any data or compilations derived from and allowing identification of any Participant who is the subject of the PHI, when the Plan Participants' PHI is no longer needed for the plan administration functions for which the disclosure was made. If it is not feasible to return or destroy all Plan Participant PHI, the Employer (Plan Sponsor) will limit the use or disclosure of any Plan Participant PHI it cannot feasibly return or destroy to those purposes that make the return or destruction of the information infeasible.

4. Adequate Separation Between the Employer (Plan Sponsor) and the Plan.

- (a) The following employees or classes of employees or other workforce members under the control of the Employer (Plan Sponsor) may be given access to Plan Participants' PHI received from the Plan or a health insurance issuer or business associate servicing the Plan:

Director of Finance/Clerk of the Board
Office Manager/Deputy Clerk

This list includes every employee or class of employees or other workforce members under the control of the Employer (Plan Sponsor) who may receive Plan Participants' PHI relating to payment under, health care operations of, or other matters pertaining to the Plan in the ordinary course of business.

- (b) The employees, classes of employees or other workforce members identified in paragraph 4(a) of this section will have access to Plan Participants' PHI only to perform the plan administration functions that Employer (Plan Sponsor) provides for the Plan.
- (c) The employees, classes of employees or other workforce members identified in paragraph 4(a) of this section will be subject to disciplinary action and sanctions, including termination of employment or affiliation with the Employer (Plan Sponsor), for any use or disclosure of Plan Participants' PHI in breach or violation of or noncompliance with the provisions of this section to the Plan Documents. Employer (Plan Sponsor) will promptly report such breach, violation or noncompliance to the Plan, as required by paragraph 3(d) of this section, and will cooperate with the Plan to correct the breach, violation or noncompliance, to impose appropriate disciplinary action or sanctions on each employee or other workforce member causing the breach, violation or noncompliance, and to mitigate any deleterious effect of the breach, violation or noncompliance on any Participant, the privacy of whose PHI may have been compromised by the breach, violation or noncompliance.

Chairperson

Clerk of the Board

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: SAFETY

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

The _____ County Road Commission adopts the County Road Association Self-Insurance Fund Safety Manual as this county's Safety Policy/Safety Program.

Chairperson

Clerk

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: SMOKE FREE WORKPLACE

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

To protect and enhance indoor air quality and contribute to the health and well-being of all employees, _____ County Road Commission shall be entirely smoke free, effective immediately.

Smoking will be strictly prohibited within all company work areas and public spaces including conference rooms, reception areas, restrooms, stairwells, hallways, work stations, garages, or road commission vehicles when more than one individual is riding in, or working out of, such vehicle. This policy applies to all employees, clients, contractors and visitors.

Copies of this policy shall be distributed to all employees. Prominent signs displaying the following statement will be posted at all entrances and throughout the building.

Smoking is prohibited in this building, pursuant to the Michigan Clean Indoor Air Act

Those employees who smoke and would like to take this opportunity to quit smoking are invited to participate in the stop-smoking programs offered by this company.

The success of this policy will depend upon the thoughtfulness, consideration and cooperation of smokers and nonsmokers. All employees share in the responsibility for adhering to and enforcing the policy. Persons observing a violation of this policy should bring it to the attention of their supervisor or the Safety Committee. Supervisors of the Safety Committee, receiving a complaint, will investigate and take action to resolve the issue as soon as possible.

Persons found to have violated this policy will be subject to disciplinary action(s) in the same manner and magnitude as violations of other agency policies.

