NOTE 9 - LONG-TERM LIABILITIES - (cont'd):

The annual requirements to amortize the MTF bond obligations outstanding at December 31, 2013 are as follows:

	Principal	Interest	Total
2014	$ 150,000	$ 40,286	$ 190,286
2015	125,000	60,070	185,070
2016	130,000	57,520	187,520
2017	135,000	54,870	189,870
2018	135,000	52,170	187,170
2019-2023	720,000	215,856	935,856
2024-2028	815,000	106,241	921,241
2029	180,000	3,375	183,375
	$ 2,390,000	$ 590,388	$ 2,980,388

Accrued Vacation and Sick -

The accrued vacation and sick represents vested vacation and sick benefits due to Road Commission employees upon termination of employment with the Road Commission. The balance at December 31, 2013 is $225,707. All amounts vested have been accrued on the government-wide statements.

Other Postemployment Benefits -

In addition to pension benefits, the Road Commission provides postemployment health care benefits to eligible retirees and their families, as described in Note 11.

NOTE 10 - EMPLOYEE PENSION PLAN:

Defined Benefit Plan:

Plan Description -

The Road Commission participates in the Michigan Municipal Employees Retirement System ("MERS"); an agent multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

NOTE 10 - EMPLOYEE PENSION PLAN - (cont'd):

Funding Policy -

The plan adopted by the Board of County Road Commissioners requires no employee contribution. The Road Commission was required to contribute at an actuarially determined rate; the weighted average rate for the first quarter of 2013 was 31.94% for general employees and 52.48% for salaried employees. Effective April 1, 2013, the division for general and salaried employees was closed to new hires, transfers, and rehires. Contributions on behalf of these participants after April 1, 2013 were based on an actuarially determined flat rate. At December 31, 2013, the rate was $37,687 per month. A new division for new hires, transfers, and rehires was established on April 1, 2013, requiring contributions of 10.14% of wages. The contribution requirements of plan members and the Road Commission are established and may be amended by the Road Commission, depending on the MERS contribution program adopted by the Road Commission.

Annual Pension Costs -

For the year ended December 31, 2013, the Road Commission's annual pension cost of $518,386 for MERS was equal to the Road Commission's required and actual contributions. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 8.40% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement, for persons under Benefit E-1 or E-2. The actuarial value of MERS assets was determined using techniques on a basis of evaluation method that assumes the funds earn the expected rate of return (8%) and includes as an adjustment to reflect market value. The standard amortization period to fund the unfunded liability is 27 years for positive unfunded liabilities in the 2011 valuation. This period will be reduced by one year in each of the next eight annual valuations. Beginning with the 2019 valuation the 20-year period will be reestablished with each annual valuation. The standard amortization period for negative unfunded liabilities is 10 years, with the 10-year period reestablished with each annual actuarial valuation. The level percentage of payroll is used to amortize the unfunded actuarial accrued liability.

Three-Year Trend Information

Schedule of Employer Contributions -

Fiscal Year Ending December 31,	Annual Pension Costs (APC)	Percentage of APC Contribution	Net Pension Obligation
2011	$ 564,963	100 %	$ -
2012	542,596	100	-
2013	518,386	100	-

Schedule of Funding Progress -

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
2010	$ 9,795,044	$ 16,590,612	$ 6,795,568	59 %	$ 1,688,622	402 %
2011	9,829,050	17,245,637	7,416,587	57	1,648,619	450
2012	9,781,802	17,398,006	7,616,204	56	1,570,586	485

NOTE 10 - EMPLOYEE PENSION PLAN - (cont'd):

Deferred Compensation Plan:

Effective July 18, 2013, the Road Commission now offers a MERS 457 Supplemental Retirement Program Plan, created in accordance with the Internal Revenue Code Section 457, which covers all full time employees and commissioners, as well as the managing director. The assets of the deferred compensation plan are held in trust for the exclusive benefit of the participants and their beneficiaries. MERS as the custodian holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the Road Commission for purposes of providing direction to MERS from time to time for the investment of funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Road Commission's financial statements.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS:

Plan Description -

In addition to the pension benefits described in Note 10, the Road Commission provides postemployment benefits through a single-employer defined benefit healthcare plan (the "Retiree Health Plan") to eligible employees who retire from the Road Commission on or after attaining retirement age with at least ten years of service. Benefits provided by the plan consist of healthcare, dental, and prescription drug coverage. Benefit provisions are established through negotiations between the Road Commission's management and Board of Commissioners and the employees' unions.

The retiree health plan does not issue a publically available financial report.

Funding Policy -

The Road Commission recognizes the cost of providing these benefits on a pay-as-you-go method for current retirees. The plan requires no member contributions for Road Commission employees. The Road Commission can periodically make contributions to an irrevocable trust to provide advance funds for these benefits which are counted towards the ARC contribution.

Annual Benefit Costs -

During the year ended December 31, 2013, employer contributions of $489,328, which included $50,000 contributed to the OPEB trust fund, were made by the Road Commission. The alternative measurement method dated December 31, 2011 determined an annual contribution of $716,675.

The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The benefit costs were developed using the entry age cost method. The assumptions included (a) 7.0% investment rate of return, (b) 4.8% discount rate, (c) projected health care premium increases of 6.8% to 7.0% per year, (d) life expectancies for males and females of 77 and 81 years, respectively, (e) assumed retirement age of 58, or at the first subsequent year in which the member would qualify for benefits. The plan unfunded actuarial accrued liability is being amortized by level percent of payroll contributions over 30 years on an open period.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):

Annual OPEB Cost and Net OPEB Obligation -

The Road Commission's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount calculated in accordance with the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period not to exceed thirty years. The Road Commission's annual OPEB cost for the year, the amount actually contributed, and changes in the net OPEB obligation are as follows:

Annual required contribution	$ 716,675
Interest on net OPEB obligation	80,906
Adjustment to annual required contribution	(73,481)
Annual OPEB cost (expense)	724,100
Contributions made	(489,328)
Increase in net OPEB obligation	234,772
Net OPEB obligation - beginning of year	1,155,806
Net OPEB obligation - end of year	$ 1,390,578

Schedule of Employer Contributions -

Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
December 31, 2011	$ 722,270	82.19 %	$ 999,623
December 31, 2012	723,097	78.40	1,155,806
December 31, 2013	724,100	67.58	1,390,578

Funded Status and Funding Progress -

The projection of future benefit payments for an ongoing plan involves estimates for the value of reported amounts and assumptions about the probability or occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
2008	$ -	$ 8,259,076	$ 8,259,076	0 %	$ 1,876,594	440 %
2011	51,667	7,968,733	7,917,066	0.65	1,688,622	469