

## Crawford County Road Commission

### Notes to Financial Statements

#### Net Pension Liability

The net pension liability reported at year-end was determined using a measure of the total pension liability and the pension net position as of December 31, 2019. The December 31, 2019 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the year were as follows:

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Beginning balance	\$ 9,842,049	\$ 3,886,134	\$ 5,955,915
Service cost	185,448	-	185,448
Interest	769,803	-	769,803
Changes in benefits	(107)	-	(107)
Expected and actual experience	259,272	-	259,272
Changes in assumptions	332,237	-	332,237
Employer contributions	-	695,563	(695,563)
Employee contributions	-	81,707	(81,707)
Net investment income	-	540,412	(540,412)
Benefit payments	(624,472)	(624,472)	-
Administrative expenses	-	(9,330)	9,330
Other changes	<u>1</u>	<u>-</u>	<u>1</u>
Net changes	<u>922,182</u>	<u>683,880</u>	<u>238,302</u>
Ending balance	<u>\$ 10,764,231</u>	<u>\$ 4,570,014</u>	<u>\$ 6,194,217</u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the Road Commission's net pension liability, calculated using the discount rate of 7.60%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.60%) or 1% higher (8.60%) than the current rate:

	1% Decrease in Rate to 6.60%	Assumed Discount Rate 7.60%	1% Increase in Rate to 8.60%
Net Pension Liability	\$ 7,349,809	\$ 6,194,217	\$ 5,211,280

*Pension Plan Fiduciary Net Position* - Detailed information about the Plan's fiduciary net position is available in the separately issued financial report. To measure the net pension liability, deferred outflows of resources and deferred inflows or resources related to pension and pension expense, information about the Plan's fiduciary net position and addition to / deduction from fiduciary net position have been determined on the same basis as they are reported by the Plan. The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

## Crawford County Road Commission

### Notes to Financial Statements

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

During the year the Road Commission recognized pension expense of \$768,522. At year-end, the Road Commission reported deferred outflows and deferred inflows of resources related to the pension from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions to the plan subsequent to the measurement date	\$ 505,438	\$ -
Net difference between projected and actual earnings on pension plan investments	15,063	-
Differences between expected and actual experience	194,454	68,741
Changes in assumptions	249,177	-
Total	\$ 964,132	\$ 68,741

The amount reported as deferred outflows and deferred inflows of resources related to the net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience and changes in assumptions and will be recognized as pension expense as follows:

Year Ending September 30,	Net Amount
2021	\$ 101,899
2022	134,295
2023	198,514
2024	(44,755)
Total	\$ 389,953

The amount reported as deferred outflows of resources related to employer contributions to the plan made subsequent to the measurement date of \$505,438 will impact the net pension liability in the next fiscal year, as opposed to being amortized to pension expense over a period of years.

**NOTE E – Postemployment Benefits Other than Pensions (OPEB)**

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Crawford County Road Commission Retiree Benefits Plan (CCRCRBP) and additions to/deductions from CCRCRBP's fiduciary net position have been determined on the same basis as they are reported by CCRCRBP. For this purpose, CCRCRBP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. The CCRCRBP does not issue a publicly available financial report.

Plan Description

The Road Commission administers a single employer defined benefit healthcare plan. The plan provides healthcare benefits for eligible employees and their spouses upon retirement, in accordance with labor contracts. The benefits are provided under the collective bargaining agreement for union employees and by resolution of the Board of County Road Commissioners for nonunion employees.

# Crawford County Road Commission

## Notes to Financial Statements

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### Benefits Provided

Beginning at age 65 the Road Commission pays the lesser of 50% or \$150 of the retiree's monthly premium for supplemental insurance. The retiree's spouse at the time of retirement shall be entitled to lesser of 50% or \$100 of the monthly premium for supplemental insurance. The \$100 amount is paid for the retiree's spouse when the spouse is age 65 or older. These benefits are provided for the retiree until death or age 80, whichever event occurs first. If the retiree dies, the surviving spouse continues to receive the benefit until the deceased retiree would have reached the age of 80.

