

**CLINTON COUNTY ROAD COMMISSION  
ST. JOHNS, MICHIGAN**

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

**YEAR ENDED DECEMBER 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

Board of the County Road Commissioners  
Clinton County  
St. Johns, 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 Clinton County Road Commission (the Commission), a component unit of Clinton County, Michigan, as of and for the year ended December 31, 2019, 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. 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 Clinton County Road Commission, as of December 31, 2019, 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 management's discussion and analysis, budgetary comparison information, defined benefit pension plan schedules, and other post-employment benefits plan schedules, 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.

*Manes Costeiran PC*

April 20, 2020

## **CLINTON COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Clinton County Road Commission's (the "Commission") financial performance provides an overview of the Commission's financial activities for the calendar year ended December 31, 2019. 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 that presents the operating fund broken down between primary, local, and county roads. 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 and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide 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 or position.
- 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 Commission as a Whole**

#### **Government-Wide 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, deferred outflows of resources, liabilities, and deferred inflows of resources) as one way to measure the Commission's financial health or financial position. 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 condition of the Commission's roads and changes in the law related to the gas taxes and its distribution need to be considered.

**CLINTON 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 the General Operating 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) provides additional 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 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 each fund level financial statements.

The Commission acts as a trustee or fiduciary for retiree health care benefits. It is responsible for assets that, because of trust arrangements, can only be used for the trust beneficiaries. This fund is reported using the accrual basis of accounting. The government-wide financial statements exclude the fiduciary fund activities and balances because these assets are not available to the Commission to fund its operations.

**Financial Analysis of the Commission as a Whole**

The Commission's net position increased from \$60,177,730 to \$69,246,007 for the year ended December 31, 2019. The net position and change in net position are summarized below.

**Net Position**

Restricted net position has 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 authorized 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 amounts invested in capital assets, net of related debt) are considered unrestricted.

Net position increased by \$9,068,277 during 2019 as a result of an increase primarily in capital assets due to construction capacity improvements, preservation/structural improvements, and equipment purchases.

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

Net position for the years ended December 31, 2019 and 2018, were as follows:

	Governmental Activities	
	2019	2018
<b>Assets</b>		
Current and other assets	\$ 10,608,899	\$ 5,862,408
Capital assets	70,414,917	61,496,118
Total Assets	<b>81,023,816</b>	<b>67,358,526</b>
<b>Deferred Outflows of Resources</b>	<b>3,658,456</b>	<b>2,557,783</b>
<b>Liabilities</b>		
Current liabilities	5,270,889	879,268
Noncurrent liabilities	9,152,375	8,508,344
Total Liabilities	<b>14,423,264</b>	<b>9,387,612</b>
<b>Deferred Inflows of Resources</b>	<b>1,013,001</b>	<b>350,967</b>
<b>Net Position</b>		
Net investment in capital assets	70,414,917	61,496,118
Restricted	1,034,967	52,343
Unrestricted	(2,203,877)	(1,370,731)
Total Net Position	<b>\$ 69,246,007</b>	<b>\$ 60,177,730</b>

**Changes in Net Position**

The following table presents the comparison between 2019 and 2018 year data.

	Governmental Activities	
	2019	2018
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,258,754	\$ 1,379,449
Operating grants and contributions	8,120,045	10,767,522
Capital grants and contributions	11,809,681	6,735,956
General revenues		
Interest	98,328	10,670
Gain on disposal of equipment	102,872	67,479
Other	5,078	576,915
Total Revenues	<b>21,394,758</b>	<b>19,537,991</b>
<b>Expenses</b>		
Primary road	3,628,076	3,553,769
Local road	2,331,500	3,992,195
State trunkline	1,087,055	1,116,218
Administrative - net	755,960	719,387
Equipment - net	52,447	193,285
Drains at large	43,750	35,993
Non-road projects	387,454	1,105,286
Infrastructure depreciation	4,040,239	3,805,343
Total Expenses	<b>12,326,481</b>	<b>14,521,476</b>
Change in Net Position	<b>\$ 9,068,277</b>	<b>\$ 5,016,515</b>

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

**The Clinton County Road Commission's Fund Level Information**

The Commission's General Operating Fund is used to control the expenditures of Michigan Transportation Fund (MTF) monies distributed to the County, which are earmarked by law for road and highway purposes. For the year ended December 31, 2019, the fund balance of the General Operating Fund decreased by \$1,063,764 as compared to a \$709,913 increase in the fund balance for the year ended December 31, 2018. Total operating revenues in 2019 were \$21,394,758, an increase of \$1,856,767 compared to the prior year. Total expenditures in 2019 were \$22,458,522, an increase of \$3,630,444 compared to the prior year. The increases in revenue and expenditures in 2019 were the result of Board of Road Commissioner's initiative to aggressively improve roads by reducing fund balance.

A summary of changes in the General Operating Fund for the years ended December 31, 2019 and 2018:

	General Operating Fund	
	2019	2018
<b>Revenues</b>		
Licenses and permits	\$ 92,640	\$ 66,059
Intergovernmental	19,281,877	17,503,478
Charges for services	1,151,457	1,298,733
Interest and rents	112,985	25,327
Other	755,799	644,394
<b>Total Revenues</b>	<b>21,394,758</b>	<b>19,537,991</b>
<b>Expenditures</b>		
Current		
Primary roads	11,516,387	8,236,084
Local roads	7,400,747	7,085,426
State trunkline	1,087,055	1,116,218
Administrative - net	868,116	777,272
Equipment - net	209,120	308,098
Drains at large	43,750	35,993
Non-road projects	387,454	1,105,286
Capital outlay	945,893	163,701
<b>Total Expenditures</b>	<b>22,458,522</b>	<b>18,828,078</b>
<b>Net Change in Fund Balance</b>	<b>(1,063,764)</b>	<b>709,913</b>
<b>Fund Balance - beginning</b>	<b>4,947,262</b>	<b>4,237,349</b>
<b>Fund Balance - ending</b>	<b>\$ 3,883,498</b>	<b>\$ 4,947,262</b>

**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.



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

The final amended revenue budget for 2019 was \$4,045,930 less than the original budget primarily due to the construction of the Coleman Road extension that was not completed as anticipated during 2019. This project, PA 207 State Allocated funds in the amount of \$7,600,000, was projected to be open to the public in the Fall of 2019 but now has a completion date of July 2020, therefore only a portion of the projected revenue was recorded in 2019. The actual revenue recognized during 2019 was more than the final amended budget by \$1,787,158.

