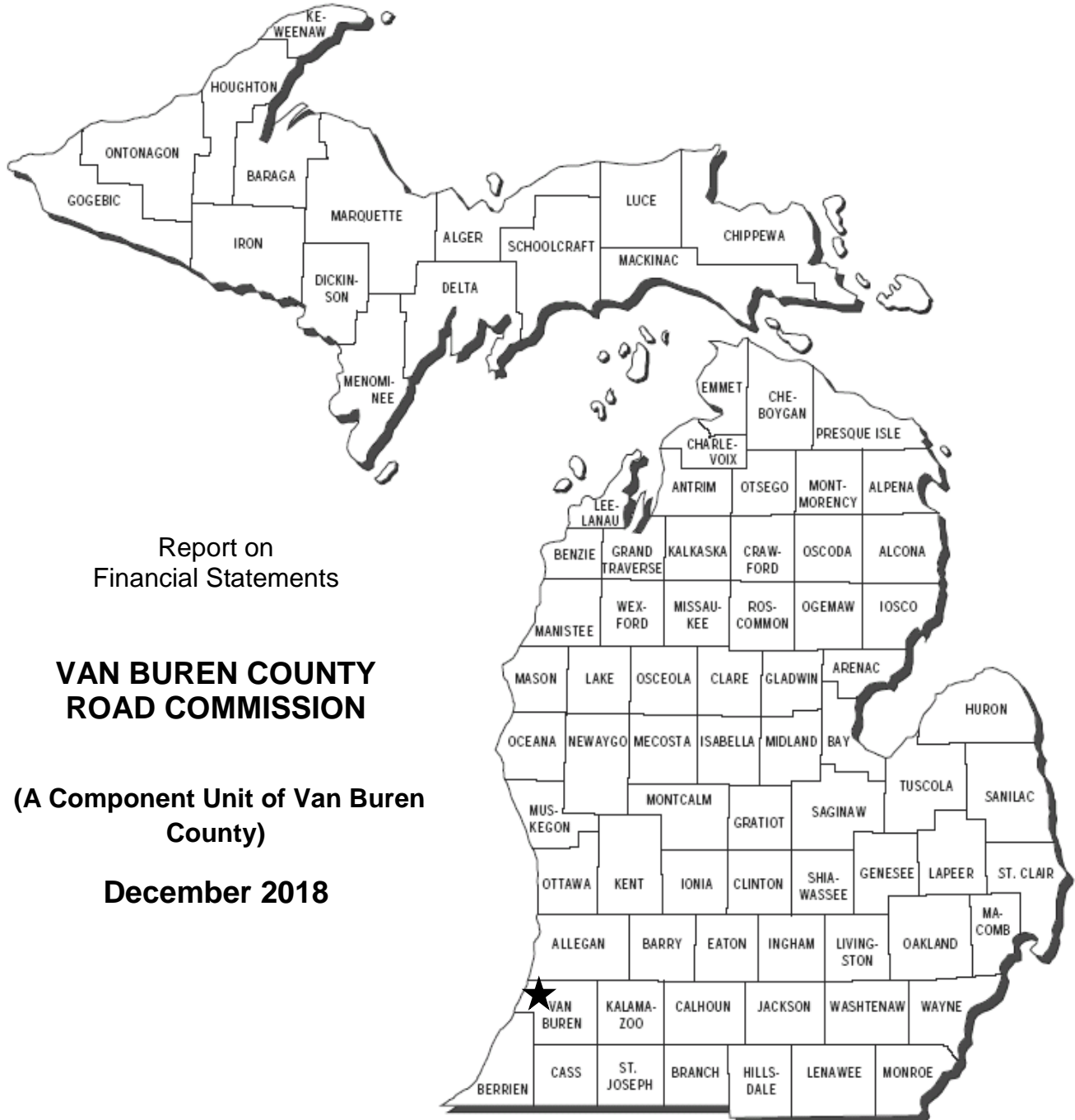


STATE OF MICHIGAN

Gretchen Whitmer, Governor

DEPARTMENT OF TREASURY

Rachael Eubanks, State Treasurer



VAN BUREN COUNTY ROAD COMMISSION
BOARD OF COUNTY ROAD COMMISSIONERS

(June 24, 2019)

Reginald "Rick" D. Boze
Chairman

Gregory H. Kinney
Vice Chairman

W. C. Askew, Sr.
Member

Doug Burleson
Member

Geoff Moffat
Member

Barry Anttila
Highway Engineer

Greg Brucks
Operations Director

Linnea Rader
Finance/HR Director

Gary Rohacs
Fleet & Facilities
Superintendent

COUNTY POPULATION--2010
76,258

STATE EQUALIZED VALUATION--2018
\$4,251,179,075



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

June 24, 2019

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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note M to the basic financial statements, in 2018, the Road Commission adopted the new accounting guidance of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establishes accounting and financial reporting standards for defined postemployment benefit other than pensions provided to the employees of governmental employers through other postemployment benefit plans. Our opinion is not modified with respect to this matter.

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.

June 24, 2019

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 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 24, 2019, 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 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 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,



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
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

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, 2018.

FINANCIAL HIGHLIGHTS

- The Road Commission received \$1,859,475 in Federal and state aid for road and bridge improvement projects in fiscal year 2018.
- The Road Commission received \$413,281 more than the prior year in motor transportation funds and an additional \$1,809,459 from the state for additional road improvements.
- The Road Commission contributed an additional \$137,763 and \$144,633 towards its net pension and 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

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

Federal grants, including the Michigan Transportation Fund (MTF) along with Township contributions and the County wide millage finance most Road Commission activities.

Report the Road Commission's Major Fund

Fund Financial Statements

The Road Commission currently presents only a general operating fund, which is a governmental fund. 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 decreased from \$71,021,408 to \$69,548,835 for the year ended December 31, 2018. This is contrary to the previous year when the net position increased \$833,182. 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 decreased by 2.1% or \$1,472,573. The restricted/(unrestricted) net position that can be used to fund the day-to-day operations within the provisions of 1951 PA 51 decreased \$2,187,469 ((\$660,370) compared to \$1,527,099). This decrease was due primarily to an increase in the net pension liability from

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

\$155,784 to \$957,608 due to less than expected return on investments and the recording of the net OPEB liability of \$4,686,508 in accordance with GASB 75. The \$714,896 increase in net investment in capital assets is due to a \$5,725,938 increase in capital assets and infrastructure offset by continued depreciation.

