

**EATON COUNTY ROAD COMMISSION
CHARLOTTE, MICHIGAN**

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

YEAR ENDED SEPTEMBER 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of the County Road Commissioners
Eaton County Road Commission
Charlotte, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Eaton County Road Commission (Road Commission), a component unit of Eaton County, Michigan, as of and for the year ended September 30, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Eaton County Road Commission, as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Maney Costerian PC

January 20, 2021

EATON COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Eaton County Road Commission (Road Commission), we offer the readers of the Road Commission's financial statements this narrative and analysis of the financial activities of the Road Commission for the fiscal year ended September 30, 2020.

Financial Highlights

Net position, over time, enable governmental agencies to determine their overall fiscal position. As shown on the Road Commission's net position chart, the Road Commission's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$113,522,291 at the end of the fiscal year. There was an increase of \$7,236,023 in net position during 2020.

The general operating fund had an increase in fund balance for the year of \$947,701. Total fund balance is \$8,854,392.

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.

To simplify financial reporting and improve readability, the government-wide financial statements and the fund statements have been combined to report the statement of net position and governmental fund balance sheet on a single page and the statement of activities and governmental fund revenues, expenditures, and changes in fund balance on a single page. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements

The statement of net position presents information on all of 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 one 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 in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The government-wide financial statements include only the Road Commission itself (known as the primary government). The Road Commission has no legally separate component units for which the Road Commission is financially accountable. In this report, financial information for the Road Commission is reported separately from the financial information presented for Eaton County, which reports the Road Commission as a component unit.

Fund Financial Statements

A fund is a grouping of related accounts that are 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 fund).

EATON COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds

Governmental funds (general fund) are used to account for essentially the same function reported in the government-wide financial statements. However, unlike the government-wide financial statements, general 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 year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental fund and the government-wide statements.

The Road Commission maintains one governmental fund (general fund). Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balance for the Road Commission. The general fund is a major fund for financial reporting purposes as defined by GASB Statement No. 34.

The Road Commission adopts an annual appropriated budget for its fund. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The Road Commission does not maintain proprietary funds.

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 Road Commission has one fiduciary fund – the Employee Health Care Benefit Trust fund.

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. The notes to the financial statements are considered to be part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, including this management's discussion and analysis and trend information for the Retired Employees' Healthcare Plan.

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

Condensed Statement of Net Position

| | September 30, | |
|------------------------------------|-----------------------|-----------------------|
| | 2020 | 2019 |
| Assets | | |
| Current assets | \$ 14,236,075 | \$ 11,128,931 |
| Capital assets | 103,402,895 | 97,674,728 |
| TOTAL ASSETS | 117,638,970 | 108,803,659 |
| DEFERRED OUTFLOWS OF RESOURCES | 836,113 | 196,018 |
| Liabilities | | |
| Current liabilities | 4,333,544 | 1,886,989 |
| Noncurrent liabilities | 127,503 | 128,027 |
| TOTAL LIABILITIES | 4,461,047 | 2,015,016 |
| DEFERRED INFLOWS OF RESOURCES | 491,745 | 698,393 |
| Net Position | | |
| Net investment in capital assets | 103,402,895 | 97,674,728 |
| Restricted | 1,379,856 | 823,782 |
| Unrestricted | 8,739,540 | 7,787,758 |
| TOTAL NET POSITION | \$ 113,522,291 | \$ 106,286,268 |

Condensed Statement of Activities

| | Governmental Activities | |
|------------------------------------|-------------------------|-------------------------|
| | 2020 | 2019 |
| Program revenues | | |
| Charges for services | \$ 95,365 | \$ 81,930 |
| Operating grants and contributions | 11,758,065 | 14,516,392 |
| Capital grants and contributions | 3,536,763 | 3,319,062 |
| General revenues | | |
| Property Taxes | 4,408,110 | 4,289,816 |
| Interest | 71,584 | 213,741 |
| Other | 97,171 | 75,364 |
| TOTAL REVENUES | 19,967,058 | 22,496,305 |
| Expenses | | |
| Current | | |
| Public Works | 12,731,035 | 13,258,113 |
| TOTAL EXPENSES | 12,731,035 | 13,258,113 |
| CHANGE IN NET POSITION | \$ 7,236,023 | \$ 9,238,192 |

EATON COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the Road Commission's net position by \$7,236,021 during fiscal year 2020. This increase in net position is primarily due to results of operations at the fund level, and an increase in infrastructure investment made possible by the county-wide property tax millage dedicated to the repair and rehabilitation of county local roads as well as an increase in distributions from the Michigan Transportation Fund.

Fund Level Financial Statements

Beginning with the year ended September 30, 2011, the Road Commission reports its fund balance in compliance with Governmental Accounting and Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*.

Total fund balance at September 30, 2020, was \$8,854,392, compared to \$7,906,691 at September 30, 2019, and was comprised of three components. One component is nonspendable to indicate that it was not available for spending because it has already been committed to inventory purchases and prepaid items, which are included as fund assets. The nonspendable fund balance was \$599,587 as of September 30, 2020. The next component of fund balance is \$3,061,199 that is assigned for subsequent year's expenditures. The remaining balance of the Road Commission's fund balance is considered unassigned. The unassigned fund balance at September 30, 2020, was \$5,193,606. Overall, there was an increase in the total fund balance of \$947,701 for 2020 due to operating revenues exceeding expenditures.

General Operating Fund Budget Highlights

Amendments to the original budget were made during the year as more information on funding sources and related projects became known. The Road Commission amended its FY 2020 budget to reflect a decrease in revenue of approximately \$3,852,793 and a decrease to expenditures of approximately \$5,642,095, both primarily related to local township funded projects deferred to future years.

Capital Assets and Debt Administration

Capital Assets

Capital assets in total, net of accumulated depreciation, increased from \$97,674,728 to \$103,402,895 due primarily to investments in infrastructure made possible by the county-wide property tax millage. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (including infrastructure) is allocated over their estimated useful lives and reported as depreciation expense. More detailed information regarding capital assets can be found in the notes to the financial statements.