### Participants Covered by the Benefit Terms

At year-end, the following participants were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	26
Inactive plan members entitled to but not yet receiving benefits	-
Active employees	<u>30</u>
Total participants	<u>56</u>

### Contributions

The Road Commission has no obligation to make contributions in advance of when the insurance premiums or claims are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). For the year ended September 30, 2020, the Road Commission's actuarially determined contribution was \$185,330. The Road Commission paid retiree premiums of \$126,563 during the year and made contributions to the Plan of \$100,000 to pre-fund the liability. Employees are required to contribute to the premium costs in accordance with the benefit provisions described previously.

### Net OPEB Liability

The Road Commission's annual other postemployment benefit (OPEB) cost (expense) is calculated based the *actuarially determined contribution of the employer (ADC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ADC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period of 29 (twenty-nine) years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions:

Discount Rate	6.70% (blended based on long-term expected and bond rate)
Municipal bond rate	2.14% (20 year Aa, as published by S&P Dow Jones Indices)
Salary increases	3.50%, average, including inflation
Investment rate of return	6.70%, net of OPEB plan investment expense
Mortality	2010 Public General Employees and Healthy Retirees, Headcount Weighted with 2020 Mortality Improvement Scale

## Crawford County Road Commission

### Notes to Financial Statements

#### Discount Rate

The discount rate used to measure the total OPEB liability was 6.70%. The projection of cash flows used to determine the discount rate assumed that the Road Commission will make contributions to the OPEB Trust as outlined in the Corrective Action Plan (CAP) and on a pay-as-you-go basis for current and future retiree benefit payments. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make 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. Because there is no Depletion Date (Cross-over Point) the effective discount rate is equal to the expected rate of return. This discount rate is used to determine the Total OPEB Liability.

#### Changes in the Net OPEB Liability

Changes in the net OPEB liability during the year were as follows:

Changes in OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Beginning balance	\$ 1,259,641	\$ 170,000	\$ 1,089,641
Service cost	26,521	-	26,521
Interest	36,687	-	36,687
Experience (gains) / losses	323,166	-	323,166
Changes in assumptions	(340,062)	-	(340,062)
Benefit payments	(126,563)	(126,563)	-
Employer contributions – retiree benefits paid	-	126,563	(126,563)
Employer contributions – plan contributions	-	100,000	(100,000)
Net investment income	-	24,323	(24,323)
Administrative expenses	-	(383)	383
Other	-	-	-
Net changes	(80,251)	123,940	(204,191)
Ending balance	\$ 1,179,390	\$ 293,940	\$ 885,450

#### Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the change in the net OPEB liability, calculated using the discount rate of 6.70%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (5.70%) or 1% higher (7.70%) than the current rate:

	1% Decrease in Rate to 5.70%	Assumed Discount Rate 6.70%	1% Increase in Rate to 7.70%
Net OPEB Liability	\$ 963,745	\$ 885,450	\$ 815,826

#### Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

Due to the fixed-rate structure of the benefits provided by the Plan, the net OPEB liability is not impacted by changes in the healthcare cost trend rate.



## Crawford County Road Commission

### Notes to Financial Statements

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

The Road Commission recognized net OPEB expenses of \$48,036 during the year. At year-end, the Road Commission reported deferred outflows and deferred inflows of resources related to the OPEB plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 219,587	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	14,183
Changes in assumptions	-	231,068
Total	\$ 219,587	\$ 245,251

The amount reported as deferred outflows and deferred inflows of resources related to the net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience and changes in assumptions and will be recognized as OPEB expense as follows:

Year Ending September 30,	Net Amount
2021	\$ (8,961)
2022	(8,961)
2023	(4,197)
2024	(3,545)
Total	\$ (25,664)

**NOTE F – Other Matters**

**Net Equipment Expenditures Balance**

The Road Commission, in compliance with the Uniform Accounting Procedures Manual for Michigan County Road Commissions charges rental on Road Commission equipment used for various construction and maintenance projects performed by the Road Commission. The cost for this rental, which is based on a rental rate per hour established by the Michigan Department of Transportation multiplied by rental hours, is reported as an expenditure in the various maintenance activities. An expenditure credit is reported as an offset against the equipment expenditure activities. Accordingly, the equipment rental does not affect total expenditures or the available operating equity of the Road Commission's General Operating Fund. The net balance in equipment expenditures for the year is comprised of the following:

Equipment –	
Direct	\$ 1,220,878
Indirect	419,607
Operating	242,506
Less equipment rental credits	(1,103,473)
Total	\$ 779,518

