

**SHIAWASSEE COUNTY ROAD COMMISSION
CORUNNA, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required and other
supplementary information)**

YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of the County Road Commissioners
Shiawassee County
Corunna, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Shiawassee County Road Commission (the Commission), a component unit of Shiawassee County, Michigan, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Shiawassee County Road Commission, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2021, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Maney Costeiran PC

April 30, 2021

SHIAWASSEE COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Shiawassee County Road Commission's (the Commission) financial performance provides an overview of the Commission's financial activities for the calendar year ended December 31, 2020. This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Commission and present a long-term view of the Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Commission's operations in more detail than the government-wide financial statements.

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 the other supplementary information section - 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 Commission:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Commission's overall financial status. These statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 financial statements report the Commission's net position and how they have changed. "Net Position" is the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources - this is one way to measure the Commission's financial health.
- 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 SHIAWASSEE COUNTY ROAD COMMISSION AS A WHOLE

Government-Wide Financial Statements

The statement of net position and the statement of activities report information about the Commission, as a whole, and about its activities in a way that helps answer the question of whether the Commission, as a whole, is better off or worse off as a result of the year's activities. The statement of net position includes all of the Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. 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 statements, mentioned above, report the Commission's net position and how they have changed. The reader can think of the Commission's net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) as one way to measure the Commission's financial health. Over time, increases or decreases in the Commission's net position are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Commission, additional nonfinancial factors such as changes in the county's property tax base, the condition of the Commission's roads, and changes in the law related to the gas taxes and its distribution need to be considered.

SHIAWASSEE COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

The Commission currently has only one governmental fund, the General Operating Fund. All of the Commission's operating activities are accounted for in this fund. The General Operating Fund is a governmental fund type. The General Operating Fund budget vs. actual schedules are located in the required supplementary information (RSI). The other supplementary information (OSI) begins on page 48 and provides detailed information about the major fund.

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 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 Commission's services. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and the governmental fund in a reconciliation following the fund financial statements.

FINANCIAL ANALYSIS OF THE ROAD COMMISSION AS A WHOLE

The Commission's net position increased \$3,904,573 from \$50,306,167 to \$54,210,740 for the year ended December 31, 2020. The net position and change in net position are summarized below.

Net Position

Restricted net position have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such, all assets (except for assets invested in capital assets, net of related debt) are considered restricted.

The primary reason for the increase of our net position in 2020 was due to an increase in our infrastructure and capital assets. This is due to the increase in road projects due to our eight-year road plan and the purchase of new equipment during 2020. A decrease in our noncurrent liabilities due to pension and other post-employment benefits liability.

**SHIAWASSEE COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net Position (continued)

Net position for the years ended December 31, 2020 and 2019, is as follows:

	2020	2019
ASSETS		
Current and other assets	\$ 6,622,971	\$ 6,197,172
Capital assets	50,119,183	48,095,151
TOTAL ASSETS	56,742,154	54,292,323
DEFERRED OUTFLOWS OF RESOURCES	2,834,497	2,720,262
LIABILITIES		
Current liabilities	300,890	404,803
Noncurrent liabilities	4,648,841	5,757,846
TOTAL LIABILITIES	4,949,731	6,270,798
DEFERRED INFLOWS OF RESOURCES	416,180	498,253
NET POSITION		
Net investment in capital assets	50,119,183	48,095,151
Restricted	578,093	490,452
Unrestricted	3,513,464	1,720,564
TOTAL NET POSITION	\$ 54,210,740	\$ 50,306,167

Changes in Net Position

A summary of changes in net position for the years ended December 31, 2020 and 2019 is presented below.

	Governmental Activities	
	2020	2019
REVENUES		
Program Revenues		
Charges for services	\$ 1,576,377	\$ 1,396,031
Operating grants and contributions	6,538,262	6,453,646
Capital grants and contributions	6,055,645	6,204,407
General Revenues		
Interest	17,635	51,288
Other	164,275	143,430
TOTAL REVENUES	14,352,194	14,248,802

**SHIAWASSEE COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Changes in Net Position (continued)

	Governmental Activities	
	2020	2019
EXPENSES		
Primary road	\$ 2,005,606	\$ 2,326,720
Local road	2,146,808	1,768,792
State trunkline	1,194,548	1,100,495
Administrative - net	890,794	715,414
Equipment - net	279,536	223,599
Infrastructure depreciation	3,612,672	3,547,979
Loss on disposal of capital assets	317,657	321,948
TOTAL EXPENSES	10,447,621	10,004,947
CHANGE IN NET POSITION	\$ 3,904,573	\$ 4,243,855

The General Operating Fund

The Commission's General Operating 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. For the year ended December 31, 2020, the fund balance of the General Operating Fund increased \$303,178 compared to a decrease of \$401,263 in the fund balance for the year ended December 31, 2019. Total operating revenues were \$14,352,194, an increase of \$103,392 compared to the year ended December 31, 2019. This difference in revenue resulted primarily from an increase of \$213,765 in our federal aid revenues for Carland Road and two primary bridges that were completed during 2020; a decrease in our state grants of \$378,849, which includes a decrease to our Michigan Transportation Funding (MTF) of \$153,333 and a decrease in our local bridge federal aid of \$190,570. In addition, an increase in from our local units of \$95,284 and an increase in our charges for services of \$175,491. Lastly, our interest earned decreased by \$33,653.

Total expenditures were \$14,049,016, a decrease of \$601,049 compared to the year ended December 31, 2019. This change in expenditures is primarily due to decrease in our capital outlay expenditure of \$807,267, this decrease was mainly due to equipment purchases and capital outlay purchases. We did not purchase as much equipment or capital outlay purchases during 2020 as we did in 2019. This was due to budget cuts in our capital outlay, as we did not know how much our Michigan Transportation funding was going to decrease during 2020 due to the pandemic.

**SHIAWASSEE COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The General Operating Fund (continued)

A summary of changes in the fund level financial information of the General Operating Fund is as follows:

	General Operating Fund	
	2020	2019
REVENUES		
Licenses and permits	\$ 54,265	\$ 49,465
Federal grants	997,951	784,186
State grants	9,007,459	9,386,308
Contributions from local units	2,582,844	2,487,559
Charges for services	1,509,966	1,334,475
Interest and rents	29,781	63,379
Other	169,928	143,430
TOTAL REVENUES	14,352,194	14,248,802
EXPENDITURES		
Current		
Primary roads	5,986,087	6,284,262
Local roads	5,489,466	5,035,714
State trunkline	969,741	1,100,495
Administrative - net	917,378	829,912
Equipment - net	1,020,775	914,578
Other	27,650	39,918
Capital outlay	(362,081)	445,186
TOTAL EXPENDITURES	14,049,016	14,650,065
NET CHANGE IN FUND BALANCE	303,178	(401,263)
FUND BALANCE - BEGINNING	4,951,620	5,352,883
FUND BALANCE - ENDING	\$ 5,254,798	\$ 4,951,620

BUDGETARY HIGHLIGHTS

Prior to the beginning of any year, the Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the 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 final amended revenue budget for 2020 was \$932,176 less than the original budget. This was due to a decrease in MTF funding for 2020. The actual revenue recognized during 2020 was more than the final amended budget by \$319,696 mainly due to an increase in our federal aid for 2020.