Chairperson

Clerk

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: SOCIAL SECURITY NUMBER PRIVACY POLICY

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

In the ordinary course of business, the _____ County Road Commission obtains the Social Security Numbers (SSNs) of applicants and employees for identification and tax-related purposes. To the extent practicable, the road commission shall maintain the confidentiality of applicants' and employees' SSNs. SSNs will be used by the road commission as follows:

1. The road commission will use SSNs in the process of producing payroll, including any state or federal filing requirements, and, if required, for establishing, confirming the status of, servicing, amending, or terminating an account, contract, policy, or employee benefit, or to confirm the Social Security number of an individual who has an account, contract, policy, or employee benefit.
2. The road commission may use an employee's SSN to perform background checks or to investigate an individual's claim, credit, criminal, or driving history.
3. The road commission may use an employee's SSN to detect, prevent, or deter identity theft or other crimes.
4. The road commission may use an employee's SSN for any other administrative purpose related to employment.

Information or documents that contain SSNs shall be stored in a physically secure manner. Access to information or documents that contain applicants' and employees' SSNs shall be limited to (insert the following titles or others as may be appropriate: Managing Director, Finance Director, Personnel Director, Office Manager, Payroll Clerk, etc.).

All unlawful disclosure of applicants' and/or employees' SSNs is prohibited. No employee of the road commission shall unlawfully acquire, disclose, transfer, or use the SSN of an applicant or another employee. The road commission will not publicly display more than four (4) sequential digits of any SSN unless required in the course of processing state and federal reports for purposes of wage reporting. SSNs shall not be placed on identification cards, badges, time cards, employee rosters, bulletin boards, or any other materials or documents designed for public display.

Road commission documents containing an individual's SSN shall only be mailed to a person when state or federal law, rule, regulation, or court or rule authorizes, permits or requires that a SSN appear in the document or where the document is mailed at the request of the individual.

Documents containing SSNs that are sent through the mail shall not reveal the number through the envelope window, nor shall the number otherwise be visible from outside the envelope or package.

SOCIAL SECURITY NUMBER PRIVACY POLICY

Page 2

SSNs shall not be sent through e-mail unless the connection is secure or the number is encrypted. No individual shall be required to send his/her SSN through e-mail unless the connection is secure or the number is encrypted. SSNs shall not be stored on computers or other electronic devices that are not secured against unauthorized access.

Where a SSN is contained within a document subject to FOIA release, the SSN shall be redacted. Documents or other materials containing SSNs shall not be thrown away in the trash. They shall be discarded or destroyed only in a manner that protects their confidentiality, such as shredding.

Complaints concerning possible violation of this policy should be directed to the Managing Director. If the complaint is about the Managing Director, it should be directed to the Chair of the Road Commission Board. The recipient of the complaint and/or an appropriate designee will conduct an investigation. Any employee who is found to have violated this policy shall be subject to disciplinary action, up to and including discharge.

Chairperson

Clerk of the Board

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

The _____ County Road Commission is committed to ensuring that the fundamental principles of equal opportunity are upheld in all decisions involving our employees and contractors/consultants; and to ensuring that the residents of our county are afforded access to our programs and services.

The Board of _____ County Road Commissioners designates the Director of Finance as the Title VI officer with the responsibility of ensuring the _____ County Road Commission's compliance with Title VI regulations in association with the Michigan Department of Transportation Title VI Department. The head of each department is responsible for ensuring that, within their department, no person shall be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any _____ County Road Commission program or activity on the grounds of race, color, national origin, income, sex, age, disability, or limited English proficiency. The _____ County Road Commission assures all its programs and activities will be free from discrimination, whether those programs and activities are federally funded or not.

Inquiries concerning the _____ County Road Commission's policies, investigations, complaints, compliance with applicable laws, regulations, and concerns regarding compliance with Title VI may be directed to the Director of Finance, _____ County Road Commission, 123 Primary Road, Brown, Michigan 48888, telephone 989-555-3274.

This policy statement will be circulated throughout the _____ County Road Commission and included by reference in all contracts, agreements, programs and services administered by the _____ County Road Commission.

Chairperson

Clerk

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: TRAVEL POLICY

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

Section I--General

Application--The _____ County Road Commission has adopted this travel policy to provide direction for all employees pertaining to travel and expense reimbursement.

