

Clinton County  
Road Commission  
(a Component Unit  
of Clinton County,  
Michigan)



Year Ended  
December 31, 2020

Financial  
Statements and  
Supplementary  
Information

**Rehmann**

# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

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**CLINTON COUNTY ROAD COMMISSION**  
**(a Component Unit of Clinton County, Michigan)**

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## INDEPENDENT AUDITORS' REPORT

April 15, 2021

Members of the Board of County  
Road Commissioners  
Clinton County Road Commission  
St. Johns, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund and the remaining fund information of the **Clinton County Road Commission** (the "Road Commission"), a discretely presented component unit of Clinton County, Michigan, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the 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.

### ***Independent Auditors' 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.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Road Commission's basic financial statements. The operating fund schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The operating fund schedules are the responsibility of management and were derived from and relate 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 information 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 April 15, 2021, on our consideration of the Clinton County Road Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Clinton County Road Commission's internal control over financial reporting and compliance.

*Rehmann Lobson LLC*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

### Management's Discussion and Analysis

As management of the Clinton County Road Commission (the "Road Commission"), we offer the readers of the Road Commission's financial statements this narrative overview and analysis of the financial activities of the Road Commission for the fiscal year ended December 31, 2020. The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Road Commission and present a long-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

#### Financial Highlights

Net position may, over time, enable governmental agencies to determine their overall fiscal position. The Road Commission's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$73,759,517 at the end of the 2020 fiscal year. Net position, however, must be understood to include all assets of the governmental entity, and may include significant capital improvements that are not exchangeable. For the Clinton County Road Commission, all public infrastructure in the right-of-way is included in this category, and includes pavement, gravel, bridges, pipes, guardrail, signs, etc.

#### Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding the Road Commission's basic financial statements. These statements comprise three components: (1) government-wide financial statements (2) fund financial statements, and (3) notes to the financial statements. Supplementary information is also provided for additional informational purposes.

#### Government-wide Statements

The *statement of net position* presents information on all the Road Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of the Road Commission's overall fiscal position.

The *statement of activities* presents information showing how the Road Commission's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The government-wide financial presentation includes only the Road Commission itself (known as the Primary government). The Road Commission's other postemployment benefit plan is considered a separate component unit for which the Road Commission is financially accountable. The Road Commission is a component unit of the County of Clinton, Michigan.

# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

### Management's Discussion and Analysis

#### Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Road Commission, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Road Commission is accounted for in a governmental fund (General Operating Fund).

#### Governmental Funds

Governmental funds are used to account for essentially the same function reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal period. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Road Commission's near-term financing decisions. Both the General Operating Fund balance sheet and the General Operating Fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between the General Operating Fund and the government-wide statements.

The Road Commission maintains one governmental fund (General Operating Fund). Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balance. The General Operating Fund is a major fund for financial reporting purposes.

The Road Commission adopts an annual appropriated budget for the General Operating Fund. A budgetary comparison statement has been provided herein to demonstrate compliance with the budget.

The Road Commission does not maintain proprietary funds.

#### Component Unit Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Road Commission's own programs. The Other Postemployment Benefits Trust component unit fiduciary fund is used for the accumulation of restricted funds for the payment of retiree benefits.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Road Commission's financial statements.

# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

### Management's Discussion and Analysis

#### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This consists of this management's discussion and analysis as well as information related to the Road Commission's defined benefit pension and other postemployment benefit plans.

#### Condensed Statements of Net Position

	2020	2019
<b>Assets</b>		
Current and other assets	\$ 9,059,469	\$ 10,608,899
Capital assets, net	<u>71,489,571</u>	<u>70,414,917</u>
<b>Total assets</b>	<u>80,549,040</u>	<u>81,023,816</u>
<b>Deferred outflows of resources</b>	<u>3,217,479</u>	<u>3,658,456</u>
<b>Liabilities</b>		
Current and other liabilities	8,602,332	13,832,875
Long-term debt outstanding	<u>543,265</u>	<u>590,389</u>
<b>Total liabilities</b>	<u>9,145,597</u>	<u>14,423,264</u>
<b>Deferred inflows of resources</b>	<u>605,663</u>	<u>1,013,001</u>
<b>Net position</b>		
Investment in capital assets	71,489,571	70,414,917
Restricted	5,988,331	2,807,260
Unrestricted (deficit)	<u>(3,718,385)</u>	<u>(3,976,170)</u>
<b>Total net position</b>	<u>\$ 73,759,517</u>	<u>\$ 69,246,007</u>

# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

### Management's Discussion and Analysis

#### Condensed Statements of Activities

	2020	2019
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,048,159	\$ 1,244,097
Operating grants and contributions	16,692,715	15,655,072
Capital grants and contributions	4,217,880	4,392,719
General revenues	56,765	102,868
<b>Total revenues</b>	<u>22,015,519</u>	<u>21,394,756</u>
<b>Expenses</b>		
Public works	<u>17,502,009</u>	<u>12,326,479</u>
<b>Change in net position</b>	4,513,510	9,068,277
Net position, beginning of year	<u>69,246,007</u>	<u>60,177,730</u>
<b>Net position, end of year</b>	<u><u>\$ 73,759,517</u></u>	<u><u>\$ 69,246,007</u></u>

Net position increased during the year by \$4,513,510 primarily due to ongoing revenues exceeding ongoing expenditures on road projects and additional funding from the State of Michigan. Current and other liabilities decreased due to a decrease in unearned revenue as the Road Commission continues to spend down the advanced State grant funding the Coleman Road project. The increase in expenses was caused by a shift in the nature of 2020 projects from construction and preservation to routine maintenance as compared with 2019.

#### Financial Analysis of the Road Commission's General Operating Fund

For the year ended December 31, 2020, the fund balance of the General Fund increased by \$1,919,522, as compared to a decrease of \$1,063,764 for the prior year. Total revenues and the other financing source came to \$21,929,402, an increase of \$534,644 as compared to last year. Total expenditures for 2020 amounted to \$20,009,880, a decrease of \$2,448,642 over the prior year.

While revenues remained relatively flat (increased approximately 3%), the significant decrease in fund expenditures was the result of the following:

- Expenditures for primary roads decreased by \$2.96 million, due to the unknown impact of COVID-19 on Michigan Transportation Fund revenue as well as some Federal Aid projects that were planned for 2020 were rescheduled to 2021.
- Administrative expenditures (net) decreased by \$559,712 over the prior year because of the increase in overhead received on the Coleman Road extension project.
- Equipment expenditures (net) increased by \$183,829 in 2020, caused by the reduction in equipment rental credits earned. That decrease was caused by the reduction in projects as noted above.

## **CLINTON COUNTY ROAD COMMISSION**

### **(a Component Unit of Clinton County, Michigan)**

#### **Management's Discussion and Analysis**

- Expenditures for non-road projects increased by \$1.54 million mostly due to the cost of purchasing federal aid from a neighboring jurisdiction.
- Expenditures for capital outlay (net) decreased by \$555,343 because there was reduced capital outlay for right of way acquisition in 2020 as compared to 2019.

#### **General Operating Fund Budgetary Highlights**

The original budget was established using historical facts, information on current funding sources, project information from the townships and forecast. Amendments were made during the year as more information on funding sources and related projects became known.

During the year, there was a decrease in estimated revenues between the original and final amended budget of \$4,386,033 during 2020. The main reasons of the change include:

#### **Revenues**

- The budget for federal sources was decreased by \$2,273,127 during 2020. The main reason for this change was the rescheduling of some Federal Aid projects to 2021.
- The budget for state sources was decreased by \$2,257,733 during 2020. The main reason for this change was the unknown implications of COVID-19 on Michigan Transportation Fund (MTF) revenue.
- The budget for local sources was decreased by \$826,114 during 2020. The main reason for this change was the unknown implications of COVID-19 regarding work done by Townships.
- The budget for contributions from private sources increased by \$979,228 during 2020. The main reason for this change was unexpected economic recovery resulting in the development of subdivisions.