**SHIAWASSEE COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The final amended expenditure budget for 2020 was \$293,502 less than the original budget primarily due to a reduction in our capital outlay expenditures for 2020. The actual expenditures recognized during 2020 were less than the final amended budget by \$475,338.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2020, the Commission had invested \$50,119,183 in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions, deductions, and reclassifications) of \$2,024,032 as follows:

	<u>2020</u>	<u>2019</u>
Capital assets not being depreciated	\$ 4,320,526	\$ 4,341,628
Capital assets being depreciated		
Buildings	3,421,949	3,416,014
Equipment	10,855,363	10,653,941
Infrastructure	79,847,679	78,120,702
Depletable assets	<u>153,402</u>	<u>153,402</u>
 SUBTOTAL	 <u>94,278,393</u>	 <u>92,344,059</u>
 TOTAL COST OF CAPITAL ASSETS	 98,598,919	 96,685,687
 TOTAL ACCUMULATED DEPRECIATION	 <u>(48,479,736)</u>	 <u>(48,590,536)</u>
 TOTAL NET CAPITAL ASSETS	 <u><u>\$ 50,119,183</u></u>	 <u><u>\$ 48,095,151</u></u>

This year's capital asset additions included the following:

Infrastructure - land improvements	\$ 260,491
Buildings	10,430
Equipment	
Roads	873,784
Shop	1,170
Infrastructure	
Roads	5,432,286
Bridges	<u>623,359</u>
 TOTAL	 <u><u>\$ 7,201,520</u></u>

More detailed information about the Commission's capital assets is presented in Note 3 to the financial statements.

SHIAWASSEE COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

As of December 31, 2020, the Commission had no outstanding loans.

Debt obligations include accrued compensated absences related to vacation pay and sick leave and related payroll taxes in the amount of \$292,087 as of December 31, 2020. More detailed information about the Commission's long-term liabilities is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of County Road Commissioners considered many factors when setting the fiscal year 2021 budget. One of the factors is the economy. Although, the increase in road funding has been a good start to assisting us in addressing our primary roadways. Unfortunately, in 2020, our Michigan Transportation Funds (MTF) decreased by \$600,082 from our original 2020 Budget and by \$153,520 in comparison to 2019 MTF revenues due to the COVID-19 pandemic. As a result, in 2020, the Road Commission made some reductions to our expenditure budget, mainly to capital outlay, to account for part of this shortfall in revenues. The pandemic has impacted us in many ways, including travel, which directly impacts the Michigan Transportation Funds (MTF). We are hopeful that after this year, we may get back to normal, however, in 2021, we did budget for a reduction to our MTF revenues in comparison to MDOT's projections.

In 2017, the Road Commission developed a four-year plan to improve our infrastructure based upon the projected increase in our MTF revenues. This four-year plan is to scratch course/chip seal just under 100 miles of roadway across all Townships in our county during the next four years, which began in 2018. Since that time, we have increased this to an eight (8) year plan. In 2018, there were two projects included in our four-year plan, Juddville Road (22.34 miles), a scratch course/chip seal project at an expenditure of \$1,585,389 and Bennington Road (9.33 miles) also a scratch course/chip seal project that was a total expenditure of \$694,371. In 2019, we completed a scratch course chip seal on Britton Road from Woodbury Road to the Antrim Township line (8.36 miles) at a budgeted cost of \$697,348, Bennington Road from Morrice Road to the Vernon Village limits (7.71) at a cost of \$745,383 and Newburg Road from Bancroft Road to the west Durand City Limits (3.77 miles) and then the east Durand City Limits to the County Line (2.54 miles) at a budgeted cost of \$676,069. In 2020, we completed a total of 24.03 miles of scratch course/chip seal projects at a total cost of \$1,939,415. They are as follows: Britton Road from the Perry Township line to Grand River road with a total of 6.50 miles at a total cost of \$499,662; Grand River Road from Cole Road to Reed Road with a total of 3.25 miles and a total cost of \$270,794; Bath Road from Reed Road to the Byron Village Limits with a total of 2.86 miles and a total cost of \$236,874; Warren Road from M-21 to Hibbard Road with a total of 3.03 miles and a total cost of \$236,968; Baldwin Road from M-21 to Hibbard Road with a total of 3.03 miles and a total cost of \$268,788; Priest Road from M-21 to Mason Road with a total of 1.54 miles and a total cost of \$129,276; Ruess Road from Mason Road to Wilkinson Road with a total of 1.07 miles a total cost of \$90,047; Reed Road from Grand River Road to Bath Road with a total of .55 miles and a total cost of \$47,805; lastly, Chipman Road from Mason Road to Cronk Road with a total of 2.2 miles and an estimated cost of \$207,006. During 2021, our budget includes a total of 12.03 miles of scratch course chip seal projects with an estimated cost of \$1,005,042. They are as follows: Vandekarr Road from Hibbard Road to the Owosso Charter Township line (1.99 miles) an estimated cost of \$165,664; Lytle Road from M-71 to Geeck Road (2.94 miles) at an estimated cost of \$230,280; Vandekarr Road from the Owosso City Limits to the Caledonia Charter Township Line (0.17 miles) and an estimated cost of \$14,152; Vandekarr Road from Bennington Road to Hibbard Road (1.18 miles) and an estimated cost of \$98,257; and Lytle Road from Geeck Road to the west Lennon Village limits (5.95 miles) and an estimated cost of \$496,689.

SHIAWASSEE COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

The Commission derives approximately 62.7% of its revenues from the Michigan Transportation Fund (MTF) fuel tax collected. In the 2021 budget, we did not use the Michigan Department of Transportation projections for the MTF due to the shortfall of MTF revenues during 2020. The approved MTF budget for 2021 which was approved last December (2020), it was estimated that the Commission would receive \$8,730,000 which is a 1.4% decrease (\$124,192) to MTF revenues in 2020. The Commission received approximately 18.0% of its revenues from township contributions during 2020. This amount fluctuates with the approved road projects and depends on the Townships budget as well as the projects that are approved by their boards annually. We are projected to receive \$1,290,166 in federal and state aid for road projects during 2021. The above items were all considered when adopting the budget for 2021. Amounts available for appropriation in the original 2021 budget are \$14,045,166, a decrease of \$307,027 from the 2020 final amended budget of \$14,352,194.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the motoring public, citizens, and other interested parties a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Commission's administrative offices at 701 W. Corunna Avenue, Corunna, Michigan 48817.