Interpretation and Enforcement--The Managing Director is responsible for interpretation and enforcement of these regulations as they apply to all Road Commission employees. The Chair of the Board of Road Commissioners is responsible for interpretation and enforcement of these regulations as they apply to the Managing Director. The Chair is also responsible for approving travel expenses for Road Commissioners.

Responsibility--Compliance with these regulations is the responsibility of the Department Head. The Managing Director or designee thereof shall have the authority to review travel vouchers or to waive, where special circumstances warrant, any regulation or rates herein.

Degree of Care--All Employees and persons traveling on official business are expected to exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business.

Section II--Non-Road Commission Personnel

Employees will not receive reimbursement for travel expenses incurred by any non-Road Commission individuals.

Section III--Travel Approval Reimbursement, Cash Advance

Authority for Travel--All travel other than normally assigned travel, shall be duly authorized and approved by the Department Head and the Managing Director or designee thereof, prior to departure. Sufficient budgeted funds must be available for such travel.

Reimbursement--Direct payment by the Road Commission for hotel and carrier expense is to be arranged whenever possible. Meals and incidental expenses are to be turned in on an expense account form upon returning to work.

Cash Advance for Travel--If expenses are expected to exceed \$500, employees may request a travel advance. Arrangements must be started at least one month in advance of travel and require approval of the Managing Director or designee. Within five working days of end of travel, receipts showing usage of the cash should be itemized and the balance of the advance (if any) returned. If expenses were greater than the advance, reimbursement to the employee will occur on the next check issuing date.

Section IV--Lodging and Meals

Schedule of Rates--Reimbursement of expenses are limited to those allowed by the most recent schedule of rates in accordance with the current Department of Technology, Management and Budget (DTMB), Vehicle and Travel Services (VTS) Schedule of Travel Rates (http://www.michigan.gov/dmb/0,1607,7-150-9141_13132---,00.html). This includes rates for lodging, meals, incidental costs, and mileage. Select cities as well as in-state rates are also available. These rates should be followed depending on the travel location.

Lodging related to conferences that exceed the DTMB rates is fully reimbursable as long as it is at the lowest offered rate, approved by the Managing Director, and includes applicable documentation.

Lodging Charges for Multiple Occupancy--When a traveler shares hotel or other lodging with a non-Road Commission traveler (spouse, friends, family member, etc.) who received no travel expenses from another source, reimbursement to the traveler shall be at the rate of single occupancy as certified to the hotel on the receipt. If the lodging is shared with a non-Road Commission traveler who is receiving reimbursement for travel, the reimbursement will be on a proportional amount of the bill, based on the number of persons occupying the room.

Lodging--The Road Commission requires paid, original receipts to support all lodging expense claims.

Meals--When a traveler is entitled to a full day's allowance for meals, the amount expended for any particular meal is left to the discretion of the traveler, but the total for all meals in one day shall not exceed the maximum daily allowance as provided by the current DTMB travel rate schedule. Whenever meals are served on planes or included at no additional cost as part of a class, seminar or meeting, regardless of where the gathering is held, the traveler shall not be entitled to any meal allowance for those particular meals. A corresponding deduction should be made from the daily meal allowances based on the allowance for that particular meal. The cost of alcoholic beverages and non-seminar activities are not eligible for reimbursement by the Road Commission. The traveler shall not be reimbursed for non-Road Commission travelers (spouse, family member, friends, etc.).

Allowances for individual meals will be based on the following schedule:

- Breakfast--When travel commences prior to 6:00 a.m. and extends beyond 8:30 a.m.
- Lunch--When travel commences prior to 11:30 a.m. and extends beyond 2:00 p.m.
- Dinner--When travel commences prior to 5:30 p.m. and extends beyond 8:00 p.m.
- Midnight Lunch--Shall be at lunch rate if travel and work extends beyond midnight.