Noncurrent Liabilities

Noncurrent liabilities at September 30, 2020 included compensated absences of \$306,988, which consists of accumulated vacation and sick leave (at 50%), which is earned but not yet paid. More detailed information of long-term debt can be found in the notes to the financial statements.

As of September 30, 2020, the Road Commission had no outstanding loans.

EATON COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Road Fund Budgetary Highlights

On January 1, 2017, increases in the state gas tax and vehicle registration fees went into effect. Fiscal year 2020 marks the third full year the increased taxes and fees were in effect for the entire year. These monies must be used for Act 51 eligible activities on either a major primary or local road on the certification map. Additionally, higher fuel and utility costs, raw materials and equipment, as well as increases in the cost of contractually fixed fringe benefits will continue to impact Road Commission resources.

Looking ahead, MTF distributions for fiscal year 2021 have been estimated based on the most recent information provided by the Michigan Department of Transportation and the County Road Association of Michigan and show an increase of approximately 6%. The level of uncertainty brought about by COVID 19 and the future economic outlook pose a significant challenge when planning the budget and calculating estimates for projects. A sizable amount of our existing infrastructure systems are supported with user generated revenue streams. With the pandemic and commuters staying off the roads (working remotely), budgets and revenues will continue to be a serious concern.

On November 4, 2014, Eaton County voters approved a twelve-year, 1.5 mill property tax levy to fund the rehabilitation and repair of the County's local road system. The revenue raised by this millage totaled over \$4 million in 2020 and is expected to increase by approximately 4% in 2021. In compliance with the ballot language, revenues from this millage must be used solely to improve the condition of poor and fair local paved and gravel roads, and to provide county-wide dust control on gravel roads twice per year.

The Road Commission expects an increase in the number of road and bridge projects funded primarily by federal and state grants in 2021, which will result in increased levels of related revenues and expenditures compared to fiscal year 2020.

While the Road Commission's maintenance expenditures are sensitive to weather conditions, 2021 expenditures are expected to be similar to 2020.

Request for Information

This financial report is designed to provide a general overview of the Road Commission's finances for all those with an interest in the component unit's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, Eaton County Road Commission, 1112 Reynolds Road, Charlotte, MI 48813.

BASIC FINANCIAL STATEMENTS

**EATON COUNTY ROAD COMMISSION
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

| | General Operating Fund | Adjustment | Statement of Net Position |
|---|------------------------------|-----------------------|------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 11,111,893 | \$ - | \$ 11,111,893 |
| Accounts receivable | 12,456 | - | 12,456 |
| Due from other governmental units | | | |
| Federal/State | 1,155,787 | - | 1,155,787 |
| Local | 128,728 | - | 128,728 |
| Inventory | 599,587 | - | 599,587 |
| Prepaid items | - | 192,136 | 192,136 |
| Capital assets not being depreciated | - | 24,416,649 | 24,416,649 |
| Capital assets, net of accumulated depreciation | - | 78,986,246 | 78,986,246 |
| Net OPEB asset | - | 1,035,488 | 1,035,488 |
| TOTAL ASSETS | 13,008,451 | 104,630,519 | 117,638,970 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources related to OPEB | - | 836,113 | 836,113 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 13,008,451 | 105,466,632 | 118,475,083 |
| LIABILITIES | | | |
| Accounts payable | \$ 3,932,840 | - | 3,932,840 |
| Accrued liabilities | 208,191 | - | 208,191 |
| Advances from other governmental units | 13,028 | - | 13,028 |
| Current portion of accrued compensated absences | - | 179,485 | 179,485 |
| Noncurrent portion of accrued compensated absences | - | 127,503 | 127,503 |
| TOTAL LIABILITIES | 4,154,059 | 306,988 | 4,461,047 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources related to OPEB | - | 491,745 | 491,745 |
| FUND BALANCE | | | |
| Nonspendable - inventory | 599,587 | (599,587) | - |
| Assigned - subsequent year's expenditures | 3,061,199 | (3,061,199) | - |
| Unassigned | 5,193,606 | (5,193,606) | - |
| TOTAL FUND BALANCE | 8,854,392 | (8,854,392) | - |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | \$ 13,008,451 | | 4,952,792 |
| NET POSITION | | | |
| Net investment in capital assets | | 103,402,895 | 103,402,895 |
| Restricted for other post-employment benefits | | 1,379,856 | 1,379,856 |
| Unrestricted | | 8,739,540 | 8,739,540 |
| TOTAL NET POSITION | | \$ 113,522,291 | \$ 113,522,291 |

See accompanying notes to financial statements.

**EATON COUNTY ROAD COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Total fund balance - governmental fund \$ 8,854,392

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

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

| | |
|--------------------------------------|------------|
| Capital assets not being depreciated | 24,416,649 |
| Capital assets being depreciated | 78,986,246 |

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

| | |
|----------------|-----------|
| Net OPEB asset | 1,035,488 |
| Prepaid items | 192,136 |

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

| | |
|--|-----------|
| Deferred outflows of resources related to OPEB | 836,113 |
| Deferred inflows of resources related to OPEB | (491,745) |

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Fund Balance Sheet. Long-term liabilities at year-end consist of:

| | |
|----------------------|-----------|
| Compensated absences | (306,988) |
|----------------------|-----------|

| | |
|--|-----------------------|
| Net position of governmental activities | \$ 113,522,291 |
|--|-----------------------|

**EATON COUNTY ROAD COMMISSION
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020**

| | General Operating Fund | Adjustments | Statement of Activities |
|--|------------------------------|----------------|----------------------------|
| Expenditures/Expenses | | | |
| Current | | | |
| Public Works | \$ 19,019,357 | \$ (6,288,322) | \$ 12,731,035 |
| Program revenues | | | |
| Charges for services | 95,365 | - | 95,365 |
| Operating grants and contributions | 11,758,065 | - | 11,758,065 |
| Capital grants and contributions | 3,536,763 | - | 3,536,763 |
| TOTAL PROGRAM REVENUES | 15,390,193 | - | 15,390,193 |
| NET PROGRAM (EXPENDITURES/ EXPENSES) REVENUES | (3,629,164) | 6,288,322 | 2,659,158 |
| General revenues | | | |
| Property taxes | 4,408,110 | - | 4,408,110 |
| Interest | 71,584 | - | 71,584 |
| Other | 97,171 | - | 97,171 |
| TOTAL GENERAL REVENUES | 4,576,865 | - | 4,576,865 |
| NET CHANGE IN FUND BALANCE/NET POSITION | 947,701 | 6,288,322 | 7,236,023 |
| Fund Balance/Net position, beginning of the year | 7,906,691 | 98,379,577 | 106,286,268 |
| Fund Balance/Net position, end of the year | \$ 8,854,392 | \$ 104,667,899 | \$ 113,522,291 |

See accompanying notes to financial statements.