BASIC FINANCIAL STATEMENTS

SHIAWASSEE COUNTY ROAD COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 3,354,323
Investments	7,018
Accounts receivable	45,055
Due from other governmental units	
Federal/State	1,558,141
Local	52,257
Inventory	891,396
Total current assets	5,908,190
Noncurrent assets	
Capital assets not being depreciated	4,320,526
Capital assets, net of accumulated depreciation	45,798,657
Net other post-employment benefits asset	714,781
Total noncurrent assets	50,833,964
TOTAL ASSETS	56,742,154
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	2,834,497
LIABILITIES	
Current liabilities	
Accounts payable	56,025
Accrued liabilities	32,179
Due to other governmental units	833
Current portion of compensated absences	211,853
Total current liabilities	300,890
Noncurrent liabilities	
Noncurrent portion of compensated absences	80,234
Advances from other governmental units	464,355
Net pension liability	4,004,252
Deposit liability	100,000
Total noncurrent liabilities	4,648,841
TOTAL LIABILITIES	4,949,731
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	279,492
Deferred inflows of resources related to OPEB	136,688
TOTAL DEFERRED INFLOWS OF RESOURCES	416,180
NET POSITION	
Net investment in capital assets	50,119,183
Restricted for other post-employment benefits	578,093
Unrestricted	3,513,464
TOTAL NET POSITION	\$ 54,210,740

See accompanying notes to financial statements.

**SHIAWASSEE COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

	<u>Governmental Activities</u>
PROGRAM EXPENSES	
Primary road	\$ 2,005,606
Local road	2,146,808
State trunkline	1,194,548
Administrative - net	890,794
Equipment - net	279,536
Infrastructure depreciation	3,612,672
Loss on disposal of capital assets	<u>317,657</u>
TOTAL PROGRAM EXPENSES	<u>10,447,621</u>
PROGRAM REVENUES	
Charges for services	1,576,377
Operating grants and contributions	6,538,262
Capital grants and contributions	<u>6,055,645</u>
TOTAL PROGRAM REVENUES	<u>14,170,284</u>
NET PROGRAM REVENUES	<u>3,722,663</u>
GENERAL REVENUES	
Interest	17,635
Other	<u>164,275</u>
TOTAL GENERAL REVENUES	<u>181,910</u>
CHANGE IN NET POSITION	3,904,573
Net position, beginning of the year	<u>50,306,167</u>
Net position, end of the year	<u><u>\$ 54,210,740</u></u>

See accompanying notes to financial statements.

**SHIAWASSEE COUNTY ROAD COMMISSION
GOVERNMENTAL FUND
BALANCE SHEET
DECEMBER 31, 2020**

	General Operating Fund
ASSETS	
Cash	\$ 3,354,323
Investments	7,018
Accounts receivable	45,055
Due from other governmental units	
Federal/State	1,558,141
Local	52,257
Inventory	891,396
	<hr/>
TOTAL ASSETS	\$ 5,908,190
	<hr/> <hr/>
LIABILITIES	
Accounts payable	\$ 56,025
Accrued liabilities	32,179
Due to other governmental units	833
Advances from other governmental units	464,355
Deposit liability	100,000
	<hr/>
TOTAL LIABILITIES	653,392
	<hr/>
FUND BALANCE	
Nonspendable	
Inventory	891,396
Unassigned	4,363,402
	<hr/>
TOTAL FUND BALANCE	5,254,798
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TOTAL LIABILITIES AND FUND BALANCE	\$ 5,908,190
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See accompanying notes to financial statements.

**SHIAWASSEE COUNTY ROAD COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020**

Total fund balance - governmental fund **\$ 5,254,798**

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 98,598,919	
Accumulated depreciation is	<u>(48,479,736)</u>	
Capital assets, net		50,119,183

Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability/asset as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension/OPEB plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	2,834,497	
Deferred inflows of resources related to pensions	(279,492)	
Deferred inflows of resources related to OPEB	<u>(136,688)</u>	
		2,418,317

Long-term assets due not represent an economic benefit in the current period and therefore are not reported in the Governmental Fund Balance Sheet. Long-term assets at year-end consist of:

Net other post-employment benefits asset	714,781
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Fund Balance Sheet. Long-term liabilities at year-end consist of:

Compensated absences	(292,087)	
Net pension liability	<u>(4,004,252)</u>	
		<u>(4,296,339)</u>

Net position of governmental activities	<u>\$ 54,210,740</u>
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**SHIAWASSEE COUNTY ROAD COMMISSION
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2020**

	General Operating Fund
REVENUES	
Licenses and permits	\$ 54,265
Intergovernmental	12,588,254
Charges for services	1,509,966
Interest and rents	29,781
Other	169,928
	<hr/>
TOTAL REVENUES	14,352,194
	<hr/>
EXPENDITURES	
Current	
Primary road	5,986,087
Local road	5,489,466
State trunkline	969,741
Administrative - net	917,378
Equipment - net	1,020,775
Other	27,650
Capital outlay - net	(362,081)
	<hr/>
TOTAL EXPENDITURES	14,049,016
	<hr/>
NET CHANGE IN FUND BALANCE	303,178
Fund balance, beginning of year	4,951,620
	<hr/>
Fund balance, end of year	\$ 5,254,798
	<hr/> <hr/>

**SHIAWASSEE COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net change in fund balance - governmental fund **\$ 303,178**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	7,201,520
Equipment and administrative depreciation expense		(1,247,159)
Infrastructure depreciation expense		<u>(3,612,672)</u>

Excess of capital outlay over depreciation expense		2,341,689
--	--	-----------

In the statement of activities, only the gain or loss on the sale of the capital assets is reported, whereas in the governmental fund, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of capital assets sold.

(317,657)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental fund. These activities consist of:

Increase in deferred outflows of resources related to pensions		114,235
Decrease in deferred inflows of resources related to pensions		218,761
(Increase) in deferred inflows of resources related to OPEB		(91,172)
Decrease in compensated absences		3,152
Decrease in net pension liability		1,153,574
Increase in net other post-employment benefits asset		<u>178,813</u>

1,577,363

Change in net position of governmental activities

\$ 3,904,573

**SHIAWASSEE COUNTY ROAD COMMISSION
FIDUCIARY FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Retiree Health Care Trust
ASSETS	
Current assets	
Investments	\$ 2,554,650
LIABILITIES	
Current liabilities	
Accounts payable	<u>38,889</u>
NET POSITION	
Restricted for retiree health care benefits	<u><u>\$ 2,515,761</u></u>

**SHIAWASSEE COUNTY ROAD COMMISSION
FIDUCIARY FUND
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

	Retiree Health Care Trust
ADDITIONS	
Investment earnings	
Net change in fair value of investments	\$ 292,938
DEDUCTIONS	
Benefit payments	231,877
Administrative expenses	4,240
TOTAL DEDUCTIONS	236,117
CHANGE IN NET POSITION	56,821
NET POSITION RESTRICTED FOR RETIREE HEALTH CARE BENEFITS	
Net position, beginning of year	2,458,940
Net position, end of year	\$ 2,515,761

See accompanying notes to financial statements.