# Crawford County Road Commission

## Notes to Financial Statements

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### **Capital Outlay Expenditure Balance**

On the governmental financial statements, the Road Commission reports a depreciation credit to offset capital outlay as a result of charging depreciation to various expenditure accounts. The net book value of capital asset retirements is also reported as a credit against capital outlay. The balance in capital outlay expenditures for the year is comprised of the following:

Capital outlay	\$	757,334
Less equipment retirements		(6,759)
Less depreciation / depletion		<u>(775,033)</u>
Total	\$	<u>(24,458)</u>

### **Risk Management**

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for healthcare claims. The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool (Pool). The Michigan County Road Commission Self-insurance Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess commercial insurance coverage and to pay member claims in excess of deductible amounts. The pool provides loss coverage includes, but is not limited to, general liability, auto, property insurance, stop loss protection, errors and omissions, trunkline liability and an umbrella policy. The amount the Road Commission pays annually is determined by the Administrator of the Pool and is based on miles of roads, population and prior claim history of the Road Commission. The Road Commission's exposure is limited to \$500 per claim; all other risk is transferred to the Pool. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

The Road Commission is a member of the County Road Association Self-Insurance Fund for workers' compensation claims. As a member of the fund, the Road Commission is fully insured for workers' compensation claims incurred.

### **Contingencies**

At times, the Road Commission is named as a defendant in various litigation involving lawsuits pending and notices of intent to file suit. Management and legal counsel of the Road Commission expect no material losses in excess of insurances should an unfavorable outcome prevail. No provision for any loss has been made in the accompanying financial statements.

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, Road Commission management does not believe such disallowances, if any, will be material to the financial position of the Road Commission.

### **Federal Award Expenditures / Single Audit**

The Michigan Department of Transportation (MDOT) requires that Road Commissions report all Federal and State grants pertaining to their County. During the year, the Federal aid received and expended on behalf of the Road Commission was \$736,967 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the Road Commission administers the grant and either performs the work or contracts it out. Because the Road Commission expended less than \$750,000 in negotiated projects, a single audit was not required.



**REQUIRED SUPPLEMENTARY INFORMATION**

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## Crawford County Road Commission

### General Operating / Road Fund Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual

*For the Year Ended September 30, 2020*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Property taxes	\$ 620,000	\$ 611,805	\$ 611,815	\$ 10
Licenses and permits	20,000	21,514	23,536	2,022
Federal sources				
Various task force	1,317,683	1,317,683	736,967	(580,716)
State sources				
Michigan transportation funds				
Engineering	10,000	10,000	10,000	-
Snow removal	67,500	67,500	98,421	30,921
Allocation	4,302,000	4,002,000	4,037,844	35,844
Economic development funds				
Forest road (E)	89,000	89,055	89,055	-
Other				
Other	-	-	103,193	103,193
Contributions from local units				
Townships	884,300	138,349	188,893	50,544
Charges for services				
State trunkline maintenance	1,400,000	1,182,751	824,611	(358,140)
State trunkline non-maintenance	-	-	297,028	297,028
Salvage sales	-	-	1,314	1,314
Interest and rentals	4,500	3,171	8,478	5,307
Other				
Proceeds from sale of yard materials	20,000	43,000	30,786	(12,214)
<b>Total revenue</b>	<u>\$ 8,734,983</u>	<u>\$ 7,486,828</u>	<u>\$ 7,061,941</u>	<u>\$ (424,887)</u>



## Crawford County Road Commission

### General Operating / Road Fund

#### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (continued)

*For the Year Ended September 30, 2020*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Primary Road				
Preservation / structural improvements	\$ 1,343,855	\$ 938,652	\$ 1,562,201	\$ 623,549
Maintenance	1,112,118	979,520	943,074	(36,446)
Local Road				
Construction / capacity improvements	30,000	30,000	27,362	(2,638)
Preservation / structural improvements	200,000	480,000	642,768	162,768
Maintenance	1,100,000	1,325,000	1,350,592	25,592
Total preservation and maintenance	3,785,973	3,753,172	4,525,997	772,825
State trunkline maintenance	1,350,000	1,128,193	828,363	(299,830)
State trunkline non-maintenance	-	-	297,028	297,028
Administrative (net)	460,000	434,100	339,710	(94,390)
Equipment (net)	300,000	638,222	779,518	141,296
Capital outlay (net)	(165,000)	(13,848)	(24,458)	(10,610)
Debt service				
Principal	180,000	135,000	120,421	(14,579)
Interest	-	-	25,594	25,594
Distributive - other	180,000	115,000	-	(115,000)
Distributive fringe benefits	1,700,000	1,900,000	-	(1,900,000)
<b>Total expenditures</b>	<u>7,790,973</u>	<u>8,089,839</u>	<u>6,892,173</u>	<u>(1,197,666)</u>
Net change in fund balance	944,010	(603,011)	169,768	772,779
Fund balance, beginning of year	2,479,257	2,479,257	2,740,309	261,052
<b>Fund balance, end of year</b>	<u>\$ 3,423,267</u>	<u>\$ 1,876,246</u>	<u>\$ 2,910,077</u>	<u>\$ 1,033,831</u>