**EATON COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020**

Net change in fund balance - governmental fund \$ 947,701

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

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

| | |
|-----------------------------|-------------|
| Purchases of capital assets | 12,646,959 |
| Depreciation expense | (6,910,967) |
| Loss on disposal | (7,825) |

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

| | |
|--|------------------|
| Change in compensated absences | (922) |
| Change in prepaid items | 5,003 |
| Change in deferred outflows of resources related to OPEB | 640,095 |
| Change in deferred inflows of resources related to OPEB | 206,648 |
| Change in net OPEB asset | <u>(290,669)</u> |

Change in net position of governmental activities \$ 7,236,023

**EATON COUNTY ROAD COMMISSION
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020**

| | <u>Employee Health Care Benefit Trust</u> |
|---|---|
| ASSETS | |
| Current assets | |
| Investments | \$ 5,891,105 |
| Accrued interest receivable | <u>14,869</u> |
| TOTAL ASSETS | <u>5,905,974</u> |
| NET POSITION | |
| Restricted for retiree health care benefits | <u><u>\$ 5,905,974</u></u> |

See accompanying notes to financial statements.

**EATON COUNTY ROAD COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED SEPTEMBER 30, 2020**

| | <u>Employee Health Care Benefit Trust</u> |
|--|---|
| ADDITIONS | |
| Contributions Employer | \$ 589,569 |
| Investment earnings Net change in fair value of investments | <u>308,932</u> |
| TOTAL ADDITIONS | <u>898,501</u> |
| DEDUCTIONS | |
| Benefit payments | 289,569 |
| Administrative expenses | <u>50,741</u> |
| TOTAL DEDUCTIONS | <u>340,310</u> |
| CHANGE IN NET POSITION | 558,191 |
| Net position, beginning of year | <u>5,347,783</u> |
| Net position, end of year | <u><u>\$ 5,905,974</u></u> |

See accompanying notes to financial statements.

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

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

The accounting policies of the Eaton County Road Commission (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 Eaton County Road Commission is a discretely presented component unit of the County of Eaton, Michigan. The Road Commission was established pursuant to the county road law (MCL 224.1) and is governed by a five member Board of County Road Commissioners (Road Commission Board) appointed by the County Board of Commissioners. The Road Commission provides services to 16 commissions in Eaton County and maintains over 1,173 miles of local and primary roads.

The Road Commission is a component unit of the County of Eaton, Michigan, (County) because the County is a direct beneficiary of the services provided and is financially accountable for the Road Commission. These financial statements present the Eaton County Road Commission, a discretely presented component unit of Eaton County, and include the Road Commission's General Operating Fund.

The Road Commission 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 Road Commission Board has responsibility for the administration of the Road Commission's General Operating Fund.

Basis of Presentation

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 and intergovernmental revenues.

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.

As permitted by GASB Statement No. 34, the Road Commission uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the statement of net position and governmental fund balance sheet and the statement of activities and governmental fund revenues, expenditures, and changes in fund balance. The major individual governmental fund is reported as a separate column in the aforementioned financial statements.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and fiduciary fund financial statements (statement of net position and 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. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund (general 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. 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.

State and grant revenue, property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

In addition, the government reports the Employee Health Care Benefit Trust Fund as a fiduciary fund to account for the activity of the retirees' health care benefits.

Property Tax Revenue

Property taxes are levied on December 1 of each year (the lien date) and are due in full by March 1 of the year following the levy, at which time uncollected taxes become delinquent. Property taxes recorded for the fiscal year ended September 30, 2020 were levied and billed on December 1, 2019. All property taxes are billed and collected by cities, villages, and townships and remitted to Eaton County. Eaton County remits property taxes to the Road Commission.

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

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

Budgetary Data

The governmental fund is under formal budgetary control. The budget shown in the financial statements was adopted on a basis consistent with generally accepted accounting principles (GAAP), which is the modified accrual basis used to reflect actual results, and consists only of those amounts contained in the formal budget as originally adopted or as amended by the Board of County Road Commissioners. The budget for the General Operating Fund is adopted at the activity level, and in accordance with the Uniform Budgeting and Accounting Act as prescribed by the State of Michigan.

The Road Commission adopts a budget for the general operating fund by means of an appropriations act, on an activity basis in summary form. Periodic internal reporting is on a detail basis in accordance with the state-prescribed uniform chart of accounts consistent with the way the books are maintained. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

Cash and Investments

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

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

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

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- c. 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.
- d. Bankers' acceptances of United States banks.
- e. 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.
- f. 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 local units of government in Michigan.

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

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

Cash and Investments (continued)

- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Health Care Benefits Trust Funds' investments are held primarily in mutual funds.

Inventory

Inventory consists of various operating parts, supplies, and road materials, 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, except for road materials, which are determined on the average cost method and are not in excess of fair value.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statements. Expenditures for prepaid items are reported using the purchases method for government funds.

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 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 of the government's highest level of decision-making authority, the Board of Road Commissioners. The Road Commission reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

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

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (roads, bridges, and similar items) are reported in the government-wide statements. Capital assets are defined by the Road Commission as assets with an initial, individual cost of more than \$2,000 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 received.