The final amended expenditures budget for 2019 was \$972,030 less than the original budget primarily due to the impact of the Coleman Road extension project, as stated previously, and the actual costs of other projects. The actual expenditures recognized during 2019 were \$24,798 less than the final amended budget.

**Capital Asset & Debt Administration**

**Capital Assets**

As of December 31, 2019, the Commission had invested \$61,495,118 in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and deductions) of \$8,918,799.

	2019	2018
Capital assets not being depreciated	\$ 11,921,553	\$ 8,212,842
Capital assets being depreciated		
Buildings	2,063,917	2,063,917
Equipment	8,895,896	8,394,078
Infrastructure	107,342,233	100,132,125
Depletable assets	67,448	75,448
<b>SUBTOTAL</b>	<b>118,369,494</b>	<b>110,665,568</b>
<b>Total Cost of Capital Assets</b>	<b>130,291,047</b>	<b>118,878,410</b>
<b>Total Accumulated Depreciation</b>	<b>(59,876,130)</b>	<b>(57,382,292)</b>
<b>Total Net Capital Assets</b>	<b>\$ 70,414,917</b>	<b>\$ 61,496,118</b>

This year's major capital asset additions included the following:

Right-of-ways	\$ 716,527
Land improvements	206,338
Construction in progress	2,785,846
Equipment	
Roads	1,058,630
Shop	6,666
Office	28,117
Yard	13,229
Infrastructure	
Roads	8,875,324
Bridges	148,511
<b>TOTAL</b>	<b>\$ 13,839,188</b>

## **CLINTON COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS**

During 2019, the Commission traded in or disposed of equipment with the purchase price of \$2,426,551, accumulated depreciation of \$2,425,178, and net book value of \$1,373. More detailed information about the Commission's capital assets is presented in Note 3 to the Financial Statements.

### **Long-Term Obligations**

As of December 31, 2019, the Commission had \$590,389 in compensated absences outstanding versus \$606,085 last year.

More detailed information about the Commission's long-term obligations is presented in Note 4 to the Financial Statements.

### **Economic Factors and Next Year's Budget**

Many factors were considered while preparing the 2020 budget. The Clinton County Road Commission derives approximately 52% of its revenue from the fuel tax and license plate fees collected (MTF). It continues to cost share (based on the Act 51 formula) for local road maintenance and has an excellent working relationship with the 16 townships within the County who jointly contribute approximately \$2,700,000 annually. Now that a funding mechanism (increased fuel tax) is in place, much needed road improvement can begin to be addressed. The 2020 Budget also includes equipment purchases/leases and building maintenance and upgrades. The Board of County Road Commissioners continues its aggressive commitment to reduce its unfunded liabilities. Other Post-Employment Benefits (OPEB) is currently funded at 136%. The 2020 budget includes \$1,200,000 in additional payments contributed toward the Municipal Employees Retirement System pension liability which is currently funded at 62%. The Commission strives to seek a balance between road/bridge projects, equipment and facilities, all of which cannot exist to provide services without the other. With all needs considered, the Board attempts to budget wisely and equitably and in the best interest of the motoring public and the citizens of Clinton County.

The above items were considered when adopting the budget for 2020. The amount available for appropriation in the 2020 budget is \$24,899,082. The budget is a financial tool that can be amended, as needed, to adjust to actual revenue/expenditures dependent upon Michigan Transportation Fund revenue.

### **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 Clinton County Road Commission's administrative offices at 3536 S. US Highway 27, St. Johns, Michigan 48879.

## **BASIC FINANCIAL STATEMENTS**

**CLINTON COUNTY ROAD COMMISSION  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 5,775,511
Accounts receivable	13,732
Due from other governmental units	
Federal/State	2,103,141
Local	135,286
Prepays	161,927
Inventory	<u>929,793</u>
Total current assets	<u>9,119,390</u>
Noncurrent assets	
Capital assets not being depreciated	11,921,553
Capital assets, net of accumulated depreciation	58,493,364
Net other post-employment benefits asset	<u>1,489,509</u>
Total noncurrent assets	<u>71,904,426</u>
<b>TOTAL ASSETS</b>	<u><b>81,023,816</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	3,391,628
Deferred outflows of resources related to OPEB	<u>266,828</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>3,658,456</b></u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	509,171
Accrued liabilities	125,999
Performance bonds payable	73,928
Unearned revenue	4,251,250
Current portion of compensated absences	<u>310,541</u>
Total current liabilities	<u>5,270,889</u>
Noncurrent liabilities	
Advances from other governmental units	275,544
Noncurrent portion of compensated absences	279,848
Net pension liability	<u>8,596,983</u>
Total noncurrent liabilities	<u>9,152,375</u>
<b>TOTAL LIABILITIES</b>	<u><b>14,423,264</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	291,631
Deferred inflows of resources related to OPEB	<u>721,370</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>1,013,001</b></u>
<b>NET POSITION</b>	
Net investment in capital assets	70,414,917
Restricted for other post-employment benefits	1,034,967
Unrestricted	<u>(2,203,877)</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 69,246,007</b></u>

See accompanying notes to financial statements.

**CLINTON COUNTY ROAD COMMISSION  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

	<u>Governmental Activities</u>
Program expenses	
Primary road	\$ 3,628,076
Local road	2,331,500
State trunkline	1,087,055
Administrative - net	755,960
Equipment - net	52,447
Drains at large	43,750
Non-road projects	387,454
Infrastructure depreciation	<u>4,040,239</u>
TOTAL PROGRAM EXPENSES	<u>12,326,481</u>
Program revenues	
Charges for services	1,258,754
Operating grants and contributions	8,120,045
Capital grants and contributions	<u>11,809,681</u>
TOTAL PROGRAM REVENUES	<u>21,188,480</u>
NET PROGRAM REVENUES	<u>8,861,999</u>
General revenues	
Interest	98,328
Gain on sale of capital assets	102,872
Other	<u>5,078</u>
TOTAL GENERAL REVENUES	<u>206,278</u>
CHANGE IN NET POSITION	9,068,277
Net position, beginning of the year	<u>60,177,730</u>
Net position, end of the year	<u><u>\$ 69,246,007</u></u>

See accompanying notes to financial statements.