**Crawford County Road Commission**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
*Last 10 Fiscal Years Ended September 30,*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015*</u>
<b>Total pension liability</b>						
Service cost	\$ 185,448	\$ 186,389	\$ 180,341	\$ 171,605	\$ 157,370	\$ 154,944
Interest	769,803	751,576	728,256	707,800	662,782	641,354
Changes of benefit terms	(107)	-	(1,191)	(5,560)	(4,682)	-
Differences in experience	259,272	(113,624)	(47,719)	(58,232)	129,045	-
Changes in assumptions	332,237	-	-	-	411,691	-
Benefit payments	(624,472)	(567,561)	(574,858)	(553,731)	(545,430)	(530,067)
Other changes	1	(2)	(2)	(2)	2	1
Net change in total pension liability	922,182	256,778	284,827	261,880	810,778	266,232
Total pension liability - beginning	9,842,049	9,585,271	9,300,444	9,038,564	8,227,786	7,961,554
Total pension liability - ending	<u>\$ 10,764,231</u>	<u>\$ 9,842,049</u>	<u>\$ 9,585,271</u>	<u>\$ 9,300,444</u>	<u>\$ 9,038,564</u>	<u>\$ 8,227,786</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 695,563	\$ 639,758	\$ 596,825	\$ 438,313	\$ 383,768	\$ 381,846
Contributions - member	81,707	76,826	72,930	62,614	51,442	51,447
Net investment income (loss), net	540,412	(159,003)	451,718	346,163	(47,573)	197,860
Benefit payments, including refunds of member contributions	(624,472)	(567,561)	(574,858)	(553,731)	(545,430)	(530,067)
Administrative expenses	(9,330)	(7,722)	(7,133)	(6,832)	(7,002)	(7,247)
Other	-	-	-	-	-	-
Net change in fiduciary net position	683,880	(17,702)	539,482	286,527	(164,795)	93,839
Fiduciary net position - beginning	3,886,134	3,903,836	3,364,354	3,077,827	3,242,622	3,148,783
Fiduciary net position - ending	<u>\$ 4,570,014</u>	<u>\$ 3,886,134</u>	<u>\$ 3,903,836</u>	<u>\$ 3,364,354</u>	<u>\$ 3,077,827</u>	<u>\$ 3,242,622</u>
<b>Net pension liability - ending</b>	<u>\$ 6,194,217</u>	<u>\$ 5,955,915</u>	<u>\$ 5,681,435</u>	<u>\$ 5,936,090</u>	<u>\$ 5,960,737</u>	<u>\$ 4,985,164</u>
Fiduciary net position as a percentage of the total pension liability	42.46%	39.49%	40.73%	36.17%	34.05%	39.41%
Covered-employee payroll	\$ 1,526,994	\$ 1,525,646	\$ 1,485,598	\$ 1,411,941	\$ 1,325,779	\$ 1,304,600
Net pension liability as percentage of covered-employee payroll	405.65%	390.39%	382.43%	420.42%	449.60%	382.12%

\* GASB Statement No. 68 was implemented as of September 30, 2015. Information from 2011 through 2014 is not available. Additional years will be presented on this schedule on a prospective basis.

