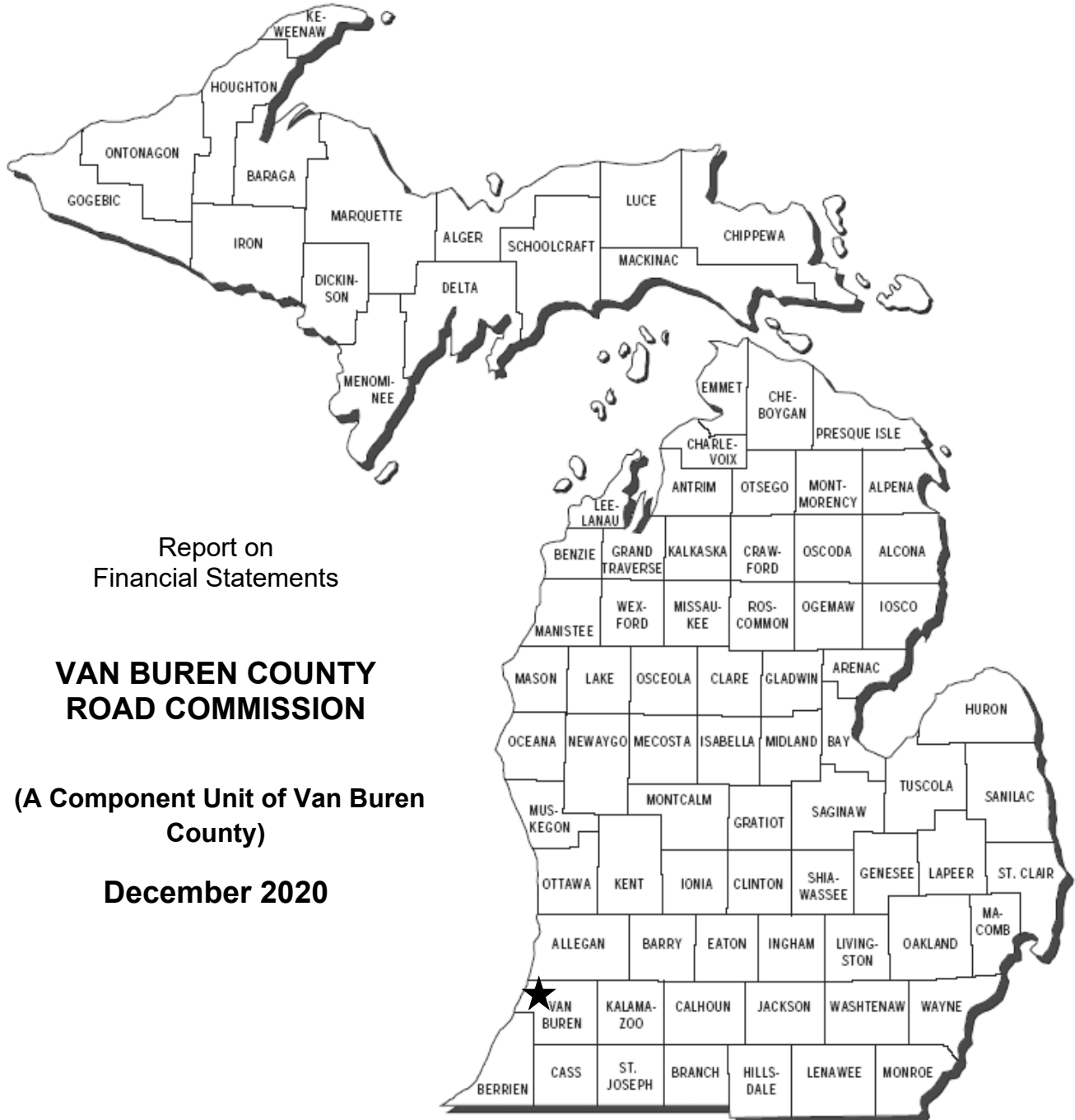


STATE OF MICHIGAN

Gretchen Whitmer, Governor

DEPARTMENT OF TREASURY

Rachael Eubanks, State Treasurer



Report on
Financial Statements

VAN BUREN COUNTY ROAD COMMISSION

(A Component Unit of Van Buren
County)

December 2020

VAN BUREN COUNTY ROAD COMMISSION
BOARD OF COUNTY ROAD COMMISSIONERS

June 23, 2021

Doug Burleson
Chairman

W. C. Askew, Sr.
Vice Chairman

Gregory H. Kinney
Member

Reginald "Rick" D. Boze
Member

Todd Hackenberg
Member

Daniel F. Bishop
Managing Director

Linnea Rader
Finance/HR Director

COUNTY POPULATION--2010
76,258

STATE EQUALIZED VALUATION--2020
\$4,439,716,500



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

June 23, 2021

Board of County Road Commissioners
Van Buren County Road Commission
325 West James Street
P.O. Box 156
Lawrence, Michigan 49064

Independent Auditor's Report

Dear Board Members:

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 Van Buren County Road Commission, a component unit of Van Buren County, Michigan, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Van Buren County Road Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, major fund, and the aggregate remaining fund information of the Van Buren County Road Commission, Van Buren County, Michigan, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages one through eight, the budgetary comparison information, pension trend data, and other postemployment benefits trend data in Exhibits I through N 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Van Buren County Road Commission's basic financial statements. The accompanying supplementary and related information presented in Exhibits O through Q is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary and related information presented in Exhibits O through Q is the responsibility of management and was derived from and relates directly to the underlying

June 23, 2021

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 accompanying supplementary and related information presented in Exhibits O through Q is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2021, on our consideration of the Van Buren County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Van Buren County Road Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Van Buren County Road Commission's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink, appearing to read 'CJ Vaughn', is positioned above the printed name.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Community Engagement and Finance Division

VAN BUREN COUNTY ROAD COMMISSION

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VAN BUREN COUNTY ROAD COMMISSION

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VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

Our discussion and analysis of the Van Buren County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

- The Road Commission received \$1,971,771 in Federal and state aid for road and bridge improvement projects in fiscal year 2020.
- The Road Commission contributed an additional \$235,990 towards its net OPEB liabilities to continue to reduce the overall unfunded balances.

USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. This report also contains supplementary information in addition to the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities on Exhibits A and B provide information about the activities of the Road Commission as a whole and present a longer-term view of the Road Commission's finances. Fund financial statements start with Exhibit C. The fund 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 Road Commission's operations in more detail than the government-wide statements by providing information about the Road Commission's general operating fund.

Reporting the Road Commission as a Whole

The Statement of Net Position and the Statement of Activities

These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Road Commission's net position and changes in them. You can think of the Road Commission's net position, the difference between assets and liabilities, as one way to measure the Road Commission's financial health, or financial position. Over time, increases or decreases in the Road Commission's net position are one indicator of whether its financial health is improving or declining. You will need to consider other non-financial factors, however, such as changes in the Van Buren County's property tax base and the condition of the Road Commission's infrastructure, to assess the overall health of the Road Commission.

In the Statement of Net Position and the Statement of Activities, the Road Commission presents governmental activities. All of the Road Commission's basic services are reported here. State and Federal grants, including the Michigan Transportation Fund (MTF) along with Township contributions and the County wide millage finance most Road Commission activities.

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

Report the Road Commission's Major Fund

Fund Financial Statements

The Road Commission currently presents a general operating fund, which is a governmental fund and fiduciary funds for pension and OPEB trusts. The fund financial statements begin on Exhibit C. All of the Road Commission's basic services are reported in this fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The fund financial statements provide a detailed short-term view of the Road Commission's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements as Exhibits D and F.

Additional Required Supplementary Information (RSI)

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes budgetary comparison schedules, as well as trend data for both pension and other postemployment benefits.

Other Supplementary Information

The other supplementary information section combines the financial statements of the individual funds of the Road Commission's General Operating Fund, which is split between Primary Road, Local Road, and County Road Commission funds to comply with reporting provisions issued by the Michigan Department of Transportation under 1951 Public Act (PA) 51.

The Road Commission as a Whole

The Road Commission's net position increased from \$73,720,603 to \$78,727,247 for the year ended December 31, 2020. This is similar to the previous year when the net position increased \$4,171,768. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Road Commission's governmental activities.

The Road Commission's governmental activities total net position increased by 6.8% or \$5,006,644. The restricted/(unrestricted) net position that can be used to fund the day-to-day operations within the provisions of 1951 PA 51 increased \$520,494 (\$2,527,495 compared to \$2,007,001). This increase was due to a decrease in the net OPEB liability from \$3,442,180 to \$1,694,077. The \$4,486,150 increase in net investment in capital assets is due to a \$10,360,066 increase in capital assets and infrastructure offset by continued depreciation.

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

Table 1
Net Position of Governmental Activities

| | 12/31/19 Governmental Activities | 12/31/20 Governmental Activities | Variance |
|----------------------------------|----------------------------------------|----------------------------------------|--------------|
| Current and Other Assets | \$ 14,362,170 | \$ 13,820,814 | \$ (541,356) |
| Net Capital Assets | 72,528,602 | 76,609,752 | 4,081,150 |
| Total Assets | 86,890,772 | 90,430,566 | 3,539,794 |
| Deferred Outflow of Resources | 1,756,301 | 2,049,061 | 292,760 |
| Current Liabilities | 236,305 | 270,465 | 34,160 |
| Non-current Liabilities | 4,461,015 | 2,325,822 | (2,135,193) |
| Total Liabilities | 4,697,320 | 2,596,287 | (2,101,033) |
| Deferred Inflow of Resources | 10,229,150 | 11,156,093 | 926,943 |
| Net Position | | | |
| Net Investment in Capital Assets | 71,713,602 | 76,199,752 | 4,486,150 |
| Restricted | 2,007,001 | 2,527,495 | 520,494 |
| Total Net Position | \$ 73,720,603 | \$ 78,727,247 | \$ 5,006,644 |

While in 2020 the Road Commission invested \$8.1 million in preservation and structural improvements on the Van Buren County road system continued replacing capital assets at a reasonable rate, there is an overall inability of road funding to keep pace with road preservation and structural improvement and capital asset demands. These demands do not allow for local agencies to invest in infrastructure or capital assets at a rate equal to or greater than the asset's life cycle. Road and bridge systems throughout Michigan continue to deteriorate and the state's funding (phased in from 2017-2021) is inadequate and necessitates a more extensive and expensive corrective action.

Studies have proven that the State of Michigan's road and bridge network is deteriorating at a rate far greater than current funding levels can offset. A recent County Road Association of Michigan (CRA) report finds the County road and bridge systems around the state need an additional annual investment of \$1.84 billion. This necessary investment is in addition to the funds being phased in through the 2015 Transportation Funding package.