**CLINTON COUNTY ROAD COMMISSION  
GOVERNMENTAL FUND  
BALANCE SHEET  
DECEMBER 31, 2019**

	<u>General Operating Fund</u>
<b>ASSETS</b>	
Cash	\$ 5,775,511
Accounts receivable	13,732
Due from other governmental units	
Federal/State	2,103,141
Local	135,286
Prepays	161,927
Inventory	<u>929,793</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 9,119,390</u></u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ 509,171
Accrued liabilities	125,999
Performance bonds payable	73,928
Unearned revenue	4,251,250
Advances from other governmental units	<u>275,544</u>
<b>TOTAL LIABILITIES</b>	<b><u>5,235,892</u></b>
<b>FUND BALANCE</b>	
Nonspendable	
Prepays	161,927
Inventory	929,793
Committed	
Purchase of gravel	292,664
Unassigned	<u>2,499,114</u>
<b>TOTAL FUND BALANCE</b>	<b><u>3,883,498</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u><u>\$ 9,119,390</u></u></b>

See accompanying notes to financial statements.

**CLINTON COUNTY ROAD COMMISSION  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

**Total fund balance - governmental fund** \$ 3,883,498

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	\$ 130,291,047	
Accumulated depreciation is	<u>(59,876,130)</u>	
Capital assets, net		70,414,917

Some assets are not current financial resources and therefore are not reported as assets in the governmental funds. These amounts consist of:

Net other post-employment benefits asset	1,489,509
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Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability 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	3,391,628	
Deferred inflows of resources related to pensions	(291,631)	
Deferred outflows of resources related to OPEB	266,828	
Deferred inflows of resources related to OPEB	<u>(721,370)</u>	
		2,645,455

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	(590,389)	
Net pension liability	<u>(8,596,983)</u>	
		<u>(9,187,372)</u>

**Net position of governmental activities** \$ 69,246,007

**CLINTON COUNTY ROAD COMMISSION  
GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2019**

	<u>General Operating Fund</u>
REVENUES	
Licenses and permits	\$ 92,640
Intergovernmental	19,281,877
Charges for services	1,151,457
Interest and rents	112,985
Other	<u>755,799</u>
TOTAL REVENUES	<u>21,394,758</u>
EXPENDITURES	
Current	
Primary road	11,516,387
Local road	7,400,747
State trunkline	1,087,055
Administrative - net	868,116
Equipment - net	209,120
Drains at large	43,750
Non-road projects	387,454
Capital outlay - net	<u>945,893</u>
TOTAL EXPENDITURES	<u>22,458,522</u>
NET CHANGE IN FUND BALANCE	(1,063,764)
Fund balance, beginning of year	<u>4,947,262</u>
Fund balance, end of year	<u><u>\$ 3,883,498</u></u>

See accompanying notes to financial statements.



**CLINTON 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, 2019**

**Net change in fund balance - governmental fund** \$ (1,063,764)

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	\$ 13,839,188	
Equipment and administrative depreciation expense	(880,150)	
Infrastructure depreciation expense	<u>(4,040,239)</u>	
Excess of capital outlay over depreciation expense		8,918,799

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

Increase in deferred outflows of resources related to pensions	1,289,679	
Decrease in deferred inflows of resources related to pensions	12,141	
(Decrease) in deferred outflows of resources related to OPEB	(189,006)	
(Increase) in deferred inflows of resources related to OPEB	(674,175)	
Decrease in compensated absences	15,696	
(Increase) in net pension liability	(678,259)	
Increase in net other post-employment benefits asset	<u>1,437,166</u>	
		<u>1,213,242</u>

**Change in net position of governmental activities** \$ 9,068,277

**CLINTON COUNTY ROAD COMMISSION  
FIDUCIARY FUND  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

	Component Unit
	Retiree Health Care Trust
<b>ASSETS</b>	
Current assets	
Investments	\$ 5,652,516
<b>LIABILITIES</b>	
Current liabilities	-
<b>NET POSITION</b>	
Restricted for retiree health care benefits	\$ 5,652,516

See accompanying notes to financial statements.

**CLINTON COUNTY ROAD COMMISSION  
FIDUCIARY FUND  
STATEMENT OF CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2019**

	<u>Retiree Health Care Trust</u>
<b>ADDITIONS</b>	
Investment earnings	
Net change in fair value of investments	\$ 673,757
<b>DEDUCTIONS</b>	
Administrative expenses	<u>9,600</u>
<b>CHANGE IN NET POSITION</b>	664,157
<b>NET POSITION RESTRICTED FOR RETIREE HEALTH CARE BENEFITS</b>	
Beginning of year	<u>4,988,359</u>
End of year	<u><u>\$ 5,652,516</u></u>

See accompanying notes to financial statements.

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

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

The Clinton County Road Commission (the "Commission") is a component unit of Clinton 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 road projects performed throughout the county.

The Commission, which was established pursuant to the County Road Law (MCL 224.1), operates under an appointed Board of three County Road Commissioners who establish policies and review operations of the Commission. The Commission provides services to 16 Townships in Clinton County and maintains over 1,181 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 policies 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 discretely presented in Clinton County's (the Primary Government) financial statements in accordance with GASB 61, *The Financial Reporting Entity*. A copy of the County's audited financial statements may be obtained at the County Courthouse in St. Johns, Michigan.

*Fiduciary Component Units*

The OPEB Trust Fund was established to account for the assets set aside to fund the Clinton County Road Commission Retiree Health Care Trust Fund. The primary purpose of the Trust is to provide the necessary funding for the retiree health benefits provided to eligible Commission employees during retirement. The Trust was established through MERS Retiree Health Funding Vehicle, with the Commission's Board of Road Commissioners serving as the trustees. The assets of the Trust are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purchase prior to the satisfaction of all liabilities. The assets are protected from any of the Commission's creditors. The Board of Road Commissioners has the ability to exercise oversight responsibility, specifically in the area of designation of management.

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. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements).

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

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

Basis of Presentation (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

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 fund financial statements provide information about the Commission's funds, including its fiduciary funds. 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.

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 component unit fiduciary fund:

- a. The Retiree Health Care Trust Fund is used to account for the assets held by the Municipal Employees' Retirement System (MERS) in a trustee capacity to fund future medical benefits for eligible retirees and their beneficiaries.

Measurement Focus

The government-wide and fiduciary funds 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.

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

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

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 as “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.

All 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.

Budgets and Budgetary Accounting

The annual budget of the Commission is prepared by Commission 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 checking accounts and imprest cash. Investments consist of amounts on deposit with MERS and recorded at acquisition 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 of the Commission’s financial activity is relayed to and reconciled by the Clinton County Treasurer’s Office.

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.

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

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

Cash and Investments (continued)

- 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 two 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.

Inventory

Inventory of road materials and equipment parts are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventory is stated at average cost.