*See Notes to Required Supplementary Information*

**Crawford County Road Commission**  
**Required Supplementary Information**  
**Schedule of Employer's Net Pension Liability**  
*Last 10 Fiscal Years Ended September 30,*

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015*</b>
Total pension liability	\$ 10,764,231	\$ 9,842,049	\$ 9,585,271	\$ 9,300,444	\$ 9,038,564	\$ 8,227,786
Plan net position	4,570,014	3,886,134	3,903,836	3,364,354	3,077,827	3,242,622
Net pension liability	6,194,217	5,955,915	5,681,435	5,936,090	5,960,737	4,985,164
Plan net position as a percent of total pension liability	57.54%	60.51%	59.27%	63.83%	65.95%	60.59%
Covered payroll	\$ 1,526,994	\$ 1,525,646	\$ 1,485,598	\$ 1,411,941	\$ 1,325,779	\$ 1,304,600
Net pension liability as a percent of covered payroll	405.65%	390.39%	382.43%	420.42%	449.60%	382.12%

\* GASB Statement No. 68 was implemented as of December 31, 2015. Information from 2011 through 2014 is not available. Additional years will be presented on this schedule on a prospective basis.

*See Notes to Required Supplementary Information*

**Crawford County Road Commission**  
**Required Supplementary Information**  
**Schedule of Employer Contributions - Pension**  
*Last 10 Fiscal Years Ended September 30,*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015*</u>
Actuarially determined contribution	\$ 516,885	\$ 559,096	\$ 497,358	\$ 564,954	\$ 486,300	\$ 381,846
Contributions in relation to the actuarially determined contribution	696,885	687,596	589,279	564,954	486,300	381,846
Contribution deficiency (excess)	<u>\$ (180,000)</u>	<u>\$ (128,500)</u>	<u>\$ (91,921)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,526,994	\$ 1,525,646	\$ 1,485,598	\$ 1,411,941	\$ 1,325,779	\$ 1,304,600
Contributions as percentage of covered- employee payroll	45.64%	45.07%	39.67%	40.01%	36.68%	29.27%

\* GASB Statement No. 68 was implemented as of September 30, 2015. Information from 2011 through 2014 is not available. Additional years will be presented on this schedule on a prospective basis.

*See Notes to Required Supplementary Information*

## Crawford County Road Commission

### Required Supplementary Information

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

*Last 10 Fiscal Years Ended September 30,*

	<u>2020</u>	<u>2019</u>	<u>2018*</u>
<b>Total OPEB liability</b>			
Service cost	\$ 26,521	\$ 37,909	\$ 42,637
Interest	36,687	35,491	35,906
Changes of benefit terms	-	-	-
Differences in experience	323,166	-	-
Changes in assumptions	(340,062)	-	-
Benefit payments	(126,563)	(127,485)	(90,579)
Other changes	-	41,079	39,886
Net change in total OPEB liability	(80,251)	(13,006)	27,850
Total OPEB liability - beginning	1,259,641	1,272,647	1,244,797
Total OPEB liability - ending	<u>\$ 1,179,390</u>	<u>\$ 1,259,641</u>	<u>\$ 1,272,647</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 226,563	\$ 291,759	\$ 90,579
Contributions - member	-	-	-
Net investment income (loss), net	24,323	5,726	-
Benefit payments, including refunds of member contributions	(126,563)	(127,485)	(90,579)
Administrative expenses	(383)	-	-
Other	-	-	-
Net change in fiduciary net position	123,940	170,000	-
Fiduciary net position - beginning	170,000	-	-
Fiduciary net position - ending	<u>\$ 293,940</u>	<u>\$ 170,000</u>	<u>\$ -</u>
<b>Net OPEB liability - ending</b>	<u>\$ 885,450</u>	<u>\$ 1,089,641</u>	<u>\$ 1,272,647</u>
Fiduciary net position as a percentage of the total OPEB liability	24.92%	13.50%	0.00%
Covered-employee payroll	\$ 1,526,994	\$ 1,525,646	\$ 1,485,598
Net OPEB liability as percentage of covered-employee payroll	57.99%	71.42%	85.67%

\* GASB Statement No. 75 was implemented as of September 30, 2018. Information from 2011 through 2017 is not available. Additional years will be presented on this schedule on a prospective basis

*See Notes to Required Supplementary Information*

**Crawford County Road Commission**  
**Required Supplementary Information**  
**Schedule of Employer's Net OPEB Liability**  
*Last 10 Fiscal Years Ended September 30,*

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	<b>2020</b>	<b>2019</b>	<b>2018*</b>
Total OPEB liability	\$ 1,179,390	\$ 1,259,641	\$ 1,272,647
Plan net position	293,940	170,000	-
Net OPEB liability	885,450	1,089,641	1,272,647
Plan net position as a percent of total OPEB liability	75.08%	86.50%	100.00%
Covered payroll	\$ 1,526,994	\$ 1,525,646	\$ 1,485,598
Net OPEB liability as a percent of covered payroll	57.99%	71.42%	85.67%

\* GASB Statement No. 75 was implemented as of September 30, 2018. Information from 2011 through 2017 is not available. Additional years will be presented on this schedule on a prospective basis.