#### **Expenditures**

- The budgeted expenditures for primary roads decreased by \$2,120,788 during 2020. The main reason for this change was due to the unknown impact of COVID-19 and the rescheduling of Fed Aid projects to 2021.
- The budgeted expenditures for local roads increased by \$2,532,363 during 2020. The main reason for this change was due to unexpected subdivision development and the spread of distributive expenses.
- The budget for equipment expenditures (net) was increased by \$1,026,329 during 2020. The main reason for this change was to reflect increased depreciation and the spread of distributive expenses.

## CLINTON COUNTY ROAD COMMISSION

### (a Component Unit of Clinton County, Michigan)

#### Management's Discussion and Analysis

- The budgeted expenditures for nonroad projects were decreased by \$930,717 during 2020. The main reason for this change was the rescheduling of some Federal Aid projects to 2021.
- The budget for capital outlay expenditures (net) was decreased by \$487,435 during 2020. The main reason for this change was partly due to increased depreciation.

Actual revenues came in over the final amended budget by \$971,547. Actual expenditures were less than the final amended appropriation by \$882,167.

#### Capital Assets

As of December 31, 2020, the Road Commission had invested \$71,489,571 in capital assets, net of accumulated depreciation, as follows:

	Capital Assets (Net of Depreciation)	
	2020	2019
Land	\$ 220,750	\$ 220,750
Rights of way	2,245,893	2,142,593
Infrastructure - nondepreciable	7,237,714	6,772,364
Construction in progress	-	2,785,846
Buildings and improvements	414,319	474,624
Equipment	2,617,212	2,380,440
Infrastructure - depreciable	58,753,683	55,638,300
<b>Governmental activities capital assets, net</b>	<b><u>\$ 71,489,571</u></b>	<b><u>\$ 70,414,917</u></b>

In addition to \$5.4 million in infrastructure improvements, other major asset additions included the purchase of a chip spreader and two Peterbilt trucks.

Additional information on the Road Commission's capital assets can be found in note 5 to the financial statements.

#### Long-term Debt

As of December 31, 2020, the Road Commission had \$543,265 in long-term debt, as follows:

	2020	2019
Compensated absences	<u>\$ 543,265</u>	<u>\$ 590,389</u>

## **CLINTON COUNTY ROAD COMMISSION**

### **(a Component Unit of Clinton County, Michigan)**

#### **Management's Discussion and Analysis**

Additional information on the Road Commission's long term debt can be found in note 7 to the financial statements.

#### **Economic Factors and Road Fund Budgetary Highlights**

The COVID-19 pandemic has, and continues to have a significant impact on the Road Commission's Michigan Transportation Funding distribution, interest rates, carrying costs as well as on road materials. While the 2021, MTF revenue forecast reports provided by MDOT are showing a 10% rise in receipts for 2021, the 2021 budget was approved with a less aggressive increase for the coming year. Receipts to date show no increases in revenues as the affects of COVID-19 are still having an impact on our financial picture.

Many factors were considered while preparing the 2021 budget. The Clinton County Road Commission derives approximately 50% of its revenue from fuel tax and license plate fees collected via the Michigan Transportation Fund (MTF). It continues to cost share (based on the Act 51 formula) for local road maintenance and has an excellent working relationship with the 16 townships within the County who jointly contribute approximately \$2,300,000 annually. The 2021 Budget includes equipment purchases/leases and building maintenance and technology upgrades. The Board of County Road Commissioners continues its aggressive commitment to reduce its unfunded liabilities. Other Post-Employment Benefits (OPEB) is currently funded at 136%. The 2021 Budget includes \$1,200,000 in additional payments contributed toward the Municipal Employees Retirement System pension liability which is currently funded at 69%. The Commission strives to seek a balance between road/bridge projects, equipment and facilities - all of which cannot exist to provide services without the other. A facility study was performed in 2020 to determine the current condition of the existing facility and guide in planning for future capital improvement projects. With all needs considered, the Board attempts to budget wisely and equitably and in the best interest of the motoring public and the citizens of Clinton County.

#### **Requests for Information**

This financial report is designed to provide a general overview of 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 Clinton County Road Commission's administrative offices, 3536 S. US Highway 27, St. Johns, MI 48879.



## **BASIC FINANCIAL STATEMENTS**

**CLINTON COUNTY ROAD COMMISSION**  
**(a Component Unit of Clinton County, Michigan)**

**Statement of Net Position**

December 31, 2020

**Assets**

Cash and investments	\$ 4,429,267
Receivables	2,042,664
Inventories	718,652
Prepaid items	155,397
Capital assets not being depreciated	9,704,357
Capital assets being depreciated, net	61,785,214
Net other postemployment benefits (OPEB) asset	<u>1,713,489</u>

<b>Total assets</b>	<u>80,549,040</u>
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**Deferred outflows of resources**

Deferred pension amounts	2,770,527
Deferred OPEB amounts	<u>446,952</u>

<b>Total deferred outflows of resources</b>	<u>3,217,479</u>
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**Liabilities**

Accounts payable and accrued liabilities	830,743
Unearned revenue	220,777
Deposits	115,338
Advances from other governmental units	289,804
Long-term debt:	
Due within one year	360,000
Due in more than one year	183,265
Net pension liability (due in more than one year)	<u>7,145,670</u>

<b>Total liabilities</b>	<u>9,145,597</u>
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**Deferred inflows of resources**

Deferred pension amounts	255,742
Deferred OPEB amounts	<u>605,663</u>

<b>Total deferred inflows of resources</b>	<u>861,405</u>
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**Net position**

Investment in capital assets	71,489,571
Restricted for:	
Primary roads	2,234,765
Local roads	2,198,788
OPEB	1,554,778
Unrestricted (deficit)	<u>(3,718,385)</u>

<b>Total net position</b>	<u>\$ 73,759,517</u>
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The accompanying notes are an integral part of these financial statements.

**CLINTON COUNTY ROAD COMMISSION**  
**(a Component Unit of Clinton County, Michigan)**

**Statement of Activities**

For the Year Ended December 31, 2020

Functions / Programs	Expenses	Program Revenues			Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities</b>					
Public works	\$ 17,502,009	\$ 1,048,159	\$ 16,692,715	\$ 4,217,880	\$ 4,456,745
General revenues:					
Gain on sale of equipment					56,765
<b>Change in net position</b>					4,513,510
Net position, beginning of year					69,246,007
<b>Net position, end of year</b>					\$ 73,759,517

The accompanying notes are an integral part of these financial statements.

**CLINTON COUNTY ROAD COMMISSION**  
**(a Component Unit of Clinton County, Michigan)**

**Balance Sheet**

General Operating Fund

December 31, 2020

**Assets**

Cash and investments	\$ 4,429,267
Receivables:	
Accounts	1,889
Due from other governmental units:	
Federal/State	2,016,874
Local	23,901
Inventory	718,652
Prepays	155,397

**Total assets** \$ 7,345,980

**Liabilities**

Accounts payable	\$ 569,009
Due to State	219,266
Accrued liabilities	42,468
Deposits	115,338
Unearned revenue	220,777
Advances from other governmental units	289,804

**Total liabilities** 1,456,662

**Deferred inflows of resources**

Unavailable revenue - federal funding	<u>86,298</u>
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**Fund balance**

Nonspendable:	
Inventory	718,652
Prepays	155,397
Restricted for:	
Primary roads	1,863,508
Local roads	1,834,215
Unassigned	1,231,248

**Total fund balance** 5,803,020

**Total liabilities, deferred inflows of resources and fund balance** \$ 7,345,980

The accompanying notes are an integral part of these financial statements.

# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

### Reconciliation

Fund Balance of the General Operating Fund  
to Net Position of Governmental Activities  
December 31, 2020

<b>Fund balance - General Operating Fund</b>	<b>\$ 5,803,020</b>
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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 financial statements.

Capital assets not being depreciated	9,704,357
Capital assets being depreciated, net	61,785,214

The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.