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

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

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

Capital Assets (continued)

The Uniform Accounting Procedures Manual 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 4 to 50 years) of the assets, using the sum-of-years digits methods for road equipment and the straight-line method for all other capital assets and infrastructure as follows:

| | |
|----------------------------|-------------|
| Buildings and improvements | 50 years |
| Equipment | 4-10 years |
| Infrastructure | |
| Roads | 8-30 years |
| Bridges | 25-50 years |
| Traffic signals | 15 years |

Deferred Outflows/Inflows of Resources

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

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

Compensated Absences

Under existing general Road Commission rules and regulations and its labor agreement, all regular full-time employees are eligible for paid leave in varying amounts based on the number of years of service completed by each employee.

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

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

Postemployment Benefits Other Than Pension (OPEB)

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of September 30, 2020, the Commission had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. As of September 30, 2020, \$174,371 of the Commission's bank balance of \$424,371 was exposed to custodial credit risk because it was uninsured and uncollateralized. The balance of \$26,686 is reported as deposits on the financial statements as of September 30, 2020. The financial statements report \$250 of imprest cash on hand.

Amounts reported on the balance sheet included \$11,084,957 on deposit with the Eaton County Treasurer. As a result, the insured and uninsured portions related to these amounts cannot be determined.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Commission will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Commission will do business.

Interest Rate Risk

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Years)</u> |
|-------------------------------------|---------------------|--|
| U.S. Treasury Notes | \$ 277,541 | 3.73 |
| U.S. Mortgage Backed Securities | 446,060 | 4.04 |
| Commercial Paper | 967,341 | 6.59 |
| Total fair value | <u>\$ 1,690,942</u> | |
| Portfolio weighted average maturity | | <u>5.45</u> |

One day maturity equals .0027, one year equals 1.00

Credit Risk

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

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Standard & Poor's Rating</u> |
|------------------------|-------------------|---|
| Commercial Paper | \$ 47,284 | A1 |
| Commercial Paper | 147,664 | A2 |
| Commercial Paper | 277,666 | A3 |
| Commercial Paper | 87,743 | Aa2 |
| Commercial Paper | 117,705 | Baa1 |
| Commercial Paper | 259,359 | Baa2 |
| Commercial Paper | 29,920 | Baa3 |
| Total fair value | <u>\$ 967,341</u> | |

Concentration of Credit Risk

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

Foreign Currency Risk

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement

The Commission is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments that are measured at fair value using net asset per value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Balance at Sept. 30, 2020</u> |
|---------------------------------------|-------------------|---------------------|----------------|--------------------------------------|
| Investment by fair value level | | | | |
| U.S. Treasury notes | \$ 277,541 | \$ - | \$ - | \$ 277,541 |
| U.S. Mortgage backed securities | - | 446,060 | - | 446,060 |
| Commerical paper | - | 967,341 | - | 967,341 |
| | <u>\$ 277,541</u> | <u>\$ 1,413,401</u> | <u>\$ -</u> | 1,690,942 |
| Total investments by fair value level | | | | |
| Investments at net asset value (NAV) | | | | |
| Mutual funds | | | | <u>4,200,163</u> |
| Total Investments | | | | <u>\$ 5,891,105</u> |

Investments in Entities that Calculate Net Asset Value Per Share

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

At the year ended September 30, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

| | Fair Value | Unfunded Commitments | Redemption Frequency, if Eligible | Redemption Notice Period |
|--------------|---------------|-------------------------|---|-----------------------------|
| Mutual funds | \$ 4,200,163 | \$ - | No restrictions | None |

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

The following summarizes the categorization of these amounts as of September 30, 2020:

| | Primary Government | Fiduciary Fund | Total |
|---------------------------|-----------------------|---------------------|----------------------|
| Cash and cash equivalents | \$ 11,111,893 | \$ - | \$ 11,111,893 |
| Investments | - | 5,891,105 | 5,891,105 |
| | <u>\$ 11,111,893</u> | <u>\$ 5,891,105</u> | <u>\$ 17,002,998</u> |

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2020, was as follows:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|--|----------------------|-------------------|--------------------|--------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 243,002 | \$ - | \$ - | \$ 243,002 |
| Land improvements - right of ways | 788,636 | - | - | 788,636 |
| Land improvements - infrastructure | 23,385,011 | - | - | 23,385,011 |
| Total capital assets not being depreciated | <u>24,416,649</u> | <u>-</u> | <u>-</u> | <u>24,416,649</u> |
| Capital assets being depreciated | | | | |
| Depletable assets | 50,559 | - | - | 50,559 |
| Buildings and improvements | 6,696,715 | 9,895 | - | 6,706,610 |
| Equipment | | | | |
| Road | 8,120,439 | 878,999 | (222,999) | 8,776,439 |
| Shop | 104,171 | - | - | 104,171 |
| Office | 238,512 | - | - | 238,512 |
| Engineering | 92,122 | - | - | 92,122 |
| Yard and storage | 580,900 | - | - | 580,900 |
| Infrastructure - roads | 102,247,749 | 11,204,323 | (5,534,052) | 107,918,020 |
| Infrastructure - bridges | 22,404,129 | 553,742 | - | 22,957,871 |
| Infrastructure - traffic signals | 2,497,356 | - | - | 2,497,356 |
| Total capital assets being depreciated | <u>143,032,652</u> | <u>12,646,959</u> | <u>(5,757,051)</u> | <u>149,922,560</u> |