SHIAWASSEE COUNTY ROAD COMMISSION NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Shiawassee County Road Commission (the "Commission") is a component unit of Shiawassee County, Michigan. The Commission is used to control the expenditure of revenues from the State distribution of gas and weight taxes, federal financial assistance, and contributions from other local units of government for work performed for road projects throughout the county.

The Commission, which is established pursuant to the County Road Law (MCL 224.1), operates under an elected Board of three County Road Commissioners who establish policies and review operations of the Commission. The Commission provides services to 16 Townships in Shiawassee County and maintains over 1,094 miles of local and primary roads.

The financial statements of the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission's more significant accounting principles are described below.

Reporting Entity

The Commission is required by Public Act 51 of the State of Michigan to have an audit performed of its operations. This financial report has been prepared to meet this State requirement.

As required by accounting principles generally accepted in the United States of America, these financial statements are exclusive presentations of the financial condition and results of operations of the Commission. The Commission is considered a component unit of Shiawassee County, Michigan, and is discretely presented in Shiawassee County's (the Primary Government) financial statements. A copy of the County's audited financial statements may be obtained at the County Courthouse in Corunna, Michigan.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities (the government-wide financial statements) present information for the Commission as a whole.

The Statement of Activities presents the direct functional expenses of the Commission and the program revenues that support them. Direct expenses are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and shows how governmental functions are either self-financing or supported by the general revenues of the Commission.

FUND FINANCIAL STATEMENTS

The Commission uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Commission's individual major fund.

**SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

The major fund of the Commission is:

- a. The General Operating Fund is used to account for all financial resources of the Commission, which are restricted to expenditures for specified county road related purposes.

Additionally, the Commission reports the following fiduciary fund:

- a. The Retiree Health Care Trust Fund is used to account for the assets held in a trustee capacity to fund future retiree health benefits.

Measurement Focus

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues which are considered measurable, but not available, are recorded as a receivable and unavailable revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

If/when both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

**SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Budgets and Budgetary Accounting

The annual budget of the Commission is prepared by management and approved by the Board. Any revisions to the original budget are approved by the Board before the end of the fiscal year. The budget for the General Operating Fund is adopted on the modified accrual basis of accounting, which is consistent with GAAP.

Cash and Investments

Cash consists of the Commission's checking, savings, and imprest cash. Investments consist of certificates of deposit and external investment pools. Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the County Treasurer maintain the cash of the Commission. All Commission receipts are deposited with the Shiawassee County Treasurer's Office, and in order to make disbursements, the Commission requests the County Treasurer to transfer the required funds to an imprest vendor or payroll checking account. Also, in order to invest cash, a request is made of the County Treasurer. All funds of the Commission are held with the County Treasurer in separate accounts in the Commission's name.

In accordance with Michigan Compiled Laws, the Commission is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of 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 which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or Federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States Banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Inventory

Inventory of road materials and equipment parts are recognized using the consumption method (inventory is recorded as an expenditure when it is used). Inventory is stated at average cost.

Capital Assets

Capital assets are reported under governmental activities within the operating fund in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost. Donated capital assets are recorded at an estimated acquisition cost at the date of donation.

GASB Statement No. 34 required major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated, for fiscal years ending after June 30, 1980, be inventoried and capitalized.

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 - 50 years
Equipment -	
Road	5 - 8 years
Shop	10 years
Sign shop	10 years
Office	4 - 10 years
Engineering	4 - 10 years
Infrastructure -	
Roads	5 - 30 years
Bridges	12 - 30 years
Traffic signals	15 years
Land improvements	10 years

Advances From Other Governmental Units

Advances from other governmental units consist of amounts received from other units of government based on agreements for specified projects for which work has not yet begun.

Compensated Absences

In accordance with contracts negotiated with the various employee groups of the Commission, employees have a vested right upon termination to receive compensation for accumulated sick and vacation leave under formulas and conditions specified in the contracts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount along with related payroll taxes is recorded in the government-wide financial statements.

SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Pension

The Commission offers a defined benefit pension plan to its employees. The Commission records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Other Post-Employment Benefits Asset

The Commission offers a retiree healthcare benefits to its employees. The Commission records a net OPEB asset for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Commission reports deferred amounts which correspond to the Commission's net pension liability/OPEB asset and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual plan investment earnings, and contributions subsequent to the measurement date. These amounts are deferred in the government-wide financial statements and are recognized as an outflow or inflow of resources in the period to which they apply.

Equipment Rentals

The Michigan Department of Transportation requires that the cost of operating equipment, including depreciation, be allocated to the various activities. The effect of this allocation is deducted from equipment expenditures reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Details of Fund Balance Classifications

Fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five fund balance classifications under this standard.

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Commission's highest level of decision-making authority is the Board. The formal action that is required to be taken to establish and modify or rescind a fund balance commitment is a Board motion.

For assigned fund balance, the Board has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the Board.

The Commission has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, resources with the highest level of restriction will be used first.

Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

**SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of December 31, 2020, the Commission had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. As of December 31, 2020, \$3,068,147 of the Commission's bank balance of \$3,428,132 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Commission's deposits had a carrying amount of \$3,354,273 as of December 31, 2020. The cash caption on the balance sheet includes \$50 in imprest cash.

For an investment, this is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Commission will do business.

Interest Rate Risk

In accordance with its investment policy, the Commission will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Commission's cash requirements.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Michigan CLASS Investment Pool	<u>\$ 7,018</u>	0.1260

One day maturity equals 0.0027, one year equals 1.00

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>
Michigan CLASS Investment Pool	<u>\$ 7,018</u>	AAAm

SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

The Commission will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk

The Commission is not authorized to invest in investments which have this type of risk.

Investments in Entities that Calculate Net Asset Value per Share

The Commission holds shares or interests in investment pools where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The Commission holds shares or interests in the MERS total market fund where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. MERS invests assets in a manner which will seek the highest investment return consistent with the preservation of principal and meet the daily liquidity needs of participants.

At the year ended December 31, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if eligible</u>	<u>Redemption Notice Period</u>
Michigan CLASS Investment Pool	\$ 7,018	\$ -	No restrictions	None
MERS Total Market Portfolio	2,554,650	-	No restrictions	None
	<u>\$ 2,561,668</u>	<u>\$ -</u>		

The deposits and investments referred to above have been reported in either the cash or investments captions on the financial statements, based upon criteria disclosed in Note 1.

SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities that Calculate Net Asset Value per Share (continued)

The following summarizes the categorization of these amounts as of December 31, 2020:

	Primary Government	Fiduciary Fund	Total
Cash	\$ 3,354,323	\$ -	\$ 3,354,323
Investments	7,018	2,554,650	2,561,668
	<u>\$ 3,361,341</u>	<u>\$ 2,554,650</u>	<u>\$ 5,915,991</u>

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2020, was as follows:

	Balance Jan. 1, 2020	Additions	Deletions	Balance Dec. 31, 2020
Capital assets not being depreciated				
Land	\$ 597,645	\$ -	\$ -	\$ 597,645
Infrastructure - land improvements	3,743,983	260,491	(281,593)	3,722,881
Subtotal	4,341,628	260,491	(281,593)	4,320,526
Capital assets being depreciated/depleted				
Buildings	3,416,014	10,430	(4,495)	3,421,949
Equipment -				
Road	10,220,101	873,784	(673,219)	10,420,666
Shop	169,683	1,170	(313)	170,540
Sign shop	10,505	-	-	10,505
Office	186,223	-	-	186,223
Engineering	67,429	-	-	67,429
Infrastructure -				
Roads	53,760,744	5,432,286	(3,969,587)	55,223,443
Bridges	23,898,840	623,359	(352,863)	24,169,336
Traffic signals	33,396	-	(6,218)	27,178
Land improvements	427,722	-	-	427,722
Depletable assets	153,402	-	-	153,402
Subtotal	92,344,059	6,941,029	(5,006,695)	94,278,393

SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS (continued)

	Balance Jan. 1, 2020	Additions	Deletions	Balance Dec. 31, 2020
Less accumulated depreciation/depletion				
Buildings	(2,430,750)	(127,429)	4,495	(2,553,684)
Equipment -				
Road	(7,734,006)	(1,044,099)	637,155	(8,140,950)
Shop	(135,731)	(8,519)	313	(143,937)
Sign shop	(10,283)	(222)	-	(10,505)
Office	(123,226)	(21,454)	-	(144,680)
Engineering	(56,087)	(2,664)	-	(58,751)
Infrastructure -				
Roads	(28,310,971)	(3,076,348)	3,969,587	(27,417,732)
Bridges	(9,437,900)	(534,512)	352,863	(9,619,549)
Traffic signals	(27,091)	(1,812)	6,218	(22,685)
Land improvements	(171,089)	(42,772)	-	(213,861)
Depletable assets	(153,402)	-	-	(153,402)
Subtotal	(48,590,536)	(4,859,831)	4,970,631	(48,479,736)
Net capital assets being depreciated/depleted	43,753,523	2,081,198	(36,064)	45,798,657
Capital assets, net	\$ 48,095,151	\$ 2,341,689	\$ (317,657)	\$ 50,119,183

Depreciation/depletion expense was charged to the following activities:

	Amount
Net equipment expense	
Direct equipment	\$ 1,113,204
Indirect equipment	96,115
Net administrative expense	37,840
Infrastructure	3,612,672
	\$ 4,859,831

NOTE 4 - LONG-TERM OBLIGATIONS

Compensated Absences - Vacation and Sick Leave

The following is a summary of changes in long-term obligations (including current portions) of the Commission for the year ended December 31, 2020:

	Balance Jan. 1, 2020	Additions	Deletions	Balance Dec. 31, 2020	Amounts Due Within One Year
Compensated absences	\$ 295,239	\$ 210,987	\$ (214,139)	\$ 292,087	\$ 211,853

**SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - LONG-TERM OBLIGATIONS (continued)

Compensated Absences - Vacation and Sick Leave (continued)

In accordance with Commission personnel policies and/or contracts negotiated with various employee groups of the Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

Accumulated vacation and sick leave and related payroll taxes represents a liability to the Commission, which is presented as a current liability in the current year because management estimates that usage in any given year will be the same percentage as the usage of the outstanding balance from the previous year.

NOTE 5 - FEDERAL FINANCIAL ASSISTANCE

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2020, the Federal aid received and expended by the Commission was \$997,951 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the road commission administers the grant and either performs the work or contracts it out. The Commission would be subject to single audit requirements if it expended \$750,000 or more for negotiated projects.

NOTE 6 - RETIREMENT PLAN

Plan Description

The Commission participates in the Municipal Employees' Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing MERS website at www.mersofmich.com.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For these purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - RETIREMENT PLAN (continued)

Benefits Provided

Division:	<u>10</u>	<u>11</u>	<u>13</u>	<u>14</u>	<u>15</u>
Open/Closed:	Closed	Closed	Closed	Closed	Open
Benefit Multiplier:	2.50% (80% max)	2.50% (80% max)	2.00% (no max)	2.00% (no max)	1.50% (no max)
Normal Retirement Age:	60	60	60	60	60
Vesting:	10 years	6 years	8 years	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25	-	-	-
Early Retirement (Reduced):	50/25	50/25	50/25	50/25	50/25
	55/15	55/15	55/15	55/15	55/15
Final Average Compensation:	3 years	3 years	3 years	5 years	3 years
COLA:	2.50% (non-compound)	2.50% (non-compound)	-	-	-
Employee Contributions:	7.00%	7.00%	5.00%	5.00%	5.00%
Act 88:	Yes	Yes	Yes	Yes	Yes

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Board of Road Commissioners. Benefit terms may be subject to binding arbitration in certain circumstances.

At the December 31, 2019, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	49
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>38</u>
	<u>99</u>

Contributions

The Commission is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

During the year ended December 31, 2020, the Commission's monthly contributions were 2.83% based on annual payroll for open divisions.

Actuarial Assumptions

The total pension liability in the December 31, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.50%

Salary increases: 3.00% in the long-term plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 7.35%, net of investment expenses, including inflation.

SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - RETIREMENT PLAN (continued)

Actuarial Assumptions (continued)

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male - 50% Female blend of the following tables: 1. the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the valuation were based on the results of the 2009-2013 Five-Year Experience Study, performed in 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-weighted Rate of Return
Global Equity	60.00%	5.25%	3.15%
Global Fixed Income	20.00%	1.25%	0.25%
Private investments	20.00%	7.25%	1.45%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u>7.60%</u>

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - RETIREMENT PLAN (continued)

Net Pension Liability

The Commission's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Calculating the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of December 31, 2018	\$ 20,645,997	\$ 15,488,171	\$ 5,157,826
Changes for the Year			
Service cost	185,571	-	185,571
Interest on total pension liability	1,602,921	-	1,602,921
Difference between expected and actual experience	96,544	-	96,544
Changes in assumptions	662,807	-	662,807
Employer contributions	-	1,518,139	(1,518,139)
Employee contributions	-	106,645	(106,645)
Net investment income	-	2,113,047	(2,113,047)
Benefit payments, including employee refunds	(1,404,559)	(1,404,559)	-
Administrative expense	-	(36,413)	36,413
Other changes	1	-	1
Net changes	1,143,285	2,296,859	(1,153,574)
Balances as of December 31, 2019	\$ 21,789,282	\$ 17,785,030	\$ 4,004,252

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the Commission as well as what the Commission's Net Pension Liability would be using a discount rate that is 1% lower or 1% higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	\$ 6,338,611	\$ 4,004,252	\$ 2,020,490

SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - RETIREMENT PLAN (continued)

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2020, the Commission recognized pension expense of \$676,176. The Commission reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 85,492	\$ 279,492
Changes in assumptions	497,105	-
Net difference between projected and actual earnings on pension plan investments	89,154	-
Contributions subsequent to the measurement date*	<u>2,162,746</u>	<u>-</u>
Total	<u><u>\$ 2,834,497</u></u>	<u><u>\$ 279,492</u></u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2021.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense
2021	\$ 51,003
2022	108,993
2023	405,591
2024	(173,328)

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

Shiawassee County Road Commission Post-Employment Medical Plan ("the Plan") is a single employer plan established and administered by Shiawassee County Road Commission (Employer). The Plan can be amended at the discretion of the Commission. The Commission provides hospitalization and medical coverage, as other post-employment benefits (OPEB), on a complimentary basis for all applicable employees, in accordance with the union agreements and/or personnel policies.