Deferred inflows for federal funding	86,298
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Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Compensated absences payable	(543,265)
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Certain pension and OPEB-related amounts, such as the net pension and net OPEB liabilities and related deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability	(7,145,670)
Deferred outflows related to the net pension liability	2,770,527
Deferred inflows related to the net pension liability	(255,742)
Net other postemployment benefits asset	1,713,489
Deferred outflows related to the net OPEB liability	446,952
Deferred inflows related to the net OPEB liability	(605,663)

<b>Net position of governmental activities</b>	<b><u>\$ 73,759,517</u></b>
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The accompanying notes are an integral part of these financial statements.

**CLINTON COUNTY ROAD COMMISSION**  
**(a Component Unit of Clinton County, Michigan)**

**Statement of Revenues, Expenditures and Change in Fund Balance**

General Operating Fund

For the Year Ended December 31, 2020

**Revenues**

Intergovernmental:

State sources \$ 14,470,660

Federal sources 2,373,375

Local sources 2,733,289

Charges for services 961,213

Licenses and permits 86,946

Interest and rentals 47,468

Other 1,199,505

**Total revenues** 21,872,456

**Expenditures**

Current:

Primary road 8,559,029

Local road 7,735,813

State trunkline 954,888

Administrative, net 308,404

Equipment, net 392,949

Drains at-large 40,964

Non-road projects 1,927,283

Capital outlay, net 90,550

**Total expenditures** 20,009,880

Revenues over expenditures 1,862,576

**Other financing source**

Proceeds from sales of capital assets 56,946

**Net change in fund balance** 1,919,522

Fund balance, beginning of year 3,883,498

**Fund balance, end of year** \$ 5,803,020

The accompanying notes are an integral part of these financial statements.

# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

### Reconciliation

Net Change in Fund Balance of the General Operating Fund to  
Change in Net Position of Governmental Activities  
For the Year Ended December 31, 2020

Net change in fund balance - General Operating Fund	\$ 1,919,522
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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.

Infrastructure purchased or constructed	5,305,503
Capital assets purchased	1,184,991
Depreciation expense	(5,415,659)
Gain on sale of capital assets	56,765
Proceeds from sale of capital assets	(56,946)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred inflows for federal funding	86,298
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in compensated absences	47,124
Change in net pension liability and related deferred amounts	866,101
Change in net OPEB asset and related deferred amounts	519,811

<b>Change in net position of governmental activities</b>	<b><u>\$ 4,513,510</u></b>
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The accompanying notes are an integral part of these financial statements.

**CLINTON COUNTY ROAD COMMISSION**  
**(a Component Unit of Clinton County, Michigan)**

**Statement of Revenues, Expenditures and Change in Fund Balance**

Budget and Actual - General Operating Fund

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental:				
Federal sources:				
Surface Transportation Program	\$ 1,547,480	\$ 600,480	\$ 994,770	\$ (394,290)
Critical bridge	865,200	725,243	784,104	(58,861)
Other	1,780,000	593,830	594,501	(671)
	<u>4,192,680</u>	<u>1,919,553</u>	<u>2,373,375</u>	<u>(453,822)</u>
State sources				
Motor vehicle highway funds:				
Engineering	10,000	10,000	10,000	-
Urban road	1,120,000	1,055,445	1,061,674	(6,229)
Primary road	6,608,000	6,291,000	6,545,811	(254,811)
Local road	3,472,000	3,334,000	3,342,249	(8,249)
Critical bridge	81,412	110	110	-
Other	5,000,000	3,369,094	3,384,532	(15,438)
Economic development	136,280	110,310	126,284	(15,974)
	<u>16,427,692</u>	<u>14,169,959</u>	<u>14,470,660</u>	<u>(300,701)</u>
Local sources:				
Township contributions	3,000,000	2,352,387	2,352,387	-
Other contributions	559,070	380,569	380,902	(333)
	<u>3,559,070</u>	<u>2,732,956</u>	<u>2,733,289</u>	<u>(333)</u>
<b>Total intergovernmental</b>	<u>24,179,442</u>	<u>18,822,468</u>	<u>19,577,324</u>	<u>(754,856)</u>
Charges for services:				
State trunkline:				
Maintenance	900,000	798,150	798,151	(1)
Non-maintenance	-	138,979	138,979	-
Salvage sales	5,000	3,561	4,424	(863)
Other	35,000	17,215	19,659	(2,444)
<b>Total charges for services</b>	<u>940,000</u>	<u>957,905</u>	<u>961,213</u>	<u>(3,308)</u>
Permits	<u>70,000</u>	<u>86,200</u>	<u>86,946</u>	<u>(746)</u>
Interest and rents:				
Interest	75,000	32,600	32,810	(210)
Rent	10,500	10,508	14,658	(4,150)
<b>Total interest and rents</b>	<u>85,500</u>	<u>43,108</u>	<u>47,468</u>	<u>(4,360)</u>
Other:				
Contributions from private sources	<u>12,000</u>	<u>991,228</u>	<u>1,199,505</u>	<u>(208,277)</u>
<b>Total revenues</b>	<u>25,286,942</u>	<u>20,900,909</u>	<u>21,872,456</u>	<u>(971,547)</u>
<b>Other financing source</b>				
Proceeds from sales of capital assets	<u>20,000</u>	<u>56,831</u>	<u>56,946</u>	<u>(115)</u>
<b>Total revenues and other financing source</b>	<u>25,306,942</u>	<u>20,957,740</u>	<u>21,929,402</u>	<u>(971,662)</u>

continued...



**CLINTON COUNTY ROAD COMMISSION**  
**(a Component Unit of Clinton County, Michigan)**

**Statement of Revenues, Expenditures and Change in Fund Balance**

Budget and Actual - General Operating Fund

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures</b>				
Current:				
Primary road:				
Construction	\$ 5,000,000	\$ 3,639,094	\$ 3,598,300	\$ (40,794)
Preservation - structural improvements	2,666,000	2,295,317	2,220,345	(74,972)
Routine and preventative maintenance	3,276,500	2,887,301	2,740,384	(146,917)
Total primary road	10,942,500	8,821,712	8,559,029	(262,683)
Local road:				
Construction	-	1,203,628	1,179,979	(23,649)
Preservation - structural improvements	1,005,000	1,198,200	1,110,109	(88,091)
Routine and preventative maintenance	4,515,000	5,650,535	5,445,725	(204,810)
Total local roads	5,520,000	8,052,363	7,735,813	(316,550)
State trunkline:				
Maintenance	900,000	900,000	815,909	(84,091)
Non-maintenance	-	138,979	138,979	-
Total state trunkline	900,000	1,038,979	954,888	(84,091)
Administrative, net:				
Administration	566,945	1,294,396	1,057,924	(236,472)
Less:				
Handling charges	(600)	(200)	(248)	(48)
Overhead - state	(85,000)	(90,888)	(94,004)	(3,116)
Purchase discount	(5,000)	(4,886)	(4,886)	-
Other	(30,600)	(637,338)	(650,382)	(13,044)
Total administrative, net	445,745	561,084	308,404	(252,680)
Equipment, net:				
Direct	900,000	1,796,000	1,760,804	(35,196)
Indirect	554,300	835,513	692,509	(143,004)
Operating	420,000	263,000	233,520	(29,480)
Less: equipment rental	(2,300,000)	(2,293,884)	(2,293,884)	-
Total equipment, net	(425,700)	600,629	392,949	(207,680)
Drains at-large:				
Drain assessment	41,000	41,000	40,964	(36)
Other:				
Non-road projects	2,589,932	1,659,215	1,927,283	268,068
Capital outlay, net:				
Capital outlay	1,255,000	1,107,246	1,081,691	(25,555)
Less:				
Equipment retirements	(500)	(181)	(181)	-
Depreciation and depletion	(650,000)	(990,000)	(990,960)	(960)
Total capital outlay, net	604,500	117,065	90,550	(26,515)
<b>Total expenditures</b>	<b>20,617,977</b>	<b>20,892,047</b>	<b>20,009,880</b>	<b>(882,167)</b>
<b>Net change in fund balance</b>	<b>4,688,965</b>	<b>65,693</b>	<b>1,919,522</b>	<b>1,853,829</b>
Fund balance, beginning of year	3,883,498	3,883,498	3,883,498	-
<b>Fund balance, end of year</b>	<b>\$ 8,572,463</b>	<b>\$ 3,949,191</b>	<b>\$ 5,803,020</b>	<b>\$ 1,853,829</b>

concluded

The accompanying notes are an integral part of these financial statements.