*See Notes to Required Supplementary Information*



**Crawford County Road Commission**  
**Required Supplementary Information**  
**Schedule of Employer Contributions - OPEB**  
*Last 10 Fiscal Years Ended September 30,*

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	<b>2020</b>	<b>2019</b>	<b>2018*</b>
Actuarially determined contribution	\$ 185,330	\$ 72,936	\$ 80,942
Contributions in relation to the actuarially determined contribution	226,563	164,274	-
Contribution deficiency (excess)	\$ (41,233)	\$ (91,338)	\$ 80,942
 Covered-employee payroll	 \$ 1,526,994	 \$ 1,525,646	 \$ 1,485,598
 Contributions as percentage of covered- employee payroll	 14.84%	 10.77%	 0.00%

\* GASB Statement No. 75 was implemented as of September 30, 2018. Information from 2010 through 2017 is not available. Additional years will be presented on this schedule on a prospective basis

*See Notes to Required Supplementary Information*

**Crawford County Road Commission**

**Required Supplementary Information**

**Schedule of Investment Returns - OPEB**

*Last 10 Fiscal Years Ended September 30,*

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	<u>2020</u>	<u>2019</u>	<u>2018*</u>
Annual money-weighted rate of return, net of investment expenses	8.41%	1.07%	0.00%

\* GASB Statement No. 75 was implemented as of September 30, 2018. Information from 2011 through 2017 is not available. Additional years will be presented on this schedule on a prospective basis.

*See Notes to Required Supplementary Information*

**Crawford County Road Commission**  
**Notes to Required Supplementary Information**

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**Budgetary Data**

The Road Commission's procedures for establishing budgetary data are as follows:

- \* The Road Commission Clerk prepares a proposed operating budget for the fiscal year commencing October 1st. The proposed operating budget includes identification of expenditures and resources to finance them.
- \* Prior to September 30th, the proposed budget is presented to the Board of County Road Commissioners. The budget is reviewed and may be amended by the Board and a public hearing is held regarding the proposed
- \* The Road Commission's approved budget was adopted at the activity level. This is the legally enacted level under the State of Michigan Uniform Budgeting and Accounting Act, since the Board of County Road Commissioners must approve amendments to the budget at the activity level.
- \* The budget for the General Operating / Road Fund is adopted on a basis consistent with U.S. GAAP. Budget amounts reported in the financial statements consist of those amounts contained in the formal budget approved and amended by the Board.
- \* The Road Commission adopts a budget for the General Operating / Road Fund by means of an appropriations act, on a departmental 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 accrued basis of accounting.
- \* Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a governmental unit shall not incur expenditures in excess of the amount appropriated at the legally adopted level. Variances at the legal level of control are as disclosed on the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

**Methods and Assumptions Used to Determine Contribution Rates:**

**Defined Benefit Pension Plan**

Valuation date	December 31, 2017
Notes	Actuarially determined contribution rates are calculated as of the December 31 that is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years
Asset valuation method	Open; 10-year smoothed market
Inflation	2.50%
Salary increases	3.00% (plus 0.00% to 11.00% for merit and longevity)
Investment rate of return	7.35% (net of administrative and investment expenses)
Retirement age	Age-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend for non-disabled plan members and 50% Male and 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables for disabled plan members.