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

NOTE 3 - CAPITAL ASSETS (continued)

| | Beginning Balance | Additions | Disposals | Ending Balance |
|---|----------------------|---------------------|--------------------|-----------------------|
| Less accumulated depreciation/depletion | | | | |
| Depletable assets | \$ 50,559 | \$ - | \$ - | \$ 50,559 |
| Buildings and improvements | 2,662,699 | 125,779 | - | 2,788,478 |
| Equipment | | | | |
| Road | 6,431,846 | 612,624 | (215,174) | 6,829,296 |
| Shop | 91,637 | 1,672 | - | 93,309 |
| Office | 231,267 | 3,496 | - | 234,763 |
| Engineering | 51,581 | 15,361 | - | 66,942 |
| Yard and storage | 569,550 | 1,682 | - | 571,232 |
| Infrastructure - roads | 47,390,354 | 5,612,603 | (5,534,052) | 47,468,905 |
| Infrastructure - bridges | 10,672,946 | 426,171 | - | 11,099,117 |
| Infrastructure - traffic signals | 1,622,134 | 111,579 | - | 1,733,713 |
| | <u>69,774,573</u> | <u>6,910,967</u> | <u>(5,749,226)</u> | <u>70,936,314</u> |
| Total accumulated depreciation | | | | |
| Total assets being depreciated, net | <u>73,258,079</u> | <u>5,735,992</u> | <u>(7,825)</u> | <u>78,986,246</u> |
| Capital assets, net | <u>\$ 97,674,728</u> | <u>\$ 5,735,992</u> | <u>\$ (7,825)</u> | <u>\$ 103,402,895</u> |

Depreciation expense was charged to the following activities:

| | |
|----------------------------|---------------------|
| Net equipment expense | |
| Direct equipment | \$ 610,379 |
| Indirect equipment | 96,007 |
| Net administrative expense | 31,445 |
| Other distributive expense | 22,783 |
| Infrastructure | <u>6,150,353</u> |
| | <u>\$ 6,910,967</u> |

NOTE 4 - LONG-TERM OBLIGATIONS

Long-term obligations of the Road Commission as of September 30, 2020, and for the year then ended consists of the following:

| | Beginning Balance | Additions | Deletions | Ending Balance | Amounts Due Within One Year |
|----------------------|----------------------|-------------------|---------------------|-------------------|-----------------------------------|
| Compensated absences | <u>\$ 306,066</u> | <u>\$ 179,868</u> | <u>\$ (178,946)</u> | <u>\$ 306,988</u> | <u>\$ 179,485</u> |

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

NOTE 4 - LONG-TERM OBLIGATIONS (continued)

Compensated Absences - Vacation and Sick Leave

Employees are granted vacation and sick leave in varying amounts based upon the Road Commission's administrative policy and union contract. Vacation time is credited annually to each employee but cannot be accumulated for more than one year. Employees are limited to 160 days of sick leave accumulation. Upon retirement, termination (resignation), death, or permanent disability, all employees are paid out 50% of their accumulated sick leave. Unused vacation is paid out at 100% after the end of each fiscal year.

NOTE 5 - 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, a single audit was not required for the year ended September 30, 2020.

NOTE 6 - ECONOMIC DEPENDENCY

The Road Commission receives a substantial amount of its revenues from federal and state grants. A significant reduction in the level of this support, if this were to occur, could have an effect on the Eaton County Road Commission's ability to continue its activities.

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN

The Road Commission provides pension benefits for substantially all of its full-time employees through a defined contribution plan, called the Eaton County Road Commission Money Purchase Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after reaching the age of 18 and completing one year of service. Vesting is 100% on entry. The plan requires the Road Commission to contribute, on behalf of each covered employee, 12% of the employees' covered compensation. There is no contribution requirement of the plan members. Plan provisions and contribution requirements are established and may be amended by the Board of the Road Commission.

The Road Commission's contributions to the plan were \$225,880 for the year ended September 30, 2020.

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Road Commission administers the Eaton County Road Commission Retired Employees' Healthcare Plan (Plan), a single-employer defined benefit healthcare plan. In addition to the retirement benefits described in Note 7, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. In accordance with the Road Commission's policy, eligible retirees and their spouses receive healthcare benefits at the age of normal retirement of 59 ½ years.

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

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Plan Description (continued)

Management of the Plan is vested in the Road Commission Board, which consists of five members appointed by the Eaton County Board of Commissioners.

Plan Membership

As of the most recent actuarial valuation on September 30, 2019, the Plan membership consisted of the following:

| | |
|--|------------------|
| Inactive plan members receiving benefits | 33 |
| Active plan members | <u>33</u> |
| Total | <u><u>66</u></u> |

Benefits Provided

The Plan provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the cost of benefits is dependent upon the employee's retirement date. The benefit terms are established in the Collective Bargaining Agreement.

Contributions

The contribution requirements of Plan members and the Road Commission are established and may be amended by the Road Commission Board. Contribution rates are established based on an actuarially determined rate. For the year ended September 30, 2020, the Road Commission's average contribution rate was 29.17% of covered-employee payroll. Plan members are required to contribute the cost of healthcare premiums in excess of their individual benefit maximum to the Plan.

Retirees who retired before March 9, 2004 are subject to no maximum benefit limitations; retirees who retired between March 10, 2004 and September 30, 2015 receive a maximum employer contribution of \$500 per month for one person coverage and \$1,000 per month for two person coverage; and retirees who retire after September 30, 2015 receive a maximum employer contribution of \$550 per month for one person coverage and \$1,100 per month for two person coverage. Also, there may be an additional amount to prefund benefits as determined annually by the Road Commission Board. For the year ended September 30, 2020, the Road Commission contributed \$589,569 to the Plan.