Capital Assets

Capital assets are reported 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 three years except for certain equipment which has no minimum cost. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

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

Capital Assets (continued)

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	25 - 50 years
Equipment -	
Road	5 - 8 years
Shop	10 years
Office	4 - 10 years
Engineering	4 - 12 years
Yard	10 years
Infrastructure -	
Roads	8 - 30 years
Bridges	12 - 50 years
Traffic signals	13 - 15 years
Depletable assets	20 - 30 years

Net Other Post-Employment Benefits Asset

The net other post-employment benefits asset is deemed to be a noncurrent asset and is recognized in the government-wide financial statements.

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 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. This amount along with related payroll taxes is recorded in the government-wide financial statements.

Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized in the government-wide financial statements.



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

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

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 pension/OPEB benefits and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension/OPEB plan investment earnings, and contributions made 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 for the Statement of Revenues, Expenditures, and Changes in Fund Balance.

Fund Balance Classifications

Fund balance classifications 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 classifications of fund balance 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.

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

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

Fund Balance Classification Policies and Procedures

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

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.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The Commission’s bank deposits at December 31, 2019, are composed of the following:

	Carrying Amount	Bank Balance
Checking accounts	\$ 847,526	\$ 753,492

Bank deposits in the checking accounts noted above of the Commission are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Commission. As of December 31, 2019, the Commission’s checking accounts noted above were federally insured for \$250,000 and the amount of \$503,492 was uninsured and uncollateralized. The financial statements include \$100 of imprest cash.

Interest Rate Risk

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 its portfolio in a manner to attain a market rate of return throughout the budgetary and economic cycles while preserving and protecting capital.

Investment Type	Fair Value	Weighted Average Maturity (years)
Michigan CLASS Investment Pool	\$ 4,927,885	0.1205

1 day maturity equals 0.0027, one year equals 1.00

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

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). 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 &amp; Poor's Rating</u>
Michigan CLASS Investment Pool	<u>\$ 4,927,885</u>	AAAm

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 by security type and institution in order that the potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial Credit Risk

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 authorized by the Commission and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Commission will do business in accordance with Commission approved policy.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Commission's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Investments in Entities that Calculate Net Asset Value per Share

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.

The Michigan CLASS investment pool invest 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 percent 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 statues and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

At the year ended December 31, 2019, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
MERS Retiree Health Care Trust	\$ 5,652,516	\$ -	No restrictions	None
Michigan CLASS Investment Pool	4,927,885	-	No restrictions	None
	<u>\$ 10,580,401</u>	<u>\$ -</u>		

**NOTE 3 - CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2019, was as follows:

	<u>Balance Jan. 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2019</u>
Capital assets not being depreciated				
Land	\$ 220,750	\$ -	\$ -	\$ 220,750
Rights-of-way	1,426,066	716,527	-	2,142,593
Land improvements	6,566,026	206,338	-	6,772,364
Construction in progress	-	2,785,846	-	2,785,846
Subtotal	<u>8,212,842</u>	<u>3,708,711</u>	<u>-</u>	<u>11,921,553</u>

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

**NOTE 3 - CAPITAL ASSETS (continued)**

	Balance Jan. 1, 2019	Additions	Deletions	Balance Dec. 31, 2019
Capital assets being depreciated/depleted				
Buildings	\$ 2,063,917	\$ -	\$ -	\$ 2,063,917
Equipment -				
Road	7,883,665	1,058,630	(591,451)	8,350,844
Shop	153,174	6,666	(5,600)	154,240
Office	140,080	28,117	(7,773)	160,424
Engineering	2,972	-	-	2,972
Yard	214,187	13,229	-	227,416
Infrastructure -				
Roads	64,508,974	8,875,324	(1,813,727)	71,570,571
Bridges	34,457,917	148,511	-	34,606,428
Traffic signals	1,165,234	-	-	1,165,234
Depletable assets	75,448	-	(8,000)	67,448
Subtotal	<u>110,665,568</u>	<u>10,130,477</u>	<u>(2,426,551)</u>	<u>118,369,494</u>
Less accumulated depreciation/depletion				
Buildings	(1,522,386)	(66,907)	-	(1,589,293)
Equipment -				
Road	(6,010,838)	(760,810)	590,078	(6,181,570)
Shop	(138,381)	(5,041)	5,600	(137,822)
Office	(93,242)	(15,361)	7,773	(100,830)
Engineering	(2,419)	(107)	-	(2,526)
Yard	(62,156)	(30,551)	-	(92,707)
Infrastructure -				
Roads	(31,196,107)	(3,410,815)	1,813,727	(32,793,195)
Bridges	(17,524,374)	(551,937)	-	(18,076,311)
Traffic signals	(756,941)	(77,487)	-	(834,428)
Depletable assets	(75,448)	-	8,000	(67,448)
Subtotal	<u>(57,382,292)</u>	<u>(4,919,016)</u>	<u>2,425,178</u>	<u>(59,876,130)</u>
Net capital assets being depreciated/depleted	<u>53,283,276</u>	<u>5,211,461</u>	<u>(1,373)</u>	<u>58,493,364</u>
Capital assets, net	<u>\$ 61,496,118</u>	<u>\$ 8,920,172</u>	<u>\$ (1,373)</u>	<u>\$ 70,414,917</u>

The current year depreciation expense of \$4,919,016 has been adjusted by \$1,373 for the loss on disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Depreciation expense was charged to the following activities:

	Amount
Net equipment expense	
Direct equipment	\$ 807,345
Indirect equipment	56,690
Net administrative expense	16,115
Infrastructure	4,040,239
	<u>\$ 4,920,389</u>

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

**NOTE 4 - COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences (including current portions) of the Commission for the year ended December 31, 2019:

	Balance Jan. 1, 2019	Additions	Deletions	Balance Dec. 31, 2019	Amounts Due Within One Year
Compensated absences	\$ 606,085	\$ 303,101	\$ (318,797)	\$ 590,389	\$ 310,541

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, sick, and longevity benefits under formulas and conditions specified in their respective personnel policies and/or contracts.

Compensated absences represent a liability to the Commission, which is presented in current and noncurrent portions of the liability. For this reason, the total liability reported in the government-wide financial statements represents a current liability of \$310,541 and a noncurrent liability of \$279,848 at December 31, 2019.

**NOTE 5 - FEDERAL GRANTS**

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, 2019, the Federal aid received and expended by the Commission was \$1,880,454 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, 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 accessing MERS website at [www.mersofmich.com](http://www.mersofmich.com).

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

**NOTE 6 - RETIREMENT PLAN (continued)**

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 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.