For trips not involving overnight lodging or not included in a seminar/meeting registration fee the total amount claimed for meals cannot exceed the appropriate published rate. The meal reimbursement amount will be included on the employee's W-2 as other income and reimbursement will be taxed.

Section V--Transportation

All travelers should purchase the least expensive accommodations for airplane, train, bus, etc. Persons choosing first class accommodations shall pay the difference between the least expensive rate and the first class rate.

Use of privately owned vehicles for official county business may be authorized when a county motor vehicle is not available and the Department Head in conjunction with the Managing Director determine that privately owned vehicle use is consistent with county operational policies. Drivers must receive prior approval from their department head to drive a privately owned vehicle for official county government business. Each department is responsible for defining its approval process. The driver will be reimbursed at the Approved Private Vehicle Rate (APVR).

Drivers who refuse assignment of an available county motor vehicle and use their privately owned vehicle are reimbursed at half of the (APVR) even when an occasional daily travel is less than 100 miles).

APVR amounts are established per the DTMB's current VTS travel rates.

All motor vehicle travel must be by the most direct travel route. In cases where an individual travels an indirect route for their own convenience, any extra costs shall be borne by the individual and reimbursement for expenses will be based only on such charges as would have been incurred by a usually traveled route. If travel by the most direct route is not possible because of construction, detour or other legitimate reasons, the claim for additional mileage should be stated on the Road Commission Travel Expense Form.

Charges for gasoline, lubrication, repairs, antifreeze, towage, and other similar expenditures will not be allowed as reimbursable items when privately owned cars are used.

Reimbursement for toll roads, bridges, parking charges, and parking meters are allowed. No receipts are required for toll roads, bridges, and parking meters. Receipts are required for parking garage and parking lot charges.

The Road Commission does not assume liability for damage to personal automobiles used for company business and does not assume liability for deductions or any other uninsured loss to the vehicle. Liability insurance protection will be provided as excess coverage only after the private owner's personal liability insurance limits are exhausted when the vehicle is used for business purposes. Cost of repairs to a vehicle, whether or not they result from the traveler's acts or not, are not reimbursable.

The Road Commission does not pay for parking tickets or moving violations.

Section VI--Other Expenses

Telephone--Charges are allowed when necessary for official business. Dates, place, and person called and nature of business must be shown on the voucher for all toll calls. One personal daily call not exceeding \$5.00 is allowed while on overnight travel. The most economical rate available should be used when placing telephone calls.

Gratuities--tips for meals shall not exceed 20% of the cost of the meal. Other tips (porters, maid service, and taxis) shall not exceed \$2.00 per service.

Registration Fees--A program or other supporting literature showing whether or not meals are included in the fee shall be attached if the information is not shown on the registration receipt.

Chairperson

Clerk

POLICY No. _____

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF _____

SUBJECT: VIOLENCE IN THE WORKPLACE

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: _____

The _____ County Road Commission is committed to a policy against violence in the workplace. There shall be zero tolerance towards violence in the workplace. The _____ County Road Commission will not tolerate any incident of fighting, bringing weapons into the workplace, threats of violence, verbal or physical assault, harassment, or intimidation. Any employee found guilty of any of the above-listed prohibited acts shall be subject to discipline, up to and including termination. Any employee who observes any violation of this policy must immediately report the violation to his or her supervisor. _____ County Road Commission’s supervisory staff will objectively investigate reports of any violation of this policy. In cases where an allegation is made of a violation of this policy, involving a supervisor, the report shall be made to the _____ or _____.

The _____ County Road Commission reserves the right to use any lawful method of investigation that it deems necessary to determine whether an employee has engaged in conduct which violates this policy. Employees entering or leaving the road commission’s premises are subject to questions and a search at its discretion. Lockers, vehicles, and personal possessions will also be subject to search. Failure to comply may result in termination. Any search will be undertaken as discreetly as possible and only after the road commission has formed a reasonable belief that a violation of this policy has occurred.