Table 1
Net Position of Governmental Activities

	12/31/17 Governmental Activities*	12/31/18 Governmental Activities	Variance
Current and Other Assets	\$ 10,831,866	\$ 12,711,786	\$ 1,879,920
Net Capital Assets	71,089,309	71,419,205	329,896
Total Assets	81,921,175	84,130,991	2,209,816
Deferred Outflow of Resources	211,359	2,116,429	1,905,070
Current Liabilities	824,874	451,943	(372,931)
Non-current Liabilities	7,131,408	7,072,098	(59,310)
Total Liabilities	7,956,282	7,524,041	(432,241)
Deferred Inflow of Resources	3,154,844	9,174,544	6,019,700
Net Position			
Net Investment in Capital Assets	69,494,309	70,209,205	714,896
Restricted/(Unrestricted)	1,527,099	(660,370)	(2,187,469)
Total Net Position	\$ 71,021,408	\$ 69,548,835	\$ (1,472,573)

*GASB Statement No. 75 was implemented by the Road Commission in the fiscal year 2018. Fiscal year 2017 amounts shown have not been modified to reflect the retroactive application of the change.

Even though the Road Commission replaced capital assets at a higher rate in 2018 than in 2017, there is an overall inability of road funding to keep pace with road preservation and structural improvement demands. These demands do not allow for local agencies to invest in capital assets or infrastructure 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 \$2.05 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, 2018

Table 2
Changes in Net Position of Governmental Activities

	2017	2018	Difference
Program Revenue			
Licenses and Permits	\$ 55,260	\$ 89,079	\$ 33,819
Federal Grants	744,637	1,106,493	361,856
State Grants	8,627,146	11,680,797	3,053,651
Contributions From Local Units	2,928,132	3,297,103	368,971
Charges for Services	20,936	23,454	2,518
Investment Earnings	42,068	120,655	78,587
Other Contributions	9,666	50,006	40,340
General Revenue			
Taxes	2,446,569	2,369,491	(77,078)
Gain on Equipment Disposal	102,620	35,780	(66,840)
Total Revenue	<u>14,977,034</u>	<u>18,772,858</u>	<u>3,795,824</u>
Expenses			
Primary Road Maintenance	2,762,887	3,072,406	309,519
Local Road Maintenance	5,462,226	5,886,030	423,804
Non-Road Projects	18,726	824,644	805,918
Net Equipment Expense	554,077	691,965	137,888
Net Administrative Expense	901,255	1,039,881	138,626
Infrastructure Depreciation Expense	4,219,455	4,263,806	44,351
Compensated Absences	(59,378)	21,042	80,420
Other Postemployment Benefit Expense	337,631	(4,689,280)	(5,026,911)
Pension Expense	(86,375)	(4,151)	82,224
Interest Expense	33,348	26,379	(6,969)
Total Expenses	<u>14,143,852</u>	<u>11,132,722</u>	<u>(3,011,130)</u>
Change in Net Position	<u>833,182</u>	<u>7,640,136</u>	<u>6,806,954</u>
Ending Net Position	<u>\$ 71,021,408</u>	<u>\$ 69,548,835</u>	<u>\$ (1,472,573)</u>

Governmental Activities

The Road Commission's governmental activities revenues increased by 25% or \$3,795,824, while expenses decreased 21% or \$3,011,130 as compared with the prior fiscal year. Federal Grant funding increased in 2018 due to the increases in available and awarded federal/state aid projects for the Road Commission. State revenues also increased as the Road Commission experienced an increase in gas tax funds, an additional \$1,809,459 received from the state's general fund for road improvements, and an erosion mitigation grant of \$731,274 which was dedicated for use on a non-road project. Contributions from Townships also increased as more was contributed towards

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

projects this year. Total expenses decreased due to a decrease in the OPEB expense as the Road Commission implemented a cap on future benefits reducing the overall OPEB liability of the Road Commission. This decrease was offset by increased general maintenance operations performed using the additional funding received from the state.

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 \$9,859,843 which is more than last year's \$7,606,992. The primary reasons for the General Operating Fund's increase 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 2018 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 2018 were \$343,858 higher than the amended budget. The revenue increase was mainly the result of township contribution (\$297,103) being more than the final budget.

Expenditures recognized for 2018 were \$2,868,704 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, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2018, the Road Commission had \$71,419,205 invested in a broad range of capital assets, including land, buildings, equipment, roads, and bridges. This amount represents a net decrease (including additions and deductions) of \$329,896.

Table 3
Capital Assets at Year-End

	<u>12/31/2017</u>	<u>12/31/2018</u>
Capital Assets Not Being Depreciated		
Land and Improvements	\$ 380,512	\$ 380,512
Infrastructure--Right of Ways	24,429	44,646
Infrastructure--Land and Improvements	<u>11,856,421</u>	<u>11,856,421</u>
Subtotal	<u>12,261,362</u>	<u>12,281,579</u>
Capital Assets Being Depreciated		
Land Improvements	561,495	561,495
Buildings	7,281,919	7,299,092
Road Equipment	10,149,127	11,487,263
Shop Equipment	181,699	185,099
Office Equipment	89,800	121,978
Engineer's Equipment	92,183	104,371
Yard and Storage	231,345	231,345
Depletable Assets	146,078	146,078
Infrastructure--Traffic Signals	287,452	287,452
Infrastructure--Bridges	14,809,581	14,926,592
Infrastructure--Roads	<u>75,155,627</u>	<u>76,865,898</u>
Subtotal	<u>108,986,306</u>	<u>112,216,663</u>
Total Capital Assets	121,247,668	124,498,242
Total Accumulated Depreciation	<u>(50,158,359)</u>	<u>(53,079,037)</u>
Total Net Capital Assets	<u>\$ 71,089,309</u>	<u>\$ 71,419,205</u>

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

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

Various Resurfacing Projects and Related Land/Right-of-Way	\$ 4,106,011
Bridge Projects	117,011
Road Equipment	1,437,977
Buildings	17,173
Shop, Office, and Engineer Equipment	<u>47,766</u>
Total Additions	<u>\$ 5,725,938</u>

The Road Commission's fiscal year 2019 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 \$1,210,000 still owed after the \$395,000 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 2018 MTF funding levels rose 3.97% (\$341,413.53) over 2017. 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 2019 are predicted to increase over 2018 revenues. The increased funding will help with infrastructure and equipment needs that had to be delayed during the many years of declining and stagnant revenues (2004-2015). Unfortunately, the package does fall short of fully funding the estimated \$3.55+ billion of annual funding needed (\$1.5 billion on the MDOT system, \$2.05 billion on the County systems and an unknown need for the City and Village systems) for the deteriorating infrastructure across the state.