The plan does not issue a separate stand-alone financial statement.

**SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Plan Membership

Membership in the plan at December 31, 2019, (the last actuarial report) is as follows:

Retirees and beneficiaries	35
Active employees	<u>1</u>
	<u><u>36</u></u>

Benefits Provided

The Commission provided certain retiree health care benefits as other post-employment benefits (OPEB) to all applicable employees, in accordance with union agreements and/or personal policies. Benefits are provided to all eligible union and administrative employees.

- Employees retiring between January 1, 1975, and December 31, 1991, will receive employer paid coverage for the retiree only. Coverage will be the same as the coverage for active employees.
- Employees retiring between January 1, 1992, and December 31, 1998, will receive employer paid coverage for the retiree and his or her spouse. Spouse shall be the person the employee was married to at the time of retirement. Coverage will be the same as the coverage for active employees.
- Employees retiring on or after January 1, 1999, and who have a seniority date prior to December 31, 1998, will receive employer paid coverage for the retiree only, unless they have a minimum of 25 years of seniority and are at least 55 years of age, then the employer will also pay for spouse coverage. Spouse shall be the person the employee was married to at the time of retirement. Coverage will be the same as the coverage for active employees.
- Employees hired after December 31, 1998, will not receive employer paid health care coverage upon retirement. They may continue their coverage by paying the monthly premium.

The Plan does not issue a separate stand-alone financial statement.

Contributions

For the year ended December 31, 2020, the Commission made no payments for actual current premiums and did not contribute any additional funds to the plan trust. The Commission makes contributions to the extent possible but has no obligation to make contributions in advance of when the premiums are due for payment.

Net OPEB Asset

The net OPEB asset of the Commission was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019.

**SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Investment Policy

The Commission may invest and reinvest the assets of the plan subject to the terms, conditions, limitations, and restrictions imposed by Michigan law and, to the extent applicable to a government plan, the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended. Michigan Compiled Laws, Section 38.1121, authorizes the Commission to invest plan assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature and real or personal property. Specific limitations apply to the various investment types. The Commission's plan fund investments are in accordance with statutory authority. It is the policy of the Commission to invest funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security.

Actuarial Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2019, with a measurement date December 31, 2020, with the following actuarial assumptions:

Inflation	2.50%
Salary growth rate	1.00%
Investment rate of return	7.35% (including inflation)
Mortality	2010 Public General Employees and Health Retirees, Headcount weighted sex-distinct mortality with MP-2019 improvement scale

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected rates, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return (including inflation)</u>
Global equity	60.00%	5.25%
Global fixed income	20.00%	1.25%
Private assets	20.00%	7.25%

SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Summary of Significant Accounting Policies

For purposes of measuring the net other post-employment benefits (OPEB) asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Commission's fiduciary net position have been determined on the same basis as they are reported for the Commission. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that the Road Commission will make no further contributions to the trust. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date", not applicable for this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability.

Change in Net OPEB Asset

The change in the net OPEB asset for the year ended December 31, 2020, is as follows:

Calculating the Net OPEB Asset			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balance at December 31, 2019	\$ 1,922,972	\$ 2,458,940	\$ (535,968)
Changes for the year			
Service cost	695	-	695
Interest on total OPEB liability	132,868	-	132,868
Difference between expected and actual experience	(23,678)	-	(23,678)
Net investment income	-	292,938	(292,938)
Benefit payments, including employee refunds	(231,877)	(231,877)	-
Administrative expense	-	(4,240)	4,240
Net changes	(121,992)	56,821	(178,813)
Balance at December 31, 2020	\$ 1,800,980	\$ 2,515,761	\$ (714,781)

SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Sensitivity of the net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the Commission, as well as what the Commission's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB asset	\$ (601,802)	\$ (714,781)	\$ (814,870)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB asset of the Commission, as well as what the Commission's net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Net OPEB asset	\$ (722,287)	\$ (714,781)	\$ (707,030)

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the Commission recognized OPEB expense of \$(87,641). At December 31, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	<u>\$ -</u>	<u>\$ 136,688</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>OPEB Expense</u>
2021	\$ (29,711)
2022	(29,710)
2023	(53,092)
2024	(24,175)

**SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - CONTINGENT LIABILITIES

The Commission participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The programs and the periodic program compliance audits of many of the programs have not yet been conducted, completed, or resolved. Accordingly, the Commission's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Commission expects such amounts, if any, to be immaterial.

NOTE 9 - RISK MANAGEMENT

The Commission participates in a pool, the Michigan County Road Commission Self-Insurance Pool, with other municipalities, for claims relating to general liability, trunkline, excess liability, auto liability, directors' and officers' liability, errors and omissions, and physical damage. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to a special assessment to make up the deficiency. The Commission has not been informed of any special assessments being required.

The Commission participates in the County Road Association Self-Insurance Fund (CRASIF) for workers' compensation insurance and has full statutory coverage for workers' disability compensation and employers' liability as granted by the State of Michigan under Chapter 6, Section 418.611 of the Workers' Disability Compensation Act. The Commission has no liability for additional assessments based on the claims filed against the fund nor do they have rights to dividends.

NOTE 10 - FLEXIBLE BENEFITS PLAN

In November 1993, the Commission implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Service Code. The plan is available to all employees following 30 days of employment. The plan permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to required premium payments. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The plan is administered by the Shiawassee County Road Commission.

NOTE 11 - UNCERTAINTIES

The extent of the impact of COVID-19 on the Commission's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on services, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain.

SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that lease are financings of the right to use an underlying asset. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022 fiscal year.

In June 2018, the GASB issued Statements No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021 fiscal year.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022 fiscal year.