Assumption changes	The 12/31/2019 valuation lowered the projected rate of return from 7.75% to 7.35% and the rate of wage inflation from 3.75% to 3.00%
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**Crawford County Road Commission**  
**Notes to Required Supplementary Information**

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**Methods and Assumptions Used to Determine Contribution Rates:**

*Defined Benefit OPEB Plan*

Valuation date	September 30, 2020
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, open
Asset valuation method	Market value
Discount rate	6.70%
Remaining amortization period	6 years
20-year Aa municipal bond rate	2.14%
Salary increases	3.50%
Return on plan assets	6.70%
Mortality rates	2010 Public General Employees and Healthy Retirees, Headcount weighted with 2020 Mortality Improvement Scale
Utilization	100% of covered employees at the valuation date will have the same coverage at retirement; actual coverage used for non-active
Retirement rates	100% at first eligibility
Marital assumption	75% of the active with a covered spouse will have a covered spouse at retirement with females 3 years younger than males; actual spouse data used for retirees
Assumption changes	The 9/30/2020 valuation was performed using valuation software designed specifically for valuing OPEB plans sponsored by municipalities instead of the previously used Alternative Measurement Method. This change, combined with any demographic changes in the members covered by the plan during the previous year, resulted in an actuarial loss (increase in liability) of \$361,771. This loss was offset somewhat by an actuarial gain (decrease in liability) of \$38,605 due to actual benefit payments being lower than expected for the fiscal year ending 9/30/2020. There was also an offsetting gain of \$340,062 due to changes in the actuarial assumptions, primarily, the increase in the discount rate from 3.0% to 6.7%.

**OTHER SUPPLEMENTARY INFORMATION**

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## Crawford County Road Commission

### General Operating / Road Fund

#### Schedule of Revenues by Component

*For the Year Ended September 30, 2020*

	Primary Road Funds	Local Road Funds	County Road Commission Funds	Total
<b>Revenues</b>				
Property taxes	\$ 611,815	\$ -	\$ -	\$ 611,815
Licenses and permits	-	-	23,536	23,536
Federal sources				
Other	736,967	-	-	736,967
State sources				
Michigan transportation funds				
Engineering	5,872	4,128	-	10,000
Snow removal	-	98,421	-	98,421
Allocation	2,370,871	1,666,973	-	4,037,844
Economic development funds				
Forest road (E)	89,055	-	-	89,055
Other				
Other	-	103,193	-	103,193
Contributions from local units				
City and Village	-	188,893	-	188,893
Charges for services				
State trunkline maintenance	-	-	824,611	824,611
State trunkline non-maintenance	-	-	297,028	297,028
Salvage sales	-	-	1,314	1,314
Interest and rents				
Interest earned	2,661	8	456	3,125
Property rentals	-	-	5,353	5,353
Other				
Other	-	2,719	28,067	30,786
<b>Total revenues</b>	<u>\$ 3,817,241</u>	<u>\$ 2,064,335</u>	<u>\$ 1,180,365</u>	<u>\$ 7,061,941</u>



## Crawford County Road Commission

### General Operating / Road Fund

#### Schedule of Expenditures by Component

*For the Year Ended September 30, 2020*

	<b>Primary Road Funds</b>	<b>Local Road Funds</b>	<b>County Road Commission Funds</b>	<b>Total</b>
<b>Expenditures</b>				
Construction / Capacity Improvements	\$ -	\$ 27,362	\$ -	\$ 27,362
Preservation / Structural Improvements				
Roads	1,545,698	634,115	-	2,179,813
Structures	1,729	-	-	1,729
Other	14,774	8,653	-	23,427
Maintenance				
Roads	374,132	749,526	-	1,123,658
Structures	4,277	-	-	4,277
Winter maintenance	511,850	543,377	-	1,055,227
Traffic control	52,815	57,689	-	110,504
Total construction and maintenance	2,505,275	2,020,722	-	4,525,997
State trunkline maintenance	-	-	828,363	828,363
State trunkline non-maintenance	-	-	297,028	297,028
Administrative expense (net)	188,040	151,670	-	339,710
Equipment expense (net)	196,695	363,362	219,461	779,518
Capital outlay (net)	6,373	-	(30,831)	(24,458)
Debt service				
Principal	120,421	-	-	120,421
Interest	25,594	-	-	25,594
<b>Total expenditures</b>	<b>\$ 3,042,398</b>	<b>\$ 2,535,754</b>	<b>\$ 1,314,021</b>	<b>\$ 6,892,173</b>