Township Revenues--Revenue Sharing

In fiscal year 2018, the township revenue increased approximately 12.6% from \$2.93 million to \$3.30 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 \$3.0 million for 2019. Many townships have approved a special local millage dedicated for road improvements. Currently, approximately eighty percent (80%) or 15 of the 18 townships in Van Buren County have their own road millage.

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

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 2016 and is effective for years 2016 through 2019, with the 2018 levy, for the 2019 budget year. The Road Commission's share of millage revenues for 2018 collections was \$2.37 million or approximately 12.6% of the total 2018 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 2016 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 2018 increased to \$1.1 million from \$744 thousand in 2017, while State aid increased to \$133 thousand from \$33 thousand in 2017. The Road Commission expects these funding sources to be over \$1.7 million in 2019. Federal and State aid will provide the major source of funds for several county-wide structural improvement projects, and also for multiple bridge projects in 2019. 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 maintain the ability to continue routine operations, but reductions will continue to occur on primary and local road special maintenance (preservation) and structural improvement expenditures in direct relation to 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, 2018

EXHIBIT A

ASSETS

Cash	\$ 7,050,929
Receivables	
Taxes	2,400,000
Sundry Accounts	14,293
Due From State	
Michigan Transportation Fund	1,278,595
Other State Grants	571,080
Due From Townships--Road Agreements	534,149
Inventories	
Road Materials	512,673
Equipment Parts and Materials	350,067
Capital Assets--Non-Depreciating	12,281,579
Capital Assets--Net of Accumulated Depreciation	59,137,626
Total Assets	84,130,991

DEFERRED OUTFLOW OF RESOURCES

Change in Investments-OPEB	51,788
Change in Investments-Pension	584,889
Change in Experience-Pension	64,108
Change in Assumptions-Pension	1,415,644
Total Deferred Outflow of Resources	2,116,429

LIABILITIES

Current Liabilities	
Accounts Payable	61,330
Due to State	198,711
Township Advances	38,686
Accrued Liabilities	119,392
Other Accrued Liabilities	33,824
Non-Current Liabilities	
Bonds Payable	
Due Within One Year	395,000
Due in More Than One Year	815,000
Vested Employee Benefits Payable	
Due Within One Year	130,789
Due in More Than One Year	87,193
Other Postemployment Benefit Payable	4,686,508
Net Pension Liability	957,608
Total Liabilities	7,524,041

DEFERRED INFLOW OF RESOURCES

Unavailable Revenue--Property Taxes Levied for Subsequent Period	2,400,000
Change in Experience-OPEB	3,411,412
Change in Assumptions-OPEB	1,560,981
Change in Experience-Pension	518,342
Change in Assumptions-Pension	1,283,809
Total Deferred Inflow of Resources	9,174,544

NET POSITION

Net Investment in Capital Assets	70,209,205
Unrestricted	(660,370)
Total Net Position	\$ 69,548,835

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, 2018

EXHIBIT B

Program Expenses	
Primary Road Maintenance	\$ 3,072,406
Local Road Maintenance	5,886,030
Non-Road Projects	824,644
Net Equipment Expense	691,965
Net Administrative Expense	1,039,881
Infrastructure Depreciation	4,263,806
Compensated Absences	21,042
Other Postemployment Benefit Expenses	(4,689,280)
Pension Expense	(4,151)
Interest Expense	26,379
Total Program Expenses	<u>11,132,722</u>
Program Revenue	
Charges for Services	
Licenses and Permits	89,079
Charges for Services	13,489
Rents and Royalties	9,965
Operating Grants and Contributions	
Michigan Transportation Funds	9,007,133
Other State Grants	2,651,956
Investment Earnings	120,655
Reimbursements	12,296
Contributions From Local Units	
Capital Grants and Contributions	
Federal Grants	1,106,493
State Grants	21,708
Contributions From Private Sources	37,710
Total Program Revenue	<u>13,070,484</u>
Net Program Revenue	<u>1,937,762</u>
General Revenue	
Property Taxes	2,369,491
Gain on Equipment Disposal	35,780
Total General Revenues	<u>2,405,271</u>
Change in Net Position	4,343,033
Net Position	
Beginning of Year	<u>71,021,408</u>
Restatement to Net Position	(9,112,709)
Restated Net Position-Beginning of Year	<u>61,908,699</u>
End of Year	<u><u>\$ 66,251,732</u></u>

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

VAN BUREN COUNTY ROAD COMMISSION
BALANCE SHEET--GOVERNMENTAL FUND
December 31, 2018

EXHIBIT C

General
Operating
Fund

ASSETS

Cash	\$ 7,050,929
Receivables	
Taxes	2,400,000
Sundry Accounts	14,293
Due From State	
Michigan Transportation Fund	1,278,595
Other State Grants	571,080
Due From Townships--Road Agreements	534,149
Inventories	
Road Materials	512,673
Equipment Parts and Materials	350,067
Total Assets	<u>\$ 12,711,786</u>

LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE

Liabilities

Accounts Payable	\$ 61,330
Due to State	198,711
Township Advances	38,686
Accrued Liabilities	119,392
Other Accrued Liabilities	33,824
Total Liabilities	<u>451,943</u>

DEFERRED INFLOW OF RESOURCES

Unavailable Revenue--Property Taxes Levied for Subsequent Period	<u>2,400,000</u>
Total Deferred Inflow of Resources	<u>2,400,000</u>

Fund Balance

Fund Balance	
Non-Spendable	862,740
Restricted	8,997,103
Total Fund Balance	<u>9,859,843</u>

Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 12,711,786</u>
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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, 2018

EXHIBIT D

Total Governmental Fund Balance	\$ 9,859,843
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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.	71,419,205
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Long-term liabilities are not due and payable in the current period and are not reported in the fund.	(1,210,000)
--	-------------

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.	(217,982)
---	-----------

Other postemployment benefit obligations do not present a claim on current financial resources and are not reported as fund liabilities.	(4,686,508)
---	-------------

Net pension liability is not due and payable in the current period and is not reported in the funds.	(957,608)
---	-----------

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>(4,658,115)</u>
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Net Position of Governmental Activities	<u><u>\$ 69,548,835</u></u>
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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, 2018

EXHIBIT E

	General Operating Fund
Revenues	
Taxes	\$ 2,369,491
Licenses and Permits	89,079
Federal Grants	1,106,493
State Grants	11,680,797
Contributions From Local Units	3,297,103
Charges for Services	13,489
Interest and Rents	130,620
Other Revenue	50,006
Total Revenues	<u>18,737,078</u>
Expenditures	
Public Works	15,717,731
Capital Outlay (Net)	390,897
Debt Service	<u>411,379</u>
Total Expenditures	<u>16,520,007</u>
Excess of Revenues Over (Under) Expenditures	2,217,071
Other Financing Sources	
Gain on Equipment Disposal	<u>35,780</u>
Total Other Financing Sources	<u>35,780</u>
Net Change in Fund Balance	2,252,851
Fund Balance--January 1, 2018	<u>7,606,992</u>
Fund Balance--December 31, 2018	<u>\$ 9,859,843</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, 2018