In May 2020, GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Commission is current evaluating the impact this standard will have on the financial statements when adopted during the 2023 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
BUDGETARY COMPARISON SCHEDULE - REVENUES
YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits				
Permits	\$ 45,000	\$ 50,500	\$ 54,265	\$ 3,765
Intergovernmental				
Federal sources				
Surface Transportation Program	356,300	568,100	567,652	(448)
Bridge	270,100	430,725	430,299	(426)
State sources				
Motor Vehicle Highway Funds				
Engineering	10,000	10,000	10,000	-
Urban road	358,300	313,200	323,931	10,731
Primary road	6,341,600	5,542,900	5,733,248	190,348
Local road	3,082,800	2,694,500	2,787,014	92,514
Other				
Critical bridge	89,200	78,000	80,681	2,681
Other	81,374	69,824	72,585	2,761
Local sources				
Township contributions	2,650,000	2,583,000	2,582,844	(156)
Total intergovernmental	13,239,674	12,290,249	12,588,254	298,005
Charges for services				
State trunkline	1,419,400	1,460,200	1,478,117	17,917
Salvage sales	8,000	8,200	8,308	108
Other	22,600	23,303	23,541	238
Total charges for services	1,450,000	1,491,703	1,509,966	18,263
Interest and rents				
Interest	38,500	17,600	17,635	35
Rents	26,500	12,171	12,146	(25)
Total interest and rents	65,000	29,771	29,781	10
Other				
Gain on equipment disposal	159,500	164,600	164,275	(325)
Miscellaneous	5,500	5,675	5,653	(22)
Total other	165,000	170,275	169,928	(347)
TOTAL REVENUES	\$ 14,964,674	\$ 14,032,498	\$ 14,352,194	\$ 319,696

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current				
Primary road				
Preservation - structural improvements	\$ 4,505,000	\$ 3,923,643	\$ 3,923,642	\$ 1
Routine and preventative maintenance	2,444,026	2,404,026	2,062,445	341,581
Total primary road	6,949,026	6,327,669	5,986,087	341,582
Local road				
Preservation - structural improvements	1,860,000	2,503,450	2,413,804	89,646
Routine and preventative maintenance	2,475,506	3,075,674	3,075,662	12
Total local road	4,335,506	5,579,124	5,489,466	89,658
State trunkline				
Maintenance	1,400,000	975,000	969,741	5,259
Administrative				
Administration	1,165,500	968,900	1,018,572	(49,672)
Less:				
Overhead - State	(105,600)	(87,800)	(92,302)	4,502
Purchase discount	(10,150)	(8,468)	(8,892)	424
Total administrative - net	1,049,750	872,632	917,378	(44,746)
Equipment				
Direct	2,127,400	1,958,200	2,005,897	(47,697)
Indirect	787,000	724,400	742,047	(17,647)
Operating	180,800	166,400	170,428	(4,028)
Less: Equipment rental	(2,012,600)	(1,852,475)	(1,897,597)	45,122
Total equipment - net	1,082,600	996,525	1,020,775	(24,250)
Other				
Miscellaneous	25,000	25,000	27,650	(2,650)
Capital outlay				
Capital outlay	58,700	615,000	885,077	(270,077)
Less:				
Depreciation and depletion	(82,726)	(866,596)	(1,247,158)	380,562
Total capital outlay - net	(24,026)	(251,596)	(362,081)	110,485
TOTAL EXPENDITURES	<u>\$ 14,817,856</u>	<u>\$ 14,524,354</u>	<u>\$ 14,049,016</u>	<u>\$ 475,338</u>

SHIAWASSEE COUNTY ROAD COMMISSION
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN COMMISSION'S NET PENSION LIABILITY AND RELATED RATIOS
LAST SIX MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 185,571	\$ 172,712	\$ 173,170	\$ 164,733	\$ 168,071	\$ 188,524
Interest	1,602,921	1,616,197	1,584,170	1,579,866	1,535,981	1,503,566
Changes of benefit terms	-	-	-	-	2,725	-
Difference between expected and actual experience	96,544	(558,982)	52,339	(316,063)	(198,080)	-
Changes of assumptions	662,807	-	-	-	959,644	-
Benefit payments, including employee refunds	(1,404,559)	(1,400,061)	(1,418,156)	(1,339,758)	(1,323,612)	(1,254,280)
Other	1	(1)	-	(1)	(4,617)	(1)
Net change in total pension liability	1,143,285	(170,135)	391,523	88,777	1,140,112	437,809
Total pension liability, beginning	20,645,997	20,816,132	20,424,609	20,335,832	19,195,720	18,757,911
Total pension liability, ending	<u>\$ 21,789,282</u>	<u>\$ 20,645,997</u>	<u>\$ 20,816,132</u>	<u>\$ 20,424,609</u>	<u>\$ 20,335,832</u>	<u>\$ 19,195,720</u>
Plan fiduciary net position						
Contributions - employer	\$ 1,518,139	\$ 1,081,607	\$ 1,029,796	\$ 2,744,068	\$ 1,530,931	\$ 998,480
Contributions - employee	106,645	100,542	96,885	92,334	87,327	95,537
Net investment income	2,113,047	(644,779)	1,951,640	1,367,458	(175,195)	708,356
Benefit payments, including employee refunds	(1,404,559)	(1,400,061)	(1,418,156)	(1,339,758)	(1,323,612)	(1,254,280)
Administrative expenses	(36,413)	(31,845)	(30,892)	(26,980)	(25,846)	(26,010)
Net change in plan fiduciary net position	2,296,859	(894,536)	1,629,273	2,837,122	93,605	522,083
Plan fiduciary net position, beginning	15,488,171	16,382,707	14,753,434	11,916,312	11,822,707	11,300,624
Plan fiduciary net position, ending	<u>\$ 17,785,030</u>	<u>\$ 15,488,171</u>	<u>\$ 16,382,707</u>	<u>\$ 14,753,434</u>	<u>\$ 11,916,312</u>	<u>\$ 11,822,707</u>
Commission's net pension liability	<u>\$ 4,004,252</u>	<u>\$ 5,157,826</u>	<u>\$ 4,433,425</u>	<u>\$ 5,671,175</u>	<u>\$ 8,419,520</u>	<u>\$ 7,373,013</u>
Plan fiduciary net position as a percentage of the total pension liability	82%	75%	79%	72%	59%	62%
Covered payroll	\$ 1,995,503	\$ 1,851,826	\$ 1,818,323	\$ 1,671,608	\$ 1,610,460	\$ 1,777,036
Commission's net pension liability as a percentage of covered payroll	201%	279%	244%	339%	523%	415%

**SHIAWASSEE COUNTY ROAD COMMISSION
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF COMMISSION'S PENSION CONTRIBUTIONS
LAST SIX FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial determined contributions ⁽¹⁾	\$ 842,885	\$ 818,139	\$ 745,752	\$ 1,029,796	\$ 544,460	\$ 507,661
Contributions in relation to the actuarially determined contribution	<u>1,319,861</u>	<u>1,518,139</u>	<u>1,081,752</u>	<u>1,029,796</u>	<u>2,745,068</u>	<u>1,530,931</u>
Contribution deficiency (excess)	<u>\$ (476,976)</u>	<u>\$ (700,000)</u>	<u>\$ (336,000)</u>	<u>\$ -</u>	<u>\$ (2,200,608)</u>	<u>\$ (1,023,270)</u>
Covered payroll	\$ 2,076,210	\$ 1,994,286	\$ 1,878,715	\$ 1,812,443	\$ 1,681,219	\$ 1,679,873
Contributions as a percentage of covered payroll	64%	76%	58%	57%	163%	91%

⁽¹⁾ The actuarially determined contribution was calculated based on projected covered payroll. Employer contributions were made in full based on actual covered payroll. Accordingly, the actuarially-determined contribution has been expressed above as a percentage of actual payroll.