Benefits Provided

Defined Benefit - The Commission's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. Benefit terms, within the guidelines established by MERS, are established and amended by the Clinton County Board of County Round Commissioners, usually after negotiation of terms with applicable unions. Any changes to the plan, including cost of living adjustments, would have to be approved by the Clinton County Board of County Round Commissioners in this manner also.

Hybrid Benefit - Administrative salaried employees hired after January 1, 2007, and Office and Road Union employees hired after January 1, 2010, are enrolled in the MERS Hybrid Retirement Plan. The defined contribution portion is a 401 Qualified Plan utilizing MERS as the third-party administrator. Retirement benefits consist of a defined benefit component calculated as 1.5% of the employee's three-year final average compensation and a defined contribution component.

Employees are required to make a one-time irrevocable decision to contribute 1%, 3%, 5%, 10%, or 25% of their earnings to the defined contribution component of the Plan. All employees will be allowed to make additional contributions as allowed under the Plan, MERS regulations, and any applicable laws. Employees will be 100% vested for the Commission's contributions to the defined contribution portion of the Plan after six years of service. The Commission contributes 1% to the defined contribution portion of the plan. During the year ending December 31, 2019, the Commission contributed \$11,421 to the defined contribution portion of the hybrid plan.

Benefits Provided by Division

Division:	1	10	11	HA	HB	HC
Open/Closed:	Closed	Closed	Closed	Open	Open	Closed
Benefit Multiplier:	2.50% (80% max)	2.50% (80% max)	2.50% (80% max)	1.50%	1.50%	1.50%
Normal Retirement Age:	60	60	60	60	60	60
Vesting:	10 years	10 years	10 years	6 years	6 years	6 years
Early Retirement (Unreduced):	55/25	55/25	55/25	-	-	-
Early Retirement (Reduced):	50/25	50/25	50/25	-	-	-
	55/15	55/15	55/15	-	-	-
Final Average Compensation:	5 years	3 years	5 years	3 years	3 years	3 years
COLA:	N/A	2.50%	N/A	N/A	N/A	N/A
Employee Contributions:	5%	5%	3%	0%	0%	0%
Act 88:	Yes	Yes	Yes	Yes	Yes	Yes

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

**NOTE 6 - RETIREMENT PLAN (continued)**

At the December 31, 2018, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	10
Active employees	43
	107

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 Commission may establish contribution rates to be paid by its covered employees.

Division:	1	10	11	HA	HB	HC
Flat dollar:	\$ 334,500	\$ 441,024	\$ 2,556	N/A	N/A	N/A
Percentage based on payroll:	N/A	N/A	N/A	8.64%	7.55%	6.70%

Net Pension Liability

The Commission's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2018, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.75% in the long-term plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 7.75%, net of investment expenses, including inflation.

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 disable 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.



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

**NOTE 6 - RETIREMENT PLAN (continued)**

Actuarial Assumptions (continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	55.5%	6.15%
Global Fixed Income	18.5%	1.26%
Real Assets	13.5%	7.22%
Diversifying Strategies	12.5%	5.00%

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.

Calculating the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances as of December 31, 2017	<u>\$ 22,543,471</u>	<u>\$ 14,624,747</u>	<u>\$ 7,918,724</u>
Changes for the Year			
Service cost	247,551	-	247,551
Interest on total pension liability	1,756,767	-	1,756,767
Difference between expected and actual experience	(437,446)	-	(437,446)
Employer contributions	-	1,423,552	(1,423,552)
Employee contributions	-	74,346	(74,346)
Net investment income	-	(580,769)	580,769
Benefit payments, including employee refunds	(1,415,332)	(1,415,332)	-
Administrative expense	-	(28,517)	28,517
Other changes	(1)	-	(1)
Net changes	<u>151,539</u>	<u>(526,720)</u>	<u>678,259</u>
Balances as of December 31, 2018	<u>\$ 22,695,010</u>	<u>\$ 14,098,027</u>	<u>\$ 8,596,983</u>

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

**NOTE 6 - RETIREMENT PLAN (continued)**

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

The following presents the net pension liability of the Commission, calculated using the discount rates of 8.00%, as well as what the Commission's net pension liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	\$ 10,985,466	\$ 8,596,983	\$ 6,556,933

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

For the year ended December 31, 2019, the employer recognized pension expenses of \$1,439,868. 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	\$ 260,036	\$ 291,631
Net difference between projected and actual earnings on pension plan investments	1,068,327	-
Contributions subsequent to the measurement date*	2,063,265	-
Total	\$ 3,391,628	\$ 291,631

\* 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, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the Commission contributions to the plan made subsequent to the measurement date of which \$2,063,265 will impact the net pension liability in fiscal year 2020, rather than pension expense.

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
2020	\$ 394,281
2021	77,218
2022	214,650
2023	350,583

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

**NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

The Clinton County Road Commission Retiree Health Care Plan (the “Plan”) provides certain retiree health care benefits as other post-employment benefits (OPEB) to all applicable employees, in accordance with union agreements and/or personnel policies. The Commission administers the Plan through a single-employer defined benefit healthcare plan that is reported as the Retiree Health Care Trust Fund in the fiduciary fund financial statements. Plan benefit provisions were established and may be amended under the authority of the Board of County Road Commissioners. 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 (i.e., may be financed on a “pay-as-you-go” basis). The Commission has no legally required reserves that must be maintained. The Commission reserves the right to modify or terminate other post-employment benefits. The Commission does not issue separate stand-alone financial statements for the Plan.

Plan Membership

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

Retirees and beneficiaries receiving benefits	44
Active employees	<u>28</u>
	<u><u>72</u></u>

Benefits Provided

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

Contributions

For the year ended December 31, 2019, the Commission expended \$372,147 for current premiums. 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.

The Commission provides 100% of the contributions made in the Retiree Health Care Trust.

Net OPEB Liability

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

**CLINTON 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 Assumption

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

Inflation	Included in investment rate of return
Salary growth rate	3.50%
Investment rate of return	7.35% including inflation
20-year Aa municipal bond rate	3.26%
Mortality rates	2010 Public General Employees and Healthy Retirees, headcount weighted

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement 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 weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in the retirement plan's target asset allocation as of December 31, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return (Including Inflation)</u>
Total Market Portfolio	55.50%	6.15%
Global Fixed Income	18.50%	1.26%
Private Assets	26.00%	6.15%

**CLINTON 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) liability, 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 employer contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, the Plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments of current Plan participants. There is no cross-over point.