EXHIBIT F

Net Change in Fund Balance--Total Governmental Funds \$ 2,252,851

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	5,725,938
Deduct--Depreciation Expense	(5,395,751)
Deduct--Equipment Retirements	(291)

Repayment of notes/leases payable is an expenditure in governmental funds, but reduces the long-term liabilities in the Statement of Net Position.	385,000
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(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.	(21,042)
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Other postemployment benefit obligation expense is recognized in the Statement of Activities, but not in the governmental funds.	4,689,280
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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.	4,151
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Change in Net Position of Governmental Activities	\$ 7,640,136
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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, 2018

EXHIBIT G

	Pension Trust	Retiree Health Care Trust
<u>ASSETS</u>		
Investments at Fair Market Value		
Money Markets	\$ 317,881	\$ -
US Government, Agencies, and Corporate Securities	1,993,876	-
Equity Funds	4,375,195	-
Real Estate Investments	636,021	-
Alternative Investments	487,743	-
MERS Total Market Funds	-	653,326
Total Assets	<u>7,810,716</u>	<u>653,326</u>
<u>LIABILITIES</u>		
Total Liabilities	<u>-</u>	<u>-</u>
<u>NET POSITION</u>		
Restricted for Pension/Retiree Health Care Benefits	<u>\$ 7,810,716</u>	<u>\$ 653,326</u>

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, 2018

EXHIBIT H

	Pension Trust	Retiree Health Care Trust
Additions		
Contributions		
Employer	\$ 275,000	\$ 320,000
Employee	96,622	-
Total Contributions	371,622	320,000
Investment Income		
Interest and Dividends	307,792	(24,551)
Realized Gain (Loss) From Sale of Investments	311,091	-
Net Appreciation (Depreciation) in Fair Value of Investments	(1,118,032)	-
Net Investment Income (Loss)	(499,149)	(24,551)
Total Additions	(127,527)	295,449
Deductions		
Benefit Payments	646,673	-
Administrative and Other Expenses	40,894	1,264
Total Deductions	687,567	1,264
Change in Net Position	(815,094)	294,185
Net Position Restricted for Pension Benefits		
Beginning of Year	8,625,810	359,141
End of Year	\$ 7,810,716	\$ 653,326

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, 2018

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, 2018

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, 2018

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, 2018; and is recognized as revenue in the year ended December 31, 2019, when the proceeds of the levy are budgeted and available for the financing of operations. The 2018 taxable valuation of Van Buren County amounted to \$4,251,179,075, less \$631,807,910 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 a total receivable of \$2,400,000.

The county's 2018 ad valorem tax is levied and collectible on December 1, 2018, and is reported as taxes receivable and is offset by (deferred inflow of resources) unavailable revenue as of December 31, 2018.

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 \$1,000 and an estimated useful life in excess of two years. 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, 2018

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 \$2,400,000 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, 2018

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 2017 taxable valuation of Van Buren County amounted to \$4,181,195,998, less \$643,406,266 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 \$2,369,491.

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 \$862,740.

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, 2018

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, 2018

NOTE C--CASH DEPOSITS AND INVESTMENTS (Continued)

The Road Commission has designated one bank and 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:

	Operating Fund	Trust Funds	Total
Cash	\$ 7,050,929	\$ -	\$ 7,050,929
Investments	-	8,464,042	8,464,042
	<u>\$ 7,050,929</u>	<u>\$ 8,464,042</u>	<u>\$ 15,514,971</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 \$7,203,304 of which \$29,811 is covered by Federal depository insurance and \$1,250,000 is NCUA insured. The remaining \$5,923,493 is uncollateralized. The Road Commission believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Road Commission evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. 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.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

NOTE C--CASH DEPOSITS AND INVESTMENTS (Continued)

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.

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

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 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.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

NOTE C--CASH DEPOSITS AND INVESTMENTS (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The Road Commission holds \$7,810,716 in shares or interests in the Fifth Third investment account and \$653,326 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, 2018

NOTE D--CAPITAL ASSETS

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

	Account Balances 01/01/18	Additions	Deductions	Account Balances 12/31/18
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 380,512	\$ -	\$ -	\$ 380,512
Infrastructure Right of Ways	24,429	20,217	-	44,646
Infrastructure Land Improvements	11,856,421	-	-	11,856,421
Subtotal	12,261,362	20,217	-	12,281,579
Capital Assets Being Depreciated				
Land Improvements	561,495	-	-	561,495
Buildings and Improvements	7,281,919	17,173	-	7,299,092
Road Equipment	10,149,127	1,437,977	99,841	11,487,263
Shop Equipment	181,699	3,400	-	185,099
Office Equipment	89,800	32,178	-	121,978
Engineers' Equipment	92,183	12,188	-	104,371
Yard and Storage	231,345	-	-	231,345
Depletable Assets	146,078	-	-	146,078
Infrastructure--Traffic Signals	287,452	-	-	287,452
Infrastructure--Bridges	14,809,581	117,011	-	14,926,592
Infrastructure--Roads	75,155,627	4,085,794	2,375,523	76,865,898
Total	108,986,306	5,705,721	2,475,364	112,216,663
Less Accumulated Depreciation				
Land Improvements	250,677	20,784	-	271,461
Buildings and Improvements	2,151,418	146,502	-	2,297,920
Road Equipment	8,228,259	941,254	99,550	9,069,963
Shop Equipment	155,264	5,523	-	160,787
Office Equipment	82,390	6,002	-	88,392
Engineers' Equipment	77,476	6,525	-	84,001
Yard and Storage	165,655	5,059	-	170,714
Depletable Assets	108,122	296	-	108,418
Infrastructure--Traffic Signals	161,369	15,760	-	177,129
Infrastructure--Bridges	5,147,460	478,924	-	5,626,384
Infrastructure--Roads	33,630,269	3,769,122	2,375,523	35,023,868
Total	50,158,359	5,395,751	2,475,073	53,079,037
Net Capital Assets Being Depreciated	58,827,947	309,970	291	59,137,626
Total Net Capital Assets	\$ 71,089,309	\$ 330,187	\$ 291	\$ 71,419,205

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

NOTE D--CAPITAL ASSETS (Continued)

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

Net Equipment Expense	
Direct Equipment	\$ 941,254
Indirect Equipment	175,473
Net Administrative Expenses	
Building	12,077
Engineering	280
Office Equipment	2,565
Depletable Assets	296
Infrastructure Depreciation Expense	<u>4,263,806</u>
Total Depreciation Expense	<u>\$ 5,395,751</u>

NOTE E--LONG-TERM DEBT

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

	Balance 1/1/2018	Additions	(Reductions)	Balance 12/31/18	Due Within One Year
2012 Refunding Bonds for 2006 Installment Purchase Agreement for New Garage at an interest rate of 1.86%	\$1,595,000	\$ -	\$ (385,000)	\$1,210,000	\$ 395,000
Vested Employee Benefits Vacation and Sick Leave	<u>196,940</u>	<u>21,042</u>	<u>-</u>	<u>217,982</u>	<u>130,789</u>
Totals	<u>\$1,791,940</u>	<u>\$ 21,042</u>	<u>\$ (385,000)</u>	<u>\$1,427,982</u>	<u>\$ 525,789</u>

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

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.