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

Table 2
Changes in Net Position of Governmental Activities

| | 2019 | 2020 | Difference |
|--------------------------------------|---------------|---------------|--------------|
| Program Revenue | | | |
| Licenses and Permits | \$ 93,208 | \$ 84,563 | \$ (8,645) |
| Federal Grants | 831,819 | 973,586 | 141,767 |
| State Grants | 10,538,127 | 11,338,543 | 800,416 |
| Contributions From Local Units | 4,259,571 | 3,992,937 | (266,634) |
| Charges for Services | 20,784 | 55,003 | 34,219 |
| Investment Earnings | 220,575 | 206,226 | (14,349) |
| Other Contributions | 9,933 | 16,197 | 6,264 |
| General Revenue | | | |
| Taxes | 2,542,922 | 2,591,828 | 48,906 |
| Gain on Equipment Disposal | 2,704 | 340,713 | 338,009 |
| Total Revenue | 18,519,643 | 19,599,596 | 1,079,953 |
| Expenses | | | |
| Primary Road Maintenance | 3,514,785 | 3,394,713 | (120,072) |
| Local Road Maintenance | 5,653,798 | 5,771,748 | 117,950 |
| Non-Road Projects | (82,397) | - | 82,397 |
| Net Equipment Expense | 686,840 | 1,348,655 | 661,815 |
| Net Administrative Expense | 1,164,471 | 946,201 | (218,270) |
| Infrastructure Depreciation Expense | 4,348,265 | 4,448,613 | 100,348 |
| Compensated Absences | (14,147) | 17,910 | 32,057 |
| Other Postemployment Benefit Expense | (843,218) | (1,057,569) | (214,351) |
| Pension Expense | (99,443) | (288,671) | (189,228) |
| Interest Expense | 18,921 | 11,352 | (7,569) |
| Total Expenses | 14,347,875 | 14,592,952 | 245,077 |
| Change in Net Position | 4,171,768 | 5,006,644 | 834,876 |
| Ending Net Position | \$ 73,720,603 | \$ 78,727,247 | \$ 5,006,644 |

Governmental Activities

The Road Commission's governmental activities revenues increased by 5.8% or \$1,079,953, while expenses increased 1.7% or \$245,077 as compared with the prior fiscal year. Federal and state grant funding increased in 2020 due to the increases in available and awarded federal/state aid projects for the Road Commission, including critical bridge projects. Contributions from Townships did decrease as less was contributed towards projects this year. Total expenses increased, due to increases in depreciation on new equipment and infrastructure offset by decreases in the OPEB and pension expense. The negative amount this year is assurance that the Road Commission is continuing to reduce the overall net OPEB liability.

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

THE ROAD COMMISSION'S FUND

As the Road Commission completed the year, its general operating fund (as presented in the balance sheet on Exhibit C) reported a fund balance of \$10,762,570 which is less than last year's \$11,570,406. The primary reasons for the General Operating Fund's decrease in fund balance mirror the governmental activities analysis highlighted in the prior paragraph.

GENERAL OPERATING FUND BUDGETARY HIGHLIGHT

Over the course of the year, the Board of County Road Commissioners revised the budget several times. These budget amendments fall into two categories. The first category includes amendments based on the Federal and State grants received or not received for road and bridge projects. The second category includes year-end adjustments to account for accruals and then the spread of the distributive and non-distributive expenses incurred by the Road Commission.

The Road Commission amended its 2020 budget during the year to reflect changes in revenues and expenditures from the time of the original planning and budgeting. Examples include securing federal and state revenue sources for specific road and bridge projects, township revenues, corresponding requests for maintenance projects, and winter operations related to weather (ice and snow).

Actual revenues and other financing sources for 2020 were \$190,611 higher than the amended budget. The revenue increase was the result of Michigan Transportation Funds (\$94,241), and township contributions (\$42,937).

Expenditures recognized for 2020 were \$1,577,801 lower than the final amended budget. Several road related expense reductions from the amended budget are in direct relation to weather conditions and the necessity to have funds available if needed for unexpected weather events. Winter operations, township requests for projects, and delaying projects which depend on Federal funding were the main reasons for changes from the original to the amended budget amounts.

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2020, the Road Commission had \$76,609,752 invested in a broad range of capital assets, including land, buildings, equipment, roads, and bridges. This amount represents a net increase (including additions and deductions) of \$4,081,150.

Table 3
Capital Assets at Year-End

| | 12/31/2019 | 12/31/2020 |
|---------------------------------------|---------------|---------------|
| Capital Assets Not Being Depreciated | | |
| Land and Improvements | \$ 380,512 | \$ 380,512 |
| Infrastructure--Right of Ways | 44,646 | 44,646 |
| Infrastructure--Land and Improvements | 11,856,421 | 11,856,421 |
| Subtotal | 12,281,579 | 12,281,579 |
| Capital Assets Being Depreciated | | |
| Land Improvements | 561,495 | 561,495 |
| Buildings | 7,314,955 | 7,379,341 |
| Road Equipment | 13,158,659 | 13,585,900 |
| Shop Equipment | 205,556 | 209,775 |
| Office Equipment | 116,956 | 127,004 |
| Engineer's Equipment | 121,006 | 121,355 |
| Yard and Storage | 231,345 | 231,345 |
| Depletable Assets | 146,078 | 146,078 |
| Infrastructure--Traffic Signals | 287,452 | 287,452 |
| Infrastructure--Bridges | 15,375,968 | 16,534,624 |
| Infrastructure--Roads | 78,480,410 | 82,981,657 |
| Subtotal | 115,999,880 | 122,166,026 |
| Total Capital Assets | 128,281,459 | 134,447,605 |
| Total Accumulated Depreciation | (55,752,857) | (57,837,853) |
| Total Net Capital Assets | \$ 72,528,602 | \$ 76,609,752 |

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

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

| | |
|------------------------------------------------------------|-----------------------------|
| Various Resurfacing Projects and Related Land/Right-of-Way | \$ 6,949,355 |
| Bridge Projects | 1,158,656 |
| Road Equipment | 2,167,361 |
| Buildings | 64,386 |
| Shop, Office, and Engineer Equipment | <u>20,308</u> |
| Total Additions | <u><u>\$ 10,360,066</u></u> |

The Road Commission's fiscal year 2021 capital budget calls for it to continue to spend funds for equipment purchases and on road and bridge projects. The Road Commission has no plans to issue additional debt to finance these projects. More detailed information about the Road Commission's capital assets is presented in Note D to the financial statements.

Debt

As of year-end, the Road Commission has one refunding bond with \$410,000 still owed after the \$405,000 payment on principal was made during the year. More detail on these agreements can be found in Note E to the financial statements. Other debt the Road Commission is considered to have is employee vested benefits that are presented in more detail in Note E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Michigan Transportation Fund (MTF) Revenues

In fiscal year 2020 MTF funding levels rose 0.64% (\$65,207.36) over 2019. The MTF remains the foundation of the Road Commission's operating revenues. The Transportation Funding Package passed by the legislature is scheduled to phase in from 2017 through 2021. Due to this phased in funding package, Transportation Funds for 2020 were predicted to increase over 2019 revenues, prior to the COVID-19 pandemic. The pandemic affected the MTF and reduced anticipated 2020 revenues by approximately 1% or \$689,808.73. The MTF provides funding for infrastructure and equipment needs that were delayed during the many years of declining and stagnant revenues (2004-2015). Unfortunately, the 2015 funding package falls short of fully funding the estimated \$3.63 billion of annual funding needed for the deteriorating infrastructure across the state.

Township Revenues--Revenue Sharing

In fiscal year 2020, the township revenue decreased approximately 6.1% from \$4.26 million to \$4 million for preservation and structural improvement projects. The level of township contributions for road work will fluctuate from year to year but is directly offset by increases or decreases in project expenses. Township revenues are anticipated to be \$3.5 million for 2021. Many townships have approved a special local millage dedicated for road improvements. Currently, approximately

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

ninety four percent (94%) or 17 of the 18 townships in Van Buren County have their own road millage.

Tax Revenues

A substantial source of funding for the Road Commission has been the collection of a county-wide road millage over the last 40-plus years. The current millage is distributed to cities, villages, and the Road Commission. The four-year levy was renewed in 2020 and is effective for years 2020 through 2024, with the 2020 levy, for the 2021 budget year. The Road Commission's share of millage revenues for 2020 collections was \$2.59 million or approximately 13.2% of the total 2020 budgeted revenues. Any change of future tax revenue is dependent on taxable property value adjustments, the real estate market, and the overall economy during the tax levy period. Fiscal year 2020 was critical in renewing the road millage for another four (4) year period. Failure to renew this revenue source would have had a negative impact on the Road Commission's ability to fund structural improvement projects and drastically reduce local matching funds necessary to acquire other federal and state revenue sources.

Federal and State Aid

Federal aid for 2020 increased to \$974,000 from \$831,000 in 2019, and State aid increased to \$998,000 from \$76,000 in 2019. The Road Commission expects these funding sources to be over \$700,000 in 2021. Federal and State aid will provide the major source of funds for several county-wide structural improvement projects, and also for multiple preventative maintenance bridge projects in 2021. Federal and State aid funding sources are limited and can be lost if the Road Commission does not have projects in the planning "pipeline" or should funds become unavailable for local participating costs. Primary and Local Road preservation and structural improvement expenditures change in direct relation to these aid funds.

Expenditures

Expenditures are driven by available Federal, State, and Local revenues which may vary significantly from year to year. Continued emphasis will be placed on the efficiency and productivity within the organization. The Road Commission will balance routine operations, special maintenance (preservation) and structural improvement expenditures with budgetary constraints.

CONTACTING THE ROAD COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Road Commission's finances for all those with an interest in the component unit's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Finance and Human Resources Director, Linnea Rader, Van Buren County Road Commission, 325 West James Street, P.O. Box 156, Lawrence, Michigan 49064.

VAN BUREN COUNTY ROAD COMMISSION
STATEMENT OF NET POSITION
December 31, 2020

EXHIBIT A

ASSETS

| | |
|-------------------------------------------------|-------------------|
| Cash | \$ 6,928,033 |
| Receivables | |
| Taxes | 2,650,000 |
| Sundry Accounts | 104,345 |
| Due From State | |
| Michigan Transportation Fund | 1,677,307 |
| Due From Townships--Road Agreements | 949,613 |
| Inventories | |
| Road Materials | 877,572 |
| Equipment Parts and Materials | 496,165 |
| Net Pension Asset | 137,779 |
| Capital Assets--Non-Depreciating | 12,281,579 |
| Capital Assets--Net of Accumulated Depreciation | 64,328,173 |
| Total Assets | <u>90,430,566</u> |

DEFERRED OUTFLOW OF RESOURCES

| | |
|-------------------------------------|------------------|
| Change in Assumptions-OPEB | 79,013 |
| Change in Experience-Pension | 188,785 |
| Change in Assumptions-Pension | 1,781,263 |
| Total Deferred Outflow of Resources | <u>2,049,061</u> |

LIABILITIES

| | |
|--------------------------------------|------------------|
| Current Liabilities | |
| Accounts Payable | 190,216 |
| Due to State | 1,811 |
| Accrued Liabilities | 42,972 |
| Other Accrued Liabilities | 35,466 |
| Non-Current Liabilities | |
| Bonds Payable | |
| Due Within One Year | 410,000 |
| Vested Employee Benefits Payable | |
| Due Within One Year | 133,047 |
| Due in More Than One Year | 88,698 |
| Other Postemployment Benefit Payable | 1,694,077 |
| Total Liabilities | <u>2,596,287</u> |

DEFERRED INFLOW OF RESOURCES

| | |
|------------------------------------------------------------------|-------------------|
| Unavailable Revenue--Property Taxes Levied for Subsequent Period | 2,650,000 |
| Change in Investments-OPEB | 116,204 |
| Change in Experience-OPEB | 4,095,461 |
| Change in Assumptions-OPEB | 1,879,597 |
| Change in Investments-Pension | 769,447 |
| Change in Experience-Pension | 612,623 |
| Change in Assumptions-Pension | 1,032,761 |
| Total Deferred Inflow of Resources | <u>11,156,093</u> |

NET POSITION

| | |
|----------------------------------|----------------------|
| Net Investment in Capital Assets | 76,199,752 |
| Restricted | 2,527,495 |
| Total Net Position | <u>\$ 78,727,247</u> |

The Notes to Financial Statements are an integral part of this statement.