Change in Net OPEB Liability (Asset)

The change in the net OPEB liability (asset) for the year ended December 31, 2019, is as follows:

Calculating the Net OPEB Liability (Asset)			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at December 31, 2018	\$ 4,936,016	\$ 4,988,359	\$ (52,343)
Changes for the year			
Service cost	41,071	-	41,071
Interest on total OPEB liability	371,303	-	371,303
Difference between expected and actual experience	(1,041,662)	-	(1,041,662)
Changes in assumptions	228,426	-	228,426
Contributions/ benefits paid from general operating funds	-	372,147	(372,147)
Net investment income	-	673,757	(673,757)
Benefit payments, including employee refunds	(372,147)	(372,147)	-
Administrative expense	-	(9,600)	9,600
Net changes	(773,009)	664,157	(1,437,166)
Balances as of December 31, 2019	<u>\$ 4,163,007</u>	<u>\$ 5,652,516</u>	<u>\$ (1,489,509)</u>

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

**NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the Commission, as well as what the Commission's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.35%) or 1-percentage-point higher (8.35%) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability (asset)	\$ (1,149,095)	\$ (1,489,509)	\$ (1,785,304)

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

The following presents the net OPEB liability (asset) of the Commission, as well as what the Commission's net OPEB liability 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:

	1% Decrease	Current Trend	1% Increase
Net OPEB liability (asset)	\$ (1,623,395)	\$ (1,489,509)	\$ (1,334,665)

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

For the year ended December 31, 2019, the Commission recognized OPEB gain of \$201,838. At December 31, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 714,870
Changes in assumptions	154,977	6,500
Net difference between projected and actual earnings on pension plan investments	111,851	-
Total	\$ 266,828	\$ 721,370

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

**NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

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>
2020	\$ (219,687)
2021	(205,039)
2022	27,691
2023	(57,507)

**NOTE 8 - CONTINGENT LIABILITIES**

The Commission participates in a number of Federal and State assisted grant programs that 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 - SUBSEQUENT EVENT**

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.

**NOTE 10 - RISK MANAGEMENT**

The Commission participates in a pool, the Michigan County Road Commission Self-Insurance Pool, with other municipalities, for claims relating to property, general liability, auto liability, trunkline, employment practices and public officials' liability, errors and omissions liability, equipment, physical damage, and storage and tank systems. 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.

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

**NOTE 11 - 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 leases 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 2020 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 2020 fiscal year.



**REQUIRED SUPPLEMENTARY INFORMATION**

**CLINTON COUNTY ROAD COMMISSION  
GENERAL OPERATING FUND  
BUDGETARY COMPARISON SCHEDULE - REVENUES  
YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Licenses and permits				
Permits	\$ 63,000	\$ 92,640	\$ 92,640	\$ -
Intergovernmental				
Federal sources				
Surface Transportation Program	1,286,800	1,621,553	1,621,553	-
Critical bridge	95,000	97,191	97,191	-
Other	-	161,710	161,710	-
State sources				
Motor Vehicle Highway Funds				
Engineering	10,000	10,000	10,000	-
Urban road	1,006,928	1,006,870	1,053,874	47,004
Primary road	5,940,875	5,940,875	6,638,269	697,394
Local road	3,121,477	3,121,477	3,391,823	270,346
Critical bridge	-	17	18,223	18,206
Other	7,600,000	3,118,144	3,348,750	230,606
Economic development	80,000	90,977	90,977	-
Local sources				
City and village contributions	300	-	-	-
Township contributions	3,000,000	2,655,000	2,655,752	752
Other contributions	-	-	193,755	193,755
Total intergovernmental	<u>22,141,380</u>	<u>17,823,814</u>	<u>19,281,877</u>	<u>1,458,063</u>
Charges for services				
State trunkline				
Maintenance	900,000	918,023	918,023	-
Non-maintenance	100,000	187,770	187,770	-
Salvage sales	10,000	5,735	5,735	-
Other	356,150	232,556	39,929	(192,627)
Total charges for services	<u>1,366,150</u>	<u>1,344,084</u>	<u>1,151,457</u>	<u>(192,627)</u>
Interest and rents				
Interest	12,000	97,000	98,328	1,328
Rents	10,500	10,507	14,657	4,150
Total interest and rents	<u>22,500</u>	<u>107,507</u>	<u>112,985</u>	<u>5,478</u>
Other				
Proceeds from equipment disposal	20,000	102,562	102,562	-
Contributions from private sources	35,000	136,697	652,924	516,227
Miscellaneous	5,500	296	313	17
Total other	<u>60,500</u>	<u>239,555</u>	<u>755,799</u>	<u>516,244</u>
<b>TOTAL REVENUES</b>	<u><u>\$ 23,653,530</u></u>	<u><u>\$ 19,607,600</u></u>	<u><u>\$ 21,394,758</u></u>	<u><u>\$ 1,787,158</u></u>

**CLINTON COUNTY ROAD COMMISSION  
GENERAL OPERATING FUND  
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES  
YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
Current				
Primary road				
Construction	\$ 7,600,000	\$ 2,700,000	\$ 2,699,929	\$ 71
Preservation - structural improvements	1,383,500	4,661,300	4,660,918	382
Routine and preventative maintenance	2,891,500	4,156,700	4,155,540	1,160
Total primary road	<u>11,875,000</u>	<u>11,518,000</u>	<u>11,516,387</u>	<u>1,613</u>
Local road				
Construction	-	539,800	539,348	452
Preservation - structural improvements	1,020,000	1,390,600	1,390,379	221
Routine and preventative maintenance	4,405,000	5,472,300	5,471,020	1,280
Total local road	<u>5,425,000</u>	<u>7,402,700</u>	<u>7,400,747</u>	<u>1,953</u>
State trunkline				
Maintenance	900,000	900,000	899,285	715
Non-maintenance	100,000	187,770	187,770	-
Total state trunkline	<u>1,000,000</u>	<u>1,087,770</u>	<u>1,087,055</u>	<u>715</u>
Administrative - net				
Administration	4,604,450	988,852	983,658	5,194
Less				
Handling charges	(600)	(600)	(490)	(110)
Overhead - State	(85,600)	(106,910)	(104,106)	(2,804)
Purchase discount	(5,000)	(6,200)	(5,176)	(1,024)
Other	(25,000)	(7,000)	(5,770)	(1,230)
Total administrative - net	<u>4,488,250</u>	<u>868,142</u>	<u>868,116</u>	<u>26</u>
Equipment - net				
Direct	900,000	1,668,000	1,667,517	483
Indirect	510,345	723,341	710,467	12,874
Operating	400,000	285,000	280,980	4,020
Less: Equipment rental	(2,200,000)	(2,449,750)	(2,449,844)	94
Total equipment - net	<u>(389,655)</u>	<u>226,591</u>	<u>209,120</u>	<u>17,471</u>
Drains at large				
Drain assessment	43,755	43,755	43,750	5
Other				
Non-road projects	400,000	390,275	387,454	2,821