Year	Principal	Interest		Annual
	1-June	1-June	1-Dec	Total
2019	\$ 395,000	\$ 11,253	\$ 7,579	\$ 413,832
2020	405,000	7,579	3,813	416,392
2021	410,000	3,813	-	413,813
Total	<u>\$ 1,210,000</u>	<u>\$ 22,645</u>	<u>\$ 11,392</u>	<u>\$ 1,244,037</u>

Vested Employee Benefits

Vacation is earned based on the following schedule.

Bargaining Unit		Non-Union Employees	
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, 2018, there was \$98,778 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, 2018

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, 2018, there was a total of \$119,204 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 liability, 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, 2018, Retirement Plan membership consisted of the following:

Inactive Plan Members Receiving Benefits	43
Inactive Members Entitled To, Not Yet Receiving Benefits	8
Active Plan Members	50
Total Participants	<u>101</u>

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

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 liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2019, and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00%
Salary increases	2.00%
Investment rate of return	4.78%

The mortality tables used were the RP-2014 Blue Collar Mortality with modified MP-2018 improvement factors. Improvement factors have been modified to change ultimate rate to 0.50%.

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, 2019 (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, 2018

NOTE F--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	47%	5.23%
International Equity	13%	6.47%
Fixed Income	23%	3.03%
Real Estate	8%	5.88%
Cash	3%	3.13%
Alternative Funds	6%	3.72%

The sum of each target allocation times its long-term expected real rate is 4.78%. The long-term expected rate of return is 6.78%.

Discount Rate: The discount rate used to measure the total pension liability was 6.75%. 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 not to be sufficient to make all projected future benefit payments of current plan members.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance--January 1, 2018	\$ 8,781,873	\$ 8,626,089	\$ 155,784
Changes for the Year			
Service Cost	135,102	-	135,102
Interest	580,070	-	580,070
Experience (Gains)/Losses	(41,430)	-	(41,430)
Change in Actuarial Assumptions	(40,247)	-	(40,247)
Contributions-Employer	-	275,000	(275,000)
Contributions-Employee	-	96,622	(96,622)
Net Investment Income	-	(499,057)	499,057
Benefit Payments, Including Refunds of Employee Contributions	(646,673)	(646,673)	-
Administration Expense	-	(40,894)	40,894
Net Changes	(13,178)	(815,002)	801,824
Balance--December 31, 2018	<u>\$ 8,768,695</u>	<u>\$ 7,811,087</u>	<u>\$ 957,608</u>

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

NOTE F--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability (NPL) of the Road Commission, calculated using the discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	<u>1% Decrease, 5.75%</u>	<u>Current Discount Rate, 6.75%</u>	<u>1% Increase, 7.75%</u>
Total Pension Liability	\$ 9,751,194	\$ 8,768,695	\$ 7,935,986
Plan Fiduciary Net Position	<u>(7,811,087)</u>	<u>(7,811,087)</u>	<u>(7,811,087)</u>
Net Pension Liability	<u>\$ 1,940,107</u>	<u>\$ 957,608</u>	<u>\$ 124,899</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, 2018, the Road Commission recognized pension expense of (\$4,151). At December 31, 2018, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Experience (Gains)/Losses	\$ 64,108	\$ 518,342
Changes in Assumptions	1,415,644	1,283,809
Investment Earnings (Gains)/Losses	<u>584,889</u>	<u>-</u>
Total	<u>\$ 2,064,641</u>	<u>\$ 1,802,151</u>

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

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>
2019	\$ 183,005
2020	94,454
2021	66,308
2022	205,134
Thereafter	(286,411)

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, 2018

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, 2018

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. At the September 30, 2018, the following employees were covered by the benefit terms:

Inactive Plan Members Receiving or Entitled To Future Benefits	34
Covered Spouse	24
Active Plan Participants	55
Total Participants	<u>113</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 \$270,055 for the benefit. In addition to the "pay-as-you-go" amount, the Road Commission also contributed \$320,000 to a MERS OPEB Trust Fund.

Net OPEB Liability. The Road Commission's net OPEB liability was measured as of December 31, 2018.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018 and the following actuarial assumptions were use in the measurement:

Inflation	2.5%
Salary Increases	3.5%
Investment Rate of Return	7.75% (including inflation)
GASB 74/75 Discount Rate	5.28%
PA 202 Uniform Discount Rate	4.71%
Mortality	RP-2014 adjusted to 2006 total data set, headcount weighted with MP-2018 improvement

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

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, 2018, are summarized in the following table:

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

The sum of each target allocation times its long-term expected real rate is 5.25%. Together with 2.5% inflation, the long-term expected rate of return after including inflation is 7.75%.

Discount Rate. The discount rate used to measure the total OPEB liability was 5.28%. The projection of cash flows used to determine the discount rate assumed that Road Commission contributions will be \$320,000 will be made annually. Based on those assumptions, the retirement plan's fiduciary net position was not 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, 2017 was 3.21%.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

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, 2018	\$ 14,655,534	\$ 359,141	\$ 14,296,393
Changes for the Year:			
Service Cost	338,446	-	338,446
Interest	476,973	-	476,973
Change in Expected and Actual Experience	(3,755,304)	-	(3,755,304)
Change in Plan Terms	(4,387,422)	-	(4,387,422)
Change in Actuarial Assumptions	(1,718,338)	-	(1,718,338)
Contributions - Employer	-	590,055	(590,055)
Net Investment Income	-	(24,551)	24,551
Benefit Payments, Including Refunds	(270,055)	(270,055)	-
Administrative Expenses	-	(1,264)	1,264
Net Changes	(9,315,700)	294,185	(9,609,885)
Balance at December 31, 2018	<u>\$ 5,339,834</u>	<u>\$ 653,326</u>	<u>\$ 4,686,508</u>