Investments

The Road Commission's investment policy in regard to the allocation of the Plan's invested assets is established and may be amended by the Road Commission Board. It is the policy of the Road Commission Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

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

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Investments (continued)

The following was the Plan's target asset allocation as of September 30, 2020:

| Asset Class | Target Allocation |
|-------------------------|-------------------|
| Global equity | 60.20% |
| Global fixed income | 33.10% |
| Real assets | 1.30% |
| Diversifying strategies | 2.10% |
| Cash | 3.30% |
| | 100.00% |

For the year ended September 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 5.49%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Asset

The Road Commission's net OPEB asset was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2019, and the measurement date of rolled forward to September 30, 2020.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, and the measurement date rolled forward to September 30, 2020. The total OPEB liability was calculated based on the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------------|--|
| Inflation: | Included in investment rate of return |
| Salary increases: | 3.50% |
| Investment rate of return: | 4.45% including inflation |
| 20-year Aa Municipal bond rate: | 2.14% |
| Healthcare cost trend rates: | Pre-65 - 8.50% graded down to 4.50% by 0.25% per year; Medicare eligible - 7.00% graded down by 0.50% in the first year and then 0.25% per year to an ultimate rate of 4.50%; Dental and Vision: 4.00% |
| Mortality: | Public general 2010 employee and healthy retiree, headcount weighted with improvement scale MP-2018. |

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

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target allocation as of September 30, 2020, are summarized in the following table:

| Asset Class | Long-term Expected Rate of Return |
|-------------------------|---|
| Global equity | 5.20% |
| Global fixed income | 3.49% |
| Real assets | 6.40% |
| Diversifying strategies | 3.00% |
| Cash | 0.50% |

Discount Rate

The discount rate used to measure the total OPEB liability was 4.45%. The projection of cash flows used to determine the discount rate assumed that Road Commission contributions will be \$300,000 per year until fully funded. Based on those assumptions and the plan’s current funded status, the retirement plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

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

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Changes in the Net OPEB Liability (Asset)

| Changes in Net OPEB Liability (Asset) | Increase (Decrease) | | |
|--|-----------------------------|--------------------------|--|
| | Total OPEB Liability (a) | Plan Net Position (b) | Net OPEB Liability (Asset) (a)-(b) |
| Balances as of September 30, 2019 | \$ 4,021,626 | \$ 5,347,783 | \$ (1,326,157) |
| Changes for the Year | | | |
| Service cost (beginning of year) | 26,799 | - | 26,799 |
| Interest | 261,934 | - | 261,934 |
| Experience (gains)/losses | (34,364) | - | (34,364) |
| Changes in actuarial assumptions | 884,060 | - | 884,060 |
| Contributions to OPEB trust | - | 300,000 | (300,000) |
| Contributions/benefit paid from general operating funds | - | 289,569 | (289,569) |
| Net investment income | - | 308,932 | (308,932) |
| Benefit payments, including refunds of employee contributions | (289,569) | (289,569) | - |
| Administrative expense | - | (50,741) | 50,741 |
| Total changes | 848,860 | 558,191 | 290,669 |
| Balances as of September 30, 2020 | \$ 4,870,486 | \$ 5,905,974 | \$ (1,035,488) |

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

The following presents the net OPEB asset of the Road Commission, as well as what the Road Commission's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage point lower (3.45%) and 1-percentage point higher (5.45%) than the current discount rate:

| | 1% Decrease 3.45% | Current Discount 4.45% | 1% Increase 5.45% |
|----------------|----------------------|---------------------------|----------------------|
| Net OPEB asset | \$ (521,217) | \$ (1,035,488) | \$ (1,469,782) |

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, as well as what the Road Commission's net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower and 1-percentage point higher than the current healthcare cost trend rates:

| | 1% Decrease | Current Rates | 1% Increase |
|----------------|----------------|----------------|--------------|
| Net OPEB asset | \$ (1,086,797) | \$ (1,035,488) | \$ (980,462) |

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

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

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

For the year ended September 30, 2020, the Road Commission recognized OPEB expense of \$33,496. As of September 30, 2020, 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 |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 159,584 | \$ 26,743 |
| Changes in assumptions | 641,852 | 465,002 |
| Net difference between projected and actual investments earnings on OPEB plan investments | 34,677 | - |
| Total | \$ 836,113 | \$ 491,745 |

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

| Year Ending September 30, | Amount Recognized |
|------------------------------|----------------------|
| 2021 | \$ 61,219 |
| 2022 | 128,582 |
| 2023 | 112,524 |
| 2024 | 33,672 |
| 2025 | 8,372 |

NOTE 9 - CONTINGENT LIABILITIES

Under the terms of various federal and state grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such grants could lead to reimbursement to the grantor agencies. However, the Road Commission management does not believe such disallowances, if any, will be material to the financial position of the Road Commission.

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

NOTE 10 - 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. Eaton County Road Commission pays annual premiums to MCRCSIP for its general insurance coverage, including coverage and services for general liability, auto liability, property, stop loss protection, claims administration, and risk management and loss control. The agreement for formation of the MCRCSIP provides the 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 has not been informed of any special assessments being required.

Also, the Road Commission participates in the County Road Association Self-Insurance Fund (CRASIF), a public entity risk pool established for worker's compensation insurance to operate a common risk management and insurance program for road commissions. The Road Commission pays quarterly premiums to CRASIF for its workers' compensation insurance coverage. The agreement for formation of the CRASIF provides the CRASIF will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. The Road Commission has not been informed of any special assessments being required.

The Road Commission continues to carry commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Road Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement will increase the usefulness of government's financial statements by requiring recognition of certain leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Road Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

In June 2018, the GASB issued Statements No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The Road Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

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

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*. This statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The Road Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

In May 2020, GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Road Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

NOTE 12 - COMMITMENTS

The Road Commission has entered into various contracts totaling approximately \$3.0 million for a variety of maintenance and improvement projects. Future revenues are expected to be sufficient to pay off these commitments.

NOTE 13 - UNCERTAINTIES

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

REQUIRED SUPPLEMENTARY INFORMATION

**EATON COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
BUDGETARY COMPARISON SCHEDULE - REVENUES
YEAR ENDED SEPTEMBER 30, 2020**