VAN BUREN COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

EXHIBIT B

| | |
|---------------------------------------|---------------------------|
| Program Expenses | |
| Primary Road Maintenance | \$ 3,394,713 |
| Local Road Maintenance | 5,771,748 |
| Net Equipment Expense | 1,348,655 |
| Net Administrative Expense | 946,201 |
| Infrastructure Depreciation | 4,448,613 |
| Compensated Absences | 17,910 |
| Other Postemployment Benefit Expenses | (1,057,569) |
| Pension Expense | (288,671) |
| Interest Expense | 11,352 |
| | <hr/> |
| Total Program Expenses | 14,592,952 |
| Program Revenue | |
| Charges for Services | |
| Licenses and Permits | 84,563 |
| Charges for Services | 55,003 |
| Rents and Royalties | 8,848 |
| Operating Grants and Contributions | |
| Michigan Transportation Funds | 10,268,241 |
| Other State Grants | 72,117 |
| Investment Earnings | 206,226 |
| Reimbursements | 786 |
| Contributions From Local Units | 3,992,937 |
| Contributions From Private Sources | 6,563 |
| Capital Grants and Contributions | |
| Federal Grants | 973,586 |
| State Grants | 998,185 |
| | <hr/> |
| Total Program Revenue | 16,667,055 |
| Net Program Revenue | <hr/> 2,074,103 <hr/> |
| General Revenue | |
| Property Taxes | 2,591,828 |
| Insurance Recoveries | 103,299 |
| Gain on Equipment Disposal | 237,414 |
| | <hr/> |
| Total General Revenues | 2,932,541 |
| Change in Net Position | 5,006,644 |
| Net Position | |
| Beginning of Year | <hr/> 73,720,603 <hr/> |
| End of Year | <hr/> \$ 78,727,247 <hr/> |

The Notes to Financial Statements are an integral part of this statement.

VAN BUREN COUNTY ROAD COMMISSION
BALANCE SHEET--GOVERNMENTAL FUND
December 31, 2020

EXHIBIT C

| | General Operating Fund |
|--------------------------------------------------------------------|------------------------------|
| <u>ASSETS</u> | |
| Cash | \$ 6,928,033 |
| Receivables | |
| Taxes | 2,650,000 |
| Sundry Accounts | 104,345 |
| Due From State | |
| Michigan Transportation Fund | 1,677,307 |
| Due From Townships--Road Agreements | 949,613 |
| Inventories | |
| Road Materials | 877,572 |
| Equipment Parts and Materials | 496,165 |
| Total Assets | <u>\$ 13,683,035</u> |
| <u>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</u> | |
| Liabilities | |
| Accounts Payable | \$ 190,216 |
| Due to State | 1,811 |
| Accrued Liabilities | 42,972 |
| Other Accrued Liabilities | 35,466 |
| Total Liabilities | <u>270,465</u> |
| <u>DEFERRED INFLOW OF RESOURCES</u> | |
| Unavailable Revenue--Property Taxes Levied for Subsequent Period | <u>2,650,000</u> |
| Total Deferred Inflow of Resources | <u>2,650,000</u> |
| Fund Balance | |
| Fund Balance | |
| Non-Spendable | 1,373,737 |
| Restricted | 9,388,833 |
| Total Fund Balance | <u>10,762,570</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 13,683,035</u> |

The Notes to Financial Statements are an integral part of this statement.

VAN BUREN COUNTY ROAD COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2020

EXHIBIT D

| | |
|---------------------------------|---------------|
| Total Governmental Fund Balance | \$ 10,762,570 |
|---------------------------------|---------------|

Amounts reported for 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 in the fund. | 76,609,752 |
|-----------------------------------------------------------------------------------------------------------------------------|------------|

| | |
|----------------------------------------------------------------------------------------------------------|-----------|
| Long-term liabilities are not due and payable in the current period and are not reported in the fund. | (410,000) |
|----------------------------------------------------------------------------------------------------------|-----------|

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as financial resources; therefore, they are not reported as fund liabilities. | (221,745) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Other postemployment benefit obligations do not present a claim on current financial resources and are not reported as fund liabilities. | (1,694,077) |
|---------------------------------------------------------------------------------------------------------------------------------------------|-------------|

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------|
| Net pension asset is not reported in the funds as it is a long-term benefit and only associated with the government-wide statements. | 137,779 |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------|

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Certain changes in pension and OPEB plan net position are reported as deferred outflows/inflows of resources in the Statement of Net Position, but are reported as expenses in the governmental funds. | <u>(6,457,032)</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|

| | |
|-----------------------------------------|-----------------------------|
| Net Position of Governmental Activities | <u><u>\$ 78,727,247</u></u> |
|-----------------------------------------|-----------------------------|

The Notes to Financial Statements are an integral part of this statement.

VAN BUREN COUNTY ROAD COMMISSION
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE--
GOVERNMENTAL FUND
For the Year Ended December 31, 2020

EXHIBIT E

| | General Operating Fund |
|-------------------------------------------------|------------------------------|
| Revenues | |
| Taxes | \$ 2,591,828 |
| Licenses and Permits | 84,563 |
| Federal Grants | 973,586 |
| State Grants | 11,338,543 |
| Contributions From Local Units | 3,992,937 |
| Charges for Services | 55,003 |
| Interest and Rents | 215,074 |
| Other Revenue | 7,349 |
| Total Revenues | <u>19,258,883</u> |
| Expenditures | |
| Public Works | 19,569,328 |
| Capital Outlay (Net) | 421,752 |
| Debt Service | <u>416,352</u> |
| Total Expenditures | <u>20,407,432</u> |
| Excess of Revenues Over (Under) Expenditures | (1,148,549) |
| Other Financing Sources | |
| Insurance Recoveries | 103,299 |
| Gain on Equipment Disposal | <u>237,414</u> |
| Total Other Financing Sources | <u>340,713</u> |
| Net Change in Fund Balance | (807,836) |
| Fund Balance--January 1, 2020 | <u>11,570,406</u> |
| Fund Balance--December 31, 2020 | <u><u>\$ 10,762,570</u></u> |

The Notes to Financial Statements are an integral part of this statement.

VAN BUREN COUNTY ROAD COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUND--
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

EXHIBIT F

| | |
|------------------------------------------------------|--------------|
| Net Change in Fund Balance--Total Governmental Funds | \$ (807,836) |
|------------------------------------------------------|--------------|

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

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

| | |
|-------------------------------|-------------|
| Add--Capital Outlay | 10,360,066 |
| Deduct--Depreciation Expense | (6,277,728) |
| Deduct--Equipment Retirements | (1,188) |

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Repayment of notes/leases payable is an expenditure in governmental funds, but reduces the long-term liabilities in the Statement of Net Position. | 405,000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| (Increase)/Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the Statement of Activities do not require the use of current resources, and therefore, are not reported in the fund financial statements until they come due for payment. | (17,910) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| (Increase)/Decrease in other postemployment benefit obligation expense is recognized in the Statement of Activities, but not in the governmental funds. | 1,057,569 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| (Increase)/Decrease in pension liability reported in the Statement of Activities does not require the use of resources, and therefore, is not reported in the fund statements until it comes due for payment. | 288,671 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

| | |
|---------------------------------------------------|---------------------|
| Change in Net Position of Governmental Activities | <u>\$ 5,006,644</u> |
|---------------------------------------------------|---------------------|

The Notes to Financial Statements are an integral part of this statement.

VAN BUREN COUNTY ROAD COMMISSION
STATEMENT OF NET POSITION--
FIDUCIARY FUND
December 31, 2020

EXHIBIT G

| | Pension Trust | Retiree Health Care Trust | Total |
|-----------------------------------------------------|------------------|------------------------------------|---------------|
| <u>ASSETS</u> | | | |
| Investments at Fair Market Value | | | |
| Cash and Equivalents | \$ 557,323 | \$ - | \$ 557,323 |
| US Government, Agencies, and Corporate Securities | 2,398,021 | - | 2,398,021 |
| Equity Funds | 6,100,058 | - | 6,100,058 |
| Real Estate Investments | 224,475 | - | 224,475 |
| Alternative Investments | 798,070 | - | 798,070 |
| MERS Total Market Funds | - | 1,754,017 | 1,754,017 |
| Total Assets | 10,077,947 | 1,754,017 | 11,831,964 |
| <u>LIABILITIES</u> | | | |
| Total Liabilities | - | - | - |
| <u>NET POSITION</u> | | | |
| Restricted for Pension/Retiree Health Care Benefits | \$ 10,077,947 | \$ 1,754,017 | \$ 11,831,964 |

The Notes to Financial Statements are an integral part of this statement.

VAN BUREN COUNTY ROAD COMMISSION
STATEMENT OF CHANGES IN NET POSITION--
FIDUCIARY FUND
For the Year Ended December 31, 2020

EXHIBIT H

| | Pension Trust | Retiree Health Care Trust | Total |
|--------------------------------------------------------------|------------------|------------------------------------|---------------|
| Additions | | | |
| Contributions | | | |
| Employer | \$ 284,133 | \$ 429,000 | \$ 713,133 |
| Employee | 96,710 | - | 96,710 |
| Total Contributions | 380,843 | 429,000 | 809,843 |
| Investment Income | | | |
| Interest and Dividends | 224,651 | 244,445 | 469,096 |
| Realized Gain (Loss) From Sale of Investments | 457,286 | - | 457,286 |
| Net Appreciation (Depreciation) in Fair Value of Investments | 405,644 | - | 405,644 |
| Net Investment Income (Loss) | 1,087,581 | 244,445 | 1,332,026 |
| Total Additions | 1,468,424 | 673,445 | 2,141,869 |
| Deductions | | | |
| Benefit Payments | 595,941 | - | 595,941 |
| Administrative and Other Expenses | 42,242 | 2,488 | 44,730 |
| Total Deductions | 638,183 | 2,488 | 640,671 |
| Change in Net Position | 830,241 | 670,957 | 1,501,198 |
| Net Position Restricted for Retirement Benefits | | | |
| Beginning of Year | 9,247,706 | 1,083,060 | 10,330,766 |
| End of Year | \$ 10,077,947 | \$ 1,754,017 | \$ 11,831,964 |

The Notes to Financial Statements are an integral part of this statement.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Van Buren County Road Commission (Road Commission) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Road Commission.

