NOTE G – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION:

In addition to the pension benefits, the Alger County Road Commission agrees to provide 100% of BC/BS and prescription drug coverage benefits to eligible retires and/or their spouses. Alger County Road Commission will pay premiums of a retiree and/or their spouse beginning at a minimum of age 60 and extending to age 65. The maximum benefit coverage shall not exceed five years. Upon attainment of Medicare eligibility the retiree's spouse will be responsible for 100% of the cost of any medical coverage if they elect to stay in the group.

For eligible retirees, the Alger County Road Commission agrees to pay 100% of the premium for BC/BS and prescription drug coverage benefits but only until attainment of Medicare eligibility, at which time, 100% of premium shall be paid for by the retiree and or spouse if they elect to remain in the group.

Plan Description – The Road Commission administers a single-employer healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees through the Road Commission's group health insurance plan, which covers both active and retired members as well as administrative employees. Benefit provisions are established through negotiations between the road Commission and employees. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements also are negotiated between the Road Commission and employees. The Road Commission contributes 100% of the cost of current-year premiums for eligible retired plan members. For current fiscal year, the Road Commission contributed $40,448 to the plan. Total member contributions were $0.

Annual OPEB Cost and Net OPEB Obligation – The Road Commission's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is project to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Road Commission's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Road Commission's net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution	$125,916
Amounts Contributed:	
Payments of Current Premiums	(40,448)
Increase (Decrease) in Net OPEB Obligation	85,468
OPEB Obligation – Beginning of Year	221,619
OPEB Obligation – End of Year	$307,087

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ending December 31 are as follows:

NOTE G – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued):

Three-year Trend Information

Schedule of Employer Contributions

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$113,792	49%	$212,143
2014	56,386	83%	221,619
2015	125,916	32%	307,087

Schedule of Funding Progress

Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2013	$-	$2,261,082	$2,261,082	0%	$1,462,353	64.67%
2014	-	1,256,039	1,256,039	0%	1,576,727	79.66%
2015	-	3,001,552	3,001,552	0%	1,439,396	209%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Funded Status and Funding Progress – As of December 31, 2015, the actuarial liability for benefits was $3,001,552, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $1,439,396, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 209%.

Actuarial variations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following this note, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE G – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued):

In the December 31, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 3% initially, reduced by decrements to an ultimate rate of 3% after ten years. Both rates included a percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

NOTE H – GENERAL LONG-TERM DEBT:

The changes in long-term debt of the Road Commission may be summarized as follows:

Loans Payable	Balances January 1, 2015	Additions	Reductions	Balances December 31, 2015	Due Within One Year
Peoples State Bank:					
January 2010 loan	$43,140	$-	$43,140	$-	$-
April 2010 loan	31,653	-	31,653	-	-
Michigan Transportation Fund:					
Notes Payable 2011 Series	2,190,000	-	95,000	2,095,000	100,000
Subtotal	2,264,793	-	169,793	2,095,000	100,000
Compensated Absences:					
Vacation benefits	119,397	1,445	-	120,842	-
Sick leave benefits	240,054	16,440	-	256,494	-
Subtotal	359,451	17,885	-	377,336	-
Total	$2,624,244	$17,885	$169,793	$2,472,336	$100,000

During 2011, the Alger County Road Commission entered into Act 143, Michigan transportation Fund Revenue Bonds payable for the purpose of financing their garage and office facility in Munising in the amount of $2,485,000 with interest from 2% to 4.75%.

Michigan Transportation Fund
Bonds Payable – Series 2011

Maturity Year	Principal	Interest	Total
2016	$100,000	$83,882	$183,882
2017	100,000	81,133	181,133
2018	105,000	78,057	183,057
2019	110,000	74,640	184,640
2020	110,000	70,955	180,955
2021	115,000	66,812	181,812
2022	120,000	62,113	182,113
2023	125,000	57,134	182,134
2024	125,000	51,978	176,978
2025	135,000	46,531	181,531
2026	140,000	40,688	180,688
2027	150,000	34,338	184,338
2028	155,000	27,475	182,475
2029	160,000	20,188	180,188
2030	170,000	12,350	182,350
2031	175,000	4,156	179,156
Total	$2,095,000	$812,430	$2,907,430