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------|----------------------|----------------------------|----------------------|---|
| REVENUES | | | | |
| Taxes | | | | |
| Property taxes | \$ 4,427,964 | \$ 4,408,002 | \$ 4,408,110 | \$ 108 |
| Licenses and permits | | | | |
| Permits | 75,000 | 85,385 | 95,365 | 9,980 |
| Intergovernmental | | | | |
| Federal sources | | | | |
| Surface Transportation Program | 3,225,426 | 1,402,173 | 1,345,318 | (56,855) |
| Bridge | 740,000 | 450,800 | 331,234 | (119,566) |
| State sources | | | | |
| Motor Vehicle Highway Funds | 13,939,103 | 12,950,971 | 13,298,859 | 347,888 |
| Economic Development Fund | | | | |
| Rural primary | 13,225 | 72,709 | 73,710 | 1,001 |
| Other | | | | |
| Other | 103,275 | 103,275 | 62,106 | (41,169) |
| Local sources | | | | |
| City and village contributions | - | 32,458 | 32,459 | 1 |
| Township contributions | 844,414 | 88,507 | 151,142 | 62,635 |
| Total intergovernmental | 18,865,443 | 15,100,893 | 15,294,828 | 193,935 |
| Interest | 150,000 | 71,334 | 71,584 | 250 |
| Other | 100,000 | 100,000 | 97,171 | (2,829) |
| TOTAL REVENUES | <u>\$ 23,618,407</u> | <u>\$ 19,765,614</u> | <u>\$ 19,967,058</u> | <u>\$ 201,444</u> |

**EATON COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2020**

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------------------|-----------------------------|-----------------------------|---|
| EXPENDITURES | | | | |
| Current | | | | |
| Primary road | | | | |
| Preservation - structural improvements | \$ 11,882,567 | \$ 7,289,611 | \$ 6,597,945 | \$ 691,666 |
| Routine and preventative maintenance | 3,330,000 | 3,500,000 | 3,038,171 | 461,829 |
| Total primary road | <u>15,212,567</u> | <u>10,789,611</u> | <u>9,636,116</u> | <u>1,153,495</u> |
| Local road | | | | |
| Preservation - structural improvements | 5,997,964 | 5,608,147 | 5,160,120 | 448,027 |
| Routine and preventative maintenance | 3,300,000 | 3,186,000 | 2,946,197 | 239,803 |
| Total local road | <u>9,297,964</u> | <u>8,794,147</u> | <u>8,106,317</u> | <u>687,830</u> |
| Administrative - net | <u>800,000</u> | <u>800,000</u> | <u>799,076</u> | <u>924</u> |
| Equipment | | | | |
| Direct | 1,000,000 | 1,000,000 | 1,033,866 | (33,866) |
| Indirect | 1,150,000 | 1,150,000 | 1,027,041 | 122,959 |
| Operating | 250,000 | 250,000 | 202,292 | 47,708 |
| Less equipment rental | <u>(2,250,000)</u> | <u>(2,250,000)</u> | <u>(2,225,735)</u> | <u>(24,265)</u> |
| Total equipment - net | <u>150,000</u> | <u>150,000</u> | <u>37,464</u> | <u>112,536</u> |
| Drain assessment | <u>300,000</u> | <u>289,028</u> | <u>218,789</u> | <u>70,239</u> |
| Other | | | | |
| Miscellaneous | 100,000 | 100,000 | 73,970 | 26,030 |
| Non-road projects | <u>-</u> | <u>19,500</u> | <u>17,949</u> | <u>1,551</u> |
| Total other | <u>100,000</u> | <u>119,500</u> | <u>91,919</u> | <u>27,581</u> |
| Capital outlay | 1,436,000 | 900,550 | 890,290 | 10,260 |
| Less | | | | |
| Depreciation and depletion | <u>(484,600)</u> | <u>(673,000)</u> | <u>(760,614)</u> | <u>87,614</u> |
| Total capital outlay - net | <u>951,400</u> | <u>227,550</u> | <u>129,676</u> | <u>97,874</u> |
| TOTAL EXPENDITURES | <u><u>\$ 26,811,931</u></u> | <u><u>\$ 21,169,836</u></u> | <u><u>\$ 19,019,357</u></u> | <u><u>\$ 2,150,479</u></u> |

EATON COUNTY ROAD COMMISSION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
LAST FOUR MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH YEAR)

| | 2020 | 2019 | 2018 | 2017 |
|---|-----------------------|-----------------------|-----------------------|---------------------|
| Total OPEB liability | | | | |
| Service cost | \$ 26,799 | \$ 21,513 | \$ 42,239 | \$ 40,396 |
| Interest | 261,934 | 254,120 | 213,452 | 214,454 |
| Difference between expected and actual experience | (34,364) | 232,452 | (3,768) | - |
| Change of assumptions | 884,060 | (91,979) | (843,460) | - |
| Benefit payments, including employee refunds | <u>(289,569)</u> | <u>(297,776)</u> | <u>(287,798)</u> | <u>(269,549)</u> |
| Net change in total OPEB liability | 848,860 | 118,330 | (879,335) | (14,699) |
| Total OPEB liability, beginning | <u>4,021,626</u> | <u>3,903,296</u> | <u>4,782,631</u> | <u>4,797,330</u> |
| Total OPEB liability, ending | <u>\$ 4,870,486</u> | <u>\$ 4,021,626</u> | <u>\$ 3,903,296</u> | <u>\$ 4,782,631</u> |
| Plan fiduciary net position | | | | |
| Contributions/benefits paid from general operating fund | \$ 300,000 | \$ 597,776 | \$ 587,798 | \$ 269,549 |
| Contributions to OPEB trust - employee | 289,569 | - | - | - |
| Benefit payments made from general operating funds | (289,569) | (297,776) | (287,798) | (269,549) |
| Net investment income | 308,932 | 162,751 | 330,941 | 506,104 |
| Administrative expenses | <u>(50,741)</u> | <u>(36,805)</u> | <u>(43,389)</u> | <u>(38,049)</u> |
| Net change in plan fiduciary net position | 558,191 | 425,946 | 587,552 | 468,055 |
| Plan fiduciary net position, beginning | <u>5,347,783</u> | <u>4,921,837</u> | <u>4,334,285</u> | <u>3,866,230</u> |
| Plan fiduciary net position, ending | <u>\$ 5,905,974</u> | <u>\$ 5,347,783</u> | <u>\$ 4,921,837</u> | <u>\$ 4,334,285</u> |
| Net OPEB liability (asset) | <u>\$ (1,035,488)</u> | <u>\$ (1,326,157)</u> | <u>\$ (1,018,541)</u> | <u>\$ 448,346</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 121.26% | 132.98% | 126.10% | 90.63% |
| Covered employee payroll | \$ 2,021,141 | \$ 2,085,514 | \$ 2,017,244 | \$ 1,981,402 |
| Net OPEB liability (asset) as a percentage of covered employee payroll | -51.23% | -63.59% | -50.49% | 22.63% |