**CLINTON COUNTY ROAD COMMISSION**  
**(a Component Unit of Clinton County, Michigan)**

**Statement of Fiduciary Net Position**

Other Postemployment Benefits Fiduciary Component Unit  
December 31, 2020

**Assets**

Investments	
MERS total market portfolio	<u>\$ 6,392,379</u>

**Net position restricted for**

Other postemployment benefits	<u><u>\$ 6,392,379</u></u>
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The accompanying notes are an integral part of these financial statements.

**CLINTON COUNTY ROAD COMMISSION**  
**(a Component Unit of Clinton County, Michigan)**

**Statement of Changes in Fiduciary Net Position**

Other Postemployment Benefits Fiduciary Component Unit  
For the Year Ended December 31, 2020

**Additions**

Employer contributions	\$ 318,288
Investment earnings	750,004

**Total additions**

1,068,292

**Deductions**

Benefits payments	318,288
Administrative expense	10,141

**Total deductions**

328,429

**Change in fiduciary net position**

739,863

Net position, beginning of year

5,652,516

**Net position, end of year**

\$ 6,392,379

The accompanying notes are an integral part of these financial statements.

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## **NOTES TO FINANCIAL STATEMENTS**

# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

### Notes to Financial Statements

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Clinton County Road Commission (the "Road Commission") conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

##### **Reporting Entity**

The Road Commission was established pursuant to the County Road Law (MCL 224.1), and is governed by the three member Board of County Road Commissioners appointed by the Clinton County Board of Commissioners.

The Road Commission is a component unit of the County of Clinton, Michigan (the "County") because the County is a direct beneficiary of the services provided and is financially accountable for the Road Commission.

The Road Commission's General Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners has responsibility for the administration of the Road Commission's General Operating Fund.

The accounting policies of the Road Commission conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles.

##### *Fiduciary Component Unit*

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

# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

### Notes to Financial Statements

#### Basis of Presentation

##### ***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. Governmental activities are supported by charges for services, Michigan Transportation Funds (MTF), state and federal grants and contracts, and contributions from local units of governments.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

##### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements (statement of net position and the statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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 not expected to be paid in the current year and claims and judgments, are recorded only when payment is due.

# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

### Notes to Financial Statements

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 they are needed.

The government reports the following major governmental fund:

The *General Operating Fund* is the government's primary operating fund. It accounts for all financial resources of the Road Commission.

Additionally, the government reports the following component unit fiduciary fund:

The *fiduciary fund* is used to account for assets held by the Road Commission in a trustee capacity. The Road Commission's only fiduciary fund is the Other Postemployment Benefits Trust Fund, which is used to account for assets held in trust for retiree health benefits.

All governmental funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), which is the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget approved or as amended by the Board of County Road Commissioners. Budgets for the General Operating Fund are adopted on a category basis.

### **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity**

#### ***Cash and Investments***

Amounts reported as cash and investments consist of cash on hand, short-term investments and deposits in demand deposit accounts. Investments are stated at fair value.

#### ***Receivables***

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances at year-end are considered by management to be immaterial.

#### ***Inventories***

Inventories consist of various operating parts, supplies, and road material, and the cost is recognized using the consumption method (inventories recorded as expenditures when they are used). Inventories are stated at average cost determined on a first in, first out method, and are not in excess of fair value.

#### ***Prepaid Items***

Payments made to vendors for services that will benefit future periods are recorded as prepaid items.



# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

### Notes to Financial Statements

#### *Capital Assets*

Capital assets, which include property, equipment and infrastructure assets (roads, bridges and similar items), are reported in the government-wide statements. The Road Commission defines capital assets as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (statement of revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements through an adjustment shown on the reconciliation of net changes in fund balance of the general operating fund to change in net position of governmental activities.

The Uniform Accounting Procedures prescribed for Michigan County Road Commissions provide for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund.

Depreciation is recorded over the estimated useful lives (ranging from five to fifty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

	Useful Life in Years
Buildings and improvements	10-50
Equipment	4-10
Infrastructure	25-50

#### *Deferred Outflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Road Commission reports deferred outflows of resources related to the net pension liability and the other postemployment benefits (OPEB) asset.

# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

### Notes to Financial Statements

#### ***Pension and Postemployment Benefits Other Than Pensions (OPEB)***

For purposes of measuring the net pension liability and the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

#### ***Compensated Absences***

In accordance with contracts negotiated with the various employee groups of the Commission, employees have a vested right upon termination to receive compensation for accumulated vacation leave under formulas and conditions specified in the contracts. In the event of termination, an employee is paid for up to 240 and 600 hours of unused accumulated vacation and sick time, respectively. This amount along with related payroll taxes is recorded in the government-wide financial statements.

#### ***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental fund reports unavailable revenues related to federal reimbursements, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Road Commission reports deferred inflows of resources related to the net pension liability and the net OPEB asset. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### ***Fund Equity***

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. As applicable, committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action if the government's highest level of decision making authority, the Board of Road Commissioners. Assigned fund balance is reported in instances where the Board of Road Commissioners has given authority for the making of such assignments to the Road Commission management; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the General Operating Fund.

# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

### Notes to Financial Statements

When the Road Commission incurs an expenditure for purposes for which various fund balance classification can be used, it is the Road Commission's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

#### *Use of Estimates*

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

### 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended December 31, 2020, the Road Commission incurred expenditures in the General Operating Fund which were in excess of the amounts appropriated, as follows:

	Final Budget	Actual	Variance
Non-road projects	\$ 1,659,215	\$ 1,927,283	\$ 268,068

### 3. DEPOSITS AND INVESTMENTS

At December 31, 2020, the Road Commission's cash and investments were comprised as follows:

#### **Statement of Net Position**

Cash and investments	\$ 4,429,267
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#### **Statement of Fiduciary Net Position**

Investments	<u>6,392,379</u>
-------------	------------------

<b>Total</b>	<u><u>\$ 10,821,646</u></u>
--------------	-----------------------------

Petty cash	\$ 101
------------	--------

Checking and savings accounts	2,049,865
-------------------------------	-----------

Investments	<u>8,771,680</u>
-------------	------------------

<b>Total</b>	<u><u>\$ 10,821,646</u></u>
--------------	-----------------------------

# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

### Notes to Financial Statements

Statutes authorize the Road Commission to invest funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The Road Commission chooses to disclose its investments by specifically identifying each. As of December 31, 2020, the Road Commission had the following investments:

Investment	Maturity	Amortized	Rating
Michigan Cooperative Liquid Assets			
Securities System	Various	\$ 2,379,301	AAAm (S&P)
MERS RHFV total market portfolio	N/A	<u>6,392,379</u>	N/A
<b>Total investments</b>		<u><u>\$ 8,771,680</u></u>	

The Road Commission voluntarily invests certain excess funds in an external investment pool (Michigan Cooperative Liquid Assets Securities System). The pool is an external investment pool of "qualified" investments for Michigan municipalities. The pool is not regulated nor registered with the SEC. The fair value of the Road Commission's investments is the same as the value of the pool.