Reporting Entity

The Road Commission, which was established pursuant to the County Road Law, Michigan Compiled Law (MCL) 224.1, is governed by an appointed 5-member Board of County Road Commissioners. The Road Commission may not issue debt without the county's approval and the property tax levy for road purposes is subject to County Board of Commissioners' approval. If approval is granted, Road Commission taxes are levied under the taxing authority of the county, as approved by the county electors, and would be included as part of the county's total tax levy as well as reported in the County Road Fund.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Road Commission, a discretely presented component unit of Van Buren County.

The Road Commission 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. The Board of County Road Commissioners is responsible for the administration of the Road Commission General Operating Fund.

Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Position presents the Road Commission's assets, deferred outflows, liabilities, and deferred inflows of resources with the difference being reported as either net investment in capital assets or restricted net position. The net position not related to capital assets is classified as restricted due to legal constraints.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation--Fund Financial Statements

Separate financial statements are provided for the General Operating Fund (governmental fund). The General Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: 1) charges to customer or applicants for goods or services or privileges provided; 2) Michigan Transportation Funds, State/Federal contracts and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the Road Commission's policy to use restricted resources first, then unrestricted resources as needed.

Measurement Focus/Basis of Accounting--Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Measurable refers to the ability to quantify in monetary terms the amount of the revenue. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan Transportation Funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Road Commission.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Trust and Retiree Health Care Funds

The Pension Trust and Retiree Health Care Funds are accounted for on the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements present increases and decreases in net position. These funds follow the accrual basis of accounting. Revenues are recorded when they are measurable and earned, and expenditures when the related liability is incurred.

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value, based on quoted market prices.

Property Taxes Receivable

The Road Commission's tax is levied and collectible on December 1, 2020; and is recognized as revenue in the year ended December 31, 2021, when the proceeds of the levy are budgeted and available for the financing of operations. The 2020 taxable valuation of Van Buren County amounted to \$3,461,388,876, less \$689,457,467 for cities, villages, and other adjustments on which ad valorem taxes of .9769 mills were levied for the Road Commission for road construction purposes for a total receivable of \$2,650,000.

The county's 2020 ad valorem tax is levied and collectible on December 1, 2020, and is reported as taxes receivable and is offset by (deferred inflow of resources) unavailable revenue as of December 31, 2020.

Inventories

Inventories are priced at cost as determined on the average cost method. Inventory items are charged to road construction and equipment maintenance and repairs and operations as used.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the General Operating Fund in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$1,500. Such assets are recorded at cost or estimated historical cost of purchase or construction. Donated capital assets are recorded at estimated fair market value at the date of donation.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

Depreciation on Road Commission capital assets is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to a depreciation account for non-infrastructure related assets. Accordingly, the annual depreciation expense does not affect the available fund balance of the General Operating Fund for the non-infrastructure related assets; the infrastructure asset depreciation is reported as a separate line-item in the Statement of Activities.

The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

| | |
|----------------------------------|----------------|
| Buildings and Improvements | 30 to 50 years |
| Road Equipment | 5 to 8 years |
| Shop Equipment | 5 to 10 years |
| Office Equipment | 3 to 10 years |
| Engineering Equipment | 4 to 10 years |
| Infrastructure--Roads | 8 to 30 years |
| Infrastructure—Bridges | 12 to 50 years |
| Infrastructure – Traffic Signals | 15 years |

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In this category, deferred outflows of resources are related to the defined benefit pension plan. The deferred outflows of resources result from two transactions: contributions to the defined pension plan subsequent to the plan's year end through the Road Commission fiscal year end; and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

The deferred inflows of resources are reported in the government-wide Exhibit A and governmental fund financial statements Exhibit C for property taxes levied in the amount of \$2,650,000 during the year that are intended to finance future periods as well as changes in investments, assumptions, and experience related to pension and other postemployment benefits.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position

Property Taxes

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2019 taxable valuation of Van Buren County amounted to \$3,398,794,719, less \$677,073,446 for cities, villages, and other adjustments on which ad valorem taxes of .9735 mills were levied for the Road Commission for road construction purposes for total revenue of \$2,591,828.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Balance Classifications

In the fund financial statements, governmental funds report the following components of fund balance which comprise a hierarchy based on the extent to which the Road Commission is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Non-Spendable Fund Balances

Non-spendable fund balances include amounts in governmental funds to designate amounts which are not available for spending or are legally or contractually required to be maintained. The non-spendable amount reported on Exhibit C is related to the inventory on hand of \$1,373,737.

Restricted Fund Balances

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The remaining Road Commission Funds are restricted as they can only be used in accordance with 1951 PA 51.

The Van Buren County Road Commission does not have a formal minimum fund balance policy.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Procedures

Budgetary procedures are established pursuant to 1968 PA 2, MCL 141.421, which requires the Board of County Road Commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Road Commission's chief administrative officer (manager) prepares and submits a proposed operating budget to the Board for its review and consideration. The Board of County Road Commissioners conducts a public budget hearing and, subsequently, adopts the operating budget. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the fund financial statements.

NOTE C--CASH DEPOSITS AND INVESTMENTS

Deposits are carried at cost. Deposits of the Road Commission are made in banks in the name of the Van Buren County Treasurer. MCL 129.91, as amended by 1997 PA 196, authorizes the county treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States (U.S.), or any agency or instrumentality of the U.S. in which the principal and interest is fully guaranteed by the U.S., including securities issued or guaranteed by the Government National Mortgage Association; U.S. government or Federal agency obligation repurchase agreements; bankers' acceptance of U.S. banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; and obligations of the State of Michigan or its political subdivisions which are rated investment grade. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Pension Trust Fund is also authorized by 1965 PA 314, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations and certain other specified investment vehicles.

The Retiree Health Care Trust (the "Trust") is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The Act places percentage limitations on certain investments. The Trust's deposits and investment policies are in accordance with statutory authority.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

NOTE C--CASH DEPOSITS AND INVESTMENTS (Continued)

The Road Commission has designated one credit union for the deposit of Road Commission funds. The investment policy adopted by the Board in accordance with 1943 PA 20, has authorized investment in the instruments described in the preceding paragraph. The Road Commission's deposits and investment policy are in accordance with statutory authority.

At year end, the Road Commission's deposits and investments were reported in the basic financial statements in the following categories:

| | <u>Operating Fund</u> | <u>Fiduciary Funds</u> | <u>Total</u> |
|-------------|---------------------------|------------------------|----------------------|
| Cash | \$ 6,928,033 | \$ - | \$ 6,928,033 |
| Investments | <u>-</u> | <u>11,831,964</u> | <u>11,831,964</u> |
| | <u>\$ 6,928,033</u> | <u>\$ 11,831,964</u> | <u>\$ 18,759,997</u> |

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Road Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. The bank balance of the road commission's deposits is \$7,159,857 of which \$1,000,000 is NCUA insured. The remaining \$6,159,857 is uncollateralized. The Road Commission also maintains \$600 in imprest cash.

Investments Authorized by the Road Commission's Investment Policy

The Road Commission's investment policy only authorizes investment in all those that are authorized by law. The Road Commission has limited their investments to money markets and investments related to pension benefits. All investments are held in the name of the Road Commission.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Road Commission manages its exposure to interest rate risk is by participating in mutual funds which hold diverse investments that are authorized by law for direct investment. Due to the investment in the pension trust funds and MERS Money Market Funds, there are no maturity dates for these investments.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

NOTE C--CASH DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The mutual funds and pension trust funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Road Commission contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Road Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to the Road Commission's indirect investment in securities through the use of mutual funds or government investment pools. All of the investments are through the use of mutual funds and are therefore not rated.

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.

Investments in Entities that Calculate Net Asset Value per Share

The Road Commission holds \$10,077,947 in shares or interests in the Fifth Third investment account and \$1,754,017 in the MERS total market fund where the fair value of the investments are 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.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE D--CAPITAL ASSETS

A summary of changes in the Road Commission's capital assets is as follows:

| | Account Balances 01/01/20 | Additions | Deductions | Account Balances 12/31/20 |
|--------------------------------------|---------------------------------|--------------|------------|---------------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and Improvements | \$ 380,512 | \$ - | \$ - | \$ 380,512 |
| Infrastructure Right of Ways | 44,646 | - | - | 44,646 |
| Infrastructure Land Improvements | 11,856,421 | - | - | 11,856,421 |
| Subtotal | 12,281,579 | - | - | 12,281,579 |
| Capital Assets Being Depreciated | | | | |
| Land Improvements | 561,495 | - | - | 561,495 |
| Buildings and Improvements | 7,314,955 | 64,386 | - | 7,379,341 |
| Road Equipment | 13,158,659 | 2,167,361 | 1,740,120 | 13,585,900 |
| Shop Equipment | 205,556 | 8,656 | 4,437 | 209,775 |
| Office Equipment | 116,956 | 10,048 | - | 127,004 |
| Engineers' Equipment | 121,006 | 1,604 | 1,255 | 121,355 |
| Yard and Storage | 231,345 | - | - | 231,345 |
| Depletable Assets | 146,078 | - | - | 146,078 |
| Infrastructure--Traffic Signals | 287,452 | - | - | 287,452 |
| Infrastructure--Bridges | 15,375,968 | 1,158,656 | - | 16,534,624 |
| Infrastructure--Roads | 78,480,410 | 6,949,355 | 2,448,108 | 82,981,657 |
| Total | 115,999,880 | 10,360,066 | 4,193,920 | 122,166,026 |
| Less Accumulated Depreciation | | | | |
| Land Improvements | 292,244 | 20,783 | - | 313,027 |
| Buildings and Improvements | 2,446,476 | 153,433 | - | 2,599,909 |
| Road Equipment | 9,792,640 | 1,609,687 | 1,739,546 | 9,662,781 |
| Shop Equipment | 166,845 | 12,825 | 3,823 | 175,847 |
| Office Equipment | 87,558 | 12,640 | - | 100,198 |
| Engineers' Equipment | 75,256 | 14,544 | 1,255 | 88,545 |
| Yard and Storage | 175,773 | 5,059 | - | 180,832 |
| Depletable Assets | 108,606 | 143 | - | 108,749 |
| Infrastructure--Traffic Signals | 192,890 | 15,760 | - | 208,650 |
| Infrastructure--Bridges | 6,104,252 | 496,027 | - | 6,600,279 |
| Infrastructure--Roads | 36,310,317 | 3,936,827 | 2,448,108 | 37,799,036 |
| Total | 55,752,857 | 6,277,728 | 4,192,732 | 57,837,853 |
| Net Capital Assets Being Depreciated | 60,247,023 | 4,082,338 | 1,188 | 64,328,173 |
| Total Net Capital Assets | \$ 72,528,602 | \$ 4,082,338 | \$ 1,188 | \$ 76,609,752 |

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE D--CAPITAL ASSETS (Continued)