Chairperson

Clerk

MD&A FOR DEPRECIATION METHODUsing this Annual Report

The _____ County Road Commission's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the road commission's financial activity; (c) identify changes in the road commission's financial position (its ability to address the next and subsequent year challenges); (d) identify any material deviations from the approved budget; and (e) identify any issues or concerns.

Overview of the Financial Statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net assets and how they have changed.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements.

Reporting the Road Commission as a Whole

The Statement of Net Assets and the Statement of Activities report information about the road commission as a whole and about its activities in a way that helps answer the question of whether the road commission, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the road commission's net assets and changes in them. The reader can think of the road commission's net assets (the difference between assets and liabilities) as one way to measure the road commission's financial health or financial position. Over time, increases or decreases in the road commission's net assets are one indicator of whether its financial health is improving or deteriorating.

MD&A FOR DEPRECIATION METHOD

Reporting the Road Commission's Major Fund

Our analysis of the road commission's major fund begins on page _____. The fund financial statements begin on page _____ and provide detailed information about the major fund. The road commission currently has only one fund, the General Operations Fund, in which all of the road commission's activities are accounted. The general operations fund is a governmental fund type.

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

The Road Commission as a Whole

The road commission's net assets increased approximately _____% from \$_____ to \$_____ for the year ended _____31, 20___. The net assets and change in net assets are summarized below.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased \$ _____. Restricted net assets, those restricted mainly for Act 51 purposes, decreased \$ _____. The primary reason for the decreases was a decline in Federal support for road projects. Declining interest rates and gasoline tax revenue also negatively impacted net assets. The investment in capital assets category increased \$_____.

It is important for the reader to realize that the increase in net assets is largely a result of the road commission electing to retroactively report infrastructure assets (assets acquired prior to _____) in a subsequent year as allowed by GASB No. 34. If the retroactive infrastructure provisions of GASB No. 34 had been implemented in the current year, depreciation expense would have been higher, resulting in a smaller increase in net assets or even a decrease.

MD&A FOR DEPRECIATION METHOD

Net assets as of year ended _____, compared to the prior year, as follows:

	Governmental Activities <u>09/30/X4</u>	Governmental Activities <u>09/30/X5</u>	Variance Increase (Decrease) <u></u>
Assets			
Current and Other Assets	\$	\$	\$
Net Capital Assets	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total Assets	<u>\$</u>	<u>\$</u>	<u>\$</u>
Liabilities			
Current Liabilities	\$	\$	\$
Long-Term Liabilities	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total Liabilities	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	\$	\$	\$
Restricted	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total Net Assets	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

MD&A FOR DEPRECIATION METHOD

Changes in Net Assets

A summary of changes in net assets for the year ended _____, compared to the prior year, as follows:

	Governmental Activities 20X4	Governmental Activities 20X5	Increase (Decrease)
Program Revenue			
Licenses and Permits	\$	\$	\$
Federal Grants	\$	\$	\$
State Grants	\$	\$	\$
Contributions From Local Units	\$	\$	\$
Charges for Services	\$	\$	\$
Investment Earnings	\$	\$	\$
Reimbursements	\$	\$	\$
General Revenue	\$	\$	\$
Insurance Recoveries	\$	\$	\$
Gain on Equipment Disposal	\$	\$	\$
Sale of Land and Buildings	\$	\$	\$
Total Revenue	\$	\$	\$
Expenses			
Primary Road--Routine and Preventive Maintenance	\$	\$	\$
Local Road--Routine and Preventive Maintenance	\$	\$	\$
State Trunkline Maintenance	\$	\$	\$
Net Equipment Expense	\$	\$	\$
Net Administrative Expense	\$	\$	\$
Non-Road Project	\$	\$	\$
Infrastructure Depreciation	\$	\$	\$
Compensated Absenses	\$	\$	\$
Interest Expense	\$	\$	\$
Total Expenses	\$	\$	\$
Change in Net Assets	\$	\$	\$

The Road Commission's Fund

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

MD&A FOR DEPRECIATION METHOD

For the year ended _____, the fund balance of the General Operations Fund decreased \$_____ as compared to a decrease of \$_____ in the fund balance for the year ended _____ (last year). Total revenues were \$_____, a decrease of \$_____ as compared to last year. This change in revenues resulted primarily from a decrease in Federal surface transportation funds due to fewer Federal projects.