## CLINTON COUNTY ROAD COMMISSION

### (a Component Unit of Clinton County, Michigan)

#### Notes to Financial Statements

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Road Commission's investment policy requires investments to be diversified by specific maturity dates and by individual financial institutions of a specific class of securities as a means of managing its exposure to fair value losses arising from increasing interest rates and in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The maturity date for each investment is identified above for investments held at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned. State law does not require and the Road Commission does not have a policy for deposit custodial credit risk. As of December 31, 2020, \$1,930,206 of the Road Commission's bank balance of \$2,180,206 (book amount of \$2,049,865) was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agency but not in the government's name. In accordance with the Road Commission's investment policy, all investments are held in the name of the Road Commission and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified under "statutory authority" above. The Road Commission's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

#### ***Fair Value Measurement***

The Road Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. As of December 31, 2020, the Road Commission's investments in the MERS RHFV Total Market Portfolio fund is classified as level 1. The Michigan Cooperative Liquid Assets Securities System investments are valued at amortized cost, which approximates fair value.

# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

### Notes to Financial Statements

#### 4. RECEIVABLES

At December 31, 2020, the Road Commission's receivables consisted of the following:

	Governmental Activities
Accounts	\$ 1,889
Due from other governmental units:	
Federal/State	2,016,874
Local	23,901
<b>Total</b>	<u><u>\$ 2,042,664</u></u>

#### 5. CAPITAL ASSETS

Changes in the components of the capital assets are summarized as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 220,750	\$ -	\$ -	\$ -	\$ 220,750
Rights of way	2,142,593	103,300	-	-	2,245,893
Infrastructure - land improvements	6,772,364	465,350	-	-	7,237,714
Construction in progress	2,785,846	-	-	(2,785,846)	-
	<u>11,921,553</u>	<u>568,650</u>	<u>-</u>	<u>(2,785,846)</u>	<u>9,704,357</u>
Capital assets, being depreciated:					
Buildings and improvements	2,063,917	5,086	-	-	2,069,003
Road equipment	8,350,844	1,061,246	(493,607)	86,371	9,004,854
Shop equipment	154,240	-	-	-	154,240
Office equipment	160,424	15,359	(19,914)	-	155,869
Engineers' equipment	2,971	-	-	-	2,971
Yard and storage	227,416	-	-	-	227,416
Infrastructure - roads	71,570,571	3,871,132	(1,609,066)	2,699,929	76,532,566
Infrastructure - bridges	34,606,428	783,630	-	-	35,390,058
Infrastructure - traffic signals	1,165,234	185,391	-	-	1,350,625
Depletable assets	67,448	-	-	-	67,448
	<u>118,369,493</u>	<u>5,921,844</u>	<u>(2,122,587)</u>	<u>2,786,300</u>	<u>124,955,050</u>

**CLINTON COUNTY ROAD COMMISSION**  
**(a Component Unit of Clinton County, Michigan)**

**Notes to Financial Statements**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Less accumulated depreciation for:					
Buildings and improvements	\$ (1,589,293)	\$ (65,391)	\$ -	\$ -	\$ (1,654,684)
Road equipment	(6,181,570)	(888,234)	493,426	(454)	(6,576,832)
Shop equipment	(137,822)	(3,075)	-	-	(140,897)
Office equipment	(100,830)	(17,140)	19,914	-	(98,056)
Engineers' equipment	(2,526)	(107)	-	-	(2,633)
Yard and storage	(92,707)	(17,013)	-	-	(109,720)
Infrastructure - roads	(32,793,195)	(3,795,205)	1,609,066	-	(34,979,334)
Infrastructure - bridges	(18,076,311)	(552,643)	-	-	(18,628,954)
Infrastructure - traffic signals	(834,427)	(76,851)	-	-	(911,278)
Depletable assets	(67,448)	-	-	-	(67,448)
	<u>(59,876,129)</u>	<u>(5,415,659)</u>	<u>2,122,406</u>	<u>(454)</u>	<u>(63,169,836)</u>
Total capital assets being depreciated, net	<u>58,493,364</u>	<u>506,185</u>	<u>(181)</u>	<u>2,785,846</u>	<u>61,785,214</u>
<b>Total capital assets, net</b>	<u><b>\$ 70,414,917</b></u>	<u><b>\$ 1,074,835</b></u>	<u><b>\$ (181)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 71,489,571</b></u>

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

At December 31, 2020, the Road Commission's accounts payable and accrued liabilities were as follows:

	<b>Governmental Activities</b>
Accounts payable	\$ 569,009
Due to State	219,266
Accrued liabilities	<u>42,468</u>
<b>Total</b>	<u><b>\$ 830,743</b></u>

# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

### Notes to Financial Statements

#### 7. LONG-TERM DEBT

Long-term debt of the Road Commission consists of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Compensated absences	\$ 590,389	\$ 263,417	\$ 310,541	\$ 543,265	\$ 360,000

#### 8. DEFINED BENEFIT PENSION PLAN

##### *General Information About the Plan*

*Plan Description.* The Road Commission participates in the Municipal Employees' Retirement System (MERS) of Michigan, a defined benefit pension plan providing certain retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

*Benefits Provided.* Pension benefits are calculated as final average compensation (based on a 3-5 year period) and multipliers that vary from 2.5% for the closed divisions to 1.5% for the open divisions. Participants are considered to be fully vested in the plan after 6-10 years. Normal retirement age is 60.

*Employees Covered by Benefit Terms.* At December 31, 2019, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	55
Inactive employees entitled to but not yet receiving benefits	10
Active employees	42
<b>Total membership</b>	<b>107</b>

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



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#### Notes to Financial Statements

Total employer contributions were \$2,117,969 during the year ended December 31, 2019, on required contributions of \$914,082, while employees contributed \$73,125 to the plan.

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

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

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment and administrative

The mortality table used to project the mortality experience of non-disabled plan members is a 50% male, 50% female blend of the following tables:

- The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%
- The RP-2014 Employee Mortality Tables
- The RP-2014 Juvenile Mortality Tables

The mortality table used to project the mortality experience of disabled plan members is 50% Male, 50% Female blend of RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

# CLINTON COUNTY ROAD COMMISSION

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.0%	5.25%	3.15%
Global fixed income	20.0%	1.25%	0.25%
Private investments	20.0%	7.25%	1.45%
	<u>100.0%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
<b>Investment rate of return</b>			<u><b>7.60%</b></u>

*Discount Rate.* The discount rate used to measure the total pension liability as of December 31, 2019 was 7.6% (down from 8.0% at December 31, 2018). The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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#### *Changes in Net Pension Liability*

The components of the change in the net pension liability (asset) are summarized as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at December 31, 2018	\$ 22,695,010	\$ 14,098,027	\$ 8,596,983
Changes for the year:			
Service cost	244,971	-	244,971
Interest	1,768,955	-	1,768,955
Differences between expected and actual experience	(164,889)	-	(164,889)
Changes in assumptions	764,081	-	764,081
Employer contributions	-	2,063,265	(2,063,265)
Employee contributions	-	73,125	(73,125)
Net investment income	-	1,961,870	(1,961,870)
Benefit payments, including refunds of employee contributions	(1,411,125)	(1,411,125)	-
Administrative expense	-	(33,829)	33,829
Net changes	1,201,993	2,653,306	(1,451,313)
<b>Balances at December 31, 2019</b>	<b>\$ 23,897,003</b>	<b>\$ 16,751,333</b>	<b>\$ 7,145,670</b>

*Changes in Assumptions.* In 2019, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the net pension liability (asset) of the Road Commission, calculated using the discount rate of 7.6%, as well as what the Road Commission's net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.6%) or 1% higher (8.6%) than the current rate:

<b>1% Decrease (6.6%)</b>	<b>Current Discount Rate (7.6%)</b>	<b>1% Increase (8.6%)</b>
\$ 9,684,115	\$ 7,145,670	\$ 4,976,822

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

# CLINTON COUNTY ROAD COMMISSION

## (a Component Unit of Clinton County, Michigan)

### Notes to Financial Statements

#### *Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions*

For the year ended December 31, 2020, the Road Commission recognized pension expense of \$1,251,868. The Road Commission reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 87,663	\$ 255,742	\$ (168,079)
Changes in assumptions	509,387	-	509,387
Net difference between projected and actual earnings on pension plan investments	55,508	-	55,508
	652,558	255,742	396,816
Contributions subsequent to the measurement date	2,117,969	-	2,117,969
<b>Total</b>	<b>\$ 2,770,527</b>	<b>\$ 255,742</b>	<b>\$ 2,514,785</b>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2021. Other amounts reported as deferred outflows/inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2021	\$ 115,675
2022	253,106
2023	189,309
2024	(161,274)
<b>Total</b>	<b>\$ 396,816</b>

*Payable to the Pension Plan.* At December 31, 2020, the Road Commission had \$87,001 payable for contributions to the pension plan.