Depreciation expense charged to programs of the Road Commission is as follows:

| | |
|-------------------------------------|---------------------|
| Net Equipment Expense | |
| Direct Equipment | \$ 1,609,687 |
| Indirect Equipment | 204,362 |
| Net Administrative Expenses | |
| Building | 12,077 |
| Engineering | 280 |
| Office Equipment | 2,565 |
| Depletable Assets | 143 |
| Infrastructure Depreciation Expense | <u>4,448,614</u> |
| Total Depreciation Expense | <u>\$ 6,277,728</u> |

NOTE E--LONG-TERM DEBT

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

| | Balance 1/1/20 | Additions | (Reductions) | Balance 12/31/20 | Due Within One Year |
|----------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|---------------------|---------------------|------------------------|
| 2012 Refunding Bonds for 2006 Installment Purchase Agreement for New Garage at an interest rate of 1.86% | \$ 815,000 | \$ - | \$ (405,000) | \$ 410,000 | \$ 410,000 |
| Vested Employee Benefits Vacation and Sick Leave | <u>203,835</u> | <u>292,797</u> | <u>(274,887)</u> | <u>221,745</u> | <u>133,047</u> |
| Totals | <u>\$ 1,018,835</u> | <u>\$ 292,797</u> | <u>\$ (679,887)</u> | <u>\$ 631,745</u> | <u>\$ 543,047</u> |

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

NOTE E--LONG-TERM DEBT (Continued)

The annual interest and principal requirements of the Road Commission's long-term borrowing may be summarized as follows:

General Obligation Unlimited Tax Refunding Bonds, Series 2011

On May 31, 2012, the Road Commission issued \$3,245,000 in General Obligation Bonds with an interest rate of 1.96% to advance refund \$3,244,906 of an outstanding installment purchase agreement from 2006 at an interest rate of 4.45%. The Road Commission refunded the installment purchase agreement to reduce its total debt service payments over the next ten years by \$395,354 with a net present value savings of \$354,760.

| <u>Year</u> | <u>Principal 1-June</u> | <u>Interest 1-June</u> | <u>Annual Total</u> |
|-------------|-----------------------------|----------------------------|-------------------------|
| 2021 | <u>\$ 410,000</u> | <u>\$ 3,813</u> | <u>\$ 413,813</u> |

Vested Employee Benefits

Vacation is earned based on the following schedule.

| <u>Bargaining Unit</u> | | <u>Non-Union Employees</u> | |
|------------------------|-----------------------------|----------------------------|-----------------------------|
| Years of Service | Hours per Pay Period* | Years of Service | Hours per Pay Period* |
| 0-5 | 3.5 hours | 0-5 | 3.75 hours |
| 6-10 | 5 hours | 6-10 | 5.75 hours |
| 11-20 | 6.75 hours | 11-20 | 7.5 hours |
| 21+ | 7.5 hours | 21+ | 8 hours |

*limited to twice per month

Vacation pay at 100% is payable to the employee when employment is severed. As of December 31, 2020, there was \$133,861 recorded as vacation liability.

Bargaining Unit--Sick leave is accumulated at the rate of three (3) hours per pay period, up to two times per month, of active service up to 72 hours per year, with a maximum bank of 432 hours. Hours in excess of 360 will be paid out annually at a rate of 50%. Employees with banks in excess of 432 hours as of 12/31/18 will be allowed to maintain and utilize their current sick leave bank and receive a payout of 72 hours annually at a rate of 50% until a time where their bank drops below 432 hours. Upon retirement or death of an employee, the employee or their estate shall receive an amount equal to 50% of the sick leave credits at the hourly rate they were paid on the last day worked.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

NOTE E--LONG-TERM DEBT (Continued)

Non-Union Employees--Sick leave is earned at a rate of six (6) hours per month to a maximum of 54 days. Days in excess of 45 will be paid off at a rate of 50% annually. Upon retirement or death of an employee with less than 15 years of service, the employee or their estate shall receive an amount equal to 50% of the employee's unused sick leave credits at the rate paid on the last day worked. For employees with 15 or more years of service, the employee or their estate shall receive an amount equal to 60% of the employee's unused sick leave credits at the rate paid on the last day worked to a maximum of 54 days.

As of December 31, 2020, there was a total of \$87,884 recorded as sick leave liability for both the bargaining unit and administrative employees.

NOTE F--EMPLOYEES' RETIREMENT SYSTEM

PLAN DESCRIPTION

Summary of Significant Accounting Policies: For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pension, pension expenses and information about the fiduciary net position of the Van Buren County Road Commission Pension Plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the Van Buren County Road Commission. For these purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description: Van Buren County Road Commission administers the Van Buren County Road Commission Pension Plan – a single-employer defined benefit pension plan that provides pensions for participants as defined by the plan document. Management of the plan is the responsibility of the Road Commission.

Benefits Provided: For active participants in the plan: 1.7% of average monthly compensation multiplied by years of credited benefit service.

Employees Covered by Benefit Terms: As of December 31, 2020, Retirement Plan membership consisted of the following:

| | |
|----------------------------------------------------------|------------|
| Inactive Plan Members Receiving Benefits | 44 |
| Inactive Members Entitled To, Not Yet Receiving Benefits | 10 |
| Active Plan Members | 54 |
| Total Participants | <u>108</u> |

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

NOTE F--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Contributions: The Van Buren County Road Commission Pension Plan was established and is being funded under the authority of the County Road Commission and under agreement with the bargaining unit representing various employees. The plan's funding policy is that employees will contribute a fixed portion of their pay at rates specified in the plan document, and the employer will contribute any remaining required amounts as determined by an annual actuarial valuation. Current rates of employee contributions are 5% of compensation for union employees and 4% of compensation for non-union employees. The plan also calls for the Road Commission to contribute amounts sufficient to fund the plan in accordance with minimum funding standards of the Internal Revenue Code. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

NET PENSION LIABILITY

The Road Commission's net pension asset was measured as of December 31, 2020, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total pension asset was determined by an actuarial valuation as of January 1, 2021, and the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-------|
| Inflation | 2.00% |
| Salary increases | 2.50% |
| Investment rate of return | 4.50% |

The mortality tables used were the Pub-2010 Public Retirement Plans Mortality Tables for General Employees; annuitant and non-annuitant, sex-distinct with MP-2020 improvement factors.

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 real 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 real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation as of January 1, 2021 (see the discussion of the retirement plan's investment policy) are summarized in the following table:

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE F--EMPLOYEES' RETIREMENT SYSTEM (Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|------------------------------|---------------------------------------------------|
| Domestic Equity | 42% | 4.70% |
| International Equity | 18% | 6.00% |
| Fixed Income | 23% | 2.95% |
| Real Estate | 8% | 5.88% |
| Cash | 3% | 3.13% |
| Alternative Funds | 6% | 3.40% |

The sum of each target allocation times its long-term expected real rate is 4.50%. The long-term expected rate of return is 6.50%.

Discount Rate: The discount rate used to measure the total pension asset was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and 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 retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members.

Changes in the Net Pension Liability/Asset

| | <u>Total Pension Liability (a)</u> | <u>Plan Fiduciary Net Position (b)</u> | <u>Net Pension Liability/ (Asset) (a)-(b)</u> |
|------------------------------------------------------------------|----------------------------------------|--------------------------------------------|-------------------------------------------------------|
| Balance--January 1, 2020 | \$ 9,242,373 | \$ 9,247,832 | \$ (5,459) |
| Changes for the Year | | | |
| Service Cost | 223,989 | - | 223,989 |
| Interest | 618,866 | - | 618,866 |
| Experience (Gains)/Losses | 147,521 | - | 147,521 |
| Change in Actuarial Assumptions | 303,364 | - | 303,364 |
| Contributions-Employer | - | 275,000 | (275,000) |
| Contributions-Employee | - | 105,843 | (105,843) |
| Net Investment Income | - | 1,087,459 | (1,087,459) |
| Benefit Payments, Including Refunds of Employee Contributions | (595,941) | (595,941) | - |
| Administration Expense | - | (42,242) | 42,242 |
| Net Changes | <u>697,799</u> | <u>830,119</u> | <u>(132,320)</u> |
| Balance--December 31, 2020 | <u><u>\$ 9,940,172</u></u> | <u><u>\$ 10,077,951</u></u> | <u><u>\$ (137,779)</u></u> |

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE F--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Sensitivity of the net pension liability/(asset) to changes in the discount rate: The following presents the net pension liability/(asset) (NPL) of the Road Commission, calculated using the discount rate of 6.50%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1% percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rate:

| | 1% Decrease, 5.50% | Current Discount Rate, 6.50% | 1% Increase, 7.50% |
|-----------------------------|-----------------------|---------------------------------|-----------------------|
| Total Pension Liability | \$ 11,131,275 | \$ 9,940,172 | \$ 8,940,528 |
| Plan Fiduciary Net Position | (10,077,951) | (10,077,951) | (10,077,951) |
| Net Pension Liability | <u>\$ 1,053,324</u> | <u>\$ (137,779)</u> | <u>\$ (1,137,423)</u> |

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report. A summary of that report's activity is provided in Exhibits G and H.

Pension Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2020, the Road Commission recognized pension expense of (\$288,671). At December 31, 2020, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|------------------------------------|----------------------------------|---------------------------------|
| Experience (Gains)/Losses | \$ 188,785 | \$ 612,623 |
| Changes in Assumptions | 1,781,263 | 1,032,761 |
| Investment Earnings (Gains)/Losses | <u>-</u> | <u>769,447</u> |
| Total | <u>\$ 1,970,048</u> | <u>\$ 2,414,831</u> |

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE F--EMPLOYEES' RETIREMENT SYSTEM (Continued)

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

| <u>Year Ended</u> <u>31-Dec</u> | <u>Amount</u> <u>Recognized</u> |
|------------------------------------|------------------------------------|
| 2021 | \$ (205,528) |
| 2022 | (66,702) |
| 2023 | (280,832) |
| 2024 | (53,717) |
| 2025 | 40,667 |
| Thereafter | 121,329 |

NOTE G--DEFERRED COMPENSATION PLAN

The Van Buren County Board of Road Commissioners offers all Road Commission employees deferred compensation plans created in accordance with the Internal Revenue Code (IRC), Section 457 with Municipal Employee's Retirement System (MERS) and L2 Advisors. The assets of the plans were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Road Commission's financial statements.

NOTE H--POSTEMPLOYMENT BENEFITS--HEALTHCARE INSURANCE

Plan Description. In addition to the pension benefits described in Note F, the Road Commission administers a single-employer defined benefit healthcare plan. The Road Commission provides postemployment healthcare insurance benefits to certain retired union and administrative employees through the Road Commission's group health insurance plan which covers both active and retired members. Benefit provisions are established through negotiations between the Road Commission and the union in accordance with the labor contract and personnel policy which is negotiated every three-year bargaining period.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

NOTE H--POSTEMPLOYMENT BENEFITS--HEALTHCARE INSURANCE (Continued)

Benefits Provided. Effective January 1, 2009, bargaining unit employees who retire after having attained the age of 62, and after completing 20 years of service, the Road Commission will pay on behalf of such retiring employee or his widow up to the same amount toward health, dental, and vision insurance premiums paid on behalf of current employees. Retirees will be billed at the 80/20% rate as long as any person covered by their policy is covered in an active suffix. The Road Commission will pay up to \$675 per covered person, per month, toward the cost of the provided health insurance plan(s). Once employees become Medicare eligible, they will be moved to a Medicare enhanced plan and the Road Commission will pay up to \$475 per covered person, per month, towards the cost of the provided health insurance plan(s).