**CLINTON COUNTY ROAD COMMISSION  
GENERAL OPERATING FUND  
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES (continued)  
YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES (continued)				
Capital outlay - net				
Capital outlay	\$ 1,138,000	\$ 1,852,169	\$ 1,848,686	\$ 3,483
Less:				
Equipment retirements	-	(3,400)	(1,373)	(2,027)
Depreciation and depletion	(525,000)	(902,682)	(901,420)	(1,262)
Total capital outlay - net	613,000	946,087	945,893	194
TOTAL EXPENDITURES	<u>\$ 23,455,350</u>	<u>\$ 22,483,320</u>	<u>\$ 22,458,522</u>	<u>\$ 24,798</u>

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

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 247,551	\$ 241,667	\$ 230,086	\$ 228,933	\$ 232,992
Interest	1,756,767	1,685,643	1,617,573	1,551,089	1,502,255
Changes of benefit terms	-	-	(11,207)	-	-
Difference between expected and actual experience	(437,446)	350,651	338,844	(123,747)	-
Changes of assumptions	-	-	-	984,607	-
Benefit payments, including employee refunds	(1,415,332)	(1,368,359)	(1,292,102)	(1,153,611)	(1,129,007)
Other	(1)	(2)	1	-	-
Net change in total pension liability	151,539	909,600	883,195	1,487,271	606,240
Total pension liability, beginning	<u>22,543,471</u>	<u>21,633,871</u>	<u>20,750,676</u>	<u>19,263,405</u>	<u>18,657,165</u>
Total pension liability, ending	<u>\$ 22,695,010</u>	<u>\$ 22,543,471</u>	<u>\$ 21,633,871</u>	<u>\$ 20,750,676</u>	<u>\$ 19,263,405</u>
Plan fiduciary net position					
Contributions - employer	\$ 1,423,552	\$ 1,384,213	\$ 1,228,855	\$ 708,544	\$ 657,574
Contributions - employee	74,346	80,104	71,885	59,105	64,053
Net investment income	(580,769)	1,710,080	1,319,203	(177,715)	737,953
Benefit payments, including employee refunds	(1,415,332)	(1,368,359)	(1,292,102)	(1,153,611)	(1,129,007)
Administrative expenses	<u>(28,517)</u>	<u>(27,020)</u>	<u>(26,025)</u>	<u>(26,202)</u>	<u>(27,008)</u>
Net change in plan fiduciary net position	(526,720)	1,779,018	1,301,816	(589,879)	303,565
Plan fiduciary net position, beginning	<u>14,624,747</u>	<u>12,845,729</u>	<u>11,543,913</u>	<u>12,133,792</u>	<u>11,830,227</u>
Plan fiduciary net position, ending	<u>\$ 14,098,027</u>	<u>\$ 14,624,747</u>	<u>\$ 12,845,729</u>	<u>\$ 11,543,913</u>	<u>\$ 12,133,792</u>
Commission's net pension liability	<u>\$ 8,596,983</u>	<u>\$ 7,918,724</u>	<u>\$ 8,788,142</u>	<u>\$ 9,206,763</u>	<u>\$ 7,129,613</u>
Plan fiduciary net position as a percentage of the total pension liability	62%	65%	59%	56%	63%
Covered employee payroll	\$ 2,461,222	\$ 2,353,336	\$ 2,273,963	\$ 2,169,911	\$ 2,176,821
Commission's net pension liability as a percentage of covered employee payroll	349%	336%	386%	424%	328%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarial determined contributions <sup>(1)</sup>	\$ 863,265	\$ 823,388	\$ 695,686	\$ 560,950
Contributions in relation to the actuarially determined contribution	<u>2,063,265</u>	<u>1,423,552</u>	<u>1,384,213</u>	<u>1,228,855</u>
Contribution deficiency (excess)	<u>\$ (1,200,000)</u>	<u>\$ (600,164)</u>	<u>\$ (688,527)</u>	<u>\$ (667,905)</u>
Covered employee payroll	\$ 2,526,434	\$ 2,476,656	\$ 2,473,945	\$ 2,169,911
Contributions as a percentage of covered employee payroll	82%	57%	56%	57%

<sup>(1)</sup> 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.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 510,638	\$ 492,722	\$ 449,133	\$ 410,251	\$ 424,658	\$ 408,501
<u>708,544</u>	<u>657,574</u>	<u>492,722</u>	<u>449,133</u>	<u>410,251</u>	<u>424,658</u>
<u>\$ (197,906)</u>	<u>\$ (164,852)</u>	<u>\$ (43,589)</u>	<u>\$ (38,882)</u>	<u>\$ 14,407</u>	<u>\$ (16,157)</u>
\$ 2,176,821	\$ 2,024,974	\$ 2,131,939	\$ 2,260,723	\$ 2,131,939	\$ 2,260,723
33%	32%	23%	20%	19%	19%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability			
Service cost	\$ 41,071	\$ 41,856	\$ 38,845
Interest	371,303	374,600	373,280
Difference between expected and actual experience	(1,041,662)	(44,358)	(151,195)
Changes of assumptions	228,426	(35,384)	154,004
Benefit payments, including employee refunds	<u>(372,147)</u>	<u>(384,788)</u>	<u>(417,015)</u>
Net change in total OPEB liability	(773,009)	(48,074)	(2,081)
Total OPEB liability, beginning	<u>4,936,016</u>	<u>4,984,090</u>	<u>4,986,171</u>
Total OPEB liability, ending	<u>\$ 4,163,007</u>	<u>\$ 4,936,016</u>	<u>\$ 4,984,090</u>
Plan fiduciary net position			
Contributions to OPEB trust - employer	\$ -	\$ 600,000	\$ 900,000
Benefit payments made from general operating funds	372,147	384,788	417,015
Net investment income	673,757	(191,169)	463,930
Benefit payments, including employee refunds	(372,147)	(384,788)	(417,015)
Administrative expenses	<u>(9,600)</u>	<u>(11,872)</u>	<u>(8,930)</u>
Net change in plan fiduciary net position	664,157	396,959	1,355,000
Plan fiduciary net position, beginning	<u>4,988,359</u>	<u>4,591,400</u>	<u>3,236,400</u>
Plan fiduciary net position, ending	<u>\$ 5,652,516</u>	<u>\$ 4,988,359</u>	<u>\$ 4,591,400</u>
Commission's net OPEB liability (asset)	<u>\$ (1,489,509)</u>	<u>\$ (52,343)</u>	<u>\$ 392,690</u>
Plan fiduciary net position as a percentage of the total OPEB liability	136%	101%	92%
Covered employee payroll	\$ 2,834,156	\$ 2,675,500	Not available
Commission's net OPEB liability (asset) as a percentage of covered employee payroll	(53%)	(2%)	Not available