For the governmental activities, the net pension liability is generally liquidated by the general operating fund.

**CLINTON COUNTY ROAD COMMISSION**  
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**Notes to Financial Statements**

**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*General Information About the Plan*

*Plan Administration.* The Road Commission administers a single-employer defined benefit healthcare plan (OPEB Plan) that is used to provide postemployment benefits other than pensions (OPEB) to all applicable employees, in accordance with union agreements and/or personnel policies. The Road Commission has adopted the Michigan Municipal Employees' Retirement System (MERS) Retiree Health Funding Vehicle to fund the obligation. Stand-alone financial statements are not issued for the OPEB Plan.

*Plan Membership.* At December 31, 2020, the date of the latest actuarial valuation, Plan membership consisted of the following:

Beneficiaries currently receiving benefit payments	44
Active plan members	<u>28</u>
Total membership	<u><u>72</u></u>

*Benefits Provided.* The Board of County Road Commissioners has the authority to establish or amend benefit terms, to determine the types of benefits provided through the Plan, and to determine the classes of plan members covered. For administrative employees that retired prior to January 1, 2016 and union employees that retired prior to August 20, 2015, the Road Commission permits retiring employees to continue theirs and their spouse on the employer-paid health insurance program until death with a Medicare Supplemental plan. For all other employees, the coverage extends to the retiree only.

*Contributions.* The Clinton County Road Commission Retiree Healthcare Plan was established and is being funded under the authority of the Road Commission. The plan's funding policy is that the employer will make contributions to a trust as necessary to maintain a funded percentage at or near 100%. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

*Rate of Return.* For the year ended December 31, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 13.28 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## CLINTON COUNTY ROAD COMMISSION

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*Investment Policy and Long-term Expected Rate of Return.* The Road Commission may invest and reinvest the assets of the plan subject to the terms, conditions, limitations, and restrictions imposed by Michigan law and, to the extent applicable to a government plan, the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended. Michigan Compiled Laws, Section 38.1121, authorizes the Commission to invest plan assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature and real or personal property. Specific limitations apply to the various investment types. The plan fund investments are in accordance with statutory authority. It is the policy of the Commission to invest funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security. 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. The long-term expected rate of return is 4.85 percent or 7.35 percent with inflation.

*Actuarial Assumptions.* The net OPEB liability was determined by an actuarial valuation (using the alternative measurement method) as of December 31, 2020, using the following actuarial assumptions (which were determined by management utilizing the best information available), applied to all periods included in the measurement, unless otherwise specified:

*Inflation rate* —2.5% Included in investment rate of return

*Salary increases* —3.5%

*Investment rate of return* —7.35%

*Healthcare cost trend rate* —Pre-65: 8.5% in 2021 graded down 0.25% per year to an ultimate rate of 4.5%; Post-65: 7.0% in 2020 graded down 0.25% per year to an ultimate rate of 4.5%.

*Retirement age for active employees* —Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60 to 62 depending on the bargaining unit.

*Marital status* —Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* —2010 Public General Employees and Healthy Retirees, Headcount weighted.

*Health insurance premiums* —2019 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

# CLINTON COUNTY ROAD COMMISSION

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### Notes to Financial Statements

*Probability of accepting benefits* —Based on the historical participation rate, a probability rate of accepting benefits of 100% was utilized.

*Discount Rate.* The discount rate used to measure the total OPEB liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that Employer contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, the Plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current Plan members. There is no cross-over point.

#### **Changes in the Net OPEB Asset**

The components of the change in the net OPEB asset are summarized as following:

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Asset (a) - (b)</b>
Balances at December 31, 2019	\$ 4,163,007	\$ 5,652,516	\$ (1,489,509)
Changes for the year:			
Service cost	20,044	-	20,044
Interest	284,060	-	284,060
Differences between expected and actual experience	562,951	-	562,951
Change in assumptions	(32,884)	-	(32,884)
Employer contributions	-	318,288	(318,288)
Net investment income	-	750,004	(750,004)
Benefit payments, including refunds	(318,288)	(318,288)	-
Administrative expenses	-	(10,141)	10,141
Net changes	515,883	739,863	(223,980)
<b>Balances at December 31, 2020</b>	<b>\$ 4,678,890</b>	<b>\$ 6,392,379</b>	<b>\$ (1,713,489)</b>

*Changes in Assumptions.* In 2020, amounts reported as changes of assumptions resulted primarily from updating the mortality table projection from MP-2018 to MP-2020.

# CLINTON COUNTY ROAD COMMISSION

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### Notes to Financial Statements

*Sensitivity of the Net OPEB Asset to Changes in the Discount Rate.* The following presents the net OPEB asset of the Road Commission, calculated using the discount rate of 7.35%, as well as what the Road Commission's net OPEB asset would be if it were calculated using a discount rate that is 1% lower (6.35%) or 1% higher (8.35%) than the current rate:

1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
\$ (1,267,339)	\$ (1,713,489)	\$ (2,120,399)

*Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates.* The following presents the net OPEB asset of the Road Commission, calculated using the long-term healthcare cost trend rate of 8.25% trending down to an eventual rate of 4.5%, as well as what the Road Commission's net OPEB asset would be if it were calculated using a healthcare cost trend rate that is 1% lower (7.25-3.50%) or 1% higher (9.25-5.50%) than the current rate:

1% Decrease (7.25-3.50%)	Current Healthcare Cost Trend Rate (8.25-4.50%)	1% Increase (9.25-5.50%)
\$ (1,986,503)	\$ (1,713,489)	\$ (1,381,880)

### ***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits***

For the year ended December 31, 2020, the Road Commission recognized OPEB expense of \$(201,523). The Road Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience actual experience	\$ 365,424	\$ 371,782	\$ (6,358)
Changes in assumptions	81,528	21,346	60,182
Net difference between projected and actual earnings on OPEB plan investments	-	212,535	(212,535)
<b>Total</b>	<b>\$ 446,952</b>	<b>\$ 605,663</b>	<b>\$ (158,711)</b>



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

Year Ended December 31,	Amount
2021	\$ (86,033)
2022	118,797
2023	(124,490)
2024	<u>(66,985)</u>
<b>Total</b>	<u><u>\$ (158,711)</u></u>

*Payable to the OPEB Plan.* At December 31, 2020, the Road Commission did not have any contributions payable to the OPEB plan.

### 10. INVESTMENT IN CAPITAL ASSETS

The composition of investment in capital assets as of December 31, 2020, was as follows:

Capital assets:	
Not being depreciated	\$ 9,704,357
Being depreciated, net	<u>61,785,214</u>
<b>Net investment in capital assets</b>	<u><u>\$ 71,489,571</u></u>

### 11. RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1982, the Michigan County Road Commission Self-Insurance Pool (MCRCSIP) was established by the Road Commissions in the State of Michigan as a public entity risk pool to operate a common risk management and insurance program for Road Commissions. Clinton County Road Commission pays annual premiums to MCRCSIP for its general insurance coverage. The agreement for formation of the MCRCSIP provides that MCRCSIP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 for each insured event.

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

# CLINTON COUNTY ROAD COMMISSION

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### Notes to Financial Statements

#### 12. FEDERAL FUNDING

The Road Commission is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation. These expenditures are included in the single audit for the State of Michigan. Because the Road Commission expended less than \$750,000 in directly administered federal awards, no single audit was required for the year ended December 31, 2020.