For bargaining unit employees whose last date of hire is on or after January 1, 2008, and who retire from the Road Commission after having attained the age of 62 and after completing 25 years of service, the Road Commission will pay on behalf of such retiring employee only, 80% of the single subscriber rate paid on behalf of current employees up to a maximum of \$675 per month, and the retiring employee may elect to pay the additional premium to provide coverage for his/her spouse. Once employees become Medicare eligible, they will be moved to a Medicare enhanced plan and the Road Commission will pay on behalf of such retiring employee only, up to \$475 per month towards the cost of the provided health insurance plan(s).

For bargaining unit employees hired after January 1, 2015, who retire with 20 or more years of service are eligible for up to 60 months of coverage starting no earlier than age 60 and ending when they become eligible for Medicare. The Road Commission will pay on behalf of such retiring employee only, 80% of the single subscriber rate paid on behalf of current employees, up to a maximum of \$675 per month. This benefit does not include coverage or payment for the retired employee's spouse, dependents, or other eligible individuals. The retired employee shall be responsible for their health insurance premium at the time of becoming eligible for Medicare.

For administrative employees who retire after having attained the age of 62, and have completed a minimum of 15 years of service, the Road Commission will pay its portion of the personal premium or subscription rate for the continuance of the medical, dental, and vision coverage for the employee and then eligible dependents. The Road Commission will also continue the medical, dental, and vision coverage for widows/widowers of employees who have had 15 or more years of service with the Road Commission or widows/widowers of employees who are killed on the job. The premium for retirees will be billed 20% retiree/80% Road Commission as long as any person covered by their policy is covered in an active suffix. The Road Commission's contribution is capped at \$625 per covered person, per month, towards the cost of the provided active health insurance plan(s). Once retirees become Medicare eligible, they will be moved to a Medicare enhanced plan and the Road Commission will pay up to \$475 per covered person, per month towards the cost of the provided health insurance plan(s).

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

NOTE H--POSTEMPLOYMENT BENEFITS--HEALTHCARE INSURANCE (Continued)

Administrative employees hired after November 1, 2009, who retire with 20 or more years of service will be eligible for up to 60 months of coverage, starting no earlier than age 55, and ending at age 65. The Road Commission will pay on behalf of such retiring employee only, 80% of the single subscriber rate of such insurance coverage up to \$675 per month. This benefit does not include payment for retired employee's spouse or eligible dependents; however, the retired employee may elect to pay additional premiums to provide coverage for his/her spouse or eligible dependents. The retired employee shall be responsible for his/her health insurance premium at age 65 and beyond.

Employees covered by benefit terms. As of December 31, 2020, the following employees were covered by the benefit terms:

| | |
|----------------------------------------------------------------|-------------------|
| Inactive Plan Members Receiving or Entitled To Future Benefits | 34 |
| Covered Spouse | 21 |
| Active Plan Participants | <u>60</u> |
| Total Participants | <u><u>115</u></u> |

Contributions. The Van Buren County Road Commission Retiree Health Care Plan was established and is being funded under the authority of the Road Commission. The plan's funding policy is that the employer will contribute any required amounts as determined by an annual actuarial valuation as a reference but not a definitive requirement. Currently, benefit payments are made from the general operating funds. Active participants do not make contributions to the plan. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves. The Road Commission had no obligation to make contributions in advance of when the insurance premiums were due for payment (in other words, this was financed on a "pay-as-you go" basis). During the year, the Road Commission contributed \$154,377 for the benefit. In addition to the "pay-as-you-go" amount, the Road Commission also contributed \$429,000 to a MERS OPEB Trust Fund.

Net OPEB Liability. The Road Commission's net OPEB liability was measured as of December 31, 2020.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of December 31, 2020 and the following actuarial assumptions were use in the measurement:

| | |
|--------------------------------|--------------------------------------------------------------------------------------------------------------|
| Inflation | 2.5% |
| Salary Increases | 3.5% |
| Investment Rate of Return | 7.35% (including inflation) |
| 20 Year Aa Municipal Bond Rate | 1.93% |
| Mortality | 2010 Public General Employees and Healthy Retirees, Headcount weighted with MP-2000 mortality improvement |

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

NOTE H--POSTEMPLOYMENT BENEFITS--HEALTHCARE INSURANCE (Continued)

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 real 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 real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2020, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------|------------------------------|-------------------------------------------------------|
| Global Equity | 60% | 5.25% |
| Global Fixed Income | 20% | 1.25% |
| Private Assets | 20% | 7.25% |

The sum of each target allocation times its long-term expected real rate is 4.85%. Together with 2.5% inflation, the long-term expected rate of return after including inflation is 7.35%.

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 Road Commission contributions will make annual contributions of at least \$300,000. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of the current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate used as of December 31, 2018 was 7.35%.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE H--POSTEMPLOYMENT BENEFITS--HEALTHCARE INSURANCE (Continued)

Changes in Net OPEB Liability

| | Increase (Decrease) | | |
|------------------------------------------|-----------------------------|------------------------------------|---------------------------|
| <u>Changes in Net OPEB Liability</u> | <u>Total OPEB Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net OPEB Liability</u> |
| Balance at January 1, 2020 | \$ 4,525,248 | \$ 1,083,068 | \$ 3,442,180 |
| Changes for the Year: | | | |
| Service Cost | 56,702 | - | 56,702 |
| Interest | 325,427 | - | 325,427 |
| Change in Expected and Actual Experience | (1,391,781) | - | (1,391,781) |
| Change in Actuarial Assumptions | 86,875 | - | 86,875 |
| Contributions - Employer | - | 583,377 | (583,377) |
| Net Investment Income | - | 244,437 | (244,437) |
| Benefit Payments, Including Refunds | (154,377) | (154,377) | - |
| Administrative Expenses | - | (2,488) | 2,488 |
| Net Changes | (1,077,154) | 670,949 | (1,748,103) |
| Balance at December 31, 2020 | <u>\$ 3,448,094</u> | <u>\$ 1,754,017</u> | <u>\$ 1,694,077</u> |

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

| | <u>1% Decrease</u> | <u>Current Discount</u> | <u>1% Increase</u> |
|-----------------------------|---------------------|-------------------------|---------------------|
| Total OPEB Liability | \$ 3,757,713 | \$ 3,448,094 | \$ 3,177,398 |
| Plan Fiduciary Net Position | <u>(1,754,017)</u> | <u>(1,754,017)</u> | <u>(1,754,017)</u> |
| Net OPEB Liability | <u>\$ 2,003,696</u> | <u>\$ 1,694,077</u> | <u>\$ 1,423,381</u> |

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Road Commission, as well as what the Road 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 healthcare cost trend rates:

| | <u>1% Decrease</u> | <u>Healthcare Cost Trend Rate</u> | <u>1% Increase</u> |
|-----------------------------|---------------------|-----------------------------------|---------------------|
| Total OPEB Liability | \$ 3,305,793 | \$ 3,448,094 | \$ 3,574,253 |
| Plan Fiduciary Net Position | <u>(1,754,017)</u> | <u>(1,754,017)</u> | <u>(1,754,017)</u> |
| Net OPEB Liability | <u>\$ 1,551,776</u> | <u>\$ 1,694,077</u> | <u>\$ 1,820,236</u> |

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE H--POSTEMPLOYMENT BENEFITS--HEALTHCARE INSURANCE (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2020, the Road Commission recognized OPEB expense of (\$1,057,569). At December 31, 2020, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Source | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------|--------------------------------------|-------------------------------------|
| Differences in Experience | \$ - | \$ 4,095,461 |
| Differences in Assumptions | 79,013 | 1,879,597 |
| Excess (Deficit) Investment Returns | - | 116,204 |
| Total | <u>\$ 79,013</u> | <u>\$ 6,091,262</u> |

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

| Year Ended 31-Dec | Amount Recognized |
|----------------------|----------------------|
| 2021 | \$ (755,644) |
| 2022 | (755,644) |
| 2023 | (768,591) |
| 2024 | (758,897) |
| 2025 | (730,643) |
| Thereafter | (2,242,830) |

NOTE I--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of 1982 PA 138. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State.

The Pool operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. If for any reason the Pool's resources available to pay losses are depleted, the payment of all unpaid losses of the member is the sole obligation of the member.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

NOTE I--RISK MANAGEMENT (Continued)

The Road Commission pays an annual premium to the Pool for automobile and equipment liability, trunkline liability, errors and omissions, bodily injury, property damage, and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board. Commercial insurance was purchased for property coverage (buildings and contents). Commercial insurance was also purchased for healthcare benefits and workers compensation insurance through the Accident Fund of Michigan.

At December 31, 2020, there were no claims which exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years. Settled claims for the Road Commission have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE J--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, 2020, the Federal grants received and expended by the Road Commission was \$973,586 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit.

Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission which are subject to single audit requirements, if the amount expended is \$750,000 or more. A single audit was not performed during the fiscal year ended December 31, 2020.

NOTE K--TAX ABATEMENTS

Industrial Facilities Exemption Municipalities within the County's boundaries entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at 50% of the property tax bill for new property. For rehabilitation purposes, the taxable values can be frozen. For the year ended December 31, 2020, the Road Commission's property tax revenue for general operations were reduced by \$21,211 under the IFT program.

VAN BUREN COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL OPERATING FUND--
SCHEDULE OF REVENUES--
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2020

EXHIBIT I

| | Original Adopted Budget | Final Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------------------|-------------------------------|----------------------------|----------------------|----------------------------------------|
| Taxes | | | | |
| Property Taxes | \$ 2,550,000 | \$ 2,591,000 | \$ 2,591,828 | \$ 828 |
| Licenses and Permits | | | | |
| Weight Permits | 50,000 | 50,000 | 84,563 | 34,563 |
| Federal Grants | | | | |
| Critical Bridge | 626,055 | - | - | - |
| Surface Transportation Program | 898,000 | 787,200 | 787,290 | 90 |
| Congestion Mitigation and Air Quality | 260,000 | 186,200 | 186,296 | 96 |
| State Grants | | | | |
| Michigan Transportation Fund | | | | |
| Engineering | 10,000 | 10,000 | 10,000 | - |
| Primary Road | 6,040,000 | 5,750,000 | 5,768,973 | 18,973 |
| Local Road | 3,970,000 | 3,710,000 | 3,755,806 | 45,806 |
| Primary Urban Road | 480,000 | 435,000 | 456,068 | 21,068 |
| Local Urban Road | 200,000 | 185,000 | 193,318 | 8,318 |
| Snow Removal | 79,000 | 84,000 | 84,076 | 76 |
| Economic Development Funds | | | | |
| Rural Primary (D) | - | 108,000 | 108,113 | 113 |
| Critical Bridge | 105,000 | 888,850 | 888,867 | 17 |
| Local Community Stabilization Funds | - | 73,000 | 72,117 | (883) |
| Railroad Safety | - | - | 1,205 | 1,205 |
| Contributions--Local Units | | | | |
| Townships | 3,725,089 | 3,950,000 | 3,992,937 | 42,937 |
| Charges for Services | | | | |
| Salvage Sales | 50,000 | 50,000 | 54,454 | 4,454 |
| Other Charges for Services | - | - | 549 | 549 |
| Interest and Rents | | | | |
| Interest Earned | 185,000 | 200,735 | 206,226 | 5,491 |
| Rents and Royalties | - | 9,000 | 8,848 | (152) |
| Other Revenue | | | | |
| Contributions From Private Sources | - | - | 6,563 | 6,563 |
| Reimbursements | - | - | 786 | 786 |
| Total Revenue | <u>19,228,144</u> | <u>19,067,985</u> | <u>19,258,883</u> | <u>190,898</u> |
| Other Financing Sources | | | | |
| Insurance Recoveries | - | 103,300 | 103,299 | (1) |
| Gain on Equipment Disposal | - | 237,700 | 237,414 | (286) |
| Total Other Financing Sources | <u>-</u> | <u>341,000</u> | <u>340,713</u> | <u>(287)</u> |
| Total Revenues and Other Financing Sources | <u>19,228,144</u> | <u>19,408,985</u> | <u>\$ 19,599,596</u> | <u>\$ 190,611</u> |
| Fund Balance--January 1, 2020 | <u>8,981,983</u> | <u>11,570,407</u> | | |
| Total Budget | <u>\$ 28,210,127</u> | <u>\$ 30,979,392</u> | | |