**SHIAWASSEE COUNTY ROAD COMMISSION
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
LAST THREE MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)**

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 695	\$ 1,032	\$ 2,484
Interest	132,868	120,737	83,884
Difference between expected and actual experience	(23,678)	(41,679)	2,525
Changes of assumptions	-	(65,580)	(397,706)
Benefit payments, including employee refunds	(231,877)	(219,011)	(268,719)
Net change in total OPEB liability	(121,992)	(204,501)	(577,532)
Total OPEB liability, beginning	1,922,972	2,127,473	2,705,005
Total OPEB liability, ending	<u>\$ 1,800,980</u>	<u>\$ 1,922,972</u>	<u>\$ 2,127,473</u>
Plan fiduciary net position			
Contributions to OPEB trust - employer	\$ -	\$ 825,000	\$ 1,050,000
Benefit payments made from general operating funds	-	219,011	268,719
Net investment income	292,938	264,628	(55,995)
Benefit payments, including employee refunds	(231,877)	(219,011)	(268,719)
Administrative expenses	(4,240)	(3,972)	(1,706)
Net change in plan fiduciary net position	56,821	1,085,656	992,299
Plan fiduciary net position, beginning	2,458,940	1,373,284	380,985
Plan fiduciary net position, ending	<u>\$ 2,515,761</u>	<u>\$ 2,458,940</u>	<u>\$ 1,373,284</u>
Commission's net OPEB liability (asset)	<u>\$ (714,781)</u>	<u>\$ (535,968)</u>	<u>\$ 754,189</u>
Plan fiduciary net position as a percentage of the total OPEB liability	140%	128%	65%
Covered payroll	\$ 116,808	\$ 110,255	\$ 99,317
Commission's net OPEB liability (asset) as a percentage of covered payroll	(612%)	(486%)	759%

**SHIAWASSEE COUNTY ROAD COMMISSION
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF COMMISSION'S OPEB CONTRIBUTIONS
LAST THREE FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)**

	2020	2019	2018
Actuarial determined contributions	\$ -	\$ 77,707	\$ 199,711
Employer Contributions	-	1,044,011	1,318,719
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (966,304)</u>	<u>\$ (1,119,008)</u>
Covered payroll	\$ 116,808	\$ 110,255	\$ 99,317
Contributions as a percentage of covered payroll	0%	947%	1,328%

Actuarial valuation information relative to the determination of contributions:

Valuation date	December 31, 2019
Measurement date	December 31, 2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period	3 years
20-year Aa Municipal Bond Rate	1.93%
Asset valuation method	Market value
Payroll inflation	1.00%
Medical and vision inflation rate, pre-65	8.50% graded down to 4.50% by 0.25% per year
Medical and vision inflation rate, post-65	7.00% graded down to 6.50% after one year and then by 0.25% per year to an ultimate rate of 4.50% for medical, 5.00% for vision
Investment rate of return	7.35%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted mortality with MP-2019 improvement scale

SHIAWASSEE COUNTY ROAD COMMISSION
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF INVESTMENT RETURNS
LAST THREE FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expenses	12.35%	12.73%	-7.97%

**SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2019**

NOTE 1 - EMPLOYEE RETIREMENT SYSTEM

Changes of benefits terms: There were no changes of benefit terms during plan year 2019.

Changes in assumptions: Reduction in the investment rate of return assumption from 7.75% to 7.35%
Reduction in rate of wage inflation from 3.75% to 3.00%.

NOTE 2 - OTHER POST-EMPLOYMENT BENEFITS PLAN

Changes of benefits terms: There were no changes of benefit terms during plan year 2020.

Changes in assumptions: There were no changes in assumptions during plan year 2020.

OTHER SUPPLEMENTARY INFORMATION

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
STATEMENT OF CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2020**

TOTAL REVENUES	\$ 14,352,194
TOTAL EXPENDITURES	<u>14,049,016</u>
NET CHANGE IN FUND BALANCE	303,178
Fund balance, beginning of year	<u>4,951,620</u>
Fund balance, end of year	<u><u>\$ 5,254,798</u></u>

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2020**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
TOTAL REVENUES	\$ 7,680,359	\$ 4,937,929	\$ 1,733,906	\$ 14,352,194
TOTAL EXPENDITURES	6,791,219	6,450,343	807,454	14,049,016
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	889,140	(1,512,414)	926,452	303,178
OTHER FINANCING SOURCES (USES)				
Optional transfers in	500,000	1,450,000	-	1,950,000
Optional transfers out	(950,000)	-	(1,000,000)	(1,950,000)
TOTAL OTHER FINANCING SOURCES (USES)	(450,000)	1,450,000	(1,000,000)	-
NET CHANGE IN FUND BALANCE	439,140	(62,414)	(73,548)	303,178
Fund balance, beginning of year	1,015,245	1,053,134	2,883,241	4,951,620
Fund balance, end of year	<u>\$ 1,454,385</u>	<u>\$ 990,720</u>	<u>\$ 2,809,693</u>	<u>\$ 5,254,798</u>

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF REVENUES
YEAR ENDED DECEMBER 31, 2020**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
REVENUES				
Licenses and permits				
Permits	\$ 11,126	\$ 11,541	\$ 31,598	\$ 54,265
Intergovernmental				
Federal sources	997,951	-	-	997,951
State sources	6,073,738	2,933,721	-	9,007,459
Local sources	593,928	1,988,916	-	2,582,844
Total intergovernmental	7,665,617	4,922,637	-	12,588,254
Charges for services				
State trunkline	-	-	1,478,117	1,478,117
Salvage sales	-	-	8,308	8,308
Other	-	-	23,541	23,541
Total charges for services	-	-	1,509,966	1,509,966
Interest and rents				
Interest	3,616	3,751	10,268	17,635
Rents	-	-	12,146	12,146
Total interest and rents	3,616	3,751	22,414	29,781
Other				
Gain on equipment disposal	-	-	164,275	164,275
Miscellaneous	-	-	5,653	5,653
Total other	-	-	169,928	169,928
TOTAL REVENUES	\$ 7,680,359	\$ 4,937,929	\$ 1,733,906	\$ 14,352,194

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2020**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
EXPENDITURES				
Preservation - structural improvements	\$ 3,923,642	\$ 2,413,804	\$ -	\$ 6,337,446
Routine and preventative maintenance	2,062,445	3,075,662	-	5,138,107
State trunkline	-	-	969,741	969,741
Administrative expense - net	478,539	438,839	-	917,378
Equipment expense - net	326,593	522,038	172,144	1,020,775
Other	-	-	27,650	27,650
Capital outlay - net	-	-	(362,081)	(362,081)
TOTAL EXPENDITURES	<u>\$ 6,791,219</u>	<u>\$ 6,450,343</u>	<u>\$ 807,454</u>	<u>\$ 14,049,016</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of County Road Commissioners
Shiawassee County
Corunna, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Shiawassee County Road Commission (the Commission), a component unit of Shiawassee County, Michigan, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated April 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiran PC

April 30, 2021