#### 13. CONTINGENCIES

The Road Commission contracts with the State of Michigan to perform state highway maintenance functions for the State. The cost of the maintenance is then billed to the State of Michigan who reimburses the Road Commission for the costs incurred. These cost reimbursement contract expenditures are subject to audit at some future date by the State of Michigan. The amount, if any, of expenditures that may be disallowed by the State of Michigan cannot be determined until the State completes its annual audit of its maintenance agreement with the Road Commission. Road Commission management does not believe such disallowances, if any, will be material to the financial position of the Road Commission.

#### 14. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the Road Commission's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the Road Commission for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the Road Commission's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

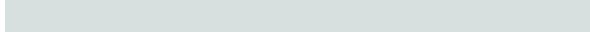
**CLINTON COUNTY ROAD COMMISSION**  
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**Required Supplementary Information**

MERS Agent Multiple-Employer Defined Benefit Pension Plan  
Schedule of Changes in the Net Pension Liability and Related Ratios

	Year Ended December 31,		
	2020	2019	2018
<b>Total pension liability</b>			
Service cost	\$ 244,971	\$ 247,551	\$ 241,667
Interest	1,768,955	1,756,766	1,685,641
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(164,889)	(437,446)	350,651
Changes of assumptions	764,081	-	-
Benefit payments, including refunds of employee contributions	(1,411,125)	(1,415,332)	(1,368,359)
<b>Net change in total pension liability</b>	1,201,993	151,539	909,600
Total pension liability, beginning of year	22,695,010	22,543,471	21,633,871
<b>Total pension liability, end of year</b>	23,897,003	22,695,010	22,543,471
<b>Plan fiduciary net position</b>			
Employer contributions	2,063,265	1,423,552	1,384,213
Employee contributions	73,125	74,346	80,104
Net investment income (loss)	1,961,870	(580,769)	1,710,080
Benefit payments, including refunds of employee contributions	(1,411,125)	(1,415,332)	(1,368,359)
Administrative expense	(33,829)	(28,517)	(27,020)
<b>Net change in plan fiduciary net position</b>	2,653,306	(526,720)	1,779,018
Plan fiduciary net position, beginning of year	14,098,027	14,624,747	12,845,729
<b>Plan fiduciary net position, end of year</b>	16,751,333	14,098,027	14,624,747
<b>Commission's net pension liability</b>	<u>\$ 7,145,670</u>	<u>\$ 8,596,983</u>	<u>\$ 7,918,724</u>
Plan fiduciary net position as a percentage of total pension liability	70.1%	62.1%	64.9%
Covered payroll	\$ 2,447,098	\$ 2,461,222	\$ 2,353,336
Commission's net pension liability as a percentage of covered payroll	292.0%	349.3%	336.5%

See notes to required supplementary information.



Year Ended December 31,		
2017	2016	2015

\$ 230,086	\$ 228,933	\$ 232,992
1,617,574	1,551,089	1,502,255
(11,207)	-	-
338,844	(123,747)	-
-	984,607	-
<u>(1,292,102)</u>	<u>(1,153,611)</u>	<u>(1,129,007)</u>
883,195	1,487,271	606,240
<u>20,750,676</u>	<u>19,263,405</u>	<u>18,657,165</u>
<u>21,633,871</u>	<u>20,750,676</u>	<u>19,263,405</u>
1,228,855	708,544	657,574
71,885	59,105	64,053
1,319,203	(177,715)	737,953
(1,292,102)	(1,153,611)	(1,129,007)
<u>(26,025)</u>	<u>(26,202)</u>	<u>(27,008)</u>
1,301,816	(589,879)	303,565
<u>11,543,913</u>	<u>12,133,792</u>	<u>11,830,227</u>
<u>12,845,729</u>	<u>11,543,913</u>	<u>12,133,792</u>
<u>\$ 8,788,142</u>	<u>\$ 9,206,763</u>	<u>\$ 7,129,613</u>
59.4%	55.6%	63.0%
\$ 2,273,963	\$ 2,169,911	\$ 2,176,821
386.5%	424.3%	327.5%

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**Required Supplementary Information**

MERS Agent Multiple-Employer Defined Benefit Pension Plan  
Schedule of Contributions

<b>Fiscal Year Ending December 31,</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to the Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as Percentage of Covered Payroll</b>
2020	\$ 914,082	\$ 2,117,969	\$ (1,203,887)	\$ 2,562,858	82.6%
2019	863,265	2,063,265	(1,200,000)	2,526,434	81.7%
2018	823,388	1,423,552	(600,164)	2,476,656	57.5%
2017	695,686	1,384,213	(688,527)	2,473,945	120.6%
2016	560,950	1,228,855	(667,905)	2,169,911	56.6%
2015	510,638	708,544	(197,906)	2,176,821	32.5%

See notes to required supplementary information.

**CLINTON COUNTY ROAD COMMISSION**  
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**Required Supplementary Information**

Retired Employees' Healthcare Plan

Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios

	Year Ended December 31,			
	2020	2019	2018	2017
<b>Total OPEB liability</b>				
Service cost	\$ 20,044	\$ 41,071	\$ 41,856	\$ 38,845
Interest	284,060	371,303	374,600	373,280
Differences between expected and actual experience	562,951	(1,041,662)	(44,358)	(151,195)
Changes in assumptions	(32,884)	228,426	(35,384)	154,004
Benefit payments	<u>(318,288)</u>	<u>(372,147)</u>	<u>(384,788)</u>	<u>(417,015)</u>
<b>Net change in total OPEB liability</b>	515,883	(773,009)	(48,074)	(2,081)
Total OPEB liability, beginning of year	<u>4,163,007</u>	<u>4,936,016</u>	<u>4,984,090</u>	<u>4,986,171</u>
<b>Total OPEB liability, end of year</b>	<u>4,678,890</u>	<u>4,163,007</u>	<u>4,936,016</u>	<u>4,984,090</u>
<b>Plan fiduciary net position</b>				
Employer contributions:				
OPEB Trust fund	-	-	600,000	900,000
Pay-as-you-go	318,288	372,147	384,788	417,015
Net investment income	750,004	673,757	(191,169)	463,930
Benefit payments	(318,288)	(372,147)	(384,788)	(417,015)
Administrative expenses	<u>(10,141)</u>	<u>(9,600)</u>	<u>(11,872)</u>	<u>(8,930)</u>
<b>Net change in plan fiduciary net position</b>	739,863	664,157	396,959	1,355,000
Plan fiduciary net position, beginning of year	<u>5,652,516</u>	<u>4,988,359</u>	<u>4,591,400</u>	<u>3,236,400</u>
<b>Plan fiduciary net position, end of year</b>	<u>6,392,379</u>	<u>5,652,516</u>	<u>4,988,359</u>	<u>4,591,400</u>
<b>Net OPEB liability (asset)</b>	<u>\$ (1,713,489)</u>	<u>\$ (1,489,509)</u>	<u>\$ (52,343)</u>	<u>\$ 392,690</u>
Plan fiduciary net position as a percentage of total OPEB liability	136.6%	135.8%	101.1%	92.1%
Covered payroll	\$ 2,819,634	\$ 2,834,156	\$ 2,675,500	Not available
Road Commission's net OPEB liability as a percentage of covered payroll	-60.8%	-52.6%	-2.0%	Not available

See notes to required supplementary information.

**CLINTON COUNTY ROAD COMMISSION**  
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**Required Supplementary Information**

Retired Employees' Healthcare Plan  
Schedule of Contributions

Year Ended December 31,	Actuarial Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contributions (Deficiency) Excess	Covered Payroll	Contributions as Percentage of Covered Payroll
2020	\$ -	\$ 318,288	\$ (318,288)	\$ 2,819,634	11.3%
2019	44,254	372,147	(327,893)	2,834,156	13.1%
2018	190,040	984,788	(794,748)	2,675,500	36.8%
2017	147,788	1,317,015	(1,169,227)	Not available	Not available

See notes to required supplementary information.