VAN BUREN COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL OPERATING FUND--
SCHEDULE OF EXPENDITURES--
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2020

EXHIBIT J

| | Original Adopted Budget | Final Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------------|-------------------------------|----------------------------|---------------|----------------------------------------|
| Primary Road | | | | |
| Preservation/Structural Improvements | \$ 3,884,838 | \$ 5,329,253 | \$ 5,042,209 | \$ 287,044 |
| Routine and Preventive Maintenance | 4,587,000 | 3,716,731 | 3,383,543 | 333,188 |
| Local Road | | | | |
| Preservation/Structural Improvements | 2,100,000 | 1,964,192 | 1,907,145 | 57,047 |
| Routine and Preventive Maintenance | 5,105,000 | 6,340,276 | 5,762,277 | 577,999 |
| Primary Road Structure | | | | |
| Preservation/Structural Improvements | 319,455 | 489,204 | 482,973 | 6,231 |
| Routine and Preventive Maintenance | 5,000 | 11,402 | 11,170 | 232 |
| Local Road Structure | | | | |
| Preservation/Structural Improvements | 448,550 | 684,608 | 675,684 | 8,924 |
| Routine and Preventive Maintenance | 10,000 | 10,765 | 9,471 | 1,294 |
| Equipment Expense--Net | 200,000 | 1,380,426 | | |
| Direct | | | \$ 2,823,952 | |
| Indirect | | | 1,128,738 | |
| Operating | | | 214,663 | |
| Less: Equipment Rentals | | | (2,818,698) | 31,771 |
| Distributive Expense | 2,800,000 | - | - | - |
| Administrative Expense--Net | 850,000 | 1,030,893 | | |
| Administrative Expense | | | 1,036,844 | |
| Less: Purchase Discounts | | | (20,073) | |
| Other | | | (70,570) | 84,692 |
| Capital Outlay--Net | 1,690,860 | 611,131 | | |
| Capital Outlay | | | 2,252,055 | |
| Less: Depreciation Credits | | | (1,829,115) | |
| Less: Equipment Retirements | | | (1,188) | 189,379 |
| Debt Service | | | | |
| Principal Payments | 405,000 | 405,000 | 405,000 | - |
| Interest Expense | 12,000 | 11,352 | 11,352 | - |
| Total Expenditures | 22,417,703 | 21,985,233 | \$ 20,407,432 | \$ 1,577,801 |
| Fund Balance--December 31, 2020 | 5,792,424 | 8,994,159 | | |
| Total Budget | \$ 28,210,127 | \$ 30,979,392 | | |

VAN BUREN COUNTY ROAD COMMISSION
SCHEDULE OF CHANGES IN THE ROAD COMMISSION'S
NET PENSION LIABILITY AND RELATED RATIOS*
For the Year Ended December 31, 2020

EXHIBIT K

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---------------------------------------------------------------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | | |
| Service Cost | \$ 223,989 | \$ 201,728 | \$ 135,102 | \$ 198,661 | \$ 148,764 | \$ 153,672 |
| Interest | 618,866 | 586,616 | 580,070 | 565,279 | 617,922 | 578,498 |
| Difference Between Expected and Actual Experience | 147,521 | (236,041) | (41,430) | (338,245) | (267,451) | 88,508 |
| Change of Assumptions | 303,364 | 481,021 | (40,247) | (924,433) | 1,910,047 | (657,908) |
| Benefit Payments Including Employee Refunds | (595,941) | (559,646) | (646,673) | (500,302) | (484,893) | (555,112) |
| Net Change in Total Pension Liability | 697,799 | 473,678 | (13,178) | (999,040) | 1,924,389 | (392,342) |
| Total Pension Liability Beginning | 9,242,373 | 8,768,695 | 8,781,873 | 9,780,913 | 7,856,524 | 8,248,866 |
| Total Pension Liability Ending | <u>\$ 9,940,172</u> | <u>\$ 9,242,373</u> | <u>\$ 8,768,695</u> | <u>\$ 8,781,873</u> | <u>\$ 9,780,913</u> | <u>\$ 7,856,524</u> |
| Plan Fiduciary Net Position | | | | | | |
| Contributions-Employer | \$ 275,000 | \$ 275,000 | \$ 275,000 | \$ 275,000 | \$ 279,235 | \$ 256,819 |
| Contributions-Employee | 105,843 | 106,656 | 96,622 | 94,985 | 92,207 | 88,433 |
| Net Investment Income | 1,087,459 | 1,655,451 | (499,057) | 1,189,073 | 436,010 | 81,295 |
| Benefit Payments Including Employee Refunds | (595,941) | (559,646) | (646,673) | (500,302) | (484,893) | (555,112) |
| Administrative Expense | (42,242) | (40,716) | (40,894) | (39,756) | (34,898) | (34,416) |
| Net Change in Plan Fiduciary Net Position | 830,119 | 1,436,745 | (815,002) | 1,019,000 | 287,661 | (162,981) |
| Plan Fiduciary Net Position Beginning | 9,247,832 | 7,811,087 | 8,626,089 | 7,607,089 | 7,319,428 | 7,482,409 |
| Plan Fiduciary Net Position Ending | <u>\$ 10,077,951</u> | <u>\$ 9,247,832</u> | <u>\$ 7,811,087</u> | <u>\$ 8,626,089</u> | <u>\$ 7,607,089</u> | <u>\$ 7,319,428</u> |
| Employer Net Pension Liability/(Asset) | <u>\$ (137,779)</u> | <u>\$ (5,459)</u> | <u>\$ 957,608</u> | <u>\$ 155,784</u> | <u>\$ 2,173,824</u> | <u>\$ 537,096</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 101% | 100% | 89% | 98% | 78% | 93% |
| Covered Employee Payroll | \$ 2,606,256 | \$ 2,264,847 | \$ 2,292,097 | \$ 1,884,986 | \$ 2,089,983 | \$ 2,105,542 |
| Employer's Net Pension Liability as a Percentage of Covered Employee Payroll | -5% | 0% | 42% | 8% | 104% | 26% |

Notes to Schedule:

Benefit Changes: There were no benefit changes affecting the 2020 valuation.

*10-year schedule as required by GASB Statement No. 68 will be built prospectively upon implementation of the standard.

VAN BUREN COUNTY ROAD COMMISSION
SCHEDULE OF ROAD COMMISSION'S CONTRIBUTIONS
For the Year Ended December 31, 2020

EXHIBIT L

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|-------------------------------------------------------------------------|--------------------|---------------------|---------------------|--------------------|-------------------|--------------|--------------|--------------|--------------|--------------|
| Actuarial Determined Contributions | \$ 204,501 | \$ 169,120 | \$ 137,237 | \$ 215,978 | \$ 274,432 | \$ 256,819 | \$ 225,235 | \$ 280,124 | \$ 248,450 | \$ 195,592 |
| Contributions in Relation to the Actuarially Determined Contribution | 275,000 | 275,000 | 275,000 | 275,000 | 279,235 | 256,819 | 225,235 | 280,124 | 248,450 | 195,592 |
| Contribution Deficiency (excess) | <u>\$ (70,499)</u> | <u>\$ (105,880)</u> | <u>\$ (137,763)</u> | <u>\$ (59,022)</u> | <u>\$ (4,803)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Employee Payroll | \$ 2,606,256 | \$ 2,264,847 | \$ 2,292,097 | \$ 2,089,983 | \$ 2,089,983 | \$ 2,105,542 | \$ 1,797,557 | \$ 1,996,727 | \$ 1,842,529 | \$ 1,846,850 |
| Contributions as a Percentage of Covered Employee Payroll | 11% | 12% | 12% | 13% | 13% | 12% | 13% | 14% | 13% | 11% |

Notes to Schedule

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date | January 1, 2021 |
| Actuarial Cost Method | Entry Age Normal (level percent) |
| Asset Valuation Method | 5-year moving market average in accordance with Rev. proc. 2000-40 Approval (#15); that is, gains and losses (actual vs. expected) are recognized at the rate of 20% per year for 5 years; if necessary, the resulting actuarial value is adjusted to be within 80% - 120% of market value corridor |
| Retirement Age | Age 62 |
| Interest Rate | 6.75% per annum, compounded annually |
| Mortality Table | Pub-2010 Public Retirement Plans Mortality Tables for General Employees; annuitant and non-annuitant, sex-distinct with modified MP-2019 improvement factors. |
| Salary Scale | 2% per annum, compounded annually |
| Changes Since Prior Valuation | Mortality table updated |

VAN BUREN COUNTY ROAD COMMISSION
SCHEDULE OF CHANGES IN THE ROAD COMMISSION'S
NET OPEB LIABILITY AND RELATED RATIOS*
For the Year Ended December 31, 2020

EXHIBIT M

| | 2020 | 2019 | 2018 |
|------------------------------------------------------------------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | |
| Service Cost | \$ 56,702 | \$ 94,095 | \$ 338,446 |
| Interest | 325,427 | 280,901 | 476,973 |
| Change in Benefit Terms | - | - | (4,387,422) |
| Difference between Expected and Actual Experience | (1,391,781) | (137,925) | (3,755,304) |
| Change of Assumptions | 86,875 | (824,016) | (1,718,338) |
| Benefit Payments Including Employee Refunds | (154,377) | (227,641) | (270,055) |
| Net Change in Total OPEB Liability | (1,077,154) | (814,586) | (9,315,700) |
| Total OPEB Liability Beginning | 4,525,248 | 5,339,834 | 14,655,534 |
| Total OPEB Liability Ending | <u>\$ 3,448,094</u> | <u>\$ 4,525,248</u> | <u>\$ 5,339,834</u> |
| Plan Fiduciary Net Position | | | |
| Contributions-Employer | \$ 583,377 | \$ 547,641 | \$ 590,055 |
| Net Investment Income | 244,437 | 111,434 | (24,551) |
| Benefit Payments Including Employee Refunds | (154,377) | (227,641) | (270,055) |
| Administrative Expense | (2,488) | (1,692) | (1,264) |
| Net Change in Plan Fiduciary Net Position | 670,949 | 429,742 | 294,185 |
| Plan Fiduciary Net Position Beginning | 1,083,068 | 653,326 | 359,141 |
| Plan Fiduciary Net Position Ending | <u>\$ 1,754,017</u> | <u>\$ 1,083,068</u> | <u>\$ 653,326</u> |
| Employer Net OPEB Liability | <u>\$ 1,694,077</u> | <u>\$ 3,442,180</u> | <u>\$ 4,686,508</u> |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 51% | 24% | 12% |
| Covered Employee Payroll | \$ 2,819,634 | \$ 3,262,630 | \$ 3,024,031 |
| Employer's Net OPEB Liability as a Percentage of Covered Employee Payroll | 60% | 106% | 155% |

Notes to Schedule:

Benefit Changes: The Road Commission established maximum contribution amounts for the OPEB benefit in fiscal year 2018.