Sensitivity of the net OPEB liability to changes in the discount rate and 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 a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB Liability of the Road Commission	\$ 5,186,600	\$ 4,686,508	\$ 4,253,926

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>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB Liability of the Road Commission	\$ 4,604,136	\$ 4,686,508	\$ 4,773,366

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

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, 2018, the Road Commission recognized OPEB expense of (\$4,689,280). At December 31, 2018, 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	\$ -	\$3,411,412
Differences in Assumptions	-	1,560,981
Excess (Deficit) Investment Returns	51,788	-
Total	<u>\$ 51,788</u>	<u>\$4,972,393</u>

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

Years Ending September 30	Amount
2019	\$ (488,302)
2020	(488,302)
2021	(488,302)
2022	(488,302)
2023	(501,249)
Thereafter	(2,466,146)

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, 2018

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, 2018, 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, 2018, the Federal grants received and expended by the Road Commission was \$1,106,493 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, 2018.

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, 2018, the Road Commission's property tax revenue for general operations were reduced by \$30,838 under the IFT program.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

NOTE L--RESTATEMENT OF NET POSITION

During the current fiscal year, the Road Commission adopted GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Due to this implementation, the government-wide statements now include a net OPEB liability for unfunded OPEB obligations. The statement of net position is restated to record the liability as of October 1, 2017:

	<u>Governmental Activities</u>
Beginning Net Position--January 1, 2018	\$ 71,021,408
Net OPEB Liability	(14,296,393)
Net OPEB Obligation	<u>5,183,684</u>
Restated Beginning Net Position--January 1, 2018	<u>\$ 61,908,699</u>

NOTE M--CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented during the year. This Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. This Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73* was also implemented during the year. This Statement addresses issues regarding (1) the presentation of payroll related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTE N--UPCOMING REPORTING CHANGE

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Road Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

NOTE N--UPCOMING REPORTING CHANGE (Continued)

In June 2017, the GASB issued Statement No. 87, Leases. The Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. The Road Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

In April 2018, the GASB issued Statements No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The Road Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

VAN BUREN COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL OPERATING FUND--
SCHEDULE OF REVENUES--
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2018

EXHIBIT I

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes				
Property Taxes	\$ 2,400,000	\$ 2,400,000	\$ 2,369,491	\$ (30,509)
Licenses and Permits				
Weight Permits	-	50,000	89,079	39,079
Federal Grants				
Surface Transportation Program	1,386,207	750,000	751,572	1,572
Transportation Alternative Program	355,000	350,000	354,921	4,921
State Grants				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Primary Road	4,792,800	5,210,000	5,059,359	(150,641)
Local Road	3,193,200	3,375,000	3,282,950	(92,050)
Primary Urban Road	360,000	417,000	410,430	(6,570)
Local Urban Road	144,000	174,000	172,527	(1,473)
Snow Removal	55,000	55,000	71,867	16,867
Economic Development Funds				
Rural Primary (D)	-	20,000	21,708	1,708
Erosion Mitigation Grant	-	730,000	731,274	1,274
Local Community Stabilization Funds	-	-	111,223	111,223
Other State Grants	375,000	1,758,000	1,809,459	51,459
Contributions--Local Units				
Townships	3,000,000	3,000,000	3,297,103	297,103
Charges for Services				
Salvage Sales	-	10,000	12,671	2,671
Other Charges for Services	-	-	818	818
Interest and Rents				
Interest Earned	50,000	50,000	120,655	70,655
Rents and Royalties	-	-	9,965	9,965
Other Revenue				
Contributions From Private Sources	-	25,000	37,710	12,710
Reimbursements	-	10,000	12,296	2,296
Total Revenue	16,121,207	18,394,000	18,737,078	343,078
Other Financing Sources				
Gain on Equipment Disposal	30,000	35,000	35,780	780
Total Other Financing Sources	30,000	35,000	35,780	780
Total Revenues and Other Financing Sources	16,151,207	18,429,000	\$ 18,772,858	\$ 343,858
Fund Balance--January 1, 2018	7,100,000	7,606,992		
Total Budget	\$ 23,251,207	\$ 26,035,992		

VAN BUREN COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL OPERATING FUND--
SCHEDULE OF EXPENDITURES--
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2018

EXHIBIT J

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Preservation/Structural Improvements	\$ 3,341,375	\$ 3,345,741	\$ 2,500,588	\$ 845,153
Routine and Preventive Maintenance	2,506,600	3,477,856	3,065,735	412,121
Local Road				
Preservation/Structural Improvements	1,032,409	1,844,296	1,585,206	259,090
Routine and Preventive Maintenance	5,764,000	6,625,720	5,872,434	753,286
Primary Road Structure				
Preservation/Structural Improvements	220,000	20,000	-	20,000
Routine and Preventive Maintenance	5,000	10,568	6,671	3,897
Local Road Structure				
Preservation/Structural Improvements	-	211,200	117,011	94,189
Routine and Preventive Maintenance	10,000	16,696	13,596	3,100
Non-Road Projects	735,000	835,973	824,644	11,329
Equipment Expense--Net	200,000	710,002		
Direct			\$ 2,258,239	
Indirect			952,946	
Operating			375,753	
Less: Equipment Rentals			(2,894,973)	18,037
Distributive Expense	2,500,000	-	-	-
Administrative Expense--Net	680,000	1,126,948		
Administrative Expense			1,054,920	
Less: Purchase Discounts			(6,181)	
Overhead--Other			(8,858)	87,067
Capital Outlay--Net	552,321	751,711		
Capital Outlay			1,523,133	
Less: Depreciation Credits			(1,131,945)	
Less: Equipment Retirements			(291)	360,814
Debt Service				
Principal Payments	385,000	385,000	385,000	-
Interest Expense	27,000	27,000	26,379	621
Total Expenditures	17,958,705	19,388,711	\$ 16,520,007	\$ 2,868,704
Fund Balance--December 31, 2018	5,292,502	6,647,281		
Total Budget	\$ 23,251,207	\$ 26,035,992		