Total expenditures were \$_____, a decrease of \$_____ as compared to last year. This change in expenditures is primarily the decrease in capital outlay in the current year. The road commission incurred an increase to capital outlay last year due to significant renovations and repairs to its building.

Budgetary Highlights

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

The original revenue budget for 2005 was higher than the actual receipts by \$_____. This was due, in large part, to the projection of local road participation by townships. Expenditures for construction on local roads are limited to 50% of the contract costs. The road commission budgets for the receipt of funds from townships for projects on local roads. This year, the revenue from township contributions was lower than projected in the amount of \$_____.

Road commission expenditures were projected at \$_____ while actual expenditures were \$_____. This resulted in total expenditures being under budget by \$_____. There were three items that account for most of the variance in the projection of the budget. The largest share of the variance is in the area of local road preservation-structural improvement. As mentioned earlier, expenditures for construction/capacity improvement on local roads by statute is limited to 50% of the contract costs. Therefore, when revenues are not realized, corresponding expenditures are not required. Consequently, the projected budget amount for local road preservation-structural improvement should have decreased by \$_____. Expenditures for primary road preservation-structural improvement and routine and preventive maintenance were over budget by \$_____ and \$_____, respectively. Our engineering and maintenance departments projected that work in these two areas would be completed; however, weather and other factors combined to limit the amount of work that could be completed prior to year end.

MD&A FOR DEPRECIATION METHOD

Capital Asset and Debt Administration

Capital Assets

As of _____ (year end), the road commission had \$_____ invested in capital assets, compared to the prior year, as follows:

	<u>20X4</u>	<u>20X5</u>	<u>Total Percentage Change 20X4-20X5</u>
Capital Assets Not Being Depreciated			
Land/Right-of-Way	\$	\$	\$
Infrastructure--Land Improvements	\$	\$	\$
Subtotal	<u>\$</u>	<u>\$</u>	<u>\$</u>
Capital Assets Being Depreciated			
Land Improvements	\$	\$	\$
Buildings	\$	\$	\$
Road Equipment	\$	\$	\$
Shop Equipment	\$	\$	\$
Office Equipment	\$	\$	\$
Engineers Equipment	\$	\$	\$
Depletable Assets	\$	\$	\$
Infrastructure	\$	\$	\$
Subtotal	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total Capital Assets	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total Accumulated Depreciation	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total Net Capital Assets	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

The road commission reported the infrastructure and related assets during the current year in the amount of \$_____. The infrastructure recorded, during 20X5, will be depreciated in the following year. The infrastructure is financed through Federal, State and local contributions.

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

Road Preservation/Structural Improvements	\$
Road Equipment	\$
Other Equipment	\$
Building	<u>\$</u>
Total Additions	<u><u>\$</u></u>

MD&A FOR DEPRECIATION METHODDebt

The road commission currently experiences a relatively debt free status. Bonds issued in prior years have been paid off and retired. The road commission currently has long-term debt in the amount of \$_____ which represents compensated absences payable.

Economic Factors and Next Year's Budget

The board of county road commissioners considered many factors when setting the fiscal year 20__ budget. One of the factors is the economy. The road commission derives approximately _____% of its revenues from the fuel tax collected. The recent economic downturn has resulted in less consumption of fuel and consequently less Michigan Transportation Funds tax to be distributed. Investment income on the cash in our fund balance will decline by approximately ___% or approximately \$_____.

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

Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the road commission's finances and to show the accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the _____ County Road Commission administrative offices at _____.