Assumption Changes: Retirement assumption changed from later of age 62 and eligibility to earliest eligibility and Mortality changed from RPH 20014 with MP-2018

*10-year schedule as required by GASB Statement No. 75 will be built prospectively upon implementation of the standard.

VAN BUREN COUNTY ROAD COMMISSION
SCHEDULE OF ROAD COMMISSION'S CONTRIBUTIONS--OPEB
For the Fiscal Year Ending December 31, 2020

EXHIBIT N

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-------------------------------------------------------------------------|---------------------|---------------------|---------------------|
| Actuarial Determined Contributions | \$ 347,387 | \$ 414,688 | \$ 2,494,239 |
| Contributions in Relation to the Actuarially Determined Contribution | <u>583,377</u> | <u>547,641</u> | <u>590,055</u> |
| Contribution Deficiency (excess) | <u>\$ (235,990)</u> | <u>\$ (132,953)</u> | <u>\$ 1,904,184</u> |
| Covered Employee Payroll | \$ 2,819,634 | \$ 3,262,630 | \$ 3,024,031 |
| Contributions as a Percentage of Covered Employee Payroll | 21% | 17% | 20% |

Notes to Schedule

10 Year Requirement for Disclosure The ten year requirement of information will be built prospectively.

Actuarial Valuation Information Relative to the Determination of Contributions:

Valuation Date December 31, 2020
Measurement Date December 31, 2020

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal (level of percentage of compensation)
Asset Valuation Method Market value of assets
Discount Rate 7.35% for December 31, 2020 liability and 2021 contribution
20-year Aa Municipal Bond Rate 1.93%
Salary Scale 3.5%
Return on Plan Assets 7.35%
Mortality Rates 2010 Public General Employees and Healthy Retirees, Headcount weighted with MP-2020 mortality improvement
Assumption Changes Since Prior Valuation Retirement assumption changed from later of age 62 and eligibility to earlier eligibility
Mortality changed from RPH 20014 with MP-2018

VAN BUREN COUNTY ROAD COMMISSION
GENERAL OPERATING FUND--
ANALYSIS OF CHANGES IN FUND BALANCES
For the Year Ended December 31, 2020

EXHIBIT O

| | Primary Road Fund | Local Road Fund | County Road Commission | Total |
|----------------------------------------------------------------------------------------|----------------------|--------------------|------------------------------|----------------------|
| Total Revenues | \$ 7,957,138 | \$ 9,312,015 | \$ 1,989,730 | \$ 19,258,883 |
| Total Expenditures | <u>9,821,795</u> | <u>9,593,983</u> | <u>991,654</u> | <u>20,407,432</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(1,864,657)</u> | <u>(281,968)</u> | <u>998,076</u> | <u>(1,148,549)</u> |
| Other Financing Sources (Uses) | | | | |
| Insurance Recovered | - | - | 103,299 | 103,299 |
| Gain on Equipment Disposal | - | - | 237,414 | 237,414 |
| Optional Transfers | <u>(95,702)</u> | <u>95,702</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(95,702)</u> | <u>95,702</u> | <u>340,713</u> | <u>340,713</u> |
| Excess of Revenues Over (Under) Expenditures and Other Financing Sources and (Uses) | (1,960,359) | (186,266) | 1,338,789 | (807,836) |
| Fund Balance--January 1, 2020 | <u>2,571,064</u> | <u>189,646</u> | <u>8,809,696</u> | <u>11,570,406</u> |
| Fund Balance--December 31, 2020 | <u>\$ 610,705</u> | <u>\$ 3,380</u> | <u>\$ 10,148,485</u> | <u>\$ 10,762,570</u> |

VAN BUREN COUNTY ROAD COMMISSION
GENERAL OPERATING FUND--
ANALYSIS OF REVENUES
For the Year Ended December 31, 2020

EXHIBIT P

| | Primary Road Fund | Local Road Fund | County Road Commission | Total |
|-------------------------------------------|----------------------|---------------------|------------------------------|----------------------|
| Taxes | | | | |
| Property Taxes | \$ - | \$ 986,998 | \$ 1,604,830 | \$ 2,591,828 |
| Licenses and Permits | | | | |
| Weight Permits | - | - | 84,563 | 84,563 |
| Federal Grants | | | | |
| Surface Transportation Program | 776,448 | 10,842 | - | 787,290 |
| Congestion Mitigation and Air Quality | 186,296 | - | - | 186,296 |
| State Grants | | | | |
| Michigan Transportation Fund | | | | |
| Engineering | 6,057 | 3,943 | - | 10,000 |
| Allocation | 5,768,973 | 3,755,806 | - | 9,524,779 |
| Urban | 456,068 | 193,318 | - | 649,386 |
| Snow Removal | 50,445 | 33,631 | - | 84,076 |
| Economic Development Fund | | | | |
| Rural Primary (D) | 108,113 | - | - | 108,113 |
| Critical Bridge | 358,760 | 530,107 | - | 888,867 |
| Local Community Stabilization Funds | - | - | 72,117 | 72,117 |
| Railroad Safety | - | 1,205 | - | 1,205 |
| Contributions--Local Units | | | | |
| Townships | 200,152 | 3,792,785 | - | 3,992,937 |
| Charges for Services | | | | |
| Salvage Sales | - | - | 54,454 | 54,454 |
| Other Charges for Services | - | - | 549 | 549 |
| Interest and Rents | | | | |
| Interest Earned | 45,826 | 3,380 | 157,020 | 206,226 |
| Rents and Royalties | - | - | 8,848 | 8,848 |
| Other Revenue | | | | |
| Contributions From Private Sources | - | - | 6,563 | 6,563 |
| Reimbursements | - | - | 786 | 786 |
| Total Revenue | <u>7,957,138</u> | <u>9,312,015</u> | <u>1,989,730</u> | <u>19,258,883</u> |
| Other Financing Sources | | | | |
| Insurance Recoveries | - | - | 103,299 | 103,299 |
| Gain on Equipment Disposal | - | - | 237,414 | 237,414 |
| Total Other Financing Sources | <u>-</u> | <u>-</u> | <u>340,713</u> | <u>340,713</u> |
| Total Revenue and Other Financing Sources | <u>\$ 7,957,138</u> | <u>\$ 9,312,015</u> | <u>\$ 2,330,443</u> | <u>\$ 19,599,596</u> |

VAN BUREN COUNTY ROAD COMMISSION
GENERAL OPERATING FUND--
ANALYSIS OF EXPENDITURES
For the Year Ended December 31, 2020

EXHIBIT Q

| | Primary Road Fund | Local Road Fund | County Road Commission | Total |
|------------------------------------------------|----------------------|---------------------|------------------------------|----------------------|
| Primary Road | | | | |
| Preservation/Structural Improvements | \$ 5,042,209 | \$ - | \$ - | \$ 5,042,209 |
| Routine and Preventive Maintenance | 3,383,543 | - | - | 3,383,543 |
| Local Road | | | | |
| Preservation/Structural Improvements | - | 1,907,145 | - | 1,907,145 |
| Routine and Preventive Maintenance | - | 5,762,277 | - | 5,762,277 |
| Primary Road Structures | | | | |
| Preservation/Structural Improvements | 482,973 | - | - | 482,973 |
| Routine and Preventive Maintenance | 11,170 | - | - | 11,170 |
| Local Road Structures | | | | |
| Preservation/Structural Improvements | - | 675,684 | - | 675,684 |
| Routine and Preventive Maintenance | - | 9,471 | - | 9,471 |
| Equipment Expense--Net (Per Exhibit J) | 413,317 | 781,788 | 153,550 | 1,348,655 |
| Administrative Expense--Net (Per Exhibit J) | 488,583 | 457,618 | - | 946,201 |
| Capital Outlay--Net (Per Exhibit J) | - | - | 421,752 | 421,752 |
| Debt Service | | | | |
| Principal Payments | - | - | 405,000 | 405,000 |
| Interest Payments | - | - | 11,352 | 11,352 |
| Total Expenditures | <u>\$ 9,821,795</u> | <u>\$ 9,593,983</u> | <u>\$ 991,654</u> | <u>\$ 20,407,432</u> |



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

June 23, 2021

Board of County Road Commissioners
Van Buren County Road Commission
325 West James Street
P.O. Box 156
Lawrence, Michigan 49064

Independent Auditor's Report

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

Dear Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Van Buren County Road Commission, Van Buren County, Michigan, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Van Buren County Road Commission's basic financial statements, and have issued our report thereon dated June 23, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a

material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Sincerely,



Cary Jay Vaughn, CPA, CGFM

Audit Manager

Community Engagement and Finance Division



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

June 23, 2021

Board of County Road Commissioners
Van Buren County Road Commission
325 West James Street
P.O. Box 156
Lawrence, Michigan 49064

RE: Report to Those Charged With Governance

Dear Commissioners:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Van Buren County Road Commission, Van Buren County, Michigan, for the fiscal year ended December 31, 2020, and have issued our report thereon dated June 23, 2021. Professional standards require that we provide you with information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in the engagement letter dated December 17, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Van Buren County Road Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Van Buren County Road Commission's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described in professional standards, is to evaluate the presentation of supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters May 24, 2021, with management.

Significant Results of the Audit

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Van Buren County Road Commission are described in Note A to the financial statements. We noted no transactions entered into by the Van Buren County Road Commission during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the governmental activities in the government-wide statements relates to depreciation, the net pension liability, and the liability related to other post-employment benefits. Management's estimate of the depreciation is based on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. For the pension and other post-employment benefits, estimates and assumptions are determined by the Road Commission's actuary, based on the Road Commission's negotiations with its bargaining units and resolutions of the Board of County Road Commissioners. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements, taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 23, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Van Buren County Road Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Van Buren County Road Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

June 23, 2021

This information is intended solely for the use of the Van Buren County Road Commission's Board of County Road Commissioners and management of the Van Buren County Road Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', is written over a light gray rectangular background.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Community Engagement and Finance Division