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, 2018

EXHIBIT K

	2018	2017	2016	2015
Total Pension Liability				
Service Cost	\$ 135,102	\$ 198,661	\$ 148,764	\$ 153,672
Interest	580,070	565,279	617,922	578,498
Difference Between Expected and Actual Experience	(41,430)	(338,245)	(267,451)	88,508
Change of Assumptions	(40,247)	(924,433)	1,910,047	(657,908)
Benefit Payments Including Employee Refunds	(646,673)	(500,302)	(484,893)	(555,112)
Net Change in Total Pension Liability	(13,178)	(999,040)	1,924,389	(392,342)
Total Pension Liability Beginning	8,781,873	9,780,913	7,856,524	8,248,866
Total Pension Liability Ending	<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	\$ 279,235	\$ 256,819
Contributions-Employee	96,622	94,985	92,207	88,433
Net Investment Income	(499,057)	1,189,073	436,010	81,295
Benefit Payments Including Employee Refunds	(646,673)	(500,302)	(484,893)	(555,112)
Administrative Expense	(40,894)	(39,756)	(34,898)	(34,416)
Net Change in Plan Fiduciary Net Position	(815,002)	1,019,000	287,661	(162,981)
Plan Fiduciary Net Position Beginning	8,626,089	7,607,089	7,319,428	7,482,409
Plan Fiduciary Net Position Ending	<u>\$ 7,811,087</u>	<u>\$ 8,626,089</u>	<u>\$ 7,607,089</u>	<u>\$ 7,319,428</u>
Employer Net Pension Liability	<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	89%	98%	78%	93%
Covered Employee Payroll	\$ 2,292,097	\$ 1,884,986	\$ 2,089,983	\$ 2,105,542
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	42%	8%	104%	26%

Notes to Schedule:

Benefit Changes: There were no benefit changes affecting the 2018 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

EXHIBIT L

For the Year Ended December 31, 2018

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarial Determined Contributions	\$ 137,237	\$ 215,978	\$ 274,432	\$ 256,819	\$ 225,235	\$ 280,124	\$ 248,450	\$ 195,592	\$ 207,949	\$ 260,319
Contributions in Relation to the Actuarially Determined Contribution	<u>275,000</u>	<u>275,000</u>	<u>279,235</u>	<u>256,819</u>	<u>225,235</u>	<u>280,124</u>	<u>248,450</u>	<u>195,592</u>	<u>207,949</u>	<u>260,319</u>
Contribution Deficiency (excess)	<u>\$ (137,763)</u>	<u>\$ (59,022)</u>	<u>\$ (4,803)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 2,292,097	\$ 2,089,983	\$ 2,089,983	\$ 2,105,542	\$ 1,797,557	\$ 1,996,727	\$ 1,842,529	\$ 1,846,850	\$ 1,838,616	\$ 1,845,023
Contributions as a Percentage of Covered Employee Payroll	12%	13%	13%	12%	13%	14%	13%	11%	11%	14%

Notes to Schedule

Methods and Assumptions Used to Determine Contribution Rates:

Valuation Date	January 1, 2019
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	RP-2014 Blue Collar Mortality with modified MP-2014 improvement factors. Improvement factors have been modified to change the convergence period to 8 years and the ultimate rate to 0.50%.
Salary Scale	2% per annum, compounded annually
Post-Disablement Mortality Rates	The 1955 UAW Disability Table
Turnover Rates	5% at age 20 downgraded down to 0% at age 55
Ancillary Benefits Valued	Vesting and pre-retirement death
Normal Cost Expenses	Estimate based on prior year's expenses
Number of Employees Married	Assume all employees are married and that the female spouse is four years younger than male spouse
Date and Form of Data	All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit by Watkins Ross
Changes Since Prior Valuation	None

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, 2018

EXHIBIT M

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 338,446
Interest	476,973
Change in Benefit Terms	(4,387,422)
Difference between Expected and Actual Experience	(3,755,304)
Change of Assumptions	(1,718,338)
Benefit Payments Including Employee Refunds	<u>(270,055)</u>
Net Change in Total OPEB Liability	<u>(9,315,700)</u>
Total OPEB Liability Beginning	<u>14,655,534</u>
Total OPEB Liability Ending	<u><u>\$ 5,339,834</u></u>
Plan Fiduciary Net Position	
Contributions-Employer	\$ 590,055
Net Investment Income	(24,551)
Benefit Payments Including Employee Refunds	(270,055)
Administrative Expense	<u>(1,264)</u>
Net Change in Plan Fiduciary Net Position	<u>294,185</u>
Plan Fiduciary Net Position Beginning	<u>359,141</u>
Plan Fiduciary Net Position Ending	<u><u>\$ 653,326</u></u>
Employer Net OPEB Liability	<u><u>\$ 4,686,508</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12%
Covered Employee Payroll	\$ 3,024,031
Employer's Net OPEB Liability as a Percentage of Covered Employee Payroll	155%

Notes to Schedule:

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

Assumption Changes: Mortality tables updated from IRS tables, trend rates updated, salary scale updated from 1.5%, discount rate changed from 3.21%, and marital assumption changed from 75%.

*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, 2018

EXHIBIT N

	<u>2018</u>
Actuarial Determined Contributions	\$ 414,688
Contributions in Relation to the Actuarially Determined Contribution	<u>270,055</u>
Contribution Deficiency (excess)	<u>\$ 144,633</u>
Covered Employee Payroll	\$ 3,024,031
Contributions as a Percentage of Covered Employee Payroll	9%

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, 2018

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal (level of percentage of compensation)
Amortization Method	Level percent of pay
Asset Valuation Method	Market value of assets
Discount Rate	5.28% for December 31, 2018 liability and 2019 contribution
Salary Scale	Rationale-Average effective rate consisting of long-term return on assets and 20-year Aa Municipal Bond rate
Return on Plan Assets	3.5%
Mortality Rates	Rationale-consistent with Uniform Assumptions under Public Act 202
Turnover Rates	7.75%
Retirement Rates	Rationale-based on long term investment strategy
Marital Status	RP-2014 adjusted to 2006 total data set, headcount weighted with MP-2018 improvement
	Rationale-Contemporary table consistent with Uniform Assumptions under Public Act 202
	Age 20-5.5%; Age 25-4.9%, Age 30-3.7%, Age 35-2.4%, Age 40-1.1%, Age 45-.3%, Age 50-0%
	Rationale-Based on employer experience
	Later of age 62 and eligibility
	Rationale-Based on past employer experience
	Actual marital status used for future and current retirees; spouses of employees that are not eligible for an employer contribution toward spousal coverage at retirement will not stay on the plan
	Rationale-Based on past employer experience

VAN BUREN COUNTY ROAD COMMISSION
SCHEDULE OF ROAD COMMISSION'S CONTRIBUTIONS--OPEB
For the Fiscal Year Ending December 31, 2018

EXHIBIT N
(Continued)

Methods and Assumptions Used to Determine Contribution Rates (continued):

Medical Cost Basis Pre-65 Single-\$590.46; Pre-65 Double-\$1,402.11; Medicare Eligible-\$374.52
Rationale-Actual monthly medical premiums in effect for 2019