**CLINTON COUNTY ROAD COMMISSION**  
**(a Component Unit of Clinton County, Michigan)**

**Required Supplementary Information**

Retired Employees' Healthcare Plan  
Schedule of Investment Returns

Year Ended December 31,	Money-weighted Rate or Return *
2020	13.28%
2019	-12.66%
2018	-3.99%
2017	7.75%

\* The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

See notes to required supplementary information.

# Clinton County Road Commission

## (a Component Unit of Clinton County, Michigan)

### Notes to Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

#### Schedule of Changes in Net Pension Liability and Related Ratios

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

*Changes in assumptions.* The changes of assumptions in 2016 primarily related to an adjustment to the mortality table to reflect longer lifetimes, the assumed annual rate of return, net of all expenses, was lowered from 8.0% to 7.75%, and the asset smoothing was changed from 10 to 5 years.

In 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

#### Schedule of Contributions

Valuation Date	Actuarially determined contribution rates are calculated as of the December 31 that is 24 months prior to the beginning of the fiscal year in which contributions are reported.
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Methods and assumptions used to determine contribution rates (2020, based on the 12/31/2018 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	14 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Normal retirement age	Age 60
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables

# Clinton County Road Commission

## (a Component Unit of Clinton County, Michigan)

### Notes to Required Supplementary Information

#### Single Employer Defined Benefit Other Postemployment Benefit Plan

GASB 75 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

#### Notes to Schedule of Contributions

Valuation Date December 31, 2019, rolled forward to December 31, 2020

Methods and assumptions used to determine contribution rates for the current year:

Actuarial cost method	Entry-age normal
Amortization method	Lever percentage of compensation
Remaining amortization period	8 years
Asset valuation method	Market value
Inflation	Implicit in expected payroll increases
Salary increases	3.50%, including inflation
Investment rate of return	7.35%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Health care trend rates	Pre-65: 8.5% in 2021 graded down 0.25% per year to an ultimate rate of 4.5%; Post-65: 7.0% in 2020 graded down 0.25% per year to an ultimate rate of 4.5%.
Expenses	Investment expenses are net of the investment returns; administrative expenses are included in the premium costs
Other information	There were no benefit changes during the year

*Changes in assumptions.* The changes of assumptions in 2019 primarily related to an adjustment to the mortality table to reflect longer lifetimes, the salary scale changed from 4.5% to 3.5% and the discount rate was lowered from 7.75% to 7.35%.

In 2020, amounts reported as changes of assumptions resulted primarily from updating the mortality table projection from MP-2018 to MP-2020.

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## **GENERAL OPERATING FUND SCHEDULES**

**CLINTON COUNTY ROAD COMMISSION**  
**(a Component Unit of Clinton County, Michigan)**

**Schedule of Revenues**

General Operating Fund

For the Year Ended December 31, 2020

	Primary Roads	Local Roads	County Road Commission	Totals
<b>Revenues</b>				
Intergovernmental:				
Federal:				
Motor Vehicle Highway Funds:				
Surface transportation program	\$ 994,770	\$ -	\$ -	\$ 994,770
Critical bridge	784,104	-	-	784,104
Other	594,501	-	-	594,501
	<u>2,373,375</u>	<u>-</u>	<u>-</u>	<u>2,373,375</u>
State:				
Motor Vehicle Highway Funds:				
Engineering	6,620	3,380	-	10,000
Urban road	756,229	305,445	-	1,061,674
Primary road	6,545,811	-	-	6,545,811
Local road	-	3,342,249	-	3,342,249
Critical bridge	110	-	-	110
Other	3,384,532	-	-	3,384,532
Economic development	126,284	-	-	126,284
	<u>10,819,586</u>	<u>3,651,074</u>	<u>-</u>	<u>14,470,660</u>
Local:				
Township contributions	-	2,352,387	-	2,352,387
Other	-	380,902	-	380,902
	<u>-</u>	<u>2,733,289</u>	<u>-</u>	<u>2,733,289</u>
Total intergovernmental	<u>13,192,961</u>	<u>6,384,363</u>	<u>-</u>	<u>19,577,324</u>
Charges for services:				
State trunkline:				
Maintenance	-	-	798,151	798,151
Non-maintenance	-	-	138,979	138,979
Salvage sales	-	-	4,424	4,424
Other	-	-	19,659	19,659
	<u>-</u>	<u>-</u>	<u>961,213</u>	<u>961,213</u>
Licenses and permits:				
Permits	-	-	86,946	86,946
Interest and rents:				
Interest	12,619	2,354	17,837	32,810
Rent	-	-	14,658	14,658
	<u>12,619</u>	<u>2,354</u>	<u>32,495</u>	<u>47,468</u>
Other:				
Contributions from private sources	-	-	1,199,505	1,199,505
<b>Total revenues</b>	<u>\$ 13,205,580</u>	<u>\$ 6,386,717</u>	<u>\$ 2,280,159</u>	<u>\$ 21,872,456</u>

**CLINTON COUNTY ROAD COMMISSION**  
**(a Component Unit of Clinton County, Michigan)**

**Schedule of Expenditures**

General Operating Fund

For the Year Ended December 31, 2020

	Primary Roads	Local Roads	County Road Commission	Totals
<b>Expenditures</b>				
Primary road:				
Construction	\$ 3,598,300	\$ -	\$ -	\$ 3,598,300
Preservation - structural improvements	2,220,345	-	-	2,220,345
Routine and preventative maintenance	2,740,384	-	-	2,740,384
Total primary road	8,559,029	-	-	8,559,029
Local road:				
Construction	-	1,179,979	-	1,179,979
Preservation - structural improvements	-	1,110,109	-	1,110,109
Routine and preventative maintenance	-	5,445,725	-	5,445,725
Total local road	-	7,735,813	-	7,735,813
State trunkline:				
Maintenance	-	-	815,909	815,909
Non-maintenance	-	-	138,979	138,979
Total state trunkline	-	-	954,888	954,888
Administrative expense - net	161,993	146,411	-	308,404
Equipment expense - net	89,112	238,679	65,158	392,949
Drains at large:				
Drain assessment	-	-	40,964	40,964
Other:				
Non-road projects	-	-	1,927,283	1,927,283
Capital outlay - net:	-	-	90,550	90,550
<b>Total expenditures</b>	<b>\$ 8,810,134</b>	<b>\$ 8,120,903</b>	<b>\$ 3,078,843</b>	<b>\$ 20,009,880</b>

**CLINTON COUNTY ROAD COMMISSION**  
**(a Component Unit of Clinton County, Michigan)**

**Schedule of Changes in Fund Balances**

General Operating Fund

For the Year Ended December 31, 2020

	Primary Roads	Local Roads	County Road Commission	Totals
<b>Total revenues</b>	\$ 13,205,580	\$ 6,386,717	\$ 2,280,159	\$ 21,872,456
<b>Total expenditures</b>	8,810,134	8,120,903	3,078,843	20,009,880
Revenues over (under) expenditures	4,395,446	(1,734,186)	(798,684)	1,862,576
<b>Other Financing Sources (Uses)</b>				
Proceeds from sales of capital assets	-	-	56,946	56,946
Optional transfers	(3,654,330)	3,654,330	-	-
Total other financing sources (uses)	(3,654,330)	3,654,330	56,946	56,946
<b>Net change in fund balances</b>	741,116	1,920,144	(741,738)	1,919,522
Fund balances, beginning of year	1,493,649	278,644	2,111,205	3,883,498
<b>Fund balances, end of year</b>	<u>\$ 2,234,765</u>	<u>\$ 2,198,788</u>	<u>\$ 1,369,467</u>	<u>\$ 5,803,020</u>



## **INTERNAL CONTROL AND COMPLIANCE**

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

April 15, 2021

Members of the Board of County  
Road Commissioners  
Clinton County Road Commission  
St. Johns, Michigan

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 remaining fund information of the **Clinton County Road Commission** (the "Road Commission"), a discretely presented component unit of Clinton County, Michigan, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Road Commission's basic financial statements, and have issued our report thereon dated April 15, 2021.

### **Internal Control Over Financial Reporting**

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

Rehmann is an independent member of Nexia International.



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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.