**Crawford County Road Commission**

**General Operating / Road Fund**

**Schedule of Changes in Fund Balance by Component**

*For the Year Ended September 30, 2020*

	<b>Primary Road Funds</b>	<b>Local Road Funds</b>	<b>County Road Commission Funds</b>	<b>Total</b>
Total revenues	\$ 3,817,241	\$ 2,064,335	\$ 1,180,365	\$ 7,061,941
Total expenditures	<u>3,042,398</u>	<u>2,535,754</u>	<u>1,314,021</u>	<u>6,892,173</u>
<b>Revenues over (under) expenditures</b>	774,843	(471,419)	(133,656)	169,768
<b>Other financing sources (uses)</b>				
Interfund transfers	<u>(500,000)</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
<b>Revenues and other sources over (under) expenditures and other sources (uses)</b>	274,843	28,581	(133,656)	169,768
Fund balance, beginning of year	<u>2,333,428</u>	<u>7,618</u>	<u>399,263</u>	<u>2,740,309</u>
<b>Fund balance, end of year</b>	<u><u>\$ 2,608,271</u></u>	<u><u>\$ 36,199</u></u>	<u><u>\$ 265,607</u></u>	<u><u>\$ 2,910,077</u></u>

## **INTERNAL CONTROL AND COMPLIANCE**

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SMITH & KLACZKIEWICZ, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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A VETERAN OWNED BUSINESS

**Independent Auditor's 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***

To the Board of County Road Commissioners  
County of Crawford, Michigan  
Grayling, 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 and the major fund of the ***Crawford County Road Commission***, a component unit of Crawford County, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the ***Crawford County Road Commission's*** basic financial statements and have issued our report thereon dated February 18, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered ***Crawford County 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 ***Crawford County Road Commission's*** internal control. Accordingly, we do not express an opinion on the effectiveness of the ***Crawford County Road Commission's*** internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-1 and 2020-2 that we consider to be material weaknesses.

**Compliance and Other Matters**

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

**Road Commission's Responses to Findings**

The *Crawford County Road Commission's* written responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Road Commission's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**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 Road Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Smith + Klayhenwiz PC*

***Saginaw, Michigan***

February 18, 2021

## Crawford County Road Commission

### Schedule of Findings and Responses (*continued*)

*For the Year Ended September 30, 2020*

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Finding 2020-1 – Preparation of Financial Statements in Accordance with U.S. GAAP (*repeated*)

**Criteria:** The Road Commission is required to prepare financial statements in accordance with accounting principles generally accepted in the United States (U.S. GAAP). This is a responsibility of the Road Commission's management. The preparation of financial statements in accordance with U.S. GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

**Condition:** As is the case with many smaller and medium-sized entities, the Road Commission has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Road Commission's ability to prepare financial statements in accordance with U.S. GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

**Cause:** This condition was caused by the Road Commission's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

**Effect:** As a result of this condition, the Road Commission lacks internal controls over the preparation of financial statements in accordance with U.S. GAAP, and instead relies, in part, on its external auditors for assistance with this task.

**View of  
Responsible  
Officials:**

The Road Commission has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with U.S. GAAP, and determined that it is in the best interests of the Road Commission to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.



**Crawford County Road Commission**  
Schedule of Findings and Responses (*concluded*)  
*For the Year Ended September 30,2019*

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Finding 2020-2 – Lack of Segregation of Duties (*repeated*)

Criteria: An important component of any internal control system is appropriate segregation of duties over key accounting functions. To provide a system of checks and balances, these functions are generally assigned to different employees to minimize the potential for unauthorized transactions. Ideally, no single individual should be able to authorize a transaction, record the transaction in the accounting records and maintain custody of the assets resulting from the transaction. These includes having separate individuals that are authorized and capable of setting up vendors and processing accounts payable, setting up new employees and processing payroll information, making deposits, initiating ACH transactions and creating and posting manual journal entries. Proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and have the ability to conceal it.

Condition: As is the case with many organizations of similar size, the Road Commission lacks a sufficient number of accounting personnel in order to completely segregate incompatible duties within its accounting function.

Cause: Sufficient resources and staff are not available to adequately segregate these functions. Additionally, the benefit of separating these duties does not appear to exceed the costs associated with the additional personnel that would be required to segregate all incompatible duties.

Effect: This condition creates opportunities for inaccurate or unauthorized disbursements or transfers of Road Commission assets and increases the potential for inaccurate reporting of financial activity.

View of Responsible Officials: The Road Commission is aware of the weakness in this area and has determined that the strong oversight and involvement of the Board of County Road Commissioners reduces the risk of unauthorized disbursements and inaccurate financial reporting to an acceptably low level.