Annual Medical Costs	Age	Retiree		Spouse	
		Male	Female	Male	Female
	50	\$ 7,680	\$ 9,107	\$ 10,556	\$ 12,518
	55	9,984	10,528	13,724	14,472
	60	12,812	12,528	17,611	17,221
	65	4,494	4,494	4,494	4,494

Medical Trend Rationale-Age-weighted annual costs based on pre-65 premiums in effect for 2019; actual post-65 annual premiums for 2019

Pre-65 - 8.5% in 2020 graded down to 4.5% by .25%

Post-65 - 7.0% in 2020 graded down to 4.5% by .25%

Rationale - consistent with Uniform Assumptions under Public Act 202

Implicit Subsidy Age-weighted cost valued
Rationale-Active employees and pre-65 retirees are covered at the same premium rates

40% Excise Tax on "High Cost" Group Health Coverage Premiums are not projected to exceed the 2022 thresholds for many years so impact is minimal; the thresholds were indexed by CPI plus 1% in 2023 and CPI only beginning in 2024; the CPI is assumed to be 3% in 2023 and following

Data Collection Date and form of data-All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit by Watkins Ross

Assumption Changes Since Prior Valuation Mortality tables updated from IRS tables, trend rates updated, salary scale updated from 1.5%, discount rate changed from 3.21%, and marital assumption changed from 75%.

VAN BUREN COUNTY ROAD COMMISSION
GENERAL OPERATING FUND--
ANALYSIS OF CHANGES IN FUND BALANCES
For the Year Ended December 31, 2018

EXHIBIT O

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$ 6,776,247	\$ 7,580,190	\$ 4,380,641	\$ 18,737,078
Total Expenditures	<u>6,243,017</u>	<u>8,602,662</u>	<u>1,674,328</u>	<u>16,520,007</u>
Excess of Revenues Over (Under) Expenditures	<u>533,230</u>	<u>(1,022,472)</u>	<u>2,706,313</u>	<u>2,217,071</u>
Other Financing Sources (Uses)				
Gain on Equipment Disposal	-	-	35,780	35,780
Optional Transfers	<u>(533,230)</u>	<u>1,022,472</u>	<u>(489,242)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(533,230)</u>	<u>1,022,472</u>	<u>(453,462)</u>	<u>35,780</u>
Excess of Revenues Over (Under) Expenditures and Other Financing Sources and (Uses)	-	-	2,252,851	2,252,851
Fund Balance--January 1, 2018	<u>-</u>	<u>-</u>	<u>7,606,992</u>	<u>7,606,992</u>
Fund Balance--December 31, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,859,843</u>	<u>\$ 9,859,843</u>

VAN BUREN COUNTY ROAD COMMISSION
GENERAL OPERATING FUND--
ANALYSIS OF REVENUES
For the Year Ended December 31, 2018

EXHIBIT P

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Taxes				
Property Taxes	\$ -	\$ 924,000	\$ 1,445,491	\$ 2,369,491
Licenses and Permits				
Weight Permits	-	-	89,079	89,079
Federal Grants				
Surface Transportation Program	751,572	-	-	751,572
Transportation Alternative Program	354,921	-	-	354,921
State Grants				
Michigan Transportation Fund				
Engineering	6,065	3,935	-	10,000
Allocation	5,059,359	3,282,950	-	8,342,309
Urban	410,430	172,527	-	582,957
Snow Removal	33,777	38,090	-	71,867
Economic Development Fund				
Rural Primary (D)	21,708	-	-	21,708
Erosion Mitigation Grant	-	-	731,274	731,274
Local Community Stabilization Funds	-	-	111,223	111,223
Other State Grants	-	-	1,809,459	1,809,459
Contributions--Local Units				
Townships	138,415	3,158,688	-	3,297,103
Charges for Services				
Salvage Sales	-	-	12,671	12,671
Other Charges for Services	-	-	818	818
Interest and Rents				
Interest Earned	-	-	120,655	120,655
Rents and Royalties	-	-	9,965	9,965
Other Revenue				
Contributions From Private Sources	-	-	37,710	37,710
Reimbursements	-	-	12,296	12,296
Total Revenue	<u>6,776,247</u>	<u>7,580,190</u>	<u>4,380,641</u>	<u>18,737,078</u>
Other Financing Sources				
Gain on Equipment Disposal	-	-	35,780	35,780
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>35,780</u>	<u>35,780</u>
Total Revenue and Other Financing Sources	<u>\$ 6,776,247</u>	<u>\$ 7,580,190</u>	<u>\$ 4,416,421</u>	<u>\$ 18,772,858</u>

VAN BUREN COUNTY ROAD COMMISSION
GENERAL OPERATING FUND--
ANALYSIS OF EXPENDITURES
For the Year Ended December 31, 2018

EXHIBIT Q

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Preservation/Structural Improvements	\$ 2,500,588	\$ -	\$ -	\$ 2,500,588
Routine and Preventive Maintenance	3,065,735	-	-	3,065,735
Local Road				
Preservation/Structural Improvements	-	1,585,206	-	1,585,206
Routine and Preventive Maintenance	-	5,872,434	-	5,872,434
Primary Road Structures				
Routine and Preventive Maintenance	6,671	-	-	6,671
Local Road Structures				
Preservation/Structural Improvements	-	117,011	-	117,011
Routine and Preventive Maintenance	-	13,596	-	13,596
Non-Road Projects	-	-	824,644	824,644
Equipment Expense--Net (Per Exhibit J)	229,696	414,861	47,408	691,965
Administrative Expense--Net (Per Exhibit J)	440,327	599,554	-	1,039,881
Capital Outlay--Net (Per Exhibit J)	-	-	390,897	390,897
Debt Service				
Principal Payments	-	-	385,000	385,000
Interest Payments	-	-	26,379	26,379
Total Expenditures	<u>\$ 6,243,017</u>	<u>\$ 8,602,662</u>	<u>\$ 1,674,328</u>	<u>\$ 16,520,007</u>



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

June 24, 2019

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, 2018, 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 24, 2019.

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



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

June 24, 2019

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, 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, 2018, and have issued our report thereon dated June 24, 2019. 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 April 29, 2019, 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. As described in Note M, during the fiscal year ended December 31, 2018, the Road Commission implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement of net position now includes additional information related to the postemployment benefits other than pension in the government-wide statements and more detailed information in the notes 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, estimates and assumptions are determined by MERS and its actuary, based on the

Road Commission's negotiations with its bargaining units and resolutions of the Board of County Road Commissioners. For retiree healthcare, the estimates and assumptions are based on actuarial techniques. 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 24, 2019.

Management Consultations with Other Independent Accountants

In some cases, management June 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 24, 2019

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