**EATON COUNTY ROAD COMMISSION
SCHEDULE OF CONTRIBUTIONS
LAST FOUR FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)**

| | 2020 | 2019 | 2018 | 2017 |
|--|---------------------|---------------------|---------------------|---------------------|
| Actuarial determined contributions | \$ - | \$ - | \$ 17,085 | \$ 121,673 |
| Contributions in relation to the actuarially determined contribution | 589,569 | 597,776 | 587,798 | 269,549 |
| Contribution deficiency (excess) | <u>\$ (589,569)</u> | <u>\$ (597,776)</u> | <u>\$ (570,713)</u> | <u>\$ (147,876)</u> |
| Covered employee payroll | \$ 2,021,141 | \$ 2,085,514 | \$ 2,017,244 | \$ 1,981,402 |
| Contributions as a percentage of covered employee payroll | 29.17% | 28.66% | 29.14% | 13.60% |

Methods and assumptions used to determine contribution rates:

Actuarial Assumptions

The total OPEB liability was calculated based on the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------------|--|
| Valuation date: | September 30, 2019 |
| Measurement date: | September 30, 2020 |
| Actuarial cost method: | Entry age normal |
| Actuarial valuation method: | Market value |
| Discount rate: | 4.45% |
| Salary increases: | 3.50% |
| Investment rate of return: | 4.45% including inflation. |
| 20-year Aa Municipal bond rate: | 2.14% |
| Inflation: | Included in investment rate of return |
| Healthcare cost trend rates: | Pre-65 - 8.00% graded down 4.50% by 0.25% per year; Medicare eligible - 7.00% graded down by 0.50% in the first year and then 0.25% per year to an ultimate rate of 4.50%; Dental and Vision: 4.00%. |
| Mortality: | Public general 2010 employee and healthy retiree, headcount weighted with improvement scale MP-2018. |

**EATON COUNTY ROAD COMMISSION
 SCHEUDLE OF INVESTMENT RETURNS
 RETIRED EMPLOYEES HEALTHCARE PLAN
 LAST FOUR FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
 YEAR ENDED SEPTEMBER 30, 2020**

| | 2020 | 2019 | 2018 | 2017 |
|---|-------|-------|-------|-------|
| Annual money-weighted rate of return, net of investment expenses | 5.49% | 3.17% | 7.15% | 8.54% |

**EATON COUNTY ROAD COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1 - OTHER POST-EMPLOYMENT BENEFITS

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

Changes in assumptions: Discount rate changed from 6.71% to 4.45%.
Post-65 medical trend rates updated.

OTHER SUPPLEMENTARY INFORMATION

**EATON COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2020**

| | Primary Road Fund | Local Road Fund | County Road Commission | Total |
|---------------------------------|----------------------|--------------------|---------------------------|---------------------|
| TOTAL REVENUES | \$ 11,360,212 | \$ 8,372,563 | \$ 234,283 | \$ 19,967,058 |
| TOTAL EXPENDITURES | 10,156,113 | 8,636,087 | 227,157 | 19,019,357 |
| NET CHANGE IN FUND BALANCE | 1,204,099 | (263,524) | 7,126 | 947,701 |
| Fund balance, beginning of year | 6,410,847 | 533,505 | 962,339 | 7,906,691 |
| Fund balance, end of year | <u>\$ 7,614,946</u> | <u>\$ 269,981</u> | <u>\$ 969,465</u> | <u>\$ 8,854,392</u> |

**EATON COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF REVENUES
YEAR ENDED SEPTEMBER 30, 2020**

| | <u>Primary Road Fund</u> | <u>Local Road Fund</u> | <u>County Road Commission</u> | <u>Total</u> |
|-------------------------|------------------------------|----------------------------|-----------------------------------|----------------------|
| REVENUES | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ 4,408,110 | \$ - | \$ 4,408,110 |
| Licenses and permits | | | | |
| Permits | - | - | 95,365 | 95,365 |
| Intergovernmental | | | | |
| Federal sources | 1,676,552 | - | - | 1,676,552 |
| State sources | 9,510,622 | 3,924,053 | - | 13,434,675 |
| Local sources | 114,997 | 35,570 | 33,034 | 183,601 |
| Total intergovernmental | 11,302,171 | 3,959,623 | 33,034 | 15,294,828 |
| Interest | 58,041 | 4,830 | 8,713 | 71,584 |
| Other | - | - | 97,171 | 97,171 |
| TOTAL REVENUES | <u>\$ 11,360,212</u> | <u>\$ 8,372,563</u> | <u>\$ 234,283</u> | <u>\$ 19,967,058</u> |

**EATON COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2020**

| | Primary Road Fund | Local Road Fund | County Road Commission | Total |
|--|-----------------------------|----------------------------|---------------------------|-----------------------------|
| EXPENDITURES | | | | |
| Preservation - structural improvements | \$ 6,597,945 | \$ 5,160,120 | \$ - | \$ 11,758,065 |
| Routine and preventative maintenance | 3,038,171 | 2,946,197 | - | 5,984,368 |
| Administrative expense - net | 433,987 | 365,089 | - | 799,076 |
| Equipment expense - net | 12,959 | 18,943 | 5,562 | 37,464 |
| Non-road projects | - | - | 17,949 | 17,949 |
| Capital outlay - net | - | - | 129,676 | 129,676 |
| Drain assessment | 73,051 | 145,738 | - | 218,789 |
| Other | - | - | 73,970 | 73,970 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL EXPENDITURES | <u><u>\$ 10,156,113</u></u> | <u><u>\$ 8,636,087</u></u> | <u><u>\$ 227,157</u></u> | <u><u>\$ 19,019,357</u></u> |