**CLINTON 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)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarial determined employer contributions	\$ 44,254	\$ 190,040	\$ 147,788
Employer contributions	<u>372,147</u>	<u>984,788</u>	<u>1,317,015</u>
Contribution deficiency (excess)	<u>\$ (327,893)</u>	<u>\$ (794,748)</u>	<u>\$ (1,169,227)</u>
Covered employee payroll	\$ 2,834,156	\$ 2,675,500	Not available
Contributions as a percentage of covered employee payroll	13%	37%	Not available

Actuarial valuation information relative to the determination of contributions:

Valuation date                      December 31, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Remaining amortization period	9 years
20-year Aa Municipal Bond Rate	3.26%
Asset valuation method	Equal to market value of assets
Payroll inflation	3.50%
Medical inflation rate	Pre-65: 8.5% in 2020 graded down 0.25% per year to an ultimate rate of 4.5%
	Post-65: 7.0% in 2019 graded down 0.25% per year to an ultimate rate of 4.5%
Dental and vision inflation rate	3.00%
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 and Healthy Retirees, Headcount weighted 2018 improvement scale

**CLINTON 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>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expenses	(12.66%)	(3.99%)	7.75%

**CLINTON 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 2018.

Changes in assumptions: There were no changes in assumptions during plan year 2018.

**NOTE 2 - RETIREE (OPEB) HEALTH CARE TRUST**

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

Changes in assumptions: Incorporated Public employer mortality tables based on recent, national studies

Salary Scale changed from 4.50% to 3.50%

Discount rate changed from 7.75% to 7.35%

## **OTHER SUPPLEMENTARY INFORMATION**

**CLINTON COUNTY ROAD COMMISSION  
GENERAL OPERATING FUND  
STATEMENT OF CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2019**

TOTAL REVENUES	\$ 21,394,758
TOTAL EXPENDITURES	<u>22,458,522</u>
NET CHANGE IN FUND BALANCE	(1,063,764)
Fund balance, beginning of year	<u>4,947,262</u>
Fund balance, end of year	<u><u>\$ 3,883,498</u></u>

**CLINTON COUNTY ROAD COMMISSION  
GENERAL OPERATING FUND  
ANALYSIS OF CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2019**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Commission</u>	<u>Total</u>
TOTAL REVENUES	\$ 12,761,677	\$ 6,568,381	\$ 2,064,700	\$ 21,394,758
TOTAL EXPENDITURES	<u>12,102,745</u>	<u>7,859,643</u>	<u>2,496,134</u>	<u>22,458,522</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	658,932	(1,291,262)	(431,434)	(1,063,764)
OTHER FINANCING SOURCES (USES)				
Optional transfers in	-	500,000	-	500,000
Optional transfers out	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(500,000)</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	158,932	(791,262)	(431,434)	(1,063,764)
Fund balance, beginning of year	<u>1,334,717</u>	<u>1,069,906</u>	<u>2,542,639</u>	<u>4,947,262</u>
Fund balance, end of year	<u>\$ 1,493,649</u>	<u>\$ 278,644</u>	<u>\$ 2,111,205</u>	<u>\$ 3,883,498</u>

**CLINTON COUNTY ROAD COMMISSION  
GENERAL OPERATING FUND  
ANALYSIS OF REVENUES  
YEAR ENDED DECEMBER 31, 2019**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
<b>REVENUES</b>				
Licenses and permits				
Permits	\$ -	\$ -	\$ 92,640	\$ 92,640
Intergovernmental				
Federal sources	1,880,454	-	-	1,880,454
State sources	10,854,674	3,697,242	-	14,551,916
Local sources	-	2,849,507	-	2,849,507
Total intergovernmental	<u>12,735,128</u>	<u>6,546,749</u>	<u>-</u>	<u>19,281,877</u>
Charges for services				
State Trunkline				
Maintenance	-	-	918,023	918,023
Non-maintenance	-	-	187,770	187,770
Salvage sales	-	-	5,735	5,735
Other	-	-	39,929	39,929
Total charges for services	<u>-</u>	<u>-</u>	<u>1,151,457</u>	<u>1,151,457</u>
Interest and rents				
Interest	26,549	21,632	50,147	98,328
Rents	-	-	14,657	14,657
Total interest and rents	<u>26,549</u>	<u>21,632</u>	<u>64,804</u>	<u>112,985</u>
Other				
Gain on equipment disposal	-	-	102,562	102,562
Contributions from private sources	-	-	652,924	652,924
Miscellaneous	-	-	313	313
Total other	<u>-</u>	<u>-</u>	<u>755,799</u>	<u>755,799</u>
<b>TOTAL REVENUES</b>	<u><u>\$ 12,761,677</u></u>	<u><u>\$ 6,568,381</u></u>	<u><u>\$ 2,064,700</u></u>	<u><u>\$ 21,394,758</u></u>

**CLINTON COUNTY ROAD COMMISSION  
GENERAL OPERATING FUND  
ANALYSIS OF EXPENDITURES  
YEAR ENDED DECEMBER 31, 2019**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
EXPENDITURES				
Construction	\$ 2,699,929	\$ 539,348	\$ -	\$ 3,239,277
Preservation - structural improvements	4,660,918	1,390,379	-	6,051,297
Routine and preventative maintenance	4,155,540	5,471,020	-	9,626,560
State trunkline	-	-	1,087,055	1,087,055
Administrative expense - net	528,492	339,624	-	868,116
Equipment expense - net	57,866	119,272	31,982	209,120
Drain assessment	-	-	43,750	43,750
Non-road projects	-	-	387,454	387,454
Capital outlay - net	-	-	945,893	945,893
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 12,102,745</u></b>	<b><u>\$ 7,859,643</u></b>	<b><u>\$ 2,496,134</u></b>	<b><u>\$ 22,458,522</u></b>